

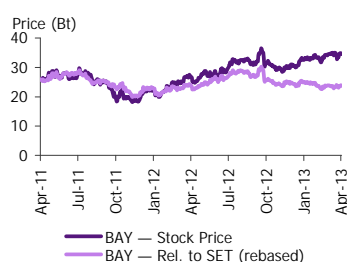
BUY

Stock Data

Last close (Apr 2) (Bt)	34.50
12-m target price (Bt)	40.00
Upside (Downside) to TP (%)	15.94
Mkt cap (Btbn)	209.56
Mkt cap (US\$mn)	7,140

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.59
Sector % SET	18.49
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	37 / 24.5
Avg. daily 6m (US\$mn)	16.79
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	0.0	5.3	30.2
Relative to SET	-0.6	-4.3	1.7

Source: SET, SCBS Investment Research

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1Q13F preview: Behind the curve

- 1Q13F preview – Underperforming peers.** We expect BAY to report a lower profit in 1Q13F than peers due to weak loan growth and slipping NIM. We forecast a 20% YoY and 10% rise in net profit to Bt4.1bn. Key takeaways from the 1Q13 preview guidance were: 1) flat loans QoQ on the back of high repayment of SME loans; 2) 3-4 bps QoQ slip in NIM due to falling loan yield on lower mix of high-yield SME loans; 3) a strong >20% YoY growth in non-interest income with YoY double-digit growth in fee income, despite softer loan-related fees; 4) cost to income ratio at ~49%, slightly higher than the full-year guidance of 48%; and 5) normalized provision expense in line with full-year guidance of 130 bps against total loans.
- Downside risk to our 2013F loan growth.** Despite strong growth in auto loans (+4% in 2M13) and moderate growth in corporate loans (+1% in 2M13), BAY's 1Q13 loan growth was flat due to repayment of working capital loans from large SMEs and seasonal QoQ contraction of credit card loans related to mutual fund transactions. This gives downside risk to our 13% 2013F loan growth. However, management claims this is a normal pattern, attributable to seasonality, and expects loan growth to gain momentum toward the end of the year. BAY will increase its focus on corporate and small & micro SMEs in 2013.
- Small NPL sale in 2Q13.** BAY is planning to sell Bt2bn NPLs in 2Q13, equivalent to 8% of total NPLs and 0.3% of total loans. This is expected to be final chunk of NPLs to be sold.
- Maintain Buy.** We maintain Buy on BAY with an unchanged target price of Bt40 (1.9x 2013F BVPS), underpinned by its 2013F strong ROE improvement driven by easing credit cost and cost to income ratio. There is upside risk from speculation on an M&A upon GE's sale of its 25.3% holding in BAY.

Forecasts and valuation

FY Dec	Unit	2011	2012	2013F	2014F	2015F
Pre-provision profit	(Bt mn)	21,478	26,010	30,390	35,105	40,795
Net profit	(Bt mn)	9,264	14,626	18,197	22,387	26,423
PPP/Sh	(Bt)	3.54	4.28	5.00	5.78	6.72
EPS	(Bt)	1.53	2.41	3.00	3.69	4.35
BVPS	(Bt)	16.87	18.66	20.98	23.77	27.02
DPS	(Bt)	0.70	0.80	0.90	1.11	1.31
PER	(x)	22.62	14.33	11.52	9.36	7.93
P/PPP	(x)	9.76	8.06	6.90	5.97	5.14
EPS growth	(%)	5.35	57.87	24.42	23.03	18.03
PBV	(x)	2.04	1.85	1.64	1.45	1.28
ROE	(%)	9.20	13.55	15.11	16.47	17.13
Dividend yields	(%)	2.03	2.32	2.61	3.20	3.78

