
“Management Discussion and Analysis for 1st quarter 2020”

Y
E
A
R
S



Executive Summary

Baht, million

OPERATING RESULTS	Quarter 1/20	Quarter 1/19	Change YoY%	Quarter 4/19	Change QoQ%
Revenues					
Net premiums written ⁽¹⁾	9,210	9,812	-6.1	7,968	15.6
First Year Premium	1,277	1,542	-17.2	1,528	-16.4
Bancassurance	616	1,015	-39.3	879	-29.9
Agent Channel	419	398	5.3	467	-10.3
Renewal Premium	8,780	8,973	-2.2	6,683	31.4
Total Investment Income ⁽²⁾	4,523	3,090	46.4	3,263	38.6
Total Revenues	14,389	13,104	9.8	11,284	27.5
Expenses					
Underwriting expenses	13,775	11,223	22.7	10,087	36.6
Operating expenses	363	371	-2.1	408	-10.9
Total Expenses	14,169	11,594	22.2	10,494	35.0
Earning before tax	221	1,510	-85.4	789	-72.0
Net profit	230	1,287	-82.1	653	-64.7
Net profit (Excluded LAT Reserve)	230	1,287	-82.1	653	-64.7
Earnings per share (EPS)	0.135	0.753	-82.1	0.38	-64.7
Return on investment (ROI)	5.59%	3.93%	1.7%	4.05%	1.53%
Capital Adequacy Ratio (CAR)	266%	270%	-4%	314%	-48%

⁽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 first quarter of 2020, Bangkok Life Assurance PCL. reported a net profit of 230 Million Baht, representing an earning per share of 0.135 Baht, a decrease of 82% from the same period last year. The major reason for the decline came from 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 the effect of PAD adjustment of 2,668 Million Baht.
- In the first quarter of 2020, the Company had total revenue of 14,389 Million Baht, a decrease of 10% from the same period last year. The First Year Premium ("FYP") was 1,277 Million Baht, a decline of 17%.
- Regarding the FYP by distribution channel, bancassurance, agent and other channels accounted for 48%, 33% and 19%, respectively.
- The total investment income in the first quarter of 2020 was 4,523 Million Baht, an increase of 46% from the same period last year. The return on investment (ROI) this quarter was 5.59%, which increased from 3.39% in the first quarter of 2019, as a result of higher realized gain on the investment.
- The Company had a total expense of 14,169 million Baht, an increase of 22 percent from the same period last year. The key reason was from the adjustment of PAD.
- The Capital Adequacy Ratio (CAR) as of the first quarter of 2020 was at 266%.

Performance Overview

Total Premium

In the first quarter of 2020, the Company's total premium amounted to 10,057 million Baht, a decrease of 4% from the same period last year. The major reason came from a decrease in Bancassurance channel. Regarding the total premium by distribution channels, bancassurance, agent and other channels accounted for 59%, 31% and 10%, respectively.

First Year Premium

In the first quarter of 2020, the Company's FYP was 1,277 million Baht, a decrease of 17% from the same period last year because of a decline in 39% premium in Bancassurance channel. However, the agent and other channel had an increase of 5% and 88%, respectively. The decline of the Bancassurance FYP resulted from the impact of COVID-19 including which impacted new loans extended by bank in certain segments affected the sales of protection products. Meanwhile, agent channel experienced a slight increase in FYP as a result of the agent development. In addition, an increase of other channel FYP resulted from an increase in premium of Group channel, direct marketing and online channel.

When compared to the fourth quarter of 2019, the Company had a decrease of 16% of FYP, as a result of a decline in premium of Bancassurance, Agent channel and Other channel by 30%, 10% and 33% respectively due to seasonality.

Renewal Premium

In the first quarter of 2020, the Company had a renewal premium of 8,780 million Baht, a decrease of 2% from the same period last year.

