BUY (Unchanged) | **TP: Bt 60.00** (From: Bt 65.00) | **18 JUNE 2015**

Change in Numbers | **Upside : 17.6%**

Bangkok Life Assurance (BLA TB)

Earnings keep turning around

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We reaffirm our BUY on BLA for its earnings turnaround story. Despite higher-than-expected provisions in 1Q15 that force us to cut earnings, the turnaround remains intact, in our view. The recent surge in the long-end bond yield helps counter fears over the effect of the most recent policy cut on BLA's performance.

No change to earnings turnaround story

While BLA's 1Q15 earnings came in below our expectation due to higher-than-expected provisioning expenses, we do not see this altering its earnings turnaround story, which likely saw a loss-making bottom in 3Q14 (see our sector report, ***A buoyant cycle***, 13 March 2015). We write off fears of the recent 25bp policy cut hitting BLA with extra reserves again in 2Q15, when we otherwise expect a strong turnaround from disappearing extra provisions given a 36bp rise in the 10-year government bond yield that has a similar horizon to BLA's average duration since 1Q15. Note that in all of the past 4 quarters, BLA booked extra provisions due to a declining bond yield. We forecast extra provisions of only Bt2.5bn in 2015 (Bt1.7bn alone in 1Q15), vs. Bt5bn in 2014.

Underlying business improving slowly

BLA, after a very bad experience with low-margin type endowment products last year, has introduced many new protection-based policies this year to boost the portion of high-margin products. We expect this year to be a better one for BLA's underlying business but not an exciting year given the slow momentum of the economy with people not caring so much about insurance policies. Whole-life policies are growing at a slower pace and the same goes for credit-life ones given weak mortgage loan demand. Thus, together with the unexpectedly large extra reserve in 1Q15, we cut BLA's earnings by 25% in 2015F and by an average of 13% in 2016-17F. But again, we see its earnings turnaround as intact with a 2014-17F EPS CAGR of 35%.

Still cautious on RBC phase II

We recently hosted BLA at the Thanachart Bank Day forum (see ***Post conference***, 17 June). One of the highlights from our forum is that BLA expects the Office of the Insurance Commission (OIC) to implement RBC phase II at end 2016. We expect this to lower BLA's CAR ratio from 407% now to 200%-plus. Since BLA wants this ratio to be above 300% after RBC phase II is implemented, it intends to remain cautious on its investment risk and is likely to strengthen its capital even more by limiting its dividend payout. Meanwhile, BLA has been successful in reducing the duration gap from 6.9 years in 2011 to 1.4 years in 2014.

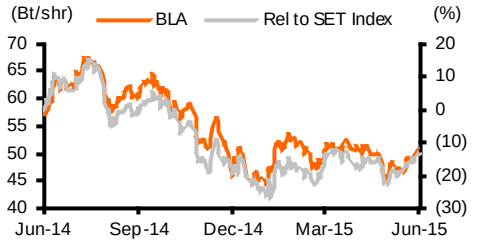
Reiterate BUY with a new TP of Bt60

We reiterate our BUY call on BLA in anticipation of a strong 2Q15 earnings turnaround from disappearing extra reserves. We also expect the turnaround to continue on an improving product mix. After our earnings cuts, we lower our DDM-based 12-month TP to Bt60 (from Bt65). BLA shares trade on an embedded value (EV) multiple of 1.6x vs. a 2011-13 high trading range of 2.2-2.5x. We also see BLA as a long-term rising yield play. Our top sector pick.

COMPANY VALUATION

Y/E Dec (Bt m)	2014A	2015F	2016F	2017F
Insurance premium	51,172	45,697	51,293	58,581
Profit from operation	3,245	5,706	8,920	9,832
Net profit	2,662	4,467	6,988	7,697
Consensus NP	—	4,449	5,308	5,688
Diff frm cons (%)	—	*0.4*	*31.7*	*35.3*
Norm profit	2,662	4,467	6,988	7,697
Prev. Norm profit	—	5,972	8,091	8,742
Chg frm prev (%)	—	*(25.2)*	*(13.6)*	*(12.0)*
Norm EPS (Bt)	1.8	2.6	4.1	4.5
Norm EPS growth (%)	(49.5)	44.0	56.5	10.1
Norm PE (x)	27.9	19.4	12.4	11.2
P/BV (x)	3.4	3.0	2.5	2.2
Div. yield (%)	1.0	1.3	2.0	2.2
ROE (%)	11.1	16.4	22.2	20.8
ROA (%)	1.4	1.9	2.6	2.4

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) *as of* 17-Jun-15	51.00
Market cap (US$ m)	2,574.6
Listed shares (m shares)	1,702.1
Free float (%)	41.7
Avg. daily turnover (US$ m)	2.1
12M price H/L (Bt)	67.14/44.50
Sector	Insurance
Major shareholder	Sophonpanich Family 34%

Sources: Bloomberg, Company data, Thanachart estimates

Thanachart Securities

This report is prepared by Thanachart Securities. Please contact our salesperson for authorisation. Please see the important notice on the back page

No change to earnings turnaround story

Last year was a terrible year for BLA, particularly during 2Q-3Q14

Last year was a terrible year for Bangkok Life Assurance (BLA) as its EPS growth turned negative for the first time since 2008 (49.5% negative EPS growth). The worst period last year was during 2Q-3Q14 when BLA booked special reserves of Bt1.45bn and Bt2.25bn which resulted in a very low earnings base of Bt168m and a loss of Bt880m. The special reserve for BLA last year was mainly due to a bond yield collapse. The 10-year government bond yield declined more than 120bp last year to a post-2003 new 11-year new low.

