BUALUANG SECURITIES

COMPANY UPDATE

Bangkok Life Assurance

BLA TB / BLA.BK

13 November 2015

Aggressive mode from 4Q15 onwards

Investment thesis

BLA has switched mode from long-term to short- and medium-term products in 4Q15 and FY16, such as medium-term endowment, protection, health-care and credit-life policies. All products need medium-to-high provisions for life-policy reserves, as we assume in our model. These imply stronger premiums than we assumed at an 8% contraction in FY15 before bouncing 6% in FY16. Nevertheless, taking a conservative stance, we have maintained our FY15 profit forecasts of Bt3.9bn for FY15, up 46.5% YoY, and Bt4.5bn for FY16, up 15.4% YoY. Our BUY rating stands with a YE15 TP of Bt62.5, pegged to embedded value of Bt30.61/share and total VNB of Bt31.89/share.

Back to boost market share in 4Q15 and FY16

BLA's switch in focus to short- and medium-term policies in 4Q15 and FY16 (whole-life, credit-life, single-premium and medium-term endowments such as Gain 1st 245 plus). The change implies that it intends to drive its top line instead of the bottom line. Note that we forecast its FY15 FYP and total premium to drop 38% and 8%, respectively. The firm sets aggressive total premium growth in the double digits next year (we conservatively forecast FY16 total premium growth of 6%).

Provisioning is set at slightly less than 70% in FY16

The emphasis on short- and medium-term products in FY16 will mean medium provisions for the life-policy reserve in 4Q15 and FY16 (excluding LAT reserve on low interest rate risk), following heavy FY14 provisions of Bt41bn (about 80% of total premiums). BLA guides for 4Q15 provisions to come in the range of 70-75% of total premiums (against 69% in 9M15 and 80% in FY14). The firm also sets its FY16 provision of slightly below 70% of premium. Note that we expect provisions to equal 70% of total premiums in FY15 and FY16.

Maintain ROI target of 4.8% in FY15 and FY16

Management reaffirmed FY15 ROI of 4.8% (excluding investment gain) following 5.3% in 9M15. The possibility of high bond yields late in FY16 would present BLA with a chance to accrue more long-term bonds. The firm invests Bt28bn (13% of total investment) in equities, unit trust and loans that yield about 6-7%. Note that we forecast BLA to have FY15 and FY16 ROI of 4.8% (excluding investment gains).

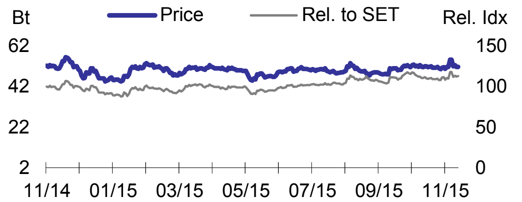
Solid CAR to drive long-term expansion with raised capital

Given its rising investment in risky asset and dividend payment in 9M15, BLA's CAR dropped to 309% in 3Q15 from 347% in 2Q15. Management guides that a current CAR will allow BLA to be more aggressive with higher-yield assets (such as structured notes, REITs and infrastructure funds) in order to strengthen its ROI as well.

Sector: Insurance – OVERWEIGHT

Rating: BUY
Target Price: Bt62.50
Price (12 November 2015)**: Bt53.50**

Price chart

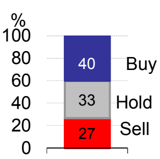


Share price perf. (%)	**1M**	**3M**	**12M**
Relative to SET	2.0	3.4	9.5
Absolute	-	2.0	(1.9)

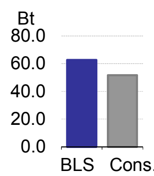
Key statistics

Market cap	Bt88.2bn	USD2.5bn
12-mth price range	Bt44.0/Bt57.0	
12-mth avg daily volume	Bt63m	USD1.7m
# of shares (m)	1,704	
Est. free float (%)	41.6	
Foreign limit (%)	25.0	

