BUY

Initiation

TP: Bt 52.00

Upside : 20.9%

12 JANUARY 2022

Bangkok Life Assurance (BLA TB)

A new upcycle



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We initiate coverage of BLA with a BUY rating and SOTP-based TP of Bt52. We believe BLA is one of the very few stocks in Thailand to benefit from rising long-term bond yields. Its current valuation of just 1x *trailing* P/EV is below its average of 1.2x since 2012. Rising bond yields and a strong earnings recovery are key catalysts.

Beneficiary of rising long-term rates

We believe BLA is one of the very few stocks in Thailand to benefit from rising long-term interest rates. With the local 10Y bond yield now approaching 2.1%, up nearly 80bps y-y, BLA is likely to see its investment return improving over the next 12 months and thereafter. As the Bank of Thailand (BoT) is maintaining a low policy rate, the steepening yield curve could also make life insurance products more attractive vs. other investment products. Lastly, rising yields are a net positive to both the value of new business (VONB) and embedded value (EV).

Premium growth, improving profitability

We expect a recovery in BLA's life insurance premiums in 2022-23F following a 12% decline in first-year premiums (FYP, excluding single premiums) in 2021F. BLA's FYP decline is steeper than our expectation of an 8% drop for the industry since bank branch closures heavily impacted BLA's bancassurance business. Looking forward, we forecast the FYP to recover with 20% growth in 2022F and 15% in 2023F. In fact, as the economy opened up in 4Q21, FYP grew by 34% combined in October-November 2021. We also expect a better product mix as BLA improves its agent channel which generated 28% of new business premiums in 9M21, up from 26% in 2020. This has enabled BLA to offer more protection and rider products which offer higher margins.

Potential upward revisions to EV, VONB

Falling interest rates have been a major headwind for BLA's embedded value (EV) and value of new business (VONB). The return on investment (ROI) assumption was reduced from 4.25% in 2018 to 3.5% in 2019 and 3% in 2020. This led to the first decline in its EV estimate in 2020 (Bt39.5/share vs. Bt41.5 in 2019) as each 25bps decline in the ROI assumption could impact the value in force (VIF, a key component of EV) by nearly 40%. With rising bond yields, we expect ROI assumptions to be raised, leading to significant hikes in EV and VONB estimates.

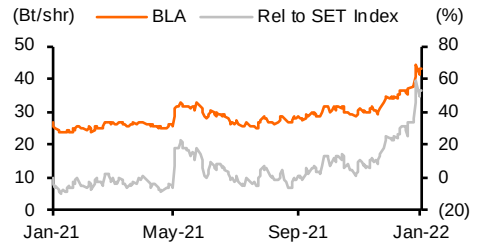
Attractive valuation, in our view

Based on our 2021F embedded value (EV) estimate of Bt41.66/share, BLA's current valuation is at just over 1x trailing P/EV. This level looks attractive to us as it is well below the 1.2x average since 2012 which includes a very steep discount period in 2020 and 1H21 (as low as 0.3x P/EV). For reference, the stock traded at an average of 1.3x P/EV in 2012-19 and as high as 2x back in 2014. We expect the upcoming IPO of Thai Life (not yet listed), rising bond yields and strong 4Q21F results to be key near-term catalysts.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Insurance premium	33,828	33,497	34,580	37,446
Profit from operation	1,971	4,806	5,787	6,632
Net profit	1,608	4,037	4,861	5,571
Consensus NP	—	4,125	5,835	6,642
Diff frm cons (%)	—	*(2.1)*	*(16.7)*	*(16.1)*
Norm profit	1,818	4,037	4,861	5,571
Prev. Norm profit	—	—	—	—
Chg frm prev (%)	—	—	—	—
Norm EPS (Bt)	1.1	2.4	2.8	3.3
Norm EPS grw (%)	(55.0)	122.1	20.4	14.6
Norm PE (x)	40.4	18.2	15.1	13.2
P/BV (x)	1.6	1.5	1.4	1.3
Div. yield (%)	0.5	1.4	1.8	2.3
ROE (%)	3.6	8.5	9.6	10.2
ROA (%)	0.5	1.1	1.3	1.4

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) *as of* 12-Jan-22	43.00
Market Cap (US$ m)	2,199.8
Listed Shares (m shares)	1,707.6
Free Float (%)	44.6
Avg. Daily Turnover (US$ m)	3.8
12M Price H/L (Bt)	44.25/23.50
Sector	INSUR
Major Shareholder	Sophonpanich Family 16.78%

Sources: Bloomberg, Company data, Thanachart estimates

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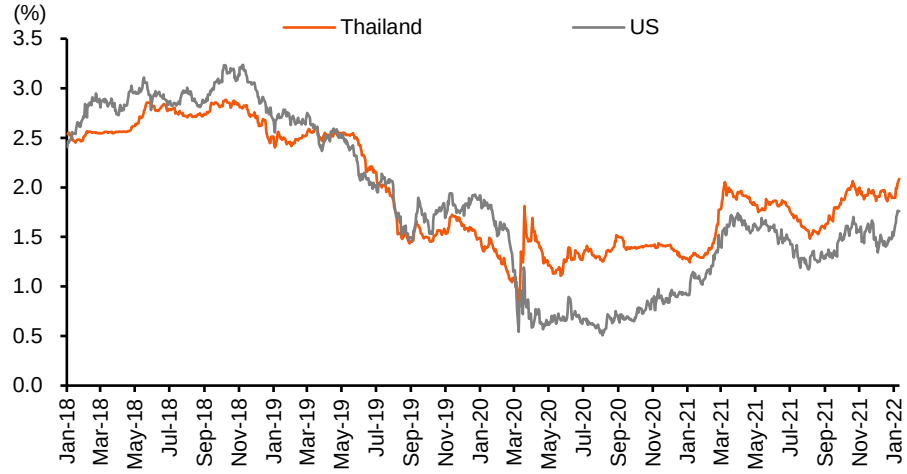
Thanachart Securities

Beneficiary of rising long-term rates

BLA is one of the few stocks in Thailand that benefit from rising bond yields

We believe Bangkok Life Assurance Pcl (BLA) is one of the very few stocks in Thailand to benefit from rising long-term interest rates which will likely be a major factor for the equity market in 2022F (see our note *Siam Senses – All about the curve*, dated 12 January 2022 for more details). With the local 10Y bond yield now approaching 2.1%, up nearly 80bps y-y, BLA is likely to see its investment return improving over the next 12 months and thereafter.

