


13 August 2014

Insurance

BLA**Bangkok Life Assurance**

Current Previous Close
SELL SELL 92.25

2014 TP Exp Return Support Resistance CGR 2013
68.00 - 26.3% 91-90 93-95 

Consolidated earnings

BT (mn)	2012	2013	2014E	2015E
Net premium (Btm)	34,128	38,795	53,181	59,139
Growth (%)	10	14	37	11
Investment inc (Btm)	5,704	7,056	8,962	10,918
Growth (%)	21	24	27	22
Net profit (Btm)	3,724	4,381	5,273	6,534
EPS (Bt)	3.10	3.62	4.35	5.39
EPS (Bt) -FD	3.08	3.61	4.36	5.40
Growth (%)	-1	17	21	24
PE (x)	29.8	25.5	21.2	17.1
PE (x) - FD	29.9	25.6	21.2	17.1
DPS (Bt)	0.72	0.91	1.09	1.35
Yield (%)	0.8	1.0	1.2	1.5
BVPS (Bt)	16.22	18.37	22.25	26.55
P/BV (x)	5.7	5.0	4.1	3.5
Par	1	1	1	1

Source: Company data, FSS estimates

2Q14 net profit misses estimates**2Q14 net profit down 84.6% Q-Q and 88.4% Y-Y**

BLA's 2Q14 net profit came in at just Bt168.8mn (-84.6% Q-Q, -88.4% Y-Y), much lower than our estimates due to larger-than-expected policy reserve. To elaborate, policy reserve increased to 83% of premium earned (vs. a normal rate of 67% of premium earned) because interest rate sharply fell in the last two quarters, resulting in a rise in insurance liability. Note that the latest 15Y zero-bond yield stands at 3.88%, continuously falling from 4.2% in late 1Q14. In 2Q14, benefit payment increased after a larger number of policies were expired and returned for cash. As a result, underwriting margin turned negative at 18%, the largest so far.

Net profit estimates set to be revised down

Looking ahead, we are hopeful that BLA's net profit will recover in 3Q14 thanks to a decline in policy reserve after 15Y zero-bond yield started to stabilize at 3.8%. Moreover, BLA plans to launch more life policies in 2H14 rather than endowment policies which require a higher rate of policy reserve. However, as the disappointing 1H14 net profit is sufficient to secure just 24% of our full-year estimates, we are looking to revise down both our 2014-2015E net profit after attending an analyst meeting scheduled to be held later today.

Maintain SELL rating

Along with its 2Q14 earnings results, BLA has also announced a 5:2 stock dividend. The stock will go XD on October 8, 2014. Despite the dividend, we retain our SELL rating on BLA because the counter has rallied 34% since 1Q14, contrary to its 2Q14 net profit which came in disappointing. Finally, we put our TP under review, while we plan to roll over to a 2015 TP.

2Q14 Earnings Results

(Bt mn)	2Q14	1Q14	%Q-Q	2Q13	%Y-Y
Net premium	9,769	26,712	-63.4	9,095	7.4
Inc. Policy Reserve	8,099	22,415	-63.9	5,858	38.3
Benefit Payment	2,835	3,378	-16.1	2,193	29.3
Commission expenses	594	1,025	-42.0	627	5.2
Total Underwriting exp	11,596	26,940	-57.0	8,754	32.5
Underwriting income	-1,828	-228	702.5	341	-635.9
Net investment income	2,153	2,014	6.9	1,703	26.4
Operating income	189	1,378	-86.3	1,801	-89.5
Income tax	6	211	-102.6	324	101.7
Net profit	169	1,096	-84.6	1,453	-88.4
Underwriting margin	-18.71%	-0.9%	-17.9%	3.7%	-22.5%
Expense ratio	11.65%	5.9%	5.8%	12.5%	-0.8%
ROI	5.31%	4.8%	0.5%	5.0%	0.3%

Comment

- Net premium earned tumbled 63.4% Q-Q since BLA aggressively sold lots of policies through bancassurance channel in 1Q14, but were less aggressive during the quarter.
- Policy reserve sharply fell 63.9% Q-Q. However, it continued to imply a high loss ratio of 83% because interest rate declined, resulting in an increase in insurance liability.
- ROI was high at 5.31% (vs. 4.8% in 1Q14) thanks to a rise in trading gain to Bt320mn in this quarter (vs. Bt46mn in 1Q14), in line with the increase in the SET.