Rise in bond yield limits BLA's risk of setting aside more special reserves

At the beginning of 2015, the Monetary Policy Committee (MPC) slashed the policy rate twice from 2.0% to 1.5% presently (the first time was on 11 March 2015 and second on 29 April 2015). This resulted in a continued lower bond yield for the short-end bond yield series. For the longer-end government bond series, it continued to drop from 2.8% at the beginning of the year and hit a bottom at 2.5% in January for the 10-year bond. The 10-year government bond yield has now rebounded to 3.0%. This reduces the risk of BLA having to set aside more special reserves in 2Q15. Therefore, we expect BLA's earnings growth to check in strong y-y and q-q for the coming quarter given that BLA typically makes a profit of Bt1bn during a normal period.

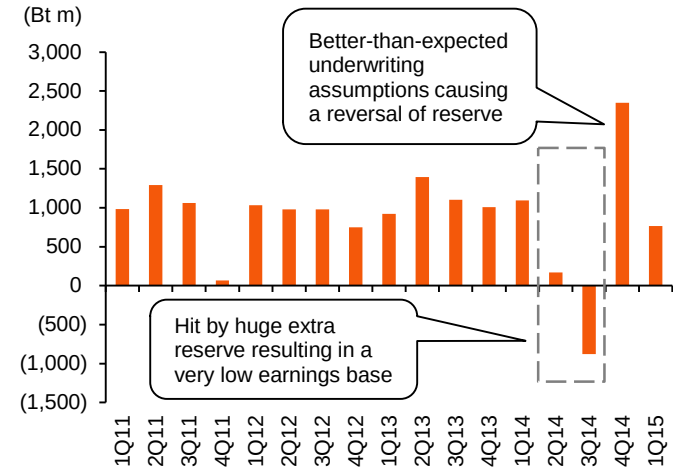
We see the downside to extra reserves as limited from here

We cut our earnings forecasts by 12-25% during 2015-17 to reflect higher-than-expected extra reserves and benefit payment expenses. BLA booked a special reserve in 1Q15 of Bt1.7bn which was higher than our previous full-year forecast of Bt1.0bn. At the same time, we underestimated the impact of the benefit payment for the policies that became due. Thus, we revise up our extra reserve assumption from Bt1.0bn to Bt2.5bn. We see a very limited risk of the bond yield declining further from this level but we want to be conservative on this item while we maintain our view that BLA will not book any special reserves at all in 2016.

Despite our earnings cuts, we expect BLA to grow 35% on average a year

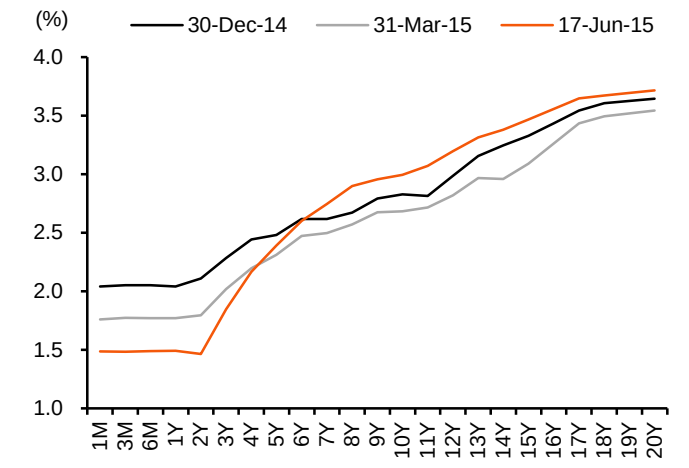
Despite the cuts, we still firmly believe that BLA will post a strong earnings turnaround this year of 44% YoY growth, followed by 57% and 10% in 2016-17, implying a three-year (2014-17F) CAGR of 35%. We see earnings growth during the next two years being mainly driven by lower extra reserves. We project BLA to set aside special reserves of Bt2.5bn in 2015 which is lower than the Bt5.0bn in 2014 and we expect it to book none of this expense in 2016.

