
“Management Discussion and Analysis for 3rd quarter 2020”

Executive Summary

Baht, million

OPERATING RESULTS	Quarter 3/20	Quarter 3/19	Change YoY%	Quarter 2/20	Change QoQ%	9M/20	9M/19	Change YoY%
Revenues								
Net premiums written ⁽¹⁾	9,743	9,538	2.2	6,677	45.9	25,631	26,339	-2.7
First Year Premium	3,005	1,948	54.3	1,073	180.1	5,355	4,670	14.7
Bancassurance	2,597	1,103	135.4	534	386.3	3,747	2,856	31.2
Agent Channel	360	685	-47.4	422	-14.7	1,201	1,457	-17.6
Renewal Premium	6,798	7,930	-14.3	5,766	17.9	21,344	22,811	-6.4
Total Investment Income ⁽²⁾	2,942	4,303	-31.6	3,317	-11.3	10,772	10,790	-0.2
Total Revenues	12,824	13,920	-7.9	9,716	32.0	36,930	37,618	-1.8
Expenses								
Underwriting expenses	11,775	11,647	1.1	8,446	39.4	33,997	31,873	6.7
Operating expenses	405	430	-5.9	387	4.7	1,155	1,229	-6.0
Expected Credit Loss	(9)	-	0.0	190	-104.6	211	-	0.0
Total Expenses	12,171	12,077	0.8	9,023	34.9	35,363	33,102	6.8
Earning before tax	653	1,843	-64.6	694	-5.8	1,568	4,516	-65.3
Net profit	583	1,430	-59.2	631	-7.5	1,445	3,731	-61.3
Net profit (Excluded LAT Reserve)	583	1,430	-59.2	631	-7.5	1,445	3,731	-61.3
Earnings per share (EPS)	0.34	0.84	-59.2	0.37	-7.5	0.85	2.19	-61.3
Return on investment (ROI)	3.54%	5.40%	-1.9%	4.02%	-0.5%	4.33%	4.56%	-0.2%
Capital Adequacy Ratio (CAR)	263%	308%	-45%	275%	-12%	263%	308%	-45%

⁽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 2020, Bangkok Life Assurance PCL. reported a net profit of 583 Million Baht, representing an earning per share of 0.34 Baht, a decline of 59% from the same period last year due to a decline on gain on sale of investment. Net profit was at 1,445 Million Baht during the nine-month period of 2020, which is equivalent to Baht 0.85 per share, representing a decline of 61% 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 third quarter of 2020, the Company had a total revenue of 12,824 Million Baht, a decline of 8% from the same period last year. First Year Premium was 3,005 Million Baht, an increase of 1,057 Million Baht or 54% YoY. The FYP increase mainly came from bancassurance channel. However, RYP declined by 1,132 Million Baht from the same period last year as some endowment products previously sold saw premium fully paid.
- In addition, investment income declined by 1,361 million Baht. In the nine-month period of 2020, the total revenue was 36,930 Million Baht, decreasing 2% YoY. The FYP was 3,005 Million Baht, an increase of 15%.
- The FYP by distribution channel: bancassurance, agent and other channels accounted for 86%, 12% and 2%, respectively.
 - The total investment income in the third quarter of 2020 was 2,942 Million Baht, a decline of 32% from the same period last year. The return on investment (ROI) this quarter was 3.54%, declining from 5.40% from the decline in profit from gain on sale of investment. In the third quarter of 2020, the loss from sale of investment was at 237 Million Baht while there was a gain on sale of investment of 930 Million Baht in the same period last year. The total investment income in the nine-month period of 2020 was 10,772, similar to the amount in 2019.

Performance Overview

Total Premium

In the third quarter of 2020, the Company's total premium amounted to 9,803 million Baht, a decline of 1% from the same period last year mainly due to a decline in agent and other channel. Regarding the total premium by distribution channels: bancassurance, agent and other channels accounted for 61%, 35% and 4%, respectively.

