

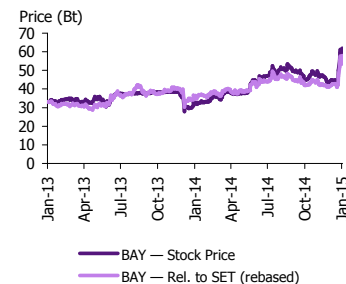
SELL

Stock Data

Last close (Jan 20) (Bt)	62.75
12-m target price (Bt)	33.00
Upside (Downside) to TP (%)	(47.41)
Mkt cap (Btbn)	461.57
Mkt cap (US\$mn)	14,111

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	3.23
Sector % SET	18.09
Shares issued (mn)	7,356
Par value (Bt)	10
12-m high / low (Bt)	68 / 31.5
Avg. daily 6m (US\$mn)	1.11
Foreign limit / actual (%)	25 / 25
Free float (%)	23.1
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	40.2	40.2	94.6
Relative to SET	40.4	39.4	63.9

Source: SET, SCBS Investment Research

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4Q14: Beat estimates on one-off items

4Q14: Beat at Bt3.9bn, 15% above our forecast, with net profit jumping 297% YoY on lower provisions and 12% QoQ from one-off gain on investment and sale of NPAs. Operations in 4Q14 reflected a strong pick-up in loan growth at 4% QoQ and 7% YoY (chiefly corporate loans), stable NIM, a modest recovery in fee income, a seasonal rise in opex and noticeable improvement in asset quality. NPLs fell 13% (Bt4.5bn) QoQ after the resolution of one corporate account that had been qualitatively classified as an NPL in 3Q14 and Bt1.26bn from the sale of NPLs. This lifted LLR coverage to 132% from 122% at 3Q14.

Figure 1: Quarterly results

P & L (Bt mn)	4Q13	3Q14	4Q14	%YoY ch	%QoQ ch	2013	2014	% YoY ch	% full year
Interest income	18,939	18,937	19,045	1	1	71,381	74,609	5	100
Interest expense	6,841	6,730	6,681	(2)	(1)	26,442	26,665	1	100
Net interest income	12,099	12,207	12,364	2	1	44,939	47,943	7	100
Non-interest income	5,959	5,797	6,530	10	13	23,449	22,658	(3)	100
Operating expenses	9,196	8,558	8,964	(3)	5	33,614	34,300	2	100
Pre-provision profit	8,861	9,447	9,930	12	5	34,774	36,301	4	100
Less Provision	6,822	4,889	4,879	(28)	(0)	18,959	18,107	(4)	100
Pre-tax profit	2,039	4,558	5,051	148	11	15,816	18,195	15	100
Income tax	989	1,036	1,097	11	6	3,942	4,031	2	100
MI and equity	(61)	(14)	(23)	61	(68)	(7)	6	185	NA
Net profit	989	3,509	3,931	297	12	11,867	14,170	19	100
EPS (Bt)	0.16	0.58	0.65	297	12	1.95	2.33	19	100
B/S (Bt mn)	4Q13	3Q14	4Q14	%YoY ch	%QoQ ch	2013	2014	%YoY ch	% full year
Gross loans	943,502	974,898	1,012,761	7	4	943,502	1,012,761	7	NM
Deposits	764,050	806,182	837,556	10	4	764,050	837,556	10	NM
BVPS (Bt)	19.98	21.08	21.60	8	2	19.98	21.60	8	NM
Ratios (%)	4Q13	3Q14	4Q14	%YoY ch*	%QoQ ch*	2013	2014	YoY ch*	% full year
Yield on earn. asset	6.87	6.52	6.51	(0.36)	(0.01)	6.73	6.57	(0.17)	NM
Cost of funds	2.81	2.64	2.58	(0.23)	(0.06)	2.81	2.63	(0.18)	NM
Net interest margin	4.39	4.20	4.22	(0.16)	0.02	4.24	4.22	(0.02)	NM
Cost to income	50.9	47.5	47.4	(3.49)	(0.09)	49.15	48.58	(0.57)	NM
NPLs/total loans	2.77	3.54	2.96	0.19	(0.58)	2.77	2.96	0.19	NM
LLR/NPLs	149.2	121.9	132.6	(16.52)	10.78	149.2	132.6	(16.52)	NM