Ex 1: Weak Earnings, Particularly During 2Q-3Q14



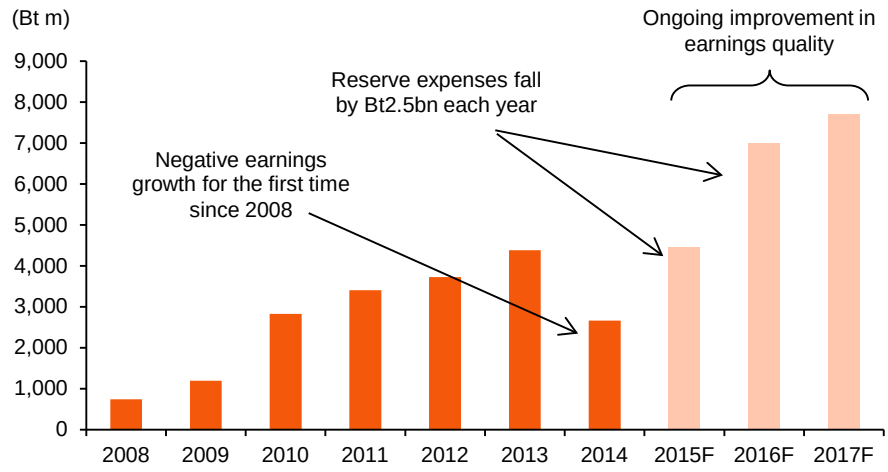
Source: Company data

Ex 2: Thailand's Government Bond Yield



Source: Thai BMA

Ex 3: Earnings Growth Outlook



Sources: Company data, Thanachart estimates

Underlying business improving slowly

We see BLA's underlying business getting gradually better

We believe this year will be a better year for BLA's underlying business, but not an exciting one given the slow economic momentum with people not caring so much about taking out insurance policies.

Premium growth likely to be weak given new strategy and state of the economy

In 2015, as BLA wants to focus more on high-margin policies, these policies require buyers to pay a premium to the company for a certain period of time, unlike single premium policies where policy holders pay a premium only once. This makes the premium growth outlook for BLA this year even worse. Not only is it more difficult to sell high-margin products but the premium amounts of these products are usually lower than single premium ones (a series of premiums is earned from high-margin products versus the single premium received from a single premium policy). Therefore, we forecast BLA's three-year premium CAGR at 4.6% during 2014-17F. We are a little concerned about this weak top-line growth. We believe it might result in short-term pain for the company but it should provide long-term gains after all of its strategies materialize, resulting in more sustainable growth for BLA. The total industry premium has continued to grow moderately this year by 9.2% YTD if we exclude BLA's performance which was abnormally high last year.

BLA has launched many new high-margin products and a new channel recently

We expect BLA's policy mix to continue to improve since BLA has a clear goal to focus more on quality growth but this process will likely take time. The company has launched many new high-margin products since the beginning of this year through many channels including a new channel called DRTV. Meanwhile, BLA also launched a TV commercial to boost brand awareness early this year. Details of each new product in each distribution channel and the ongoing plans to strengthen brand position are as follows:

Bancassurance channel

BLA has focused on higher-margin endowment products this year …

… while offering a health insurance rider as a margin top-up

BLA stopped selling the short-term endowment (5/1 single premium) this year and persuaded new customers to buy longer-term endowment policies such as the 15/7 endowment policy (pay a premium for seven years to get an insurance coverage for 15 years while policy holders get some return back should they remain healthy at the end of the insurance contract). At the same time, BLA offered a health insurance product called "Health plus" through this channel for the first time. The company said the combined ratio of this product has fallen from 120% to 70-80% now. Despite the current low volume, BLA expects it to play a more important role in the future since this product is considered to have a higher margin than a typical endowment one. In the longer term, BLA hopes this channel will be able to convince customers to buy whole life insurance policies. BLA now has a training team which travels the country to each Bangkok Bank branch to teach the necessary skills and product knowledge in order to sell more sophisticated life insurance products. We think this goal is feasible but more time will be needed before it materializes.

Agent channel

BLA's sales agents are better equipped with more competitive products

BLA launched many new high-margin products recently such as the "BLA unit pension" and "BLA protection 2+". The first product is an annuity policy which has a higher margin than ordinary endowment policies. The unique feature of this product is that buyers can separate their purchase into as many units as they want over any given time period. This allows flexibility for buyers in managing their cash flow. It doesn't require repetition of payments which causes some buyers to surrender their policies when their cash flows fall short in some years. For the BLA protection 2+ product, it's a term life insurance policy with a feature of paying 3x the sum insured to the policy holders if they become completely disabled. Over the longer term, BLA expects the number of its sales agent to rise and their quality to improve. The company has been operating its agent channel for many years and it plans to continue to do since the company believes that this is a distribution channel that will provide sustainability over the long run.

