
“Management Discussion and Analysis for 3rd quarter 2019”



Executive Summary

Baht, million

OPERATING RESULTS	Q3/19	Q3/18	%Change	Q2/19	%Change	9M/19	9M/18	%Change
Revenues								
Net premiums written ⁽¹⁾	9,538	11,495	-17.0	6,990	36.5	26,339	31,795	-17.2
First Year Premium	1,948	1,726	12.9	1,180	65.0	4,670	6,497	-28.1
Bancassurance	1,103	1,154	-4.5	739	49.3	2,856	4,535	-37.0
Agent Channel	685	477	43.5	374	83.2	1,457	1,508	-3.4
Renewal Premium	7,930	10,023	-20.9	5,908	34.2	22,811	26,383	-13.5
Total Investment Income ⁽²⁾	4,273	3,570	19.7	3,439	24.2	10,835	10,407	4.1
Total Revenues	13,920	15,199	-8.4	10,594	31.4	37,618	42,638	-11.8
Expenses								
Underwriting expenses	11,647	13,542	-14.0	9,003	29.4	31,873	36,638	-13.0
Operating expenses	430	548	-21.5	428	0.7	1,229	1,377	-10.8
Total Expenses	12,077	14,090	-14.3	9,431	28.1	33,102	38,015	-12.9
Earning before tax	1,843	1,110	66.1	1,163	58.4	4,516	4,623	-2.3
Net profit	1,430	996	43.6	1,016	40.7	3,732	3,982	-6.3
Net profit (Excluded LAT Reserve)	1,430	996	43.6	1,016	40.7	3,732	3,454	8.0
Earnings per share (EPS)	0.84	0.58	43.6	0.59	40.7	2.19	2.33	-6.3
Return on investment (ROI)	5.41%	4.63%	0.78%	4.35%	1.06%	4.56%	4.63%	-0.07%
Capital Adequacy Ratio (CAR)	308%	257%	51%	289%	19%	308%	257%	51%

⁽¹⁾ Net premiums written = first year premiums + renewal year premiums - premiums ceded ± unearned premium reserves

⁽²⁾ Total investment income = Net investment income + Gains on investments + Gains on revaluation (Trading securities and Exchange rate)

- In the third quarter of 2019, Bangkok Life Assurance Public Company Limited ("the Company") reported net profit amounting to Baht 1,430 million, representing earnings per share of Baht 0.84, an increase of 44% YoY and 41% QoQ. In the nine-month period of 2019, the net profit was Baht 3,732 million, representing Baht 2.19 per share, a decrease of 6% YoY. However, if excluding the reversed LAT Reserve amounting to Baht 660 million in 1Q'18, the net profit would increase by 8%.
- Total revenue in 3Q'19 was Baht 13,920 million, a decrease by 8% YoY with First Year Premium ("FYP") amounting to Baht 1,948 million, an increase of 13% YoY. The YoY FYP increase mainly came from agent channel. In the nine-month period of 2019, the total revenue was Baht 37,618 million and FYP was at Baht 4,670 million, a decrease by 12% YoY and 28%, respectively.
- Regarding the FYP by distribution channels in the nine-month period of 2019, bancassurance, agent and other channels, accounted for 61 percent, 31 percent and 8 percent, respectively.
- Total investment income in this quarter was Baht 4,273 million, an increase of 20% YoY and 24% QoQ due to an increase in realized gain on investment. The return on investment (ROI) was 5.41%. Total investment income in the nine-month period of 2019 was Baht 10,835 million, an increase of 4% and the return on investment was 4.56%.
- Total expenses in 3Q'19 amounted to Baht 12,077 million, a decrease of 14% YoY. Total expenses in the nine-month of 2019 was Baht 33,102 million, also a decrease of 13%. Additionally, the Company did not have any LAT reserve in the nine-month period of 2019.
- Capital Adequacy Ratio (CAR) at the end of 3Q'19 was at 308%.

