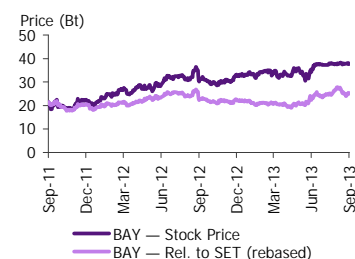


## NEUTRAL

## Stock Data

Last close (Sep 30) (Bt)	37.75
12-m target price (Bt)	39.00
Upside (Downside) to TP (%)	3.31
Mkt cap (Btbn)	229.30
Mkt cap (US\$mn)	7,333
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.85
Sector % SET	17.18
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	38.3 / 28
Avg. daily 6m (US\$mn)	28.51
Foreign limit / actual (%)	47 / 46
Free float (%)	74.7
Dividend policy (%)	≥ 30

## Price Performance



Source: SET, SCBS Investment Research

## Share performance

	1M	3M	12M
Absolute	0.0	2.0	20.8
Relative to SET	-4.3	8.0	13.5

Source: SET, SCBS Investment Research

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## 3Q13F: Just so-so; limited upside at VTO price

- 3Q13F preview: Slowing top lines, but easing provisions.** We estimate a 31% YoY and 61% QoQ jump in 3Q13 earnings to Bt4.9bn, mainly on the absence of extra provisions. Key takeaways for 3Q13 preview guidance: 1) 5-6% YTD loan growth with a slowdown in auto loan growth but an acceleration in corporate loan growth; 2) QoQ slight squeeze in NIM on the back of a rising proportion of corporate loans; 3) a return to normalized provisions at 1.3% of total loans following an unusually high 2Q13 credit cost of 2.73% for countercyclical buffer; 4) stable fee income, in line with its 15% full-year target; and 5) cost to income ratio at ~48%.
- Rising used car NPLs.** NPLs have been rising slightly since 2Q13 as a result of a 30-40% fall in used car prices and over-supply of new cars. However, NPL inflow is still minimal and manageable. BAY believes that used car prices are bottoming out and things will improve at the end of this year or the beginning of next year. Backing this will be fewer new cars on the road as car manufacturers have slowed production. BAY says it has been cautious in used car financing since 2012, i.e. raising the down payment.
- VTO timeline.** Management expects the voluntary tender offer (VTO) for all of BAY shares at Bt39/share by Bank of Tokyo-Mitsubishi UFJ (BTMU) to take place somewhere around November 15 – December 25. GE capital will sell its entire 25.33% stake in BAY to BTMU, which will then tender for 75% of BAY since the Ratanarak family is expected to maintain its 25% holding. We expect most minority shareholders to take the tender offer, which will mean little activity in BAY's listed shares. This limits the upside for BAY share price to Bt39, the tender offer price.
- Diluted ROE in S-T post BTMU deal.** The merger with Bangkok branch of Bank of Tokyo-Mitsubishi UFJ (BTMU) is expected to lead to a dilution in ROE to 12-13% from 15-16% for at least 1-2 years. Longer term, we believe synergy with BTMU will offset any dilution. The recapitalization of Bt58.5bn (if all 1.5bn shares are issued and priced at Bt39) is slightly larger than expected, exceeding BTMU's Bangkok branch equity of Bt49bn (as of July, 2013). BTMU's Bangkok branch had assets of Bt604bn (53% of BAY's assets) and loans of Bt213bn (~26% of BAY's loan portfolio), as of July, 2013. Based on FY2011 (ending March 2012), BTMU's Bangkok branch's NIM was ~2%, below BAY's 4.2%, as it has high exposure to low-risk corporate loans and interbank assets. BTMU's Bangkok branch's FY2011 net profit was Bt3.2bn, equal to 20% of BAY's 2013F earnings.
- Maintain Neutral on limited upside.** We stay Neutral on BAY as we see only limited upside at the tender offer price of Bt39, which is also our target price, translating to only 3.3% return.

## Forecasts and valuation

FY Dec	Unit	2011	2012	2013F	2014F	2015F
Pre-provision profit	(Bt mn)	21,478	26,010	30,797	32,402	35,292
Net profit	(Bt mn)	9,264	14,626	16,036	20,677	22,629
PPP/Sh	(Bt)	3.54	4.28	5.07	5.33	5.81
EPS	(Bt)	1.53	2.41	2.64	3.40	3.73
BVPS	(Bt)	16.87	18.66	20.60	23.21	25.91
DPS	(Bt)	0.70	0.80	0.80	1.02	1.12
PER	(x)	24.75	15.68	14.30	11.09	10.13
P/PPP	(x)	10.68	8.82	7.45	7.08	6.50
EPS growth	(%)	5.35	57.87	9.64	28.94	9.44
PBV	(x)	2.24	2.02	1.83	1.63	1.46
ROE	(%)	9.20	13.55	13.45	15.54	15.17
Dividend yields	(%)	1.85	2.12	2.12	2.71	2.96

