Industry Update

ASIA PLUS Securities

Thursday, May 28, 2015

Insurance Sector

Economic crisis drags down premium income in short term only

We are still bullish about gross premium income growth in the long run, given the favorable situations for profitability. Top pick are BKI for non-life insurance and BLA for life insurance.

- **Premium income weakens. Life insurance remains strong**

Both non-life and life insurance businesses weakened in 2M15 (the latest data of direct premium income of the non-life insurance business was in February while the latest data of direct premium income of the life insurance business was in March, so we can present gross premium income only for 2M15). Gross direct premium income of the non-life and life insurance businesses was B120bn, growing 5.4%yoy; direct life insurance premium income increased 7.7%yoy to B85bn, while direct non-life insurance premium income rose only 0.1%yoy to B35bn. The Thai General Insurance Association (TGIA) has recently estimated gross direct premium income at B768bn or the growth of 9%yoy in 2015, which is threefold bigger than our GDP growth forecast of 2.5%; direct non-life insurance premium income is projected to grow 7.0%yoy to B220bn, while direct life insurance premium income is projected to grow 10.0%yoy to B549bn.

- **2Q15 profit to rebound for life insurance and decline for non-life insurance**

Of 18 insurance companies under our coverage, 14 of them are non-life insurance companies, one re-insurance company, two life-insurance companies, and one re-life insurance company. 1Q15 net profit of the sector was B689bn, increasing significantly by 36.7%qoq and 36.9%yoy (except BUI has not yet reported its 1Q15 financial statement); the growth came mainly from non-life insurance business, especially THRE from sales and adjustment of fair value of its investment in THREL. For the life insurance business, net profit shrank sharply in this quarter, led by BLA that had to increase its premium reserve as a result of falling interest rates in the market. However, contrary growth is foreseen in 2Q15; the life insurance business would improve, driven mainly by BLA, while profit from the non-life insurance business would decline for there is no longer extraordinary income from THRE.

- **BKI, BLA are top picks**

We select BKI as a top pick of non-life and BLA as a top pick of life insurance plays for their strong business, potential for stable growth when the economic revives, and good upsides.

INSURANCE

Rec : NEUTRAL

Sector Index : 16,262.62

SET Index : 1,500.84

Key Data (Bm)					
FY: Dec 31	FY13A	FY14A	FY15F	FY16F	FY17F
Net Profit	12,718	15,752	21,955	22,557	25,222
EPS (B)	760.27	933.96	1,800.56	1,849.95	2,068.57
P/E Ratio (X)	19.1	16.9	9.0	8.8	7.9
PBV (X)	3.1	2.7	1.7	1.5	1.3
ROAE	16.6%	17.8%	20.4%	18.0%	17.5%
ROAA	2.5%	2.8%	3.5%	3.3%	3.3%

Source : ASPS Research

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2013-1Q15 Earnings Result

Bm	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	%qoq	%yoy
AYUD	213	48	153	176	276	154	1,219	212	231	*8.7%*	*-16.4%*
BKI	390	526	550	283	627	412	863	404	624	*54.5%*	*-0.6%*
BLA	**922**	**1,453**	**1,101**	**905**	**1,096**	**169**	**-881**	**2,278**	**765**	***-66.4%***	***-30.2%***
BUI	18	-3	29	-13	23	12	15	11	N/A	*nm.*	*nm.*
CHARAN	-7	1	6	2	10	4	3	5	12	*135.2%*	*22.1%*
INSURE	26	-9	-7	-15	-4	-19	0	-10	14	*nm.*	*nm.*
MTI	294	158	161	159	288	186	238	143	238	*65.9%*	*-17.5%*
NKI	104	71	53	20	28	70	101	37	32	*-13.9%*	*15.8%*
NSI	57	1	26	99	7	69	41	46	63	*37.3%*	*nm.*
SCBLIF	**580**	**1,150**	**1,213**	**1,791**	**1,469**	**1,581**	**1,429**	**1,353**	**1,468**	***8.5%***	***-0.1%***
SMG	116	224	162	166	273	230	134	256	319	*24.3%*	*16.6%*
SMK	257	241	180	192	201	256	273	245	284	*16.2%*	*41.7%*
THRE	263	71	-3,224	91	195	154	-2,005	-298	2,259	*nm.*	*nm.*
THREL	**110**	**74**	**127**	**-311**	**111**	**90**	**57**	**114**	**125**	***9.3%***	***12.5%***
TIC	36	-14	13	23	20	5	10	13	3	*-79.7%*	*-86.7%*
TIP	515	85	300	254	400	281	416	287	398	*38.6%*	*-0.6%*
TSI	16	25	9	-68	-1	-3	-24	-81	17	*nm.*	*nm.*
TVI	98	1	-14	13	15	72	65	27	40	*50.6%*	*167.0%*
Industry	**4,009**	**4,104**	**837**	**3,769**	**5,033**	**3,722**	**1,956**	**5,041**	**6,891**	***36.7%***	***36.9%***
Life	***1,611***	***2,677***	***2,441***	***2,386***	***2,676***	***1,840***	***606***	***3,745***	***2,358***	***-37.0%***	***-11.9%***
Non-life	***2,398***	***1,427***	***-1,604***	***1,383***	***2,357***	***1,882***	***1,350***	***1,296***	***4,533***	***249.7%***	***92.4%***

