

# Bangkok Life Assurance

BLA TB / BLA.BK

8 June 2016

## Rising bond yield spurs earnings lift

### Investment thesis

We have upgraded BLA's rating to BUY from HOLD. This move is attributable to fast recovery in the long-term bond yield in 2Q16 and what looks to be a rising trend for interest rates in FY17. It also allows BLA to reverse its reserve of Liability Adequacy Test (LAT) to reduce FY16 provisions for its life-policy reserve to 83% of total premiums from its former 88%. Thus, we have swung our FY16 profit forecast in a revision up to Bt850m from a loss of Bt850m previously. We also raise our FY17 profit forecasts by 5% to Bt4.3bn, up 406% YoY. Given the favorable outlook on rising interest rates and our earnings upgrade, we have raised our YE16 target price to Bt50, pegged to embedded value of Bt31.19/share and total VNB of Bt18.82.

### Provision is revised down after bond yield rises in 2Q16 ...

After setting extra provisions of Bt11bn for the LAT reserve against lower long-term bond yield (down 60bps QoQ to 1.7%) in 1Q16, we expect BLA to reverse its LAT reserve to reduce provisioning for its life-policy reserves in 2Q16 onwards because of the fast 10-year bond yield recovery back to 2.0% happening at the moment. Given the assumption of no change in the bond yield of 2.0% until YE16, we have cut our FY16 provisioning for life-policy reserves to 83% of total premiums, from the former 88%. The lower provisioning enables us to revise up our FY16 earnings forecast to Bt850m from our former massive loss estimate of Bt850m, as mentioned previously. We also expect provisioning to drop to the usual 70% of total premiums in FY17.

### Maintain ROI target of 4.60% in FY16

We anticipate FY16 ROI of 4.6% (including investment gain) following 5.4% in 1Q16 and 5.6% last year. The possibility of high bond yields late this year would present BLA with a chance to accrue more long-term bonds. The firm invests more than Bt20bn (11% of total investment) in foreign-currency-denominated bonds that yield about 6%. Note that we forecast BLA to have FY17 ROI of 4.3% (plus investment gain) next year. Note that Morgan Stanley has forecast that Thailand's policy rate would stay flat at 1.5% in FY16 and rise to 2.0% next year. If this was true, the 10-year long-term bond yield would have room to rise further next year from its present 2%. This could provide scope for upside to our FY17 ROI.

### Emphasis on bottom-line growth led by high-margin products

BLA has focused on medium to medium-to-long-term policies (whole life, credit life, pension funds and long-term endowments such as Gain 1<sup>st</sup> 245 plus) in FY16. It should be noted that we forecast that its FY16 FYP and total premiums will rise 30% and 13%, respectively. Lately, BLA, in collaboration with Thaire Life (THREL), sold its first healthcare product (*Health Plus*) in FY16. We have not as yet plugged this product into our model.

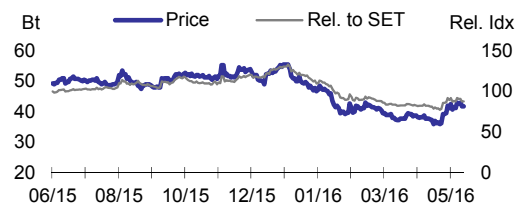
Sector: Insurance – OVERWEIGHT

Rating: BUY

Target Price: Bt50.00

Price (7 June 2016): Bt41.50

### Price chart

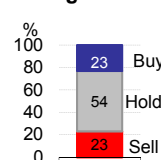


| Share price perf. (%) | 1M  | 3M    | 12M    |
|-----------------------|-----|-------|--------|
| Relative to SET       | 5.0 | (2.7) | (7.8)  |
| Absolute              | 8.5 | 0.6   | (12.2) |

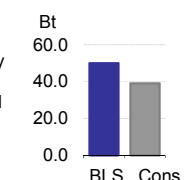
### Key statistics

|                         |               |          |
|-------------------------|---------------|----------|
| Market cap              | Bt70.8bn      | USD2.0bn |
| 12-mth price range      | Bt35.3/Bt56.3 |          |
| 12-mth avg daily volume | Bt63m         | USD1.8m  |
| # of shares (m)         | 1,705         |          |
| Est. free float (%)     | 43.8          |          |
| Foreign limit (%)       | 25.0          |          |

