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# “Management Discussion and Analysis for 2019”

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## Executive Summary

Unit: Million baht

OPERATING RESULTS	2019	2018	YoY%	4/19	4/18	YoY %	Q3/19	QoQ%
<b>Revenues</b>								
Net premiums written <sup>(1)</sup>	34,308	39,554	-13.3	7,968	7,759	2.7	9,538	-16.5
First Year Premium	6,198	8,101	-23.5	1,528	1,605	-4.8	1,948	-21.6
Bancassurance	3,735	5,499	-32.1	879	964	-8.8	1,103	-20.3
Agent Channel	1,923	2,008	-4.2	467	500	-6.6	685	-31.8
Renewal Premium	29,494	32,791	-10.1	6,683	6,408	4.3	7,930	-15.7
Total Investment Income <sup>(2)</sup>	14,053	14,090	-0.3	3,263	3,506	-6.9	4,303	-24.2
<b>Total Revenues</b>	<b>48,902</b>	<b>53,870</b>	<b>-9.2</b>	<b>11,284</b>	<b>11,232</b>	<b>0.5</b>	<b>13,920</b>	<b>-18.9</b>
<b>Expenses</b>								
Underwriting expenses	41,960	46,307	-9.4	10,087	9,669	4.3	11,647	-13.4
Operating expenses	1,636	1,771	-7.6	408	394	3.6	430	-5.3
<b>Total Expenses</b>	<b>43,596</b>	<b>48,077</b>	<b>-9.3</b>	<b>10,494</b>	<b>10,062</b>	<b>4.3</b>	<b>12,077</b>	<b>-13.1</b>
<b>Earning before tax</b>	<b>5,306</b>	<b>5,793</b>	<b>-8.4</b>	<b>789</b>	<b>1,170</b>	<b>-32.5</b>	<b>1,843</b>	<b>-57.2</b>
<b>Net profit</b>	<b>4,386</b>	<b>4,970</b>	<b>-11.7</b>	<b>654</b>	<b>988</b>	<b>-33.8</b>	<b>1,430</b>	<b>-54.3</b>
<b>Net profit (Excluded LAT Reserve)</b>	<b>4,386</b>	<b>4,442</b>	<b>-1.3</b>	<b>654</b>	<b>988</b>	<b>-33.8</b>	<b>1,430</b>	<b>-54.3</b>
<b>Earnings per share (EPS)</b>	<b>2.57</b>	<b>2.91</b>	<b>-11.7</b>	<b>0.38</b>	<b>0.58</b>	<b>-33.8</b>	<b>0.84</b>	<b>-54.3</b>
<b>Return on investment (ROI)</b>	<b>4.43%</b>	<b>4.63%</b>	<b>-0.2%</b>	<b>4.05%</b>	<b>4.48%</b>	<b>-0.4%</b>	<b>5.40%</b>	<b>-1.3%</b>
<b>Capital Adequacy Ratio (CAR)</b>	<b>314%</b>	<b>260%</b>	<b>54%</b>	<b>314%</b>	<b>260%</b>	<b>54%</b>	<b>308%</b>	<b>6%</b>

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

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

- In the year 2019, the net profit was 4,386 million Baht, representing earnings per share of 2.57 Baht, a decrease of 12% from the same period in a previous year. However, without the reverse of LAT reserve amount of 660 million Baht in 2018, the Company will have a decrease of 1% in net profit.
- In the year of 2019, the Company's total revenue was 48,902 Million Baht, a decrease of 9%. The First Year Premium ("FYP") was 6,198 million Baht, decrease from same period in the previous year as a result of the decline of premium in Bancassurance channel.
- Regarding the FYP by distribution channels, in the year of 2019, bancassurance, agent and other channels, accounted for 60 percent, 31 percent and 9 percent, respectively.
- The total investment income in the year of 2019 was 14,053 million Baht, a slight decrease from the same period in a previous year. The return on investment in the year of 2019 was 4.43 percent.
- In the year of 2019, the Company have a total expense of 43,596 million Baht, a decrease of 9% from the year of 2018. Additionally, the Company did not have any LAT reserve this year.
- Capital Adequacy Ratio (CAR) at the end of 2019 year was at 314%.
- The Embedded Value and the Value of new business as of 31 December 2019 was 70,882 million Baht, which was equal to 41.5 baht per share, an increase of 13% from 2018. The Value to new business was 352 million Baht, which was equal to 0.2 baht per share, a decrease of 75% from 2018 resulting from the decline in FYP from bancassurance channel and the downward revision of Return on Investment and Risk Discount Rate assumptions to 3.50% and 8.30% from 4.25% and 9.00% in 2018 year, respectively.

