Result Note | BLA

May 18, 2015

krungsri Securities

A member of KGI FS a global financial group

Bangkok Life Assurance

It's all about interest rate

Key takeaways from analyst meeting – focus to be on high-margin products
We attended an analyst meeting with management on Friday. Overall feedback is neutral. The company maintained its assumption for total premiums to drop by 7% in 2015 (vs +32% in 2014) and the reserve to premium to remain at 67-70%. Management targets ROI (excluding an investment gain) of 4.8-5.0% this year.

We expect BLA's premium income to remain weak as the company will focus on products that have a high margin (whole life and credit life), which are relatively difficult to sell through the bancassurance channel. We forecast first year premium and total premium to decrease by 40% and 11% this year due to a high base effect from single premium products last year.

Its life reserve to premium ratio is expected to drop to 74% in FY15 from 79% in FY14. Note that the life reserve was 77% of total premiums (66% normal reserve, 11% additional reserve) in 1Q15. The 10-year government bond yield rebounded by 18 bps from 2.68% in 1Q15. If the bond yield stays at this level until the end of 2Q15, BLA should book a lower life reserve expense QoQ, which will lead to an improvement in earnings.

Recap of 1Q15 results
BLA reported a 1Q15 net profit of Bt765m (EPS Bt0.45), down 50% YoY and 67% QoQ, mainly due to an additional reserve of Bt1.73bn following the lower bond yield. The 1Q15 net profit accounted for 20% of our full-year estimate. The first year premium (FYP) fell by 86% YoY due to a high base effect. However, renewal premiums were still high thanks to higher sales of long term endowment products in first quarter the past years.

On a positive note, BLA reported a 25% YoY increase in investment income to Bt2.5bn (4.8% investment yield) thanks to a 17% rise in investment assets. The company also realized a gain of Bt1.1bn from its equity portfolio. As a result, total ROI was 6.8%.

Recommendation and valuation
We believe the long-term outlook for the life insurance business remains positive due to the ageing society and a low insurance penetration rate in Thailand. Growing insurance premiums and investment assets will help boost investment income. However, BLA is facing a near-term headwind from the low interest rate environment, which will require the company to set aside additional life reserves expense. Hence, we have a "Neutral" view on the stock due to a lack of near term catalysts.

Stock Rating	**NR**
Previous Rating	-
Fair Value	NR
Current Price	Bt46.00
Upside/(Downside)	n.a.
Consensus (median)	Bt54.33
Sector	Insurance
Sector Rating	-

Financial Summary

Year to Dec	2013	2014	2015F	2016F
Premium income(Btm)	38,795	51,172	45,778	51,116
Growth (%)	*14*	*32*	*-11*	*12*
Underwriting exp. (Btn	39,296	56,349	50,522	55,045
Growth (%)	*16*	*43*	*-10*	*9*
Non-underwriting income (Btm)	7,640	10,303	11,864	12,800
Growth (%)	*24*	*35*	*15*	*8*
Recurring profit (Btm)	4,381	2,662	3,845	4,974
Growth (%)	*18*	*-39*	*44*	*29*
FDEPS (Bt)	3.62	1.56	2.25	2.91
Growth (%)	*17*	*-57*	*44*	*29*
PE (x)	12.6	29.2	20.2	15.6
DPS (Bt)	0.91	0.46	0.50	0.70
Yield (%)	2.0	1.0	1.1	1.5
BVPS (Bt)	18.4	15.0	16.7	18.9
P/BV (x)	2.5	3.0	2.7	2.4

Technical Impact | BLA

Resistance: Bt50.00 **Support:** Bt42.00

Jesada Techahusdin
jesada.techahusdin@krungsrisecurities.com

Disclaimer: This publication constitutes information disclosed to the public and believed to be reliable but its accuracy and completeness are not guaranteed. All opinions, suggestions, or projections are for informational purposes only and shall not be construed as an inducement for the sale or purchase of securities. Amendments to this publication may be made without prior notice. Investors are urged to exercise caution in making a decision to invest in any securities.