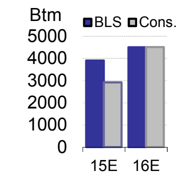
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Total rev (Btm)	61,427	58,401	62,540	67,454
Net profit (Btm)	2,662	3,900	4,500	5,240
Fully diluted EPS (Bt)	1.56	2.28	2.63	3.07
EPS growth (%)	-39.2%	+46.5%	+15.4%	+16.4%
PER (x)	33.5	22.9	19.8	17.0
EV/EBITDA (x)	24.2	15.3	13.1	11.0
PBV (x)	3.57	3.11	2.87	2.53
Dividend (Bt)	0.51	1.10	1.20	1.30
ROA (%)	1.2	1.7	1.6	1.6
Net gearing (x)	7.2	6.9	7.6	7.8
Total loss ratio (%)	79.8	70.0	70.0	70.0
Total premium Mkt (%)	12.0	10.0	10.0	10.0

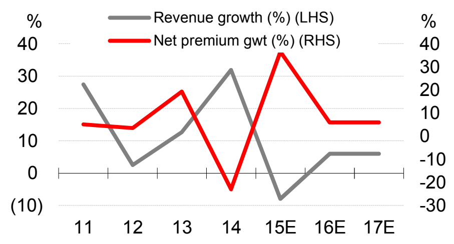
CG rating

Suwat Bumrungchatudom
Securities Fundamental Investment Analyst
suwat@bualuang.co.th
+66 2 618 1341

