
“Management Discussion and Analysis for 2nd quarter 2019”



Executive Summary

OPERATING RESULTS	Q2/19	Q2/18	%Change	Q1/19	%Change	6M/19	6M/18	%Change
Revenues								
Net premiums written ⁽¹⁾	6,990	7,638	-8.5	9,812	-28.8	16,801	20,300	-17.2
First Year Premium	1,180	2,094	-43.6	1,542	-23.5	2,723	4,771	-42.9
Bancassurance	739	1,538	-52.0	1,015	-27.2	1,753	3,381	-48.1
Agent Channel	374	435	-14.0	398	-6.1	772	1,030	-25.1
Total Investment Income ⁽²⁾	3,439	3,431	0.2	3,123	10.1	6,562	6,836	-4.0
Total Revenues	10,594	11,202	-5.4	13,104	-19.2	23,698	27,439	-13.6
Expenses								
Underwriting expenses	9,003	9,350	-3.7	11,223	-19.8	20,226	23,096	-12.4
Operating expenses	428	433	-1.2	371	15.3	798	829	-3.7
Total Expenses	9,431	9,783	-3.6	11,594	-18.7	21,025	23,925	-12.1
Earning before tax	1,163	1,419	-18.0	1,510	-23.0	2,673	3,514	-23.9
Net profit	1,016	1,230	-17.4	1,286	-21.0	2,302	2,986	-22.9
Earnings per share (EPS)	0.59	0.72	-17.4	0.75	-21.0	1.35	1.75	-22.9
Return on investment (ROI)	4.35%	4.76%	-0.41%	3.93%	0.42%	4.13%	4.64%	-0.51%
Capital Adequacy Ratio (CAR)	289%	240%	49%	270%	19%	289%	240%	49%

⁽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 2019, Bangkok Life Assurance Public Company Limited ("the Company") reported net profit amounting to Baht 1,016 million, representing earnings per share of Baht 0.59, a decrease of 17% YoY and 21% QoQ. In the first-half 2019, the net profit was Baht 2,302 million, representing to Baht 1.35 per share, a decrease by 23%. However, in 1Q 2018, the Company reversed LAT Reserve amounting to Baht 660 million. Exclude this effect, the net profit will decrease by 6%.
- Total revenue in 2019 was Baht 10,594 million, a decrease by 5% YoY with First Year Premium (FYP) amounting to Baht 1,180 million, a decline of 44% YoY. The FYP decrease mainly came from bancassurance channel as the partner bank had acquired an additional partner for its bancassurance business. In the first-half 2019, the total revenue was Baht 23,698 million and FYP was at Baht 2,723 million, a decrease by 14% YoY and 43%, respectively.
- The FYP by distribution channels in the first-half 2019, bancassurance, agent and other channels, accounted by 64 percent, 28 percent and 7 percent, respectively.
- Total investment income in this quarter was Baht 3,439 million, an increase of 0.2% YoY and 10% QoQ. The return on investment (ROI) was 4.35%. Total investment income in first-half 2019 was Baht 6,562 million, a decrease of 4% due to a decrease in realized gain on investment. The return on investment in the first-half 2019 was 4.13%
- Total expenses in Q2 2019 amounted to Baht 9,431 million, a decrease of 4% YoY. Total expenses in first-half 2019 was Baht 21,025 million, also a decrease of -12%. The Company did not have any LAT reserve in the first half of 2019.
- Capital Adequacy Ratio (CAR) as of the end of 2Q 2019 was at 289%, an increase from 260% at end of year 2018.

Performance Overview

First Year Premiums

In 2Q 2019, the company's First Year Premium ("FYP") was Baht 1,180 million, a decrease of 44% YoY as a result of both decrease in bancassurance channels by 52%, agent channels by 14% and other channels by 44%. The YoY bancassurance FYP decline was mainly because the partner bank had acquired additional partner for its bancassurance business. The YoY reduction of FYP from agent channel is mainly due to an adjustment in product sales by reducing short-term products and focusing more on selling long-term products which has a higher margin as well as changing sales channel of pension products which have a higher cost. These factors impacted the growth of agent channel in the first-half 2019. However, if not considering these effects, 2Q 2019 FYP from agent channel will slightly grow YoY. For other channels, FYP decreased YoY due to the reduction of premiums from group insurance. However, the premiums from online and direct marketing channels still have high growth.

