

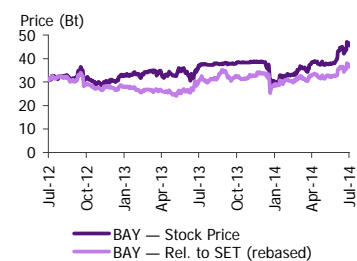
SELL

Stock Data

Last close (Jul 4) (Bt)	46.00
12-m target price (Bt)	30.00
Upside (Downside) to TP (%)	(34.78)
Mkt cap (Btbn)	279.41
Mkt cap (US\$mnn)	8,632

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	2.08
Sector % SET	17.62
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	48.3 / 27.5
Avg. daily 6m (US\$mnn)	0.75
Foreign limit / actual (%)	25 / 25
Free float (%)	28.0
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	7.6	19.5	22.7
Relative to SET	4.5	10.2	18.2

Source: SET, SCBS Investment Research

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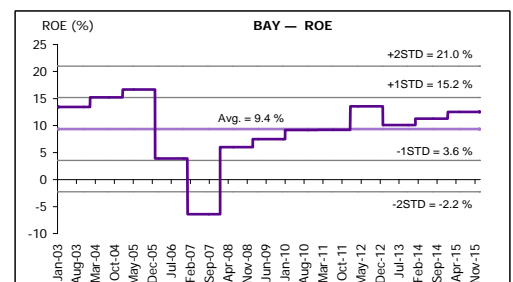
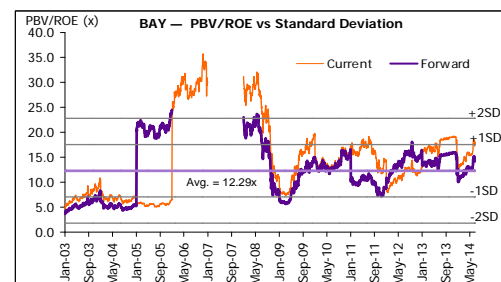
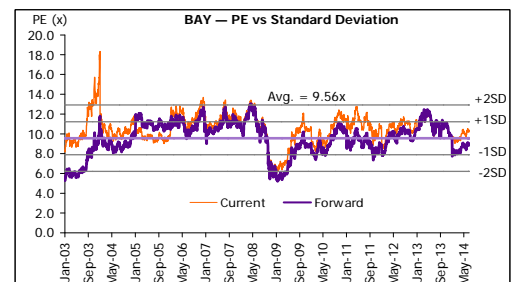
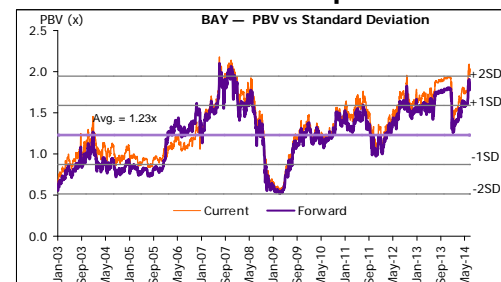
Irrational high valuation on light free float

Investment thesis. We maintain Sell on BAY, which is trading at an overly high valuation of 17x 2015F PER and 2x PBV relative to 13% 2015F ROE, due to the small free float. BAY's ROE is expected to be diluted after the merger with the Bank of Tokyo-Mitsubishi UFJ Limited (BTMU)'s Bangkok branch. With only 3% free float, the stock should also be discounted for poor trading liquidity.

Forecast changes. We raised BAY's earnings forecast by 5% for 2015F and 8% for 2016F on the back of the following key changes: 1) Raise 2015F and 2016F loan growth to 10% from 8% to take into account the upcoming investment upcycle and consumption recovery; 2) Raise NIM forecast by 1 bps for 2014F-2016F to factor in an improving loan to deposit ratio; 3) raise 2015F and 2016F non-interest income growth to 11% from 9-10% to factor in higher fee income related to lending and capital market activities; and 4) cut credit cost for 2015F and 2016F by 10 bps to 150 bps for 2015F and 140 bps for 2016F on easing asset quality risk.

Valuation. We raise target price by 7% to Bt30 from Bt28 to reflect the roll over in valuation base to mid-2015 and upward revision of earnings forecast. Our target price is set at 1.35x average 2014F & 2015F BVPS, equating to 11.7x average 2014F & 2015F EPS and at its historical PBV mean. The target PBV is based on L-T ROE of 13.4%, 6% L-T growth and 11.5% cost of equity.

