

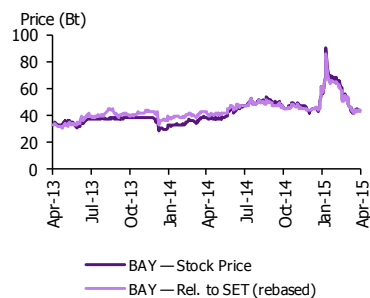
## SELL

## Stock Data

Last close (Apr 21) (Bt)	43.25
12-m target price (Bt)	33.00
Upside (Downside) to TP (%)	(23.70)
Mkt cap (Btbn)	318.14
Mkt cap (US\$mn)	9,822

Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	2.16
Sector % SET	16.69
Shares issued (mn)	7,356
Par value (Bt)	10
12-m high / low (Bt)	104 / 36.3
Avg. daily 6m (US\$mn)	4.72
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	(5.5)	(38.0)	15.3
Relative to SET	(8.4)	(38.3)	4.0

Source: SET, SCBS Investment Research

## Kittima Sattayapan, CFA

Fundamental Investment Analyst  
on Securities  
(66-2) 949-1003  
kittima.sattayapan@scb.co.th

## 1Q15: Positive from integration with BTMU

Largely because of the integration with BTMU, 1Q15 earnings rose 32% YoY and 10% QoQ to Bt4.33bn, in line with our forecast. Loan growth was 22% QoQ, of which 23% was from the integration with the Bank of Tokyo-Mitsubishi UFJ (BTMU) Bangkok branch, with organic growth actually shrinking 1%. NIM slimmed 14 bps QoQ, mainly due to a higher mix of low-yield corporate loans from the BTMU. Non-NII fell 6% QoQ on a fall in investment gain on available-for-sale securities. Meanwhile, fee income rose 24% YoY and 8% QoQ, driven by loan-related fees from BTMU. Unexpectedly, provisions were raised 8% QoQ as a result of a 7% QoQ rise in NPLs, mainly corporate and retail loans. LLR coverage rose to 138% from 133% at YE2014.

## Figure 1: Quarterly results

P & L (Bt mn)	1Q14	2Q14	3Q14	4Q14	1Q15	%YoY ch	%QoQ ch
Interest income	18,275	18,352	18,937	19,045	20,776	14	9
Interest expense	6,778	6,476	6,730	6,681	6,920	2	4
Net interest income	11,497	11,876	12,207	12,364	13,857	21	12
Non-interest income	5,028	5,302	5,797	6,530	6,156	22	(6)
Operating expenses	8,306	8,476	8,559	8,959	9,321	12	4
Pre-provision profit	8,219	8,702	9,446	9,935	10,692	30	8
Less Provision	4,084	4,255	4,889	4,879	5,253	29	8
Pre-tax profit	4,135	4,447	4,557	5,056	5,439	32	8
Income tax	894	1,005	1,036	1,097	1,166	30	6
MI and equity	25	18	(14)	(23)	53	108	326
Net profit	3,266	3,460	3,507	3,936	4,326	32	10
EPS (Bt)	0.54	0.57	0.58	0.65	0.59	9	(9)
B/S (Bt mn)	1Q14	2Q14	3Q14	4Q14	1Q15	%YoY ch	%QoQ ch
Gross loans	939,843	946,023	974,898	1,012,761	1,234,762	31	22
Deposits	780,597	783,779	806,182	837,556	1,010,484	29	21
BVPS (Bt)	20.60	20.84	21.08	21.60	24.78	20	15
Ratios (%)	1Q14	2Q14	3Q14	4Q14	1Q15	%YoY ch*	%QoQ ch*
Yield on earn. asset	6.50	6.47	6.52	6.51	6.12	(0.37)	(0.38)
Cost of funds	2.73	2.59	2.64	2.58	2.31	(0.42)	(0.28)
Net interest margin	4.09	4.19	4.20	4.22	4.08	(0.00)	(0.14)
Cost to income	50.3	49.3	47.5	47.4	46.6	(3.69)	(0.84)
NPLs/total loans	3.20	3.20	3.54	2.96	2.60	(0.60)	(0.37)
LLR/NPLs	133.7	133.2	121.9	132.6	137.9	4.22	5.29

