Bank of Ayudhya Pcl (BAY TB) - HOLD, Price Bt30.50, TP Bt34.00

Results Comment

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Better results on lower provisions

- BAY reported strong profits of Bt7.8bn, 23% y-y and 6%. We compare on norm profits basis as BAY booked one-off divestment gains in 2Q21.
- Pre-provisioning profits came in line with drivers being loans growth and manageable cost of funds.
- Provisions were much lower with credit costs of just 1.35% as the bank sees asset quality as being in good control while it has decent amount of excess provisions.
- NPLs rose 3% q-q to 2.1% of loans. LLR stood high at 183%.
- Similar to peers, non-NII was weak. Fees grew 6% y-y but dropped 1% q-q. Loans and card related fee and banca were growing y-y. The slowdown was mainly from capital market biz.
- Opex was under good control with cost to income ratio declining from 46% in 2Q21 to 44% in the quarter.
- 1H22 profits were 59% of our full-year forecast as we bake in too high credit costs of 1.6% versus 1.38% in 1H22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Interest & dividend income	25,016	24,831	25,004	24,751	25,505
Interest expense	5,653	5,339	5,069	4,880	4,962
Net interest income	**19,363**	**19,492**	**19,936**	**19,872**	**20,544**
Non-interest income	8,051	7,876	8,462	7,935	7,705
Total income	27,414	27,368	28,398	27,807	28,249
Operating expense	12,538	11,684	12,633	12,063	12,335
Pre-provisioning profit	**14,876**	**15,684**	**15,765**	**15,744**	**15,914**
Provision for bad&doubtful debt	8,028	8,134	8,128	6,783	6,567
Profit before tax	6,848	7,549	7,637	8,961	9,348
Tax	970	1,545	1,590	1,913	1,861
Profit after tax	5,878	6,005	6,047	7,048	7,487
Equity income	558	409	389	414	394
Minority interests	(78)	(52)	(51)	(44)	(47)
Extra items	8,185	-	-	-	-
Net profit	**14,543**	**6,362**	**6,385**	**7,418**	**7,834**
Normalized profit	**6,358**	**6,362**	**6,385**	**7,418**	**7,834**
PPP/share (Bt)	2.0	2.1	2.1	2.1	2.2
EPS (Bt)	2.0	0.9	0.9	1.0	1.1
Norm EPS (Bt)	0.9	0.9	0.9	1.0	1.1
BV/share (Bt)	41.7	42.2	43.2	44.1	44.5

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	3	2	50	101,469	105,381
Interest expense	2	(12)	46	21,501	25,723
Net interest income	**3**	**6**	**51**	**79,969**	**79,658**
Non-interest income	(3)	(4)	49	32,208	33,687
Total income	2	3	50	112,177	113,345
Operating expense	2	(2)	48	51,309	52,958
Pre-provisioning profit	**1**	**7**	**52**	**60,868**	**60,387**
Provision for bad&doubtful debt	(3)	(18)	43	31,232	30,237
Profit before tax	4	37	62	29,636	30,151
Tax	(3)	92	64	5,927	6,030
Profit after tax	6	27	61	23,709	24,120
Equity income	(5)	(29)	38	2,138	2,459
Minority interests	neg	neg		-	-
Extra items	neg	neg		-	-
Net profit	**6**	**(46)**	**59**	**25,847**	**26,579**
Normalized profit	**6**	**23**	**59**	**25,847**	**26,579**
PPP/share (Bt)	1	7	52	8.3	8.2
EPS (Bt)	6	(46)	59	3.5	3.6
Norm EPS (Bt)	6	23	59	3.5	3.6
BV/share (Bt)	1	7	45	45.9	48.8

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash and Interbank	609,031	391,691	376,187	460,229	441,198
Other liquid items	33,551	51,065	25,729	26,613	42,581
Total liquid items	642,582	442,756	401,916	486,842	483,779
Gross loans and accrued interest	1,830,303	1,864,787	1,901,229	1,939,845	1,960,416
Provisions	80,205	83,004	84,360	86,238	88,352
Net loans	1,750,098	1,781,783	1,816,869	1,853,607	1,872,064
Fixed assets	33,883	33,830	34,095	35,477	35,531
Other assets	49,148	56,016	49,061	41,920	44,363
Total assets	**2,659,302**	**2,489,288**	**2,499,109**	**2,607,615**	**2,599,139**
Deposits	1,890,939	1,782,941	1,779,139	1,829,180	1,819,012
Interbank	231,909	176,163	202,150	251,030	245,877
Other liquid items	4,279	4,376	4,042	5,085	5,775
Total liquid items	2,127,126	1,963,480	1,985,330	2,085,296	2,070,665
Borrowings	144,839	125,562	118,977	122,027	108,161
Other liabilities	80,284	89,054	76,565	75,466	92,160
Minority interest	616	668	721	764	752
Shareholders' equity	**306,437**	**310,523**	**317,516**	**324,063**	**327,402**
Total Liabilities & Equity	**2,659,302**	**2,489,288**	**2,499,109**	**2,607,615**	**2,599,139**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Gross loan growth (YTD)	(0.7)	1.2	3.1	2.0	3.1
Gross loan growth (q-q)	(1.0)	1.8	1.9	2.0	1.0
Deposit growth (YTD)	3.1	(2.8)	(3.0)	2.8	2.2
Deposit growth (q-q)	0.1	(5.7)	(0.2)	2.8	(0.6)
Non-interest income (y-y)	15.7	3.9	0.7	0.7	(4.3)
Non-interest income (q-q)	2.2	(2.2)	7.4	(6.2)	(2.9)
Fee income / Operating income	14.4	14.8	16.0	15.2	14.9
Cost-to-income	45.7	42.7	44.5	43.4	43.7
Net interest margin	2.89	3.03	3.20	3.11	3.16
Credit cost	1.76	1.75	1.72	1.41	1.35
ROE	8.5	8.2	8.1	9.3	9.6
Loan-to-deposit	96.3	104.0	106.3	105.4	107.1
Loan-to-deposit + S-T borrowing	96.3	104.0	106.3	105.4	107.1
NPLs (Bt m)	47,807	48,780	47,448	46,796	48,373
NPL increase	1,337	973	(1,332)	(652)	1,577
NPL ratio	2.03	2.27	2.20	2.03	2.11
Loan-loss-coverage ratio	167.8	170.2	177.8	184.3	182.6
CAR - total	17.8	18.5	18.5	18.3	17.6

Sources: Company data, Thanachart estimates

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