In the first-half 2019, the total FYP was Baht 2,723 million, decrease 43% as a result of reduction in bancassurance channels by 48%, Agent channels by 25% and other channels by 45%. For Agent channels, if exclude the effects that mention above, Agnet channels will slightly decrease from the frist-half of 2018.

The FYP by distribution channels in the first half 2019, the bancassurance accounted by 64%, agent channels by 28% and other channels by 7%. Comparing with the same period of Last year, FYP from bancassurance decreased while FYP from agent channels proportion increased.

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

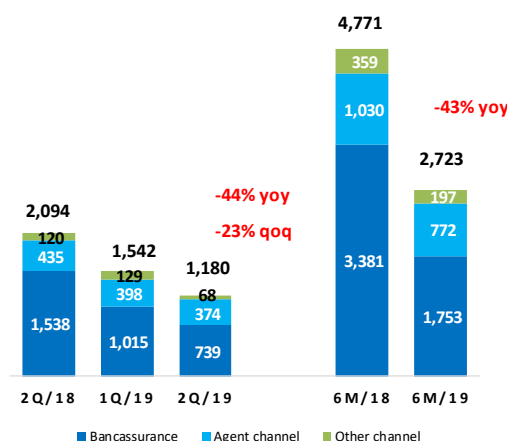
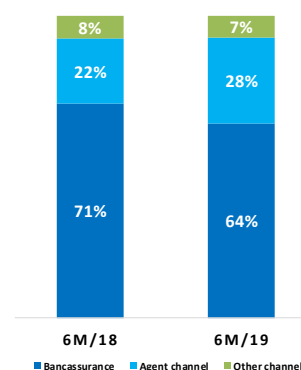


Figure 2: Proportion of First Year Premium by Channels



Renewal Year Premiums

In 2Q 2019, the company had Renewal Year Premium (RYP) total of Baht 5,908 million, an increase of 3% YoY but decrease of 34% QoQ. The QoQ decrease was mainly from bancassurance channel. In first-half 2019, RYP was Baht 14,888 million, a decrease by 9% YoY due to more matured policies via bancassurance channel in the first quarter this year.

Total Premiums

In 2Q 2019, the company's Total Premiums (TP) was Baht 7,089 million, a decrease of 9% YoY, which was caused by a decrease of FYP as mentioned above. In the first-half of 2019, TP was Baht 17,604 million, a decrease of 17% YoY.

In terms of Total Premium by distribution channels of first-half 2019, total premiums from bancassurance channel, Agent channel and Other channels accounted by 59%, 35% and 6%, respectively.

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

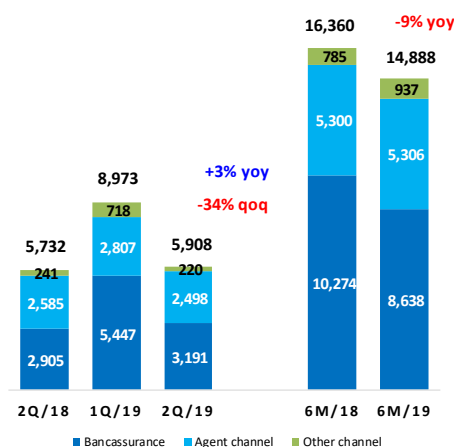
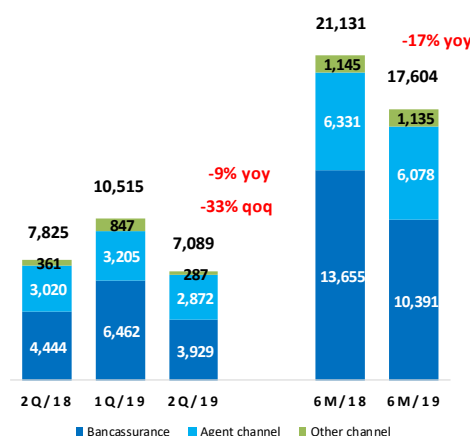


Figure 4: Total Premiums by channels (Baht, million)



Investment Asset and Investment Return

As of 2Q 2019, the Company's total investment assets was Baht 316,417 million, an increase of 1Q 2019 of 5,832 million and Baht 3,352 million from the end of year 2018. As of 2Q 2019, the Company invested by 80% in fixed income and in equity and real estate investment trusts (REIT) of 9% and 7%, respectively.

