

14 August 2014

Insurance

BLA**Bangkok Life Assurance**

Current **Previous** **Close**
SELL **SELL** **90.25**

2015 TP **Exp Return** **Support** **Resistance** **CGR 2013**
86.00 **+ 4.71%** **89-87** **91-93**

Consolidated earnings

BT (mn)	2012	2013	2014E	2015E
Net premium (Btm)	34,128	38,795	54,043	59,783
Growth (%)	10	14	39	11
Investment income (Btm)	5,704	7,056	8,700	11,039
Growth (%)	21	24	23	27
Net profit (Btm)*	3,724	4,381	3,870	6,333
EPS (Bt)	3.10	3.62	2.98	3.71
EPS (Bt) -fully diluted	3.08	3.61	2.27	3.71
Growth (%)	-1	17	-37	64
PE (x)	29.1	24.9	30.3	24.3
PE (x) - Fully diluted	29.3	25.0	39.8	24.3
DPS (Bt)	0.72	0.91	0.57	0.93
Yield (%)	0.8	1.0	0.6	1.0
BVPS (Bt)	16.22	18.37	15.27	18.41
P/BV (x)	5.6	4.9	5.9	4.9
Par (Bt)	1	1	1	1

*adj effective tax rate

Source: Company data, FSS estimates

Share data

Close (13/08/2014)	90.25
SET Index	1,544.55
Foreign limit/actual (%)	24.99/24.99
Paid up shares (million)	1,212.65
Free float (%)	40.84
Market cap (Bt mn)	109,441.48
vg. daily T/O (Bt mn) (2014 YTD)	49.93
hi, lo, avg (Bt) (2014 YTD)	95.50, 60.75, 76.17

Source: Setsmarts

Price overly reacts to premium written and neglects disappointing earnings

We expect BLA's net profit to return to normal level in 2H14. Although interest rate likely continues to decline, while policy reserve is set to remain high, they are likely to be partially offset by a shift to longer-term insurance policies. Nonetheless the prospect that BLA's net profit will increase in the latter half of this year is not sufficient to offset the disappointing net profit in 1H14. Hence, we have revised down our 2014E net profit to Bt3.8bn (-11.66% Y-Y), while maintaining our 2015E net profit at Bt6.3bn (+63.65% Y-Y) because we predict that a rise in interest rate will result in a decline in policy reserve. With that, we have rolled over to our 2015 pre-XD TP of Bt86 (post-XD TP of Bt62). Finally, we retain our SELL rating on BLA.

Expect net profit to return to normal level of Bt1.2-1.3bn in 3Q14-4Q14

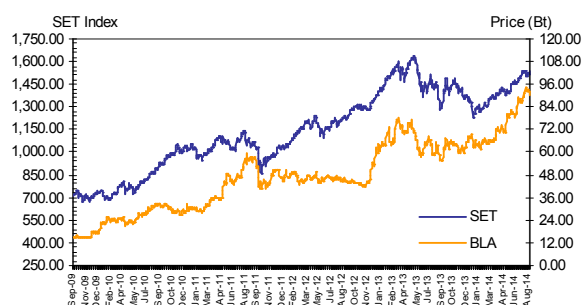
Our forecasts call for BLA's 3Q14 net profit to continue to be pressured by large policy reserve after interest rate in August continues to decrease from late 2Q14. However, such reserve might not be as large as what BLA booked in 2Q14 because we expect the company to have higher exposure to long-term insurance policies. With that, we initially predict that BLA's net profit will return to normal level of Bt1.2bn (+620% Q-Q, +10% Y-Y) in 3Q14. Looking ahead, BLA guided that a large number of policies would become expired, driving up benefit payment in 4Q14. Nonetheless, we believe that such rise in benefit payment will not impact 4Q14 net profit much because it is likely to be offset by a decline in policy reserve. Moreover, we anticipate that BLA's 4Q14 net profit will stabilize at normal level of Bt1.4bn (+12% Q-Q, +50% Y-Y). Finally, we project that BLA's net profit in 2H14 will be brighter than that of 1H14 and jump 104% H-H.

