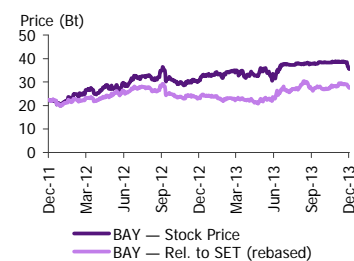


NEUTRAL

Stock Data

Last close (Dec 18) (Bt)	37.00
12-m target price (Bt)	39.00
Upside (Downside) to TP (%)	5.41
Mkt cap (Btbn)	224.74
Mkt cap (US\$mn)	6,958
Bloomberg code	BAY TB
Reuters code	BAY.BK
Risk rating	L
Mkt cap (%) SET	1.89
Sector % SET	17.16
Shares issued (mn)	6,074
Par value (Bt)	10
12-m high / low (Bt)	38.8 / 28.5
Avg. daily 6m (US\$mn)	23.97
Foreign limit / actual (%)	25 / 25
Free float (%)	74.7
Dividend policy (%)	≥ 30

Price Performance



Source: SET, SCBS Investment Research

Share performance

	1M	3M	12M
Absolute	-3.9	-2.0	20.3
Relative to SET	0.6	8.1	22.9

Source: SET, SCBS Investment Research

Kittima Sattayapan, CFA

(66-2) 949-1003

kittima.sattayapan@scb.co.th

VTO done, BTMU ends with a 72% stake

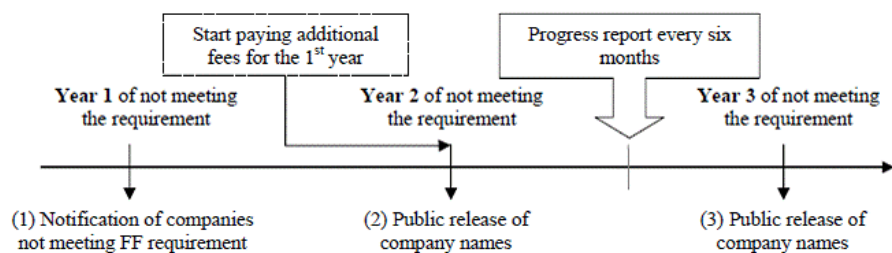
- News: BAY's tender offer gives BTMU 72%.** BAY informed the SET that The Bank of Tokyo-Mitsubishi UFJ Limited (BTMU) successfully acquired 72.01% of BAY through a voluntary tender offer (VTO), which was completed on Dec 13, 2013.
- Appointment of new CEO.** BAY also announced the appointment of Mr. Noriaki Goto as Chief Executive Officer from January 2, 2014. Current CEO Ms. Janice Rae Van Ekeren will become Deputy Chief Executive Officer. Four board directors have also been replaced with board members from BTMU.
- ROE diluted in S-T post BTMU deal.** The next step is the merger with the Bangkok branch of BTMU. We estimate this will dilute ROE to ~13% from 15-16% now 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 Bt571bn (50% of BAY's assets) and loans of Bt218bn (~24% of BAY's loan portfolio), as of October, 2013. As of FY2012 (ending March 2013), 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 FY2012 net profit was Bt4.2bn, equal to 28% of BAY's 2013F earnings.

Figure 1: Preliminary forecast

	Current			Post BTMU deal		
	2013F	2014F	2015F	2013F	2014F	2015F
Net profit (Bt mn)	14,786	18,585	21,035	14,786	23,088	25,987
Equities (Bt mn)	123,891	137,617	153,076	123,891	196,117	211,576
No. of shares (mn)	6,074	6,074	6,074	6,074	7,574	7,574
ROE	12%	14%	14%	12%	14%	13%

Source: SCBS Investment Research

- 3% free float.** The Ratanarak group is keeping its 25% stake. This leaves BAY's free float at just 3%, which is below the Bot's minimum requirement. However, there is a 3-year waiver for not meeting free float requirement. BAY has no intention of de-listing.