Performance Overview

First Year Premiums

In 3Q’19, the company’s First Year Premium (“FYP”) was Baht 1,948 million, an increase of 13% YoY as a result of a 43% increase in agent channels and 70% in other channels while bancassurance channel slightly declined by 4%. The increase of FYP from agent channel was mainly due to an increase in both main policies and riders as well as the implementation of new strategies and channel development in the past. For other channels, the increased YoY FYP was due to the premiums from group insurance. Additionally, the premiums from online and direct marketing channels still had high growth.

In the nine-month period of 2019, the total FYP was Baht 4,670 million, a decrease of 28% as a result of a reduction in bancassurance channel by 37%, agent channel by 3% and other channels by 21%. For agent channel, if excluding the short-term products, the channel would see a slight growth YoY.

Regarding the FYP by distribution channels in the nine-month period of 2019, bancassurance accounted for 61%, agent channels 31% and other channels 8%. Comparing with last year, the contribution of FYP from bancassurance decreased while FYP from agent channel increased.

Figure 1: First Year Premium by channels (Baht, million)

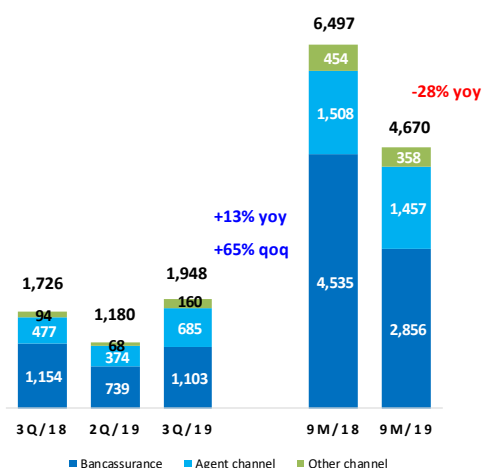
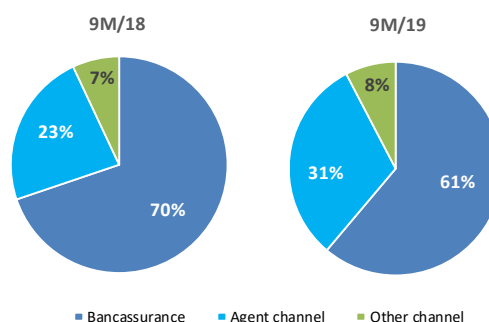


Figure 2: Proportion of First Year Premium by Channels



Renewal Year Premiums

In 3Q'19, the company had Renewal Year Premium ("RYP") total of Baht 7,930 million, a decrease of 21% YoY but increasing by 34% QoQ. The YoY decrease in RYP was mainly due to matured policies from bancassurance channel. In the nine-month period of 2019, RYP was Baht 22,811 million, a decrease by 14% YoY due to more matured policies via bancassurance channel in the nine-month period of 2019.

Total Premiums

In 3Q'19, the company's Total Premiums ("TP") was Baht 9,878 million, a decrease of 16% YoY, which was caused by a decrease of FYP as mentioned above. In the nine-month period of 2019, TP was Baht 27,482 million, a decrease of 16% YoY.

In terms of Total Premium by distribution channels of the 9 months of 2019, total premiums from bancassurance channel, agent channel and other channels accounted for 59%, 35% and 6%, respectively.

Figure 3: Renewal Year Premiums by channels (Baht, million)

