Bank of Ayudhya Pcl (BAY TB) - HOLD, Price Bt32.75, TP Bt34

Results Comment

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Better results

- BAY's normalized profits came in strong at Bt6.4bn, up 4% y-y and flat q-q in 3Q21. This is better than expected due to lower opex and provisions. 9M21's normalized profits made up 81% of our full-year forecast. We see upsides to our numbers but re-iterate HOLD.
- Y-Y growth was driven by lower provisions. As lower equity income was offset by lower expenses, norm profits were flat q-q.
- Loans recovered 2% q-q, pushing YTD growth to 1%. The growth was driven by the corporate segment. Yield contracted further from 2Q21 but with better liquidity management, NIM improved to 3% from 2.9% in 2Q21.
- Fee income rose 2% q-q on higher wealth management fees but decreased 3% y-y on lower bancassurance fees.
- Opex was under good control. It came down 7% due to an absence of TIDLOR transaction related expenses. It went up y-y on higher personnel expenses.
- Supported by write off and relief program during lockdown, NPLs rose 2% q-q to 2.3% of total loans.
- Having high coverage ratio, BAY lowered provisions 7% y-y. Credit costs were1.75% in the quarter. LLR rose to 170%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Interest & dividend income	26,034	24,939	24,952	25,016	24,831
Interest expense	6,405	6,016	5,763	5,653	5,339
Net interest income	**19,629**	**18,923**	**19,189**	**19,363**	**19,492**
Non-interest income	7,584	8,402	7,880	8,051	7,876
Total income	27,213	27,325	27,069	27,414	27,368
Operating expense	11,342	12,856	12,098	12,538	11,684
Pre-provisioning profit	**15,871**	**14,469**	**14,971**	**14,876**	**15,684**
Provision for bad&doubtful debt	8,733	10,555	7,314	8,028	8,134
Profit before tax	7,137	3,914	7,657	6,848	7,549
Tax	1,448	762	1,647	970	1,545
Profit after tax	5,689	3,152	6,010	5,878	6,005
Equity income	510	310	575	558	409
Minority interests	(85)	(76)	(79)	(78)	(52)
Extra items	-	-	-	8,185	-
Net profit	**6,115**	**3,385**	**6,505**	**14,543**	**6,362**
Normalized profit	**6,115**	**3,385**	**6,505**	**6,358**	**6,362**
PPP/share (Bt)	2.2	2.0	2.0	2.0	2.1
EPS (Bt)	0.8	0.5	0.9	2.0	0.9
Norm EPS (Bt)	0.8	0.5	0.9	0.9	0.9
BV/share (Bt)	38.7	39.1	40.1	41.7	42.2

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	(1)	(5)	74	100,471	102,974
Interest expense	(6)	(17)	75	22,378	22,696
Net interest income	**1**	**(1)**	**74**	**78,092**	**80,278**
Non-interest income	(2)	4	76	31,471	32,511
Total income	(0)	1	75	109,563	112,789
Operating expense	(7)	3	73	49,536	50,904
Pre-provisioning profit	**5**	**(1)**	**76**	**60,027**	**61,885**
Provision for bad&doubtful debt	1	(7)	73	32,283	33,414
Profit before tax	10	6	79	27,744	28,471
Tax	59	7	75	5,549	5,694
Profit after tax	2	6	81	22,195	22,777
Equity income	(27)	(20)	95	1,623	1,867
Minority interests	neg	neg		-	-
Extra items	neg	neg		8,185	-
Net profit	**(56)**	**4**	**86**	**32,004**	**24,644**
Normalized profit	**0**	**4**	**81**	**23,819**	**24,644**
PPP/share (Bt)	5	(1)	76	8.2	8.4
EPS (Bt)	(56)	4	86	4.4	3.4
Norm EPS (Bt)	0	4	81	3.2	3.4
BV/share (Bt)	1	9	42	42.8	45.3

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash and Interbank	419,156	553,718	622,529	609,031	391,691
Other liquid items	-	-	-	-	-
Total liquid items	419,156	553,718	622,529	609,031	391,691
Gross loans and accrued interest	1,852,962	1,842,030	1,848,713	1,830,303	1,864,787
Provisions	74,622	76,407	77,722	80,205	83,004
Net loans	1,778,340	1,765,623	1,770,991	1,750,098	1,781,783
Fixed assets	34,039	34,562	34,136	33,883	33,830
Other assets	80,458	79,006	78,634	82,699	107,081
Total assets	**2,492,130**	**2,609,374**	**2,695,268**	**2,659,302**	**2,489,288**
Deposits	1,729,141	1,834,505	1,888,464	1,890,939	1,782,941
Interbank	243,502	243,570	284,569	231,909	176,163
Other liquid items	4,128	5,607	5,579	4,279	4,376
Total liquid items	1,976,771	2,083,682	2,178,612	2,127,126	1,963,480
Borrowings	157,003	146,119	140,770	144,839	125,562
Other liabilities	72,393	90,394	79,505	80,284	89,054
Minority interest	1,550	1,635	1,711	616	668
Shareholders' equity	**284,413**	**287,544**	**294,670**	**306,437**	**310,523**
Total Liabilities & Equity	**2,492,130**	**2,609,374**	**2,695,268**	**2,659,302**	**2,489,288**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Gross loan growth (YTD)	1.4	0.8	0.3	(0.7)	1.2
Gross loan growth (q-q)	(0.6)	(0.6)	0.3	(1.0)	1.8
Deposit growth (YTD)	10.4	17.1	2.9	3.1	(2.8)
Deposit growth (q-q)	1.8	6.1	2.9	0.1	(5.7)
Non-interest income (y-y)	(12.8)	(7.4)	(4.1)	15.7	3.9
Non-interest income (q-q)	9.0	10.8	(6.2)	2.2	(2.2)
Fee income / Operating income	15.4	17.9	16.0	14.4	14.8
Cost-to-income	41.7	47.0	44.7	45.7	42.7
Net interest margin	3.14	2.97	2.89	2.89	3.03
Credit cost	1.89	2.30	1.59	1.76	1.75
ROE	8.7	4.7	8.9	8.5	8.2
Loan-to-deposit	106.6	99.9	97.4	96.3	104.0
Loan-to-deposit + S-T borrowing	106.6	99.9	97.4	96.3	104.0
NPLs (Bt m)	48,711	45,672	46,470	47,807	48,780
NPL increase	697	(3,039)	798	1,337	973
NPL ratio	2.24	2.00	1.99	2.03	2.27
Loan-loss-coverage ratio	153.2	167.3	167.3	167.8	170.2
CAR - total	17.1	17.9	17.9	17.8	18.5

Sources: Company data, Thanachart estimates

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