EARNINGS BRIEF

Bangkok Life Assurance

Thursday, August 13, 2015

SCB Securities

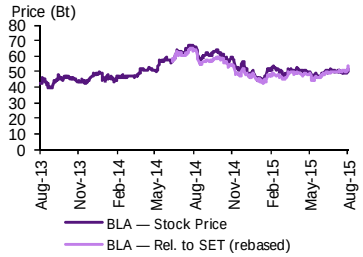
SELL

Stock Data

Last close (Aug 11) (Bt)	52.25
12-m target price (Bt)	45.00
Upside (Downside) to TP (%)	(13.88)
Mkt cap (Btbn)	88.71
Mkt cap (US$mn)	2,517

Bloomberg code	BLA TB
Reuters code	BLA.BK
Risk rating	L
Mkt cap (%) SET	0.67
Sector % SET	1.52
Shares issued (mn)	1,698
Par value (Bt)	1
12-m high / low (Bt)	65 / 44
Avg. daily 6m (US$mn)	1.32
Foreign limit / actual (%)	25 / 25
Free float (%)	41.7
Dividend policy (%)	≥ 25

Share performance



Source: SET, SCBS Investment Research

Price performance

	1M	3M	12M
Absolute	4.0	12.4	(18.9)
Relative to SET	10.1	18.5	(11.1)

Source: SET, SCBS Investment Research

Kittima Sattayapan, CFA
Fundamental Investment
Analyst on Securities
(66-2) 949-1003
kittima.sattayapan@scb.co.th

2Q15: Beat expectations on reserve reversal

Beating expectations on a reversal of life policy reserve, 2Q15 earnings rose 993% YoY and 141% QoQ to Bt1.84bn. Due to a reserve reversal of Bt1.32bn following a rise in L-T bond yield, its life policy reserve ratio fell sharply to 40% in 2Q15 from 77% in 1Q15, lower than the usual level of 65-70%. Despite a substantial rise in benefit payment ratio (+14.37 percentage points QoQ) and commission ratio (+330 bps QoQ), underwriting margin unusually turned positive at 3.02% in 2Q15 from -13.62% in 1Q15. In line with expectations, 2Q15 net premiums fell 26% YoY and 54% QoQ as it shifted its focus to L-T protection products, which typically are difficult to sell. Return on investment fell sharply by 2.14 percentage points QoQ to 4.72% from both declining yield on investment and smaller investment gain.

Quarterly results

P & L (Bt mn)	2Q14	1Q15	2Q15	%YoY ch	%QoQ ch	1H14	1H15	% YoY ch	% full year
Net premiums written	9,769	15,711	7,252	(26)	(54)	36,480	22,963	(37)	48
Net investments income	2,153	2,511	2,466	15	(2)	4,167	4,978	19	48
Gains (losses) on investment	330	1,010	113	(66)	(89)	338	1,124	233	75
Other Income	9	15	18	108	17	17	33	93	66
Total Revenue	12,260	19,248	9,849	(20)	(49)	41,003	29,098	(29)	49
Total underwriting expenses	11,596	17,850	7,033	(39)	(61)	38,536	24,884	(35)	48
Total operating expensess	501	498	571	14	15	997	1,069	7	51
Corporate income tax	(6)	135	400	7,356	197	205	535	161	52
Net Profit	169	765	1,844	993	141	1,265	2,610	106	56
EPS (Bt)	0.14	0.45	1.08	678	140	1.04	1.53	47	56
Ratios (%)	**2Q14**	**1Q15**	**2Q15**	**%YoY ch***	**%QoQ ch***	**1H14**	**1H15**	**YoY ch***	**% full year**
Yield on investment (%)	4.62	4.89	4.51	(0.11)	(0.38)	4.74	4.71	(0.03)	NM
Return on investment (%)	5.33	6.86	4.72	(0.61)	(2.14)	5.13	5.77	0.65	NM
Life policy reserve ratio (%)	82.91	77.04	40.07	(42.84)	(36.97)	83.64	65.37	(18.28)	NM
Benefit payment ratio (%)	26.00	28.26	42.64	16.64	14.37	15.26	32.80	17.54	NM
Commission ratio (%)	6.08	5.36	8.65	2.57	3.30	4.44	6.40	1.96	NM
Underwriting margin (%)	(18.71)	(13.62)	3.02	21.72	16.63	(5.63)	(8.36)	(2.73)	NM
Cost to income ratio (%)	4.20	2.73	5.87	1.67	3.14	2.45	3.82	1.37	NM
Net profit margin (%)	1.38	3.98	18.73	17.35	14.75	3.08	8.97	5.88	NM
ROA (%)	0.34	1.37	3.15	2.81	1.77	1.34	2.30	0.96	NM
ROE (%)	2.79	11.92	27.76	24.97	15.83	10.86	19.71	8.85	NM