Ex 1: 10Y Government Bond Yields In Thailand And the US

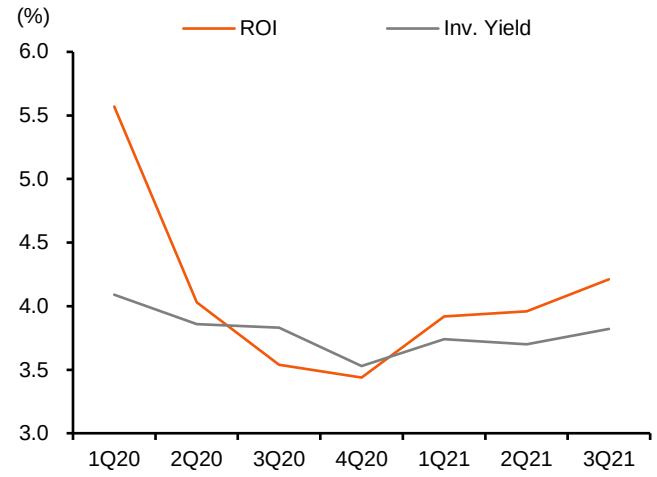


Sources: Company data, Thanachart estimates

Return on investment to start increasing with rising bond yield

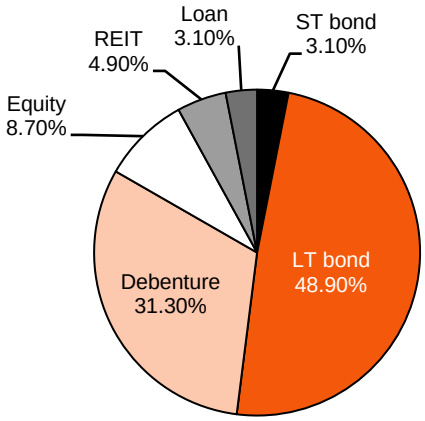
The vast majority of BLA's investment portfolio comprises long-dated government bonds (almost 50%) and high-grade corporate debentures (another 30%). Equity and real estate investment trusts make up another 9% and 5%, respectively. With 80% of investments tied up in long-term fixed-income instruments, BLA's return on investment is highly sensitive to movements in long-term interest rates. We have seen investment yields beginning to dip in 2020 and early 2021 as interest rates fell. However, we expect investment returns to start climbing back up as interest rates increase.

Ex 2: Return On Investment



Sources: Company data; Thanachart

Ex 3: Investment Portfolio Composition



Sources: Company data; Thanachart

We forecast 20% and 15% FYP growth in 2022-23F vs a 12% contraction in 2021F

As the BoT is maintaining a low policy rate, the steepening yield curve could also make life insurance products more attractive vs. other investment products. Along with a recovery in economic activity, this should help drive 20% and 15% FYP growth in 2022-23F after a 12% contraction in 2021F.

Ex 4: Our Key Assumptions For BLA

	2021F	2022F	2023F	2024F
Premium growth				
FYP	(11.85)	20.37	15.31	5.00
RP	(2.17)	(0.09)	6.70	8.23
Total	(3.42)	3.23	8.29	7.53
Investment returns	4.31	4.41	4.46	4.51
Loss ratio (%)	114.00	114.00	113.00	113.00
Combined ratio (%)	123.90	123.90	122.90	122.90

Sources: Company data, Thanachart estimates

Earnings-wise, we expect 20% EPS growth in 2022F followed by 15% growth in 2023F, driven by premium growth and lower loss ratios. From 2023F onwards, we expect loss ratios to come down as old, unprofitable policies come due. This would enable BLA to release a significant amount of reserves tied to these policies. Still, we only assume a 1%pt lower loss ratio for now. We believe our estimates are relatively conservative for 2022-23F as we are 11% and 16% below the Bloomberg consensus in those years.

Ex 5: TNS Vs. Consensus Earnings Estimates And TPs

(Bt/shr)	EPS				TP
	2021F	2022F	2023F	2024F	
TNS	2.37	2.85	3.27	3.57	52.00
Consensus	2.44	3.21	3.87	–	46.67
TNS vs consensus (%)	*(3.0)*	*(11.2)*	*(15.6)*	–	*11.4*

Sources: Company data, Thanachart estimates

Lastly, rising yields are a net positive to both the value of new business (VONB) and embedded value (EV), both key metrices in determining BLA's value. Both VONB and EV are highly sensitive to investment return assumptions. With rates having come down over the past three years, both VONB and EV estimates have taken a big hit. We expect reversals when figures for 2021 are released. We discuss VONB and EV in more detail below.

Premium growth, improving profitability

Premium growth driven by economic reopening and improved agent channel

We expect a recovery in BLA's life insurance premiums in 2022-23F after a 12% decline in first-year premiums (FYP, excluding single premiums) in 2021F. BLA's likely FYP decline is steeper than our expectation of an 8% decline for the industry because of bank branch closures heavily impacting BLA's bancassurance business. Looking forward, we estimate its FYP to recover with 20% growth in 2022F and 15% in 2023F. In fact, as the economy opened up in 4Q21, FYP grew by 34% combined in October-November 2021. We also expect a better product mix as BLA improves its agent channel which generated 28% of

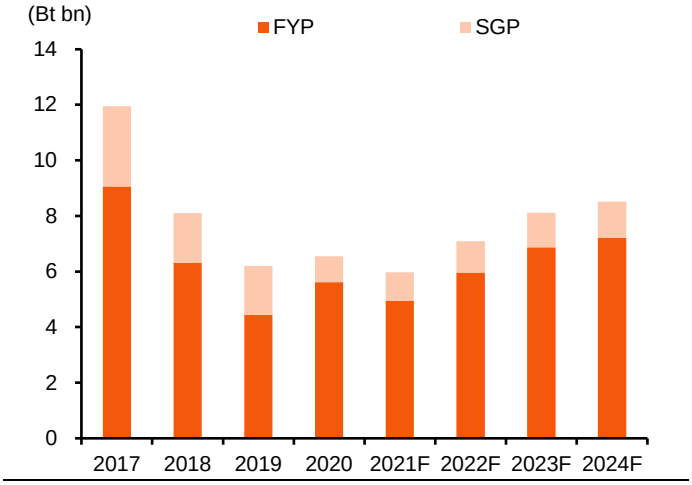
new business premiums in 9M21, up from 26% in 2020. This has enabled BLA to offer more protection and rider products which offer higher margins.