In 2Q 2019, the Company investment income was Baht 3,397 million, a decrease of 6% YoY, but an increase of 10% QoQ. The decline of investment Income was due to reducing in realized gain on investment. In the 2Q 2018, there was realized gain on investment of Baht 450 million while for this quarter the realized gain on investment was only Baht 67 million. If excluding the realized gain, Interest and dividend income in this quarter will increase by 5% YoY and 5% QoQ.

In first-half 2019, the investment income was Baht 6,487 million, a decrease of 8% YoY. However, if exclude realized gain, the investment income will increase by 5% YoY.

As of 2Q 2019, the Company reported surplus on available-for-sale investment (net of taxes) total of Baht 9,457 million, an increase of Baht 2,012 million from the previous quarter due to the price increase from available-for-sale investment in Equity and REIT.

Considering the investment return, it was found that return on investment (ROI) in 2Q 2019 was 4.35%, a decrease from 4.76% in 2Q 2018 from reducing in realized gain on investment. However, if exclude the realized gain, investment yield (interest and dividend income) in 2Q 2019 will be 4.26%, an increase from 4.16% from same period of 2018.

Table 1: Investment Assets As of 2Q 2019

Asset Class	2Q 2019	1Q 2019	Change (pps)
Short-term Investment	2.1%	2.5%	-0.4%
Bond	44.6%	44.5%	+0.1%
Debenture & Notes	33.3%	33.3%	0.0%
Total Fixed Income	80.0%	80.3%	-0.3%
Equity	9.5%	9.4%	+0.1%
REIT	6.9%	6.7%	+0.2%
Loan	3.6%	3.6%	0.0%
- Policy loan	2.6%	2.6%	0.0%
- Secured loan	1.0%	1.0%	0.0%
Total Investment Assets (Mb)	316,417	310,585	

Figure 5: Investment Income

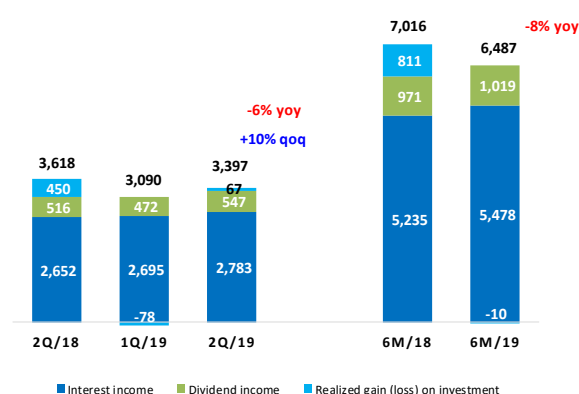
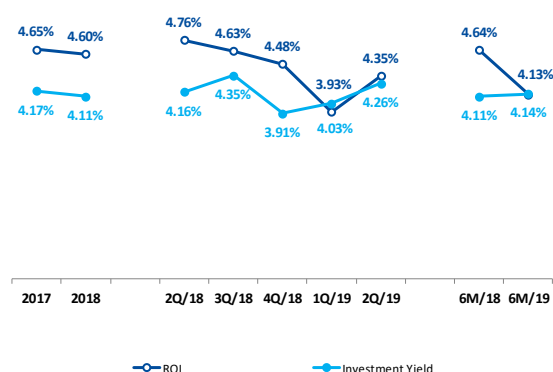


Figure 6: Return on Investment



The return on investment in the first-half 2019 was 4.13%, a decrease from 4.64% in first-half 2018. The investment yield in the first-half 2019 was 4.14%, an increase from 4.11% YoY due to a decrease in short-term investment allocation which was lower yield.