Direct Response TV (DRTV): New distribution channel

New distribution channel introduced to gain more high-quality premiums

DRTV is a new distribution channel for BLA. It sells life insurance through TV commercials, which have a contact number displayed. After that, it waits for potential buyers to call to up. There are two players in this market, AIA and MTL (a subsidiary of Kasikornbank). The products offered via this channel focus specifically on the elderly. BLA's product is different from those of its rivals. The company says its health insurance policy is the first to cover outpatient (OPD) expenses for people aged between 50-70. We expect this product to offer a relatively high margin but BLA doesn't see this channel creating a significant boost to the company's performance as the earned premium from this product is likely to be minimal versus BLA's original bancassurance and sale agent channel. However, BLA expects this TV channel to promote and strengthen BLA's brand awareness among the public.

Overall group improvement

Improving brand awareness is ongoing and should benefit BLA in the long run

BLA launched a TV commercial spot with the theme of "Change is good" at the beginning of this year to promote its brand. The company aims to carry out more marketing this year. A strong brand not only helps make the recruitment of new sales agents easier but also helps the company's sales agents to sell their products. We feel positive about BLA's overall positioning and believe that, together with the abovementioned strategies, the company should be able to grow sustainably beyond 2016.

Ex 4: BLA Protection 2+ Commercial Poster

Source: Company data

Ex 5: BLA's TV Commercial

Source: Company data

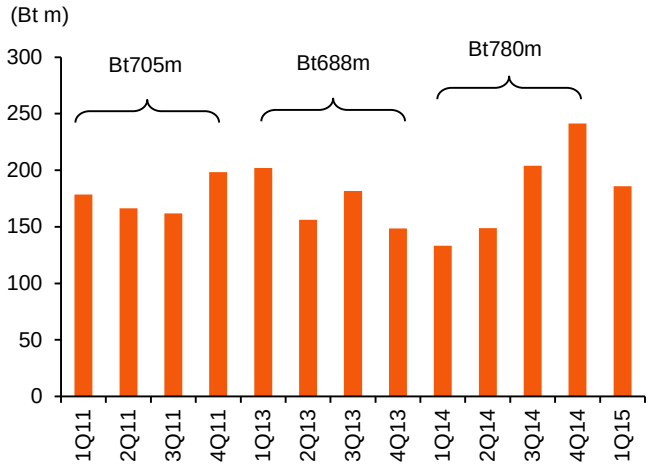
Protection-based policy amount has continued to grow …

We foresee an improvement of earnings quality over the longer term. Though the percentage of protection-based policies (high-margin products) to total new business premiums was quite low in 2014 (14.2% in 2014 versus 24.5% in 2013), the absolute amount continued to grow to Bt2.71bn in 2014 from Bt2.58bn in 2013.

… from both the bancassurance and agent channels

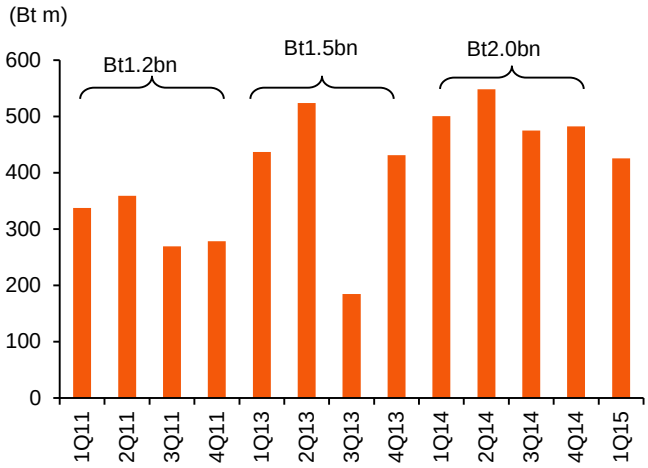
Looking specifically at each distribution channel between the sales agent and bancassurance channels, we see that 2014 appeared to be a better year than 2011 and 2013 in terms of the protection-based policy amount. For the agent channel, the whole life policy amount hit a new high of Bt728m in 2014, or an increase of 5.7% from 2013. For the bancassurance channel, credit life also hit a record high of Bt2.0bn in 2014. Please note that we didn't make a comparison with the 2013 performance since there were some BLA classifications that made an underlying performance incomparable.