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 29% in 2015, but EPS growth will dilute to 7% from the capital injected to support the transfer of assets from the BTMU Bangkok branch. We expect the integration to bring robust EPS growth of 30% 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	36,854	42,734	46,952
Net profit	(Bt mn)	11,867	14,170	18,283	23,764	27,690
PPP/Sh	(Bt)	5.07	5.31	5.01	5.81	6.38
EPS	(Bt)	1.95	2.33	2.49	3.23	3.76
BVPS	(Bt)	19.98	21.60	26.80	29.29	32.08
DPS	(Bt)	0.80	0.70	0.75	0.97	1.13
PER	(x)	22.14	18.54	17.40	13.39	11.49
P/PPP	(x)	8.52	8.14	8.63	7.44	6.78
EPS growth	(%)	(18.86)	19.41	6.55	29.98	16.52
PBV	(x)	2.16	2.00	1.61	1.48	1.35
ROE	(%)	10.11	11.22	11.14	11.52	12.27
Dividend yields	(%)	1.85	1.62	1.72	2.24	2.61

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	87,022	103,763	114,349
Interest expense	26,442	26,665	31,261	38,818	43,198
<b>Net interest income</b>	<b>44,939</b>	<b>47,943</b>	<b>55,761</b>	<b>64,946</b>	<b>71,151</b>
Non-interest income	23,449	22,658	25,173	27,424	30,025
Non-interest expenses	33,614	34,300	39,556	43,790	47,454
Earnings before tax & provision	34,774	36,301	41,378	48,581	53,722
Tax	3,942	4,031	4,561	5,922	6,892
Equities & minority interest	7	(6)	(37)	(76)	(122)
Core pre-provision profit	30,825	32,276	36,854	42,734	46,952
Provision	18,959	18,107	18,572	18,970	19,262
<b>Core net profit</b>	<b>11,867</b>	<b>14,170</b>	<b>18,283</b>	<b>23,764</b>	<b>27,690</b>
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>11,867</b>	<b>14,170</b>	<b>18,283</b>	<b>23,764</b>	<b>27,690</b>
<b>EPS (Bt)</b>	<b>1.95</b>	<b>2.33</b>	<b>2.49</b>	<b>3.23</b>	<b>3.76</b>
DPS (Bt)	0.80	0.70	0.75	0.97	1.13

## Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Cash	28,216	31,155	32,667	33,559	34,592
Interbank assets	87,027	80,364	190,000	227,050	269,054
Investments	74,333	61,790	113,500	113,500	113,500
<b>Gross loans</b>	<b>943,502</b>	<b>1,012,761</b>	<b>1,326,553</b>	<b>1,459,209</b>	<b>1,605,130</b>
Accrued interest receivable	2,648	2,636	2,636	2,636	2,636
Loan loss reserve	38,986	39,776	45,082	49,460	52,670
<b>Net loans</b>	<b>907,164</b>	<b>975,621</b>	<b>1,284,108</b>	<b>1,412,386</b>	<b>1,555,096</b>
<b>Total assets</b>	<b>1,179,582</b>	<b>1,214,268</b>	<b>1,708,691</b>	<b>1,875,422</b>	<b>2,061,693</b>
Deposits	764,050	837,556	1,083,588	1,232,040	1,397,749
Interbank liabilities	55,497	46,612	214,000	214,000	214,000
Borrowings	174,605	151,805	150,000	150,000	150,000
<b>Total liabilities</b>	<b>1,057,934</b>	<b>1,082,598</b>	<b>1,511,096</b>	<b>1,659,548</b>	<b>1,825,257</b>
Minority interest	279	460	460	460	460
Paid-up capital	60,741	60,741	73,558	73,558	73,558
<b>Total Equities</b>	<b>121,369</b>	<b>131,210</b>	<b>197,135</b>	<b>215,415</b>	<b>235,976</b>
<b>BVPS (Bt)</b>	<b>19.98</b>	<b>21.60</b>	<b>26.80</b>	<b>29.29</b>	<b>32.08</b>