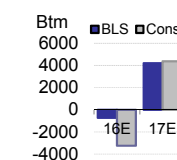
### Consensus rating



### BLS Target price vs. Consensus



### BLS earnings vs. Consensus



### Financial summary

| FY Ended 31 Dec        | 2014   | 2015   | 2016E   | 2017E   |
|------------------------|--------|--------|---------|---------|
| Total rev (Btm)        | 61,427 | 55,589 | 62,702  | 65,678  |
| Net profit (Btm)       | 2,650  | 4,108  | (750)   | 4,200   |
| Fully diluted EPS (Bt) | 1.55   | 2.41   | (0.44)  | 2.46    |
| EPS growth (%)         | -39.5% | +55.0% | -118.3% | -660.0% |
| PER (x)                | 26.8   | 17.3   | (94.5)  | 16.9    |
| EV/EBITDA (x)          | 16.4   | 16.1   | (103.1) | 18.0    |
| PBV (x)                | 2.59   | 2.45   | 2.42    | 2.12    |
| Dividend (Bt)          | 0.51   | 0.64   | 0.00    | 0.74    |
| ROA (%)                | 1.2    | 1.6    | (0.3)   | 1.2     |
| Net gearing (x)        | 7.2    | 8.0    | 9.0     | 8.9     |
| Total loss ratio (%)   | 82.3   | 70.4   | 88.0    | 70.0    |
| Total premium Mkt (%)  | 12.0   | 10.0   | 10.0    | 10.0    |

### CG/Anti-Corruption



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## BLA: Financial Tables – Year

| <b>PROFIT &amp; LOSS (Btm)</b> | <b>2013</b>   | <b>2014</b>    | <b>2015</b>    | <b>2016E</b>    | <b>2017E</b>   |
|--------------------------------|---------------|----------------|----------------|-----------------|----------------|
| Insurance premium              | 38,795        | 51,172         | 44,175         | 49,937          | 52,933         |
| Less Life policy reserve       | (25,357)      | (42,106)       | (31,114)       | (43,944)        | (37,053)       |
| <b>Net premium</b>             | <b>13,438</b> | <b>9,066</b>   | <b>13,061</b>  | <b>5,992</b>    | <b>15,880</b>  |
| Underwriting expenses          | (13,939)      | (14,243)       | (17,473)       | (17,963)        | (21,423)       |
| <b>Profit from insurance</b>   | <b>(501)</b>  | <b>(5,177)</b> | <b>(4,412)</b> | <b>(11,971)</b> | <b>(5,543)</b> |
| Revenue on investment          | 7,601         | 10,255         | 11,414         | 12,765          | 12,745         |
| Other income/exp.              | 39            | 48             | 64             | 550             | 583            |
| <b>Net revenue</b>             | <b>7,139</b>  | <b>5,126</b>   | <b>7,066</b>   | <b>1,344</b>    | <b>7,785</b>   |
| Operating expenses             | (1,828)       | (2,033)        | (2,179)        | (2,348)         | (2,686)        |
| <b>EBIT</b>                    | <b>5,311</b>  | <b>3,093</b>   | <b>4,887</b>   | <b>(1,003)</b>  | <b>5,100</b>   |
| Minority interest              | 0             | 0              | 0              | 0               | 0              |
| Extra items                    | 0             | 0              | 0              | 0               | 0              |
| Income tax                     | (930)         | (443)          | (779)          | 253             | (900)          |
| <b>Net profit (loss)</b>       | <b>4,381</b>  | <b>2,650</b>   | <b>4,108</b>   | <b>(750)</b>    | <b>4,200</b>   |
| Reported EPS                   | 3.62          | 1.55           | 2.41           | (0.44)          | 2.46           |
| <b>Fully diluted EPS</b>       | <b>3.62</b>   | <b>1.55</b>    | <b>2.41</b>    | <b>(0.44)</b>   | <b>2.46</b>    |
| <b>Core net profit</b>         | <b>4,341</b>  | <b>2,602</b>   | <b>4,044</b>   | <b>(1,300)</b>  | <b>3,617</b>   |
| Core EPS                       | 3.58          | 1.52           | 2.37           | (0.76)          | 2.12           |
| <b>EBITDA</b>                  | <b>5,407</b>  | <b>3,189</b>   | <b>4,983</b>   | <b>(908)</b>    | <b>5,196</b>   |

### KEY RATIOS

|   |      |       |        |       |       |
|---|------|-------|--------|-------|-------|
| Revenue growth (%)                      | 12.7 | 31.9  | (13.7) | 13.0  | 6.0   |
| Gross margin (%)                        | 15.4 | 8.3   | 12.7   | 2.1   | 11.7  |
| EBITDA margin (%)                       | 11.6 | 5.2   | 9.0    | (1.4) | 7.8   |
| Operating margin (%)                    | 9.4  | 4.2   | 7.3    | (2.1) | 5.5   |
| Net margin (%)                          | 9.4  | 4.3   | 7.4    | (1.2) | 6.3   |
| Core profit margin (%)                  | 9.4  | 4.2   | 7.3    | (2.1) | 5.5   |
| ROA (%)                                 | 2.5  | 1.2   | 1.6    | (0.3) | 1.2   |
| ROE (%)                                 | 19.7 | 10.4  | 15.2   | (2.6) | 12.5  |
| Commission/Insurance premium            | 11.2 | 9.3   | 15.0   | 9.0   | 13.5  |
| Life policy Provision/insurance premium | 65.4 | 82.3  | 70.4   | 88.0  | 70.0  |
| Cost/income                             | 34.0 | 34.0  | 34.0   | 34.0  | 34.0  |
| Combined ratio                          | 81.3 | 114.1 | 114.9  | 128.7 | 115.5 |