Ex 6: Whole Life Policy Portion From Sales Agents



Source: Company data

Ex 7: Credit Life Portfolio from Bancassurance



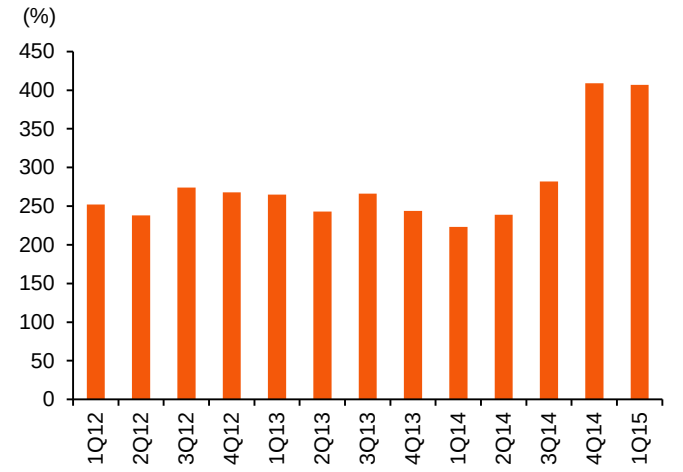
Source: Company data

Remaining cautious on RBC phase II

BLA remains cautious on the upcoming new regulation

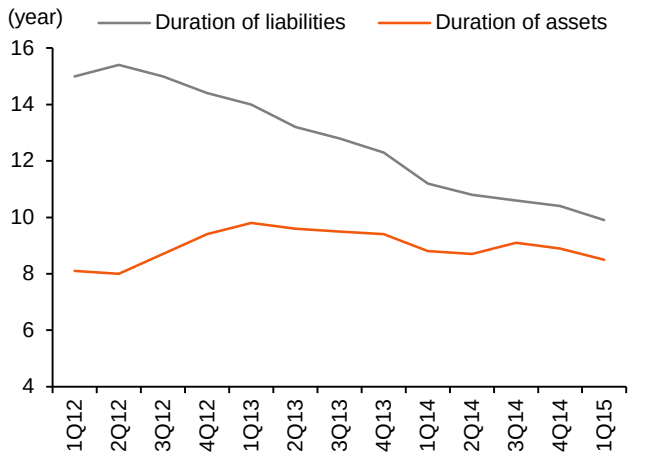
Given the upcoming risk-based capital (RBC) phase II scheduled for the end of 2016, according to BLA's expectations, the life insurance industry will be affected. This phase will be more stringent by using a wider range of confidence intervals to calculate the risk charged to each life insurance company. BLA has been preparing to cope with this stricter regulation for a while. It has built up its capital adequacy ratio from a low in 1Q14 of 223% to 407% at the end of 1Q15. However, after RBC phase II is implemented, we expect BLA's CAR ratio to drop to around 200%-plus which is still lower than BLA's comfort level of more than 300%. Thus, we expect BLA to remain conservative in its investment policy. At the same time, we see BLA trying to strengthen its capital even more by limiting its dividend payout. If worst comes to the worst, we believe BLA might consider a stock dividend to preserve its cash on hand but we see a very low probability of this happening. In our opinion, the Office of the Insurance Commission (OIC) should implement the new measure step by step in order to create as small an impact as possible for the sector. Meanwhile, BLA has been successful with its asset liability management (ALM) since it has reduced the duration gap from 6.9 years in 2011 to 1.4 years in 2014.

Ex 8: BLA's CAR Ratio



Source: Company data

Ex 9: BLA's Duration Gap



Source: Company data

Maintain BUY with a new TP of Bt60

We maintain our BUY rating on BLA with a new DDM-based 12-month TP of Bt60/share. We believe that the correction of the share price is a good opportunity to buy BLA because its earnings have been growing every year since 2008 and declined a lot in 2014 as a result of a non-fundamental factor, ie, a lower bond yield. This factor has no material impact on the company's competitive edge over its rivals, in our view. We still firmly believe BLA's economic "moat" remains strong and that it will become stronger over the long run as a life insurance company with an exclusive bancassurance contract with one of the biggest commercial banks in Thailand.

Change in policy mix should support a higher EV multiple

We expect BLA's policy mix to improve gradually after it implements the above-mentioned strategies. The absolute amount of protection-based policies, ie, whole life and credit life has been increasing albeit at a slower clip than the company had expected. Coupled with our expectation of lower pressure on accounting net income from extra reserves, we believe it is justified for BLA's embedded value (EV) multiple of 1.6x to increase to its previous high level of 2.2-2.5x during 2011-13.

With no strong headwinds, we believe BLA should trade at higher EV multiples

We see BLA's current trading price as undemanding. BLA's 2015F P/EV is between 1.62-1.68, based on our scenario analysis. We assume the 8-12% growth in EV in 2015 is in line with the discount rate the company factors in under its actuarial assumptions. Currently, BLA is trading at discounts to its three-year average P/EV and six-year average P/EV of 17.6% and 8.9% respectively.

Ex 10: BLA's Historical EV

	2009	2010	2011	2012	2013	2014
VNB (Bt m)	1,545	2,122	1,605	1,910	1,862	1,143
EV (Bt m)	14,448	21,834	25,406	30,610	32,641	47,785
Number of shares (m)	1,200	1,200	1,200	1,200	1,212	1,698
EV/share	12.04	18.20	21.17	25.51	26.93	28.14
VNB/share	1.29	1.77	1.34	1.59	1.54	0.67
Share price (Bt)	17.30	30.75	46.25	62.25	68.00	46.00
P/EV (x)	1.44	1.69	2.18	2.44	2.52	1.63