Underwriting Expenses

In 2Q 2019, the company underwriting expenses was Baht 9,003 million, a decrease of 4% YoY from Baht 9,350 million. The decrease in underwriting expenses was mainly due to 1) a decrease in reserves for long-term insurance contracts from a decline in FYP and matured policies and 2) commissions and brokerage decrease. However, in this quarter, the benefit under life policies and claim payments increased by Baht 557 million. This was mainly due to an increase in benefit payment, maturity and surrender.

In the first-half 2019, the underwriting expenses were Baht 20,226 million, a decrease of 12%. The decline of underwriting expense was due to a decrease in reserves for long-term insurance contracts in this period with the amount of Baht 11,612 million from matured policies while benefit payment increase only by Baht 9,372 million.

Operating Expenses

In 1Q 2019, the Company had operating expenses, amounting to Baht 428 million, a decrease of 1% YoY. The first-half of operating expenses also decreased by 4%. The decrease was mainly due to a decrease in staff expenses.

Figure 7: Underwriting Expenses (Baht, million)

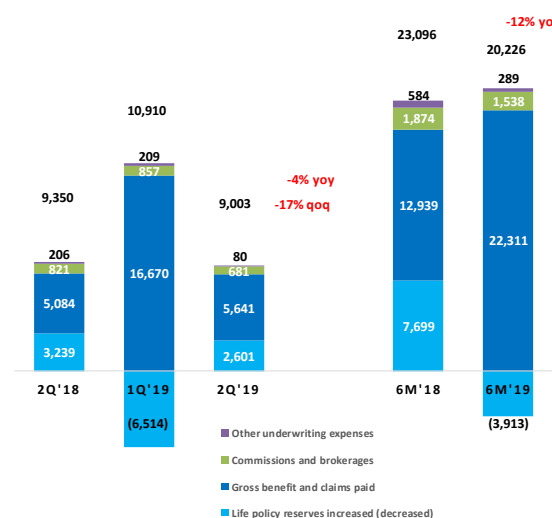
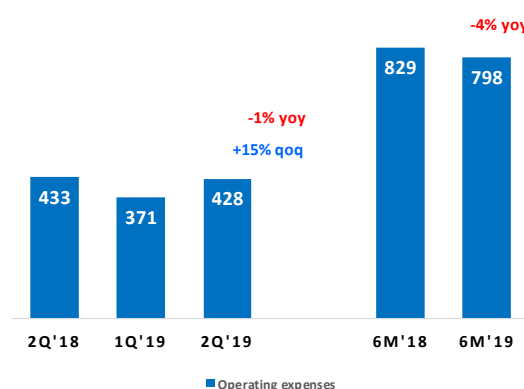


Figure 8: Operating Expenses (Baht, million)

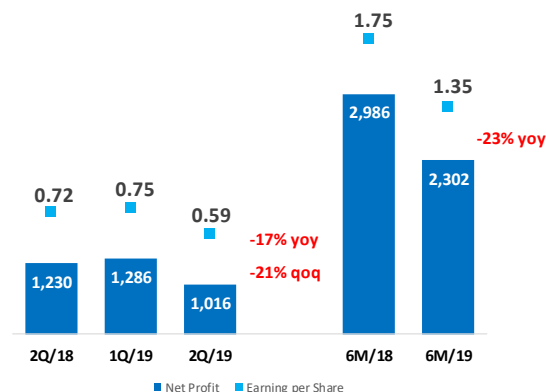


Net Profit

In the second quarter of 2019, the Company reported net profit amounting to Baht 1,016 million, representing for Baht 0.59 per share, a decrease of 17% YoY and 21% QoQ. The decline of net profit was due to narrow margin as expenses decreased less than revenues.

In the first-half 2019, the Company reported net profit amounting to Baht 2,302 million, Baht 1.35 per share, a decrease of 23%. However, in 1Q 2018, the Company reversed LAT Reserve amount of Baht 660 million. If not considering this effect, the net profit will decrease by 6%

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



Capital Adequacy Under Risk-Based Capital: RBC

As of June 30 2019, the Company's Capital Adequacy Ratio ("CAR") was 289%, an increase from 260% at end of year 2018. The ratio is still more than double comparing with minimum level of regulation requirement.

