

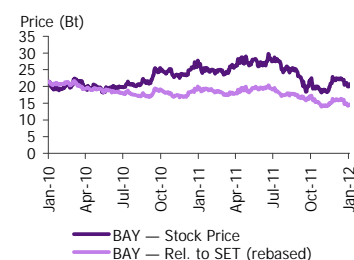
## Neutral

## Stock Data

Last close (Jan 20) (Bt)	21.30
12-m target price (Bt)	23.00
Upside (Downside) to TP (%)	7.98
Mkt cap (Btbn)	129.38
Mkt cap (US\$mn)	4,103

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.49
Sector % SET	17.28
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	30.5 / 17.8
Avg. daily 6m (US\$mn)	10.35
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	-3.6	7.0	-14.5
Relative to SET	-5.0	-7.4	-18.7

Source: SET, SCBS Investment Research

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## 4Q11A: As bad as expected

- **4Q11A bad, as expected.** Extra provisions and deferred tax expense pulled 4Q11A net profit down 79% YoY and 84% QoQ to Bt477mn. If we remove the extra Bt800mn provisions to cover flood-impacted loans and Bt2.1bn deferred tax for to account for the cut in corporate income tax to 23% this year and 20% in 2013, earnings were up 49% YoY and 12% QoQ, better than expected, on a delay of marketing campaigns to 2012. 2011A profit rose 5%.

## ■ Key points:

1. Loan growth: Better than expected at +3.2% QoQ vs. +3.9% QoQ for 3Q11. The majority of 4Q11 loan growth was corporate and retail loans, most of which came in the second half of December. Corporate loans grew 3.6% QoQ and 7.5% YoY; SME loans grew 1% QoQ and 4.9% YoY and retail loans grew 4.3% QoQ and 17% YoY. It ended 2011 with 11% loan growth, higher than our forecast of 8% but in line with its own target.
2. Net interest margin: Worse than expected, -32 bps QoQ to 4.18%. Hit by the floods, yield on earning assets slipped 5 bps QoQ, while at the same time cost of funds continued to surge at 30 bps QoQ.
3. Non-interest income: Better than expected, -5% QoQ with QoQ stable fee income, despite the flooding. 2011 fee income growth was 7%.
4. Cost to income ratio: Lower than expected, opex decreased 13% QoQ, largely because it put off some marketing campaigns to 2012.
5. Asset quality: It sold another Bt3.89bn NPLs in 4Q11 following the sale of Bt4.96bn in 3Q11. This led to a fall in NPL ratio to 4.24% from 4.87% at 3Q11. Setting aside Bt800mn in extra provisions boosted provisions 43% QoQ, lifting its LLR coverage to 106% from 99% at 3Q11.

- **2012 targets.** At the analyst meeting, BAY guided to the following 2012 targets: 11% loan growth - on par with 2011, 12% fee income growth vs. 7% for 2011, 10 bps fall in NIM, a decrease in credit cost to 140 bps from 170 bps in 2011 and a fall in cost to income ratio to 48% from 50% in 2011.

- **New fees bring risk.** The government has enacted an executive decree that will transfer the responsibility of paying off the FIDF debt plus interest to the BoT from the MoF. In turn, the BoT will call on banks to shoulder some of the burden via additional fees, now focusing on a certain percentage of deposits - estimated at ~12 bps of total deposits - plus another 35 bps on B/Es. The combined impact of the two new FIDF fees is estimated to be ~7% of BAY's 2012F earnings.

- **Maintain Neutral with target price under review.** We maintain Neutral on BAY as the upside risk from the potential acquisition of the retail loan portfolio of HSBC (Thailand) is offset by downside risk of the new FIDF fees. Our target price is under review as we wait to incorporate the negative impact from the FIDF fees once they are finalized by the BoT.