Source: SCBS Investment Research

## Financial statement

## Profit and Loss Statement (Btmn)

FY December 31	2011	2012F	2013F	2014F	2015F
Interest & dividend income	56,428	64,640	70,334	76,206	82,176
Interest expense	18,963	24,687	26,362	28,879	31,549
Net interest income	37,465	39,953	43,972	47,327	50,627
Non-interest income	17,807	21,058	23,821	25,874	28,827
Non-interest expenses	27,477	30,798	33,128	35,825	38,763
Earnings before tax & provision	27,795	30,213	34,665	37,377	40,692
Tax	6,310	4,337	3,981	5,130	5,606
Equities & minority interest	7	(134)	(113)	(155)	(206)
Core pre-provision profit	21,478	26,010	30,797	32,402	35,292
Provision	12,214	11,385	14,761	11,725	12,663
Core net profit	9,264	14,626	16,036	20,677	22,629
Extra item	0	0	0	0	0
Net profit	9,264	14,626	16,036	20,677	22,629
EPS (Bt)	1.53	2.41	2.64	3.40	3.73
DPS (Bt)	0.70	0.80	0.80	1.02	1.12

## Balance Sheet (Btmn)

FY December 31	2011	2012F	2013F	2014F	2015F
Cash	25,165	25,079	25,814	26,555	26,828
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	904,709	977,085	1,055,252
Accrued interest receivable	1,859	2,257	2,257	2,257	2,257
Loan loss reserve	31,279	31,029	45,790	57,515	70,178
Net loans	690,087	801,236	861,175	921,827	987,331
Total assets	947,797	1,071,965	1,151,755	1,230,774	1,318,344
Deposits	560,540	687,159	756,906	820,108	891,252
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	1,026,450	1,089,652	1,160,796
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	125,141	140,958	157,384
BVPS (Bt)	16.87	18.66	20.60	23.21	25.91

## Key Assumptions and Financial Ratios

	2011	2012F	2013F	2014F	2015F
Growth					
YoY loan growth	10.87	15.36	9.00	8.00	8.00
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	6.71	6.68	6.65
Cost on int-bear'g liab (%)	2.51	2.93	2.85	2.91	2.98
Spread (%)	4.17	3.91	3.86	3.77	3.68
Net interest margin(%)	4.43	4.23	4.19	4.15	4.10
ROE (%)	9.20	13.55	13.45	15.54	15.17
Asset Quality					
NPLs/Total Loans(%)	4.11	2.57	2.81	3.06	3.30
LLR/NPLs(%)	105.90	145.73	180.28	192.21	201.61
Provision expense/Total loans (%)	1.70	1.37	1.63	1.20	1.20
Liquidity					
Loans/Deposits & borrowings (%)	93.59	98.60	99.25	100.24	100.90
Efficiency					
Cost to income ratio (%)	50.46	51.15	49.23	49.28	49.10
Capital Fund					
Capital adequacy ratio(%)	16.28	16.94	17.26	17.11	16.91
Tier-1(%)	11.85	10.94	11.68	11.87	12.01
Tier-2(%)	4.44	6.00	5.58	5.24	4.90

## Profit and Loss Statement (Btmn)

FY December 31	2012	3Q12	4Q12	1Q13	2Q13
Interest & dividend income	16,068	16,512	16,698	16,918	17,446
Interest expense	6,015	6,292	6,398	6,316	6,453
Net interest income	10,053	10,220	10,300	10,602	10,993
Non-interest income	5,392	5,171	5,754	5,764	6,443
Non-interest expenses	7,645	7,727	8,419	8,312	7,631
Earnings before tax & provision	7,800	7,664	7,636	8,053	9,805
Tax	1,141	1,146	1,030	967	860
Equities & minority interest	(29)	(9)	(47)	(40)	(1)
Core pre-provision profit	6,688	6,527	6,653	7,126	8,946
Provision	2,990	2,785	2,898	3,081	5,908
Core net profit	3,699	3,742	3,755	4,045	3,039
Extra item	0	0	0	0	0
Net profit	3,699	3,742	3,755	4,045	3,039
EPS (Bt)	0.61	0.62	0.62	0.67	0.50