### BALANCE SHEET (Btm)

|   |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
| Cash & Equivalent                           | 1,331          | 5,708          | 7,102          | 6,100          | 4,500          |
| Total investment in securities              | 161,126        | 198,238        | 227,584        | 270,825        | 311,449        |
| Total net loans                             | 3,526          | 4,735          | 6,139          | 6,753          | 7,382          |
| Premises & equipment (Net)                  | 327            | 389            | 547            | 558            | 569            |
| Other assets                                | 5,925          | 6,520          | 8,204          | 13,586         | 12,386         |
| <b>Total assets</b>                         | <b>172,234</b> | <b>215,590</b> | <b>249,576</b> | <b>297,822</b> | <b>336,287</b> |
| Life policy reserve                         | 136,616        | 177,435        | 208,383        | 252,327        | 292,030        |
| Unpaid benefit to life policy               | 8,800          | 1,489          | 470            | 11,661         | 2,118          |
| Premium received in advance                 | 950            | 2,239          | 459            | 500            | 550            |
| Other liabilities                           | 3,604          | 8,851          | 13,272         | 4,033          | 8,088          |
| <b>Total liabilities</b>                    | <b>149,971</b> | <b>190,013</b> | <b>222,585</b> | <b>268,521</b> | <b>302,787</b> |
| Paid-up capital                             | 1,212          | 1,698          | 1,704          | 1,704          | 1,704          |
| Share premium                               | 2,846          | 3,091          | 3,220          | 3,295          | 3,295          |
| Retained earnings                           | 18,138         | 20,787         | 22,017         | 24,301         | 28,501         |
| <b>Shareholders' equity</b>                 | <b>22,264</b>  | <b>25,576</b>  | <b>26,990</b>  | <b>29,300</b>  | <b>33,500</b>  |
| Minority interests                          | 0              | 0              | 0              | 0              | 0              |
| <b>Total Liab.&amp;Shareholders' equity</b> | <b>172,234</b> | <b>215,590</b> | <b>249,575</b> | <b>297,822</b> | <b>336,287</b> |

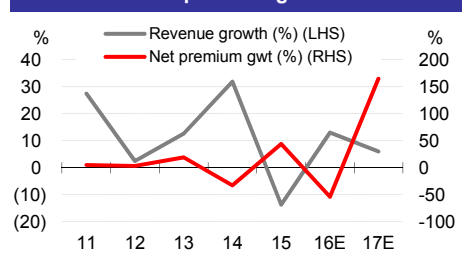
### CASH FLOW (Btm)

|   |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net income                                  | 4,381           | 2,650           | 4,108           | (750)           | 4,200           |
| Depreciation and amortization               | 136             | 143             | 150             | 157             | 165             |
| Change in working capital                   | 23,571          | 39,598          | 30,708          | 43,534          | 37,788          |
| FX, non-cash adjustment & others            | 804             | 805             | 806             | 807             | 808             |
| <b>Cash flows from operating activities</b> | <b>28,087</b>   | <b>42,390</b>   | <b>34,966</b>   | <b>42,941</b>   | <b>42,153</b>   |
| Capex (Invest)/Divest                       | (88)            | (126)           | (247)           | (11)            | (11)            |
| Others                                      | (27,427)        | (49,777)        | (39,023)        | (38,252)        | (46,005)        |
| <b>Cash flows from investing activities</b> | <b>(27,515)</b> | <b>(36,529)</b> | <b>(32,407)</b> | <b>(38,263)</b> | <b>(46,016)</b> |
| Debt financing (repayment)                  | 0               | 0               | 0               | 0               | 0               |
| Equity financing                            | 809             | 0               | 0               | 0               | 0               |
| Dividend payment                            | (917)           | (678)           | (1,325)         | (1,090)         | 0               |
| Others                                      | (27,427)        | (49,777)        | (39,023)        | (38,252)        | (46,005)        |
| <b>Cash flows from financing activities</b> | <b>(107)</b>    | <b>(678)</b>    | <b>(1,325)</b>  | <b>(1,090)</b>  | <b>0</b>        |
| Net change in cash                          | 465             | 5,183           | 1,235           | 3,587           | (3,864)         |
| <b>Free cash flow (Btm)</b>                 | <b>28,000</b>   | <b>42,264</b>   | <b>34,719</b>   | <b>42,930</b>   | <b>42,142</b>   |
| <b>FCF per share (Bt)</b>                   | <b>23.1</b>     | <b>24.7</b>     | <b>20.3</b>     | <b>25.1</b>     | <b>24.7</b>     |

