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

Results Comment

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

Strong 2Q22 results, in line

- BLA reported 2Q22 net profit of Bt1.19bn (EPS Bt0.7/sh), up 49% q-q and 58% y-y. The result was in line with our expectation, driven by higher investment income and lower underwriting expenses. BUY.
- **Premiums**: New-business premium (NBP) was Bt1.26bn, down 35% y-y and 10% q-q. Management cites high promotion in 2Q last year as a reason for the steep y-y drop. Renewal premium increased by 6.2% y-y to Bt6.2bn though this was a decline of 19% q-q. Combined, total premium was Bt7.6bn (-6% y-y and -13% q-q).
- **By channel**: Sales via agent channel was 30% and while that of bancassurance channel was 57%. The other 13% came from other channels such as online.
- **Combined ratio**. We estimate combined ratio (reserve plus benefits paid) was 118%, increasing from 115% in 1Q22 but was largely unchanged y-y.
- **Investment income**: Investment income was Bt3.55bn, up 7% y-y and 6% q-q. Return on investment was 4.25%, up from less than 4% in 2Q21/1Q22. This was driven by higher dividend income and higher realized gain.
- **CAR ratio** was 364%, up from 325% at the end of the previous quarter.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Earned premium	7,770	9,523	7,546	8,406	7,294
(Less) Life policy reserve	-	-	-	-	-
(Less) Underwriting expense	9,864	11,557	9,679	10,555	9,297
Underwriting profit	**(2,019)**	**(1,946)**	**(1,905)**	**(1,971)**	**(1,931)**
Non-underwriting income	3,325	3,800	3,088	3,269	3,668
Operating expense	436	468	854	352	328
Profit before tax	871	1,386	329	946	1,409
Tax	119	205	54	145	220
Profit after tax	**751**	**1,181**	**274**	**801**	**1,189**
Equity income	-	-	-	-	-
Minority interests	(0)	(0)	0	(0)	(0)
Extra items	-	-	-	-	-
Net profit	**751**	**1,181**	**274**	**801**	**1,189**
Normalized profit	**751**	**1,181**	**274**	**801**	**1,189**
EPS (Bt)	0.44	0.69	0.16	0.47	0.70
Norm EPS (Bt)	0.44	0.69	0.16	0.47	0.70
BV/share (Bt)	27.98	27.78	28.09	27.36	25.06

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Earned premium	(13)	(6)	45	34,696	35,438
(Less) Life policy reserve	na	na	-	4,638	4,060
(Less) Underwriting expense	(12)	(6)	53	37,645	38,893
Underwriting profit	**na**	**na**	**51**	**(7,587)**	**(7,516)**
Non-underwriting income	12	10	48	14,438	15,796
Operating expense	(7)	(25)	38	1,784	1,925
Profit before tax	49	62	46	5,067	6,355
Tax	52	84	45	811	1,017
Profit after tax	**49**	**58**	**47**	**4,256**	**5,338**
Equity income	na	na	na	-	-
Minority interests	na	na	na	-	-
Extra items	na	na	na	-	-
Net profit	**49**	**58**	**47**	**4,256**	**5,338**
Normalized profit	**49**	**58**	**47**	**4,256**	**5,338**
EPS (Bt)	49	58	47	2.49	3.13
Norm EPS (Bt)	49	58	47	2.49	3.13
BV/share (Bt)	(8)	(10)	175	29.98	32.25

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & cash equivalents	10,752	9,159	7,637	5,156	8,220
Other liquid items	3,386	4,248	3,387	4,686	3,399
Total liquid items	14,137	13,407	11,024	9,843	11,619
Stocks	-	-	-	-	-
Debentures	317,369	318,688	318,939	318,618	313,851
Unit trusts & others secuties	-	-	-	-	-
NET LOANS	11,585	11,855	12,129	11,675	11,782
Investment	328,953	330,543	331,068	330,293	325,633
Fixed assets	2,267	2,269	2,263	2,264	2,225
Other assets	1,244	1,165	1,140	1,830	2,589
Total assets	**346,601**	**347,384**	**345,495**	**344,229**	**342,065**
Life policy reserve	297,486	298,620	295,480	296,370	296,509
Premium received in advance	-	-	-	-	-
Other liquid items	1,205	1,021	1,185	1,305	1,258
Total liquid items	298,692	299,641	296,665	297,674	297,767
Other liabilities	2,057	2,975	2,511	2,247	3,397
Total Liabilities	**300,749**	**302,615**	**299,177**	**299,921**	**301,164**
Retained earnings	33,078	34,258	34,622	35,542	35,667
Shareholders' equity	**47,778**	**47,441**	**47,966**	**46,719**	**42,795**
MINORITY INTEREST	**348,527**	**350,057**	**347,143**	**346,640**	**343,960**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Life policy reserve to earned premiu	-	-	-	-	-
Benefit payments to earned premiu	35.9	16.2	(33.1)	13.3	9.5
Commission to earned premium	8.5	7.2	9.4	8.3	7.5
Operating exp to earned premium	5.6	4.9	11.3	4.2	4.5
ROA	0.9	1.4	0.3	0.9	1.4
ROE	6.4	9.9	2.3	6.8	10.6
ROI	4.1	4.6	3.7	4.0	4.5
Effective tax rate	13.7	14.8	16.5	15.3	15.6
investment rev to underwirting rev	42.8	39.9	40.9	38.9	50.3
Equity portion to total inv	0.0	0.0	0.0	0.0	0.0
Retained earnings to total equity	69.2	72.2	72.2	76.1	83.3
Premium earned growth	16.4	(2.3)	(2.8)	(8.2)	(6.1)
Underwriting profit growth	na	na	1.7	12.5	(4.4)
Non-underwriting income	12.7	27.3	19.9	(0.7)	10.3
Investment asset growth	3.1	2.5	2.8	1.7	(1.0)
Net profit growth	na	102.4	na	(19.1)	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 65 Derivative Warrants which are ADVANC16C2210A, ADVANC16C2211A, AMAT16C2209A, AOT16C2212A, AOT16C2209A, BANPU16C2210A, BCH16C2211A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2210A, CENTEL16C2209A, COM716C2208A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, EA16C2209A, EA16C2211A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2209A, GULF16C2210A, GUNK16C2209A, HANA16C2209A, HANA16C2211A, IVL16C2209A, IVL16C2211A, JMART16C2210A, JMART16C2211A, JMT16C2210A, JMT16C2211A, KBAN16C2208A, KBAN16C2209A, KBANK16C2211A, KCE16C2208A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2211A, MTC16C2209A, PTG16C2211A, PTG16C2209A, PTTE16C2209A, RBF16C2209A, RCL16C2208A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2211A, SCB16C2208A, SET5016C2209B, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, BANPU, BCH, BGRIM, BLA, CBG, CENTEL, COM7, CPALL, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PTG, PTTEP, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TIDLOR, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of 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 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), 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: The One Enterprise Pcl. (ONEE TB)