Source: SCBS Investment Research
Note: * Percentage points

Raised 2015F with expectation of normal earnings in 2H15F. We raised 2015F by 21% as we lowered our assumption on 2015F life policy reserve ratio to 70% from 72% to fine tune with 2Q15 results and factor in the expectation that government bond yield has bottomed. We maintain our bearish view on premium growth for 2015F, expecting a 7% slip in total premiums (vs. +32% in 2014) and an 11% reduction in new business premiums (vs. +81% in 2014).

TP hike; Maintain Sell. We raised TP to Bt45 (EV plus 15x VNB for mid-2016F) from Bt40 as we rolled over our valuation base to mid-2016 and raised 2015F earnings by 21%. Nonetheless, we maintain Sell on BLA in view of the sluggish premium growth, unsustainable ROI in a low interest rate environment and tighter regulations on capital requirements.

Forecasts and Valuation

FY Dec	Unit	2013	2014	2015F	2016F	2017F
Net profit	(Btmn)	4,381	2,662	4,657	4,323	4,848
EPS	(Bt)	2.58	1.57	2.74	2.55	2.86
BVPS	(Bt)	13.12	15.06	17.18	19.10	21.33
DPS	(Bt)	0.91	0.51	0.82	0.76	0.86
ROE	(%)	21.00	11.13	17.01	14.04	14.12
EV/share	(Bt)	19.24	28.14	30.26	32.18	34.41
1-year VNB/share	(Bt)	1.10	0.67	0.86	1.03	1.16
EPS growth	(%)	32.83	(39.28)	74.96	(7.17)	12.14
PER	(x)	20.24	33.33	19.05	20.52	18.30
PBV	(x)	3.98	3.47	3.04	2.74	2.45
Dividend yields	(%)	1.74	0.98	1.57	1.46	1.64
P/EV	(x)	2.72	1.86	1.73	1.62	1.52
P/VNB	(x)	47.61	77.61	60.64	50.53	45.12

Source: SCBS Investment Research

The information in this report has been obtained from sources believed to be reliable. However, its accuracy or completeness is not guaranteed. Any opinions expressed herein reflect our judgment at this date and are subject to change without notice. This report is for information only. It is not to be construed as an offer, or solicitation of an offer to sell or buy any securities. We accept no liability for any loss arising from the use of this document. We or our associates may have an interest in the companies mentioned therein.

Financial statement

Profit and Loss Statement (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Net premiums written	38,795	51,172	47,458	53,251	58,816
Net investments income	7,056	8,812	10,363	11,613	12,893
Gains (losses) on investment in sec.	545	1,443	1,500	500	500
Other Income	39	48	50	53	58
Total Revenue	**46,435**	**61,475**	**59,371**	**65,417**	**72,268**
Total underwriting expenses	39,296	56,349	51,596	57,895	63,945
Total operating expenses	1,828	2,018	2,096	2,250	2,411
Corporate income tax	930	446	1,022	949	1,064
Net Profit	**4,381**	**2,662**	**4,657**	**4,323**	**4,848**
EPS (Bt)	2.58	1.57	2.74	2.55	2.86
DPS (Bt)	0.91	0.51	0.82	0.76	0.86

Profit and Loss Statement (Btmn)

FY December 31	2Q14	3Q14	4Q14	1Q15	2Q15
Net premiums written	9,769	7,245	7,446	15,711	7,252
Net investments income	2,153	2,386	2,259	2,511	2,466
Gains (losses) on investment in securities	330	162	943	1,010	113
Other Income	9	10	21	15	18
Total Revenue	12,260	9,804	10,669	19,248	9,849
Total underwriting expenses	11,596	10,507	7,306	17,850	7,033
Total operating expenses	501	482	539	498	571
Corporate income tax	(6)	(304)	546	135	400
Net Profit	169	(881)	2,278	765	1,844
EPS (Bt)	0.14	(0.73)	1.34	0.45	1.08

Balance Sheet (Btmn)

FY December 31	2013	2014	2015F	2016F	2017F
Total investments in securities	161,126	198,238	224,405	249,202	276,614
Total loans - net	3,526	4,735	5,209	5,729	6,302
Total Assets	**172,234**	**215,590**	**238,878**	**264,235**	**292,437**
Total Liabilities	**149,971**	**190,013**	**209,708**	**231,807**	**256,216**
Paid-up capital	1,697	1,698	1,698	1,698	1,698
Total Equity	**22,264**	**25,576**	**29,170**	**32,427**	**36,220**
BVPS (Bt)	13.12	15.06	17.18	19.10	21.33

