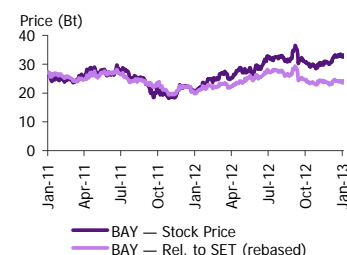


BUY

Stock Data

Last close (Jan 18) (Bt)	33.25
12-m target price (Bt)	37.00
Upside (Downside) to TP (%)	11.28
Mkt cap (Btbn)	201.97
Mkt cap (US\$mn)	6,784
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.67
Sector % SET	18.12
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	37 / 20.6
Avg. daily 6m (US\$mn)	15.77
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	8.1	9.9	59.9
Relative to SET	3.9	0.2	18.0

Source: SET, SCBS Investment Research

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4Q12A: In line; ROE still moving up

- **4Q12A in line with expectations.** 4Q12A net profit leapt 675% YoY and was stable QoQ at Bt3.75bn, in line with SCBS and consensus forecast. 4Q12 results reflect accelerating loan growth and fee income, a slight slip in NIM and improving asset quality.

Key points:

1. Loan growth: As expected at +6% QoQ, nearly double the 3.5% QoQ in 3Q12, driven by all three segments (3.6% QoQ for corporate, 7.2% QoQ for SME, and 6.4% for retail). Loan growth in 2012 ended up at 15.4%, led by retail (+24.2%), followed by SMEs (+12.6%) and corporate (+3.7%).
2. Net interest margin: As anticipated at -4 bps QoQ to 4.16%. Yield on earning assets fell 4 bps QoQ. Cost of funds slipped 1 bps QoQ.
3. Non-interest income: In line with estimates at +11% QoQ, largely driven by other income. Fee income rose 4% QoQ, bringing 2012 growth to 18%.
4. Cost to income: Seasonally rising to 52.4% from 50.2% in 3Q12.
5. Asset quality: Mainly as a result of the sale of Bt2.8bn in NPLs, NPLs shrank Bt1.8bn or 5% QoQ and NPL ratio came down to 2.72% from 2.97% at 3Q12. Provision expenses increased 4% QoQ, bringing full-year credit cost to 137 bps, slightly below the guidance of 140 bps. LLR coverage rose to 145% from 140% at 3Q12.

- **2013 target confirms easing credit cost and cost to income ratio.** BAY's 2013 target confirms lower credit cost and cost to income ratio, paving the way to a better ROE. In 2013, BAY expects performing loan growth to slow to 12% from 2012's 17%. It also expects NIM to improve slightly to 4.4% from 4.33% (BAY's calculation) in 2012, with 15% fee income growth, along with a fall in credit cost to 130 bps from 137 bps in 2012. It also has a goal of bringing LLR coverage up to 150% from 145% at YE2012 and to reduce cost to income ratio to <48% from 50% (BAY's calculation) in 2012. Its focus in 2013 will be on E-banking and penetration into the under-banked market.

- **Maintain Buy.** We maintain Buy on BAY with a slight lifting in target price to Bt37 (1.8x 2013F BVPS) from Bt35 (1.7x 2013F BVPS) to fine tune our forecast with the 2013 guidance. Despite the concerns about the potential negative impact from the departure of GE, we expect the share price to be driven by speculation on the acquisition of GE's 25% stake in BAY by the latest suitor, Mitsubishi UFJ Financial Group – which carries with it upside risk from a possible integration with Bank of Tokyo-Mitsubishi UFJ's Bangkok branch. We expect ROE to continue improving, driven by falling credit cost and cost to income ratio.

Forecasts and valuation

Year to 31 Dec	Unit	2011	2012	2013F	2014F	2015F
Pre-provision profit	(Bt mn)	21,478	26,010	30,284	34,296	38,780
Net profit	(Bt mn)	9,264	14,625	18,199	21,281	24,786
PPP/Sh	(Bt)	3.54	4.28	4.99	5.65	6.38
EPS	(Bt)	1.53	2.41	3.00	3.50	4.08
BVPS	(Bt)	16.87	18.66	20.69	22.99	25.67
DPS	(Bt)	0.70	0.96	1.20	1.40	1.63
PER	(x)	21.80	13.81	11.10	9.49	8.15
P/PPP	(x)	9.40	7.76	6.67	5.89	5.21
EPS growth	(%)	5.35	57.87	24.43	16.94	16.47
PBV	(x)	1.97	1.78	1.61	1.45	1.30
ROE	(%)	9.20	13.55	15.23	16.04	16.77
Dividend yields	(%)	2.11	2.90	3.60	4.21	4.91

