

Company Update

Monday, April 22, 2024



I V Global Securities Public Company Limited

Bank of Ayudhya Plc (BAY)

Rating: HOLD

Fair price: Bt30.10

Close price: Bt26.25

Company Information

Ticker:	BAY TB
Sector:	Financials
Shares outstanding (m):	7,355.76
Market capitalization (Btm):	193,088.75
Trading vol/day (Btm):	14.93
Free float (%):	9.14
Beta:	0.63

Major Shareholders

MUFG Bank, LTD. BAY Account	76.88%
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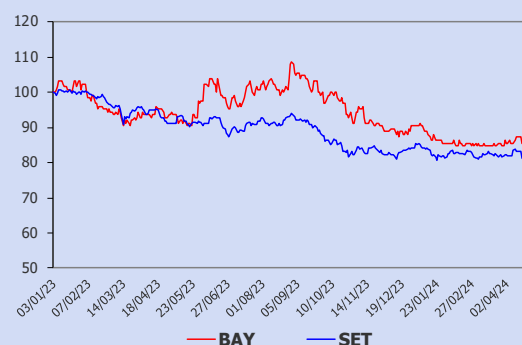
Consensus Bloomberg

2024F EPS (Bt):	4.47
Target price (Bt):	31.00

Price Performance

52 Wk high/low:	34.00 / 26.25
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	1M	3M	1Y	YTD
Absolute (%)	-0.9	-4.5	-11.8	-7.1
Relative (%)	2.7	-0.9	4.0	-1.2



Rating	CGR	Thai CAC	SET ESG
BAY		Certified	AAA

Analyst

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1Q24 misses target on high ECL

- BAY posted net profit of Bt7.5bn (EPS of Bt1.03) for 1Q24, down 13% YoY and 2% QoQ. The results were below the Bloomberg consensus projection of Bt8.9bn. The decline in bottom-line profit was largely attributable to rising expected credit losses (ECL), up 112% YoY and down 5% QoQ to Bt12.3bn. The 1Q24 results accounted for 22% of our full-year estimate.
- Pre-provision operating profit (PPOP) grew 31% YoY, backed by rising net interest income (+29%) and non-interest income (+27%), but it fell 3% QoQ to Bt21.95bn. The QoQ decline was due to declines in both net interest income and non-interest income.
- Asset quality.** Gross NPLs rose 8.8% QoQ to Bt66.9bn. NPL ratio rose from 2.53% at end-2023 to 2.69% at end-1Q24. ECL fell QoQ to Bt12.3bn, suggesting credit costs at 248bps of loans. The loan-loss-coverage ratio fell to 141.5% as of the end of March 2027.
- Loan growth.** Net loans contracted by 0.9% YTD on seasonal repayments of domestic loans in both the corporate (-1.5%) and retail segments (-1.6%), offsetting increases in SME (+2.7%) and Asean loans (+4%).
- NIM** checked in high at 4.16% in 1Q24, contracting by 34bps QoQ. The average yield on earning assets fell by 28bps QoQ to 6.10%, while the average cost of funds rose by 6bps YoY to 2.20%.
- Total deposits were up by 8.9% QoQ. Therefore, the loan-to-deposit ratio checked in at 99.8%.
- Total non-interest income** grew by 27% YoY but fell 9% QoQ to Bt11.2bn. The increase was contributed to by higher net fee income of new subsidiaries and higher bad debt recovery.
- Cost-to-income ratio** was 43% during 1Q24. In absolute terms, total operating expenses rose 24% YoY but fell 11% QoQ to Bt16.6bn. The YoY increase was from operating expenses of the overseas consumer business. The QoQ decline was due to lower employee expenses and marketing promotional expenses.
- Capital adequacy.** Total CAR was at 18.1%, with Tier-1 capital of 13.4%.
- Valuations.** Following weak operating results, we have decided to lower our earnings estimates by 10% and 11% during 2024-25F, respectively. We prefer to maintain our HOLD rating with a revised price target of Bt30.1 (from Bt36), based on 0.56x P/BV at end-2024F. The stock is trading at 6.2x our 2024F earnings. Potential downside risk to our earnings forecasts lies with a larger-than-expected hit to the global economy, raising unemployment and political uncertainty.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Net profit (Btm)	33,794	30,713	32,930	30,930	32,390	33,763
Change (%)	46.7	-9.1	7.2	-6.1	4.7	4.2
PPOP (Btm)	63,722	65,381	77,113	83,023	84,556	85,777
Change (%)	-2.7	2.6	17.9	7.7	1.8	1.4
EPS (Bt)	4.59	4.18	4.48	4.20	4.40	4.59
Change (%)	46.7	-9.1	7.2	-6.1	4.7	4.2
P/E (x)	5.7	6.3	5.9	6.2	6.0	5.7
DPS (Bt)	0.85	0.85	0.85	0.85	0.85	0.85
Yield (%)	3.2	3.2	3.2	3.2	3.2	3.2
BVPS (Bt)	43.17	46.35	50.09	53.45	57.00	61.59
P/BV (x)	0.6	0.6	0.5	0.5	0.5	0.4
ROAA (%)	1.3	1.2	1.2	1.6	1.1	1.2
ROAE (%)	11.1	9.3	9.2	10.3	8.0	7.7