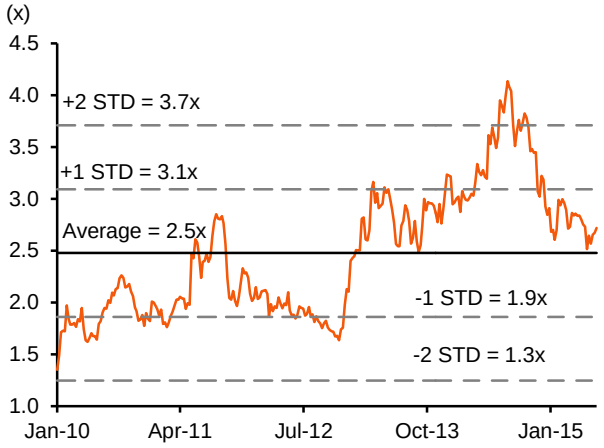
Sources: Company data, Thanachart estimates

Ex 11: Expected P/EV Under Each Scenario

	Bear	Base	Bull
2015F EV growth	8%	10%	12%
2015 EV (Bt)	30.4	31.0	31.5
P/EV (Current price)	1.68	1.65	1.62
P/EV (Target price)	1.97	1.94	1.90
3-year average	2.20		
6-year average	1.99		

Sources: Company data; Thanachart estimates

Ex 12: PB STD



Sources: Company data; Thanachart estimates

Ex 13: 12-month DDM-based Valuation

(Bt m)	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	Terminal value (2035F)
Dividend of common shares	1,117	1,747	1,924	2,166	2,492	3,253	3,796	6,152	7,720	8,981	11,031	38,034
Dividend of preferred shares	0	0	0	0	0	0	0	0	0	0	0	0
Dividend payment	1,117	1,747	1,924	2,166	2,492	3,253	3,796	6,152	7,720	8,981	11,031	494,448

Risk-free rate (%)	4.5%
Market risk premium (%)	7.5%
Beta	1
Cost of equity (%)	12.0%
Terminal growth (%)	4.0%
Equity value (Bt bn)	102,814
No .of shares (m)	1,698
Equity value/ share (Bt)	60

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 14: Valuation Comparison With Regional Peers

			EPS growth		— PE —		— P/BV —		– ROE –		— Div. Yield —	
Name	**BBG Code**	**Country**	**15F**	**16F**	**15F**	**16F**	**15F**	**16F**	**15F**	**16F**	**15F**	**16F**
			(%)	**(%)**	**(x)**	**(x)**	**(x)**	**(x)**	**(%)**	**(%)**	**(%)**	**(%)**
China Life Insurance	601628 CH	China	33.9	16.8	23.0	19.7	3.1	2.7	14.3	14.8	1.4	1.6
China Pacific Insurance	601601 CH	China	32.9	16.7	20.2	17.3	2.2	2.0	11.8	12.7	1.7	2.0
Ping An Insurance Group	601318 CH	China	15.3	15.2	15.3	13.3	2.2	1.9	16.3	16.3	0.9	1.0
China Life Insurance	2628 HK	Hong Kong	38.0	16.3	22.1	19.0	3.0	2.7	13.7	13.8	1.5	1.7
Ping An Insurance Group	2318 HK	Hong Kong	21.2	11.5	18.6	16.6	2.9	2.5	16.5	16.3	0.8	0.8
LPI Capital	LPI MK	Malaysia	(14.3)	(0.4)	19.5	19.6	2.7	2.6	13.7	13.0	3.8	3.9
Dongbu Insurance	005830 KS	South Korea	(7.2)	14.3	7.8	6.8	0.8	0.8	11.2	11.5	3.2	3.6
Hyundai Marine & Fire	001450 KS	South Korea	6.1	9.7	8.6	7.8	0.8	0.7	10.3	10.3	3.1	3.5
LIG Insurance	002550 KS	South Korea	35.0	10.6	7.4	6.7	0.7	0.7	10.9	10.8	3.0	3.4
Meritz Fire & Marine	000060 KS	South Korea	7.7	41.4	11.7	8.3	1.0	0.9	9.6	11.8	2.6	3.3
Samsung Fire & Marine	000810 KS	South Korea	8.7	11.3	14.7	13.2	1.2	1.2	9.1	9.4	1.7	1.9
Cathay Financial Holding	2882 TT	Taiwan	(5.3)	5.7	14.1	13.3	1.4	1.3	10.5	10.3	3.3	3.4
China Life Insurance	2823 TT	Taiwan	20.1	(3.4)	12.0	12.4	1.2	1.1	9.9	9.1	1.5	1.6
Shin Kong Financial	2888 TT	Taiwan	33.1	19.5	10.2	8.5	0.8	0.7	8.5	8.5	1.0	1.4
Bangkok Insurance	BKI TB	Thailand	5.7	9.2	16.2	14.8	0.9	na	na	na	3.2	3.5
Bangkok Life Assurance	BLA TB*	Thailand	44.0	56.5	19.4	12.4	3.0	2.5	16.4	22.2	1.3	2.0
Thai Reinsurance	THRE TB	Thailand	na	15.4	16.3	14.1	2.3	1.8	15.0	14.0	2.7	2.7
Thaire Life Assurance	THREL TB*	Thailand	19.8	13.9	18.7	16.4	6.4	5.8	35.8	37.2	4.0	4.6
Average			**17.3**	**15.6**	**15.3**	**13.3**	**2.0**	**1.9**	**13.7**	**14.2**	**2.3**	**2.6**

