ANALYST MEETING

Bangkok Life Assurance (BLA)

Monday, November 23, 2009

EQUITY TALKS

Bancassurance still helps create aggressive profit growth over the next 2-3 years

BUY

- **Bancassurance still helps boost profit growth over the next 2-3 years**
- **Business opportunity remains high. Penetration rate still low, combined with tax relief measure**
- **Maintain positive perspective for long-term growth potential…BUY**

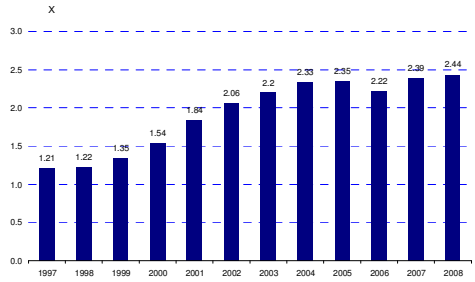
Current price (B)	15.00
Fair Value (B)	**18.53**
Market cap (B bn)	18.00
CGR	Na.

Year to Dec	**2008A**	**2009F**	**2010F**
Net Profit	752	1,261	1,398
EPS (B)	0.75	1.05	1.16
Norm Profit	745	1,261	1,398
BVS (B)	3.02	5.75	6.44
PER (x)	20.0	14.3	12.9
PBV (x)	5.0	2.6	2.3
DPS (B)	0.26	0.45	0.50
Div. Yield (%)	1.8%	3.0%	3.3%
ROE (%)	24.7%	25.4%	19.1%

► Bancassurance still helps boost profit growth over the next 2-3 years

BLA targets for an aggressive growth in overall insurance premium income in 2010 at a higher rate than the industry growth estimated at 15%yoy, thanks to an increase in distribution channel through Bancassurance (via more than 900 branches of BLL all over the country). In 9M09 a proportion of the premium generated from the Bancassurance distribution channel enlarged to 48.54% of total net premium (consisting of first year premium through Bancassurance 78% and premium income for the next year 32.51%). Meanwhile, BLA's persistency rate for 9M09 was 91%, higher than the industry's average persistence rate at 87%. This is considered a strong point for BLA as the company will be able to retain its persistence rate until 2010 in spite of increasing Bancassurance distribution channels. For investment strategy, we find that returns rate for 2010 will improve from 2009's which is estimated at around 5.84% of total investment. Although interest rate is likely to show uptrend in 2H10, BLA's strong point of having liquidity assets investment to total investment (portfolio of investment which includes cash and deposit in financial institution) ratio of 24% will help create higher returns following the interest rate direction.

Premium written Per GDP



Source : BLA

► Business opportunity remains high. Penetration rate still low, combined with tax relief measure

A competition among the insurance industry becomes more severe, particularly for Bancassurance business which has grown more aggressively over the past 2-3 years, especially from the competitors whose stakes are hold by large commercial banks that also show an aggressive growth in Bancassurance premium. However, we believe insurance business in Thailand will still show a very high growth as a penetration rate or total insurance premium income to GDP is still low at only 2.44x, which is lower than that of neighboring countries, such as Taiwan, Hong Kong, South Korea, and Singapore, which are all higher than 7x. Moreover, a likely tax relief measure revision for personal insurance from no more than B100,000/year to B300,000/year (according to the proposal of the Thai Life Assurance Association) will benefit an overall insurance premium income growth in the next 2-3 months, especially for BLA which we estimate at an average of 24.9%p.a. (CAGR) (still does not include tax measure issue).

Comparison ASP & SAA consensus

EPS (B)	ASP	Cons	% diff
2009F	1.05	1.11	-5%
2010F	1.16	1.23	-5%

Source : ASP & SAA consensus

► Maintain positive perspective for long-term growth potential…BUY

We still have positive perspective toward BLA's business fundamental over the next 2-3 years. Fair value, using appraisal value, is derived at B18.53, while the current share price still has 19% discount from fair value. We therefore reiterate BUY. Subsequently, besides announcing to pay interim dividend at B0.15/share or a dividend yield of around 1% (go XD on 24 Nov 2009), we estimate that the company will provide additional dividend by B0.10/share for earning performance in the rest of the 2009. Dividend yield for FY2009 is projected around 3%p.a.

Symbol	Level	Mean
▲▲▲▲▲	90-100	Excellence
▲▲▲▲	80-89	Very good
▲▲▲	70-79	Good
na.	<70	Not Available

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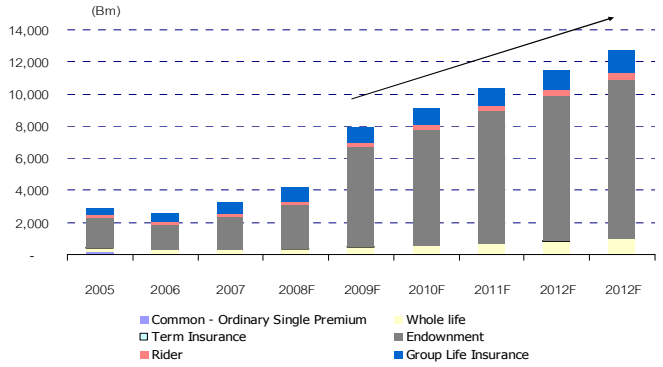
(This report is a rough translation of one of our Thai-language research products. It is produced primarily with time efficiency in mind, so that English-reading clients can see what the main recommendations are from our Thai-language research team. Given that this is a rough-and-ready translation, Asia Plus Securities pcl cannot be held responsible for translation inaccuracies.) The reports and information contained herein are compiled from public data sources and our analysts' interviews with executives of listed companies. They are presented for informational purposes only and not to be deemed as solicitations to buy or sell any securities. Best attempts have been made to verify information from these vast sources, but we cannot guarantee their accuracy, adequacy, completeness and timeliness. The analyses and comments presented herein are opinions of our analysts and do not necessarily reflect the views of Asia Plus Securities.

Investment Structure & Return

	1Q09	2Q09	3Q09	9M09	9M08
Bond	65%	60%	61%	61%	64%
Treasury bills	3%	2%	1%	1%	0%
P/N	7%	12%	13%	13%	9%
Stocks	7%	8%	7%	7%	8%
Debentures	16%	15%	14%	14%	16%
Mutual funds	3%	4%	4%	4%	3%
Total	100%	106%	123%	123%	95%
Average Return on Investment (ROI)	*6.62%*	*6.00%*	*5.93%*	*5.95%*	*5.56%*

Source : Financial Statements/ASP

First Year Premium Growth Rate



Source : Financial Statements/ASP