## Performance Overview

### First Year Premiums

In the year of 2019, the Company's FYP amounted to 6,198 million Baht, a decrease of 24% from 2018, as a result of a decrease in Bancassurance channel, agent channel, and other channel, which accounted for 32%, 4% and 9% respectively. The FYP of direct marketing and online channel still showed an upward trend.

Regarding the FYP by distribution channels in the year of 2019, bancassurance accounted for 60%, agent channels 31% and other channels 9%. Comparing with the previous year, the contribution of FYP from bancassurance decreased while FYP from agent and other channel increased.

### Renewal Year Premiums

In the year of 2019, RYP was 29,494 million Baht, a decrease of 10% from the year of 2018, due to an increasing number of matured policies in bancassurance channel this year.

### Total Premiums

In the year of 2019, the Company's TP was 35,692 million Baht, a decrease of 13% from the year of 2018. The proportion of Total Premium by distribution channels, bancassurance channel, agent channel and other channels, accounted for 56%, 38% and 6%, respectively.

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

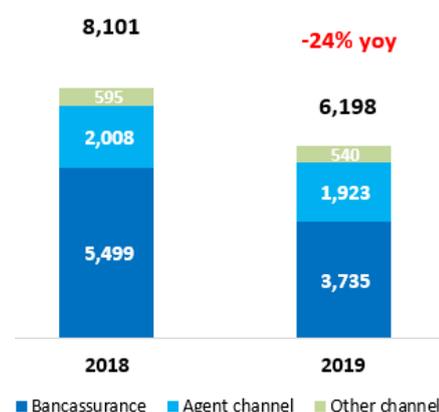


Figure 2: Renewal Year Premiums by channels (Baht, million)

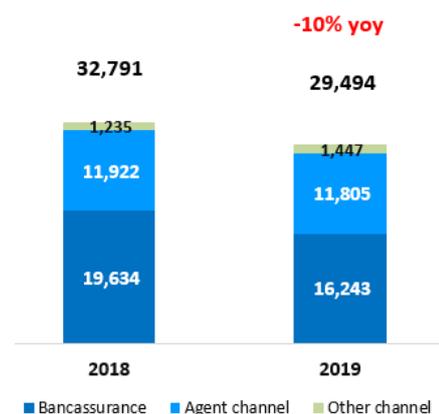
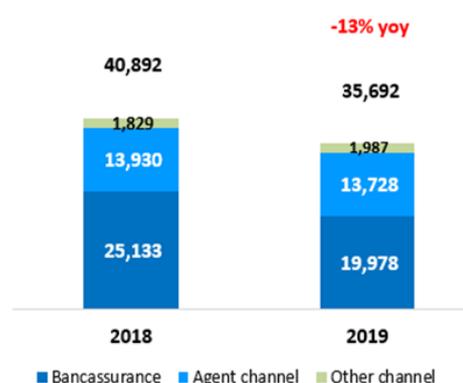


Figure 3: Total Premiums by channels (Baht, million)



(3) Interest + Dividend + Gain on investment

### Investment Asset and Investment Return

At the end of year 2019, the Company's total investment asset was 323,787 million Baht, an increase of 9,721 million Baht from end of year 2018. The Company invested 81% in fixed income, 9% in equity and 7% in real estate investment trusts (REIT).

In the year of 2019, the Company investment income was 14,053 million Baht, a slight decline from 2018. If excluding realized gain, there will be an increase in interest and dividend income of 3%.

At the end of year 2019, the Company reported a surplus on available-for-sale investment (net of taxes) total of 7,536 million Baht, an increase of 2,574 million Baht from the end of 2018, resulting from the price increase of Equity and REIT. In addition, the return on investment (ROI) has decreased from 4.63% to 4.43%, as a result of a declined in realized gain on investment. The investment yield was at 4.10%, a slight drop from 2018.