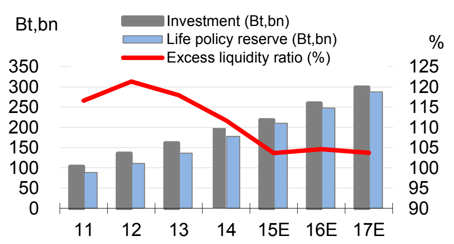
BLA: Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Insurance premium	38,795	51,172	47,110	49,937	52,933
Less Life policy reserve	(25,357)	(40,818)	(32,977)	(34,956)	(37,053)
Net premium	**13,438**	**10,354**	**14,133**	**14,981**	**15,880**
Underwriting expenses	(13,939)	(15,531)	(18,450)	(19,557)	(20,995)
Profit from insurance	**(501)**	**(5,177)**	**(4,317)**	**(4,576)**	**(5,115)**
Revenue on investment	7,601	10,255	11,291	12,603	14,521
Other income/exp.	39	48	44	47	50
Net revenue	**7,139**	**5,126**	**7,019**	**8,074**	**9,456**
Operating expenses	(1,828)	(2,018)	(2,295)	(2,598)	(2,947)
EBIT	**5,311**	**3,108**	**4,723**	**5,476**	**6,510**
Minority interest	0	0	0	0	0
Extra items	0	0	0	0	0
Income tax	(930)	(446)	(823)	(976)	(1,270)
Net profit (loss)	**4,381**	**2,662**	**3,900**	**4,500**	**5,240**
Reported EPS	3.62	1.56	2.28	2.63	3.07
Fully diluted EPS	**3.62**	**1.56**	**2.28**	**2.63**	**3.07**
Core net profit	**4,341**	**2,614**	**3,856**	**4,453**	**5,190**
Core EPS	3.58	1.53	2.26	2.61	3.04
EBITDA	**5,407**	**3,204**	**4,819**	**5,572**	**6,605**
KEY RATIOS					
Revenue growth (%)	12.7	31.9	(7.9)	6.0	6.0
Gross margin (%)	15.4	8.3	12.0	12.9	14.0
EBITDA margin (%)	11.6	5.2	8.2	8.9	9.8
Operating margin (%)	9.4	4.3	6.6	7.1	7.7
Net margin (%)	9.4	4.3	6.7	7.2	7.8
Core profit margin (%)	9.4	4.3	6.6	7.1	7.7
ROA (%)	2.5	1.2	1.7	1.6	1.6
ROE (%)	19.7	10.4	13.3	14.2	14.6
Commission/Insurance premium	11.2	9.3	13.0	13.0	13.5
Life policy Provision/insurance premium r	65.4	79.8	70.0	70.0	70.0
Cost/income	34.0	34.0	34.0	34.0	34.0
Combined ratio	81.3	114.1	114.0	114.4	115.2
BALANCE SHEET (Btm)					
Cash & Equivalent	1,331	5,708	6,000	2,200	3,650
Total investment in securities	161,126	198,238	218,061	259,493	298,417
Total net loans	3,526	4,735	5,366	5,902	6,472
Premises & equipment (Net)	327	389	340	350	382
Other assets	5,925	6,520	6,380	7,157	10,944
Total assets	**172,234**	**215,590**	**236,147**	**275,103**	**319,865**
Life policy reserve	136,616	177,435	210,412	248,017	287,720
Unpaid benefit to life policy	8,800	1,489	(8,382)	(6,771)	(5,327)
Premium received in advance	950	2,239	0	0	0
Other liabilities	3,604	8,851	4,833	2,158	1,474
Total liabilities	**149,971**	**190,013**	**206,863**	**243,405**	**283,867**
Paid-up capital	1,212	1,698	1,708	1,708	1,708
Share premium	2,846	3,091	3,091	3,091	3,091
Retained earnings	18,138	20,787	24,485	26,899	31,199
Shareholders equity	**22,264**	**25,576**	**29,284**	**31,698**	**35,998**
Minority interests	0	0	0	0	0
Total Liab.&Shareholders' equity	**172,234**	**215,590**	**236,147**	**275,103**	**319,865**
CASH FLOW (Btm)					
Net income	4,381	2,662	3,900	4,500	5,240
Depreciation and amortization	136	143	150	157	165
Change in working capital	23,571	39,586	33,651	35,775	38,157
FX, non-cash adjustment & others	804	805	806	807	808
Cash flows from operating activities	**28,087**	**42,390**	**37,700**	**40,432**	**43,563**
Capex (Invest)/Divest	(88)	(126)	49	(10)	(32)
Others	(27,427)	(49,777)	(25,374)	(41,155)	(38,763)
Cash flows from investing activities	**(27,515)**	**(36,529)**	**(25,325)**	**(41,165)**	**(38,795)**
Debt financing (repayment)	0	0	0	0	0
Equity financing	809	0	0	0	1
Dividend payment	(917)	(678)	(871)	(1,879)	(1,440)
Others	(27,427)	(49,777)	(25,374)	(41,155)	(38,763)
Cash flows from financing activities	**(107)**	**(678)**	**(871)**	**(1,879)**	**(1,438)**
Net change in cash	465	5,183	11,505	(2,611)	3,330
Free cash flow (Btm)	**28,000**	**42,264**	**37,750**	**40,422**	**43,531**
FCF per share (Bt)	**23.1**	**24.7**	**22.1**	**23.7**	**25.5**
Insurance data	**2013**	**2014**	**2015E**	**2016E**	**2017E**
FYP (Btm)	6,818	8,928	8,219	8,712	9,235
RYP (Btm)	28,545	37,379	34,411	36,476	38,665
SP	1,425	1,358	1,362	1,472	3,716
Total premium (Btm)	39,079	51,172	47,110	49,937	52,933
FYP mkt (%)	7.8	9.7	8.4	7.6	7.2
Total premium Mkt (%)	7.7	8.9	9.6	8.7	8.9