Source: SCBS Investment Research

Note: * Percentage points

BTMU to bring in strong earnings growth, but offset by dilution this year. BAY completed the merger with the Bank of Tokyo-Mitsubishi UFJ Limited (BTMU)'s Bangkok branch at the beginning of this year. We expect this to lead to a strong earnings growth of 34% in 2015, but EPS will be stagnant due to dilution caused by the capital injected to support the transfer of assets from the BTMB's Bangkok branch. We expect the integration to bring a robust EPS growth at 26% in 2016.

Maintain Sell. We maintain Sell on BAY, which is trading at an overly high valuation of 24x 2015F PER and 19x 2016 PER, due to the small free float.

Forecasts and valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Pre-provision profit	(Bt mn)	30,825	32,276	36,002	41,260	45,282
Net profit	(Bt mn)	11,867	14,170	18,923	23,918	27,795
PPP/Sh	(Bt)	5.07	5.31	4.89	5.61	6.16
EPS	(Bt)	1.95	2.33	2.57	3.25	3.78
BVPS	(Bt)	19.98	21.60	26.89	29.37	32.17
DPS	(Bt)	0.80	0.70	0.77	0.98	1.13
PER	(x)	32.12	26.90	24.39	19.30	16.61
P/PPP	(x)	12.36	11.81	12.82	11.19	10.19
EPS growth	(%)	(18.86)	19.41	10.28	26.40	16.21
PBV	(x)	3.14	2.90	2.33	2.14	1.95
ROE	(%)	10.11	11.22	11.50	11.56	12.28
Dividend yields	(%)	1.27	1.12	1.23	1.55	1.81

Source: SCBS Investment Research

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Interest & dividend income	71,381	74,609	84,229	98,090	108,115
Interest expense	26,442	26,665	29,685	34,811	38,841
Net interest income	44,939	47,943	54,544	63,280	69,270
Non-interest income	23,449	22,658	25,173	27,424	30,025
Non-interest expenses	33,614	34,300	39,031	43,559	47,217
Earnings before tax & provision	34,774	36,301	40,686	47,145	52,078
Tax	3,942	4,031	4,721	5,961	6,918
Equities & minority interest	7	(6)	(37)	(76)	(122)
Core pre-provision profit	30,825	32,276	36,002	41,260	45,282
Provision	18,959	18,107	17,079	17,342	17,486
Core net profit	11,867	14,170	18,923	23,918	27,795
Extra item	0	0	0	0	0
Net profit	11,867	14,170	18,923	23,918	27,795
EPS (Bt)	1.95	2.33	2.57	3.25	3.78
DPS (Bt)	0.80	0.70	0.77	0.98	1.13

Profit and Loss Statement (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Interest & dividend income	18,939	18,275	18,352	18,937	19,045
Interest expense	6,841	6,778	6,476	6,730	6,681
Net interest income	12,099	11,497	11,876	12,207	12,364
Non-interest income	5,959	5,028	5,302	5,797	6,530
Non-interest expenses	9,196	8,304	8,475	8,558	8,964
Earnings before tax & provision	8,861	8,220	8,704	9,447	9,930
Tax	989	894	1,005	1,036	1,097
Equities & minority interest	61	(25)	(18)	14	23
Core pre-provision profit	7,811	7,352	7,716	8,398	8,810
Provision	6,822	4,084	4,255	4,889	4,879
Core net profit	989	3,268	3,462	3,509	3,931
Extra item	0	0	0	0	0
Net profit	989	3,268	3,462	3,509	3,931
EPS (Bt)	0.16	0.54	0.57	0.58	0.65

