

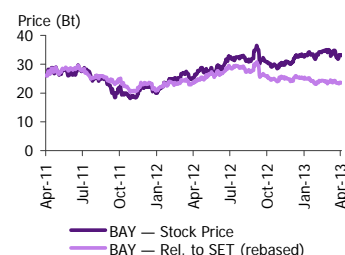
BUY

Stock Data

Last close (Apr 18) (Bt)	32.50
12-m target price (Bt)	40.00
Upside (Downside) to TP (%)	23.08
Mkt cap (Btbn)	197.41
Mkt cap (US\$mn)	6,883

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.52
Sector % SET	18.04
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	37 / 25.8
Avg. daily 6m (US\$mn)	16.89
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	-7.1	-2.3	22.6
Relative to SET	-3.4	-8.3	-5.0

Source: SET, SCBS Investment Research

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1Q13A: Meets expectations

- **1Q13A in line with expectations.** 1Q13A net profit increased 18% YoY and 8% QoQ to Bt4bn, in line with our forecast. 1Q13A earnings accounted for 18% of our full-year forecast.

Key points:

1. Loan growth: As expected at +1% QoQ, mainly driven by retail loans (+4% QoQ), particularly auto loans (+8% QoQ), growth of which was wiped out by a contraction in corporate loans (-4% QoQ). SME loans were stagnant QoQ.
2. Net interest margin: Better than the preview guidance, stable QoQ at 4.16%. An 11 bps QoQ fall in yield on earning assets was offset by an 11 bps QoQ fall in cost of funds.
3. Non-interest income: As expected, stable QoQ. Fee income rose 26% YoY and 7% QoQ, better than expected.
4. Cost to income: Fell on seasonal basis to 50.8% from 52.4% in 4Q12.
5. Asset quality: NPL ratio came down to 2.64% from 2.72% at 4Q12. In line with full-year guidance, provision expenses increased 6% QoQ, translating to 147 bps credit cost. LLR coverage edged up to 147% from 146% at 4Q12.

- **Maintain Buy.** We maintain Buy on BAY with unchanged target price of Bt40 (1.9x 2013F BVPS). 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	30,390	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)	21.31	13.50	10.85	8.82	7.47
P/PPP	(x)	9.19	7.59	6.50	5.62	4.84
EPS growth	(%)	5.35	57.87	24.42	23.03	18.03
PBV	(x)	1.93	1.74	1.55	1.37	1.20
ROE	(%)	9.20	13.55	15.11	16.47	17.13
Dividend yields	(%)	2.15	2.46	2.77	3.40	4.02

Source: SCBS Investment Research

Figure 1: Quarterly results

P & L (Bt mn)	1Q12	2Q12	3Q12	4Q12	1Q13	%YoY ch	%QoQ ch	1Q12	1Q13	% YoY ch	% full year
Net interest income	9,380	10,053	10,220	10,300	10,602	13	3	9,380	10,602	13	24
Non-interest income	4,741	5,392	5,171	5,754	5,764	22	0	4,741	5,764	22	25
Operating expenses	7,007	7,645	7,727	8,419	8,312	19	(1)	7,007	8,312	19	25
Pre-provision profit	7,114	7,800	7,664	7,636	8,053	13	5	7,114	8,053	13	23
Less Provision	2,713	2,990	2,785	2,898	3,081	14	6	2,713	3,081	14	25
Pre-tax profit	4,401	4,810	4,879	4,738	4,973	13	5	4,401	4,973	13	22
Income tax	1,020	1,141	1,146	1,030	967	(5)	(6)	1,020	967	(5)	21
MI and Equity	49	29	9	47	40	(18)	(15)	49	40	(18)	NA
Net profit	3,430	3,699	3,742	3,755	4,045	18	8	3,430	4,045	18	22
EPS (Bt)	0.56	0.61	0.62	0.62	0.67	18	8	0.56	0.67	18	22
B/S (Bt mn)	1Q12	2Q12	3Q12	4Q12	1Q13	%YoY ch	%QoQ ch	1Q12	1Q13	%YoY ch	% full year
Gross loans	742,001	757,629	783,895	830,008	837,237	13	1	742,001	837,237	13	NM
Deposits	572,538	622,391	672,324	687,159	702,449	23	2	572,538	702,449	23	NM
BVPS (Bt)	17.46	17.75	17.96	18.66	19.35	11	4	17.46	19.35	11	NM
Ratios (%)	1Q12	2Q12	3Q12	4Q12	1Q13	%YoY ch*	%QoQ ch*	1Q12	1Q13	YoY ch*	% full year
Yield on earn. asset	6.82	6.83	6.79	6.74	6.63	(0.18)	(0.11)	6.82	6.63	(0.18)	NM
Cost of funds	2.99	2.89	2.93	2.92	2.81	(0.18)	(0.11)	2.99	2.81	(0.18)	NM
Net interest margin	4.16	4.27	4.20	4.16	4.16	(0.00)	(0.00)	4.16	4.16	(0.00)	NM
Cost to income	49.62	49.50	50.21	52.44	50.79	1.17	(1.65)	49.62	50.79	1.17	NM
NPLs/total loans	3.91	3.26	2.97	2.72	2.64	(1.27)	(0.08)	3.91	2.64	(1.27)	NM
LLR/NPLs	112.84	127.49	140.20	145.73	147.23	34.39	1.49	112.84	147.23	34.39	NM

Source: SCBS Investment Research

Note: * Percentage points

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★★★	AEON'S, AH, BIA, CCEIT, JMART, KTC, LHBANK, MAJOR, RCL, ROJNA, SRI, TPIPL
★★	ANY ECH, BEH, CPNP, INVA, POPP, QHP, SSI, TRUND, TLOIS, WHA, WHARF
N/A	

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