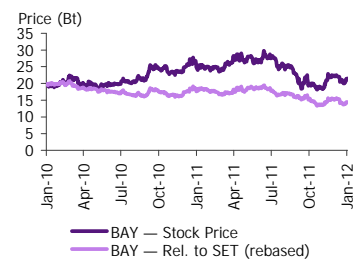


## NEUTRAL

## Stock Data

Last close (Jan 25) (Bt)	21.60
12-m target price (Bt)	23.00
Upside (Downside) to TP (%)	6.48
Mkt cap (Btbn)	131.20
Mkt cap (US\$mn)	4,182
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.51
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)	10.08
Foreign limit / actual (%)	47 / 47
Free float (%)	67.1
Dividend policy (%)	≥ 30

## Price Performance



## Share performance

	1M	3M	12M
Absolute	-2.3	11.9	-14.5
Relative to SET	-4.4	-0.5	-20.8

Source: SET, SCBS Investment Research

## Buys HSBC Thailand's retail business

**Details of the acquisition.** BAY yesterday announced that it has signed an agreement to acquire HSBC Thailand's retail banking business, including credit cards, personal loans, mortgages and deposits, at a cost of Bt3.557bn. The transaction is expected to be completed within 1Q12.

At YE2011, HSBC's retail banking business had total assets of Bt13.427bn and total liabilities of Bt17.452bn. On the transaction closing date, if total assets are less than total liabilities, HSBC will contribute cash to make the assumed assets on the transaction date equal to the assumed liabilities. This would lead to assumed assets of Bt17.452bn as of YE2011.

**Impact.** This deal will add franchise value to BAY, opening the door to expansion of its consumer client base both in terms of lending, fee income and deposits. It will have minimal impact on its profitability at ~5% of 2012F-2014F earnings, assuming 15% net return on loans (net interest income and fee income), 50% cost to income ratio and 5% credit cost. This will add Bt17.452bn (1.8%) assets and Bt13.427bn (1.9%) loans to BAY, raising its retail loan mix to 46% from 45%. The acquisition of Bt17.452bn loans is equivalent to 2.2% of total loans.

**Maintain Neutral with target price under review.** We maintain Neutral on BAY as the upside risk from the 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.

FY Dec	Unit	2010	2011	2012F	2013F	2014F
Pre-provision profit	(Bt mn)	21,183	21,478	25,714	29,123	31,962
Core net profit	(Bt mn)	8,793	9,265	13,757	17,053	18,970
Net profit	(Bt mn)	8,793	9,265	13,757	17,053	18,970
PPP/Sh	(Bt)	3.49	3.54	4.23	4.79	5.26
EPS	(Bt)	1.45	1.53	2.26	2.81	3.12
BVPS	(Bt)	16.28	16.87	18.53	20.43	22.43
DPS	(Bt)	0.57	0.61	0.91	1.12	1.25
PER	(x)	14.92	14.16	9.54	7.69	6.92
P/PPP	(x)	6.19	6.11	5.10	4.51	4.10
EPS growth	(%)	32.05	5.36	48.49	23.96	11.24
PBV	(x)	1.33	1.28	1.17	1.06	0.96
ROE	(%)	9.19	9.20	12.80	14.41	14.57
Dividend yields	(%)	2.64	2.82	4.19	5.20	5.78

Source: SCBS Investment Research

Kittima Sattayapan, CFA

(66-2) 949-1003

kittima.sattayapan@scb.co.th

## 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, GFPT, 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

## 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.