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Cash	28,216	31,155	40,223	48,410	57,301
Interbank assets	87,027	80,364	95,231	117,372	142,020
Investments	74,333	61,790	61,790	61,790	61,790
Gross loans	943,502	1,012,761	1,313,781	1,445,160	1,589,676
Accrued interest receivable	2,648	2,636	2,636	2,636	2,636
Loan loss reserve	38,986	39,776	53,571	67,300	80,812
Net loans	907,164	975,621	1,262,847	1,380,497	1,511,500
Total assets	1,179,582	1,214,268	1,525,930	1,674,418	1,839,485
Deposits	764,050	837,556	1,083,588	1,213,835	1,358,282
Interbank liabilities	55,497	46,612	46,612	46,612	46,612
Borrowings	174,605	151,805	151,805	151,805	151,805
Total liabilities	1,057,934	1,082,598	1,327,695	1,457,942	1,602,388
Minority interest	279	460	460	460	460
Paid-up capital	60,741	60,741	73,558	73,558	73,558
Total Equities	121,369	131,210	197,775	216,017	236,637
BVPS (Bt)	19.98	21.60	26.89	29.37	32.17

Balance Sheet (Btmn)

FY December 31	4Q13	1Q14	2Q14	3Q14	4Q14
Cash	28,216	26,793	26,091	24,288	31,155
Interbank assets	87,027	91,246	99,086	103,242	80,364
Investments	74,333	77,368	76,588	77,112	61,790
Gross loans	943,502	939,843	946,023	974,898	1,012,761
Accrued interest receivable	2,648	2,552	2,587	2,666	2,636
Loan loss reserve	38,986	40,157	40,312	42,049	39,776
Net loans	907,164	902,239	908,298	935,515	975,621
Total assets	1,179,582	1,185,669	1,194,586	1,237,174	1,214,268
Deposits	764,050	780,597	783,779	806,182	837,556
Interbank liabilities	55,497	63,943	56,288	75,590	46,612
Borrowings	174,605	146,309	166,585	151,412	151,805
Total liabilities	1,057,934	1,060,242	1,067,659	1,108,705	1,082,598
Minority interest	279	315	356	403	460
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	121,369	125,112	126,571	128,066	131,210
BVPS (Bt)	19.98	20.60	20.84	21.08	21.60

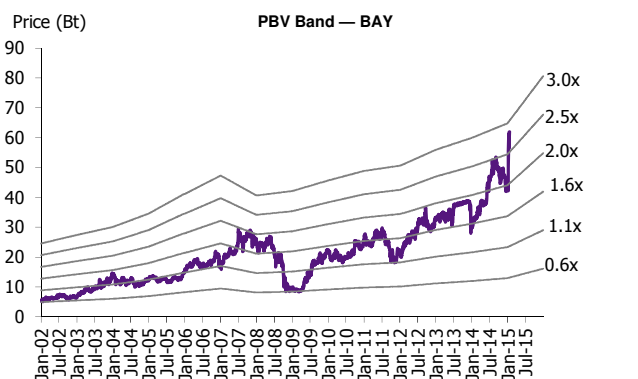
Key Assumptions and Financial Ratios

	2013	2014	2015F	2016F	2017F
Growth					
YoY loan growth	13.67	7.34	29.72	10.00	10.00
YoY fee & insurance income growth	14.26	1.50	15.00	11.40	12.00
Profitability					
Yield on earn'g assets (%)	6.73	6.57	6.42	6.34	6.33
Cost on int-bear'g liab (%)	2.81	2.63	2.56	2.58	2.62
Spread (%)	3.93	3.94	3.85	3.75	3.71
Net interest margin(%)	4.24	4.22	4.15	4.09	4.05
ROE (%)	10.11	11.22	11.50	11.56	12.28
Asset Quality					
NPLs/Total Loans(%)	2.77	2.96	2.97	2.97	2.97
LLR/NPLs(%)	149.15	132.64	137.06	156.54	170.88
Provision expense/Total loans (%)	2.01	1.79	1.30	1.20	1.10
Liquidity					
Loans/Deposits & borrowings (%)	100.52	102.37	106.35	105.82	105.27
Efficiency					
Cost to income ratio (%)	50.54	49.92	50.15	49.05	48.48
Capital Fund					
Capital adequacy ratio(%)	14.69	14.67	17.31	16.51	15.90
Tier-1(%)	10.17	10.35	13.83	13.35	13.01
Tier-2(%)	4.52	4.31	3.48	3.16	2.90