Revise down 2014E net profit, but maintain 2015E net profit

Although we expect BLA's net profit in 2H14 to return to normal level, such recovery will not be sufficient to offset the disappointing net profit in 1H14. For this reason, we have decreased our 2014E net profit by 27% to Bt3.8bn (-11.66% Y-Y). In 2015, we forecast that interest rate will resume its upward movement, resulting in a decline in policy reserve. However, we also believe that BLA needs to maintain its customer base and its market leadership. Hence, the company will likely continue to launch short-term products, making it possible for policy reserve to decline only at a modest rate. With that, we maintain our 2015E net profit at Bt6.3bn (+63.65% Y-Y), assuming net premium earned growth rate of 10%, policy reserve of 73% (vs. 76% in 2014), underwriting margin of -2.24% (vs. 5% in 2014) and ROI of 5%.

Roll over to 2015 pre-XD TP of Bt86 (post-XD TP of Bt62), maintain SELL rating

Given such estimates and outlook, we have rolled over to our 2015 TP of Bt86, assuming a 2015 prospective EV of Bt34 per share, VNB at Bt2 and multiplier of 26x (i.e. an average from 2009 + 1sd). Finally, we retain our SELL rating on BLA. Note that BLA has announced a 5:2 stock dividend in order to maintain its CAR of 240%. The counter will go XD on October 8, 2014, after which our 2015 TP will decrease to Bt62.



Source: SET

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Income Statement (Consolidated)					
(Bt mn)	2011	2012	2013	2014E	2015E
Net premium written	31,067	34,128	38,795	54,043	59,783
Net investment income	4,698	5,704	7,056	8,700	11,039
G/L from investment	326	480	593	700	500
Other revenue	0	0	0	50	50
Total revenue	36,091	40,312	46,444	63,493	71,372
Life policy reserve increase	20,197	22,873	25,357	41,073	43,641
Benefit paymt to policy holders	5,380	6,543	9,599	12,430	13,750
Dividend to policy holder	0	0	0	0	0
Commission and brokerage	2,439	2,758	2,705	2,837	3,288
Marketing expenses	329	334	352	380	410
Other underwriting expense	21	30	31	30	33
Total underwriting expense	29,925	33,966	39,296	56,750	61,123
Total operating expenses	1,250	1,488	1,720	1,862	2,154
Total expenses	31,175	35,454	41,017	58,612	63,276
Net profit*	3,760	3,724	4,381	3,870	6,333

Balance Sheet (Consolidated)					
(Bt mn)	2011	2012	2013	2014E	2015E
Investment assets	103,082	134,979	161,126	212,196	266,001
-Treasury bond	n.a	n.a	n.a	n.a	n.a
-Debenture	n.a	n.a	n.a	n.a	n.a
-Stock	n.a	n.a	n.a	n.a	n.a
Net Loan	2,113	2,649	3,526	4,055	4,257
Cash and cash equivalent	2,737	866	1,331	2,000	3,000
Fixed assets	306	305	327	360	353
Due from reinsurers	0	0	0	0	0
Premium due and uncollected-net	2,313	1,613	1,840	2,392	3,348
Accrued income on investments	1,376	1,500	1,863	2,049	2,254
Other assets	201	1,145	1,433	1,400	1,400
Total assets	112,459	143,567	172,234	225,320	281,569
Life premium reserve	88,386	111,259	136,616	177,689	221,330
Accrued benefit payment	6,852	7,280	7,380	7,749	8,523
Due to reinsurers	267	400	450	500	500
Unearned premium	1,085	1,078	1,021	1,200	1,200
Other liabilities	1,049	2,808	3,547	0	0
Total liabilities	99,028	124,103	149,971	189,479	233,944
Paid up and premium	3,900	4,028	4,058	4,562	4,562
Unrealized G/L from investment	2,478	5,153	4,391	5,000	5,000
Appro R/E	522	522	522	522	522
Unappro R/E	6,532	8,981	13,225	15,992	21,357
Shareholders' funds (SHF)	13,431	19,465	22,264	26,076	31,441