First Year Premium

In the third quarter of 2020, the Company's FYP was 3,005 million Baht, an increase of 54% from the same period last year because premium in Bancassurance channel increased by 135% from tactical product, which was a special campaign with the bank. Premium on bank protection products shows a slight increase QoQ. Meanwhile, agent channel experienced a decline of 47% YoY in FYP as a result of a change in product mix. In addition, other channel saw 70% decline because of a drop in sale of online and Group channel, while the sale of direct marketing channel continued to increase.

Renewal Premium

In the third quarter of 2020, the Company had a renewal premium of 6,798 million Baht, a decline of 14% from the same period last year due to matured products of Bancassurance and other channel.

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

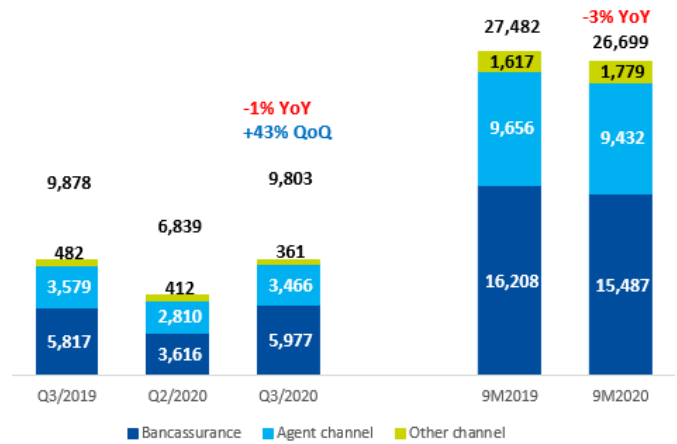


Figure 2: First Year Premium by channels (Baht: million)

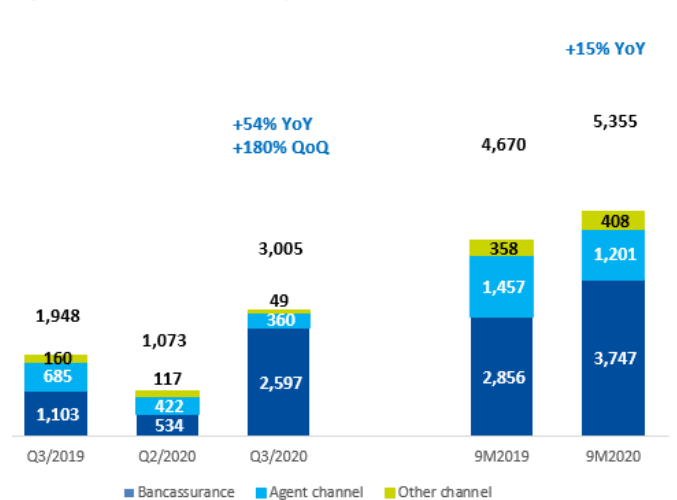
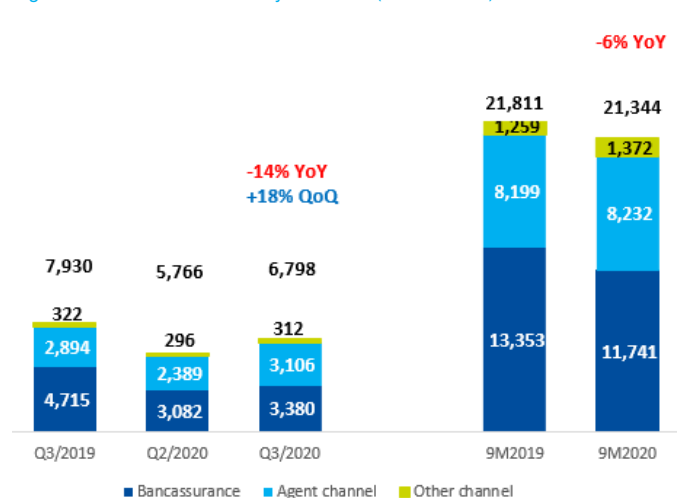


Figure 3: Renewal Premium by channels (Baht: million)



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

Investment Asset and Investment Return

In the third quarter of 2020, the Company's total investment asset was 331,529 million Baht, a decline of 1,775 million Baht from last quarter from market volatility. The Company invested 84% in fixed income, 8% in equity and 5% in real estate investment trusts (REIT).