Premium growth

We estimate first-year premium (FYP) growth of 20% in 2022F and 15% in 2023F. We see several factors that could help drive FYP growth in 2022F:

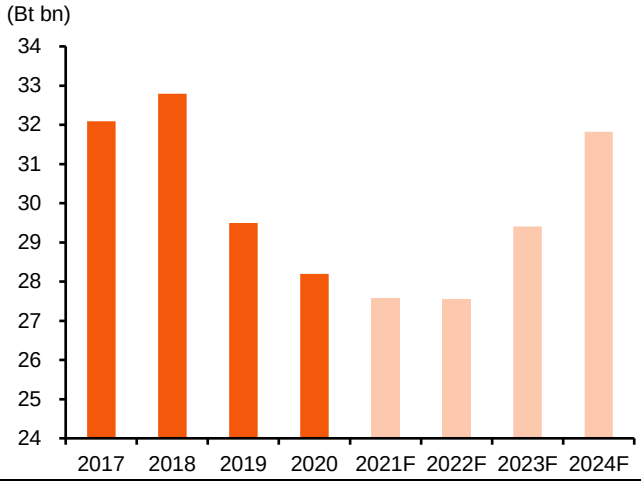
- **No more lockdown measures:** BLA's operation was negatively impacted by on-and-off lockdown measures for parts of 2020 and much of 2021. Looking forward, we believe the Thai government has little appetite to reintroduce these tough measures. A large percentage of the population has already been vaccinated and the government is anxious to get the economy back in growth mode, not least because of the upcoming election.
- **Steeper yield curve** which favors life insurance products over bank deposits will likely make it easier for BLA to compete with other investment products.
- **More attractive product offerings:** BLA is introducing several new products such as unit-linked policies. These would help drive premium growth and potentially improve margins.

Ex 6: FYP And Single Premiums (SGP)



Sources: Company data; Thanachart estimates

Ex 7: Renewal Premiums (RP)



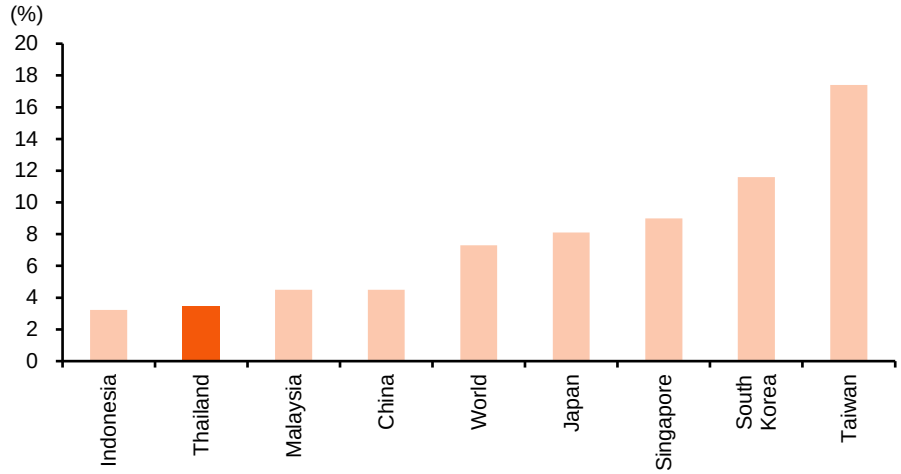
Sources: Company data; Thanachart estimates

With growth in FYP, we also expect recurring premiums (RP) to grow more meaningfully from 2023F onwards. Our estimate is for RP growth of 3% in 2022F followed by 10% growth in 2023F.

Thailand still has one of the lowest life insurance penetration rates in the region

Longer-term, we believe the Thai market still has significant room for greater life insurance penetration (premiums as a percentage of GDP). Compared to other countries in Asia, Thailand has one of the lowest penetration rates at just 3.5%, which is in line with Indonesia's even though Thailand has much higher GDP per capita. Penetration in Thailand is also well below 4.5% in Malaysia and China and over 10% in South Korea and Taiwan. For BLA, a greater emphasis on its agent channel and its solid base in bancassurance should enable the company to grow at least as fast, if not faster, than the industry.

Ex 8: Thailand Has One Of The Lowest Life Insurance Penetration Rates In The Region



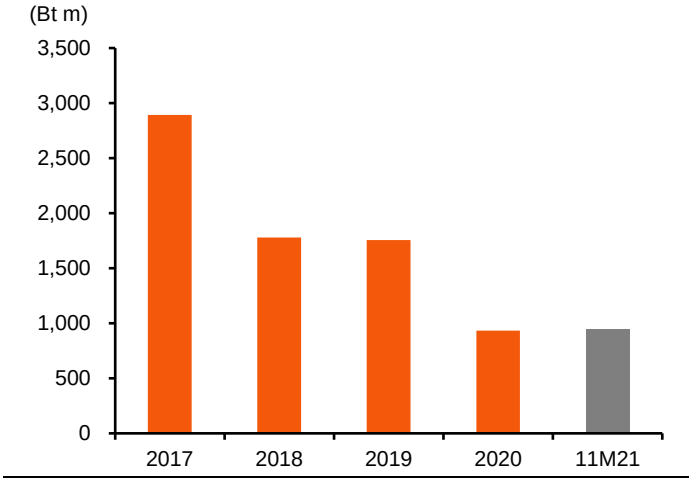
Sources: Company data, Thanachart

Improved product mix

Improved agent network helps BLA sell more high-margin products

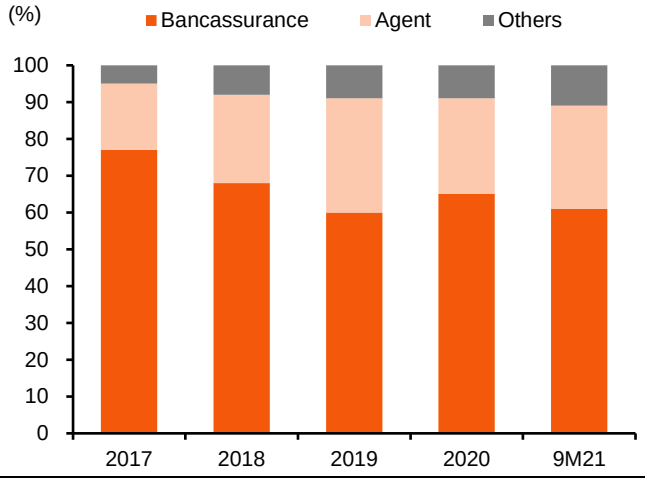
We expect an improvement in BLA's profitability. This should be driven not only by rising interest rates (which increase investment income) but also a better product mix. Over the past five years, BLA has been reducing its reliance on bancassurance and increasing sales via its agent channel. The portion of bancassurance sales fell from over 75% in 2017 to about 60% in 9M21. This has enabled the company to sell more higher-margin products such as whole life and less low-margin ones such as endowment products. BLA has also done away with single-premium insurance which are mostly low-margin endowment products.