Source: Bloomberg

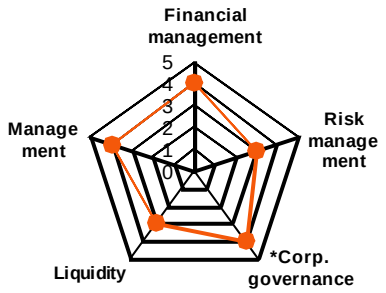
Note: * Thanachart estimates, using Thanachart normalized EPS

COMPANY DESCRIPTION

Bangkok Life Assurance's (BLA) core business is life insurance. At present, the firm operates two principal types of life insurance business, namely ordinary life insurance and group life insurance. Its major and strategic shareholders are Bangkok Bank Pcl and Nippon Life Insurance Company, which is incorporated in Japan.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; *CG Awards

THANACHART'S SWOT ANALYSIS

S — Strength

- Nippon Life Insurance Company as a strategic shareholder.
- Ability to sell its insurance policies via BBL's branches.

W — Weakness

- Fewer sales agents almost every year.
- Inability to sell high-margin products.
- Lowest CAR ratio among the big players.
- Over-reliance on the banking channel.

O — Opportunity

- Fast-growing industry with more room to grow.
- Future M&As as the sector may undergo consolidation.

T — Threat

- The upcoming RBC Phase II that could have a negative effect on BLA.
- Changes in regulations which might pressure BLA to set aside more reserves.
- Swings in market interest rates.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	51.81	60.00	16%
Net profit 15F (Bt m)	4,449	4,467	0%
Net profit 16F (Bt m)	5,308	6,988	32%
Consensus REC	**BUY: 6**	**HOLD: 3**	**SELL: 5**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings are 32% higher than the Bloomberg consensus in 2016F as we don't expect BLA to set aside special reserves. On top of that, we forecast its reserve-to-premium ratio to improve given a better policy mix.
- As a result, our TP is 16% above the Street.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Swings in market interest rates that might force BLA to set aside more extra reserves.
- Changes in policy mix which might not be in line with our expectations. As a result, BLA's reserve-to-premium ratio might be higher than we currently forecast.

Source: Thanachart

Premium growth should be weak in 2015F as BLA has changed strategy

We expect Investments to continue to grow moderately

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Insurance premium	38,795	51,172	45,697	51,293	58,581
Less Life policy reserve	25,357	40,818	33,345	34,623	39,542
Net insurance premium	**13,438**	**10,354**	**12,352**	**16,670**	**19,039**
% of life policy reserve	28.4%	28.8%	21.7%	20.9%	20.6%
Underwriting expenses	13,939	15,531	16,771	18,568	21,851
Profit from insurance	**(501)**	**(5,177)**	**(4,419)**	**(1,898)**	**(2,812)**
Revenue on investment	7,601	10,255	12,169	13,197	15,298
Others	39	48	46	51	59
Non-underwriting Income	**7,640**	**10,303**	**12,215**	**13,248**	**15,357**
% of total income	107.0%	201.0%	156.7%	116.7%	122.4%
Total Income	7,139	5,126	7,795	11,350	12,545
Operating Expenses	1,720	1,881	2,089	2,430	2,713
Profit from operation	5,419	3,245	5,706	8,920	9,832
Obligation expenses	**108**	**137**	**122**	**185**	**211**
Pre-tax Profit	5,311	3,108	5,583	8,735	9,621
Income Tax	**930**	**446**	**1,117**	**1,747**	**1,924**
After Tax Profit	4,381	2,662	4,467	6,988	7,697
Equity Income	0	0	0	0	0
Minority Interest	0	0	0	0	0
Extraordinary Items	0	0	0	0	0
NET PROFIT	**4,381**	**2,662**	**4,467**	**6,988**	**7,697**
Normalized Profit	**4,381**	**2,662**	**4,467**	**6,988**	**7,697**
EPS (Bt)	3.6	1.8	2.6	4.1	4.5
Normalized EPS (Bt)	3.6	1.8	2.6	4.1	4.5

