
“Management Discussion and Analysis for 2nd quarter 2020”

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Executive Summary

Baht, million

OPERATING RESULTS	Quarter 2/20	Quarter 2/19	Change YoY%	Quarter 1/20	Change QoQ%	6M/20	6M/19	Change YoY%
Revenues								
Net premiums written ⁽¹⁾	6,677	6,990	-4.5	9,210	-27.5	15,887	16,801	-5.4
First Year Premium	1,073	1,180	-9.1	1,277	-16.0	2,350	2,723	-13.7
Bancassurance	534	739	-27.7	616	-13.3	1,150	1,753	-34.4
Agent Channel	422	374	12.8	419	0.7	841	772	8.9
Renewal Premium	5,766	5,908	-2.4	8,780	-34.3	14,546	14,881	-2.3
Total Investment Income ⁽²⁾	3,317	3,397	-2.3	4,513	-26.5	7,831	6,487	20.7
Total Revenues	9,716	10,594	-8.3	14,389	-32.5	24,106	23,698	1.7
Expenses								
Underwriting expenses	8,446	9,003	-6.2	13,775	-38.7	22,221	20,226	9.9
Operating expenses	387	428	-9.6	363	6.4	750	798	-6.1
Expected Credit Loss	190	-	0.0	30	530.5	220	-	0.0
Total Expenses	9,023	9,431	-4.3	14,169	-36.3	23,191	21,025	10.3
Earning before tax	694	1,163	-40.4	221	214.3	914	2,673	-65.8
Net profit	631	1,016	-37.9	230	173.9	861	2,301	-62.6
Net profit (Excluded LAT Reserve)	631	1,016	-37.9	230	173.9	861	2,301	-62.6
Earnings per share (EPS)	0.37	0.60	-37.9	0.13	173.9	0.50	1.35	-62.6
Return on investment (ROI)	4.02%	4.35%	-0.3%	5.57%	-1.6%	4.72%	4.13%	0.6%
Capital Adequacy Ratio (CAR)	275%	240%	35%	266%	9%	275%	240%	35%

⁽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 second quarter of 2020, Bangkok Life Assurance PCL. reported a net profit of 631 Million Baht, representing an earning per share of 0.37 Baht, a decline of 38% from the same period last year. In the first-half of 2020, net profit was 861 Million Baht which is equivalent to Baht 0.50 per share, representing a decline of 63% YoY. The decline was mainly due to an increase in Provision for Adverse Deviation (PAD) from 4% to 5% as part of risk management strategy to mitigate the impact from interest rate volatility. As a result, the Company recorded PAD adjustment effect of 2,668 Million Baht.
- In the second quarter of 2020, the Company had a total revenue of 9,716 Million Baht, a decline of 8% from the same period last year. First Year Premium was 1,073 Million Baht, a decline of 9% YoY. The FYP decline mainly came from bancassurance channel. In the first-half of 2020, the total revenue was 24,106 Million Baht, increasing 2% YoY. The FYP was 2,350 Million Baht, a decline of 14%.
 - The FYP by distribution channel: bancassurance, agent and other channels accounted for 49%, 36% and 15%, respectively.
 - The total investment income in the second quarter of 2020 was 3,317 Million Baht, a decrease of 2% from the same period last year. The return on investment (ROI) this quarter was 4.02%, declining from 4.35% in the second quarter of 2019 due to loss on exchange rate. Total investment income in the first-half of 2020 was 7,831 Million Baht, an increase of 21% YoY as a result of higher realized gain on the investment. The return on investment in the first-half of 2020 was 4.72%.
 - Total expense in the second quarter amounted to 9,023 Million Baht, a decrease of 4% from the same period last year. Total expense in the first-half of 2020 was 23,191 Million Baht, an increase of 10% YoY. The key reason was from the adjustment of PAD.
 - The Capital Adequacy Ratio (CAR) at the end of the second quarter of 2020 was at 275%.

Performance Overview

Total Premium

In the second quarter of 2020, the Company's total premium amounted to 6,839 million Baht, a decline of 4% from the same period last year. The major reason came from a decline in Bancassurance channel. Regarding the total premium by distribution channels: bancassurance, agent and other channels accounted for 53%, 41% and 6%, respectively.