Ex 9: Single-premium Insurance Sales Have Dwindled



Sources: Company data; Thanachart

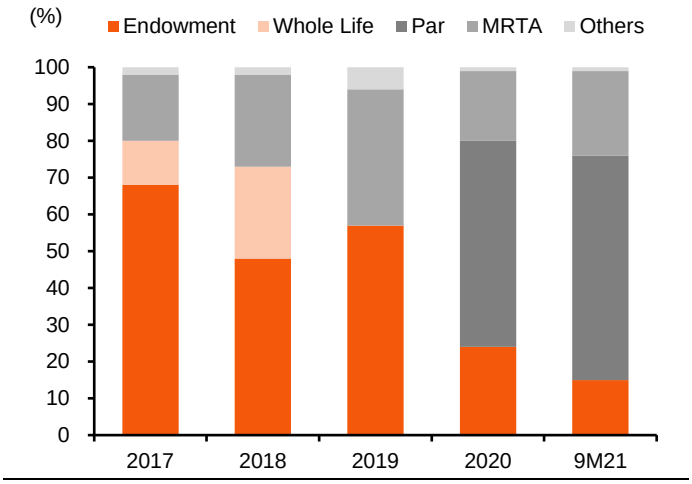
Ex 10: New Business Premiums By Channel



Sources: Company data; Thanachart

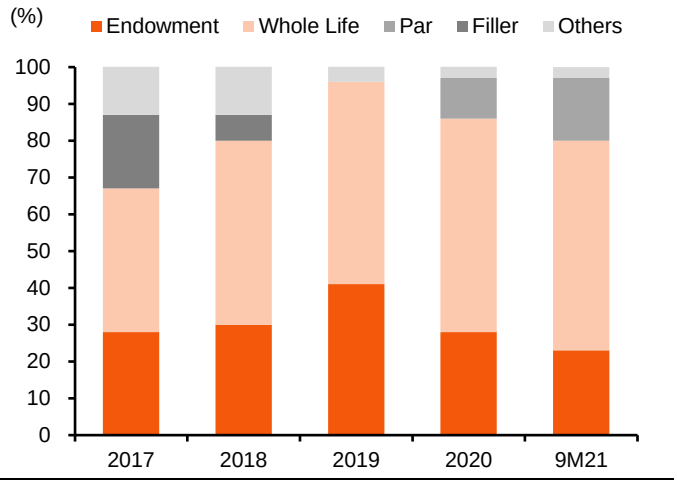
BLA has also introduced new products such as participating and unit-linked policies. These make BLA's products more attractive and competitive compared to other investment products and the company has seen some success with new product introduction. Sales of participating policies have come to dominate bancassurance in the past two years and now make up almost 20% of sales via the agent channel.

Ex 11: Bancassurance NBP Product Mix



Sources: Company data; Thanachart

Ex 12: Agent Channel NBP Product Mix



Sources: Company data; Thanachart

BLA is also seeing significant growth in sales of health riders, one of the highest-margin products. The proportion of rider attachments (expressed as the percentage of riders sold to new business premiums) has climbed from just 13% in 2018 to nearly 30% in 9M21. In fact, if we look at 3Q21 alone, that proportion has reached 34%.

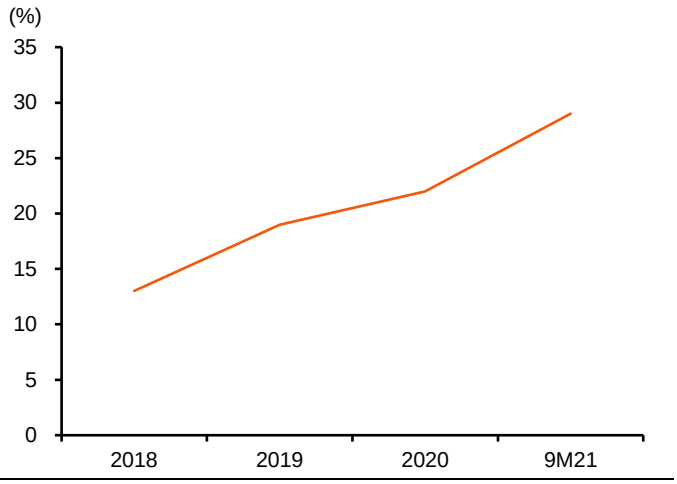
Ex 13: Rider Attachments – Quarterly



Sources: Company data; Thanachart

Note: % of agent channel's new business premiums (NBP)

Ex 14: Rider Attachments – Annual



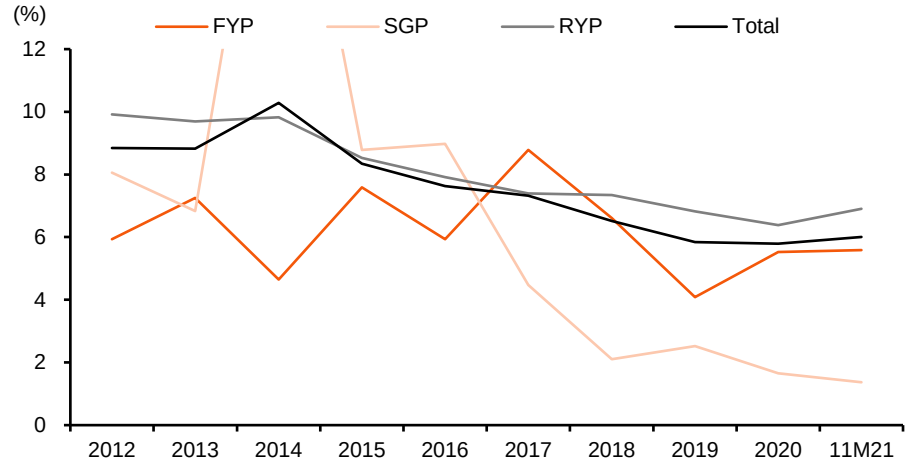
Sources: Company data; Thanachart

Note: % of agent channel's new business premiums (NBP)

With these improvements, BLA has slowly regained its market share, especially for first-year premiums. After Bangkok Bank (BBL TB, HOLD, Bt127.00), BLA's key bancassurance partner, signed a new distribution contract with AIA Thailand in 2017, BLA's FYP market share declined from over 8% in 2017 to just 4% in 2019. However, the company has since regained some market share to 5.5% in 2020 and 5.6% in 11M21 despite the difficult operating environment. Note that its single premium (SGP) market share has continued to fall as BLA focuses on selling higher-margin products.