Forecasts and valuation

FY Dec	Unit	2011	2012	2013F	2014F	2015F
Pre-provision profit	(Bt mn)	21,478	26,010	29,714	31,170	33,580
Net profit	(Bt mn)	9,264	14,626	14,786	18,585	21,035
PPP/Sh	(Bt)	3.54	4.28	4.89	5.13	5.53
EPS	(Bt)	1.53	2.41	2.43	3.06	3.46
BVPS	(Bt)	16.87	18.66	20.40	22.66	25.20
DPS	(Bt)	0.70	0.80	0.80	0.92	1.04
PER	(x)	24.26	15.37	15.20	12.09	10.68
P/PPP	(x)	10.46	8.64	7.56	7.21	6.69
EPS growth	(%)	5.35	57.87	1.10	25.69	13.18
PBV	(x)	2.19	1.98	1.81	1.63	1.47
ROE	(%)	9.20	13.55	12.47	14.21	14.47
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	74,045	79,479
Interest expense	18,963	24,687	26,379	27,079	29,510
Net interest income	37,465	39,953	43,954	46,966	49,969
Non-interest income	17,807	21,058	23,291	25,317	28,241
Non-interest expenses	27,477	30,798	33,976	36,661	39,629
Earnings before tax & provision	27,795	30,213	33,270	35,622	38,581
Tax	6,310	4,337	3,668	4,608	5,207
Equities & minority interest	7	(134)	(113)	(155)	(206)
Core pre-provision profit	21,478	26,010	29,714	31,170	33,580
Provision	12,214	11,385	14,928	12,584	12,546
Core net profit	9,264	14,626	14,786	18,585	21,035
Extra item	0	0	0	0	0
Net profit	9,264	14,626	14,786	18,585	21,035
EPS (Bt)	1.53	2.41	2.43	3.06	3.46
DPS (Bt)	0.70	0.80	0.80	0.92	1.04

Balance Sheet (Btmn)

FY December 31	2011	2012F	2013F	2014F	2015F
Cash	25,165	25,079	26,106	26,814	27,345
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	968,038	1,045,481
Accrued interest receivable	1,859	2,257	2,257	2,257	2,257
Loan loss reserve	31,279	31,029	45,957	58,541	71,087
Net loans	690,087	801,236	861,009	911,754	976,651
Total assets	947,797	1,071,965	1,151,879	1,220,960	1,308,181
Deposits	560,540	687,159	758,280	813,635	885,397
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	1,027,824	1,083,179	1,154,941
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	123,891	137,617	153,076
BVPS (Bt)	16.87	18.66	20.40	22.66	25.20

Key Assumptions and Financial Ratios

	2011	2012F	2013F	2014F	2015F
Growth					
YoY loan growth	10.87	15.36	9.00	7.00	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	6.52	6.49
Cost on int-bear'g liab (%)	2.51	2.93	2.85	2.74	2.80
Spread (%)	4.17	3.91	3.86	3.78	3.68
Net interest margin(%)	4.43	4.23	4.19	4.13	4.08
ROE (%)	9.20	13.55	12.47	14.21	14.47
Asset Quality					
NPLs/Total Loans(%)	4.11	2.57	2.81	3.09	3.33
LLR/NPLs(%)	105.90	145.73	180.93	195.64	204.49
Provision expense/Total loans (%)	1.70	1.37	1.65	1.30	1.20
Liquidity					
Loans/Deposits & borrowings (%)	93.59	98.60	99.10	99.98	100.52
Efficiency					
Cost to income ratio (%)	50.46	51.15	50.92	51.09	51.01
Capital Fund					
Capital adequacy ratio(%)	16.28	16.94	17.21	17.14	16.91
Tier-1(%)	11.85	10.94	11.61	11.84	11.94
Tier-2(%)	4.44	6.00	5.59	5.31	4.97

Profit and Loss Statement (Btmn)