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2011	2012	2013F	2014F	2014F
Interest & dividend income	56,428	64,640	71,616	80,681	90,848
Interest expense	18,963	24,687	26,795	30,420	34,581
Net interest income	37,465	39,953	44,821	50,262	56,267
Non-interest income	17,807	21,058	23,512	26,762	30,489
Non-interest expenses	27,477	30,798	33,606	36,587	39,684
Earnings before tax & provision	27,795	30,213	34,727	40,437	47,072
Tax	6,310	4,337	4,507	5,544	6,540
Equities & minority interest	7	(134)	(169)	(212)	(263)
Core pre-provision profit	21,478	26,010	30,390	35,105	40,795
Provision	12,214	11,385	12,193	12,718	14,371
Core net profit	9,264	14,626	18,197	22,387	26,423
Extra item	0	0	0	0	0
Net profit	9,264	14,626	18,197	22,387	26,423
EPS (Bt)	1.53	2.41	3.00	3.69	4.35
DPS (Bt)	0.70	0.80	0.90	1.11	1.31

Balance Sheet (Btmn)

FY December 31	2011	2012	2013F	2014F	2014F
Cash	25,165	25,079	25,692	26,416	27,043
Interbank assets	81,818	79,390	98,046	115,204	136,517
Investments	81,974	79,249	79,249	79,249	79,249
Gross loans	719,507	830,008	937,909	1,059,837	1,197,616
Accrued interest receivable	1,859	2,257	2,257	2,257	2,257
Loan loss reserve	31,279	31,029	43,222	55,940	70,311
Net loans	690,087	801,236	896,944	1,006,154	1,129,562
Total assets	947,797	1,071,965	1,187,401	1,314,962	1,460,790
Deposits	560,540	687,159	790,233	900,866	1,026,987
Interbank liabilities	23,741	48,821	48,821	48,821	48,821
Borrowings	208,263	154,629	154,629	154,629	154,629
Total liabilities	845,102	958,479	1,059,771	1,170,410	1,296,531
Minority interest	207	164	164	164	164
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	102,489	113,322	127,460	144,388	164,095
BVPS (Bt)	16.87	18.66	20.98	23.77	27.02

Key Assumptions and Financial Ratios

	2011	2012	2013F	2014F	2014F
Growth					
YoY loan growth	10.87	15.36	13.00	13.00	13.00
YoY fee & insurance income growth	7.02	18.06	15.00	15.00	15.00
Profitability					
Yield on earn'g assets (%)	6.68	6.84	6.72	6.73	6.74
Cost on int-bear'g liab (%)	2.51	2.93	2.84	2.90	2.96
Spread (%)	4.17	3.91	3.88	3.83	3.78
Net interest margin(%)	4.43	4.23	4.21	4.19	4.18
ROE (%)	9.20	13.55	15.11	16.47	17.13
Asset Quality					
NPLs/Total Loans(%)	4.11	2.57	2.71	2.84	2.95
LLR/NPLs(%)	105.90	145.73	170.16	185.91	198.68
Provision expense/Total loans (%)	1.70	1.37	1.30	1.20	1.20
Liquidity					
Loans/Deposits & borrowings (%)	93.59	98.60	99.26	100.41	101.35
Efficiency					
Cost to income ratio (%)	50.46	51.15	49.47	47.75	45.95
Capital Fund					
Capital adequacy ratio(%)	16.28	16.94	16.86	16.08	15.40
Tier-1(%)	11.85	10.94	11.45	11.22	11.03
Tier-2(%)	4.44	6.00	5.41	4.87	4.37

Profit and Loss Statement (Btmn)

FY December 31	4Q11	1Q12	2Q12	3Q12	4Q12
Interest & dividend income	14,959	15,362	16,068	16,512	16,698
Interest expense	5,813	5,982	6,015	6,292	6,398
Net interest income	9,146	9,380	10,053	10,220	10,300
Non-interest income	4,298	4,741	5,392	5,171	5,754
Non-interest expenses	6,368	7,007	7,645	7,727	8,419
Earnings before tax & provision	7,077	7,114	7,800	7,664	7,636
Tax	2,819	1,020	1,141	1,146	1,030
Equities & minority interest	40	(49)	(29)	(9)	(47)
Core pre-provision profit	4,217	6,143	6,688	6,527	6,653
Provision	3,740	2,713	2,990	2,785	2,898
Core net profit	477	3,430	3,699	3,742	3,755
Extra item	0	0	0	0	0
Net profit	477	3,430	3,699	3,742	3,755
EPS (Bt)	0.08	0.56	0.61	0.62	0.62