In the third quarter of 2020, the Company's investment income ⁽³⁾ was 2,942 million Baht, a decline of 32% from the same period last year. Excluding realized gain, interest and dividend income dropped 6% this quarter to an investment yield of 3.83% against 3.86% in the previous quarter.

Table 1: Investment Assets as of Quarter 2/2020

	3/2020	4/2019	Change
Short-term investment	4.8%	2.0%	2.8%
Bond	47.2%	46.5%	0.7%
Debenture & Note	31.9%	33.2%	-1.3%
Total fixed income	83.9%	81.7%	2.2%
Equity	7.5%	8.8%	-1.3%
REIT	5.3%	6.3%	-1.0%
Loan	3.4%	3.2%	0.2%
- Policy Loan	2.7%	2.6%	0.1%
- Secured Loan	0.7%	0.6%	0.1%
Total investment asset (Mb)	331,529	325,736	5,793

Figure 4: Investment Income (Baht, Million)

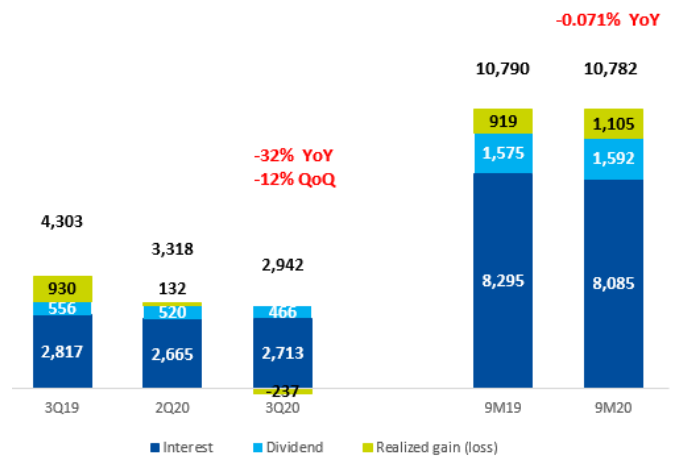
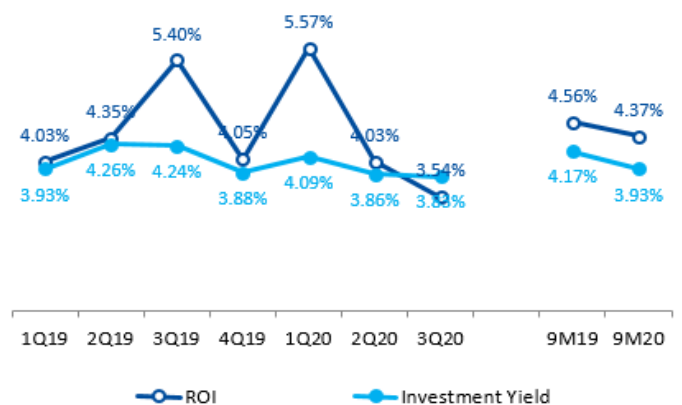


Figure 5: Return on Investment



Underwriting Expenses and Operating Expenses

In the third quarter of 2020, the Company underwriting expenses was 11,775 Million Baht, the expense on benefit and claims paid increased by 2,656 Million Baht or a 44.6% YoY increase from the same period last year. The increase was mainly due to higher benefit payment at maturity this year in comparison with the same period last year. Meanwhile, life policy reserves declined by 2,652 Million Baht YoY as a result of the maturity benefit payment.

During the nine-month period of 2020, the Company had substantial lower number of matured insurance policies compared to that of 2019, resulting in the higher life policy reserves. In addition, the Company change policy on setting aside Provision for Adverse Deviation (PAD) this year, resulted in an expense of 2,668 Million Baht in reserves.