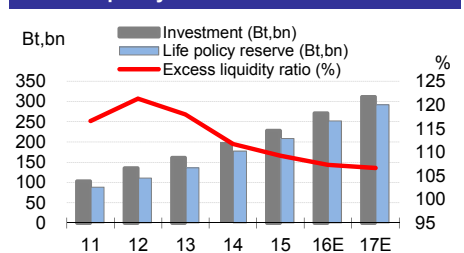
### Insurance data

| Insurance data        | 2013   | 2014   | 2015   | 2016E  | 2017E  |
|-----------------------|--------|--------|--------|--------|--------|
| FYP (Btm)             | 6,818  | 8,928  | 7,707  | 8,712  | 9,235  |
| RYP (Btm)             | 28,545 | 37,379 | 32,268 | 36,476 | 38,665 |
| SP                    | 1,425  | 1,358  | 1,362  | 1,472  | 3,716  |
| Total premium (Btm)   | 39,079 | 51,172 | 44,175 | 49,937 | 52,933 |
| FYP mkt (%)           | 7.8    | 9.7    | 8.4    | 7.6    | 7.2    |
| Total premium Mkt (%) | 7.7    | 8.9    | 9.6    | 8.7    | 8.9    |

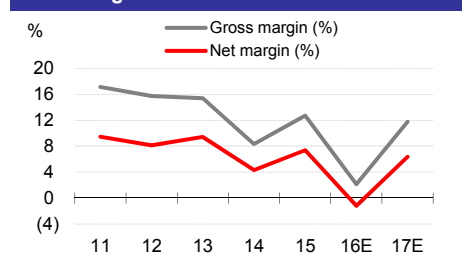
### Revenue and net premium growth



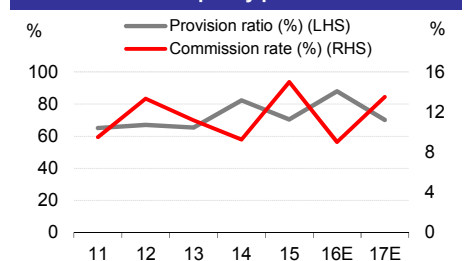
### Excess liquidity



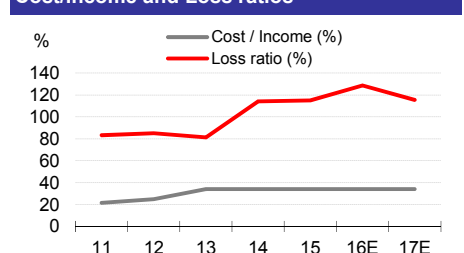
### Profit margins



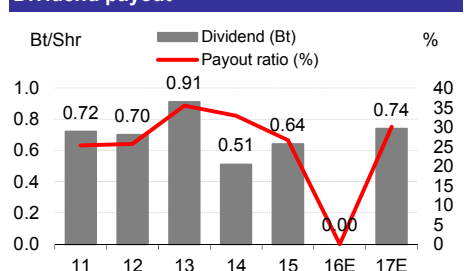
### Commission and life policy provision ratios



### Cost/Income and Loss ratios



### Dividend payout



## BLA: Financial Tables – Quarter

| QUARTERLY PROFIT & LOSS (Btm)          | 1Q15           | 2Q15         | 3Q15           | 4Q15         | 1Q16            |
|--|----------------|--------------|----------------|--------------|-----------------|
| Net insurance premium revenue          | 15,711         | 7,252        | 8,368          | 12,844       | 12,856          |
| Less provision for life policy reserve | 12,104         | 2,906        | 7,241          | 8,862        | 17,848          |
| Revenue realization on premium         | 3,607          | 4,346        | 1,127          | 3,982        | (4,993)         |
| Underwriting expenses                  | 5,746          | 4,127        | 4,469          | 3,131        | 6,564           |
| <b>Profit from insurance business</b>  | <b>(2,139)</b> | <b>219</b>   | <b>(3,342)</b> | <b>850</b>   | <b>(11,556)</b> |
| Net investment income                  | 2,511          | 2,466        | 2,715          | 2,478        | 2,716           |
| Gain on investment                     | 1,010          | 113          | 91             | 29           | 555             |
| <b>Total revenue from investment</b>   | <b>3,522</b>   | <b>2,579</b> | <b>2,806</b>   | <b>2,507</b> | <b>3,270</b>    |
| Other income                           | 15             | 18           | 13             | 18           | 138             |
| Total revenues                         | 1,398          | 2,816        | (523)          | 3,375        | (8,148)         |
| Total operating expenses               | 498            | 571          | 551            | 559          | 541             |
| Exceptional items                      | 0              | 0            | 0              | 0            | 0               |
| EBT                                    | 900            | 2,245        | (1,074)        | 2,816        | (8,689)         |
| <b>Income tax</b>                      | <b>135</b>     | <b>400</b>   | <b>(287)</b>   | <b>531</b>   | <b>(1,801)</b>  |
| Minority Interest                      | 0              | (0)          | (0)            | 0            | 0               |
| <b>Net profit</b>                      | <b>765</b>     | <b>1,844</b> | <b>(786)</b>   | <b>2,285</b> | <b>(6,888)</b>  |
| <b>EPS</b>                             | <b>0</b>       | <b>1</b>     | <b>(0)</b>     | <b>1</b>     | <b>(4)</b>      |
| Core profit before tax                 | (126)          | 2,113        | (1,177)        | 2,769        | (9,382)         |
| <b>Core EPS</b>                        | <b>(0)</b>     | <b>1</b>     | <b>(1)</b>     | <b>2</b>     | <b>(6)</b>      |

