Bangkok Life Assurance (BLA TB) - BUY, Price Bt40.75, TP Bt57

Results Comment

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1Q22 below expectation on combined ratio

- BLA reported 1Q22 net profit of Bt801m, down 19% y-y but increasing by almost 3x q-q. The result was below expectation due to higher-than-expected combined ratio and slightly lower-than-expected premiums received. Despite the miss, we expect combined ratio to start falling in the coming quarters. BLA remains our favorite play on rising bond yield. BUY.
- **Premiums**: New-business premium (NBP) was Bt1.41bn, up 4.7% y-y but down 12.8% q-q. Renewal premium was Bt7.67bn, down 11% y-y but up 20% q-q. While NBP was ahead of estimate, renewal premium fell short of our expectation. This was potentially due to the impact of Omicron outbreak in Jan/Feb which led to big y-y declines in premiums.
- **By channel**: Sales via agent channel was 33.5% in 1Q22, up from 31.2% in 1Q21 but down from 49% in 4Q21 (COVID impact led to bank branch closures).
- **Combined ratio**. We estimate combined ratio (reserve plus benefits paid) was 115%, falling from 117% in 4Q21 but still higher than our full-year assumption of 112%. Commission and underwriting expense ratio was 10.3%, down from 11.2% in 4Q21 but increasing from 8.7% in 1Q21.
- **Investment income**: Investment income was Bt3.35bn, +3% y-y. Return on investment was 3.98%, up from 3.92% in 1Q21 and 3.78% in 4Q21 (dividend season in 1Q).
- **CAR ratio** was 329%, increasing from 301% at end-2021.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Earned premium	9,153	7,770	9,523	7,546	8,406
(Less) Life policy reserve	3,529	2,787	1,543	(2,495)	1,120
(Less) Underwriting expense	7,657	7,077	10,014	12,175	9,435
Underwriting profit	**(1,752)**	**(2,019)**	**(1,946)**	**(1,905)**	**(1,971)**
Non-underwriting income	3,292	3,325	3,800	3,088	3,269
Operating expense	361	436	468	854	352
Profit before tax	1,179	871	1,386	328	946
Tax	189	119	205	54	145
Profit after tax	**990**	**752**	**1,181**	**274**	**801**
Equity income	-	-	-	-	-
Minority interests	(0)	(0)	(0)	0	(0)
Extra items	-	-	-	-	-
Net profit	**990**	**752**	**1,181**	**274**	**801**
Normalized profit	**990**	**752**	**1,181**	**274**	**801**
EPS (Bt)	0.58	0.44	0.69	0.16	0.47
Norm EPS (Bt)	0.58	0.44	0.69	0.16	0.47
BV/share (Bt)	27.45	27.98	27.78	28.09	27.36

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Earned premium	11	(8)	24	34,696	35,438
(Less) Life policy reserve	na	(68)	24	4,638	4,060
(Less) Underwriting expense	(23)	23	25	37,645	38,893
Underwriting profit	**na**	**na**	**26**	**(7,587)**	**(7,516)**
Non-underwriting income	6	(1)	23	14,438	15,796
Operating expense	(59)	(2)	20	1,784	1,925
Profit before tax	188	(20)	19	5,067	6,355
Tax	167	(23)	18	811	1,017
Profit after tax	**192**	**(19)**	**19**	**4,256**	**5,338**
Equity income	na	na	na	-	-
Minority interests	na	na	na	-	-
Extra items	na	na	na	-	-
Net profit	**192**	**(19)**	**19**	**4,256**	**5,338**
Normalized profit	**192**	**(19)**	**19**	**4,256**	**5,338**
EPS (Bt)	192	(19)	19	2.49	3.13
Norm EPS (Bt)	192	(19)	19	2.49	3.13
BV/share (Bt)	(3)	(0)	91	29.98	32.25

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & cash equivalents	8,607	10,752	9,159	7,637	5,156
Other liquid items	4,477	3,386	4,248	3,387	4,686
Total liquid items	13,084	14,137	13,407	11,024	9,843
Stocks	-	-	-	-	-
Debentures	313,713	317,369	318,688	318,939	318,618
Unit trusts & others secuties	-	-	-	-	-
NET LOANS	11,009	11,585	11,855	12,129	11,675
Investment	324,722	328,953	330,543	331,068	330,293
Fixed assets	2,265	2,267	2,269	2,283	2,264
Other assets	1,708	1,244	1,165	1,120	1,830
Total assets	**341,779**	**346,601**	**347,384**	**345,495**	**344,229**
Life policy reserve	295,119	297,486	298,620	295,480	296,370
Premium received in advance	-	-	-	-	-
Other liquid items	1,042	1,205	1,021	1,185	1,305
Total liquid items	296,161	298,692	299,641	296,665	297,674
Other liabilities	1,659	2,057	2,975	2,511	2,247
Total Liabilities	**297,820**	**300,749**	**302,615**	**299,177**	**299,921**
Retained earnings	32,718	33,078	34,258	34,622	35,542
Shareholders' equity	**46,867**	**47,778**	**47,441**	**47,966**	**46,719**
MINORITY INTEREST	**344,687**	**348,527**	**350,057**	**347,143**	**346,640**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Life policy reserve to earned premiu	38.6	35.9	16.2	(33.1)	13.3
Benefit payments to earned premiu	-	-	-	-	-
Commission to earned premium	7.3	8.5	7.2	9.4	8.3
Operating exp to earned premium	3.9	5.6	4.9	11.3	4.2
ROA	1.2	0.9	1.4	0.3	0.9
ROE	8.5	6.4	9.9	2.3	6.8
ROI	4.1	4.1	4.6	3.7	4.0
Effective tax rate	16.0	13.7	14.8	16.5	15.3
investment rev to underwirting rev	36.0	42.8	39.9	40.9	38.9
Equity portion to total inv	0.0	0.0	0.0	0.0	0.0
Retained earnings to total equity	69.8	69.2	72.2	72.2	76.1
Premium earned growth	(0.6)	16.4	(2.3)	(2.8)	(8.2)
Life policy reserve growth	56.9	119.3	73.9	43.7	31.7
Underwriting profit growth	na	na	0.5	1.7	12.5
Non-underwriting income	(34.1)	12.7	27.3	19.9	(0.7)
Investment asset growth	2.9	3.1	2.5	2.8	1.7
Net profit growth	na	19.1	na	67.6	na

Sources: Company data, Thanachart estimates

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