First Year Premium

In the second quarter of 2020, the Company's FYP was 1,073 million Baht, a decrease of 9% from the same period last year because of a decline in 28 % premium in Bancassurance channel as a result of COVID-19 and a decline in the number of new loan cases extended by the bank which affected the sales of protection products. Meanwhile, agent channel experienced an increase of 13% YoY in FYP as a result of effective development of selling tool. In addition, other channels saw 72% growth driven by Group channel.

Renewal Premium

In the second quarter of 2020, the Company had a renewal premium of 5,766 million Baht, a decline of 2% from the same period last year due to matured products.

Figure 1: Total Premium by channels (Baht: million)

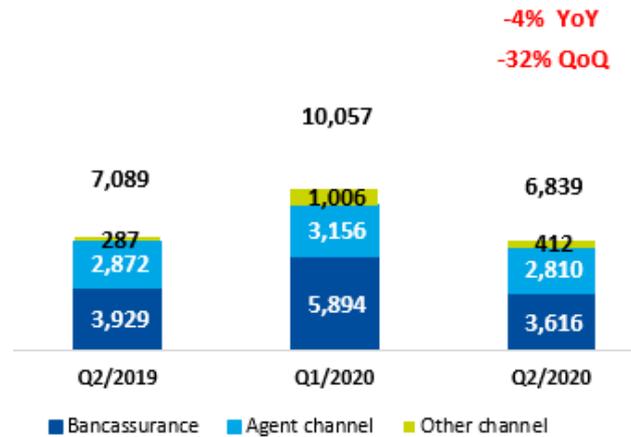


Figure 2: First Year Premium by channels (Baht: million)

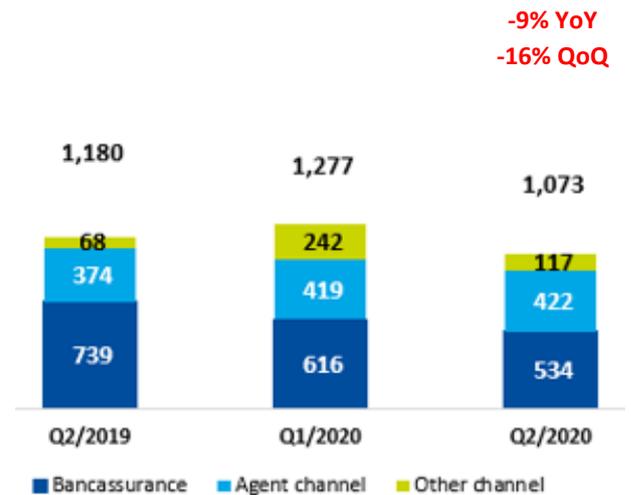
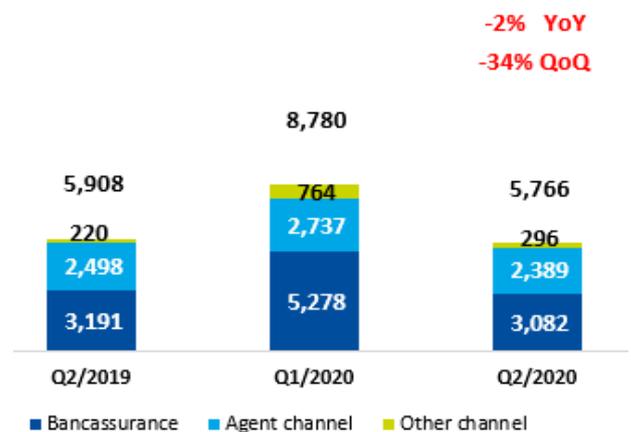


Figure 3: Renewal Premium by channels (Baht: million)



(3) Interest income + Dividend + Profit (Loss) from Investment

Investment Asset and Investment Return

In the second quarter of 2020, the Company's total investment asset was 333,304 million Baht, an increase of 3,412 million Baht from the end of 2019 driven by new money which more than offset the decline in risky investment asset. The Company invested 83% in fixed income, 8% in equity and 6% in real estate investment trusts (REIT).