Source: Company data

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Patumwan, Bangkok

Amarin Tower

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Lumpini, Pathumwan,
Bangkok

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2nd Floor, Wireless Road,
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Bangkok

Sindhorn 2

130-132 Sindhorn Building 3,
24th Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Sindhorn 3

130-132 Sindhorn Building 3,
19th Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Sukhumvit 21

50 GMM Grammy Place
15th Floor, Sukhumvit 21 Road,
Klongtey North, Wattana,
Bangkok

Asoke

159 Sermit Tower 17th Floor,
Soi Sukumvit 21, Sukhumvit Road,
Klongtey North, Wattana,
Bangkok

Silom

191 Silom Complex Building
Unit 2,3-1 21st Floor, Silom Road,
Silom, Bangrak,
Bangkok

Fortune Town

1 Fortune Town Building,
23rd Floor, Zone B3,
Rachadapisek Road, Dindaeng,
Bangkok

Italthai Tower

2034/52 Italthai Tower,
11st Floor, Unit 11-07/01,
New Petchburi Road, Bangkok,
Huaykwang, Bangkok

Thaisummit Tower 1

1768 Thaisummit Tower Building,
2nd Floor, New Petchburi Road,
Bangkapi, Huaykwang,
Bangkok

Thaisummit Tower 2

1768 Thaisummit Tower Building,
4nd, 31th Floor, New Petchburi
Road, Bangkapi, Huaykwang,
Bangkok

Pinklao 1

7/129-221 Central Pinklao Office
Building, Room 1404, 14th Fl.,
Baromratchonnane Road,
Arunamarin, Bangkoknoi, Bangkok

Pinklao 2

7/3 Central Tower B, Pinklao,
Room 1408, 14th Floor,
Baromratchonnane Road,
Arunamarin, Bangkoknoi, Bangkok

Pinklao 3

7/3 Central Tower B, Pinklao,
16th Floor, Baromratchonnane
Road, Arunamarin, Bangkoknoi,
Bangkok

Central Rattatibet

68/127 Moo 8 Rattatibet Road,
Tumbon Banggrasor,
Aumthoe Muang,
Nonthaburi

Ladprao

555 Rasa Tower 2, 11st Floor,
Unit 1106, Phaholyothin Road,
Chatuchak, Bangkok

Prachachuen

105/1 B Building, 4th Floor,
Thessabansongkhrao Road,
Ladyao, Jutajak, Bangkok

Bangna

1093 Tower 1 Office, 19th Floor,
Room 1093/105 Moo 12,
Bangna-Trad Road, Bangna,
Bangkok

Bangkapi

3105 N Mark Building, 3rd Floor,
Room A3 R02, Ladprao Road,
Klongjan, Bangkapi, Bangkok

Rang sit

1/832 Phaholyothin 60
Kukod, Lumlookka
Pratumthane

Nakornpathom

28/16-17 Yingpao Road,
Tumbon Sanamjan,
Aumthoe Muang, Nakornpathom

Chonburi

44 Vacheraprakran Road,
Tumbon Bangplasoi,
Aumthoe Muang, Chonburi

Samutsakorn

1045/16-17 Vichienchodok,
Tumbon Mhachai, Aumthoe
Meungsamutsakorn, Samutsakorn

Chachoengsao

233-233/2 1st Floor, Moo 12,
Sukprayoon Road,
Tumbon Namuang, Aumthoe
Muang, Chachoengsao

Chiangmai 1

308 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2

310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Khonkaen 1

311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumthoe Meung,
Khonkaen

Khonkaen 2

26/9 Moo 7 2nd Floor,
Srijan new Road, Tumbon
Nai Meung, Aumthoe Meung,
Khonkaen

Measai

119 Moo 10,
Tumbon Maesai,
Aumthoe Muang, Cheangrai

Hatyai 1

200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2nd Floor,
Building, Niphat Uthit 3 Road,
Aumthoe Hadyai, Songkhla

Hatyai 2

106 Prachathipat Road,
Aumthoe Hadyai, Songkhla

Hatyai 3

200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2nd Floor,
Building, Niphat Uthit 3 Road,
Aumthoe Hadyai, Songkhla

Phuket

22/18 Vanish Plaza Shopping
Mall, Luangporwatchalong Road,
Tumbon Talad Yai,
Aumthoe Meung, Phuket

Suratthani

173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumthoe Mueang, Suratthani

Krabi

223/20 Mharaj Road,
Tumbon Paknam,
Aumthoe Meung, Krabi

Pattane

300/69-70 Moo 4,
Tumbon Ruramirae,
Aumthoe Meung, Pattane

Udonthani

104/6, 2 fl., ICBC Bank Tower
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumthoe Muang Udon Thani,
Udon Thani

Khonkaen

4/6, 2 fl., ICBC Bank Tower
Khang Meung Road,
Tumbon Nai Meung,
Aumthoe Meung Khonkaen,
Khonkaen

Trang

59/28 Huaiyod Road,
Tumbon Thaptieng,
Aumthoe Meungtrang, Trang

Analyst - Finansia Syrus Securities

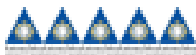
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Mathee	Rumphasakul	Global Market	0-2646-9805	mathee.r@fnsyus.com

Recommendation Definitions

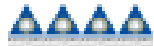
BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average

Note: The expected return may change as market risks increase or decline.