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Liquid Items	**5,823**	**10,541**	**8,104**	**8,932**	**10,657**
cash & cash equivalents	1,331	5,708	2,000	2,000	2,500
accrued investment income	1,863	2,344	2,823	3,141	3,770
Securities under resale agreement	1,840	1,725	2,599	3,026	3,513
Investments	161,637	198,238	233,171	270,923	313,722
Net loans	**3,526**	**4,735**	**6,359**	**7,077**	**8,214**
Gross and accrued interest	3,526	4,735	6,359	7,077	8,214
Provisions for doubtful	0	0	0	0	0
Fixed assets - net	327	389	466	496	524
Other assets	482	1,687	2,566	3,736	4,129
Total assets	**171,795**	**215,590**	**250,665**	**291,164**	**337,246**
LIABILITIES:					
Liquid Items	**1,657**	**879**	**1,589**	**2,336**	**2,588**
Securities sold under repurchase	950	0	0	0	0
Income tax payable	257	500	1,250	1,955	2,153
Amount due to reinsurer	450	380	339	381	435
Life policy reserve	136,616	177,435	210,780	245,403	284,945
Other liabilities	2,522	2,685	2,766	2,849	2,934
Total liabilities	**149,532**	**190,013**	**221,739**	**256,997**	**297,306**
Minority interest	0	0	0	0	0
Shareholders' equity	**22,264**	**25,576**	**28,926**	**34,168**	**39,940**
Preferred capital	0	0	0	0	0
Paid-in capital	1,212	1,698	1,698	1,698	1,698
Share premium	2,846	2,988	2,988	2,988	2,988
Surplus/ Others	4,459	5,642	5,642	5,642	5,642
Retained earnings	13,747	15,248	18,598	23,840	29,612
Liabilities & equity	**171,795**	**215,590**	**250,665**	**291,164**	**337,246**

Sources: Company data, Thanachart estimates

BLA is trading slightly above its long-term P/BV

We forecast ROE to improve after a weak year in 2014

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	14.1	27.9	19.4	12.4	11.2
Normalized PE - at target price (x)	16.6	32.8	22.8	14.6	13.2
PE (x)	14.1	27.9	19.4	12.4	11.2
PE - at target price (x)	16.6	32.8	22.8	14.6	13.2
P/PPP (x)	11.4	22.9	15.2	9.7	8.8
P/PPP - at target price (x)	13.4	26.9	17.9	11.4	10.4
P/BV (x)	2.8	3.4	3.0	2.5	2.2
P/BV - at target price (x)	3.3	4.0	3.5	3.0	2.6
Dividend yield (%)	1.8	1.0	1.3	2.0	2.2
Market cap / net loans (x)	24.6	18.3	13.7	12.3	10.6
Market cap / deposit (x)	91.4	na	na	na	na
(Bt)					
Normalized EPS	3.6	1.8	2.6	4.1	4.5
EPS	3.6	1.8	2.6	4.1	4.5
DPS	0.9	0.5	0.7	1.0	1.1
PPP/Share	4.5	2.2	3.4	5.3	5.8
BV/share	18.4	15.1	17.0	20.1	23.5

FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Net premium written (%)	13.7	31.9	(10.7)	12.2	14.2
Life policy reserves (%)	10.9	61.0	(18.3)	3.8	14.2
Underwriting expenses (%)	25.6	11.4	8.0	10.7	17.7
Insurance profits (%)	na	na	na	na	na
Net profit (%)	17.6	(39.2)	67.8	56.5	10.1
Normalized profit growth (%)	17.6	(39.2)	67.8	56.5	10.1
EPS (%)	16.8	(49.5)	44.0	56.5	10.1
Normalized EPS (%)	16.8	(49.5)	44.0	56.5	10.1
Dividend payout ratio (%)	25.2	32.5	25.0	25.0	25.0
Total FYP (%)	(5.0)	9.5	1.7	0.3	0.0
Total premium (%)	22.7	27.3	8.0	16.1	22.1
Total investment assets (%)	20.0	22.9	18.0	16.1	15.8
Total assets (%)	19.7	25.5	16.3	16.2	15.8
Total equity (%)	14.4	14.9	13.1	18.1	16.9
Operating Ratios (%)					
Profit on underwriting to net earned prem.	(1.3)	(10.1)	(9.7)	(3.7)	(4.8)
Underwriting exp. to net earned premium	101.3	110.1	109.7	103.7	104.8
Investment yield (ROI)	5.0	5.6	5.5	5.1	5.1
Net profit margin	9.4	4.3	7.7	10.8	10.4
ROE	21.0	11.1	16.4	22.2	20.8
Loss ratio	28.0	24.2	28.0	27.5	28.0
Expense ratio	1.0	0.7	1.2	1.2	1.3
Commission ratio	7.0	5.5	7.5	7.5	8.0
ROA	2.8	1.4	1.9	2.6	2.4
ROE	21.0	11.1	16.4	22.2	20.8
D/E (x)	6.7	7.4	7.7	7.5	7.4
Policy reserve to capital fund (x)	6.1	6.9	7.3	7.2	7.1
Insurance contract liab. to invest. asset (x)	0.9	0.9	0.9	0.9	0.9
Total CAR	268.0	247.0	311.9	317.2	320.1

Sources: Company data, Thanachart estimates

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