### KEY RATIOS

|                                   |    |    |      |    |       |
|-----------------------------------|----|----|------|----|-------|
| Premium/life policy reserve (%)   | 33 | 15 | 17   | 25 | 22    |
| Life policy provision/Premium (%) | 77 | 40 | 87   | 69 | 139   |
| Claim/life policy (%)             | 24 | 28 | 25   | 27 | 20    |
| ROI (%)                           | 7  | 5  | 5    | 4  | 5     |
| Net margin (%)                    | 4  | 19 | (7)  | 15 | (43)  |
| Equity/Life policy reserve (%)    | 14 | 14 | 14   | 13 | 13    |
| BV (Bt)                           | 15 | 16 | 15   | 16 | 14    |
| ROE (%)                           | 12 | 29 | (11) | 36 | (102) |
| ROA (%)                           | 1  | 3  | (1)  | 4  | (11)  |
| D/E (x)                           | 7  | 8  | 8    | 9  | 8     |
| Cost to Income (%)                | 36 | 20 | 147  | 98 | 194   |

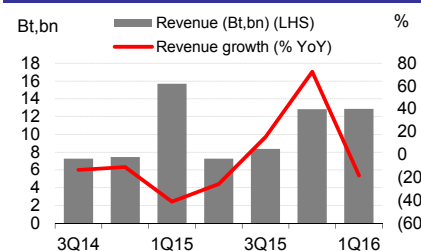
| QUARTERLY BALANCE SHEET (Btm)  | 1Q15          | 2Q15          | 3Q15          | 4Q15          | 1Q16          |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalent              | 1,405         | 564           | 461           | 7,102         | 5,590         |
| Total investment in securities | 212,733       | 224,442       | 226,543       | 227,584       | 240,689       |
| Total net loans                | 4,938         | 5,430         | 5,683         | 6,139         | 6,463         |
| Premises & equipment (Net)     | 460           | 465           | 534           | 547           | 572           |
| <b>Other assets</b>            | <b>10,524</b> | <b>7,660</b>  | <b>9,097</b>  | <b>8,204</b>  | <b>13,003</b> |
| Total assets                   | 230,061       | 238,561       | 242,317       | 249,576       | 266,318       |
| Life policy reserve            | 189,539       | 192,445       | 199,686       | 208,383       | 234,972       |
| Unpaid benefit to life policy  | 1,690         | 4,620         | 1,612         | 470           | 699           |
| Premium received in advance    | 566           | 628           | 723           | 0             | 0             |
| <b>Other liabilities</b>       | <b>12,498</b> | <b>13,473</b> | <b>15,024</b> | <b>13,732</b> | <b>6,395</b>  |
| Total liabilities              | 204,293       | 211,167       | 217,045       | 222,585       | 242,065       |
| Paid-up capital                | 1,200         | 1,200         | 1,200         | 1,704         | 1,704         |
| Share premium                  | 2,700         | 2,700         | 2,700         | 3,220         | 3,295         |
| <b>Retained earnings</b>       | <b>15,443</b> | <b>16,506</b> | <b>15,176</b> | <b>22,066</b> | <b>19,253</b> |
| Shareholders equity            | 25,768        | 27,394        | 25,272        | 26,990        | 24,253        |
| <b>Minority interests</b>      | <b>0</b>      | <b>(0)</b>    | <b>0</b>      | <b>0</b>      | <b>0</b>      |

| Insurance data        | 1Q15   | 2Q15  | 3Q15  | 4Q15   | 1Q16   |
|-----------------------|--------|-------|-------|--------|--------|
| FYP (Btm)             | 1,672  | 1,052 | 2,538 | 3,821  | 2,410  |
| RYP (Btm)             | 13,914 | 5,806 | 5,398 | 6,097  | 10,998 |
| SP (Btm)              | 436    | 537   | 501   | 3,070  | 0      |
| Total premium (Btm)   | 16,022 | 7,395 | 8,437 | 12,988 | 13,412 |
| FYP+SP mkt (%)        | 5.3    | 3.7   | 7.5   | 14.1   | 6.1    |
| Total premium Mkt (%) | 12.0   | 9.5   | 6.6   | 8.9    | 10.0   |