In the third quarter of 2020, the Company had an operating expense of 405 Million Baht, a decrease of 6% from the same period last year. In the nine-month period of 2020, operating expense also decreased by 6% because of increasing operating efficiency.

Figure 6: Underwriting Expenses (Baht, million)

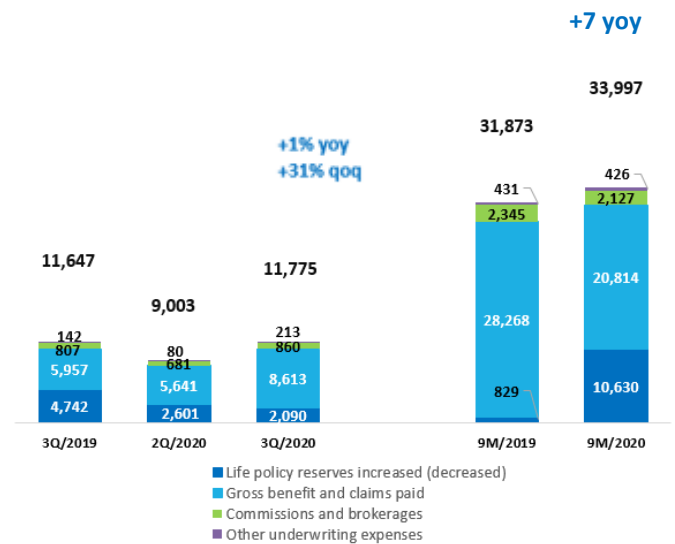
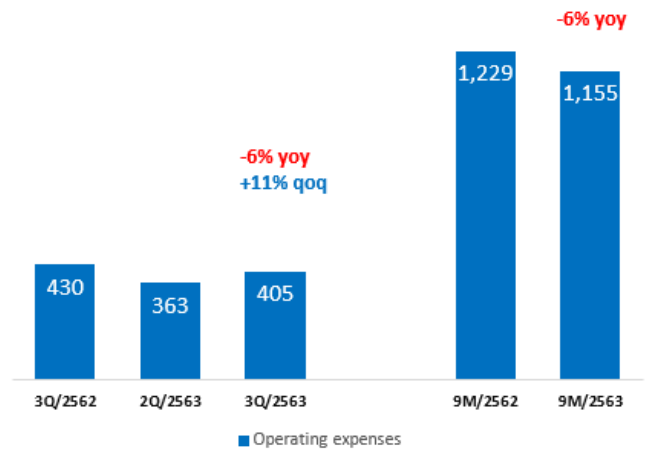


Figure 7: Operating Expense (Baht, million)



Net Profit

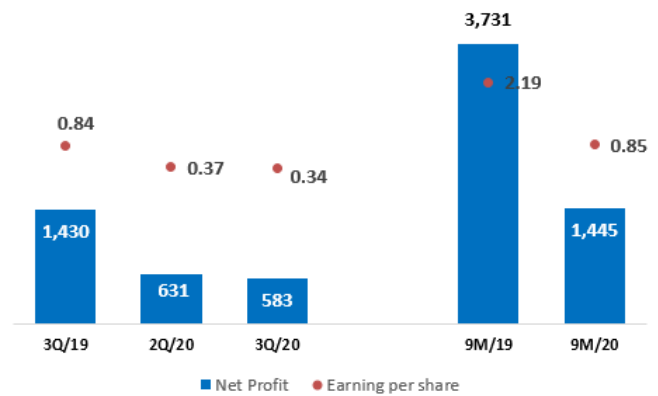
In the third quarter of 2020, the Company has a net profit of 583 Million Baht or Baht 0.34 per share, a decline of 59% from the same period last year. The decline came from a decrease of gain on investment.