In the second quarter of 2020, the Company's investment income ⁽³⁾ was 3,317 million Baht, a slight decrease of 2% from the same period last year. Excluding realized gain, interest and dividend income dropped 4.3% this quarter. In addition, Investment Yield dropped from 4.09% in 1Q20 to 3.86% this quarter.

Table 1: Investment Assets as of Quarter 2/2020

Asset Class	1/2020	2/2020	Change
Short-term investment	4.3%	6.4%	2.1%
Bond	46.4%	44.8%	-1.6%
Debenture & Note	33.5%	31.8%	-1.7%
Total Fixed income	84.2%	83.0%	-1.2%
Equity	7.0%	7.7%	0.7%
REIT	5.3%	5.6%	0.3%
Loan	3.5%	3.7%	0.2%
- Policy Loan	2.7%	2.7%	0.0%
- Secured loan	0.8%	1.0%	0.2%
Total investment asset (Mb)	325,324	333,304	2.45%

Figure 4: Investment Income (Baht, Million)

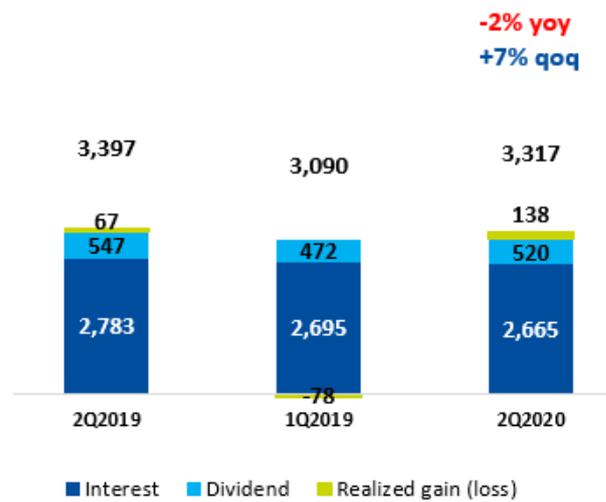


Figure 5: Return on Investment



Underwriting Expenses and Operating Expenses

In the second quarter of 2020, the Company underwriting expenses was 8,446 Million Baht, a decrease of 6% from the same period last year, slightly higher drop compared to a decrease in net premium. In the first-half of 2020, the underwriting expenses was 22,221 Million Baht, an increase of 10% YoY. The major reason came from the impact of PAD adjustment from 4% to 5% or 2,668 Million Baht in amount term.

In the second quarter of 2020, the Company had an operating expense of 387 Million Baht, a decrease of 10% from the same period last year. In the first-half of 2020, operating expense also decreased by 6% because of increasing efficiency.

Figure 6: Underwriting Expenses (Baht, million)

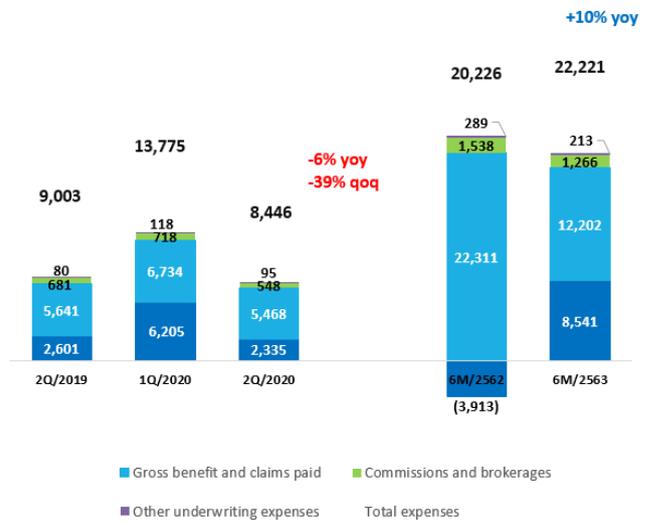
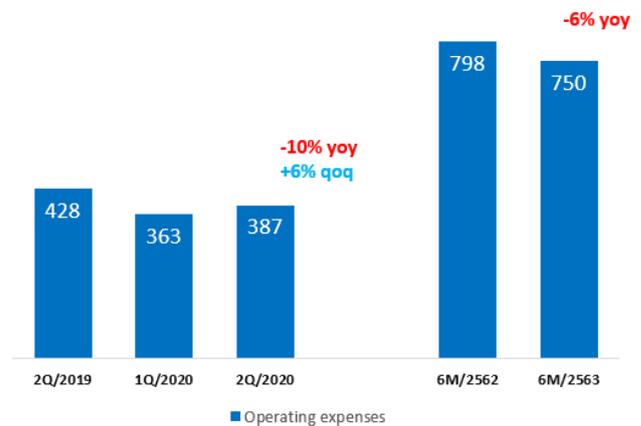