BAY's historical valuation performance



Source: SCBS Investment Research

Forecasts and valuation

FY Dec	Unit	2012	2013	2014F	2015F	2015F
Pre-provision profit	(Bt mn)	26,010	30,825	31,068	33,350	37,344
Net profit	(Bt mn)	14,625	11,867	14,227	17,004	20,409
PPP/Sh	(Bt)	4.28	5.07	5.11	5.49	6.15
EPS	(Bt)	2.41	1.95	2.34	2.80	3.36
BVPS	(Bt)	18.66	19.98	21.52	23.62	26.14
DPS	(Bt)	0.80	0.80	0.70	0.84	1.01
PER	(x)	19.10	23.55	19.64	16.43	13.69
P/PPP	(x)	10.74	9.06	8.99	8.38	7.48
EPS growth	(%)	57.87	(18.86)	19.89	19.52	20.03
PBV	(x)	2.47	2.30	2.14	1.95	1.76
ROE	(%)	13.55	10.11	11.29	12.40	13.50
Dividend yields	(%)	1.74	1.74	1.53	1.83	2.19

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Interest & dividend income	64,640	71,381	73,597	79,574	88,105
Interest expense	24,687	26,442	26,333	28,534	31,622
Net interest income	39,953	44,939	47,264	51,040	56,482
Non-interest income	21,058	23,449	22,664	25,122	27,896
Non-interest expenses	30,798	33,614	35,323	38,614	42,025
Earnings before tax & provision	30,213	34,774	34,605	37,548	42,353
Tax	4,337	3,942	3,553	4,240	5,084
Equities & minority interest	(134)	7	(16)	(43)	(75)
Core pre-provision profit	26,010	30,825	31,068	33,350	37,344
Provision	11,385	18,959	16,842	16,346	16,935
Core net profit	14,625	11,867	14,227	17,004	20,409
Extra item	0	0	0	0	0
Net profit	14,625	11,867	14,227	17,004	20,409
EPS (Bt)	2.41	1.95	2.34	2.80	3.36
DPS (Bt)	0.80	0.80	0.70	0.84	1.01

Profit and Loss Statement (Btmn)

FY December 31	1Q13	2Q13	3Q13	4Q13	1Q14
Interest & dividend income	16,918	17,446	18,078	18,939	18,275
Interest expense	6,316	6,453	6,832	6,841	6,778
Net interest income	10,602	10,993	11,246	12,099	11,497
Non-interest income	5,764	6,443	5,283	5,959	5,028
Non-interest expenses	8,312	7,631	8,475	9,196	8,306
Earnings before tax & provision	8,053	9,805	8,055	8,861	8,219
Tax	967	860	1,126	989	894
Equities & minority interest	(40)	(1)	(13)	61	(25)
Core pre-provision profit	7,126	8,946	6,942	7,811	7,350
Provision	3,081	5,908	3,148	6,822	4,084
Core net profit	4,045	3,039	3,794	989	3,266
Extra item	0	0	0	0	0
Net profit	4,045	3,039	3,794	989	3,266
EPS (Bt)	0.7	0.5	0.6	0.2	0.5

Balance Sheet (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Cash	25,079	28,216	29,402	30,631	31,717
Interbank assets	79,390	87,027	102,257	121,175	149,348
Investments	79,249	74,333	74,333	74,333	74,333
Gross loans	830,008	943,502	990,678	1,089,745	1,209,617
Accrued interest receivable	2,257	2,648	2,648	2,648	2,648
Loan loss reserve	31,029	38,986	53,351	66,973	80,883
Net loans	801,236	907,164	939,975	1,025,420	1,131,382
Total assets	1,071,965	1,179,58	1,229,311	1,335,420	1,471,169
Deposits	687,159	764,050	819,061	912,434	1,032,876
Interbank liabilities	48,821	55,497	55,497	55,497	55,497
Borrowings	154,629	174,605	174,605	174,605	174,605
Total liabilities	958,479	1,057,93	1,098,295	1,191,668	1,312,110
Minority interest	164	279	279	279	279
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	113,322	121,369	130,737	143,473	158,781
BVPS (Bt)	18.66	19.98	21.52	23.62	26.14

Balance Sheet (Btmn)

FY December 31	1Q13	2Q13	3Q13	4Q13	1Q14
Cash	24,137	24,486	23,818	28,216	26,793
Interbank assets	99,337	109,446	88,003	87,027	91,246
Investments	82,393	78,604	84,486	74,333	77,368
Gross loans	837,237	864,341	889,207	943,502	939,843
Accrued interest receivable	2,341	2,359	2,465	2,648	2,552
Loan loss reserve	32,247	34,505	35,654	38,986	40,157
Net loans	807,331	832,195	856,018	907,164	902,239
Total assets	1,102,777	1,130,156	1,145,167	1,179,582	1,185,669
Deposits	702,449	731,731	736,439	764,050	780,597
Interbank liabilities	62,193	53,002	63,501	55,497	63,943
Borrowings	143,668	159,558	151,862	174,605	146,309
Total liabilities	985,083	1,010,533	1,024,582	1,057,934	1,060,242
Minority interest	190	228	260	279	315
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	117,504	119,394	120,325	121,369	125,112
BVPS (Bt)	19.35	19.66	19.81	19.98	20.60

