ASIAwealth Securities Company Limited

Company Update
14 Aug 2015

Bangkok Life Assurance PCL (BLA)

Reverse in policy reserve lifts earnings

BUY

TP: Bt67.00

Closing Price: Bt50.75
Upside/downside +32.0%

- Analyst meeting on 13 Aug 2015.
- 2Q15 net profit increased 141.0% QoQ and 991.1% YoY to Bt1.8bn, due to reversal of policy reserve.
- Top-line items were weak with a decline in both first year and renewal premiums.
- We maintain our BUY recommendation with a target price of Bt67.00.

Sector	**Insurance**
Paid-up shares (shares mn)	**1,703**
Market capitalization (Bt mn)	**88,976**
Free float (%)	**41.59**
12-mth daily avg. turnover (Bt mn)	**80.68**
12-mth trading range (Bt)	**91.00/ 44.00**

Major shareholders (%)	
State Street Bank and Trust Co.	**24.30**
Wattanasophonpanich Company	**13.11**
Bangkok Bank PCL	**7.64**

Financial highlights

	2013	2014	2015E	2016E
Revenue (Btmn)	7,139	5,126	8,466	9,910
Net profit (Btmn)	4,381	2,662	4,463	4,899
EPS (Bt)	2.59	1.57	2.63	2.89
EPS growth (%)	-16.5	-39.3	67.7	9.8
P/E (x)	19.6	32.3	19.3	17.6
BVPS (Bt)	13.2	15.1	16.8	18.6
P/BV (x)	3.9	3.4	3.0	2.7
DPS (Bt)	0.54	0.91	1.05	1.16
Div. yield (%)	1.1	1.8	2.1	2.3
ROE (%)	21.0	11.1	16.5	16.3

Source: SETSMART, AWS

2Q15 net profit jumped both QoQ and YoY

BLA reported a 2Q15 net profit of Bt1.8bn, up 141.0% QoQ and 991.1% YoY. The result was driven primarily by a reversal of policy reserve, causing underwriting expense to fall 60.6% QoQ and 39.3% YoY. The company was able to reverse its policy reserve as bond yields increased from the previous quarter. However, the company's top-line items were particularly weak as first year premiums dropped 24.6% QoQ and 11.5% YoY while renewal premiums tumbled 58.3% QoQ and 28.4% YoY. Meanwhile, investment income declined 26.6% QoQ and grew a mere 4.2% YoY from low-yield bank deposits. Additionally, the company realized a gain on investment of Bt80mn in 2Q15, substantially lower than the Bt1bn booked in 1Q15. Overall, 1H15 net profit accounted for 58% of our FY15 earnings estimate.

FY15 guidance

At BLA's analyst meeting yesterday, management revealed that the decrease in its first year and renewal premiums were by design as the company was shifting towards a product mix geared towards high-margin long-term protection plans, which are harder to sell than single premium policies. Management also disclosed that it would be changing the assumption it used for its discount rate when calculating gross premium valuation (GPV) to determine the amount of reserves required. This would take effect in 3Q15 and would see the company shift from using a zero-coupon bond yield as the discount rate and replacing it with a rate that more closely represented its yield from assets, such as ROI. We believe this would prove more beneficial as the company would be using the estimate that best matched the company's assets rather than the volatile rate in the capital market.

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Maintain BUY recommendation

We maintain our BUY recommendation with a target price of Bt67.00. The prospects of the life insurance industry in Thailand are still bright with an aging society and low insurance penetration rate. Although BLA's first year and renewal premiums decreased, we foresee the shift to long-term products as a positive given higher margins and lower required reserves. BLA also announced dividend payment of Bt0.32/share with XD date on 25 Aug 2015.

Figure 1: BLA 2Q15 results review

Unit: Btmn	2Q14	1Q15	2Q15	%QoQ	%YoY	1H14	1H15	%YoY
Net premium written	9,769	15,711	7,252	-53.8%	-25.8%	36,480	22,963	-37.1%
Total investment income	2,492	3,537	2,597	-26.6%	4.2%	4,523	6,135	35.6%
Total revenue	12,261	19,248	9,849	-48.8%	-19.7%	41,003	29,098	-29.0%
Underwriting expense	11,596	17,850	7,033	-60.6%	-39.3%	38,536	24,884	-35.4%
Operating expense	501	498	571	14.7%	14.0%	997	1,069	7.2%
Total expense	12,097	18,348	7,604	-58.6%	-37.1%	39,533	25,953	-34.4%
Pre-tax profit	164	900	2,245	149.4%	1268.9%	1,470	3,145	113.9%
Net profit	169	765	1,844	141.0%	991.1%	1,265	2,610	106.3%
EPS (Bt)	0.10	0.45	1.08	141.0%	991.1%	0.74	1.53	106.3%

Source: Company data, AWS

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2013.

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

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

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

Source: Thai Institute of Directors (IOD)

Score	Range Number of Logo	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

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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, Asia wealth Securities Company Limited does not conform nor certify the accuracy of such survey result.

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