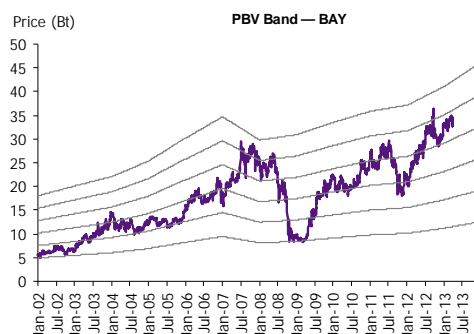
Balance Sheet (Btmn)

FY December 31	4Q11	1Q12	2Q12	3Q12	4Q12
Cash	25,165	23,142	22,787	22,075	25,079
Interbank assets	81,818	65,782	99,571	83,617	79,390
Investments	81,974	102,347	89,567	91,596	79,249
Gross loans	719,507	742,001	757,629	783,895	830,008
Accrued interest receivable	1,859	1,868	1,973	2,110	2,257
Loan loss reserve	31,279	31,711	30,823	31,497	31,029
Net loans	690,087	712,158	728,778	754,508	801,236
Total assets	947,797	976,104	1,034,541	1,040,424	1,071,965
Deposits	560,540	572,538	622,391	672,324	687,159
Interbank liabilities	23,741	32,055	34,054	44,749	48,821
Borrowings	208,263	205,328	197,639	144,979	154,629
Total liabilities	845,102	869,914	926,594	931,145	958,479
Minority interest	207	133	150	163	164
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	102,489	106,057	107,797	109,116	113,322
BVPS (Bt)	16.87	17.46	17.75	17.96	18.66

Financial Ratios

	4Q11	1Q12	2Q12	3Q12	4Q12
YoY loan growth	10.87	12.74	12.92	12.45	15.36
YoY fee & insurance income growth	6.77	14.03	15.68	17.41	24.96
Yield on earn'g assets (%)	6.84	6.82	6.83	6.79	6.74
Cost on int-bear'g liab (%)	2.98	2.99	2.89	2.93	2.92
Net interest margin(%)	4.18	4.16	4.27	4.20	4.16
Cost to income ratio (%)	47.36	49.62	49.50	50.21	52.44
NPLs/Total Loans(%)	4.24	3.91	3.26	2.97	2.72
LLR/NPLs(%)	105.90	112.84	127.49	140.20	145.73
Provision expense/Total loans (%)	2.08	1.46	1.58	1.42	1.40

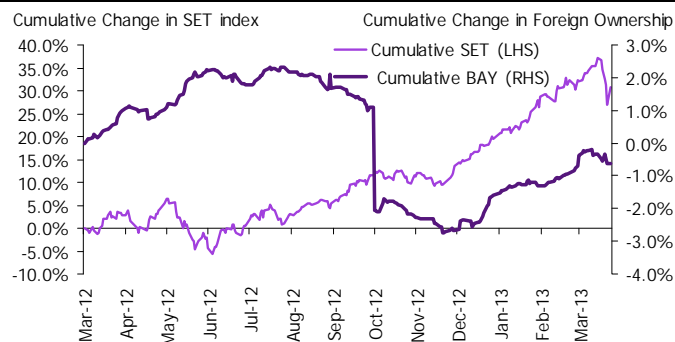
PBV Band Chart



12-Month Cumulative directors trade

NA

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



Source: SET, SCBS Investment Research

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★★★★	AMATA, AP, ASP, BEC, BH, BIGC, CENTEL, CK, CPALL, CPF, DCC, DELTA, DTAC, ESSO, GPPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINT, OISHI, SCCG, SMT, SPALI, STANLY, STEC, SVI, TCAP, THCOM, THRE, TICON, TRUE, TTW
★★★★	AEONIS, AH, BIA, CCEI, KTC, LHBANK, MAJOR, RCL, ROJANA, SIRI, TPIPL

N/A

AAV, BCH, BGH, CPNRF, INWR, POPP, QHPF, SSI, TFUND, TLOGIS, WHA, WHAPF

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