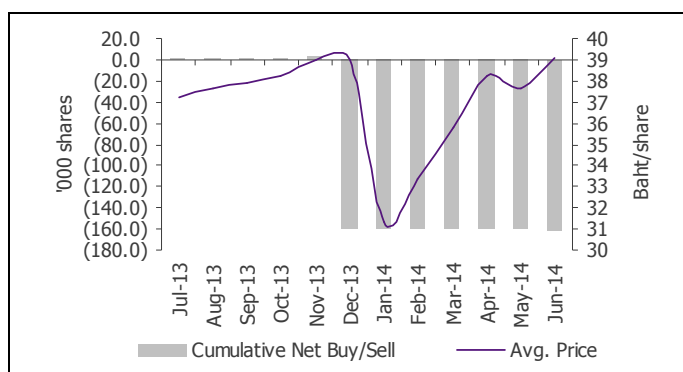
Financial Ratios

	4Q13	1Q14	2Q14	3Q14	4Q14
YoY loan growth	13.67	12.26	9.45	9.64	7.34
YoY fee & insurance income growth	9.53	(4.41)	(1.90)	4.94	7.31
Yield on earn'g assets (%)	6.87	6.50	6.47	6.52	6.51
Cost on int-bear'g liab (%)	2.81	2.73	2.59	2.64	2.58
Net interest margin(%)	4.39	4.09	4.19	4.20	4.22
Cost to income ratio (%)	50.93	50.25	49.33	47.53	47.44
NPLs/Total Loans(%)	2.77	3.20	3.20	3.54	2.96
LLR/NPLs(%)	149.15	133.71	133.24	121.86	132.64
Provision expense/Total loans (%)	2.89	1.74	1.80	2.01	1.93

PBV Band Chart

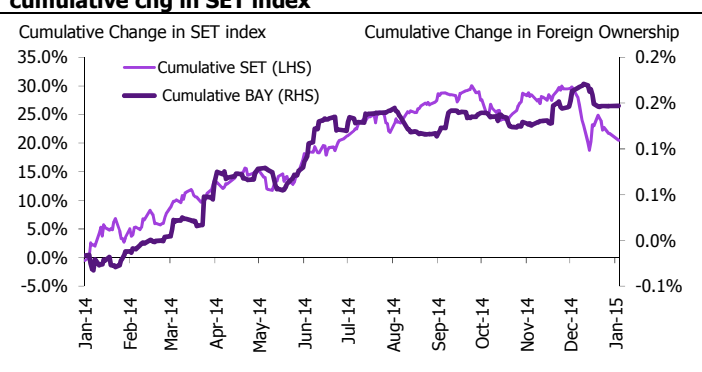


12-Month Cumulative directors trade



Source: SEC

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



Source: SET, SCBS Investment Research

Figure 2: Valuation summary (Closing price as of Jan 20, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F
BAY	Sell	62.75	33.0	(46.3)	32.1	26.9	24.4	(19)	19	10	3.1	2.9	2.3	10	11	12	1.3	1.1	1.2
BBL	Buy	185.00	250.0	39.0	9.8	9.7	9.1	9	1	7	1.2	1.1	1.0	13	12	12	3.6	3.9	4.1
KBANK	Buy	222.00	270.0	23.4	12.9	11.5	10.5	17	12	10	2.4	2.1	1.8	20	19	18	1.6	1.8	2.0
KKP	Buy	39.25	46.0	21.2	7.5	12.5	9.5	29	(41)	33	0.9	0.9	0.9	13	7	9	6.9	4.0	5.3
KTB	Buy	22.30	27.0	25.0	9.2	9.7	8.6	45	(5)	13	1.5	1.4	1.2	17	15	15	3.9	3.9	4.4
LHBANK	Sell	1.94	1.3	(31.0)	27.6	20.3	18.1	23	36	12	1.6	1.6	1.5	6	8	8	3.0	2.0	2.2
TCAP	Buy	33.50	44.0	34.9	4.6	8.4	7.5	68	(45)	12	0.9	0.8	0.8	20	10	11	4.8	3.6	3.4
TISCO	Buy	46.00	55.0	23.9	8.7	8.7	7.5	4	0	15	1.6	1.4	1.3	21	17	18	4.3	4.3	4.7
TMB	Sell	3.12	3.0	(1.7)	23.7	14.3	14.2	354	66	0	2.2	2.0	1.8	10	15	13	1.3	2.1	2.1
Average					14.8	13.3	12.0	22	4	9	1.8	1.6	1.4	15	14	14	3.4	3.0	3.3