## Key Assumptions and Financial Ratios

	2013	2014	2015F	2016F	2017F
<b>Growth</b>					
YoY loan growth	13.67	7.34	30.98	10.00	10.00
YoY fee & insurance income growth	14.26	1.50	15.00	11.40	12.00
<b>Profitability</b>					
Yield on earn'g assets (%)	6.73	6.57	6.25	6.05	6.04
Cost on int-bear'g liab (%)	2.81	2.63	2.52	2.55	2.57
Spread (%)	3.93	3.94	3.73	3.50	3.47
Net interest margin(%)	4.24	4.22	4.00	3.79	3.76
ROE (%)	10.11	11.22	11.14	11.52	12.27
<b>Asset Quality</b>					
NPLs/Total Loans(%)	2.86	2.96	2.44	2.44	2.44
LLR/NPLs(%)	144.32	132.64	139.18	138.81	134.38
Provision expense/Total loans (%)	2.01	1.79	1.40	1.30	1.20
<b>Liquidity</b>					
Loans/Deposits & borrowings (%)	100.52	102.37	107.54	105.58	103.71
<b>Efficiency</b>					
Cost to income ratio (%)	50.54	49.92	50.04	48.40	47.80
<b>Capital Fund</b>					
Capital adequacy ratio(%)	14.71	14.69	15.18	14.47	14.19
Tier-1(%)	10.19	10.98	12.68	12.21	12.13
Tier-2(%)	4.52	3.71	2.50	2.26	2.06

## Profit and Loss Statement (Btmn)

FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Interest & dividend income	18,275	18,352	18,937	19,045	20,776
Interest expense	6,778	6,476	6,730	6,681	6,920
<b>Net interest income</b>	<b>11,497</b>	<b>11,876</b>	<b>12,207</b>	<b>12,364</b>	<b>13,857</b>
Non-interest income	5,028	5,302	5,797	6,530	6,156
Non-interest expenses	8,306	8,476	8,559	8,959	9,321
Earnings before tax & provision	8,219	8,702	9,446	9,935	10,692
Tax	894	1,005	1,036	1,097	1,166
Equities & minority interest	(25)	(18)	14	23	(53)
Core pre-provision profit	7,350	7,715	8,396	8,815	9,579
Provision	4,084	4,255	4,889	4,879	5,253
<b>Core net profit</b>	<b>3,266</b>	<b>3,460</b>	<b>3,507</b>	<b>3,936</b>	<b>4,326</b>
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>3,266</b>	<b>3,460</b>	<b>3,507</b>	<b>3,936</b>	<b>4,326</b>
<b>EPS (Bt)</b>	<b>0.54</b>	<b>0.57</b>	<b>0.58</b>	<b>0.65</b>	<b>0.59</b>

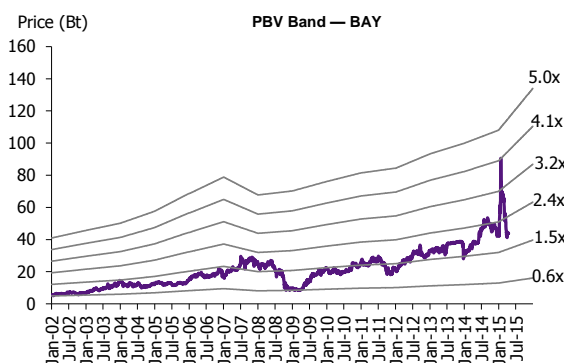
## Balance Sheet (Btmn)