Source: SCBS Investment Research

Figure 1: Quarterly results

P & L (Bt mn)	4Q11	1Q12	2Q12	3Q12	4Q12	%YoY ch	%QoQ ch	2011	2012	% YoY ch	% full year
Net interest income	9,146	9,380	10,053	10,220	10,300	13	1	37,465	39,953	7	100
Non-interest income	4,298	4,741	5,392	5,171	5,754	34	11	17,807	21,058	18	100
Operating expenses	6,368	7,007	7,645	7,727	8,419	32	9	27,477	30,798	12	100
Pre-provision profit	7,077	7,114	7,800	7,664	7,635	8	(0)	27,795	30,213	9	100
Less Provision	3,740	2,713	2,990	2,785	2,898	(23)	4	12,214	11,385	(7)	100
Pre-tax profit	3,336	4,401	4,810	4,879	4,737	42	(3)	15,582	18,828	21	100
Income tax	2,819	1,020	1,141	1,146	1,030	(63)	(10)	6,310	4,337	(31)	100
MI and Equity	(40)	49	29	9	47	217	413	(7)	134	1,921	NA
Net profit	477	3,430	3,699	3,742	3,754	687	0	9,264	14,625	58	100
EPS (Bt)	0.08	0.56	0.61	0.62	0.62	687	0	1.53	2.41	58	100
B/S (Bt mn)	4Q11	1Q12	2Q12	3Q12	4Q12	%YoY ch	%QoQ ch	2011	2012	%YoY ch	% full year
Gross loans	719,507	742,001	757,629	783,895	830,008	15	6	719,507	830,008	15	NM
Deposits	560,540	572,538	622,391	672,324	687,159	23	2	560,540	687,159	23	NM
BVPS (Bt)	16.87	17.46	17.75	17.96	18.66	11	4	16.87	18.66	11	NM
Ratios (%)	4Q11	1Q12	2Q12	3Q12	4Q12	%YoY ch*	%QoQ ch*	2011	2012	YoY ch*	% full year
Yield on earn. asset	6.84	6.82	6.83	6.79	6.74	(0.09)	(0.04)	6.68	6.84	0.16	NM
Cost of funds	2.98	2.99	2.89	2.93	2.92	(0.06)	(0.01)	2.51	2.93	0.43	NM
Net interest margin	4.18	4.16	4.27	4.20	4.16	(0.02)	(0.04)	4.43	4.23	(0.21)	NM
Cost to income	47.36	49.62	49.50	50.21	52.44	5.08	2.24	50.46	51.15	0.69	NM
NPLs/total loans	4.24	3.91	3.26	2.97	2.72	(1.52)	(0.25)	4.11	2.57	(1.54)	NM
LLR/NPLs	105.90	112.84	127.49	140.20	145.73	39.83	5.53	105.90	145.73	39.83	NM

Source: SCBS Investment Research

Note: * Percentage points

CG Rating 2012 Companies with CG Rating under SCBS's Coverage

ADYAC, ADI, BANPU, BAY, BBL, BCP, BEC, BNIC, BJS, CSL, DRI, EGCO, ERW, HEMRAJ, IRP, KBANK, KK, KTB, LPH, MCO, P, PSL, PTT, PTIP, PTIG, QH, RATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SCC, THAI, TISCO, TMB, TOP, TTA

AMATA, AP, ASP, BEC, BH, BIGC, CENTEL, CK, CPALL, LPP, DCC, DELTA, DTAC, ESSO, GPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINT, OISHI, SCCC, SMT, SPALL, STANLY, STEC, SVI, TCAP, THCOM, TICON, TRUE, TIW

AEONYS, AH, BIA, CCEI, KTC, LHBANK, MAJOR, RCL, ROINA, SRI, TPPL

AAY, BCH, BGI, CPNRF, POPF, QHPF, SSI, TFUND, TLOGIS, WHA, WHAPF

Corporate Governance Report disclaimer

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