Table 1 Investment Assets as of 31 Dec 2019

Asset Class	2018	2019	Change
Short-term investment	4.2%	4.1%	-0.1%
Bond	44.0%	42.9%	-1.1%
Debenture & Note	33.7%	34.4%	0.7%
<b>Total Fixed income</b>	<b>81.9%</b>	<b>81.3%</b>	<b>-0.6%</b>
Equity	8.5%	8.8%	0.3%
REIT	5.9%	6.7%	0.8%
Loan	3.7%	3.2%	-0.5%
- Policy Loan	2.5%	2.6%	0.1%
- Secured loan	1.2%	0.6%	-0.6%
<b>Total investment asset (Mb)</b>	<b>314,066</b>	<b>323,787</b>	<b>3.1%</b>

Figure 4: Investment Income (Baht, Million)

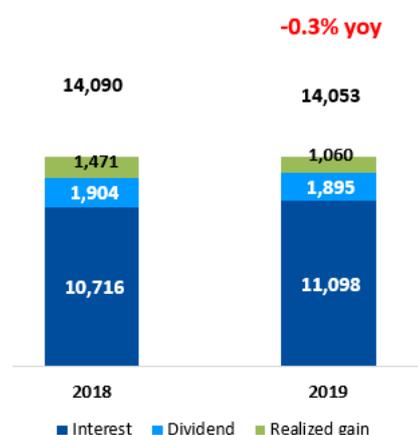
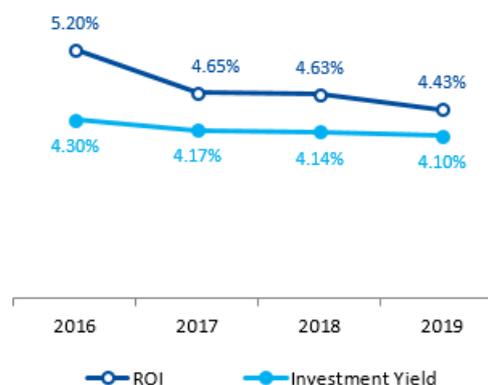


Figure 5: Return on Investment



**Underwriting Expenses**

In the year of 2019, the company underwriting expenses was 41,960 million Baht, a decrease of 9% from 46,307 million Baht due to a decrease of 13,733 million Baht in reserves for long-term insurance contracts from matured policies in this quarter. However, the benefit under life policies and claim payments increased by 10,093 million Baht. Additionally, The Company did not have any LAT reserve this year

**Operating Expenses**

In the year of 2019, the total operating expenses was 1,636 million Baht, a decrease of 8% from the previous year resulting from a decrease in staff expense.

Figure 6: Underwriting Expenses (Baht, million)

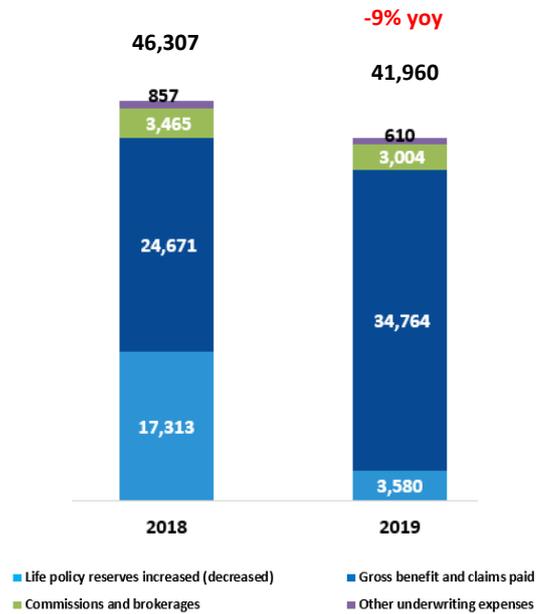
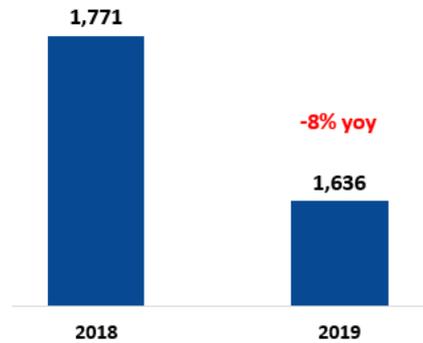