For the diversification of Total Capital Required ("TCR"), the Company managed to diversify the risks across major area. The result is stabilizing and less volatile in the Company's Capital Adequacy Ratio.

Figure 10: Capital Adequacy Ratio (CAR)

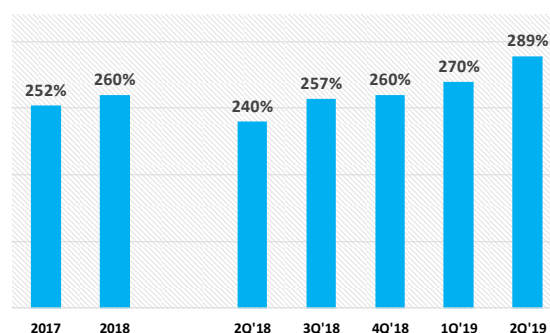
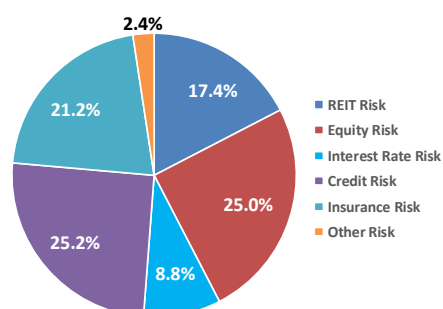


Figure 11: Total Capital Required (TCR) Risk Diversification As of 30 June 2019



Summary of Financial Position as of 30 June 2019

	30 Jun. 2019	%	31 Mar. 2019	Change	%	31 Dec. 2018	Change	%
Assets								
Cash and cash equivalents	6,021	2%	6,737	(716)	-11%	9,826	(3,805)	-39%
Premiums due and uncollected	2,289	1%	3,242	(953)	-29%	1,910	378	20%
Accrued investment incomes	2,785	1%	3,573	(788)	-22%	2,691	94	3%
Investments	310,421	95%	303,830	6,591	2%	304,221	6,200	2%
Premises and equipment	1,382	0%	1,344	38	3%	1,360	22	2%
Other assets	3,758	1%	3,930	(172)	-4%	4,569	(812)	-18%
Total Assets	326,655	100%	322,656	4,000	1%	324,578	2,078	1%
Liabilities and equity								
Life policy reserves	269,995	83%	267,394	2,601	1%	273,908	(3,913)	-1%
Other insurance contract liabilities	9,581	3%	9,994	(413)	-4%	9,373	208	2%
Other liabilities	2,413	1%	2,994	(580)	-19%	2,789	(375)	-13%
Total liabilities	281,990	86%	280,382	1,608	1%	286,070	(4,080)	-1%
Total equity	44,666	14%	42,274	2,392	6%	38,508	6,157	16%
Total liabilities and equity	326,655	100%	322,656	4,000	1%	324,578	2,078	1%

Assets

Total assets as of 2Q 2019 increased from December 31, 2018 by 1% or Baht 2,078 million. The Company's assets were mostly investment asset which contributed to 97% of total assets and accounted to 117% of life policy reserve.

Liabilities and Equity

Total liabilities at the end of June 30, 2019 decreased by 1% from the end of year 2018 which mostly came from a decrease in life policy reserve amount of Baht 3,913 million or 1% due to more matured policies in the first quarter this year.

The Company's total equity at end of 2Q 2019 increased to Baht 44,666 million or 16% increase from end of year 2018. The increase is mainly contributed by the net profit of the first half and revaluation surplus on available-for-sale investments (net of taxes) amount of Baht 4,496 million.

