Deutsche Bank
Markets Research

Rating
Hold

Asia
Thailand

Banking / Finance
Life Insurance

Company
Bangkok Life Assurance Alert

Reuters	Bloomberg	Exchange	Ticker
BLA.BK	BLA TB	SET	BLA

Date
11 November 2015

Results

Price at 10 Nov 2015 (THB)	52.50
Price target-12mth (THB)	50.00
52-week range (THB)	56.50 - 44.50
SET	1,398

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Stock data

Market Cap (THBm)	89,137
Market Cap (USDm)	2,485
Shares outstanding (m)	1,697.8
Major Shareholders	–
Free float (%)	35
Avg daily value traded (USDm)	1.2

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Group EV(THBm)	47,785	55,469	64,950
VNB (THBm)	1,143	1,257	1,408
Net Profit	2,662	5,671	7,170
P/EV (x)	1.9	1.6	1.4
Implied NB multiple (x)	-2.3	-8.5	-12.4

Source: Deutsche Bank

3Q15: missed on reserve and claims

BLA reported a 3Q15 net loss of Bt786m, missing our forecast of a Bt227m loss but beating Bloomberg consensus estimate of a Bt1bn loss. The deviation from our forecast was due to a larger-than-expected life policy reserve and policy claims.

- 3Q15 premium growth was in line with our expectation that BLA has to change strategy to boost first-year premiums from low-margin, short-term products as renewal premiums continue to shrink.
- However, underwriting income missed our forecast as its life policy reserve ratio rose above the company's guidance of 80% (BLA booked a Bt2.28bn additional LAT reserve in the quarter). Meanwhile policy benefit payments exceeded our expectation (due mainly to surrender benefit payments and maturity benefits).
- As expected, overall investment income was supported by seasonal dividend payments. Investment gains in P/L weakened 19% QoQ to Bt91m and unrealized investment in shareholder equities fell 16% QoQ to Bt4.6bn, reflecting the unfavorable market environment.

The company's 9M15 net profit of Bt1.8bn indicates downside risk to our full-year forecast as net premium (-28% YoY in 9M15 vs. -10% for 2015F) and life policy reserve (71% for 9M15 vs. 67% for 2015F) has missed whilst Thai gov't bond yields continue to fall QTD in 4Q15. We plan to provide more details after the analyst meeting tomorrow.

Figure 1: Key financial summary

Btm	3Q15	3Q14	2Q15	%YoY	%QoQ
Net Premium Income	8,368	7,245	7,252	15%	15%
Net Investment	2,806	2,548	2,579	10%	9%
Total Revenues	11,187	9,804	9,849	14%	14%
Total Underwriting	-11,710	-10,507	-7,033	11%	66%
Total Operating	-551	-482	-571	14%	-4%
Total Expenses	-12,261	-10,988	-7,605	12%	61%
Net underwriting	-3,342	-3,261	219	2%	-1629%
Net Profit Before	-1,074	-1,185	2,245	9%	-148%
Income Taxes	287	304	-400	-6%	172%
Net Profit	-786	-881	1,844	11%	-143%
Key ratios	**3Q15**	**3Q14**	**2Q15**	**Ch YoY**	**Ch**
Life policy reserve to	86.5%	98.2%	40.1%	-11.7%	46.5%
Gross underwriting	-26.9%	-35.6%	17.3%	8.7%	-44.2%
Investment yield	4.7%	4.8%	4.4%	-0.1%	0.3%
ROI	5.4%	5.3%	5.2%	0.1%	0.2%
ROE	-11.9%	-14.6%	27.8%	2.6%	-39.7%

Source: Company data, Deutsche Bank

Deutsche Bank AG/Hong Kong

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