Bangkok Life Assurance (BLA TB) - BUY, Price Bt43.75, TP Bt52

Results Comment

Chak Reungsinpinya | Email: chak.reu@thanachartsec.co.th

Strong outlook despite earnings miss in 4Q21

- BLA reported 4Q21 net profit of Bt274m, up 68% y-y but down 77% q-q. The result was well below expectation due to loss ratio, provision for credit loss and MTM loss on investments. Despite the earnings miss, we see a positive outlook given strong new-business premium (NBP) growth in 4Q21 and record-high VONB margin in 2021. BUY.
- **EV and VONB**: Embedded value (EV) was Bt68.2bn or Bt39.95/sh at the end of 2021. VONB in 2021 was Bt2,250m, a record high. VONB margin also reached a record 44% compared to 8-23% in the previous 5 years.
- **Premiums**: NBP was Bt1.61bn, +35% y-y, +17% q-q. Renewal premium was Bt6.39bn, -7% y-y, -23% q-q, reflecting negative NBP growths in past quarters due to COVID-19 lockdowns. Total net premium was Bt9.5bn, -2% but +23% q-q and ahead of our expectation.
- **Loss and expense ratios**: Loss ratio was 117% vs 114% in 9M21 and higher than our full-year forecast. Total commission and expense ratio was 11% vs 9.2% in 9M21. We think this reflects greater sales of high-margin products via agents.
- **Investment returns**: Return on investment was 3.78% in 4Q21 vs 4.03% in 9M21. This was because BLA recorded a Bt91m loss on fair value (mostly from FX) vs Bt470m gain in 9M21.
- **Others**: BLA set aside Bt385m expected credit and impairment loss in 4Q21 vs Bt86m provision in 9M21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Earned premium	7,833	9,434	7,845	9,611	7,774
(Less) Life policy reserve	(5,711)	3,529	2,787	1,543	(2,495)
(Less) Underwriting expense	15,418	7,657	7,077	10,014	12,175
Underwriting profit	**(1,873)**	**(1,752)**	**(2,019)**	**(1,946)**	**(1,905)**
Non-underwriting income	2,574	3,292	3,325	3,800	3,088
Operating expense	507	361	436	468	854
Profit before tax	194	1,179	871	1,386	328
Tax	30	189	119	205	54
Profit after tax	**164**	**990**	**752**	**1,181**	**274**
Equity income	-	-	-	-	-
Minority interests	(0)	(0)	(0)	(0)	0
Extra items	-	-	-	-	-
Net profit	**164**	**990**	**752**	**1,181**	**274**
Normalized profit	**164**	**990**	**752**	**1,181**	**274**
EPS (Bt)	0.10	0.58	0.44	0.69	0.16
Norm EPS (Bt)	0.10	0.58	0.44	0.69	0.16
BV/share (Bt)	27.00	27.45	27.98	27.78	28.09

Income Statement			**12M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Earned premium	(19)	(1)	103	34,664	34,580
(Less) Life policy reserve	na	na	101	5,364	5,465
(Less) Underwriting expense	22	(21)	102	36,922	37,312
Underwriting profit	**na**	**na**	**96**	**(7,622)**	**(8,197)**
Non-underwriting income	(19)	20	94	13,126	15,789
Operating expense	82	69	127	1,647	1,805
Profit before tax	(76)	69	78	3,856	5,787
Tax	(74)	80	74	568	926
Profit after tax	**(77)**	**68**	**79**	**3,289**	**4,861**
Equity income	na	na	na	-	-
Minority interests	na	na	na	(0.03)	-
Extra items	na	na	na	(93)	-
Net profit	**(77)**	**68**	**79**	**3,196**	**4,861**
Normalized profit	**(77)**	**68**	**79**	**3,196**	**4,861**
EPS (Bt)	(77)	68	79	1.87	2.85
Norm EPS (Bt)	(77)	68	79	1.93	2.85
BV/share (Bt)	1	4	387	28.11	30.86