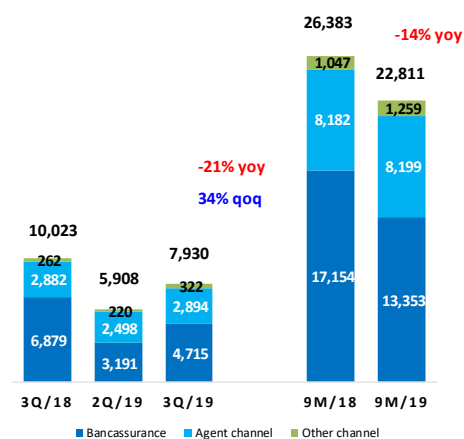
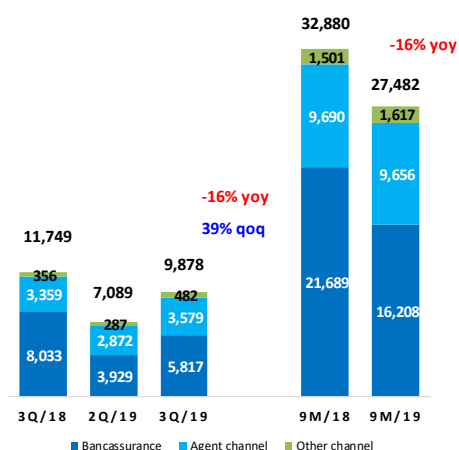


Figure 4: Total Premiums by channels (Baht, million)



Investment Asset and Investment Return

As of 3Q'19, the Company's total investment asset was Baht 320,891 million, an increase of 7,826 million from end of year 2018. As of 3Q'19, the Company invested 80% in fixed income, 9% in equity and 8% in real estate investment trusts (REIT).

In 3Q'19, the Company investment income⁽³⁾ was Baht 4,311 million, an increase of 21% YoY and 27% QoQ. The increase of investment Income was due to an increase in realized gain on investment. However, if excluding the realized gain, interest and dividend income in this quarter will be close to 3Q'18 and a slight increase QoQ.

In the nine-month period of 2019, the investment income⁽³⁾ was Baht 10,585 million, an increase of 2% YoY. However, if excluding realized gain, the investment income will increase by 3% YoY.

As of 3Q'19, the Company reported surplus on available-for-sale investment (net of taxes) total of Baht 9,186 million, an increase of Baht 4,224 million from end of year 2018 due to the price increase from Equity and REIT.

Considering in the investment return, it was found that return on investment (ROI) in 3Q'19 was 5.41%, an increase from 4.63% in 3Q'18 from increase in realized gain on investment. However, if excluding the realized gain, the investment yield (only interest and dividend income) was 4.24%, a decrease from 4.35% in 3Q'18.

The ROI in the 9 months of 2019 was 4.56%, a decrease from 4.63% from same period last year. The investment yield was 4.17%, a slight decrease from 4.19%.

Table 1 Investment Assets As of 3Q 2019

Asset Class	3/2019	2018	Change
Short-term investment	3.4%	5.3%	-1.9%
Bond	43.6%	44.0%	-0.4%
Debenture & Note	33.0%	32.4%	0.6%
Total Fixed income	80.0%	81.7%	-1.7%
Equity	8.8%	8.6%	0.2%
REIT	7.5%	6.0%	1.5%
Loan	3.7%	3.7%	0.0%
- Policy Loan	2.6%	2.5%	0.1%
- Secured loan	1.1%	1.2%	-0.1%
Total investment asset (Mb)	320,891	313,065	2.5%

Figure 5: Investment Income (Baht, Million)

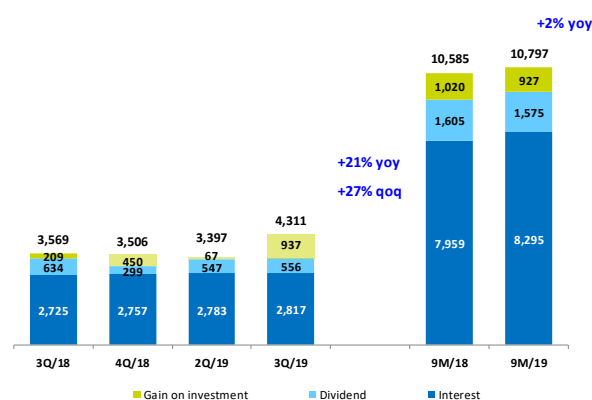
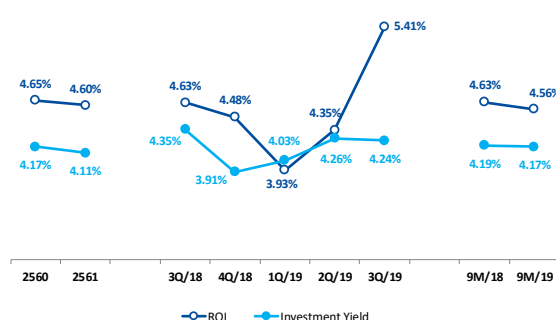


