Bank of Ayudhya Pcl (BAY TB) - HOLD, Price Bt35.00, TP Bt34.00

Results Comment

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Higher profits on lower provisions

- BAY reported 1Q22 profits of Bt7.4bn, up 14% y-y and 16% q-q. Profits were better than expected on lower provisions. 1Q22 profits accounted for 29% of our full-year forecast.
- Loans grew 2% YTD, driven by corporate and SME growths of 3.9% and 4.0%, respectively. Meanwhile, retail loans slightly decreased by 0.1%, dragged mainly by credit and personal loans.
- With lower lending yield, NIM came down to 3.1% in the quarter. Meanwhile, cost of funds improved to 0.91% from 0.97%, mainly due to higher mix of CASA.
- Net fee declined 2% y-y and 7% q-q on lower card related and bancassurance fees.
- Opex came down y-y due to improving efficiency and q-q on seasonality effect. Thus, cost to income ratio was down to 43% from 45% in 4Q21 and 1Q21.
- As of March 31, 2022, gross NPLs were down 1.4% from end-2021.
- BAY has then set aside lower provisions with credit costs falling to 1.4% from 1.7% in 4Q21 and 1.6% in 1Q21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Interest & dividend income	24,952	25,016	24,831	25,004	24,751
Interest expense	5,763	5,653	5,339	5,069	4,880
Net interest income	**19,189**	**19,363**	**19,492**	**19,936**	**19,872**
Non-interest income	7,880	8,051	7,876	8,462	7,935
Total income	27,069	27,414	27,368	28,398	27,807
Operating expense	12,098	12,538	11,684	12,633	12,063
Pre-provisioning profit	**14,971**	**14,876**	**15,684**	**15,765**	**15,744**
Provision for bad&doubtful debt	7,314	8,028	8,134	8,128	6,783
Profit before tax	7,657	6,848	7,549	7,637	8,961
Tax	1,647	970	1,545	1,590	1,913
Profit after tax	6,010	5,878	6,005	6,047	7,048
Equity income	575	558	409	389	414
Minority interests	(79)	(78)	(52)	(51)	(44)
Extra items	-	8,185	-	-	-
Net profit	**6,505**	**14,543**	**6,362**	**6,385**	**7,418**
Normalized profit	**6,505**	**6,358**	**6,362**	**6,385**	**7,418**
PPP/share (Bt)	2.0	2.0	2.1	2.1	2.1
EPS (Bt)	0.9	2.0	0.9	0.9	1.0
Norm EPS (Bt)	0.9	0.9	0.9	0.9	1.0
BV/share (Bt)	40.1	41.7	42.2	43.2	44.1

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Interest & dividend income	(1)	(1)	24	101,469	105,381
Interest expense	(4)	(15)	23	21,501	25,723
Net interest income	**(0)**	**4**	**25**	**79,969**	**79,658**
Non-interest income	(6)	1	25	32,208	33,687
Total income	(2)	3	25	112,177	113,345
Operating expense	(5)	(0)	24	51,309	52,958
Pre-provisioning profit	**(0)**	**5**	**26**	**60,868**	**60,387**
Provision for bad&doubtful debt	(17)	(7)	22	31,232	30,237
Profit before tax	17	17	30	29,636	30,151
Tax	20	16	32	5,927	6,030
Profit after tax	17	17	30	23,709	24,120
Equity income	6	(28)	19	2,138	2,459
Minority interests	neg	neg		-	-
Extra items	neg	neg		-	-
Net profit	**16**	**14**	**29**	**25,847**	**26,579**
Normalized profit	**16**	**14**	**29**	**25,847**	**26,579**
PPP/share (Bt)	(0)	5	26	8.3	8.2
EPS (Bt)	16	14	29	3.5	3.6
Norm EPS (Bt)	16	14	29	3.5	3.6
BV/share (Bt)	2	10	44	45.9	48.8

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash and Interbank	622,529	609,031	391,691	376,187	460,229
Other liquid items	-	-	-	-	-
Total liquid items	622,529	609,031	391,691	376,187	460,229
Gross loans and accrued interest	1,848,713	1,830,303	1,864,787	1,901,229	1,939,845
Provisions	77,722	80,205	83,004	84,360	86,238
Net loans	1,770,991	1,750,098	1,781,783	1,816,869	1,853,607
Fixed assets	34,136	33,883	33,830	34,095	35,477
Other assets	78,634	82,699	107,081	74,790	68,533
Total assets	**2,695,268**	**2,659,302**	**2,489,288**	**2,499,109**	**2,607,615**
Deposits	1,888,464	1,890,939	1,782,941	1,779,139	1,829,180
Interbank	284,569	231,909	176,163	202,150	251,030
Other liquid items	5,579	4,279	4,376	4,042	5,085
Total liquid items	2,178,612	2,127,126	1,963,480	1,985,330	2,085,296
Borrowings	140,770	144,839	125,562	118,977	122,027
Other liabilities	79,505	80,284	89,054	76,565	75,466
Minority interest	1,711	616	668	721	764
Shareholders' equity	**294,670**	**306,437**	**310,523**	**317,516**	**324,063**
Total Liabilities & Equity	**2,695,268**	**2,659,302**	**2,489,288**	**2,499,109**	**2,607,615**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Gross loan growth (YTD)	0.3	(0.7)	1.2	3.1	2.0
Gross loan growth (q-q)	0.3	(1.0)	1.8	1.9	2.0
Deposit growth (YTD)	2.9	3.1	(2.8)	(3.0)	2.8
Deposit growth (q-q)	2.9	0.1	(5.7)	(0.2)	2.8
Non-interest income (y-y)	(4.1)	15.7	3.9	0.7	0.7
Non-interest income (q-q)	(6.2)	2.2	(2.2)	7.4	(6.2)
Fee income / Operating income	16.0	14.4	14.8	16.0	15.2
Cost-to-income	44.7	45.7	42.7	44.5	43.4
Net interest margin	2.89	2.89	3.03	3.20	3.11
Credit cost	1.59	1.76	1.75	1.72	1.41
ROE	8.9	8.5	8.2	8.1	9.3
Loan-to-deposit	97.4	96.3	104.0	106.3	105.4
Loan-to-deposit + S-T borrowing	97.4	96.3	104.0	106.3	105.4
NPLs (Bt m)	46,470	47,807	48,780	47,448	46,796
NPL increase	798	1,337	973	(1,332)	(652)
NPL ratio	1.99	2.03	2.27	2.20	2.03
Loan-loss-coverage ratio	167.3	167.8	170.2	177.8	184.3
CAR - total	17.9	17.8	18.5	18.5	18.3

Sources: Company data, Thanachart estimates

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