FY December 31	1Q14	2Q14	3Q14	4Q14	1Q15
Cash	26,793	26,091	24,288	31,155	26,916
Interbank assets	91,246	99,086	103,242	80,364	190,591
Investments	77,368	76,588	77,112	61,790	113,406
<b>Gross loans</b>	<b>939,843</b>	<b>946,023</b>	<b>974,898</b>	<b>1,012,761</b>	<b>1,234,762</b>
Accrued interest receivable	2,552	2,587	2,666	2,636	2,636
Loan loss reserve	40,157	40,312	42,049	39,776	44,212
<b>Net loans</b>	<b>902,239</b>	<b>908,298</b>	<b>935,515</b>	<b>975,621</b>	<b>1,194,390</b>
<b>Total assets</b>	<b>1,185,669</b>	<b>1,194,586</b>	<b>1,237,174</b>	<b>1,214,268</b>	<b>1,632,828</b>
Deposits	780,597	783,779	806,182	837,556	1,010,484
Interbank liabilities	63,943	56,288	75,590	46,612	213,948
Borrowings	146,309	166,585	151,412	151,805	138,074
<b>Total liabilities</b>	<b>1,060,242</b>	<b>1,067,659</b>	<b>1,108,705</b>	<b>1,082,598</b>	<b>1,450,061</b>
Minority interest	315	356	403	460	513
Paid-up capital	60,741	60,741	60,741	60,741	73,558
<b>Total Equities</b>	<b>125,112</b>	<b>126,571</b>	<b>128,066</b>	<b>131,210</b>	<b>182,254</b>
<b>BVPS (Bt)</b>	<b>20.60</b>	<b>20.84</b>	<b>21.08</b>	<b>21.60</b>	<b>24.78</b>

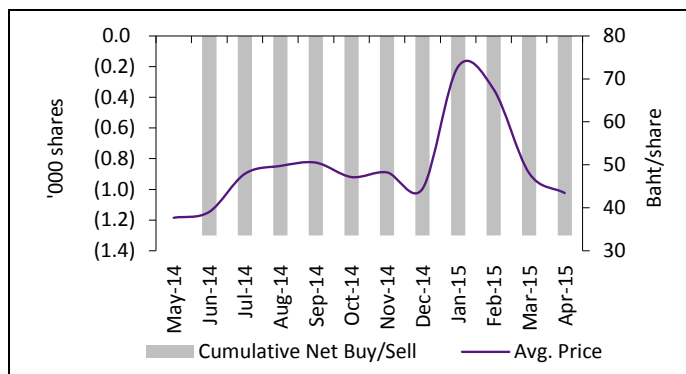
## Financial Ratios

	1Q14	2Q14	3Q14	4Q14	1Q15
YoY loan growth	12.26	9.45	9.64	7.34	31.38
YoY fee & insurance income growth	(4.41)	(1.90)	4.94	7.31	24.49
Yield on earn'g assets (%)	6.50	6.47	6.52	6.51	6.12
Cost on int-bear'g liab (%)	2.73	2.59	2.64	2.58	2.31
Net interest margin(%)	4.09	4.19	4.20	4.22	4.08
Cost to income ratio (%)	50.26	49.34	47.54	47.42	46.58
NPLs/Total Loans(%)	3.20	3.20	3.54	2.96	2.60
LLR/NPLs(%)	133.71	133.24	121.86	132.64	137.93
Provision expense/Total loans (%)	1.74	1.80	2.01	1.93	1.70