Quarterly P&L (Btm)	1Q14	2Q14	3Q14	4Q14	1Q15
Net premium written	26,712	9,769	7,245	7,446	15,711
Life policy reserve	-22,415	-8,099	-7,118	-3,187	-12,104
Benefit payments	-3,029	-2,540	-2,318	-3,211	-4,440
Commissions	-1,025	-594	-587	-601	-841
Other expenses	-471	-363	-485	-308	-464
Total underwriting expenses	-26,940	-11,596	-10,507	-7,306	-17,850
Underwriting income	**-228**	**-1,828**	**-3,261**	**140**	**-2,139**
Net investments income	2,014	2,153	2,386	2,259	2,511
Gains on investments	46	322	192	955	1,016
Other income	-30	17	-20	9	10
Total investments income	2,030	2,492	2,558	3,222	3,537
Operating expenses	-424	-475	-462	-519	-455
Profits from operations	**1,378**	**189**	**-1,165**	**2,843**	**943**
Non-operating expenses	-72	-26	-20	-20	-43
Pre-tax profit	**1,307**	**163**	**-1,185**	**2,823**	**900**
Tax	-211	6	304	-546	-135
Net profit	**1,096**	**169**	**-881**	**2,277**	**765**
EPS	**0.75**	**0.10**	**-0.52**	**1.33**	**0.45**

BAFS	BCP	BTS	CPN	EGCO	GRAMMY	HANA	INTUCH	IRPC	IVL
KBANK	KKP	KTB	MINT	PSL	PTT	PTTEP	PTTGC	SAMART	SAMTEL
SAT	SC	SCB	SE-ED	SIM	SPALI	TISCO	TMB	TOP	

To recognize well performers, the list of companies attaining "Good", "Very Good" and "Excellent" levels of recognition without regulatory notation (from January 1, 2013 to October 22, 2014) is publicized.

AAV	ACAP	ADVANC	ANAN	AOT	ASIMAR	ASK	ASP	BANPU	BAY
BBL	BECL	BIGC	BKI	BLA	BMCL	BROOK	CENTEL	CFRESH	CIMBT
CK	CNT	CPF	CSL	DELTA	DRT	DTAC	DTC	EASTW	EE
ERW	GBX	GC	GFPT	GUNKUL	HEMRAJ	HMPRO	ICC	KCE	KSL
LANNA	LH	LHBANK	LOXLEY	LPN	MACO	MC	MCOT	NBC	NCH
NINE	NKI	NMG	NSI	OCC	OFM	PAP	PE	PG	PHOL
PJW	PM	PPS	PR	PRANDA	PS	PT	QH	RATCH	ROBINS
RS	S&J	SAMCO	SCC	SINGER	SIS	SITHAI	SNC	SNP	SPI
SSF	SSI	SSSC	STA	SVI	TCAP	TF	THAI	THANI	THCOM
TIP	TIPCO	TK	TKT	TNITY	TNL	TOG	TRC	TRUE	TSTE
TSTH	TTA	TTW	TVO	UAC	VGI	VNT	WACOAL		

2S	AF	AH	AHC	AIT	AJ	AKP	AKR	AMANAH	AMARIN
AMATA	AP	APCO	APCS	AQUA	ARIP	AS	ASIA	AYUD	BEAUTY
BEC	BFIT	BH	BJC	BJCHI	BOL	BTNC	BWG	CCET	CGD
CGS	CHOW	CI	CKP	CM	CMR	CSC	CSP	CSS	DCC
DEMCO	DNA	EA	ESSO	FE	FORTH	FPI	GENCO	GL	GLOBAL
GLOW	GOLD	HOTPOT	HTC	HTECH	HYDRO	IFS	IHL	INET	IRC
IRCP	ITD	KBS	KGI	KKC	KTC	L&E	LRH	LST	MAJOR
MAKRO	MATCH	MBK	MBKET	MEGA	MFC	MFEC	MJD	MODERN	MONO
MOONG	MPG	MTI	NC	NTV	NUSA	NWR	NYT	OGC	OISHI
PACE	PATO	PB	PDI	PICO	PPM	PPP	PREB	PRG	PRIN
PTG	QLT	QTC	RCL	SABINA	SALEE	SCBLIF	SCCC	SCG	SEAFCO
SEAOIL	SFP	SIAM	SIRI	SKR	SMG	SMK	SMPC	SMT	SOLAR
SPC	SPCG	SPPT	SST	STANLY	STEC	STPI	SUC	SWC	SYMC
SYNEX	SYNTEC	TASCO	TBSP	TEAM	TFD	TFI	THANA	THIP	THREL
TIC	TICON	TIW	TKS	TLUXE	TMI	TMT	TNDT	TPC	TPCORP
TRT	TRU	TSC	TTCL	TUF	TVD	TWFP	UMI	UP	UPF
UPOIC	UT	UV	UWC	VIH	WAVE	WHA	WIN	WINNER	YUASA
ZMICO									

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

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 of 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. Krungsri Securities Public Company Limited does not confirm nor certify the accuracy of such survey result.