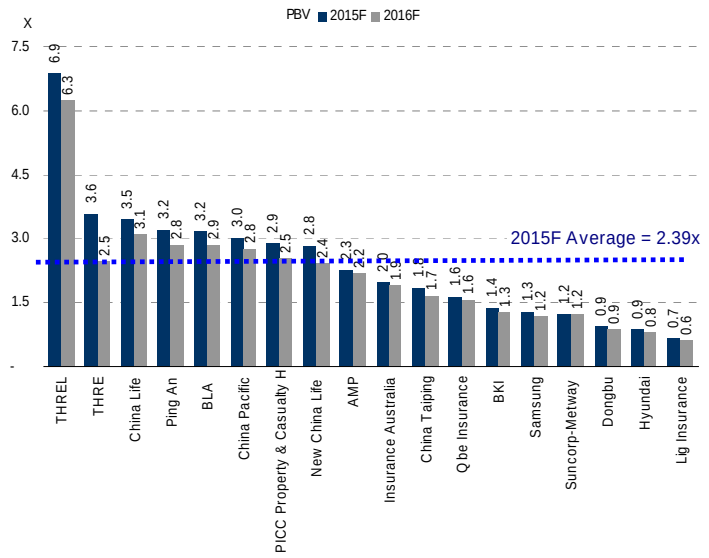
Source: Financial Statement / ASPS

Regional Key Recommendations

	Bloomberg Rating	Current Price (L)	Target Price (L)	% Upside	PBV 2015F	PBV 2016F	PER 2015F	PER 2016F
THAILAND								
Thai Reinsurance	ถือ	3.22	3.50	8.7%	3.59	2.50	NM	5.20
Thaire Life Assurance	ถือ	13.40	15.00	12.0%	6.76	6.16	21.63	19.43
Bangkok Life Ass	ซื้อ	46.50	66.35	42.7%	3.09	2.79	29.66	18.48
Bangkok Insuranc	ซื้อ	372.00	459.00	23.4%	1.39	1.29	17.18	15.33
Australia								
Qbe Insurance	4.13	14.40	14.24	-1.1%	1.69	1.60	20.20	17.50
Amp Ltd	3.53	6.66	6.74	1.2%	2.35	2.30	17.25	16.09
Suncorp Group Lt	3.35	13.40	13.79	2.9%	1.27	1.25	14.63	12.84
Insurance Austra	3.24	5.67	6.03	6.3%	2.02	1.94	13.60	12.54
South Korea								
Samsung Fire & M	4.69	302,500	324,318	7.2%	1.27	1.17	14.87	13.27
Dongbu Insurance	4.56	54,300	64,647	19.1%	0.95	0.88	8.23	7.20
Hyundai Marine	4.38	28,150	33,141	17.7%	0.95	0.82	9.20	8.33
Korean Reinsuran	4.33	11,900	13,978	17.5%	nm.	nm.	nm.	nm.
Lig Insurance Co	4.33	25,500	32,190	26.2%	0.69	0.63	7.07	6.27
Hong Kong - China								
Ping An Insura-A	4.50	93.17	102.03	9.5%	2.43	1.99	16.85	14.48
China Taiping In	4.06	32.15	33.95	5.6%	1.90	1.80	21.87	18.83
China Pacific-H	3.96	44.10	46.56	5.6%	3.04	2.81	27.14	23.55
China Life-H	3.88	39.95	41.39	3.6%	3.51	3.21	25.87	22.12
New China Life-H	3.64	53.15	54.95	3.4%	2.73	2.48	19.31	17.38
Picc P&C-H	3.59	19.76	18.16	-8.1%	2.93	2.65	17.63	16.17
China Life Ins-A	3.50	38.73	36.41	-6.0%	3.43	3.12	25.85	21.98
New China Life-A	3.43	67.07	50.11	-25.3%	3.32	2.97	23.95	20.90

Source: Bloomberg / ASPS

Regional PBV



Source: Bloomberg / ASPS