Figure 7: Operating Expense (Baht, million)



Net Profit

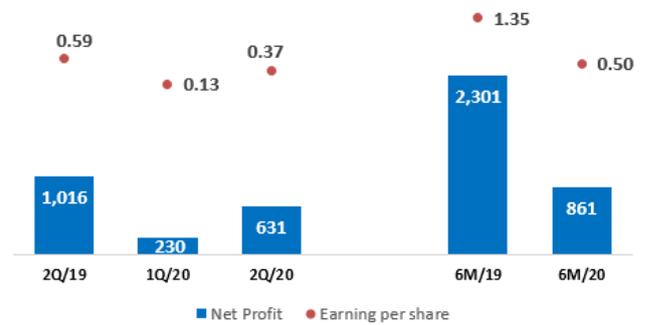
In the second quarter of 2020, the Company has a net profit of 631 Million Baht or Baht 0.37 per share, a decline of 38% from the same period last year. The decline came from a decrease of net premium and expected credit loss (ECL) amounting to 190 Million Baht.

In the first-half of 2020, the Company reported a net profit amounting to 861 Million Baht or Baht 0.50 per share, a decline of 63% YoY. The decline came from a decrease of total premium, an increase in expense and adjustment of PAD from 4% to 5% amounting to 2,668 Million Baht.

Capital Adequacy and Risk-Based Capital (RBC)

At the end of the second quarter of 2020, the Company's Capital Adequacy Ratio ("CAR") was at 275%, a decline from 314% at the end of 2019, but up from 266% in the previous quarter. All the numbers are based on the calculation using RBC II which has stricter requirement for risk protection of insurance companies.

Figure 8: Net Profit (Baht, million) and Earning per share (Baht)



Summary of Financial Position as of 30 June 2020

	30 Jun 20	%	31 Dec 19	%	Change	%
Assets						
Cash and cash equivalents	14,129	4%	13,442	4%	687	5%
Premiums due and uncollected	2,031	1%	1,801	1%	230	13%
Accrued investment incomes	1,593	0.5%	2,680	1%	(1,087)	-41%
Investments ⁽⁴⁾	319,214	93%	310,379	93%	8,834	3%
Premises and equipment	1,777	0.5%	1,426	0%	351	25%
Other assets	4,219	1%	3,953	1%	266	7%
Total Assets	342,963	100%	333,680	100%	9,283	3%
Liabilities and equity						
Life policy reserves	286,029	83%	277,489	83%	8,541	3%
Other insurance contract liabilities	9,417	3%	9,153	3%	264	3%
Other liabilities	2,737	1%	2,778	1%	(41)	-1%
Total liabilities	298,183	87%	289,420	87%	8,764	3%
Retained earnings	31,489	9%	31,626	9%	(137)	-0.4%
Unrealized gain on investment	8,018	2%	7,536	2%	483	6%
Total equity	44,779	13%	44,260	13%	519	1%
Total liabilities and equity	342,963	100%	333,680	100%	9,283	3%
Book value/Share	26.22		25.92			

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

Assets

Total assets as of 30 June 2020 increased from 31 December 2019 by 3% or 9,283 Million Baht. The majority of the company's assets was investment asset, which contributed to 93% of total assets and accounted for 112% of life reserve policy.

Liabilities and Equity

Total liabilities as of 30 June 2020 increased 3% from 31 December 2019. The increase mostly came from the life policy reserves and other insurance contract liabilities.

