Deutsche Bank
Markets Research

Rating
Hold

Asia
Thailand

Banking / Finance
Life Insurance

Company
Bangkok Life Assurance

Reuters	Bloomberg	Exchange	Ticker
BLA.BK	BLA TB	SET	BLA

Date
14 August 2015

Forecast Change

Price at 13 Aug 2015 (THB)	50.75
Price target-12mth (THB)	50.00
52-week range (THB)	64.25 - 44.50
SET	1,408

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Maintaining sluggish EV/VNB outlook

Focus on EV/VNB outlook, no benefit from accounting change

We raise 2015-17F earnings by 24-7% to factor in BLA's plan to change the life reserve's discount rate assumption, which has positive impact to profits from an accounting basis only. However, key updates from the analyst meeting confirm our view of a continued sluggish EV/VNB in 2015F. Given its expensive valuation to regional peers, we maintain Hold.

Raising 2015-17F earnings 24-7% on accounting change in reserve calculation

We cut the 2015-17F life policy reserve ratio forecast to 67-65% from 72-69%. This is to factor in BLA's plan to change the discount rate assumption used in the life policy reserve calculation from 3Q15 onward (after a change in 4Q14 NPV reserve calculation). BLA said this will help the life policy reserve ratio and U/W income become less volatile each quarter (if the yield curve falls <1ppt).

Expecting sluggish 2015F EV/VNB growth, a true reflection of appraised value

The change in the life reserve's discount rate assumption is only an accounting change. We recommend that investors focus on premium growth, the yield curve and RoI trend in 2015F, which are core factors in justifying appraised value. With continued sluggish demand (the rates environment does not provide support for BLA to grow single premium, and it has yet to competitively grow whole life/credit life similarly to peers), the yield curve falling and lower RoI in 2H15, we project a sharp deceleration in EV growth and modest VNB growth in 2015F.

Valuation and key risk

Our Bt50 appraised value is based on a 2015F VNB/share of Bt17.3, EV/share of Bt32.7, 23x NB and a 10% discount rate (Figure 5). Key downside risk: failure to improve the life-protection premium. Key upside risk: the yield curve rising faster than expected.

Forecasts And Ratios

Year End Dec 31	2013A	2014A	2015E	2016E	2017E
Net premiums (THBm)	38,795.2	51,172.1	45,895.5	49,307.4	55,402.4
Net profit (THBm)	4,380.5	2,661.7	5,670.7	7,169.9	9,150.5
Group EV (THBm)	32,641.0	47,785.0	55,469.0	64,950.0	74,443.0
VNB (THBm)	1,861.6	1,143.0	1,257.3	1,408.2	1,577.2
DPS (net) (THB)	0.91	0.91	0.84	1.07	1.36
EV Growth (%)	6.6	46.4	16.1	17.1	14.6
VNB Growth (%)(THB)	-2.5	-38.6	10.0	12.0	12.0
P/BV (x)	2.6	3.1	2.9	2.5	2.1
PEV (x)	1.71	1.94	1.55	1.33	1.16
PER (x)	12.8	34.9	15.2	12.0	9.4
EPS	3.62	1.57	3.34	4.22	5.39
ROE (%)	21.0	11.1	20.7	22.3	23.8

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items

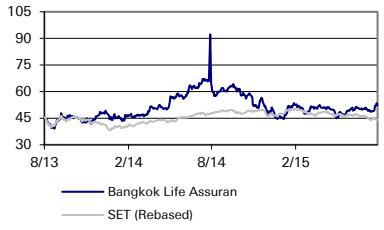
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Key changes

Net earned prem (FYE)	51,179.4 to 45,895.5	↓	-10.3%
Op earnings (FYE)	-5,077.4 to -3,349.1	↑	-34.0%
Net profit (FYE)	4,556.2 to 5,670.7	↑	24.5%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	1.0	12.2	-21.2
SET	-5.5	-5.9	-8.8

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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Model updated:13 August 2015

Running the numbers

Asia

Thailand

Life Insurance

Bangkok Life Assurance

Reuters: BLA.BK Bloomberg: BLA TB

Hold

Price (13 Aug 15)	THB 50.75
Target Price	THB 50.00
52 Week range	THB 44.50 - 64.25
Market Cap (m)	THBm 86,166
	USDm 2,443

Company Profile

Bangkok Life Assurance (BLA) was founded in 1951 by a member of the Sophonpanich family (the founders of Bangkok Bank) and many other high-ranking individuals. Its core business is underwriting life insurance.
BLA is the fifth largest company in Thailand's life insurance market with a 9.86% share of the total premium in 1Q12. In terms of first year premium (FYP), the company ranked sixth though its market share is higher at 9.57%. About 64% of total premiums came from bancassurance channels with the rest from agency sales.