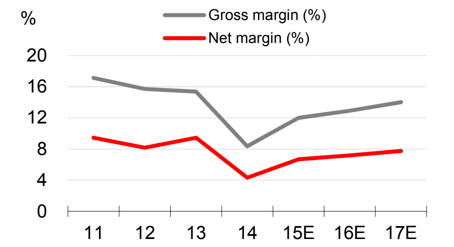
Revenue and net premium growth



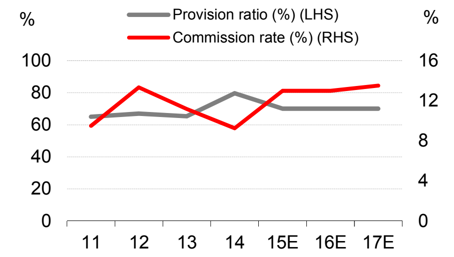
Excess liquidity



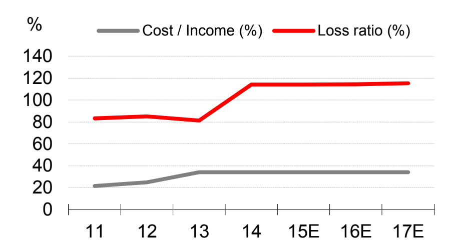
Profit margins



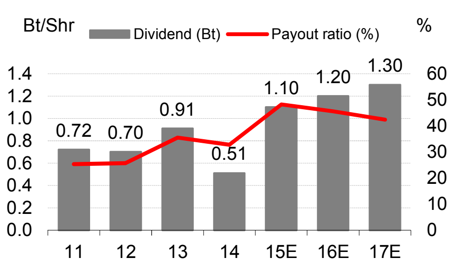
Comission and life policy provision ratios



Cost/Income and Loss ratios



Dividend payout



BLA: Financial Tables – Quarter

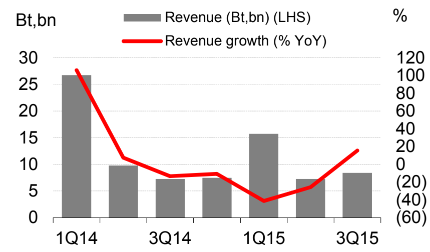
QUARTERLY PROFIT & LOSS (Btm)	3Q14	4Q14	1Q15	2Q15	3Q15
Net insurance premium revenue	7,245	7,446	15,711	7,252	8,368
Less provision for life policy reserve	7,118	3,187	12,104	2,906	7,241
Revenue realization on premium	127	4,260	3,607	4,346	1,127
Underwriting expenses	3,389	4,120	5,746	4,127	4,469
Profit from insurance business	(3,261)	140	(2,139)	219	(3,342)
Net investment income	2,386	2,259	2,511	2,466	2,715
Gain on investment	162	951	1,010	113	91
Total revenue from investment	2,548	3,210	3,522	2,579	2,806
Other income	10	13	15	18	13
Total revenues	(703)	3,362	1,398	2,816	(523)
Total operating expenses	482	539	498	571	551
Exceptional items	0	0	0	0	0
EBT	(1,185)	2,823	900	2,245	(1,074)
Income tax	(304)	546	135	400	(287)
Minority Interest	(0)	(0)	0	(0)	(0)
Net profit	(881)	2,278	765	1,844	(786)
EPS	(1)	1	0	1	(0)
Core profit before tax	(1,357)	1,859	(126)	2,113	(1,177)
Core EPS	(1)	1	(0)	1	(1)

KEY RATIOS					
Premium/life policy reserve (%)	17	17	33	15	17
Life policy provision/Premium (%)	98	43	77	40	87
Claim/life policy (%)	5	7	24	28	25
ROI (%)	5	6	7	5	5
Net margin (%)	(9)	21	4	19	(7)
Equity/Life policy reserve (%)	14	14	14	14	14
BV (Bt)	20	21	15	16	15
ROE (%)	(14)	38	12	29	(11)
ROA (%)	(2)	4	1	3	(1)
D/E (x)	7	8	7	8	8
Cost to Income (%)	(69)	16	36	20	147

