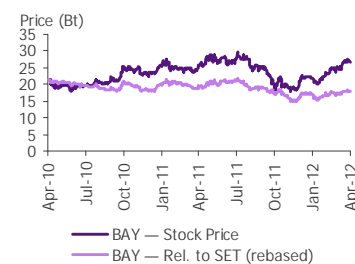


## Neutral

## Stock Data

Last close (Apr 3) (Bt)	26.50
12-m target price (Bt)	26.00
Upside (Downside) to TP (%)	(1.89)
Mkt cap (Btbn)	160.96
Mkt cap (US\$mn)	5,211
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.61
Sector % SET	18.59
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	30.5 / 17.8
Avg. daily 6m (US\$mn)	10.44
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	7.7	23.3	1.9
Relative to SET	3.0	5.5	-9.2

Source: SET, SCBS Investment Research

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## Raise TP on a cut in provision forecast

- **Maintain Neutral with a rise in TP to reflect a cut in provision expense.**
- **1Q12F preview: 1) moderate organic loan growth; 2) QoQ strong recovery in fee income; 3) QoQ fall in NIM; 4) QoQ lower provision; 5) QoQ higher opex from move of marketing campaign from 4Q11 to 1Q12.**

**Maintain Neutral.** Following the group meeting, we stay Neutral with a small rise in target price from Bt25 to Bt26 (1.4 x 2012F BVPS, based on 13.1% L-T ROE, 11% cost of equity and 5% L-T growth) brought by a 6% raise in 2012F earnings to reflect a reduced provision forecast. The share has partly priced in expected strong ROE improvement in the next three years from easing credit cost and cost to income ratio after completing operational integration with GE Money Thailand (GEMT) in 2013.

**1Q12F preview.** We forecast a 6% YoY slip in BAY's 1Q12F but a rise of 455% QoQ to Bt2.65bn. Our forecast is based on the following guidance: 1) moderate organic loan growth, in line with the full-year target of 11%; 2) a QoQ strong recovery in fee income, mainly from bancassurance; 3) a QoQ fall in NIM as a result of interest rate cuts and a 5 bps downward distortion by the acquisition of HSBC on March 31, adding 1.5% to loans but nothing to the P&L yet; 4) QoQ lower provisions to line up with the targeted credit cost of 140 bps; 5) QoQ higher opex from putting off a marketing campaign from 4Q11 to 1Q12.

**Cut provision forecast.** We cut 2012F credit cost to 1.37% from 1.5% as it now looks like flood-caused NPLs may be lower: NPLs and delinquencies eased rather than grew in 1Q12, confounding expectations. In addition, it plans to sell NPLs worth Bt3bn (equivalent to 10% of total NPLs and 0.43% of total loans at YE2011) in 2Q12. BAY is reviewing its 2012 credit cost target of 1.4% and may revise it down, says its CEO.

**HSBC acquisition completed.** BAY completed the acquisition of HSBC Thailand's retail banking business, including credit cards, personal loans, mortgages and deposits, at the end of March. The acquisition cost was Bt3.557bn. At YE2011, HSBC's retail banking business had total assets of Bt13.43bn (Bt12bn credit card & personal loans and Bt1bn mortgage loans) and total liabilities of Bt17.452bn. We have already factored this in. This will be positive to BAY mainly in terms of NIM as HSBC's cost of deposits is lower than BAY's and yield on loans is higher than BAY's average. The majority of HSBC's client base is premier, resulting in a high-quality loan portfolio.

**Larger than expected BoT soft loans.** The BoT gave BAY a credit line of Bt24.5bn (3.4% of YE2011 loans) out of which to make soft loans to flood victims. This is larger than expected as BAY was proactive in tapping clients that need the soft loans. Under the scheme, the BoT will finance 70% of the proceeds (Bt24.5bn in this case) at a cost of 0.01% and the loans will be provided to flood victims at a low interest rate of 3%. This will help prevent flood victim loans turning into NPLs.

## Forecasts and valuation

FY Dec	Unit	2010	2011	2012F	2013F	2014F
Pre-provision profit	(Bt mn)	21,183	21,478	24,472	27,338	29,485
Core net profit	(Bt mn)	8,793	9,264	13,315	15,396	16,987
Net profit	(Bt mn)	8,793	9,264	13,315	15,396	16,987
PPP/Sh	(Bt)	3.49	3.54	4.03	4.50	4.85
EPS	(Bt)	1.45	1.53	2.19	2.53	2.80
BVPS	(Bt)	16.28	16.87	18.37	20.02	21.81
DPS	(Bt)	0.57	0.70	0.88	1.01	1.12
PER	(x)	18.31	17.37	12.09	10.46	9.48
P/PPP	(x)	7.60	7.49	6.58	5.89	5.46
EPS growth	(%)	32.05	5.35	43.72	15.63	10.34
PBV	(x)	1.63	1.57	1.44	1.32	1.22
ROE	(%)	9.19	9.20	12.44	13.21	13.37
Dividend yields	(%)	2.15	2.64	3.31	3.83	4.22