Fiscal year end 31-Dec	2012	2013	2014	2015E	2016E	2017E
Data Per Share						
EPS (DB adjusted) (THB)	3.10	3.62	1.57	3.34	4.22	5.39
EPS (stated) (THB)	3.10	3.62	1.57	3.34	4.22	5.39
Growth rate - EPS (Stated) (%)	8.97	16.51	-56.63	113.05	26.44	27.62
BVPS (DB adjusted)	na	na	na	na	na	na
BVPS (stated) (THB)	16.22	18.37	15.06	17.27	20.57	24.75
DPS (THB)	0.72	0.91	0.91	0.84	1.07	1.36
Embedded Value/Share (THB)	25.51	26.94	28.14	32.67	38.25	43.85
Appraised Value/Share (THB)	55.00	54.59	43.63	49.70	57.33	65.21
Issued shares (m)	1,200.00	1,211.71	1,697.85	1,697.85	1,697.85	1,697.85
Valuation Ratios & Key Profitability Measures						
P/E (DB adjusted)	10.5	12.8	34.9	15.2	12.0	9.4
P/E (Stated)	10.5	12.8	34.9	15.2	12.0	9.4
P/B (Stated)	2.7	2.6	3.1	2.9	2.5	2.1
Dividend yield	2.2	2.0	1.7	1.7	2.1	2.7
Payout ratio	25.3	25.3	25.3	25.3	25.3	25.3
P/EV	1.3	1.7	1.9	1.6	1.3	1.2
P/AV	0.6	0.8	1.3	1.0	0.9	0.8
ROE (Stated) (%)	22.6	21.0	11.1	20.7	22.3	23.8
Income Statement (THBm)						
Gross written premiums	0	0	0	0	0	0
Net earned premiums	34,128	38,795	51,172	45,895	49,307	55,402
Total operating earnings	161	-501	-5,177	-3,349	-3,283	-3,276
- on life assurance	161	-501	-5,177	-3,349	-3,283	-3,276
- on general insurance	0	0	0	0	0	0
- from other business activities	0	0	0	0	0	0
Investment income	6,165	7,601	10,255	12,207	14,056	16,571
Fees and other income	20	20	20	20	26	27
Management expenses	0	0	0	0	0	0
Other expenses	1,582	1,828	2,018	2,075	2,207	2,361
Amortisation of goodwill	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Profit before tax	4,764	5,311	3,108	6,832	8,638	11,025
Income tax expense	1,041	930	446	1,161	1,469	1,874
Minorities/preference dividends	0	0	0	0	0	0
Net profit	3,724	4,381	2,662	5,671	7,170	9,150
DB adjustments	na	na	na	na	na	na
Balance Sheet (THBm)						
Investments and deposits	135,843	162,457	203,945	248,351	288,806	334,530
Fixed assets	305	327	389	428	471	518
Receivables	2,649	3,526	4,735	5,303	5,940	6,652
Goodwill	0	0	0	0	0	0
Other assets	4,770	5,925	6,520	6,333	6,968	7,665
Total assets	143,567	172,234	215,590	260,416	302,184	349,366
Policyholder liabilities	118,627	144,398	185,509	225,880	261,189	300,262
Subordinated debt	0	0	0	0	0	0
Other liabilities	5,475	5,573	4,504	5,222	6,071	7,077
Total liabilities	124,103	149,971	190,013	231,102	267,260	307,339
Shareholders' equity	19,465	22,264	25,576	29,314	34,924	42,026
Growth & Key ratios (%)						
GWP growth	0.0	0.0	0.0	0.0	0.0	0.0
NEP growth	9.9	13.7	31.9	-10.3	7.4	20.7
Growth in total operating earnings (%)	-85.9	-410.8	933.1	-35.3	-2.0	-2.2
Average investment yield	4.6	4.6	4.6	4.5	4.7	4.8
Commission expense ratio	8.1	7.0	5.5	7.0	7.3	7.6
Management expense ratio	0.0	0.0	0.0	0.0	0.0	0.0
Persistency rate	0.0	0.0	0.0	0.0	0.0	0.0
Lapse rate	0.0	0.0	0.0	0.0	0.0	0.0
Investment asset mix						
Cash & bank deposits	1.2	1.6	5.3	1.6	-5.2	-11.1
Fixed income	85.9	85.2	82.3	86.4	93.2	98.9
Equities	11.0	11.1	10.2	9.9	10.0	10.3
Property	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1.9	2.1	2.3	2.1	2.0	1.9