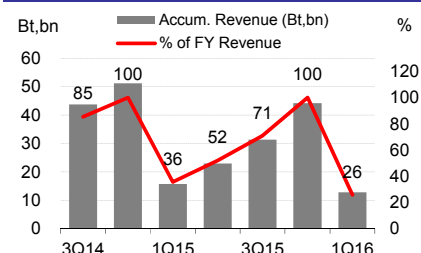
### Company profile

Bangkok Life Assurance Public Company Limited (BLA) is one of Thailand's largest pure-life-assurance players and a subsidiary of Bangkok Bank. Its FYP revenue growth is currently about twice the industry average. The firm ranked fifth in market share of 9.5% for total life assurance premiums in 1Q16

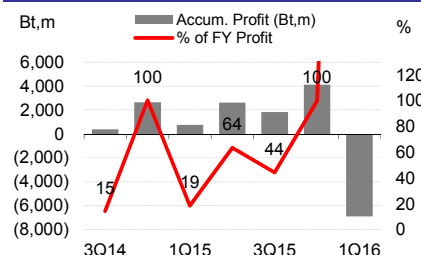
### Revenue trend



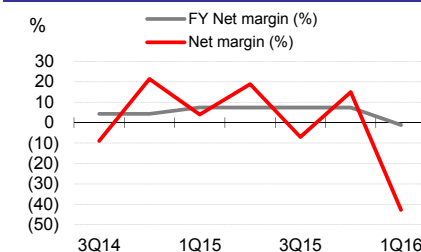
### Revenue trend (accumulated)



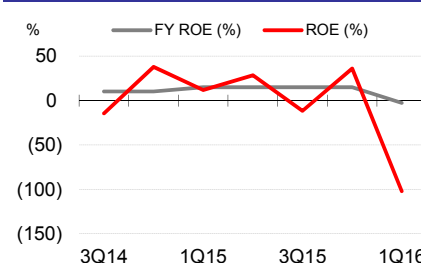
### Net profit trend (accumulated)



### Net margin



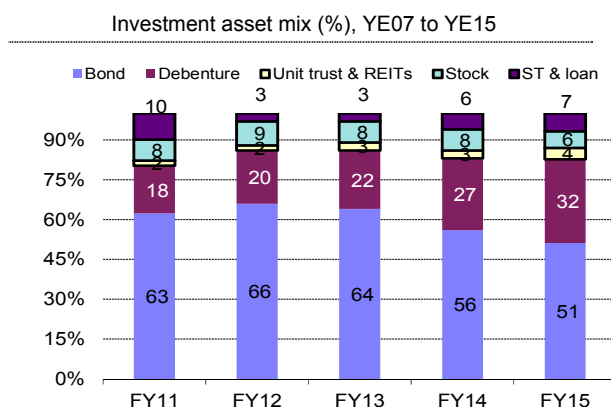
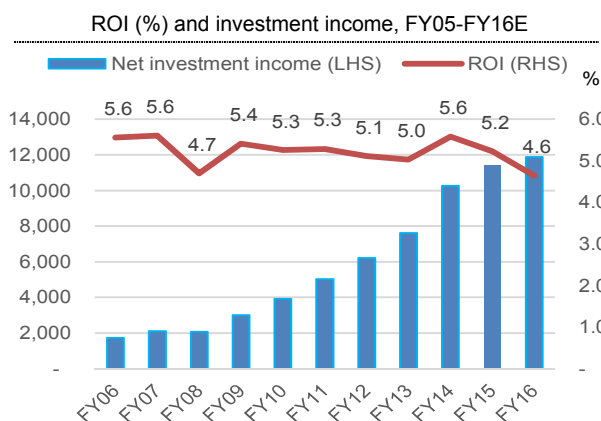
### ROE



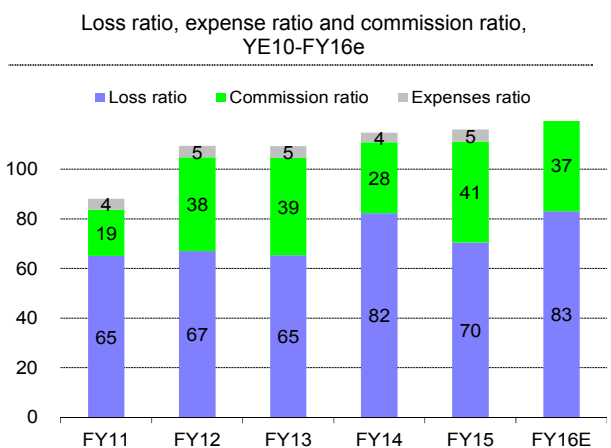
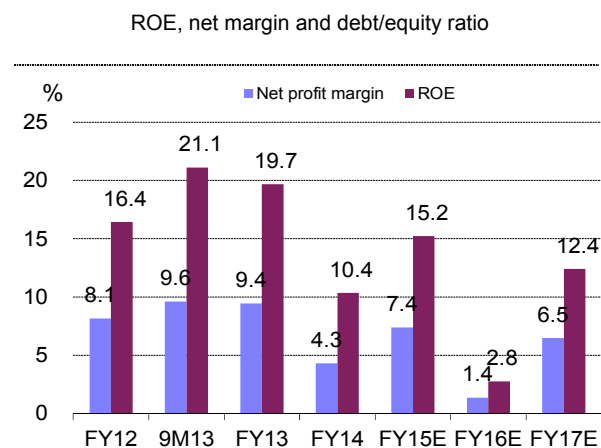
**Figure 1: Total life assurance premium market share (%), FY07-1Q16**