Source: SCBS Investment Research

## Financial statement

## Profit and Loss Statement (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Interest & dividend income	47,275	56,428	64,797	70,034	75,867
Interest expense	12,648	18,963	23,828	25,504	27,907
Net interest income	34,627	37,465	40,969	44,530	47,961
Non-interest income	19,573	20,858	22,482	24,358	26,404
Non-interest expenses	29,614	30,527	35,002	37,709	40,653
Earnings before tax & provision	24,586	27,795	28,450	31,178	33,712
Tax	3,524	6,310	3,977	3,847	4,243
Equities & minority interest	121	(7)	(1)	7	16
Core pre-provision profit	21,183	21,478	24,472	27,338	29,485
Provision	12,390	12,214	11,157	11,942	12,498
Core net profit	8,793	9,264	13,315	15,396	16,987
Extra item	0	0	0	0	0
Net profit	8,793	9,264	13,315	15,396	16,987
EPS (Bt)	1.45	1.53	2.19	2.53	2.80
DPS (Bt)	0.57	0.70	0.88	1.01	1.12

## Balance Sheet (Btmn)

FY December 31	2010	2011	2012F	2013F	2014F
Cash	22,461	25,165	25,808	26,320	26,834
Interbank assets	74,527	81,818	94,090	108,204	124,435
Investments	79,089	85,819	85,819	85,819	85,819
Gross loans	648,960	719,507	812,079	885,166	964,831
Loan loss reserve	33,953	31,279	43,970	57,446	71,478
Net loans	616,731	690,087	769,969	829,580	895,212
Total assets	869,834	947,797	1,041,034	1,115,721	1,198,560
Deposits	576,479	560,540	772,219	867,588	939,598
Interbank liabilities	43,788	23,741	23,741	23,741	23,741
Borrowings	99,365	208,263	85,254	54,502	54,502
Total liabilities	770,730	845,102	929,276	993,893	1,065,903
Minority interest	189	207	207	207	207
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	98,915	102,489	111,552	121,622	132,450
BVPS (Bt)	16.28	16.87	18.37	20.02	21.81

## Key Financial Ratios

	2010	2011	2012F	2013F	2014F
Profitability					
Yield on loans (%)	7.10	7.50	7.73	7.53	7.47
Yield on earn'g assets (%)	6.19	6.68	6.90	6.76	6.73
Cost on deposits (%)	1.03	1.58	2.05	2.15	2.25
Cost on int-bear'g liab (%)	1.84	2.51	2.85	2.79	2.84
Spread (%)	4.35	4.17	4.05	3.97	3.89
Net interest margin(%)	4.53	4.43	4.36	4.30	4.26
ROA (%)	1.07	1.02	1.34	1.43	1.47
Pre-provision ROE (%)	22.14	21.33	22.87	23.45	23.21
ROE (%)	9.19	9.20	12.44	13.21	13.37
Asset Quality					
NPLs (Bt mn)	38,149	29,536	33,952	38,012	42,438
NPLs/ Total Loans(%)	5.88	4.11	4.18	4.29	4.40
LLR/NPLs(%)	89.00	105.90	129.50	151.12	168.43
Liquidity					
Loans / Deposits (%)	112.57	128.36	105.16	102.03	102.69
Efficiency					
Cost to income ratio (%)	54.64	52.34	55.16	54.74	54.67
Capital Fund					
Capital adequacy ratio(%)	14.90	16.28	15.19	15.20	15.19
Tier-1 (%)	10.85	11.85	11.82	12.06	12.26
Tier-2 (%)	4.04	4.44	3.37	3.14	2.92

## Profit and Loss Statement (Btmn)

FY December 31	4Q10	1Q11	2Q11	3Q11	4Q11
Interest & dividend income	12,381	12,876	13,714	14,879	14,959
Interest expense	3,251	3,685	4,319	5,146	5,813
Net interest income	9,130	9,191	9,395	9,733	9,146
Non-interest income	5,496	5,147	5,295	5,339	5,077
Non-interest expenses	8,801	7,709	7,440	8,232	7,146
Earnings before tax & provision	5,825	6,629	7,250	6,840	7,077
Tax	464	1,065	1,186	1,241	2,819
Equities & minority interest	56	(5)	7	31	(40)
Core pre-provision profit	5,417	5,559	6,071	5,631	4,217
Provision	3,155	2,750	3,099	2,624	3,740
Core net profit	2,262	2,808	2,972	3,007	477
Extra item	0	0	0	0	0
Net profit	2,262	2,808	2,972	3,007	477
EPS (Bt)	0.37	0.46	0.49	0.50	0.08