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & cash equivalents	8,072	8,607	10,752	9,159	7,637
Other liquid items	2,989	4,477	3,386	4,248	3,387
Total liquid items	11,061	13,084	14,137	13,407	11,024
Stocks	-	-	-	-	-
Debentures	310,811	313,713	317,369	318,688	318,939
Unit trusts & others secuties	-	-	-	-	-
NET LOANS	11,314	11,009	11,585	11,855	12,129
Investment	322,125	324,722	328,953	330,543	331,068
Fixed assets	2,188	2,265	2,267	2,269	2,283
Other assets	2,618	1,708	1,244	1,165	1,120
Total assets	**337,992**	**341,779**	**346,601**	**347,384**	**345,495**
Life policy reserve	291,329	295,119	297,486	298,620	295,480
Premium received in advance	-	-	-	-	-
Other liquid items	799	1,042	1,205	1,021	1,185
Total liquid items	292,127	296,161	298,692	299,641	296,665
Other liabilities	1,552	1,659	2,057	2,975	2,511
Total Liabilities	**293,680**	**297,820**	**300,749**	**302,615**	**299,177**
Retained earnings	31,729	32,718	33,078	34,258	34,622
Shareholders' equity	**46,098**	**46,867**	**47,778**	**47,441**	**47,966**
MINORITY INTEREST	**339,778**	**344,687**	**348,527**	**350,057**	**347,143**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Life policy reserve to earned premiu	(72.9)	37.4	35.5	16.1	(32.1)
Benefit payments to earned premiun	-	-	-	-	-
Commission to earned premium	8.2	7.1	8.4	7.1	9.1
Operating exp to earned premium	6.5	3.8	5.6	4.9	11.0
ROA	0.2	1.2	0.9	1.4	0.3
ROE	1.5	8.5	6.4	9.9	2.3
ROI	3.2	4.1	4.1	4.6	3.7
Effective tax rate	15.6	16.0	13.7	14.8	16.5
investment rev to underwirting rev	32.9	34.9	42.4	39.5	39.7
Equity portion to total inv	0.0	0.0	0.0	0.0	0.0
Retained earnings to total equity	68.8	69.8	69.2	72.2	72.2
Premium earned growth	(2.4)	0.5	15.9	(2.3)	(0.7)
Life policy reserve growth	(207.6)	56.9	119.3	73.9	43.7
Underwriting profit growth	na	na	20.2	0.5	1.7
Non-underwriting income	(21.0)	(34.1)	12.7	27.3	19.9
Investment asset growth	3.5	2.9	3.1	2.5	2.8
Net profit growth	na	329.4	na	102.4	na

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 83 Derivative Warrants which are ADVA16C2203A, AMAT16C2206A, AOT16C2204A, AOT16C2206A, BAM16C2206A, BAM16C2204A, BANP16C2205A, BANP16C2204A, BBL16C2203A, BBL16C2204A, BCH16C2203A, BEC16C2204A, BGRI16C2203A, BGRI16C2205A, BLA16C2205A, CBG16C2204A, CBG16C2205A, COM716C2203A, COM716C2205A, CPAL16C2203A, CPAL16C2204A, CPF16C2205A, CRC16C2204A, DELT16C2203A, DTAC16C2203A, EA16C2206A, EA16C2203A, EA16C2205A, GLOB16C2203A, GPSC16C2206A, GPSC16C2203A, GPSC16C2205A, GULF16C2203A, GULF16C2205A, GUNK16C2206A, GUNK16C2203A, GUNK16C2205A, HANA16C2204A, HANA16C2205A, INTU16C2205A, IRPC16C2205A, IVL16C2203A, IVL16C2206A, JMAR16C2206A, JMAR16C2205A, JMT16C2203A, JMT16C2205A, KBAN16C2206A, KBAN16C2204A, KCE16C2204A, KCE16C2205A, KCE16C2205B, MINT16C2203A, MINT16C2204A, MTC16C2204A, OR16C2203A, OR16C2205A, PTG16C2203A, PTL16C2202B, PTT16C2203A, PTT16C2205A, PTTE16C2203A, RCL16C2205A, RS16C2205A, S5016P2206B, S5016C2203A, S5016C2203B, S5016C2206A, S5016P2203A, S5016P2203B, S5016P2206A, SAWA16C2204A, SAWA16C2205A, SCC16C2204A, STA16C2203A, STEC16C2204A, SYNE16C2206A, TOP16C2206A, TRUE16C2205B, TRUE16C2205A, TRUE16C2203A, TRUE16C2203B, TU16C2204A, WHA16C2204A (underlying securities are ADVANC, AMATA, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, BLA, CBG, COM7, CPALL, CPF, CRC, DELTA, DTAC, EA, GLOBAL, GPSC, GULF, GUNKUL, HANA, INTUCH, IRPC, IVL, JMART, JMT, KBANK, KCE, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, RCL, RS, SAWAD, SCC, SYNTEC, SET50, STA, STEC, TOP, TU, WHA, TRUE). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 21.2% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB), SCG Packaging Pcl (SCGP TB)