Cash Flow Statement (Consolidated)					
(Bt mn)	2011	2012	2013	2014E	2015E
Growth (%)					
Investment assets	24.4	30.9	19.4	31.7	25.4
Total assets	26.7	27.7	20.0	30.8	25.0
Net premium	19.6	9.9	13.7	39.3	10.6
Net investment income	35.6	21.4	23.7	23.3	26.9
Policy reserve	-229.1	13.3	10.9	62.0	6.3
Underwriting expenses	-219.4	13.5	15.7	44.4	7.7
Operating expenses	-201.7	19.0	15.6	8.2	15.7
Net profit	34.4	-1.0	17.6	-11.7	63.6
Profitability (%)					
Expense ratio	13.0	13.5	12.4	9.5	9.8
investment yield	4.4	4.2	4.3	4.4	4.3
Net retention prem / cap	255.2	207.5	185.9	223.6	207.9
Profit on underwriting	12.7	9.6	6.7	1.0	4.0
Net Profit Margin	10.5	9.3	9.6	6.2	8.9
ROE	30.9	22.6	21.0	16.0	22.0
ROA	3.7	2.9	2.8	1.9	2.5
ROI	5.3	5.0	5.0	4.9	4.7
D/E ratio (X)	7.4	6.4	6.7	7.3	7.4
Policy Lia. / Cap (X)	6.6	5.7	6.1	6.8	7.0
Policy reserve / TA (X)	0.8	0.8	0.8	0.8	0.8
Embedded value (Bt m)					
VIF	11,640	17,979	10,000	10,000	n.a
Adj net worth	12,765	12,406	22,264	26,076	n.a
EV	24,405	30,385	32,264	36,076	n.a
VNB	2,237	2,285	1,900	2,048	n.a
Capitalization					
Capital (Bt mn)	11,353	11,353	22,264	26,076	31,441
Capital / Equity (%)	85	58	100	100	100
Solvency ratio (RBC) (%)	222.0	222.0	247.0	155.6	169.7
Per share data (Bt)					
Shares in issue (mn)	1,200	1,200	1,212	1,708	1,708
EPS-Basic	3.13	3.10	3.62	2.98	3.71
EPS-FD	3.11	3.08	3.61	2.27	3.71
BVPS	11.19	16.22	18.37	15.27	18.41
DPS	0.72	0.72	0.91	0.57	0.93
DPS/EPS (%)	22.98	23.20	25.17	25.00	25.00
Valuations (x)					
P/E	29.0	29.3	25.0	39.8	24.3
Norm P/E	29.0	29.3	25.0	39.8	24.3
P/BV	8.1	5.6	4.9	5.9	4.9
Dividend yield (%)	0.8	0.8	1.0	0.6	1.0

Source: Company data, FSS research

*adj against new effective tax rate

Finansia Syrus Securities Public Company Limited

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999/9 The offices at Central World
17th, 18th, 25th Fl.,
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Alma Link Building 25
Soi Chidlom, Ploenchit, Lumpini,
Patumwan, Bangkok

Amarin Tower

496-502 Amarin Tower
20th Floor, Pleonchit,
Lumpini, Pathumwan,
Bangkok

Sindhorn 1

130-132 Sindhorn Building 1,
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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,
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Huaykwang, Bangkok

Thaisummit Tower 1

1768 Thaisummit Tower Building,
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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,
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Aumhoe 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,
Aumhoe Muang, Nakornpathom

Chonburi

44 Vacheraprakran Road,
Tumbon Bangplasoi,
Aumhoe Muang, Chonburi

Samutsakorn

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

Chachoengsao

233-233/2 1st Floor, Moo 12,
Sukprayoon Road,
Tumbon Namuang, Aumhoe
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,
Aumhoe Meung,
Khonkaen

Khonkaen 2

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

Measai

119 Moo 10,
Tumbon Maesai,
Aumhoe Muang, Cheangrai

Hatyai 1

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

Hatyai 2

106 Prachathipat Road,
Aumhoe Hadyai, Songkhla

Hatyai 3

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

Phuket

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

Suratthani

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

Krabi

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

Pattane

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

Udonthani

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

Khonkaen

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

Trang

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

Analyst - Finansia Syrus Securities

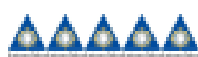
Jitra	Amornthum	Head of Research	0-2646-9966	jitra.a@fnsyus.com
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Amnart	Ngosawang	Construction Materials / Transportation	0-2646-9712	amnart.n@fnsyus.com
Veeravat	Virochpoka	Health Care Services / Tourism & Leisure	0-2646-9821	veeravat.v@fnsyus.com
Somchai	Anektaweepon	Technical	0-2646-9967	somchai.a@fnsyus.com
Natapon	Khamthakreaau	Derivatives	0-2646-9820	natapon.k@fnsyus.com
Mathee	Rumphasakul	Global Market	0-2646-9805	mathee.r@fnsyus.com

Recommendation Definitions

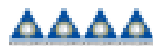
BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected 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.

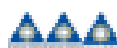
Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2013



										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				
BAY	CPN	ICC	NKI	PTTEP	SC	SPI	TISCO	VGI		<50		n/a
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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