BLA has regained some market share in the past two years especially for FYP

Ex 15: BLA Regained Some Market Share In 2020-21



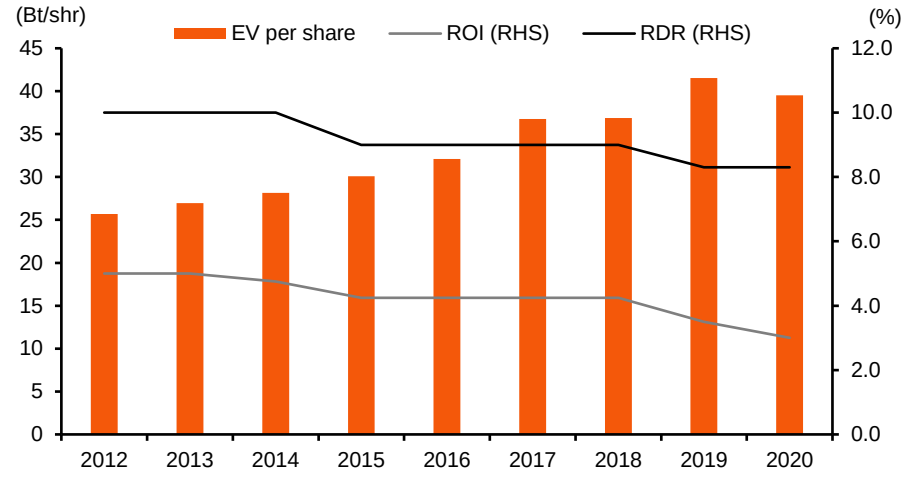
Sources: Company data, Thanachart

Potential upward revisions to EV, VONB

We expect meaningful upward revisions to EV and VONB estimates for 2021F

We see potential for meaningful upward revisions to BLA's embedded value (EV) and value of new business (VONB). EV comprises adjusted net worth (AWN) and the value of business in force (VIF). It is the latter component (VIF) which is most sensitive to movements in underlying interest rate assumptions. Since 2012, interest rates have been in a structural decline, and the auditors have adopted lower underlying interest rate assumptions for both return on investment (ROI) and risk discount rate (RDR). In 2012, the ROI assumption in the EV calculation was 5%; in 2020, that figure was only 3%. Over the same period, the RDR assumption has come down from 10% in 2012 to 8.3% in 2020.

Ex 16: EV Per Share Vs. ROI And RDR Assumptions



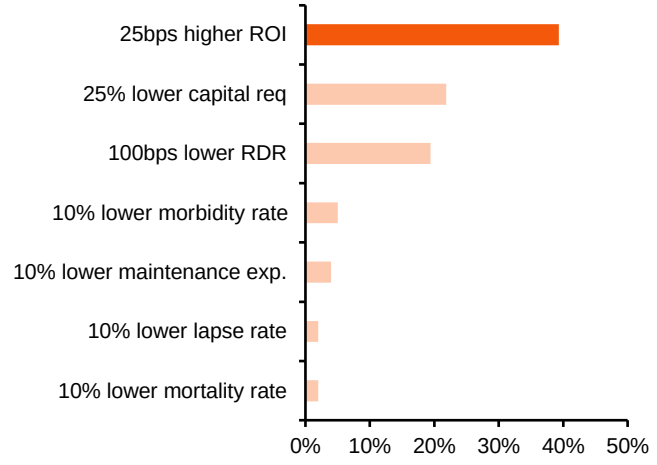
Sources: Company data, Thanachart

Change in ROI assumption is the biggest driver of EV and VONB estimates

Given that interest rate assumptions have the greatest impact on EV and VONB estimates, both of these figures have been lowered over the past nine years with the 2% reduction in the ROI assumption far outweighing the 1.7% reduction in the RDR. Based on its disclosure in 2016 (the latest available data), just a 25bps reduction in the ROI assumption could lower VIF by nearly 40% whereas a *100bps* (i.e., 4x as much movement) reduction in the RDR would increase VIF by only 22%. Despite the significant interest rate headwinds, EV per share has broadly been on the rise until 2019, increasing from Bt25.7/share in 2012 to

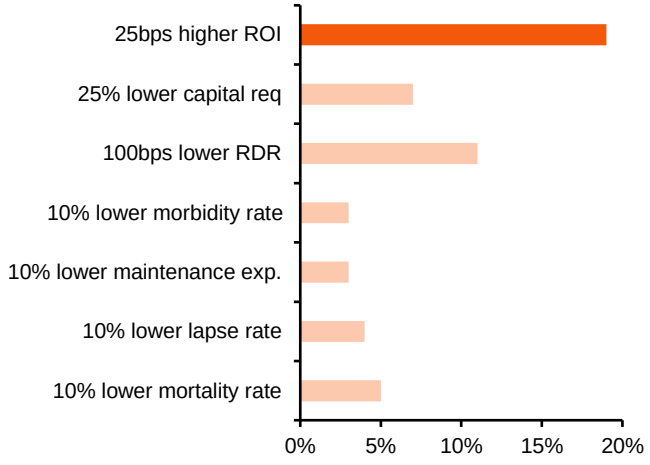
Bt41.5/share in 2019. However, the impact of COVID-19 in 2020 led to the first downward revision in the EV estimate.