The total equity as of 30 June 2020 was 44,779 Million Baht, an increase of 519 Million Baht or 1% from 31 December 2019. The increase came from the adoption of accounting guidelines for financial instruments which added 763 Million Baht as well as net profit of 861 Million Baht which more than offset unrealized loss from financial instruments of 1,109 Million Baht. Book value per share (BV/share) was at 26.22 Baht per share.

Financial Ratios

Financial ratio	Quarter		6 Months	
	2/2020	2/2019	6M 2020	6M 2019
NI / Total income	6.5%	9.6%	3.6%	9.7%
NI / Net premium	9.6%	15.0%	5.4%	13.7%
Life policy reserve / Net premium	35.4%	38.3%	53.2%	-23.2%
Underwriting expenses / Net premium	86.9%	132.6%	92.2%	120.1%
Operating expenses / Net premium	5.9%	6.3%	4.7%	4.7%
Investment assets / Total asset	96.3%	95.7%	96.3%	95.7%
Investment assets / Life policy reserve	115.4%	119.2%	115.4%	119.2%
NI / Average investment assets	4.0%	4.3%	4.7%	4.1%
NI / Average equity	5.9%	9.4%	3.9%	11.1%
NI / Average assets	1.5%	1.3%	1.0%	1.4%
CAR ratio	275%	240%	275%	240%

Life insurance industry

In the first half of 2020, life insurance industry reported a new business premium amounting to Baht 76,216 million baht, declining 9% from the same period last year.

New business premiums by distribution channel in the first half of 2020 shows the Agent channel declined by 19% YoY, bancassurance declined by 8% YoY while other channels including direct marketing grew 18% YoY. In terms of channel mix: Agent, bank and others account for 31%, 55% and 14% respectively.

Figure 9: Life Insurance Industry Premiums

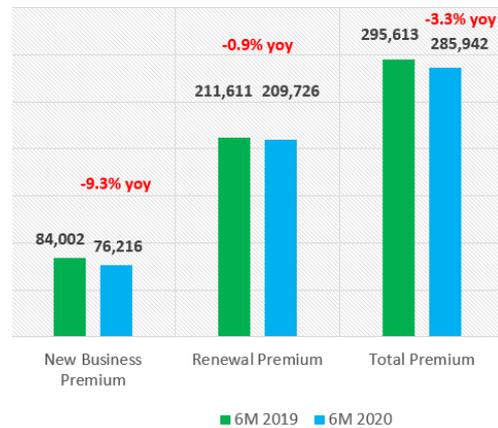


Table 2: Life insurance Premiums market share (%)

Rank	Company	New Business Premiums	Renewal Premium	Total Premiums	Market Share (New Business)
1	AIA	13,186	51,936	65,122	20.2%
2	TLI	9,812	31,473	41,285	23.8%
3	MTL	9,612	26,331	35,943	26.7%
4	SCBLife	11,631	17,214	28,846	40.3%
5	KTAL	6,247	21,858	28,104	22.2%
6	BLA	2,350	14,546	16,895	13.9%
7	AZAY	3,057	11,998	15,054	20.3%
8	FWD	3,622	9,908	13,530	26.8%
9	PLT	4,627	6,844	11,471	40.3%
10	OLIC	1,319	5,920	7,239	18.2%

Figure 10: Industry New Business Premiums by products

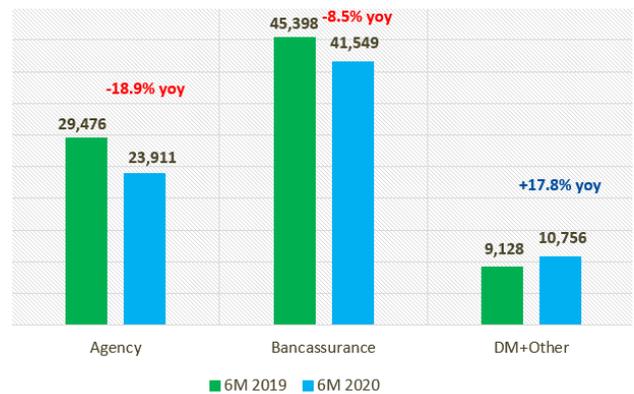


Figure 11: Industry New Business Premiums by Channel