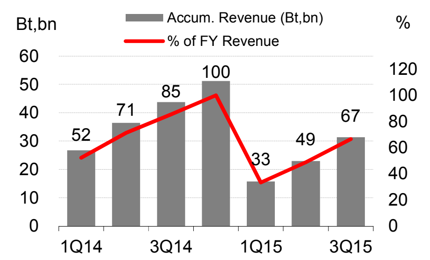
QUARTERLY BALANCE SHEET (Btm)	3Q14	4Q14	1Q15	2Q15	3Q15
Cash & Equivalent	2,184	5,708	1,405	564	461
Total investment in securities	196,098	198,238	212,733	224,442	226,543
Total net loans	4,323	4,735	4,938	5,430	5,683
Premises & equipment (Net)	388	389	460	465	534
Other assets	7,435	6,520	10,524	7,660	9,097
Total assets	210,428	215,590	230,061	238,561	242,317
Life policy reserve	174,248	177,435	189,539	192,445	199,686
Unpaid benefit to life policy	91	1,489	1,690	4,620	1,612
Premium received in advance	487	380	566	628	723
Other liabilities	11,607	10,710	12,498	13,473	15,024
Total liabilities	186,434	190,013	204,293	211,167	217,045
Paid-up capital	1,200	1,200	1,200	1,200	1,200
Share premium	2,700	2,700	2,700	2,700	2,700
Retained earnings	12,449	14,678	15,443	16,506	15,176
Shareholders equity	23,994	25,576	25,768	27,394	25,272
Minority interests	0	0	0	(0)	0

Insurance data	3Q14	4Q14	1Q15	2Q15	3Q15
FYP (Btm)	757	768	1,672	1,052	1,300
RYP (Btm)	6,147	6,240	13,914	5,806	6,550
SP (Btm)	472	530	436	537	550
Total premium (Btm)	7,376	7,538	16,022	7,395	8,400
FYP+SP mkt (%)	3.2	3.2	5.3	3.7	nm
Total premium Mkt (%)	6.3	5.8	12.0	9.5	10.5

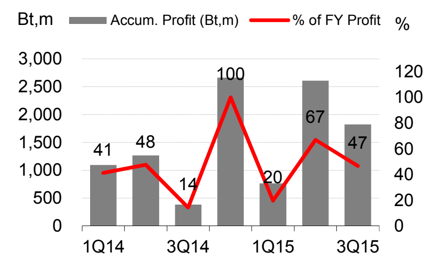
Revenue trend



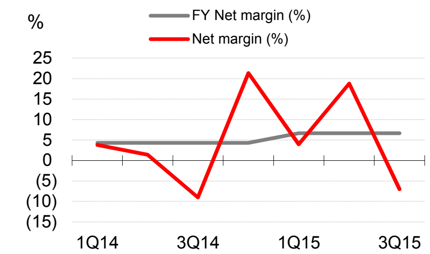
Revenue trend (accumulated)



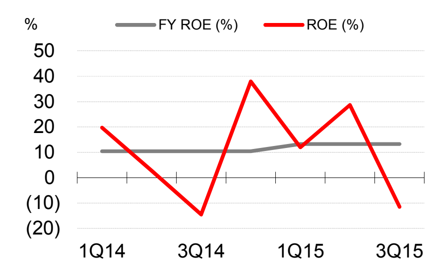
Net profit trend (accumulated)



Net margin



ROE



Company profile

Bangkok Life Assurance Public Company Limited (BLA) is one of Thailand's largest pure-life-assurance players and a subsidiary of Bangkok Bank. Its FYP revenue growth is currently about twice the industry average. The firm ranked fifth in market share of 10% for total life assurance premiums in FY14.