Figure 7: Operating Expenses (Baht, million)



## Net Profit

In the year 2019, the Company reported net profit amounting to Baht 4,386 million Baht, which was 2.57 Baht per share, a decrease of 12% from 2018. However, in the year of 2018, the Company reversed LAT Reserve of 660 million Baht. If not considering this effect, the net profit would have a decrease of 1%

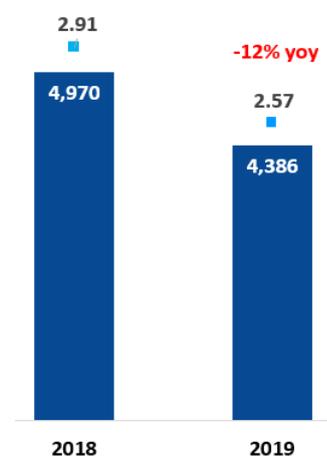
## Capital Adequacy under Risk-Based Capital: RBC

At the end of year 2019, the Company's Capital Adequacy Ratio ("CAR") was 314%, an increase from 260% at end of year 2018. In addition, the Company has adopted the Risk-based Capital II (RBC II) which emphasizes on putting stricter requirement for the risk protection of insurance companies.

## Embedded value and Value of new business

The Embedded Value and the Value of new business as of 31 December 2019 was 70,882 million Baht, which was equal to 41.5 baht per share, an increase of 13% from 2018. The Value to new business was 352 million Baht, which was equal to 0.2 baht per share, a decrease of 75% from 1,396 million Baht at the end of 2018 resulting from the decline in FYP from bancassurance channel and the downward revision of Return on Investment and Risk Discount Rate assumptions to 3.50% and 8.30% from 4.25% and 9.00% in 2018 year, respectively.

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



## Summary of Financial Position as of 31 December 2019

Unit: Million baht

	31 Dec 2019	%	31 Dec 2018	%	Change	%
<b>Assets</b>						
Cash and cash equivalents	13,442	4%	9,826	3%	3,616	37%
Premiums due and uncollected	1,801	1%	1,910	1%	(110)	-6%
Accrued investment incomes	2,680	1%	2,691	1%	(11)	0%
Investments <sup>(4)</sup>	310,363	93%	304,221	94%	6,141	2%
Premises and equipment	1,451	0%	1,360	0%	91	7%
Other assets	5,395	2%	4,569	1%	826	18%
<b>Total Assets</b>	<b>333,680</b>	<b>100%</b>	<b>324,578</b>	<b>100%</b>	<b>9,102</b>	<b>3%</b>
<b>Liabilities and equity</b>						
Life policy reserves	277,489	83%	273,908	84%	3,580	1%
Other insurance contract liabilities	9,153	3%	9,373	3%	(220)	-2%
Other liabilities	2,778	1%	2,789	1%	(11)	0%
<b>Total liabilities</b>	<b>289,420</b>	<b>87%</b>	<b>286,070</b>	<b>88%</b>	<b>3,350</b>	<b>1%</b>
Retained earnings	31,626	9%	28,479	9%	3,147	11%
Unrealized gain on investment	7,536	2%	4,962	2%	2,574	52%
<b>Total equity</b>	<b>44,260</b>	<b>13%</b>	<b>38,508</b>	<b>12%</b>	<b>5,752</b>	<b>15%</b>
<b>Total liabilities and equity</b>	<b>333,680</b>	<b>100%</b>	<b>324,578</b>	<b>100%</b>	<b>9,102</b>	<b>3%</b>

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

### Assets

Total assets as of 31 December 2019 increased from December 31, 2018 by 3% or Baht 9,112 million Baht. The Company's assets were mostly investment asset which contributed to 93% of total assets and accounted for 117% of life policy reserve.

The Company's total equity at end of 2019 was 44,260 million Baht, an increase of 5,752 million Baht or 15% from the end of year 2018. Book value per share (BV/share) at end of 2019 was Baht 25.9 per share, an increase from Baht 22.5 per share at end of 2018.