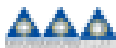
Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2013



										Score Range	Rating	Description
										100-90		Excellent
ADVANC	BROOK	EGCO	KKP	PR	RS	SIM	TCAP	TRC		80-89		Very Good
AOT	BTS	ERW	KTG	PRANDA	S&J	SIS	THAI	TRUE		70-79		Good
ASIMAR	CIMBT	GRAMMY	LPN	PS	SAMART	SITHAI	THCOM	TTW		60-69		Satisfactory
BAFS	CK	HANA	MCOT	PSL	SAMTEL	SNC	THRE	TVO		50-59		Pass
BANPU	CPF	HEMRAJ	MINT	PTT	SAT	SPALI	TIP	UV		<50		n/a
BAY	CPN	ICC	NKI	PTTEP	SC	SPI	TISCO	VGI				
BBL	CSL	INTUCH	NOBLE	PTTGC	SCB	SSI	TKT	WACOAL				
BCP	DRT	IRPC	PAP	QH	SCC	SSSC	TMB					
BECL	DTAC	IVL	PG	RATCH	SCSMG	SVI	TNITY					
BKI	EASTW	KBANK	PHOL	ROBINS	SE-ED	SYMC	TOP					



2S	ASK	CFRESH	ESSO	IFEC	LH	MFEC	PB	RASA	SPCG	THANA	TPIPL	UMS
ACAP	ASP	CGS	FE	INET	LHBANK	MODERN	PDI	SABINA	SPPT	THANI	TRT	UP
AF	AYUD	CHOW	FORTH	ITD	LHK	MTI	PE	SAMCO	SSF	THIP	TRU	UPOIC
AHC	BEC	CM	GBX	JAS	LIVE	NBC	PF	SCCC	STANLY	TICON	TSC	UT
AIT	BFIT	CNT	GC	JUBILE	LOXLEY	NCH	PJW	SCG	STEC	TIPCO	TSTE	VIBHA
AKP	BH	CPALL	GFPT	KBS	LRH	NINE	PM	SEAFCO	SUC	TK	TSTH	VIH
AMANAH	BIGC	CSC	GL	KCE	LST	NMG	PPM	SFP	SUSCO	TLUXE	TTA	VNG
AMARIN	BJC	DCC	GLOW	KGI	MACO	NSI	PPP	SIAM	SYNTEC	TMILL	TTCL	VNT
AMATA	BLA	DELTA	GOLD	KKC	MAJOR	NWR	PREB	SINGER	TASCO	TMT	TUF	YUASA
AP	BMCL	DTC	GSTEL	KSL	MAKRO	OCC	PRG	SIRI	TCP	TNL	TWFP	ZMICO
APCO	BWG	ECL	GUNKUL	KWC	MBK	OFM	PT	SKR	TF	TOG	TYM	
APCS	CCET	EE	HMPRO	L&E	MBKET	OGC	PYLON	SMT	TFD	TPC	UAC	
ASIA	CENTEL	EIC	HTC	LANNA	MFC	OISHI	QTC	SNP	TFI	TPCORP	UMI	



A	ARIP	CI	DRACO	GFM	IT	LEE	NIPPON	QLT	SMIT	TBSP	TNPC	UPF
AAV	AS	CIG	EA	GJS	JMART	MATCH	NNCL	RCI	SMK	TCCC	TOPP	UWC
AEC	BAT-3K	CITY	EARTH	GLOBAL	JMT	MATI	NTV	RCL	SOLAR	TEAM	TPA	VARO
AEONTS	BCH	CMR	EASON	HFT	JTS	MBAX	OSK	ROJNA	SPC	TGCI	TPP	VTE
AFC	BEAUTY	CNS	EMC	HTECH	JUTHA	MDX	PAE	RPC	SPG	TIC	TR	WAVE
AGE	BGT	CPL	EPCO	HYDRO	KASET	PRINC	PATO	SCBLIF	SIRICHA	TIES	TTI	WG
AH	BLAND	CRANE	F&D	IFS	KC	MJD	PICO	SCP	SSC	TIW	TVD	WIN
AI	BOL	CSP	FNS	IHL	KCAR	MK	PL	SENA	STA	TKS	TVI	WORK
AJ	BROCK	CSR	FOCUS	ILINK	KDH	MOONG	POST	SF	SUPER	TMC	TWZ	
AKR	BSBM	CTW	FPI	INOX	KTC	MPIC	PRECHA	SGP	SVOA	TMD	UBIS	
ALUCON	CHARAN	DEMCO	FSS	IRC	KWH	MSC	PRIN	SIMAT	SWC	TMI	UEC	
ANAN	CHUO	DNA	GENCO	IRCP	LALIN	NC	Q-CON	SLC	SYNEX	TNDT	UOBKH	

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