Source: Company and IVG estimates

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Results

<i>Btm</i>	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Net interest income	27,295	21,190	28.8	28,967	-5.8	99,390	83,778	18.6
Non-interest income								
Fee income	6,193	4,250	45.7	6,861	-9.7	20,831	16,945	22.9
Others	5,045	4,605	9.6	5,537	-8.9	18,728	15,693	19.3
Total	11,238	8,855	26.9	12,398	-9.4	39,558	32,638	21.2
Non-interest expense	16,584	13,330	24.4	18,717	-11.4	61,835	51,035	21.2
PPOP	21,949	16,715	31.3	22,648	-3.1	77,113	65,381	17.9
ECL	12,271	5,798	111.6	12,955	-5.3	35,617	26,652	33.6
Pre-tax profits	9,678	10,916	-11.3	9,693	-0.2	41,496	38,728	7.1
Tax	2,003	2,199	-8.9	1,914	4.6	8,364	7,839	6.7
Net income	7,543	8,676	-13.1	7,732	-2.4	32,930	30,713	7.2
EPS (Bt)	1.03	1.18	-13.1	1.05	-2.4	4.48	4.18	7.2

Source: Company and IVG estimates

Key ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Net loan growth, YTD	0.3	3.1	3.5	3.5	-0.9
Net loan growth, YoY	1.3	3.1	2.6	3.5	2.3
NIM	3.35	3.64	4.05	4.50	4.16
Fee income, YoY	0.5	9.0	21.9	59.8	45.7
Non-int income, YoY	6.1	9.2	13.6	57.7	26.9
Cost to income	44.4	42.9	45.2	45.2	43.0
Loan-to-deposit	105.2	111.8	113.8	109.7	99.8
Credit cost (bps)	116.0	156.0	181.0	253.0	248.0
NPL	2.26	2.29	2.48	2.53	2.69
LLR/NPL	167.1	163.3	155.1	149.1	141.5
Tier I	13.3	12.8	13.7	13.6	13.4
Total CAR	18.3	17.6	18.4	18.2	18.1

Source: Company and IVG estimates

Quarterly performance

<i>Btm</i>	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Net interest income	19,872	20,544	21,384	21,978	21,190	23,299	25,933	28,967
Non-interest income								
Fee income	4,231	4,204	4,217	4,292	4,250	4,582	5,139	6,861
Others	4,117	3,895	4,110	3,571	4,605	4,265	4,320	5,537
Total	8,349	8,099	8,326	7,864	8,855	8,847	9,459	12,398
Non-interest expense	12,063	12,335	13,212	13,426	13,330	13,794	15,993	18,717
PPOP	16,158	16,308	16,498	16,416	16,715	18,351	19,399	22,648
ECL	6,783	6,567	6,347	6,955	5,798	7,811	9,052	12,955
Pre-tax profits	9,375	9,742	10,151	9,461	10,916	10,540	10,347	9,693
Tax	1,913	1,861	2,036	2,029	2,199	2,051	2,199	1,914
Net income	7,418	7,834	8,070	7,391	8,676	8,425	8,096	7,732
EPS (Bt)	1.01	1.06	1.10	1.00	1.18	1.15	1.10	1.05

Source: Company and IVG estimates

Key ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Net loan growth, YTD	2.0	3.1	3.9	3.1	3.1	3.1	3.5
Net loan growth, YoY	4.9	7.0	6.0	3.1	3.1	3.1	3.5
NIM	3.28	3.32	3.49	3.56	3.24	3.45	3.91
Fee income, YoY	-2.0	6.2	4.4	-5.4	270.0	0.6	22.9
Non-int income, YoY	-1.3	-58.1	0.5	-11.1	421.8	-27.4	21.2
Cost to income	42.7	43.1	44.5	45.0	39.8	43.8	44.5
Loan-to-deposit	105.4	107.1	114.7	108.0	106.3	108.0	110.4
Credit cost (bps)	137.0	137.0	127.0	128.0	167.0	136.0	175.0
NPL	2.03	2.11	2.38	2.32	2.20	2.32	2.53
LLR/NPL	191.6	189.2	175.0	167.4	184.2	167.4	149.1
Tier I	13.3	12.8	13.0	13.2	13.6	13.2	13.6
Total CAR	18.3	17.6	17.6	18.0	18.5	18.0	18.2

Source: Company and IVG estimates

BAY

E: Environmental

BAY debuted Thailand's green and blue bond issuance, with an aim to scale up our green financing portfolio while accelerating blue financing transactions, accelerating the country's climate action.

S: Social

BAY strives to make positive societal impacts through our dynamic endeavors in becoming a net zero organization centered on both our own business operations and financial services that we offer, emphasizing resource efficiency, energy transition, and digitalization.

G: Governance

Through our credit policy internalizing environmental, social, and governance considerations, BAY advocates customers and the real sector's sustainable growth journey, as well as transitional financial and advisory services in moving toward a low-carbon economy.

Comment

BAY has been awarded a SET ESG rating of AAA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG estimates

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.

HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months.

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