Source: Company data, Deutsche Bank estimates

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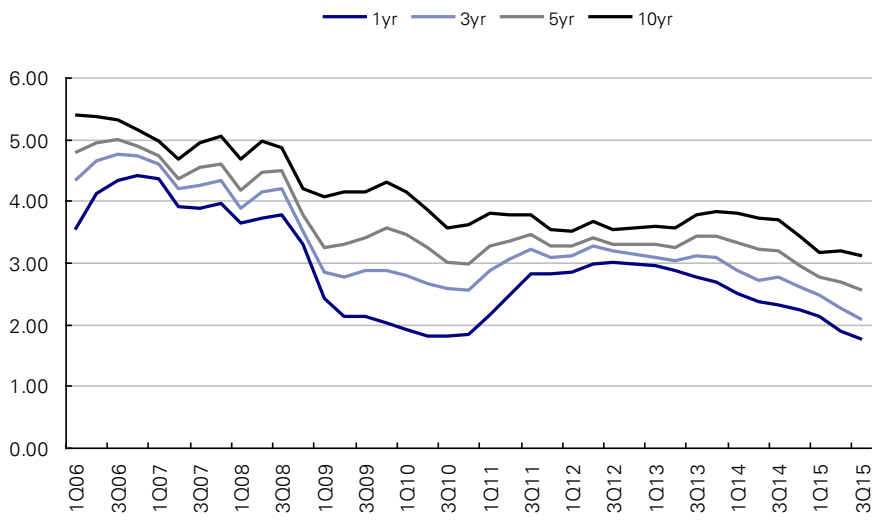
Figure 1: Thai government bond yields (8-quarters trailing)



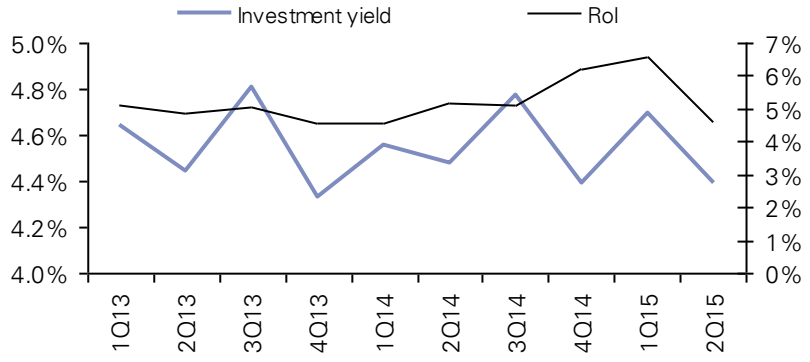
Source: The Thai Bond Market Association , DB TISCO estimates

Figure 2: Premium growth

	2013	2014	1Q15	2Q15	1H15
First-year premium	20%	81%	-86%	-12%	-78%
Renewal-year premium	10%	15%	14%	-28%	-3%
Total	14%	32%	-41%	-26%	-37%