Source: SCBS Investment Research

CG Rating 2014 Companies with CG Rating

AAAAA	BAPS, BCP, BTS, CPN, EGO, GRAMMY, HANA, INTUCH, IRPC, IWL, KBANK, KKP, KTB, MINT, PSL, PTT, PTTEP, PTTGC, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALI, TISCO, TMB, TOP
AAAAA	AAY, ACAP, ADVANC, ANANI, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIGC, BKI, BIA, BMCL, BROOK, CENTEL, CFRESH, CIMBT, CK, CNT, CPF, CSL, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, GBX, GC, GFPT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCO, NBC, NCH, NINE, NKI, NMG, NSI, OCC, OFM, PAP, PE, PG, PHOL, PJW, PMI, PPS, PR, PRANDA, PS, PT, QH, RATCH, ROBINS, RS, S & J, SAMCO, SCC, SINGER, SIS, SITHAI, SNC, SNP, SPI, SSF, SSI, SSSC, STA, SVI, TCAP, TF, THAI, THANI, THCOM, TIP, TIPCO, TK, TKT, TNITY, TNL, TOG, TRC, TRUE, TSTE, TSTH, TTA, TTW, TVO, UAC, VGI, VNT, WAOAL
AAA	2S, AF, AH, AHC, AIT, AJ, AKP, AKR, AMANAH, AMARIN, AMATA, AP, APCO, APCS, AQUA, ARIP, AS, ASIA, AYUD, BEAUTY, BEC, BFT, BH, BJC, BICHI, BOL, BTNC, BWG, CCET, CGD, CGS, CHOW, CI, CKP, CM, CMR, CSC, CSP, CSS, DCC, DEMCO, DNA, EA, ESSO, FE, FORTH, FPI, GENCO, GL, GLOBAL, GLOW, GOLD, HOTPOT, HTC, HTECH, HYDRO, IFS, IHL, INET, IRC, IRCP, ITD, KBS, KGI, KKC, KTC, L&E, LRH, LST, MAJOR, MAKRO, MATCH, MBK, MBKET, MEGA, MFC, MFE, MUD, MODERN, MONO, MOONG, MPG, MTI, NC, NTV, NUSA, NWR, NYT, OGC, OISHI, PACE, PATO, PB, PDI, PICO, PPM, PPP, PREB, PRG, PRIN, PTG, QLT, QTC, RCL, SABINA, SALEE, SCLIF, SCCG, SCG, SEACFO, SEADIL, SFP, SIAM, SIRI, SKR, SMG, SMK, SMPC, SMT, SOLAR, SPC, SPGL, SPPT, SST, STANLY, STEC, STPI, SUC, SWC, SYMC, SYNEX, SYNTec, TASCO, TBSP, TEAM, TFD, TFI, THANA, THIP, THREL, TIC, TICON, TIW, TKS, TLUXE, TMI, TMT, TNDT, TPL, TPCORP, TRJ, TRU, TSC, TTCL, TUF, TVD, TWFP, UMIL, UP, UPF, UPOK, UT, UV, UVG, VHI, WAIE, WHA, WIN, WINNER, YUASA, ZMCO

Corporate Governance Report disclaimer

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