Figure 6: Return on Investment



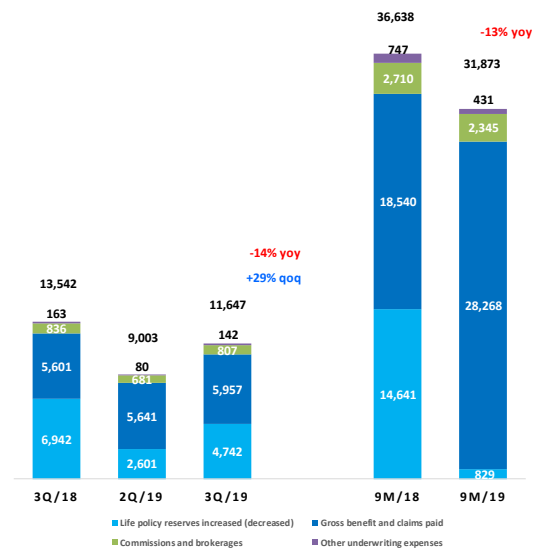
⁽³⁾ Interest + Dividend + Gain on investment

Underwriting Expenses

In 3Q’19, the company underwriting expenses was Baht 11,647 million, a decrease of 14% YoY from Baht 13,542 million. The decrease in underwriting expenses was mainly due to a decrease in reserves for long-term insurance contracts from matured policies in this quarter. However, the benefit under life policies and claim payments increased by Baht 356 million. This was mainly due to an increase in policies benefit payment.

In the 9 months of 2019, the underwriting expenses were Baht 31,873 million, a decrease of 13%. The decline of underwriting expense was due to a decrease in reserves for long-term insurance contracts of Baht 13,812 million while benefit payment increased only by Baht 9,728 million. Additionally, The Company did not have any LAT reserve in the nine-month period of 2019.

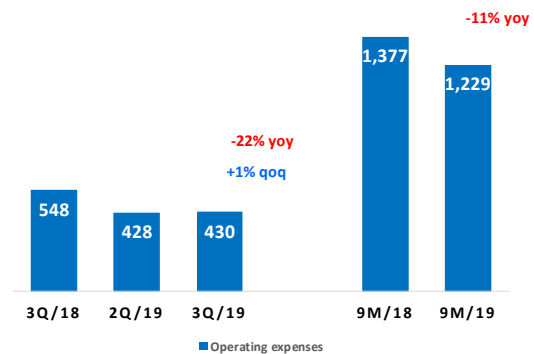
Figure 7: Underwriting Expenses (Baht, million)



Operating Expenses

In 3Q’19, the Company had operating expenses, amounting to Baht 430 million, a decrease of 22% YoY. The 9 months of 2019 operating expenses also decreased by 11%. The decrease was mainly due to a decrease in staff expenses from early retirement program in 2018

Figure 8: Operating Expenses (Baht, million)

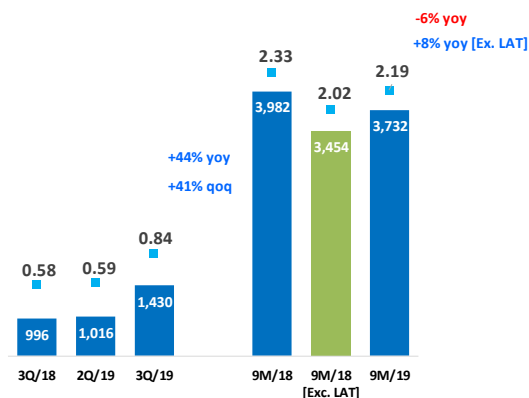


Net Profit

In 3Q’19, the Company reported net profit amounting to Baht 1,430 million, representing Baht 0.84 per share, an increase of 44% YoY and 41% QoQ. The increase of net profit was mainly due to a decrease in expense.