FY December 31	3Q12	4Q12	1Q13	2Q13	3Q13
Interest & dividend income	16,512	16,698	16,918	17,446	18,078
Interest expense	6,292	6,398	6,316	6,453	6,832
Net interest income	10,220	10,300	10,602	10,993	11,246
Non-interest income	5,171	5,754	5,764	6,443	5,283
Non-interest expenses	7,727	8,419	8,312	7,631	8,475
Earnings before tax & provision	7,664	7,636	8,053	9,805	8,055
Tax	1,146	1,030	967	860	1,126
Equities & minority interest	(9)	(47)	(40)	(1)	(13)
Core pre-provision profit	6,527	6,653	7,126	8,946	6,942
Provision	2,785	2,898	3,081	5,908	3,148
Core net profit	3,742	3,755	4,045	3,039	3,794
Extra item	0	0	0	0	0
Net profit	3,742	3,755	4,045	3,039	3,794
EPS (Bt)	0.62	0.62	0.67	0.50	0.62

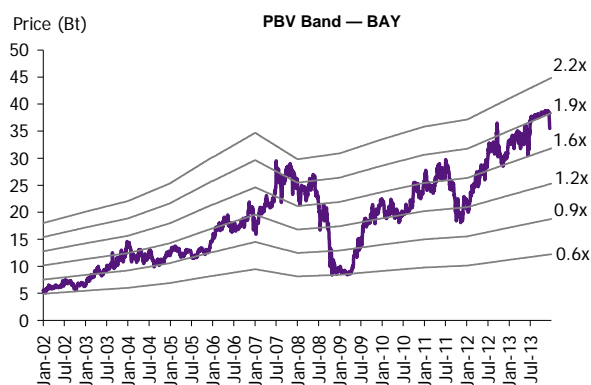
Balance Sheet (Btmn)

FY December 31	3Q12	4Q12	1Q13	2Q13	3Q13
Cash	22,075	25,079	24,137	24,486	23,818
Interbank assets	83,617	79,390	99,337	109,446	88,003
Investments	91,596	79,249	82,393	78,604	84,486
Gross loans	783,895	830,008	837,237	864,341	889,207
Accrued interest receivable	2,110	2,257	2,341	2,359	2,465
Loan loss reserve	31,497	31,029	32,247	34,505	35,654
Net loans	754,508	801,236	807,331	832,195	856,018
Total assets	1,040,424	1,071,965	1,102,777	1,130,156	1,145,167
Deposits	672,324	687,159	702,449	731,731	736,439
Interbank liabilities	44,749	48,821	62,193	53,002	63,501
Borrowings	144,979	154,629	143,668	159,558	151,862
Total liabilities	931,145	958,479	985,083	1,010,533	1,024,582
Minority interest	163	164	190	228	260
Paid-up capital	60,741	60,741	60,741	60,741	60,741
Total Equities	109,116	113,322	117,504	119,394	120,325
BVPS (Bt)	17.96	18.66	19.35	19.66	19.81

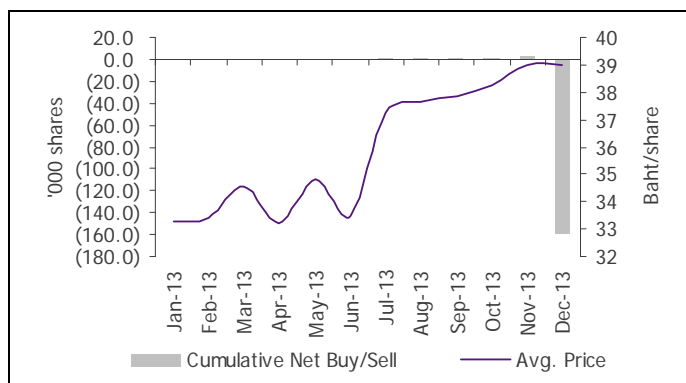
Financial Ratios

	3Q12	4Q12	1Q13	2Q13	3Q13
YoY loan growth	12.45	15.36	12.84	14.09	13.43
YoY fee & insurance income growth	17.41	24.96	25.60	12.24	11.18
Yield on earn'g assets (%)	6.79	6.74	6.63	6.64	6.72
Cost on int-bear'g liab (%)	2.93	2.92	2.81	2.79	2.88
Net interest margin(%)	4.20	4.16	4.16	4.18	4.18
Cost to income ratio (%)	50.21	52.44	50.79	43.76	51.27
NPLs/Total Loans(%)	2.87	2.57	2.62	2.64	2.82
LLR/NPLs(%)	140.20	145.73	147.23	151.23	142.09
Provision expense/Total loans (%)	1.42	1.40	1.47	2.73	1.42