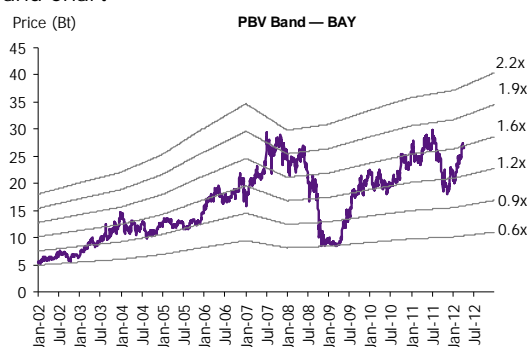
## Balance Sheet (Btmn)

FY December 31	4Q10	1Q11	2Q11	3Q11	4Q11
Cash	22,461	19,367	19,596	20,112	25,165
Interbank assets	74,527	84,844	113,292	74,886	81,818
Investments	79,089	75,471	81,629	91,523	85,819
Gross loans	648,960	658,149	670,953	697,091	719,507
Loan loss reserve	33,953	33,509	33,309	32,196	31,279
Net loans	616,731	626,347	639,440	666,734	690,087
Total assets	869,834	870,410	912,915	914,368	947,797
Deposits	576,479	572,270	551,775	536,120	560,540
Interbank liabilities	43,788	33,708	47,168	23,141	23,741
Borrowings	99,365	117,854	169,137	209,872	208,263
Total liabilities	770,730	770,474	812,146	813,070	845,102
Minority interest	189	196	206	198	207
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	98,915	99,739	100,563	101,100	102,489
BVPS (Bt)	16.28	16.42	16.56	16.64	16.87

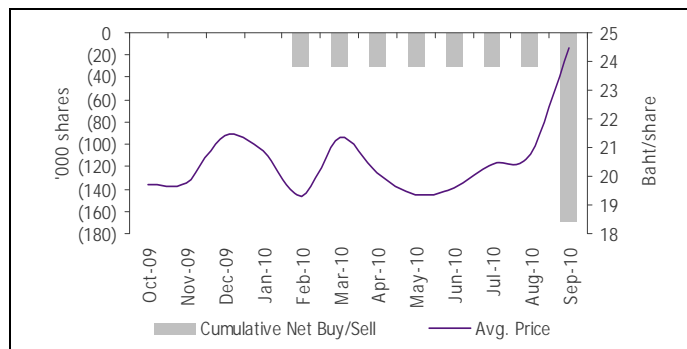
## Main Assumptions

	2010	2011	2012F	2013F	2014F
Loan growth (%)	7.53	10.87	12.87	9.00	9.00
Yield on earning assets (%)	6.19	6.68	6.90	6.76	6.73
Cost of funds (%)	1.84	2.51	2.85	2.79	2.84
Net interest margin (%)	4.53	4.43	4.36	4.30	4.26
Non-interest income growth (%)	43.94	6.57	7.79	8.34	8.40
Cost to income ratio (%)	54.64	52.34	55.16	54.74	54.67
Provision expense/Total loans (%)	1.91	1.70	1.37	1.35	1.30
NPLs/Total loans (%)	5.88	4.11	4.18	4.29	4.40

## PBV Band Chart

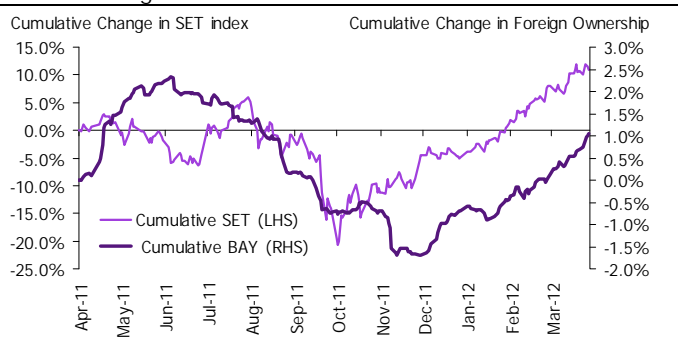


## 12-Month Cumulative directors trade



Source: SEC

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



Source: SET, SCBS Investment Research

## CG Rating 2011 Companies with CG Rating under SCBS's Coverage

ADVANC, AOT, BANPU, BAY, BBL, BCP, BMCL, CPF, CSL, EGO, HEMRAI, IRPC, KRANK, KK, KTB, LPN, MCOT, PS, PSL, PTT, PTTEP, OH, 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, SCCS, SMT, SPALI, SIRI, STANLY, STEC, SVI, TCAP, THAI, TRUE, TTA, TTW
AEONTS, AH, CCET, DCC, ESSO, ITD, KH, KTC, RCL, ROJANA, TICON, TPIPL
N/A
BGH, BLS, CPNRF, LHBANK, POPF, QHPF, SAMART, SAMTEL, SSI, TFUND, TLOGIS, WHAPF
PTTGC is the merged entity of PTTCH and PTTAR

## Corporate Governance Report disclaimer

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