| Market share of Total premium (%)         | FY07         | FY08         | FY09         | FY10         | FY11         | FY12         | FY13         | FY14         | FY15         | 1Q16       |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| American International Assurances (AIA)   | 38.9         | 37.9         | 33.3         | 31.0         | 28.7         | 26.3         | 25.0         | 22.8         | 22.2         | 19.6       |
| Audhya Allianz C.P Life Plc., (AZAY)      | 9.5          | 6.5          | 6.1          | 6.2          | 6.3          | 5.8          | 5.7          | 5.4          | 5.4          | 5.4        |
| Thai Life Insurance                       | 15.2         | 14.4         | 13.7         | 12.4         | 12.2         | 12.5         | 12.4         | 12.5         | 12.7         | 12.4       |
| SCB Life Insurance Plc                    | 6.0          | 6.8          | 7.5          | 8.3          | 9.2          | 10.7         | 10.3         | 9.6          | 9.9          | 9.8        |
| Muang Thai Life Assurance                 | 6.8          | 7.7          | 8.3          | 10.0         | 11.5         | 12.5         | 13.6         | 14.9         | 16.3         | 19.2       |
| <b>Bangkok Life Assurance Plc.,</b>       | <b>6.1</b>   | <b>6.7</b>   | <b>7.7</b>   | <b>8.9</b>   | <b>9.6</b>   | <b>8.9</b>   | <b>8.8</b>   | <b>10.3</b>  | <b>8.3</b>   | <b>9.5</b> |
| Krunghai AXA Life Insurance               | 2.9          | 4.1          | 4.9          | 6.0          | 6.4          | 7.4          | 8.5          | 9.7          | 10.2         | 9.7        |
| Ocean Life Insurance                      | 4.6          | 4.3          | 4.1          | 3.9          | 4.0          | 3.8          | 3.1          | 2.9          | 2.6          | 2.3        |
| Prudential Life Assurance (Thailand) Plc. | 0.9          | 1.1          | 1.2          | 1.2          | 1.3          | 1.4          | 2.3          | 3.1          | 3.2          | 3.3        |
| Others                                    | 3.2          | 4.2          | 6.6          | 5.5          | 4.9          | 5.5          | 10.2         | 8.8          | 9.2          | 8.8        |
| <b>Total</b>                              | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100</b> |

Sources: TLAA and Bualuang Research estimates

**Figure 2: BLA's net investment income (Btm) and net ROI (%), FY05-FY16 and Investment asset breakdown, FY08-1Q15**


Sources: Company data and TLAA

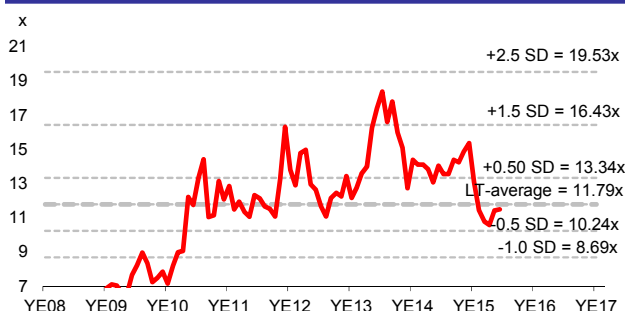
**Figure 3: Net margin (%), ROE (%) and debt/equity ratio, YE12-FY16e, and combined ratio (%)**