## Forecasts and valuation

Year to 31 Dec	Unit	2010	2011	2012F	2013F	2014F
Pre-provision profit	(Bt mn)	21,183	21,478	25,673	28,592	31,331
Net profit	(Bt mn)	8,793	9,265	13,516	16,847	19,366
PPP/Sh	(Bt)	8,793	9,265	13,516	16,847	19,366
EPS	(Bt)	3.49	3.54	4.23	4.71	5.16
BVPS	(Bt)	1.45	1.53	2.23	2.77	3.19
DPS	(Bt)	16.28	16.87	18.49	20.37	22.45
PER	(x)	0.57	0.61	0.89	1.11	1.28
P/PPP	(x)	14.71	13.96	9.57	7.68	6.68
EPS growth	(%)	6.11	6.02	5.04	4.52	4.13
PBV	(x)	32.05	5.36	45.89	24.65	14.95
ROE	(%)	1.31	1.26	1.15	1.05	0.95
Dividend yields	(%)	9.19	9.20	12.59	14.27	14.89

Source: SCBS Investment Research

**Table 1: Quarterly results**

P & L (Bt mn)	4Q10	1Q11	2Q11	3Q11	4Q11	%YoY ch	%QoQ ch	2010	2011	% YoY ch	% full year
Net interest income	9,130	9,191	9,395	9,733	9,146	0	(6)	34,627	37,465	8	100
Non-interest income	5,496	5,147	5,295	5,339	5,077	(8)	(5)	19,573	20,858	7	100
Operating expenses	8,801	7,709	7,440	8,232	7,146	(19)	(13)	29,614	30,527	3	100
Pre-provision profit	5,825	6,629	7,250	6,840	7,077	22	3	24,586	27,796	13	100
Less Provision	3,155	2,750	3,099	2,624	3,740	19	43	12,390	12,214	(1)	100
Pre-tax profit	2,669	3,879	4,151	4,216	3,337	25	(21)	12,196	15,582	28	100
Income tax	464	1,065	1,186	1,241	2,819	508	127	3,524	6,310	79	100
MI and Equity	56	(5)	7	31	(40)	(171)	(228)	121	(7)	(106)	NA
Net profit	2,262	2,808	2,972	3,007	477	(79)	(84)	8,793	9,265	5	100
EPS (Bt)	0.37	0.46	0.49	0.50	0.08	(79)	(84)	1.45	1.53	5	100
B/S (Bt mn)	4Q10	1Q11	2Q11	3Q11	4Q11	%YoY ch	%QoQ ch	2010	2011	%YoY ch	% full year
Gross loans	648,960	658,149	670,953	697,091	719,507	11	3	648,960	719,507	11	NM
Deposits	576,479	572,270	551,775	536,120	560,540	(3)	5	576,479	560,540	(3)	NM
BVPS (Bt)	16.28	16.42	16.56	16.64	16.87	4	1	16.28	16.87	4	NM
Ratios (%)	4Q10	1Q11	2Q11	3Q11	4Q11	%YoY ch*	%QoQ ch*	2010	2011	YoY ch*	% full year
Yield on earn. asset	6.36	6.35	6.51	6.88	6.84	0.48	(0.05)	6.19	6.68	0.49	NM
Cost of funds	1.87	2.04	2.32	2.68	2.98	1.11	0.30	1.84	2.51	0.66	NM
Net interest margin	4.69	4.54	4.46	4.50	4.18	(0.51)	(0.32)	4.53	4.43	(0.10)	NM
Cost to income	60.18	53.77	50.65	54.62	50.24	(9.93)	(4.38)	54.89	53.09	(1.80)	NM
NPLs/total loans	5.88	5.54	5.35	4.87	4.24	(1.64)	(0.63)	5.88	4.11	(1.77)	NM
LLR/NPLs	89.00	91.91	92.88	98.55	105.90	16.90	7.36	89.00	105.90	16.90	NM

Source: SCBS Investment Research

Note: \* Percentage points

**CG 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, 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, IVL, MAJOR, MAKRO, PHATRA, SCCC, SMT, SPALI, SIRI, STANLY, STEC, SVI, TCAP, THAI, TRUE, TTA, TTW
★★★	AEONTS, AH, CCET, DCC, ESSO, ITD, KH, KTC, RCL, ROJNA, TICON, TPIPL
N/A	BGH, BLS, CPNRF, LHBANK, POPF, QHPF, SAMART, SAMTEL, SSI, TFUND, TLOGIS, WHAPF
	PTTGC is the merged entity of PTTC and PTTAR

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