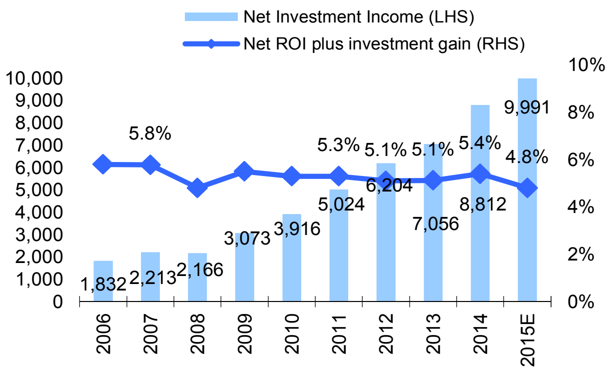
Figure 1: Total life assurance premium market share (%), FY03-8M15

Market share of Total premium (%)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	8M15
American International Assurances (AIA)	38.9	37.9	33.3	31.0	28.7	26.3	24.99	22.8	21.49
Audhya Allianz C.P Life Plc., (AZAY)	9.5	6.5	6.1	6.2	6.3	5.8	5.67	5.4	5.19
Thai Life Insurance	15.2	14.4	13.7	12.4	12.2	12.5	12.44	12.5	12.43
SCB Life Insurance Plc	6.0	6.8	7.5	8.3	9.2	10.7	10.28	9.6	10.88
Muang Thai Life Assurance	6.8	7.7	8.3	10.0	11.5	12.5	13.62	14.9	16.9
Bangkok Life Assurance Plc.,	**6.1**	**6.7**	**7.7**	**8.9**	**9.6**	**8.9**	**8.83**	**10.3**	**8.48**
Krungthai AXA Life Insurance	2.9	4.1	4.9	6.0	6.4	7.4	8.53	9.7	10.32
Ocean Life Insurance	4.6	4.3	4.1	3.9	4.0	3.8	3.08	2.9	2.63
Prudential Life Assurance (Thailand) Plc.,	0.9	1.1	1.2	1.2	1.3	1.4	2.32	3.1	3.14
Others	3.2	4.2	6.6	5.5	4.9	5.5	10.24	8.8	8.54
Total	100.0	100.0	100.0	100.0	100.0	100.0	100	100	100

Sources: TLAA and Bualuang Research estimates

Figure 2: BLA's net investment income (Btm) and net ROI (%), FY05-FY14 and Investment asset breakdown, FY08-3Q15

ROI (%) and investment income, FY05-FY15E



Investment asset mix (%), YE07 to end-Sept2015

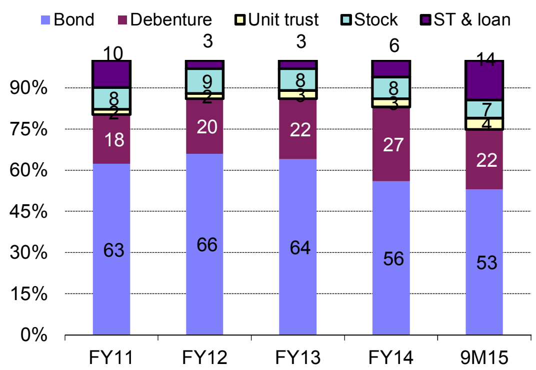
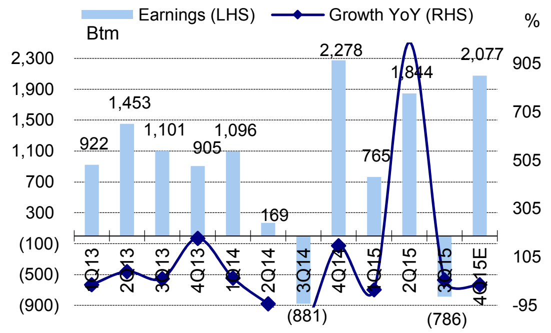
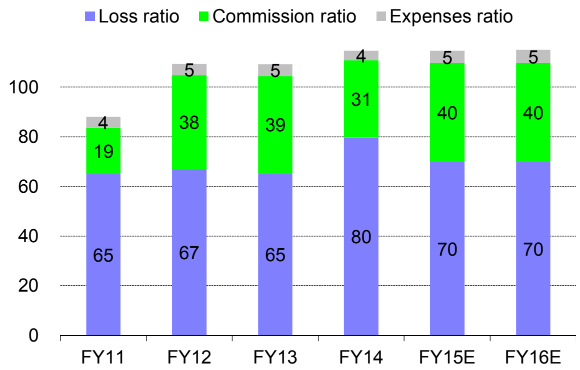