Financial Ratios

Financial ratio	Quarter		6 Months	
	1/ 2019	1/ 2018	6M/ 2019	6M 2018
NI / Total income	9.6%	11.0%	9.7%	10.9%
NI / Net premium	15.0%	16.3%	13.7%	14.7%
Life policy reserve / Net premium	38.3%	43.0%	-23.2%	38.0%
Underwriting expenses / Net premium	132.6%	124.0%	120.1%	113.9%
Operating expenses / Net premium	6.3%	5.7%	4.7%	4.1%
Investment assets / Total asset	96.9%	96.7%	96.9%	96.7%
Investment assets / Life policy reserve	117.2%	115.8%	117.2%	115.8%
NI / Average investment assets	4.35%	4.76%	4.13%	4.64%
NI / Average equity	9.4%	12.6%	11.0%	15.4%
NI / Average assets	1.3%	1.6%	1.3%	1.9%
Car ratio ¹	289%	240%	289%	240%

Industry Overview¹

The life insurance industry in the first-half 2019 reported a new business premium amounting to Baht 84,002 million, a decrease of 8% YoY. However, if considering in detail, it was found that the decline of new business premium came from a decrease of -20% in single premium while first-year premium increased by 3% YoY. The industry renewal and total premiums in first-half 2019 decreased by 5% and 6%, respectively.

For new business premiums by distribution channels in first-half of 2019, Agent channel grown by 7%, account for 35% of all new business premiums.

Figure 12: Life Insurance Industry Premiums

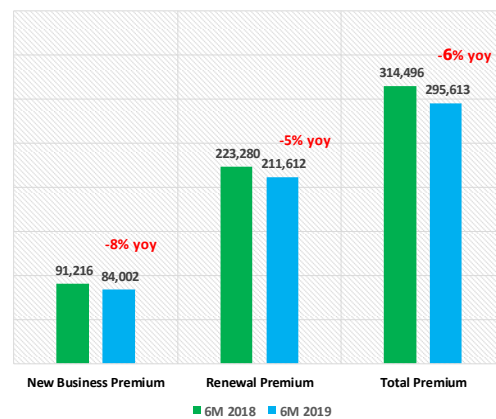
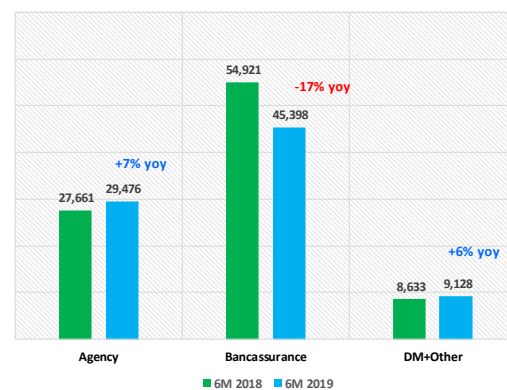


Figure 13: Industry New Business Premiums by Channels



¹ Source: The Thai Life Assurance Association

The bancassurance new business premium decreased by 17% YoY and account for 54% of total new business premiums. For other channels including with direct marketing, the new business premium showed a 6% growth YoY and account for 10.9% of total new business premium.

Figure 14: New Business Premiums by Channels (%)

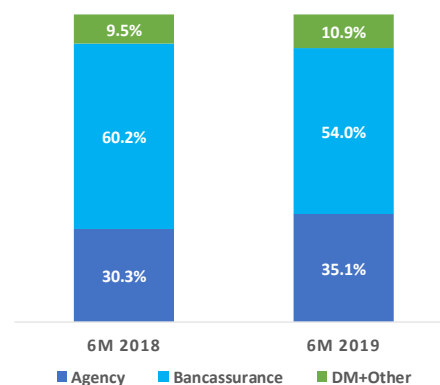


Table 2: Life insurance Premiums market share (%)

No.	LI Company	New Business Premiums	Renewal Premium	Total Premiums	Market Share (New Business)
1	AIA	14,508	49,593	64,102	17.3
2	Thai Life Insurance	12,771	30,470	43,241	15.2
3	Muang Thai Life Assurance	12,253	30,443	42,696	14.6
4	SCB Life Assurance	7,899	17,600	25,499	9.4
5	Krungthai AXA	6,600	23,166	29,766	7.9
6	FWD	6,432	9,546	15,977	7.7
7	Prudential	4,699	6,653	11,352	5.6
8	Allianz Ayudhya	3,069	12,487	15,556	3.7
9	Southeast Life Insurance	2,747	1,732	4,479	3.3
10	Bangkok Life Assurance	2,723	14,881	17,604	3.2