Source: Company data

Figure 3: Investment yield and RoI



Source: The Thai Bond Market Association

Figure 4: Regional valuation comparison

	Price	Implied P/EV (Life*) (x)			Implied NB multiple* (x)			VNB* growth			P/E			P/B			ROAE		
11-Aug-15	LC	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E	2014	2015E	2016E
China Life - H	29.6	1.5	1.3	1.2	9.2	5.8	3.0	9.2%	15.3%	15.8%	20.7	15.8	14.6	2.4	2.1	1.9	12.8%	14.1%	13.8%
Ping An - H	44.6	1.6	1.1	0.8	7.5	1.6	-2.1	20.9%	20.0%	15.0%	16.6	14.0	12.0	2.2	2.0	1.7	16.6%	15.0%	15.4%
CPIC - H	32.7	1.4	1.2	1.0	5.5	2.5	-0.2	16.3%	15.3%	15.3%	21.5	16.4	14.7	2.0	1.9	1.7	10.2%	11.8%	12.2%
NCI - H	34.3	1.0	0.9	0.8	0.3	-1.8	-3.6	16.0%	15.7%	16.3%	13.4	10.3	8.1	1.8	1.5	1.3	14.6%	15.9%	17.3%
CTIH	24.3	1.0	1.0	0.8	-0.4	-0.1	-2.1	37.4%	30.2%	21.2%	18.7	16.9	19.0	1.9	1.5	1.4	13.0%	10.3%	7.5%
PICC Group	4.2	0.5	0.4	0.4	-7.4	-7.6	-7.7	-13.3%	13.6%	9.7%	10.8	10.8	9.6	1.5	1.3	1.2	16.0%	13.2%	13.0%
H-listed China average		**1.3**	**1.1**	**0.9**	**4.4**	**1.6**	**-1.0**	**20.0%**	**19.3%**	**16.7%**	**18.2**	**14.7**	**13.7**	**2.0**	**1.8**	**1.6**	**13.5%**	**13.4%**	**13.2%**
AIA	49.1	2.1	1.9	1.7	21.2	16.1	11.6	23.8%	20.1%	19.7%	22.0	20.8	18.1	2.5	2.3	2.1	12.4%	11.5%	12.1%
H-listed Average		**1.4**	**1.2**	**1.0**	**7.2**	**4.0**	**1.1**	**20.6%**	**19.4%**	**17.2%**	**18.8**	**15.7**	**14.4**	**2.1**	**1.9**	**1.7**	**13.3%**	**13.1%**	**13.0%**
PICC P&C	17.2				13.5	11.7	11.7				13.5	11.7	11.7	2.4	2.1	1.9	21.1%	19.1%	16.9%
China Life - A	28.8	1.8	1.6	1.4	15.4	11.3	7.7	9.2%	15.3%	15.8%	25.3	19.2	17.8	2.9	2.6	2.3	12.8%	14.1%	13.8%
Ping An - A	34.9	1.6	1.1	0.8	6.9	1.0	-2.5	20.9%	20.0%	15.0%	16.2	13.7	11.7	2.1	1.9	1.7	16.6%	15.0%	15.4%
CPIC - A	25.9	1.4	1.2	1.0	5.3	2.2	-0.4	16.3%	15.3%	15.3%	21.3	16.3	14.5	2.0	1.8	1.7	10.2%	11.8%	12.2%
NCI - A	45.5	1.7	1.5	1.3	12.8	9.0	5.8	16.0%	15.7%	16.3%	22.2	17.1	13.5	2.9	2.5	2.2	14.6%	15.9%	17.3%
A-listed China average		**1.6**	**1.3**	**1.1**	**10.1**	**5.9**	**2.6**	**15.6%**	**16.6%**	**15.6%**	**21.2**	**16.6**	**14.4**	**2.5**	**2.2**	**2.0**	**13.6%**	**14.2%**	**14.7%**
BLA (13-Aug-15)	50.75	**1.8**	**1.6**	**1.3**	**33.6**	**24.4**	**15.1**	**-38.6%**	**10.0%**	**12.0%**	**32.4**	**15.2**	**12.0**	**3.4**	**2.9**	**2.5**	**11.1%**	**20.7%**	**22.3%**

Source: Deutsche Bank estimates, Bloomberg Finance LP

Our appraisal value of Bt50 is based on 2015F VNB/share of Bt17.3 and EV/share of Bt32.7. Our 23x NB assumes a 10% discount rate. The 2014 estimated EV and VNB figures by Ernst & Young are based on a 10% risk discount rate and a 5% RoI assumption.

Figure 5: 2015F appraisal value

Adjusted net worth (ANW)		Value of new business (VNB)	
2015F shareholder's equity	29,314	2015F new business value	1,257
(1) BVPS (B)	**17.3**	Number of shares (m)	1,698
		VNB per share (B)	0.7
Value in force (VIF)		Multiplier (x)	23.4
2014F value of in-force	26,154	**(3) VNB per share**	**17.3**
No. of shares (m)	**1,698**		
(2) VIF per share (B)	**15.4**		
(1)+(2) EV per share (B)	**32.7**	**(1)+(2)+(3) appraisal value (B/share)**	**50.0**

Source: DB TISCO estimates

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Bangkok Life Assurance	BLA.BK	50.75 (THB) 13 Aug 15	NA

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr.

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Historical recommendations and target price: Bangkok Life Assurance (BLA.BK)

(as of 8/13/2015)

Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9,2002

1.	31/01/2014:	Buy, Target Price Change THB70.00	4.	15/10/2014:	Upgrade to Hold, Target Price Change THB59.00
2.	21/02/2014:	Downgrade to Hold, Target Price Change THB67.00	5.	14/11/2014:	Hold, Target Price Change THB57.00
3.	28/05/2014:	Downgrade to Sell, Target Price Change THB68.00	6.	18/05/2015:	Hold, Target Price Change THB50.00

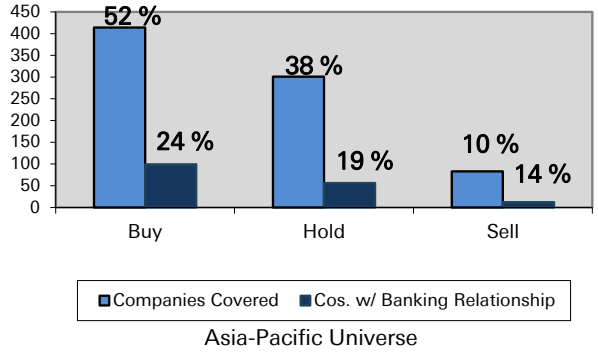
Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:

   Buy: Expected total return (including dividends) of 10% or more over a 12-month period
   Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
   Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Regulatory Disclosures

1.Important Additional Conflict Disclosures

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