Sources: Company data and TLAA

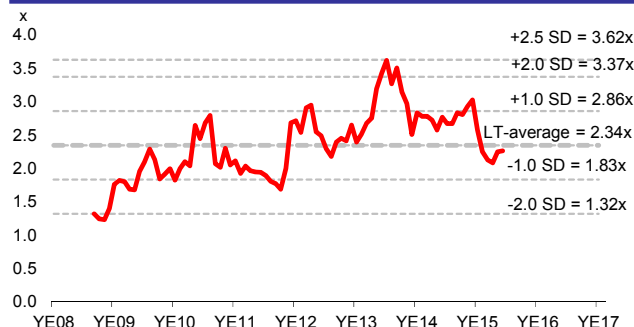
## Regional Comparisons

|                                 | Bloomberg | Price         | Market Cap        | PER (x) | EPS Growth (%) | PBV (x) | ROE (%) | Div Yield (%) |       |       |       |       |       |
|---------------------------------|-----------|---------------|-------------------|---------|----------------|---------|---------|---------------|-------|-------|-------|-------|-------|
|                                 | Code      | (local curr.) | (US\$ equivalent) | 2016E   | 2017E          | 2016E   | 2017E   | 2016E         | 2017E | 2016E | 2017E | 2016E | 2017E |
| Ping An Insurance (Group)       | 601318 CH | CNY32.1       | 87,132            | 10.3    | 9.4            | 2.5     | 13.1    | 1.4           | 1.3   | 15.7  | 15.9  | 1.7   | 1.9   |
| China Life Insurance            | 601628 CH | CNY21.4       | 84,444            | 18.3    | 16.3           | -1.1    | 10.7    | 1.8           | 1.7   | 10.0  | 11.1  | 1.9   | 2.0   |
| China Pacific Insurance (Group) | 601601 CH | CNY27.1       | 35,761            | 15.5    | 13.7           | -9.3    | 13.0    | 1.8           | 1.7   | 11.9  | 12.2  | 2.8   | 2.9   |
| T&D Holdings                    | 8795 JP   | JPY1,050.0    | 6,667             | 8.3     | 7.9            | 16.0    | 5.2     | 0.5           | 0.5   | 6.3   | 6.3   | 3.2   | 3.4   |
| Bangkok Life Assurance          | BLA TB    | THB41.50      | 2,009             | n.m.    | 16.9           | n.m.    | n.m.    | 2.4           | 2.1   | -2.6  | 12.5  | 0.0   | 1.8   |
| Thaire Life Assurance           | THREL TB  | THB10.90      | 186               | 14.7    | 13.1           | 14.5    | 12.4    | 4.6           | 4.3   | 32.9  | 33.9  | 5.3   | 5.9   |
| Simple average                  |           |               |                   | 13.4    | 12.9           | 4.5     | 10.9    | 2.1           | 1.9   | 12.4  | 15.3  | 2.5   | 3.0   |

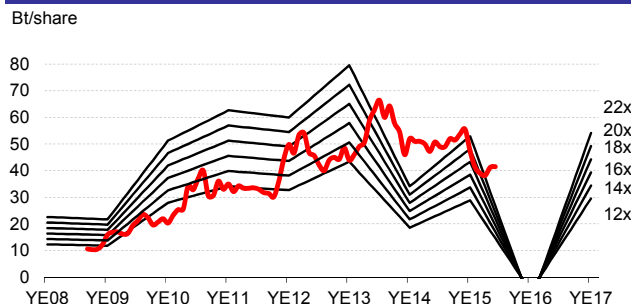
PER band versus SD (next 12 months)



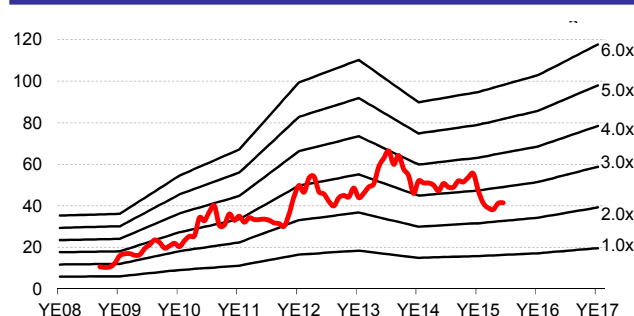
PER band versus SD (next 12 months)



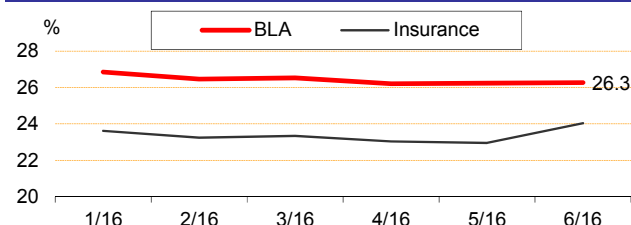
PER band and share price



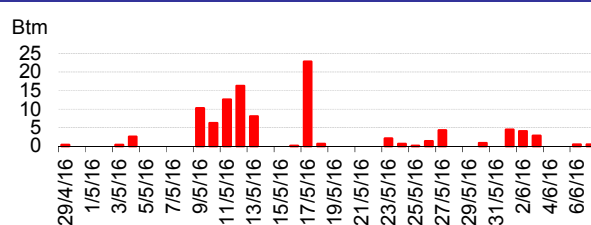
PBV band and share price



Foreign holdings



Short selling activities during past four weeks



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
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| Score Range | Score Range   | Description  |
|-------------|---|--------------|
| 90 – 100    |  | Excellent    |
| 80 – 89     |  | Very Good    |
| 70 – 79     |  | Good         |
| 60 – 69     |  | Satisfactory |
| 50 – 00359  |  | Pass         |
| Below 50    | No logo given   | N/A          |

**Anti-Corruption Progress Indicator**

| Level              | Description                          |
|--------------------|--------------------------------------|
| 5                  | Extended                             |
| 4                  | Certified                            |
| 3B                 | Established by Commitment and Policy |
| 3A                 | Established by Declaration of Intent |
| 2                  | Declared                             |
| 1                  | Committed                            |
| Partially progress | Partially progress                   |
| No progress        | No progress                          |

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## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.