krungsri Securities
A member of MUFG a global financial group

Krungsri Securities Public Company Limited

Headquarters

898 Ploenchit Tower, 3rd Floor, Ploenchit Road, Lumpini
Pathumwan, Bangkok 10330
Tel: 0-2659-7000 Fax: 0-2658-5699
Internet Trading: 0-2659-7777

Branches

Emporium
662 Emporium Tower, Fl. 10, Sukhumvit 24 Road
Klongton, Klongtoey, Bangkok 10110
Tel: 0-2695-4500 Fax: 0-2695-4599

Central Bangna
589/151 Central City Tower 1 Office, Fl. 27
Bangna-Trad Road, Bangna, Bangkok 10260
Tel: 0-2763-2000 Fax: 0-2399-1448

Rama II
111/917-919 Rama II Road, Smaedum,
Bangkhuntien, Bangkok 10150
Tel: 0-2895-9575 Fax: 0-2895-9557

Vibhavadi-rangsit
Bank of Ayudhya Public Company Limited
123 Suntowers (B) Building, Vibhavadirangsit Road,
Jompol, Jatujak, Bangkok 10900
Tel: 0-2273-8388 Fax: 0-2273-8399

Chonburi
64/17 Sukhumvit Road, Tambol Bang Plasoi,
Amphur Muang, Chonburi 20000
Tel: 0-3879-0430 Fax: 0-3879-0425

Hat Yai Branch
90-92-94 Nipat U Tit Nueng Road,Tambol Hat Yai,
Amphur Hat Yai, Songkhla 90110
Tel: 0-7422-1229 Fax: 0-7422-1411

Nakhon Pathom
67/1 Ratchadamnoen Road, Tambol Phra Pathom Jaedee,
Amphur Muang, Nakhon Pathom 73000
Tel: 0-3427-5500-7 Fax: 0-3421-8989

Suphanburi
249/171-172 Moo 5 Tambol Ta Rahad,
Amphur Muang, Suphanburi, 72000
Tel: 0-3550-1234 Fax: 0-3552-2449

Nakhon Ratchasima
168 Chomphon Road, Tambol Nai Muang,
Amphur Muang Nakhon Ratchasima,
Nakhon Ratchasima 30000
Tel: 0-4425-1211-4 Fax: 0-4425-1215

Khon Kaen
114 Sri Chan Road, Tambol Nai Muang,
Amphur Muang, Khon Kaen 40000
Tel: 0-4322-6120 Fax: 0-4322-6180

Chiang Mai
70 Chang Phuak Road, Tambol Sri Phum
Amphur Muang, Chiang Mai 50200
Tel: 0-5321-9234 Fax: 0-5321-9247

Chiang Rai
231-232 Thamalai Road, Tambol Wiang,
Amphur Muang, Chiang Rai 57000
Tel: 0-5371-6489 Fax: 0-5371-6490

Phitsanulok
275/1 Phichaisongkram Road, Tambol Nai Muang,
Amphur Muang, Phitsanulok 65000
Tel: 0-5530-3360 Fax: 0-5530-2580

Analyst Team	Name	Sector Coverage	E-mail
Central line:	Naphat Chantaraserekul	Energy, Petrochemical, Construction Materials	naphat.chantaraserekul@krungsrisecurities.com
66.2659.7000	Kasamapon Hamnilrat	Strategy	kasamapon.hamnilrat@krungsrisecurities.com
ext. 5017,5018	Charnvut Taecha-amorntanakij	Information and Communications technology	charnvut.taechaamorntanakij@krungsrisecurities.com
Fax.	Kaweewit Thawilwithayanon	Small cap Energy, Petrochemical	kaweewit.thawilwithayanon@krungsrisecurities.com
66.2658.5643	Vatcharut Vacharawongsith	Electronics, Commerce, Hotel, Property	vatcharut.vacharawongsith@krungsrisecurities.com
	Kittisorn Pruitipat	Property, Contractor	kittisorn.pruitipat@krungsrisecurities.com
	Jesada Techahusdin	Banking	jesada.techahusdin@krungsrisecurities.com
	Apisak Limthumrongkul	Technical	apisak.limthumrongkul@krungsrisecurities.com
	Ratasak Piriyanont	Assistant Analyst	

Recommendations

Buy	-	Stocks with strong fundamentals and an expected total return of more than 10% over the next year.
Hold	-	Stocks with strong fundamentals and an expected total return of 5-10% over the next year.
Sell	-	Stocks that are overvalued or that have weak fundamentals.
Trading	-	Stocks with weak fundamentals but that have a story for trading.