Bank of Ayudhya (BAY TB)

2Q26 Results Preview: Expect Credit Costs To Decline QOQ

BUY (Maintained)

Share Price	Bt38.75
Target Price	Bt50.00
Upside	+29.00%

Analyst(s)
Thanawat Thangchadakorn
thanawat@uobkayhian.co.th
(662) 090 3360

Assistant Analyst(s)
Panjarat Thaweesriprasert

Highlights

- We forecast 2Q26 net profit of Bt8.58b, up 3% yoy but down 0.5% qoq.
- The ASEAN loan portfolio is the key focus and remains resilient.
- Maintain BUY with a target price of Bt50.00.

Analysis

- **Expect 2Q26 net profit to increase yoy.** We expect Bank of Ayudhya (BAY) to report a 2Q26 net profit of Bt8.58b, up 3% yoy but down 0.5% qoq. Excluding provisioning, pre-provision operating profit is projected to increase 8% yoy but decline 2% qoq.
- **Expect loans to expand yoy and qoq in 2Q26.** We anticipate BAY's loan portfolio growing 3% yoy and 1% qoq to around Bt1.94t in 2Q26. Although BAY reported a loan contraction of 1.2% qoq in 1Q26, BAY could report a loan growth of 2.1% yoy in 2026, achieving 2026's loan growth target of 2-4%. We reckon that the corporate loan and ASEAN loan portfolios will be the key drivers.
- **Auto-loans remain strong with increasing exposure on EVs.** BAY reported that auto hire-purchase and title loans accounted for 25% of its total loan portfolio in 1Q26. BAY has an electric vehicle (EV) mix of around 15% in its auto loans with new bookings of 30%. We expect BAY to continue to expand its auto loans, as asset quality remains healthy, especially in the EV segment.
- **Credit costs forecast to decline qoq in 2Q26.** According to our check with BAY, the bank set aside some special provisions in 1Q26 to prepare for the potential impact of tensions in the Middle East and higher oil prices. Meanwhile, we expect a small impact from Middle East tensions on 2Q26 earnings results. The bank continues to report healthy debt collection and did not observe any concerns in Apr and May 26 regarding the impact from the Middle East tensions. As a result, we forecast BAY's credit cost in 2026 at around 220bp, which is within the bank's 2026 credit cost target of 220-230bp.
- **Potential to increase dividend payout ratio.** BAY reported a 2025 dividend payout ratio of around 30%, which is the lowest compared with the banking sector's average range of 65-70%. We expect BAY to increase its dividend payout ratio in 2026 to around 37%. Meanwhile, a higher payout above 37% would be a positive surprise to us. Based on our discussions with BAY, the bank has also considered this increasing trend in the banking sector and will try to increase shareholder returns in the future.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net interest income	107,894	108,533	114,644	120,889	126,272
Non-Interest Income	45,386	51,786	52,446	51,921	55,103
Net profit (rep./act.)	29,700	31,738	34,187	36,110	38,513
Net profit (adj.)	29,700	31,738	34,187	36,110	38,513
EPS (Bt)	4.0	4.3	4.6	4.9	5.2
PE (x)	9.6	9.0	8.3	7.9	7.4
P/B (x)	0.7	0.7	0.6	0.6	0.6
Dividend yield (%)	2.2	3.4	4.4	4.5	4.9
Net int margin (%)	4.2	4.3	4.4	4.6	4.6
Cost/income Ratio (%)	44.4	47.0	45.6	45.8	45.7
Loan loss cover (%)	123.2	126.9	134.7	140.2	142.4
Consensus net profit	-	-	32,587	35,245	40,087
UOBKH/Consensus (x)	-	-	1.05	1.02	0.96

Source: Bank of Ayudhya, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Financials
Bloomberg ticker:	BAY TB
Shares issued (m):	7,355.8
Market cap (Btm):	285,035.8
Market cap (US$m):	8,526.6
3-mth avg daily t'over (US$m):	2.0

Price Performance (%)

52-week high/low				Bt39.25/Bt20.8
1mth	3mth	6mth	1yr	YTD
32.5	52.0	53.5	83.6	49.0

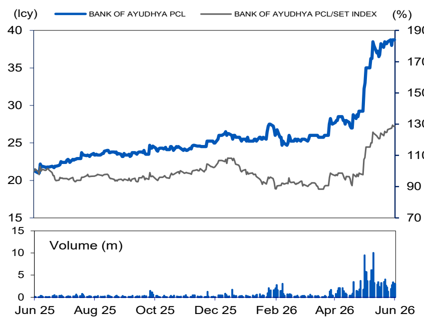
Major Shareholders

	%
MUFG Bank	76.88%
Ratanarak Group and Others	23.12%

Balance Sheet Metrics

	%
FY26 NAV/Share (Bt)	59.96
FY26 CAR Tier 1 (%)	16.69

Price Chart



Source: Bloomberg

Company Description

BAY, branded as Krungsri, is Thailand's fifth-largest universal bank operating a comprehensive network of commercial banking, retail consumer finance, wealth management, and microfinance services. The bank operates as a strategic subsidiary of Japan's Mitsubishi UFJ Financial Group (MUFG), which holds a major stake of over 76% and currently expand loan portfolio into ASEAN countries.