Balance Sheet (Btmn)

FY December 31	2Q14	3Q14	4Q14	1Q15	2Q15
Total investments in securities	190,289	196,098	198,238	212,733	224,442
Total loans - net	3,939	4,323	4,735	4,938	5,430
Total Assets	**205,003**	**210,428**	**215,590**	**230,061**	**238,561**
Total Liabilities	**180,683**	**186,434**	**190,013**	**204,293**	**211,167**
Paid-up capital	1,212	1,213	1,698	1,698	1,702
Total Equity	**24,320**	**23,994**	**25,576**	**25,768**	**27,394**
BVPS (Bt)	20.06	19.79	15.06	15.18	16.09

Key Financial Ratios and Assumptions

	2013	2014	2015F	2016F	2017F
Net insurance premium growth (%)	13.68	31.90	(7.26)	12.21	10.45
Underwriting margin (%)	(1.29)	(10.12)	(8.72)	(8.72)	(8.72)
Net profit margin (%)	9.43	4.33	7.84	6.61	6.71
Yield on investment (%)	4.77	4.90	4.90	4.90	4.90
Return on investment (%)	5.13	5.71	5.61	5.12	5.09
Underwriting expense ratio (%)	101.29	110.12	108.72	108.72	108.72
Cost to income ratio (%)	3.98	3.36	3.62	3.47	3.36
ROA (%)	2.77	1.37	2.05	1.72	1.74
ROE (%)	21.00	11.13	17.01	14.04	14.12
Equity to Life policy reserve (%)	16.30	14.41	14.85	14.89	15.01

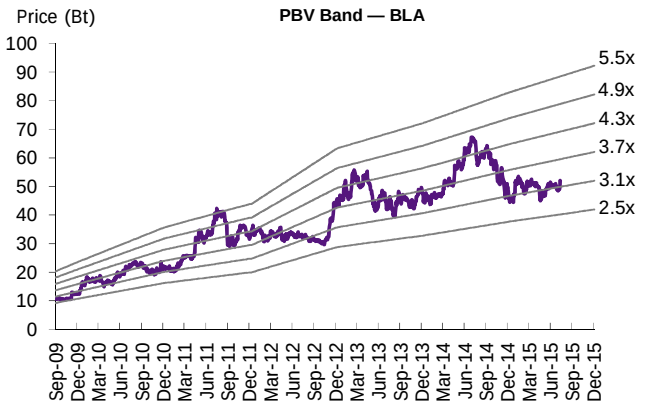
Key Financial Ratios

	2Q14	3Q14	4Q14	1Q15	2Q15
Net insurance premium growth (%)	7.40	(13.46)	(10.82)	(41.18)	(25.76)
Underwriting margin (%)	(18.71)	(45.01)	1.88	(13.62)	3.02
Net profit margin (%)	1.38	(8.98)	21.35	3.98	18.73
Yield on investment (%)	4.62	4.94	4.58	4.89	4.51
Return on investment (%)	5.33	5.28	6.50	6.86	4.72
Underwriting expense ratio (%)	4.62	4.94	4.58	4.89	4.51
Cost to income ratio (%)	4.20	5.00	5.54	2.73	5.87
ROA (%)	0.34	(1.70)	4.70	1.37	3.15
ROE (%)	2.79	(14.58)	36.76	11.92	27.76
Equity to Life policy reserve (%)	14.55	13.77	14.41	13.60	14.23

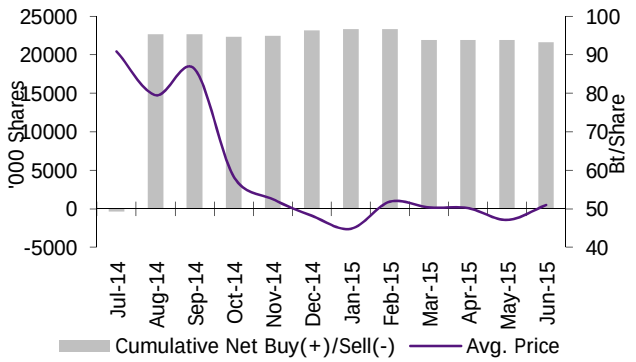
Valuation Assumptions

	2013	2014	2015F	2016F	2017F
Embedded value	32,641	47,785	51,379	54,636	58,429
Embedded value/share (Bt)	19.24	28.14	30.26	32.18	34.41
1-year VNB	1,862	1,143	1,463	1,756	1,966
1-year VNB per share (Bt)	1.10	0.67	0.86	1.03	1.16
Discount rate (%)	10.00	10.00	10.00	10.00	10.00