Figure 3: Earnings movement (Btm), growth (%) and debt/equity ratio, YE10-FY15e, and combined ratio (%)

Quarterly earnings and Quarterly growth



Loss ratio, expense ratio and commission ratio, YE10-FY16e

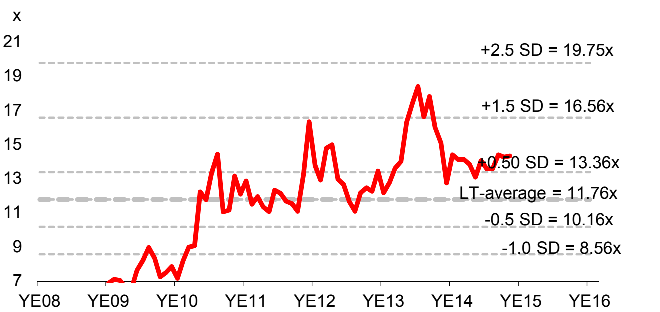


Sources: Company data and TLAA

Regional Comparisons

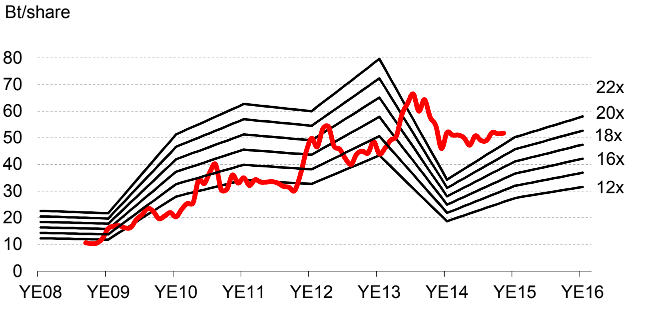
	Bloomberg Code	Price (local curr.)	Market Cap (US$ equivalent)	PER (x) 2015E	PER (x) 2016E	EPS Growth (%) 2015E	EPS Growth (%) 2016E	PBV (x) 2015E	PBV (x) 2016E	ROE (%) 2015E	ROE (%) 2016E	Div Yield (%) 2015E	Div Yield (%) 2016E
Ping An Insurance (Group)	601318 CH	CNY35.4	104,003	11.2	10.1	24.8	11.3	1.8	1.5	17.2	16.1	1.4	1.6
China Life Insurance	601628 CH	CNY28.6	121,426	18.0	16.4	38.6	11.6	2.5	2.2	15.3	15.2	1.6	1.9
China Pacific Insurance (Group	601601 CH	CNY26.8	38,184	14.8	14.1	49.3	5.7	1.9	1.7	12.7	12.9	2.3	2.5
T&D Holdings	8795 JP	JPY1,798.0	9,993	13.9	12.9	-8.0	7.5	0.8	0.8	6.2	6.8	1.6	1.8
Bangkok Life Assurance	BLA TB	THB51.75	2,459	22.7	19.6	46.5	15.4	3.0	2.8	13.3	14.2	2.1	2.3
Thaire Life Assurance	THREL TB	THB13.30	223	19.5	17.2	10.0	13.4	6.1	5.5	32.7	33.5	3.6	4.1
Simple average				**16.7**	**15.0**	**26.9**	**10.8**	**2.7**	**2.4**	**16.2**	**16.4**	**2.1**	**2.4**

PER band versus SD (next 12 months)