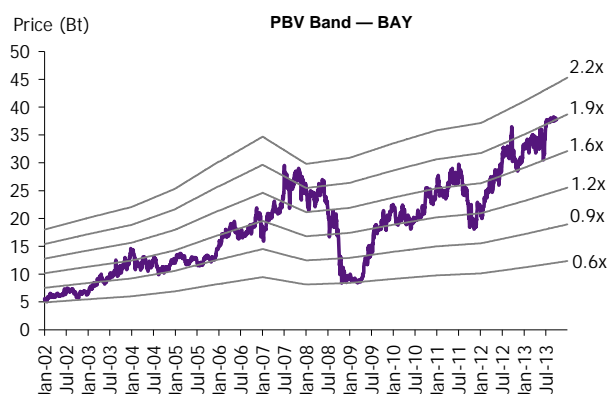
## Balance Sheet (Btmn)

FY December 31	2012	3Q12	4Q12	1Q13	2Q13
Cash	22,787	22,075	25,079	24,137	24,486
Interbank assets	99,571	83,617	79,390	99,337	109,446
Investments	89,567	91,596	79,249	82,393	78,604
Gross loans	757,629	783,895	830,008	837,237	864,341
Accrued interest receivable	1,973	2,110	2,257	2,341	2,359
Loan loss reserve	30,823	31,497	31,029	32,247	34,505
Net loans	728,778	754,508	801,236	807,331	832,195
Total assets	1,034,541	1,040,424	1,071,965	1,102,777	1,130,156
Deposits	622,391	672,324	687,159	702,449	731,731
Interbank liabilities	34,054	44,749	48,821	62,193	53,002
Borrowings	197,639	144,979	154,629	143,668	159,558
Total liabilities	926,594	931,145	958,479	985,083	1,010,533
Minority interest	150	163	164	190	228
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	107,797	109,116	113,322	117,504	119,394
BVPS (Bt)	17.75	17.96	18.66	19.35	19.66

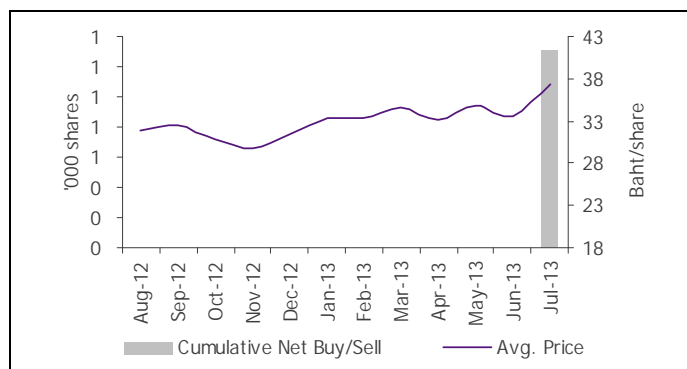
## Financial Ratios

	2012	3Q12	4Q12	1Q13	2Q13
YoY loan growth	12.92	12.45	15.36	12.84	14.09
YoY fee & insurance income growth	15.68	17.41	24.96	25.60	12.24
Yield on earn'g assets (%)	6.83	6.79	6.74	6.63	6.64
Cost on int-bear'g liab (%)	2.89	2.93	2.92	2.81	2.79
Net interest margin(%)	4.27	4.20	4.16	4.16	4.18
Cost to income ratio (%)	49.50	50.21	52.44	50.79	43.76
NPLs/Total Loans(%)	3.19	2.87	2.57	2.62	2.64
LLR/NPLs(%)	127.49	140.20	145.73	147.23	151.23
Provision expense/Total loans (%)	1.58	1.42	1.40	1.47	2.73

## PBV Band Chart

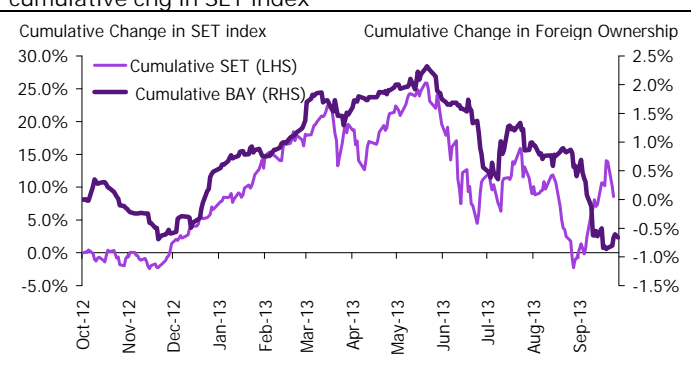


## 12-Month Cumulative directors trade



Source: SEC

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



Source: SET, SCBS Investment Research

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★★★	AEONTS, AH, BLA, CCET, JMART, KTC, LHBANK, MAJOR, RCL, ROJINA, SIRI, TPIPL
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