Ex 17: VIF Sensitivity To Changes In Assumptions



Sources: Company data; Thanachart
Note: Based on 2016 (latest year of available disclosure)

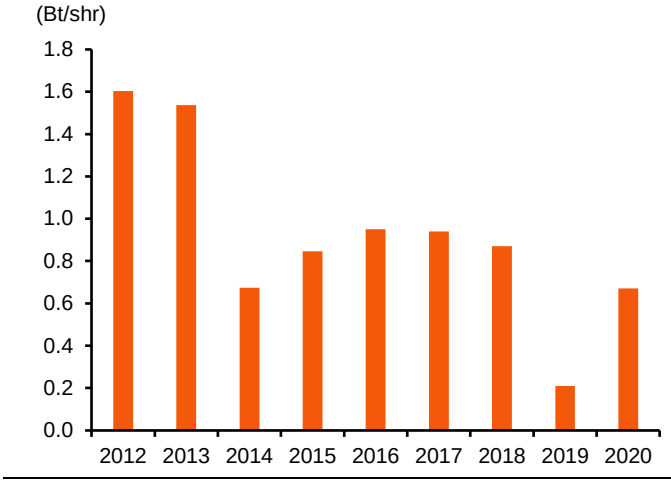
Ex 18: VONB Sensitivity To Changes In Assumptions



Sources: Company data; Thanachart
Note: Based on 2016 (latest year of available disclosure)

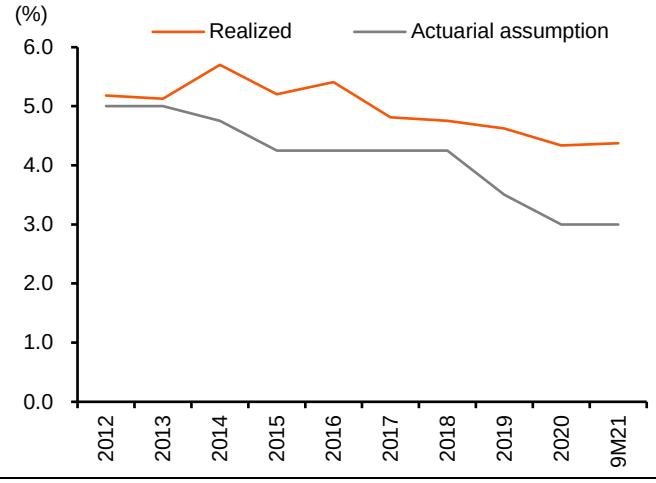
For 2021F, we believe the EV estimate could have seen a significant upward revision due to a higher ROI assumption as 10Y and 15Y interest rates have increased by 61bps and 104bps over the course of the year, respectively. Our estimate is for EV per share at end-2021F to have reached Bt41.66, up from Bt39.53/share at the end of 2020 and Bt41.51/share at the end of 2019. Similar to EV, the value of new business (VONB) has been negatively impacted mostly by a lower ROI assumption. We expect a similar reversal when the estimate for 2021 is released.

Ex 19: VONB Per Share



Sources: Company data; Thanachart

Ex 20: Realized ROI Vs. Actuarial Assumption



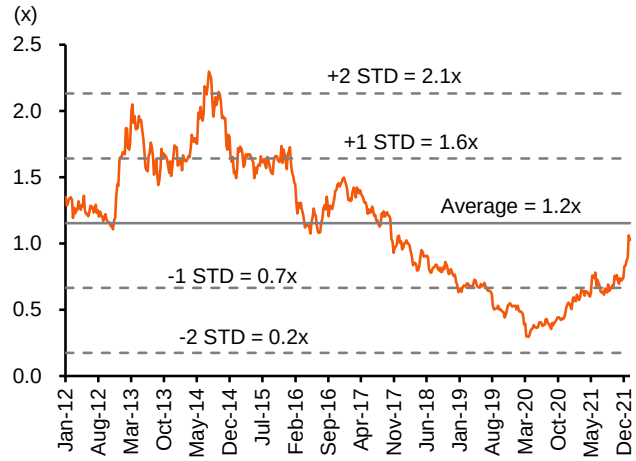
Sources: Company data; Thanachart

Attractive valuation in our view

BLA is trading at just 1x P/EV, well below its 1.2x average since 2012

Based on our 2021F embedded value (EV) estimate of Bt41.66/share, BLA's current valuation is at just over 1x trailing P/EV. This level looks attractive to us as it is well below the 1.2x average since 2012 which includes a very steep discount period in 2020 and 1H21 (as low as 0.3x P/EV). For reference, the stock traded at an average of 1.3x P/EV in 2012-19 and as high as 2x back in 2014. We expect the upcoming IPO of Thai Life (not yet listed), rising bond yields and strong 4Q21F results to be key near-term catalysts.

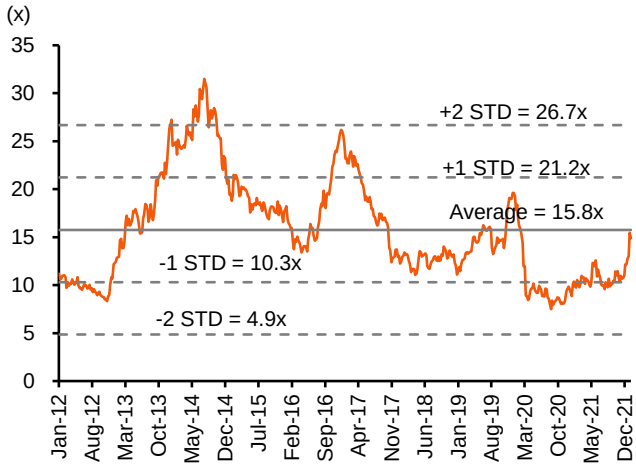
Ex 21: *Trailing* Price-to-Embedded Value (P/EV)



Sources: Bloomberg; Thanachart estimates

Note: 2021-22 P/EV is based on 2020 EV (latest available figure)