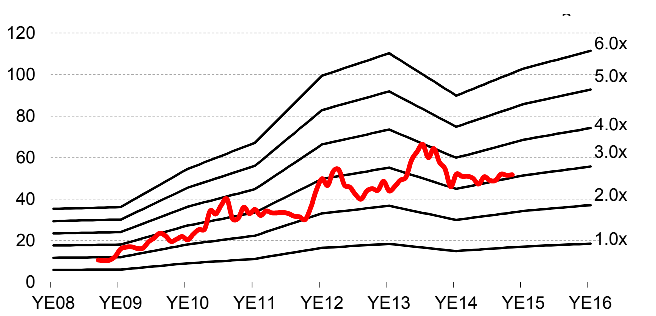


PER band versus SD (next 12 months)

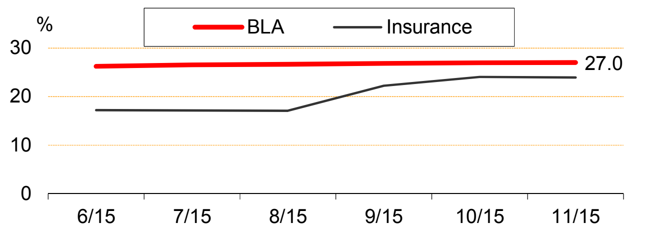
PER band and share price



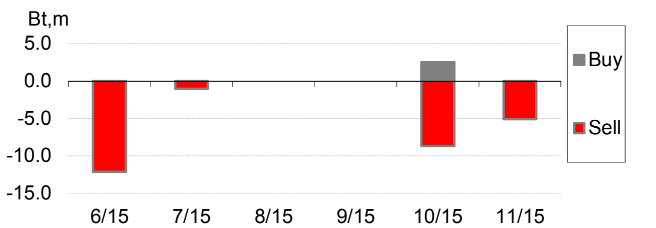
PBV band and share price



Foreign holdings



Management trading activities during past six months



Bualuang Securities Public Company Limited

DISCLAIMER

BUALUANG SECURITIES PUBLIC COMPANY LIMITED (BLS) is a subsidiary of BANGKOK BANK PUBLIC COMPANY LIMITED (BBL). This document is produced based upon sources believed to be reliable but their accuracy, completeness or correctness is not guaranteed. The statements or expressions of opinion herein were arrived at after due and careful consideration to use as information for investment. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information shall be at the sole discretion and risk of the user.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED MAY BE IN RELATIONSHIP WITH THE SECURITIES IN THIS REPORT. "Opinions, projections and other information contained in this report are based upon sources believed to be accurate including the draft prospectus, but no responsibility is accepted for any loss occasioned by reliance placed upon the contents hereof. Bualuang Securities Public Company Limited may from time to time perform investment, advisory or other services for companies mentioned in this report, as well as dealing (as principal or otherwise) in, or otherwise being interested in, any securities mentioned herein, This report does not constitute a solicitation to buy or sell any securities". Investors should carefully read details in the prospectus before making investment decision.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED MAY ACT AS MARKET MAKER AND ISSUER OF DWs, AND ISSUER OF STRUCTURED NOTES ON THESE SECURITIES. The company may prepare the research reports on those underlying securities. Investors should carefully read the details of the derivative warrants and structured notes in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED IS OR MAY BE AN UNDERWRITER/CO-UNDERWRITER/JOINT LEAD IN RESPECT OF THE INITIAL PUBLIC OFFERING ("IPO") OF SECURITIES.

Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
SPRC	SPRC

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

CORPORATE GOVERNANCE REPORT DISCLAIMER

This research report was prepared by Bualuang Securities Public Company Limited and refers to research prepared by Morgan Stanley. Morgan Stanley does not warrant or guarantee the accuracy or completeness of its research reports. Morgan Stanley reserves copyright and other proprietary rights in the material reproduced in this report. Morgan Stanley is under no obligation to inform Bualuang Securities or you if the views or information referred to or reproduced in this research report change.

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.
The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Bualuang Securities Public Company Limited does not conform nor certify the accuracy of such survey result.

"Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company . The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, [•] Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment result."

BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.
HOLD: Expected total returns of between -15% and +15% over the next 12 months.
SELL: Expected negative total returns of 15% or more over the next 12 months.
TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.