### Liabilities and Equity

Total liabilities at the end of December 31, 2019 slightly increase from the end of year 2018. The decrease mostly came from an increase in life policy reserve.

## Financial Ratios

Financial ratio	Quarter		Year	
	4/19	4/18	2019	2018
NI / Total income	5.8%	8.8%	8.9%	9.2%
NI / Net premium	8.2%	12.7%	12.8%	12.6%
Life policy reserve / Net premium	10.4%	43.8%	10.4%	43.8%
Underwriting expenses / Net premium	126.6%	124.6%	122.3%	117.1%
Operating expenses / Net premium	5.1%	5.1%	4.8%	4.5%
Investment assets / Total asset	97.0%	96.8%	97.0%	96.8%
Investment assets / Life policy reserve	116.7%	114.7%	116.7%	114.7%
NI / Average investment assets	4.1%	4.5%	4.4%	4.6%
NI / Average equity	5.8%	10.0%	10.6%	12.9%
NI / Average assets	0.8%	1.2%	1.3%	1.6%
Car ratio	314%	260%	314%	260%

## Industry Overview

The life insurance industry in the year of 2019 reported a new business premium amounting to Baht 178,531 million, a decrease of 1% from the year of 2018. However, if considering the new business premium by products, it was found that the decline of new business premium came from a decrease of 18% in single premium ("SP") while the new business excluding SP increased by 14% from the same period of the previous year. The industry renewal and total premiums compared to the year 2018, decreased by 3%.

For new business premiums by distribution channels in the year of 2019, Agent channel increased by 5% from 2018, accounted for 54% of all new business premiums. The bancassurance new business premium decreased by 7% from 2018 and accounted for 36% of total new business premiums from all channels. For other channels including direct marketing, the new business premium showed a 14% growth, a slight increase from the previous year.

Figure 9: Life Insurance Industry Premiums

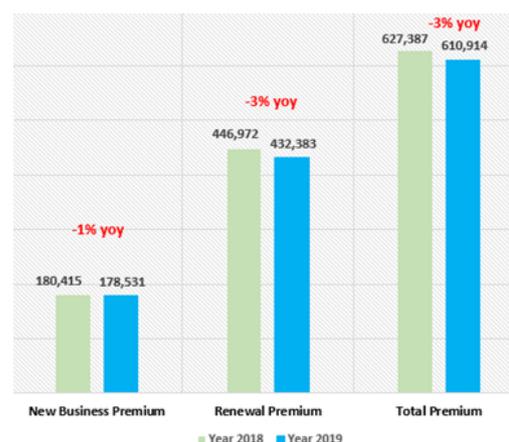
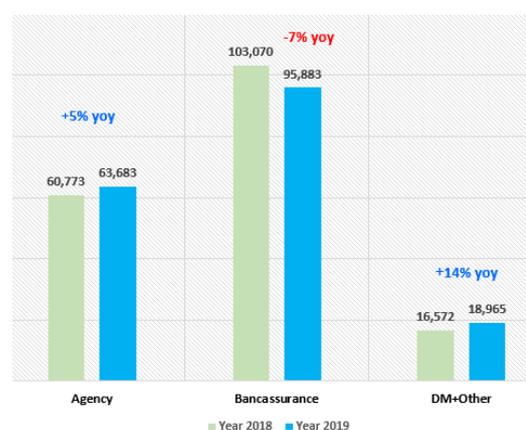


Figure 10: Industry New Business Premiums by products



Source: The Thai Life Assurance Association

Figure 11: Industry 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	31,374	109,578	140,952	17.6
2	Thai Life Insurance	27,538	64,516	92,054	15.4
3	Muang Thai Life Assurance	25,956	57,885	83,840	14.5
4	SCBLife	15,357	44,866	60,223	8.6
5	Krungthai AXA	14,077	29,568	43,645	7.9
6	FWD	11,326	29,494	40,821	6.3
7	Prudential	10,144	21,030	31,173	5.7
8	Dhipaya Life Assurance	7,487	25,745	33,232	4.2
9	AllianzAyudhya	6,565	14,444	21,009	3.7
10	Bangkok Life Assurance	6,198	11,393	17,592	3.5

Source: The Thai Life Assurance Association