Ex 22: Forward PE



Sources: Bloomberg; Thanachart estimates

Ex 23: 12-month DDM-based Valuation Using A Base Year Of 2022F

(Bt m)	PV	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal value
Value-in-force													
Future profit		3,247	5,788	5,277	4,694	3,974	3,218	2,430	1,614	774	(27)	(967)	
Cost of capital		813	727	641	608	521	434	347	260	174	91	0	
FP-COC		2,433	5,062	4,635	4,086	3,453	2,784	2,083	1,354	601	(119)	(967)	
VIF	**18,423**	2,235	4,269	3,589	2,853	2,204	1,624	1,110	660	268	(46)	(342)	
VIF/sh	10.8												
Value of new business													
First year premium		7,085	8,110	8,516	8,941	9,388	9,858	10,351	10,868	11,412	11,982	12,581	
VONB margin		15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	
VONB		1,063	1,217	1,277	1,341	1,408	1,479	1,553	1,630	1,712	1,797	1,887	24,366
PV of VONB	**17,285**	976	1,026	989	936	899	863	828	794	762	699	668	7,845
PV of VONB / sh	10.1												
Risk-free rate (%)	2.5%												
Market risk premium (%)	8.0%												
Beta	0.80												
Cost of equity (%)	8.9%												
Terminal growth (%)	2.0%												
Equity value per share													
ANW	30.86												
VIF	10.80												
EV	41.66												
PV of VONB	10.13												
Equity value per share (Bt)	**51.79**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 24: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	ROE 21F (%)	ROE 22F (%)	Div. Yield 21F (%)	Div. Yield 22F (%)
China Life Insurance	601628 CH	China	8.6	12.2	15.2	13.5	1.7	1.6	11.8	12.1	2.4	2.6
China Pacific Insurance	601601 CH	China	7.4	11.7	9.6	8.6	1.2	1.1	12.5	12.7	4.8	5.2
Ping An Insurance Group	601318 CH	China	(6.8)	23.3	7.8	6.4	1.1	1.0	14.6	16.3	4.4	4.8
China Life Insurance	2628 HK	Hong Kong	11.2	10.6	6.5	5.9	0.8	0.7	11.9	11.8	5.6	6.0
Ping An Insurance Group	2318 HK	Hong Kong	(9.8)	21.5	9.1	7.5	1.3	1.2	14.9	16.9	3.8	4.1
LPI Capital	LPI MK	Malaysia	4.3	0.7	16.3	16.2	2.6	2.6	16.5	16.0	5.0	5.1
Dongbu Insurance	005830 KS	South Korea	60.8	(4.7)	5.3	5.6	0.6	0.6	12.0	10.8	4.7	4.6
Hyundai Marine & Fire	001450 KS	South Korea	(32.4)	0.3	4.9	4.9	0.5	0.4	9.1	8.6	5.1	5.2
Meritz Fire & Marine	000060 KS	South Korea	na	na	na	na	na	na	na	na	1.3	1.3
Samsung Fire & Marine	000810 KS	South Korea	24.5	(9.1)	7.7	8.5	0.7	0.6	8.6	8.2	6.1	5.6
Cathay Financial Holding	2882 TT	Taiwan	90.6	(24.5)	6.5	8.6	1.0	1.0	15.9	11.4	5.1	4.6
China Life Insurance	2823 TT	Taiwan	51.0	(12.8)	6.5	7.5	0.9	0.8	12.7	10.8	2.1	2.7
Shin Kong Financial	2888 TT	Taiwan	15.2	(21.7)	7.7	9.8	0.7	0.6	8.7	6.7	3.5	3.6
Bangkok Life Assurance	BLA TB*	Thailand	122.1	20.4	18.2	15.1	1.5	1.4	8.5	9.6	1.4	1.8
TQM Corporation Pcl	TQM TB*	Thailand	15.8	25.6	36.2	28.8	10.4	10.1	33.6	35.6	3.0	3.1
Thai Reinsurance	THRE TB	Thailand	na	na	na	32.3	1.6	1.4	(6.0)	5.0	0.0	2.3
Thaire Life Assurance	THREL TB	Thailand	11.1	50.0	24.9	16.6	2.1	1.9	8.0	12.0	2.8	4.2
Average			**24.9**	**6.9**	**12.2**	**12.2**	**1.8**	**1.7**	**12.1**	**12.8**	**3.6**	**3.9**

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

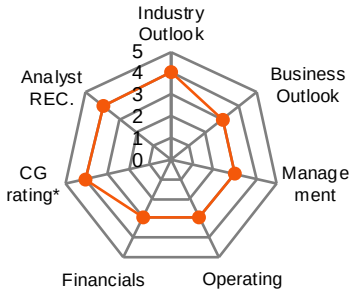
Based on 12 January 2022 closing prices

COMPANY DESCRIPTION

Bangkok Life Assurance Pcl's (BLA) core business is life insurance. The company provides a wide range of savings and life protection products, including healthcare products, retirement savings, mortgage and credit life products, etc. BLA is in a partnership with Bangkok Bank Pcl (BBL TB, Bt127.00, HOLD) for product development and product distribution. The company primarily sells insurance policies through bancassurance and agent channels.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Ability to sell its insurance policies via BBL at more than 1,000 branches nationwide.
- Nippon Life Insurance Company as a strategic shareholder.

W — Weakness

- Over-reliance on the banking channel.
- Lowest CAR ratio among the big players.

O — Opportunity

- Fast-growing life insurance industry with more room to grow.
- Growing numbers of financial adviser agents allowing BLA to sell more sophisticated products.

T — Threat

- The upcoming RBC Phase II that could have a negative effect on BLA.
- Swings in market interest rates.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	46.67	52.00	11%
Net profit 21F (Bt m)	4,125	4,037	-2%
Net profit 22F (Bt m)	5,835	4,861	-17%
Consensus REC	**BUY: 3**	**HOLD: 1**	**SELL: 0**

Sources: Bloomberg consensus, Thanachart estimates

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021F earnings forecast is in line with consensus but we are well below consensus on 2022F earnings. This is likely due to lower premium growth and higher combined ratio assumptions.
- However, our TP is higher than consensus as we see improved long-term outlook.

RISKS TO OUR INVESTMENT CASE

- Swings in market interest rates that might force BLA to set aside less reserves would represent an upside risk.
- Changes in policy mix which might not be in line with our expectations. As a result, BLA's reserve-to-premium ratio might be higher or lower than we currently forecast.
- A faster-than-expected recovery of bond yields would provide upside potential to our earnings forecasts.