In the nine-months period of 2019, the Company reported net profit amounting to Baht 3,732 million, Baht 2.19 per share, a decrease of 6%. However, in 1Q 2018, the Company reversed LAT Reserve of Baht 660 million. If not considering this effect, the net profit would conversely increase by 8%

Figure 9: Net Profit (Baht, million) and Earning per Share (Baht)



Capital Adequacy Under Risk-Based Capital: RBC

As of September 30 2019, the Company’s Capital Adequacy Ratio (“CAR”) was 308%, an increase from 260% at end of year 2018.

Summary of Financial Position as of 30 September 2019

	30 Sep. 2019	%	31 Dec. 2018	%	Change	%
Assets						
Cash and cash equivalents	9,571	3%	9,826	3%	(254)	-3%
Premiums due and uncollected	2,662	1%	1,910	1%	752	39%
Accrued investment incomes	3,487	1%	2,691	1%	796	30%
Investments ⁽⁴⁾	311,827	94%	304,221	94%	7,606	3%
Premises and equipment	1,416	0%	1,360	0%	56	4%
Other assets	3,624	1%	4,569	1%	(945)	-21%
Total Assets	332,588	100%	324,578	100%	8,010	2%
Liabilities and equity				0%		
Life policy reserves	274,737	83%	273,908	84%	829	0%
Other insurance contract liabilities	9,511	3%	9,373	3%	138	1%
Other liabilities	3,068	1%	2,789	1%	279	10%
Total liabilities	287,316	86%	286,070	88%	1,247	0%
Retained earnings	30,984	9%	28,479	9%	2,505	9%
Unrealized gain on investment	9,186	3%	4,962	2%	4,224	85%
Total equity	45,271	14%	38,508	12%	6,763	18%
Total liabilities and equity	332,588	100%	324,578	100%	8,010	2%

⁽⁴⁾ Excluded short-term investment which was included in Cash and cash equivalents item

Assets

Total assets as of 30 September 2019 increased from December 31, 2018 by 2% or Baht 8,010 million. The Company's assets were mostly investment asset which contributed to 97% of total assets and accounted for 117% of life policy reserve.

The Company's total equity at end of 3Q'19 increased to Baht 45,271 million or 18%, increasing from end of year 2018. Book value per share (BV/share) at end of 3Q'19 was Baht 26.5 per share, an increase from Baht 22.6 per share at end of 2018.

Liabilities and Equity

Total liabilities at the end of September 30, 2019 slightly decreased from the end of year 2018. The decrease mostly came from a decrease in life policy reserve and other liabilities.

Financial Ratios

Financial ratio	Quarter		9 Months	
	3/19	3/18	9M/19	9M/18
NI / Total income	10.3%	6.5%	9.9%	9.3%
NI / Net premium	14.9%	8.6%	14.1%	12.5%
Life policy reserve / Net premium	49.5%	60.3%	3.1%	46.1%
Underwriting expenses / Net premium	121.6%	117.7%	120.7%	115.3%
Operating expenses / Net premium	4.5%	4.8%	4.7%	4.3%
Investment assets / Total asset	96.6%	96.3%	96.6%	96.3%
Investment assets / Life policy reserve	117.0%	115.4%	117.0%	115.4%
NI / Average investment assets	5.41%	4.63%	4.56%	4.63%
NI / Average equity	12.7%	9.6%	11.7%	13.2%
NI / Average assets	1.7%	1.2%	1.5%	1.7%
Car ratio	308%	257%	308%	257%

Industry Overview

The life insurance industry in the nine-month period of 2019 reported a new business premium amounting to Baht 130,085 million, a decrease of 1% YoY. However, if considering in detail, it was found that the decline of new business premium came from a decrease of -13% in single premium ("SP") while the new business excluding SP increased by 9% YoY. The industry renewal and total premiums in the nine-month period decreased by 5% and 4%, respectively.