2Q26 Results Preview

Year to 31 Dec (Btm)	2Q26F	1Q26	2Q25	qoq chg (%)	yoy chg (%)
Total gross loans	1,938,649	1,920,189	1,878,879	1.0	3.2
Net interest income	28,544	28,831	25,926	(1.0)	10.1
Non-interest income	13,714	14,024	11,899	(2.2)	15.3
Loan loss provision	(11,008)	(11,472)	(10,290)	(4.0)	7.0
Non-Interest Expenses	(19,307)	(19,373)	(16,553)	(0.3)	16.6
Pre-provision operating profit	22,952	23,482	21,272	(2.3)	7.9
Net income	8,577	8,618	8,295	(0.5)	3.4
EPS (Bt)	1.17	1.17	1.13	(0.5)	3.4
Ratio (%)					
NPL ratio	3.32	3.34	3.39		
Loan loss coverage ratio	133	132	123		
Net interest margin (NIM %)	4.52	4.61	4.19		
Credit cost (bp)	228	240	220		
Cost to income (%)	45.7	45.2	43.8		
Common equity tier 1 (CET1) ratio (%)	16.4	16.4	15.4		

Source: BAY, UOB Kay Hian

- **ASEAN business is the key focus and remains resilient.** BAY has continued to expand its loan portfolio in the ASEAN region, which currently contributes 5% to total loans, covering six countries including Thailand. After checking with BAY, management believes the loan portfolio and asset quality remain resilient, despite recent concerns regarding Middle East tensions and a weakening economic outlook in ASEAN countries. In our view, the net spread, which is NIM minus credit cost, remains high enough to justify growing the loan portfolio, and the bank is trying to optimise this spread.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt50.00** using the Gordon Growth Model (cost of equity: 11%, long-term growth: 2%). This implies 0.83x 2026F P/B, which is an implied +2SD to its historical five-year P/B mean.
- **Inexpensive valuation.** BAY's valuation is the second cheapest in the banking sector, currently trading at 0.6x P/B. Although BAY has a relatively low ROE, we expect it to increase its dividend payout ratio to boost ROE in the future and expect the valuation to catch up with its peers.

Earnings Revision/Risk

- No earnings revision.
- Small free float could incur liquidity risk.

Share Price Catalyst

- Raise the dividend payout ratio.
- Increase free float to make more room available for institutional investors.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: AAA

Environmental

- Committed to Thailand's 2050 net-zero target and the integration of climate risk into lending and investment decisions.

Social

- Implemented multiple assistance measures to support households and small enterprises facing financial difficulties.

Governance

- Continued emphasis on anti-corruption, good governance, and supply chain management.

2026 Financial Targets

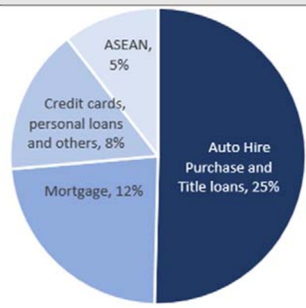
	2026 Targets	2025 Actual	2025 Targets
Loan growth (yoy)	2-4%	1.7%	2-4%
NPL ratio	3.25-3.5%	3.26%	3.25-3.5%
NIM	4.0-4.3%	4.35%	3.8-4.1%
LLC ratio	120-135%	126.9%	110-135%
Credit cost (bp)	200-230bp	227bp	200-230bp

Source: BAY, UOB Kay Hian

Loan Breakdown (1Q26)

Source: BAY, UOB Kay Hian

Retail Loan (% of Total Loans) (1Q26)