PBV Band Chart

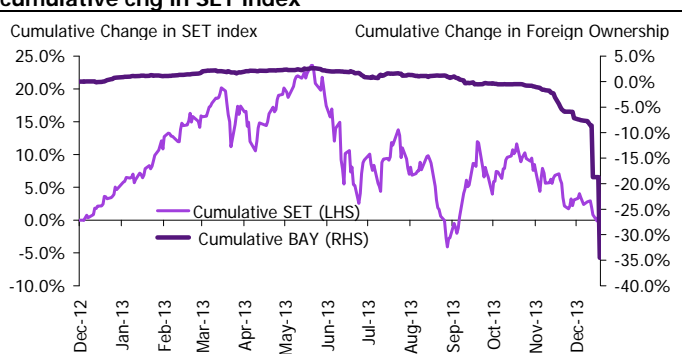


12-Month Cumulative directors trade



Source: SEC

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



Source: SET, SCBS Investment Research

Disclaimer

SCB SECURITIES COMPANY LIMITED ("SCBS") ACTS AS MARKET MAKER AND ISSUER OF DERIVATIVE WARRANTS on the ordinary shares of ADVANC, BANPU, BAY, BBL, BCP, BEC, BGH, BJC, BTS, CENTEL, CK, DTAC, GLOBAL, HMPRO, INTUCH, IVL, JAS, KBANK, KKP, KTB, PS, PTT, PTTEP, PTTGC, SCC, TCAP, THAI, TISCO, TMB, TOP, TRUE.

Before making an investment decision over a derivative warrant, an investor should carefully read the prospectus for the details of the said derivative warrants. Any opinion, news, research, analyse, price, statement, forecast, projection and/or other information contained in this document (the "Information") is provided as general purpose information only, and shall not be construed as a recommendation to any person of an offer to buy or sell, or the solicitation of an offer to buy or sell, any securities. SCBS and/or its directors, officers, employees, and agents shall not be liable for any direct, indirect, incidental, special or consequential loss or damage, resulting from the use of, or reliance on, the Information, including without limitation, damages for loss of profits. The investor should use the Information in association with other information and opinion, including his/her own judgment in making investment decision. The Information is obtained from sources believed to be reliable, and SCBS cannot guarantee the accuracy, completeness and/or correctness of the Information.

SCBS reserves the right to modify the Information from time to time at its sole discretion without giving any notice. This document is delivered to intended recipient(s) only and is not permitted to reproduce, retransmit, disseminate, sell, distribute, republish, circulate or commercially exploit the Information in any manner without the prior written consent of SCBS.

CG Rating 2012 Companies with CG Rating under SCBS's Coverage

★★★★★	ADVANC, AOT, BANPU, BAY, BBL, BCP, BEC, BML, BTS, CSL, DRT, EGCO, ERW, HEMBAJ, IRPC, KBANK, KKP, KTB, LPN, MCOT, PS, PSL, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, SAMART, SAMTEL, SAT, SCB, SCC, SIM, THAI, TISCO, TMB, TOP, TTA
★★★★	AMATA, AP, ASP, BEC, BH, BIGC, CENTEL, CK, CPALL, CPF, DCC, DELTA, DTAC, ESSO, GPPT, GLOW, GUNKUL, HANA, HMPRO, INTUCH, ITD, IVL, KCE, LH, MAKRO, MBKET, MINT, OISHI, PM, SCC, SMT, SPALL, STANLY, STEC, SVI, TCAP, THECOM, THRE, TICON, TRUE, TTW, UAC
★★★	AEONTS, AGE, AH, BLA, CCET, JMART, KTC, LHBANK, MAJOR, RCL, ROJNA, SIRI, TPIPL
N/A	AAV, BCH, BGH, CPNRF, EA, NOK, NIWR, POPF, QHPF, SSL, TFUND, TLOGIS, WHA, WHAPF

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.