For new business premiums by distribution channels in the nine-month period of 2019, Agent channel grew by 5%, accounting for 34% of all new business premiums.

Figure 10: Life Insurance Industry Premiums

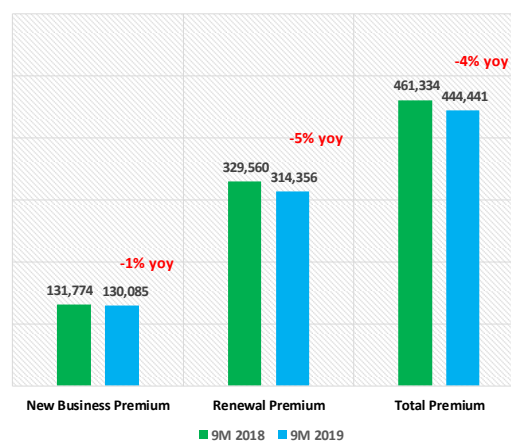
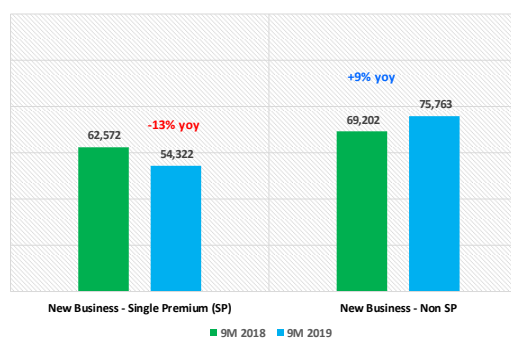


Figure 11: Industry New Business Premiums by products



Source: The Thai Life Assurance Association

The bancassurance new business premium decreased by 7% YoY and accounted for 55% of total new business premiums. For other channels including direct marketing, the new business premium showed a 12% growth YoY and accounted for 10% of total new business premium.

Figure 12: Industry New Business Premiums by Channels

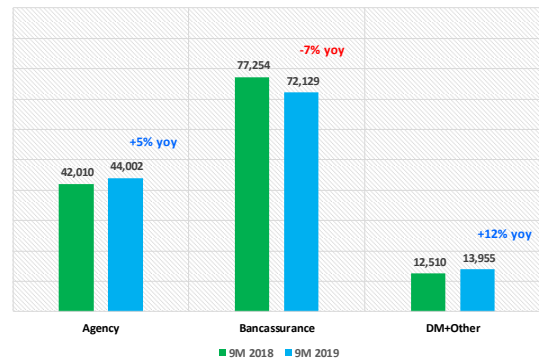


Figure 13: New Business Premiums by Channels (%)

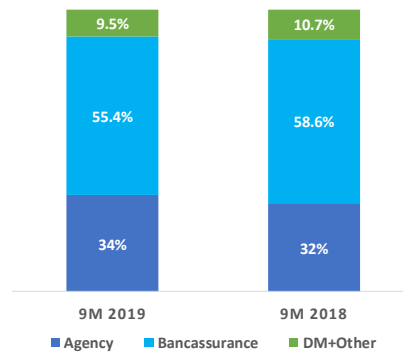


Table 2: Life insurance Premiums market share (%)

No.	LI Company	New Business Premium	Renewal Premium	Total Premiums	Market Share (New Business)
1	AIA	21,852	76,018	97,870	16.8
2	Muang Thai Life Assurance	18,938	43,782	62,720	14.6
3	Thai Life Insurance	18,528	46,432	64,960	14.2
4	SCB Life Assurance	12,327	23,708	36,035	9.5
5	Krungthai AXA	9,903	33,003	42,906	7.6
6	FWD	8,978	14,305	23,283	6.9
7	Prudential	7,244	10,132	17,376	5.6
8	Dhipaya Life Assurance	6,464	728	7,192	5.0
9	Allianz Ayudhya	4,675	18,492	23,168	3.6
10	Bangkok Life Assurance	4,670	22,811	27,482	3.6

Source: The Thai Life Assurance Association