BLA

Bangkok Life Assurance

Current	Previous	Close	2016 TP	Exp Return	Anti-corrupt	CGR 2015
BUY	HOLD	42.75	56.00	+ 31%	4	4

Consolidated earnings

BT (mn)	2014	2015	2016E	2017E
Net premium (Btm)	51,172	44,175	48,484	53,343
Growth (%)	32	-14	10	10
Investment inc (Btm)	8,812	10,171	11,549	13,239
Growth (%)	25	15	14	15
Net profit (Btm)	2,662	4,108	3,021	3,400
EPS (Bt)	1.56	2.41	1.78	2.00
EPS (Bt) -FD	1.56	2.41	1.78	2.00
Growth (%)	-40	54	-26	13
PE (x)	27.4	17.7	24.0	21.3
PE (x) - FD	27.4	17.7	24.0	21.3
DPS (Bt)	0.86	0.64	0.71	0.80
Yield (%)	2.0	1.5	1.7	1.9
BVPS (Bt)	15.06	15.90	16.91	18.20
P/BV (x)	2.8	2.7	2.5	2.3
Par	1	1	1	1

Source: Company data, FSS estimates

4Q15 net profit beats estimates

BLA turns to report net profit in 4Q15

BLA reports net profit of Bt2.3bn in 4Q15. It implies a turnaround from its net loss in 3Q15, but is flat Y-Y. It's higher than both our estimate and street forecasts, which call for the company to post loss. Although interest rate continued to decrease late last year, BLA has revised its policy reserve calculation assumption for some of its riders, making it possible for the company to reverse some of its reserve set aside earlier. This one-time item has decreased reserve ratio to 59% from 75%. Moreover, net premium earned jumped 53.5% Q-Q and 72% Y-Y, higher than expected. All of which have made it possible for its insurance business to turn to report underwriting margin of 6.6% in 4Q15, the highest last year. Meanwhile, revenues from its investments tumbled 10% Q-Q and 22% Y-Y, in line with the weak capital market and the downward interest rate outlook in the money market. As a result, ROI was down to 4.4% from 4.9% in 3Q15 and 6.5% in 4Q14.

2015 net profit up thanks to change in product mix

BLA's 2015 net profit amounts to Bt4.1bn (+54% Y-Y). Although premium earned was down 13.7% Y-Y, long-term policies increased Y-Y. This has helped policy reserve to fall to 68% from 80% in 2014. However, policy surrender increased, causing full-year average underwriting margin to remain negative at -10% (flat Y-Y). Its investment business' ROI is 5.04%, down from 5.5% a year ago. However, revenue from its investments soared 11% Y-Y thanks to its larger investment.

Maintain profit estimate, but increase rating to BUY

We stand by our 2016E net profit at Bt3bn (-27% Y-Y). This year, BLA aims to increase its market share. This leads to higher short-term policy exposure, which also points to larger policy reserve. Note we expect policy reserve to increase from 67.6% in 2015 to 70% this year. Similarly, we stand by our 2016 TP at Bt56. However, the counter has already tumbled to reflect the weak 4Q15 operating outlook, while the company's actual results are bright. Hence, we revise up our rating on BLA from HOLD to BUY. The company has announced DPS of Bt0.32 for its 2H15 performance. The stock will go XD on May 10. However, the payment date is yet to be determined.

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4Q15 Earnings Results						Comment
(Bt mn)	4Q15	3Q15	%Q-Q	4Q14	%Y-Y	
Net premium	12,844	8,368	53.5	7,446	72.5	▪ Net premium earned surged 53.5% Q-Q thanks to seasonal factor and higher sales through bancassurance business. Moreover, it jumped 72.5%Y-Y because BLA launched more short-term policies.
Inc.Policy Reserve	7,622	7,241	5.3	3,187	139.2	
Benefit Payment	3,522	3,701	-4.8	3,465	1.6	
Commission expenses	716	670	6.9	601	19.2	
Total Underwriting exp	11,994	11,710	2.4	7,306	64.2	▪ Underwriting margin turned positive at 6% thanks to lower policy reserve after the change in its policy reserve calculation assumption made late last year.
Underwriting income	850	3,342	-125.4	140	507.6	
Net investment income	2,478	2,715	-8.7	2,259	9.7	
Operating income	2,854	1,049	-372.2	2,843	0.4	▪ ROI decreased to 4.39%, in line with the weak capital market and the downward interest rate outlook in the money market.
Income tax	531	287	-284.9	546	2.7	
Net profit	2,285	-786	-390.6	2,278	0.3	
Underwriting margin	6.62%	-39.9%	46.6%	1.9%	4.7%	
Expense ratio	10.67%	15.5%	-4.8%	15.8%	-5.1%	
ROI	4.39%	4.9%	-0.5%	6.5%	-2.1%	

Source: Company data, FSS Research

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Tumbon Banggrasor,
Aumphoe Muang,
Nonthaburi

Sriracha
135/99 (G fl.) Sukumvit Road,
Tumbon Sriracha
Aumphoe Sriracha, Chonburi

Khonkaen 1
311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumphoe Meung,
Khonkaen

Khonkaen 3
4/6, 2 fl., ICBC Bank Tower
Khang Meung Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

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

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

Chiangmai 2
310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 3
Maliplace Building 32/4 moo 2
1 fll., B1-1, B1-2 room
Tumbon Maehia
Chiangmai

Chiangrai
353/15 Moo 4,
Tumbon Rimkok
Aumphoe Muang, Cheangrai

Measai
119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Nakornratchasima
1242/2 A3 room, 7 fl.,
The Mall Ratchasima
Mittraphap rood Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

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

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

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

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Tumbon Paknam,
Aumphoe Meung, Krabi

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

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

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

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.

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FINANSIA SYRUS

Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2015

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

IOD (IOD Disclaimer)

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment (**"listed companies"**) disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

Anti-corruption Progress Indicator

Level 5	Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4	Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3	Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
	- Level 3A	Established by Declaration of Intent
	- Level 3B	Established by Internal Commitment and Policy
Level 2	Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1	Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws

Anti-corruption Progress Indicator from Thaipat Institute (as of November 6, 2015)