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

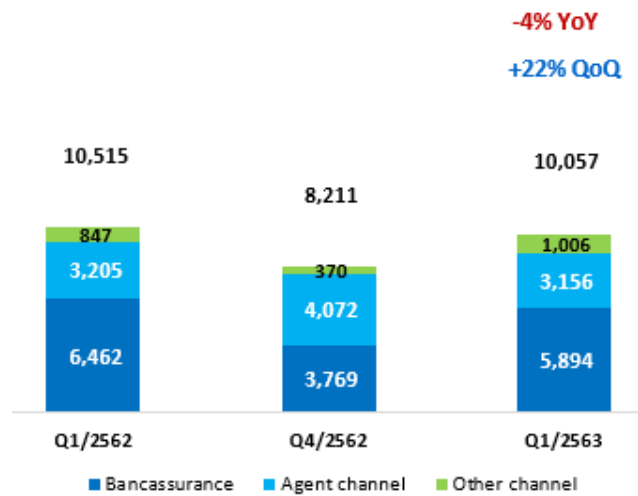


Figure 2: First Year Premium by channels (Baht: million)

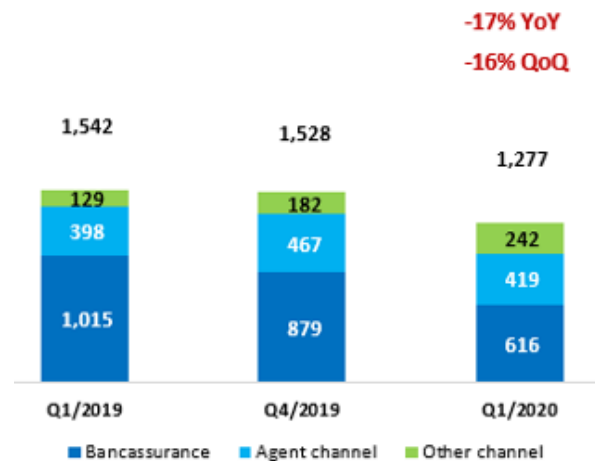
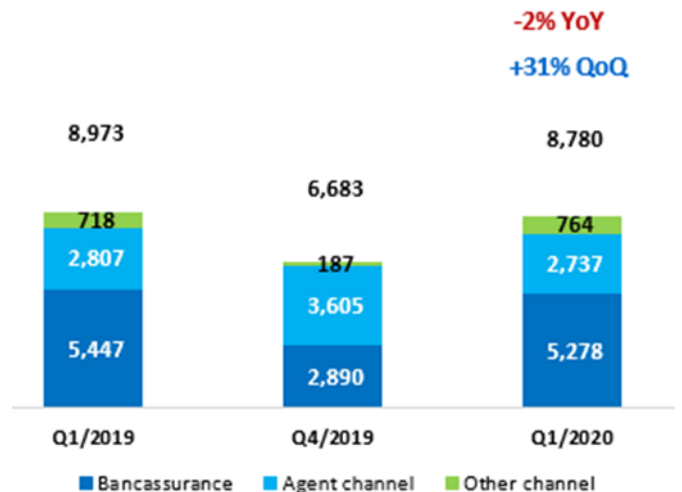


Figure 3: Renewal Premium by channels (Baht: million)



Investment Asset and Investment Return

In the first quarter of 2020, the Company's total investment asset was 325,362 million Baht, a decline of 1,541 million Baht from the previous quarter due to a decline in risky investment asset. The Company invested 84% in fixed income, 7% in equity and 5% in real estate investment trusts (REIT).

In the first quarter of 2020, the Company's investment income ⁽³⁾ was 4,523 million Baht, an increase of 46% from the same period last year. The major reason came from an increase in realized gain on investment. Excluding realized gain, interest and dividend income increased 3% YoY.

Table 1: Investment Assets as of Quarter 1 2020

Asset Class	4/ 2019	1/ 2020	Change
Short-term investment	4.1%	4.3%	0.2%
Bond	42.9%	46.4%	3.5%
Debenture & Note	34.4%	33.5%	-0.9%
Total Fixed income	81.3%	84.1%	2.8%
Equity	8.8%	7.0%	-1.8%
REIT	6.7%	5.3%	-1.4%
Loan	3.2%	3.6%	0.4%
- Policy Loan	2.6%	2.7%	0.1%
- Secured loan	0.6%	0.9%	0.3%
Total investment asset (Mb)	323,821	325,362	0.48%

Figure 4: Investment Income (Baht, Million)