Source: Thanachart

We expect a strong earnings recovery in 2022-23F

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Insurance premium	34,659	33,828	33,497	34,580	37,446
Less Life policy reserve	3,580	4,919	5,294	5,465	6,288
Net insurance premium	**31,079**	**28,909**	**28,203**	**29,116**	**31,158**
% of life policy reserve	12.5%	12.0%	11.4%	11.6%	12.3%
Underwriting expenses	38,379	38,784	36,144	37,312	39,655
Profit from insurance	**(7,301)**	**(9,875)**	**(7,940)**	**(8,197)**	**(8,497)**
Revenue on investment	13,704	13,251	14,384	15,754	17,044
Others	192	128	33	35	37
Non-underwriting Income	**13,896**	**13,379**	**14,418**	**15,789**	**17,081**
% of total income	210.7%	381.8%	222.6%	208.0%	199.0%
Total Income	6,595	3,505	6,478	7,592	8,585
Operating Expenses	1,636	1,534	1,672	1,805	1,952
Profit from operation	4,959	1,971	4,806	5,787	6,632
Obligation expenses	**0**	**0**	**0**	**0**	**0**
Pre-tax Profit	4,959	1,971	4,806	5,787	6,632
Income Tax	**918**	**153**	**769**	**926**	**1,061**
After Tax Profit	4,041	1,818	4,037	4,861	5,571
Equity Income	0	0	0	0	0
Minority Interest	(2)	(0)	0	0	0
Extraordinary Items	347	(209)	0	0	0
NET PROFIT	**4,386**	**1,608**	**4,037**	**4,861**	**5,571**
Normalized Profit	**4,039**	**1,818**	**4,037**	**4,861**	**5,571**
EPS (Bt)	2.6	0.9	2.4	2.8	3.3
Normalized EPS (Bt)	2.4	1.1	2.4	2.8	3.3

Capital adequacy ratio stood at over 300% as of 3Q21

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**17,476**	**12,122**	**10,715**	**12,462**	**14,737**
cash & cash equivalents	13,442	8,072	5,500	7,000	9,000
accrued investment income	1,684	1,647	1,798	1,973	2,136
Securities under resale agreement	1,801	1,786	2,806	2,858	2,919
Investments	300,137	310,811	337,689	361,072	386,393
Net loans	**11,222**	**11,314**	**7,596**	**8,122**	**8,692**
Gross and accrued interest	11,222	11,314	7,596	8,122	8,692
Provisions for doubtful	0	0	0	0	0
Fixed assets - net	1,426	2,188	2,179	2,151	2,125
Other assets	3,420	3,343	6,179	7,242	8,189
Total assets	**333,680**	**339,778**	**364,358**	**391,050**	**420,136**
LIABILITIES:					
Liquid Items	**1,220**	**799**	**791**	**817**	**884**
Securities sold under repurchase	0	0	0	0	0
Income tax payable	91	0	0	0	0
Amount due to reinsurer	1,129	799	791	817	884
Life policy reserve	277,489	282,407	292,620	298,085	304,372
Other liabilities	1,558	1,552	1,599	1,647	1,696
Total liabilities	**289,420**	**293,680**	**315,233**	**338,401**	**363,587**
Minority interest	35	0	0	0	0
Shareholders' equity	**44,225**	**46,098**	**49,125**	**52,649**	**56,549**
Preferred capital	0	0	0	0	0
Paid-in capital	1,708	1,708	1,706	1,706	1,706
Share premium	3,361	3,361	3,361	3,361	3,361
Surplus/ Others	7,531	9,301	9,301	9,301	9,301
Retained earnings	31,626	31,729	34,756	38,280	42,180
Liabilities & equity	**333,680**	**339,778**	**364,358**	**391,050**	**420,136**

Sources: Company data, Thanachart estimates

BLA looks attractive to us at just 1x P/EV vs the 1.2x average since 2012

ROE to improve along with higher investment return and improved underwriting margins

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	18.2	40.4	18.2	15.1	13.2
Normalized PE - at target price (x)	22.0	48.8	22.0	18.3	15.9
PE (x)	16.7	45.6	18.2	15.1	13.2
PE - at target price (x)	20.2	55.2	22.0	18.3	15.9
P/PPP (x)	14.8	37.2	15.3	12.7	11.1
P/PPP - at target price (x)	17.9	45.0	18.5	15.3	13.4
P/BV (x)	1.7	1.6	1.5	1.4	1.3
P/BV - at target price (x)	2.0	1.9	1.8	1.7	1.6
Dividend yield (%)	1.5	0.5	1.4	1.8	2.3
Market cap / total premium (x)	2.1	2.2	2.2	2.1	2.0
Market cap / life policy reserve (x)	0.3	0.3	0.3	0.2	0.2
(Bt)					
Normalized EPS	2.4	1.1	2.4	2.8	3.3
EPS	2.6	0.9	2.4	2.8	3.3
DPS	0.6	0.2	0.6	0.8	1.0
PPP/Share	2.9	1.2	2.8	3.4	3.9
BV/share	25.9	27.0	28.8	30.9	33.1

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Net premium written (%)	(13.2)	(2.4)	(1.0)	3.2	8.3
Life policy reserves (%)	(79.3)	37.4	7.6	3.2	15.1
Underwriting expenses (%)	32.4	1.1	(6.8)	3.2	6.3
Insurance profits (%)	na	na	na	na	na
Net profit (%)	(11.7)	(63.3)	na	na	14.6
Normalized profit growth (%)	(17.7)	(55.0)	122.1	20.4	14.6
EPS (%)	(11.7)	(63.3)	na	na	14.6
Normalized EPS (%)	(17.7)	(55.0)	122.1	20.4	14.6
Dividend payout ratio (%)	24.9	24.4	25.0	27.5	30.0
Total FYP (%)	20.2	81.0	(28.5)	(51.9)	(8.8)
Total premium (%)	12.8	32.6	(13.5)	(22.5)	(3.4)
Total investment assets (%)	2.3	3.5	7.2	6.9	7.0
Total assets (%)	2.8	1.8	7.2	7.3	7.4
Total equity (%)	14.9	4.2	6.6	7.2	7.4
Operating Ratios (%)					
Profit on underwriting to net earned prem.	(21.1)	(29.2)	(23.7)	(23.7)	(22.7)
Underwriting exp. to net earned premium	121.1	129.2	123.7	123.7	122.7
Investment yield (ROI)	4.5	4.2	4.3	4.4	4.5
Net profit margin	9.1	3.4	8.4	9.7	10.2
ROE	10.6	3.6	8.5	9.6	10.2
Loss ratio	100.3	104.8	98.0	98.0	96.0
Expense ratio	1.8	1.6	1.4	1.4	1.4
Commission ratio	8.7	8.2	8.5	8.5	8.5
ROA	1.3	0.5	1.1	1.3	1.4
ROE	10.6	3.6	8.5	9.6	10.2
D/E (x)	6.5	6.4	6.4	6.4	6.4
Policy reserve to capital fund (x)	6.3	6.1	6.0	5.7	5.4
Insurance contract liab. to invest. asset (x)	0.9	0.9	0.9	0.9	0.9
Total CAR	268.0	247.0	22.5	45.3	67.2

Sources: Company data, Thanachart estimates

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