Bangkok Life Assurance

Back to normal. To encourage premium growth in 4Q15

YTD return of BLA has substantially outperformed the market by rising 16.4%, reflecting that the profit would be back to normal since 3Q15. However, a growth of 17.7%yoy is still foreseen in 2016, so we believe BLA would continue to outperform the market in the future.

▪ Back to normal in 3Q15. Start encouraging premium growth

We estimate 3Q15 net profit at B834m or a significant decline of 54.8%qoq and 194.7%yoy as a ratio of premium reserve expense to total premium income is projected to get back to normal at around 67-68%. Total premium income in 3Q15 would improve insignificantly because BLA has increased its focus on selling mid-term savings products (Gain 1st 350, five-year payment for ten-year projection) via bancassurance channel to boost first-year premium income. Renewal-year premium income would stay close to that of 2Q15 because total premium income in 3Q14, especially first-year premium, was very low, so it would not significantly affect renewal-year premium income in 3Q15. Regarding the investment business, total investment income would decrease slightly, mainly from decreasing capital gain from equity portfolio and fair value adjustment, while interest income from bond portfolio would grow only slightly, in line with the low policy interest rate; average ROI is estimated to drop from 4.66% in 2Q15 to 4.45% in 3Q15.

▪ Profit to remain high in 4Q15

We maintain our forecast for 2015-2016. FY2015 earnings are anticipated to rebound strongly from 2014 because an impact from the interest rate downtrend has started to recede. 4Q15 earnings are projected to stay close to those of 3Q15. Total premium income is projected to grow significantly in this quarter as BLA is launching a short-term savings product to boost total premium income growth from both bancassurance channels and sale agents, which would help increase total premium income growth closer to the target. However, such product launching would result in higher premium reserve expense as well. Income from the investment business would increase, especially capital gain, which is in line with the market rebound.

▪ Top pick of life insurance plays

We recommend buying BLA and select it as a top pick of the life insurance sector. 2015 fair value, using appraisal value method (embedded value of B25.03 and the rest from multiplier of 2014 VNB of B0.67) is B66.35.

Key Data

FY: Dec 31	FY13A	FY14A	FY15F	FY16F	FY17F
Net Profit (Bm)	4,381	2,662	4,271	5,026	5,776
EPS (B)	3.62	1.57	2.52	2.96	3.40
Norm. Profit (Bm)	4,381	2,662	4,271	5,026	5,776
BVS (B)	18.37	15.06	16.67	18.55	20.69
PER (x)	14.7	33.8	21.1	17.9	15.6
PBV (x)	2.9	3.5	3.2	2.9	2.6
DPS (B)	0.91	0.91	1.01	1.18	1.36
Dividend Yield (%)	1.7%	1.7%	1.9%	2.2%	2.6%
ROE (%)	21.0%	11.1%	15.9%	16.8%	17.3%

Source : ASPS Research

BLA

Rec. : BUY

Current Price (B): 52.50

Target Price (B): 66.35

Upside : 26.38%

Dividend Yield : 1.92%

Total Return : 28.11%

Market Cap. (Bm) : 89,137

Technical Chart

ASPS vs IAA Consensus

EPS (B)	ASPS	IAA Cons	% diff
2015F	2.52	2.62	-4%
2016F	2.96	2.94	1%

Source: ASPS and IAA consensus

CG Score : 4 = Very Good
Anti-corruption Progress Indic. 4 = Certified

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