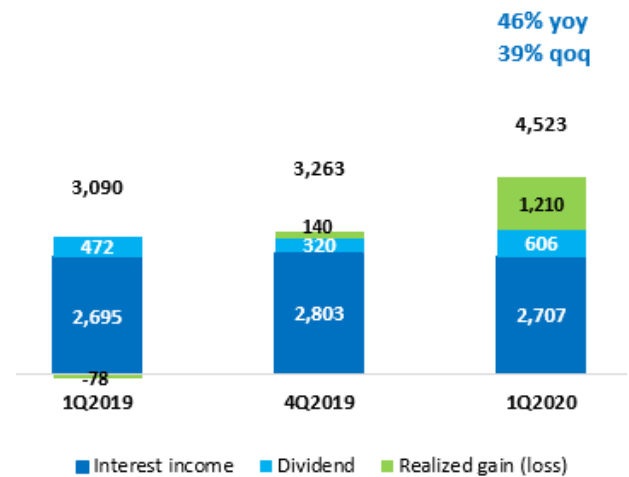
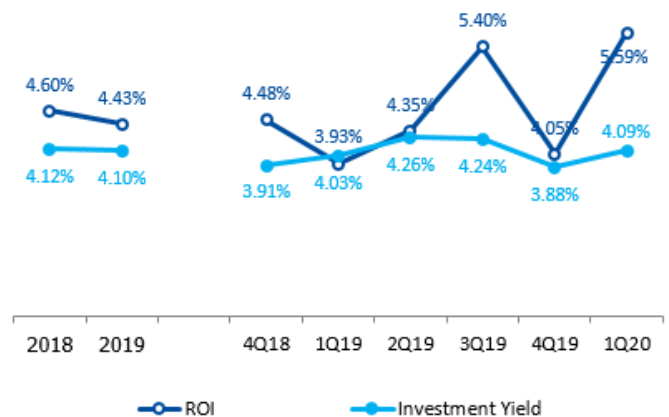


Figure 5: Return on Investment



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

Underwriting Expenses

In the first quarter of 2020, the Company underwriting expenses was 13,775 million Baht, an increase of 23% from the same period last year. The major reason came from the impact of PAD adjustment from 4% to 5% with the total amount of 2,668 Million Baht.

In the first quarter of 2020, the Company had an operating expense of 363 Million Baht, a decrease of 2% from the same period last year because of increasing efficiency.

Figure 6: Underwriting Expenses (Baht, million)

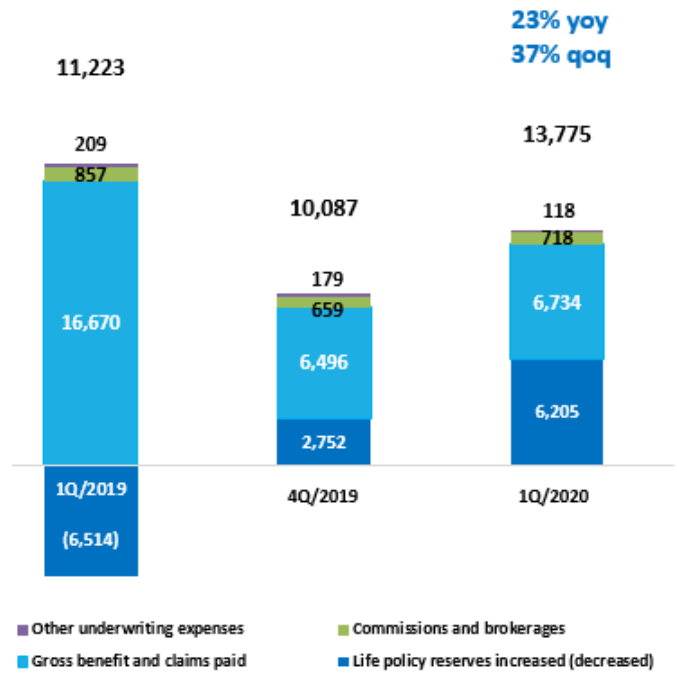
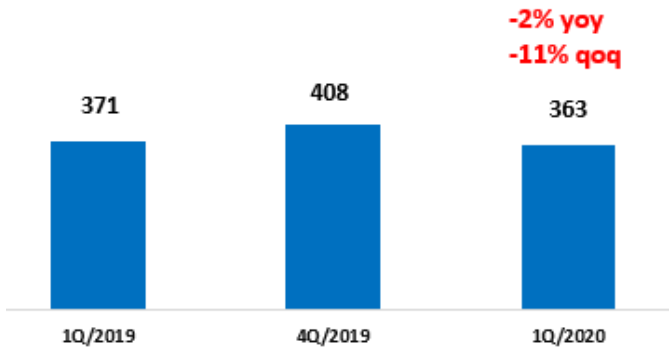


Figure 7: Operating Expense (Baht, million)