Source: BAY, UOB Kay Hian

ASEAN Business as of 4Q25


ASEAN Expansion - Key Businesses

	Krungsri Leasing Services Co., Ltd. (KLS)	Hattha Bank Plc. (HTB)	SB Finance, Inc. (SBF)	SHB Finance Company Limited (SHBF)	HC Consumer Finance Philippines, Inc. (HCPH)	PT. Home Credit Indonesia (HCID)
Country	Lao PDR	Cambodia	Philippines	Vietnam	Philippines	Indonesia
Year of Acquisition	2014	2016	2020	May 2023	June 2023	October 2023
Product Offering	• Auto (4W, 2W, and Car for Cash) • Sales Finance • Personal loan	• Loan (Business, Housing, Home, Agri) • Deposit • Others (VISA Debit, FX, SWIFT, Mobile/Internet Banking)	• Auto (2W and Car for Cash) • SALAD • Personal Loan	• Cash Loan • Cash Card	• POS Loan • Cash Loan • Revolving Loan	• POS Loan • Cash Loan • Revolving Loan
% of Shares	100%	100%	50%	50%	75%	80%
Status / Accounting	• Subsidiary • Consolidated financial statements	• Subsidiary • Consolidated financial statements	• Joint Venture • Equity Method	• Subsidiary • Consolidated financial statements	• Subsidiary • Consolidated financial statements	• Subsidiary • Consolidated financial statements
Outstanding Loan	Approx. Baht 1.1 bn	Approx. Baht 24.8 bn	Approx. Baht 6.4 bn	Approx. Baht 8.5 bn	Approx. Baht 55.1 bn	Approx. Baht 7.5 bn

Source: BAY

P/B Band

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Interest income	147,383	146,931	152,235	160,096
Interest expense	(38,850)	(32,288)	(31,346)	(33,824)
Net interest income/(expense)	108,533	114,644	120,889	126,272
Fees & Commissions	26,484	27,287	26,794	29,067
Net Trading Income	12,305	20,415	20,658	21,396
Other Income	12,997	4,743	4,469	4,641
Non-Interest Income	51,786	52,446	51,921	55,103
Total Income	160,320	167,089	172,810	181,376
Staff Costs	(39,204)	(41,805)	(43,203)	(45,344)
Other Operating Expense	(36,166)	(34,394)	(35,868)	(37,597)
Pre-Provision Profit	84,950	90,890	93,739	98,435
Loan Loss Provision	(43,790)	(43,275)	(43,458)	(44,808)
Pre-tax profit	41,160	47,614	50,281	53,627
Tax	(7,718)	(9,055)	(9,553)	(10,189)
Minorities	(1,704)	(4,372)	(4,618)	(4,925)
Net profit	31,738	34,187	36,110	38,513
Net profit (adj.)	31,738	34,187	36,110	38,513

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Cash With Central Bank	25,949	39,667	40,888	42,908
Govt Treasury Bills & Securities	174,736	149,631	161,867	174,890
Interbank Loans	433,573	475,701	483,416	500,209
Customer Loans	1,851,162	1,885,763	1,939,724	2,033,827
Investment Securities	13,897	17,126	17,665	18,469
Derivative Receivables	22,377	26,409	27,238	28,494
Associates & JVs	7,385	7,508	7,508	7,508
Properties & Other Fixed Assets	42,854	38,751	34,644	31,518
Goodwill & Intangible Assets	38,917	38,849	38,849	38,849
Other Assets	36,306	39,001	39,965	41,586
Total assets	2,647,157	2,718,406	2,791,764	2,918,257
Interbank Deposits	229,721	231,012	236,599	247,930
Customer Deposits	1,735,328	1,772,121	1,827,337	1,917,662
Bills Payable	4,636	4,361	4,361	4,361
Derivative Payables	26,266	27,804	28,425	29,731
Subordinated Debts	118,649	124,939	107,796	97,221
Other Liabilities	92,466	87,468	88,688	92,295
Total liabilities	2,207,066	2,247,706	2,293,206	2,389,200
Shareholders' funds	414,762	441,015	464,254	489,828
Minority interest	25,329	29,686	34,304	39,229
Total Equity & Liabilities	2,647,157	2,718,406	2,791,764	2,918,257

Operating Ratios

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	16	17	17	17
Total CAR	21	21	21	21
Total Assets/Equity	6	6	6	6
Tangible Assets/Tangible Common Equity	7	7	6	6
Asset Quality				
NPL Ratio	3	3	3	3
Loan Loss Coverage	127	135	140	142
Loan Loss Reserve/Gross Loans	5	5	5	5
Increase in NPLs	0	0	3	5
Credit Cost (bp)	227	220	216	214
Liquidity				
Loan/Deposit Ratio	107	106	106	106
Liquid Assets/Short-Term Liabilities	32	33	33	33
Liquid Assets/Total Assets	24	24	25	25

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	1	6	5	5
Fees & Commissions, yoy Chg	6	3	(2)	(2)
Pre-Provision Profit, yoy Chg	0	7	3	3
Net Profit, yoy Chg	7	8	6	6
Customer Loans, yoy Chg	2	2	3	3
Profitability				
Net Interest Margin	4	4	5	5
Cost/Income Ratio	47	46	46	46
Adjusted ROA	1	1	1	1
Reported ROE	8	8	8	8
Adjusted ROE	8	8	8	8
Valuation				
P/BV	1	1	1	1
P/NTA	1	1	1	1
Adjusted P/E	9	8	8	7
Dividend Yield	3	4	5	5