PBV Band Chart

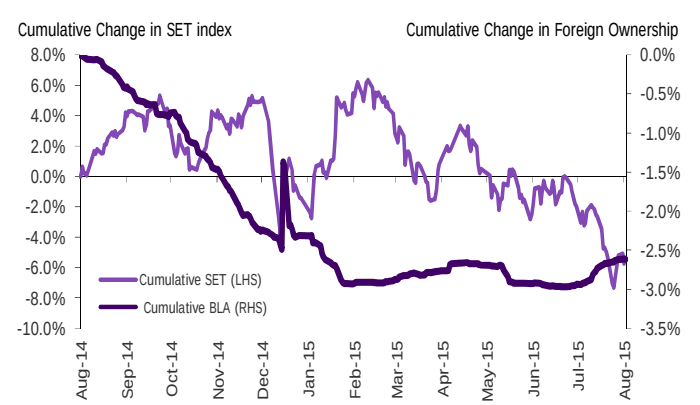


12-month cumulative directors trade



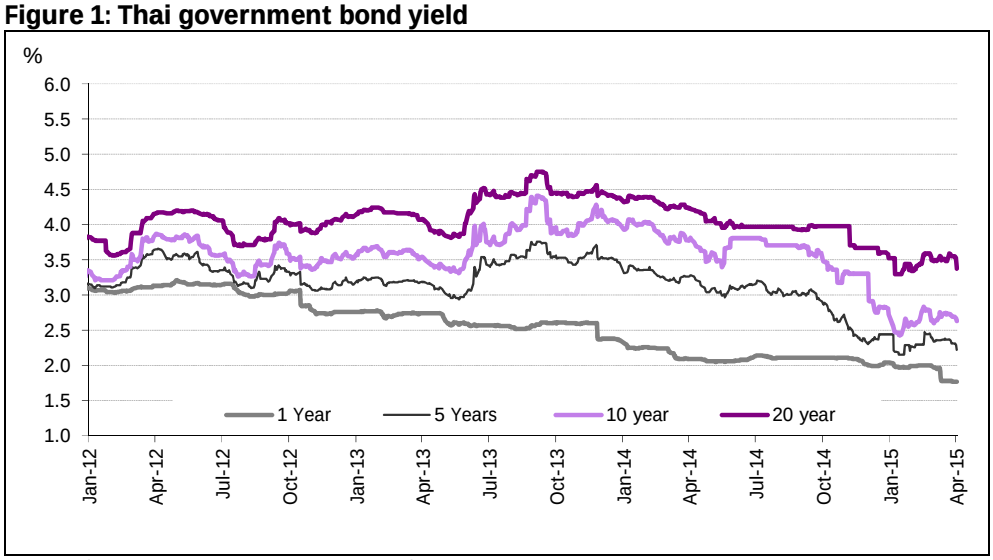
Source: SEC

Cumulative chg in foreign ownership versus cumulative chg in SET index



Source: SET, SCBS Investment Research

Figure 1: Thai government bond yield



Source: Thai BMA and SCBS Investment Research

Figure 2: Valuation summary (Closing price as of Aug 11, 2015)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 14A	P/E (x) 15F	P/E (x) 16F	EPS growth (%) 14A	EPS growth (%) 15F	EPS growth (%) 16F	P/BV (x) 14A	P/BV (x) 15F	P/BV (x) 16F	ROE (%) 14A	ROE (%) 15F	ROE (%) 16F	Div. Yield (%) 14A	Div. Yield (%) 15F	Div. Yield (%) 16F
BLA	Sell	52.25	45.0	(12.3)	33.3	19.0	20.5	(39)	75	(7)	3.5	3.0	2.7	11	17	14	1.0	1.6	1.5
THRE	Buy	2.98	3.8	29.8	n.m.	15.7	12.2	42	n.m.	29	3.3	1.9	1.6	(59)	15	14	0.0	2.3	1.6
THREL	Buy	12.70	15.0	22.1	20.5	17.5	15.2	(3)	17	15	6.4	5.6	4.9	33	34	34	3.5	4.0	4.6
Average					**26.9**	**17.4**	**16.0**	**(0)**	**46**	**12**	**4.4**	**3.5**	**3.1**	**(5)**	**22**	**21**	**1.5**	**2.6**	**2.6**

Source: SCBS Investment Research

CG Rating 2014	Companies with CG Rating
▲▲▲▲▲	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
▲▲▲▲	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

Corporate Governance Report 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 for 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 base 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. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.