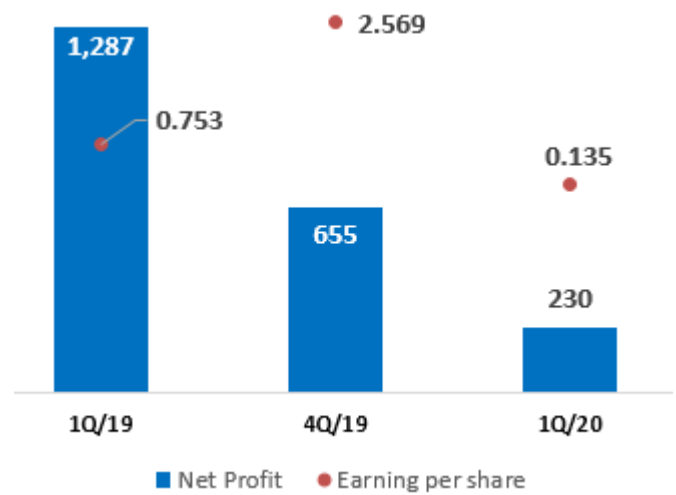
Net Profit

In the first quarter of 2020, the Company has a net profit of 230 Million Baht, which was 0.135 Baht per share, a decrease of 82 % from the same period last year. 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)

In this quarter, the Company's Capital Adequacy Ratio ("CAR") was 266%, a decline from 314% at the end of year 2019. To be noted that both numbers came from the calculation using RBC II, which was adopted to emphasize on putting stricter requirement for the risk protection of insurance companies. The decline of CAR this quarter came from the mark-to-market of fixed income, equity and real estate Investment trust.

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



Summary of Financial Position as of 31 March 2020

	31 Mar 20	%	31 Mar 19	Change	31 Dec 19	Change
Assets						
Cash and cash equivalents	9,887	3%	6,737	3,150	13,442	(3,555)
Premiums due and uncollected	2,929	1%	3,242	(313)	1,801	1,128
Accrued investment incomes	2,730	1%	3,573	(843)	2,680	50
Investments ⁽⁴⁾	315,439	94%	304,221	11,218	310,363	5,076
Premises and equipment	1,563	0.5%	1,319	244	1,451	112
Other assets	4,502	1%	3,564	938	5,395	(893)
Total Assets	337,050	100%	322,656	14,395	333,680	3,370
Liabilities and equity						
Life policy reserves	283,694	84%	267,394	16,299	277,489	6,205
Other insurance contract liabilities	9,617	3%	9,994	(378)	9,153	463
Other liabilities	3,552	1%	2,994	558	2,778	774
Total liabilities	296,862	88%	280,382	16,480	289,420	7,443
Retained earnings	30,859	9%	29,765	1,094	31,626	(767)
Unrealized gain on investment	4,094	1%	-	4,094	7,536	(3,441)
Total equity	40,188	12%	42,274	(2,086)	44,260	(4,072)
Total liabilities and equity	337,050	100%	322,656	14,395	333,680	3,370

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

Assets

Total assets as of 31 March 2020 increased from 31 March 2019 by 4% or 14,395 Million Baht. The majority of the company's assets was investment asset, which contributed to 94% of total assets and accounted for 112% of life reserve policy.

Liabilities and Equity

Total liabilities as of 31 March 2020 slightly increased from 31 March 2019. The increase mostly came from the life policy reserves.

The total equity as of 31 March 2020 was 40,188 Million Baht, a decrease of 2,086 Million Baht or 5% from 31 March 2019 from a decline in unrealized gain at FVOCI amounting to 4,610 million Baht. Book value per share (BV/share) was at 23.54 Baht per share, decrease from 24.76 Baht per share.

Financial Ratios

Financial ratio	YoY		QoQ
	1/20	1/19	4/19
NI / Total income	1.6%	9.8%	5.8%
NI / Net premium	2.4%	12.8%	8.2%
Life policy reserve / Net premium	3.0%	2.7%	3.5%
Underwriting expenses / Net premium	95.7%	111.7%	126.6%
Operating expenses / Net premium	3.8%	3.7%	5.1%
Investment assets / Total asset	96.1%	97.4%	93.0%
Investment assets / Life policy reserve	114.2%	117.6%	116.0%
NI / Average investment assets	5.6%	3.9%	4.1%
NI / Average equity	0.5%	3.3%	1.5%
NI / Average assets	0.1%	0.4%	0.2%
CAR ratio	266%	270%	314%