Bank of Ayudhya Pcl (BAY TB) - HOLD, Price Bt31.50, TP Bt34.00

Results Comment

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Strong profits on lower provisions

- BAY's 3Q22 profits came in better than expected at Bt8bn, up 27% y-y and 3% q-q.
- Results beat our estimates on lower provisions. PPOP was in-line, growing 3% y-y and 1% q-q.
- NII expanded nicely on higher yield and growing loans of 1% q-q. Non-NII was up 1% y-y and 3% q-q. Fee improved both y-y and q-q on rising card, loan-related and bancassurance.
- Rising marketing expenses was main reason of higher opex of 13% y-y and 7% q-q. Cost to income ratio rose from 42.7% in 3Q21 and 43.7% in 2Q22 to 45.1% in 3Q22.
- Pushed by SME and retail, NPLs rose 9% q-q to 2.4% of total loans. Given BAY has sufficient provision cushion, credit costs were lower to 1.29% from 1.35% in 2Q22.
- Aligning with rising NPL and lower provisions, loan loss coverage ratio was down but remained healthy at 170%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Interest & dividend income	24,831	25,004	24,751	25,505	26,734
Interest expense	5,339	5,069	4,880	4,962	5,350
Net interest income	**19,492**	**19,936**	**19,872**	**20,544**	**21,384**
Non-interest income	7,876	8,462	7,935	7,705	7,923
Total income	27,368	28,398	27,807	28,249	29,307
Operating expense	11,684	12,633	12,063	12,335	13,212
Pre-provisioning profit	**15,684**	**15,765**	**15,744**	**15,914**	**16,095**
Provision for bad&doubtful debt	8,134	8,128	6,783	6,567	6,347
Profit before tax	7,549	7,637	8,961	9,348	9,747
Tax	1,545	1,590	1,913	1,861	2,036
Profit after tax	6,005	6,047	7,048	7,487	7,711
Equity income	409	389	414	394	404
Minority interests	(52)	(51)	(44)	(47)	(46)
Extra items	-	-	-	-	-
Net profit	**6,362**	**6,385**	**7,418**	**7,834**	**8,070**
Normalized profit	**6,362**	**6,385**	**7,418**	**7,834**	**8,070**
PPP/share (Bt)	2.1	2.1	2.1	2.2	2.2
EPS (Bt)	0.9	0.9	1.0	1.1	1.1
Norm EPS (Bt)	0.9	0.9	1.0	1.1	1.1
BV/share (Bt)	42.2	43.2	44.1	44.5	45.3

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	5	8	76	101,562	111,792
Interest expense	8	0	78	19,573	28,414
Net interest income	**4**	**10**	**75**	**81,989**	**83,378**
Non-interest income	3	1	75	31,370	32,658
Total income	4	7	75	113,359	116,036
Operating expense	7	13	75	50,261	51,813
Pre-provisioning profit	**1**	**3**	**76**	**63,098**	**64,223**
Provision for bad&doubtful debt	(3)	(22)	69	28,628	27,812
Profit before tax	4	29	81	34,469	36,411
Tax	9	32	84	6,894	7,282
Profit after tax	3	28	81	27,576	29,129
Equity income	2	(1)	74	1,630	1,874
Minority interests	neg	neg		-	-
Extra items	neg	neg		-	-
Net profit	**3**	**27**	**80**	**29,205**	**31,003**
Normalized profit	**3**	**27**	**80**	**29,205**	**31,003**
PPP/share (Bt)	1	3	76	8.6	8.7
EPS (Bt)	3	27	80	4.0	4.2
Norm EPS (Bt)	3	27	80	4.0	4.2
BV/share (Bt)	2	7	45	46.3	49.7

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash and Interbank	391,691	376,187	460,229	441,198	393,329
Other liquid items	51,065	25,729	26,613	42,581	64,299
Total liquid items	442,756	401,916	486,842	483,779	457,628
Gross loans and accrued interest	1,864,787	1,901,229	1,939,845	1,960,416	1,977,062
Provisions	83,004	84,360	86,238	88,352	89,880
Net loans	1,781,783	1,816,869	1,853,607	1,872,064	1,887,182
Fixed assets	33,830	34,095	35,477	35,531	35,822
Other assets	56,016	49,061	41,920	44,363	48,870
Total assets	**2,489,288**	**2,499,109**	**2,607,615**	**2,599,139**	**2,590,135**
Deposits	1,782,941	1,779,139	1,829,180	1,819,012	1,713,701
Interbank	176,163	202,150	251,030	245,877	317,476
Other liquid items	4,376	4,042	5,085	5,775	5,346
Total liquid items	1,963,480	1,985,330	2,085,296	2,070,665	2,036,524
Borrowings	125,562	118,977	122,027	108,161	102,759
Other liabilities	89,054	76,565	75,466	92,160	116,810
Minority interest	668	721	764	752	797
Shareholders' equity	**310,523**	**317,516**	**324,063**	**327,402**	**333,245**
Total Liabilities & Equity	**2,489,288**	**2,499,109**	**2,607,615**	**2,599,139**	**2,590,135**

Financial Ratios					
(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Gross loan growth (YTD)	1.2	3.1	2.0	3.1	3.9
Gross loan growth (q-q)	1.8	1.9	2.0	1.0	0.8
Deposit growth (YTD)	(2.8)	(3.0)	2.8	2.2	(3.7)
Deposit growth (q-q)	(5.7)	(0.2)	2.8	(0.6)	(5.8)
Non-interest income (y-y)	3.9	0.7	0.7	(4.3)	0.6
Non-interest income (q-q)	(2.2)	7.4	(6.2)	(2.9)	2.8
Fee income / Operating income	14.8	16.0	15.2	14.9	14.4
Cost-to-income	42.7	44.5	43.4	43.7	45.1
Net interest margin	3.03	3.20	3.11	3.16	3.30
Credit cost	1.75	1.72	1.41	1.35	1.29
ROE	8.2	8.1	9.3	9.6	9.8
Loan-to-deposit	104.0	106.3	105.4	107.1	114.7
Loan-to-deposit + S-T borrowing	104.0	106.3	105.4	107.1	114.7
NPLs (Bt m)	48,780	47,448	46,796	48,373	52,880
NPL increase	973	(1,332)	(652)	1,577	4,507
NPL ratio	2.27	2.20	2.03	2.11	2.38
Loan-loss-coverage ratio	170.2	177.8	184.3	182.6	170.0
CAR - total	18.5	18.5	18.3	17.6	17.6

Sources: Company data, Thanachart estimates

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