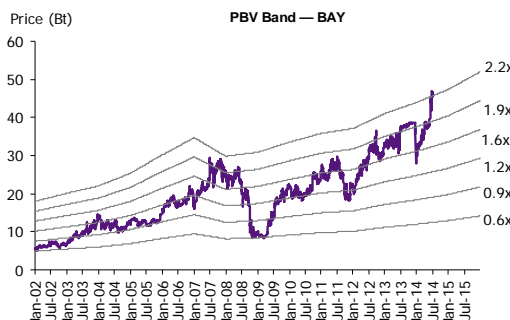
Key Assumptions and Financial Ratios

	2012	2013	2014F	2015F	2016F
Growth					
YoY loan growth	15.36	13.67	5.00	10.00	11.00
YoY fee & insurance income growth	18.06	14.26	5.00	14.00	14.00
Profitability					
Yield on earn'g assets (%)	6.84	6.73	6.40	6.42	6.42
Cost on int-bear'g liab (%)	2.93	2.81	2.58	2.60	2.63
Spread (%)	3.91	3.93	3.83	3.82	3.79
Net interest margin(%)	4.23	4.24	4.11	4.12	4.12
ROE (%)	13.55	10.11	11.29	12.40	13.50
Asset Quality					
NPLs/Total Loans(%)	2.57	2.77	2.86	2.86	2.86
LLR/NPLs(%)	145.73	149.15	188.03	214.58	233.46
Provision expense/Total loans (%)	1.37	2.01	1.70	1.50	1.40
Liquidity					
Loans/Deposits & borrowings (%)	98.60	100.52	99.70	100.25	100.18
Efficiency					
Cost to income ratio (%)	51.83	50.54	51.25	51.37	50.40
Capital Fund					
Capital adequacy ratio(%)	16.97	14.69	14.82	14.37	13.83
Tier-1(%)	10.96	10.17	10.46	10.34	10.16
Tier-2(%)	6.01	4.52	4.37	4.03	3.67

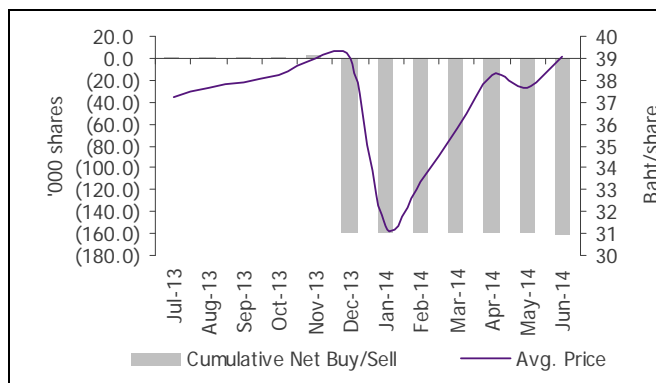
Financial Ratios

	1Q13	2Q13	3Q13	4Q13	1Q14
YoY loan growth	12.84	14.09	13.43	13.67	12.26
YoY fee & insurance income growth	25.60	12.24	11.18	9.53	(4.41)
Yield on earn'g assets (%)	6.63	6.64	6.72	6.87	6.50
Cost on int-bear'g liab (%)	2.81	2.79	2.88	2.81	2.73
Net interest margin(%)	4.16	4.18	4.18	4.39	4.09
Cost to income ratio (%)	50.79	43.76	51.27	50.93	50.26
NPLs/Total Loans(%)	2.62	2.64	2.82	2.77	3.20
LLR/NPLs(%)	147.23	151.23	142.09	149.15	133.71
Provision expense/Total loans (%)	1.47	2.73	1.42	2.89	1.74

PBV Band Chart

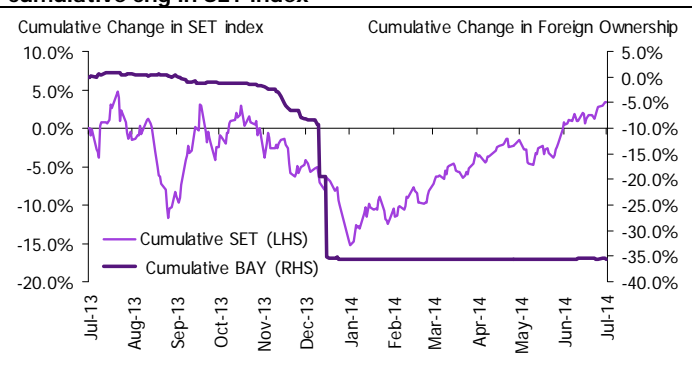


12-Month Cumulative directors trade



Source: SEC

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



Source: SET, SCBS Investment Research

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