## PBV Band Chart

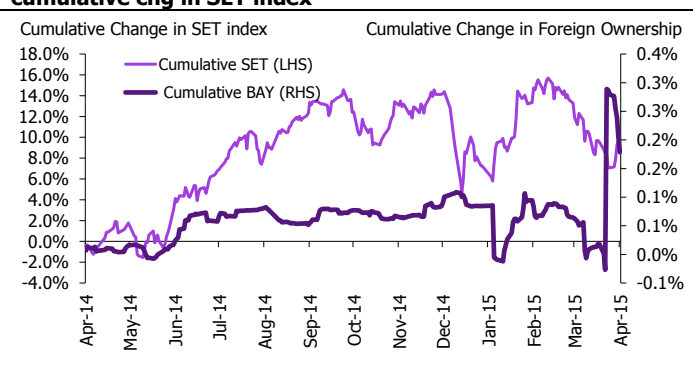


## 12-Month Cumulative directors trade



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 Apr 21, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F	14A	15F	16F
BAY	Sell	43.25	33.0	(22.0)	18.5	17.4	13.4	19	7	30	2.0	1.6	1.5	11	11	12	1.6	1.7	2.2
BBL	Buy	189.00	250.0	36.2	9.9	9.6	9.1	1	4	5	1.1	1.0	1.0	12	11	11	3.5	3.9	4.1
KBANK	Buy	232.00	270.0	18.3	12.0	11.0	9.8	12	9	12	2.2	1.9	1.6	19	18	18	1.7	1.9	2.2
KKP	Neutral	38.75	40.0	8.0	12.4	10.5	9.2	(41)	18	15	0.9	0.9	0.8	7	8	9	4.0	4.8	5.5
KTB	Buy	22.90	27.0	22.1	9.6	8.8	8.0	(2)	10	10	1.4	1.3	1.1	15	15	15	3.9	4.2	4.6
LHBANK	Sell	1.92	1.3	(30.2)	21.1	19.6	18.6	30	8	5	1.6	1.4	1.4	8	8	8	0.2	2.0	2.1
TCAP	Buy	34.25	44.0	33.1	8.5	7.8	7.5	(45)	9	4	0.9	0.8	0.7	10	11	10	4.7	4.7	4.7
TISCO	Buy	46.25	55.0	23.4	8.7	7.9	7.3	0	11	8	1.4	1.3	1.1	17	17	17	4.3	4.4	4.7
TMB	Sell	2.80	3.0	9.5	12.8	12.5	11.2	66	3	11	1.8	1.6	1.4	15	13	14	2.3	2.4	2.7
<b>Average</b>					<b>12.5</b>	<b>11.6</b>	<b>10.3</b>	<b>3</b>	<b>7</b>	<b>12</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>3.0</b>	<b>3.4</b>	<b>3.7</b>

Source: SCBS Investment Research

**CG Rating 2014 Companies with CG Rating**

BAIS, BCP, BTS, CPN, EGO, GRAMMY, HANA, INTUCH, IRPC, IWL, KBANK, KKP, KTB, MINT, PSL, PTT, PTTCP, PTTGC, SAMART, SAMTEL, SAT, SC, SCB, SE-ED, SIM, SPALL, TISCO, TMB, TOP  
 ANV, ACAP, ADVANC, ANIAN, AOT, ASIMAR, ASK, ASP, BANPU, BAY, BBL, BECL, BIC, BKL, BLA, BMCL, BROOK, CENTEL, GRESH, CIMBT, CK, CNT, CP, CSI, DELTA, DRT, DTAC, DTC, EASTW, EE, ERW, GBX, GC, GFPT, GUNKUL, HEMRAJ, HMPRO, ICC, KCE, KSL, LANNA, LH, LHBANK, LOXLEY, LPN, MACO, MC, MCOT, NBC, NCH, NINE, NKL, NMG, NSI, OCC, OFM, PAP, PE, PG, PHOL, PJW, PM, 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, TST, TSTH, TTA, TTW, TVO, UAC, VGI, VNT, WAOAL

ZS, AF, AH, AHC, AIT, AJ, AKP, AKR, AMANAH, AMARIN, AMATA, AP, APCO, APCS, AQUA, ARIP, AS, ASIA, AYUD, BEAUTY, BEC, BFIT, BH, BJC, BICI, BOL, BTNC, BWG, CET, 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, SCRIP, SCC, SCG, SEAFCO, SEADIL, SPP, SIAM, SIRI, SKR, SMG, SMK, SMPK, SATI, SOLAR, SPC, SPCG, 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, TPC, TPCORP, TRT, TRU, TSC, TTCL, TUF, TVD, TWFP, UMI, UP, UPF, UPOIC, UT, UV, UWC, VIH, WAVE, WHA, WIN, WINNER, YUASA, ZMICO

**Corporate Governance Report disclaimer**

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