In the nine-month period of 2020, the Company reported a net profit amounting to 1,445 Million Baht or Baht 0.85 per share, a decline of 61% YoY. The decline came from an additional expense of 2,668 Million Baht related to a change in policy on setting aside PAD: Provision for Adverse Deviation.

Capital Adequacy and Risk-Based Capital (RBC)

At the end of the third quarter of 2020, the Company's Capital Adequacy Ratio ("CAR") was at 263%, a decline from 314% at the end of 2019, and decrease from 275%, but it still 2.6x times higher than legally required.

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



Summary of Financial Position as of 30 September 2020

	30 Sep 20	%	31 Dec 19	%	Change	%
Assets						
Cash and cash equivalents	9,122	3%	13,442	4%	(4,320)	-32%
Premiums due and uncollected	2,338	1%	1,801	1%	537	30%
Accrued investment incomes	2,525	0.7%	2,680	1%	(155)	-6%
Investments ⁽⁴⁾	322,448	94%	310,379	93%	12,068	4%
Premises and equipment	1,914	0.6%	1,426	0.4%	489	34%
Other assets	4,497	1%	3,953	1%	545	14%
Total Assets	342,845	100%	333,680	100%	9,165	3%
Liabilities and equity						
Life policy reserves	288,119	84%	277,489	83%	10,630	4%
Other insurance contract liabilities	9,188	3%	9,153	3%	35	0%
Other liabilities	3,169	1%	2,778	1%	391	14%
Total liabilities	300,475	88%	289,420	87%	11,056	4%
Retained earnings	31,526	9%	31,626	9%	(100)	-0.3%
Unrealized gain on investment	5,612	2%	7,536	2%	(1,924)	-26%
Non-controlling interests of the subsidiaries	38	0.0%	35	0.0%	3	8%
Total equity	42,369	12%	44,260	13%	(1,891)	-4%
Total liabilities and equity	342,845	100%	333,680	100%	9,165	3%
Book value/Share	24.81		25.92			

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

Assets

Total assets as of 30 September 2020 increased from 31 December 2019 by 3% or 9,165 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 30 September 2020 increased 4% from 31 December 2019. The increase mostly came from the life policy reserves and other insurance contract liabilities.

The total equity as of 30 September 2020 was 42,369 Million Baht, a decrease of 1,891 Million Baht or 4% from 31 December 2019. The increase came from the adoption of accounting guidelines for financial instruments which added 763 Million Baht, Dividend paid 567 Million Baht as well as net profit of 1,445 Million Baht which more than offset unrealized loss from financial instruments of 3,552 Million Baht. Book value per share (BV/share) was at 24.81 Baht per share.

Financial Ratios

Financial ratio	Quarter		9 Months	
	3/2020	3/2019	9M 2020	9M 2019
NI / Total income	4.5%	10.3%	3.9%	9.9%
NI / Net premium	6.1%	14.9%	5.6%	14.1%
Life policy reserve / Net premium	21.9%	49.5%	41.5%	3.1%
Underwriting expenses / Net premium	123.2%	121.6%	132.7%	120.7%
Operating expenses / Net premium	4.2%	4.5%	4.5%	4.7%
Investment assets / Total asset	96.9%	95.8%	96.9%	95.8%
Investment assets / Life policy reserve	115.3%	115.9%	115.3%	115.9%
NI / Average investment assets	3.5%	5.4%	4.3%	4.6%
NI / Average equity	5.4%	12.7%	4.4%	11.9%
NI / Average assets	0.7%	1.7%	0.6%	1.5%
CAR ratio	263%	308%	263%	308%

Life insurance industry

During the nine month period of 2020, life insurance industry reported a new business premium amounting to Baht 114,563 million baht, declining 12% from the same period last year.

New business premiums by distribution channel during nine months of 2020 shows the Agent channel declined by 20% YoY, bancassurance declined by 11% YoY while other channels including direct marketing grew 10% YoY. In terms of channel mix: Agent, bank and others account for 31%, 56% and 13% respectively.

Table 2: Life insurance Premiums market share (%)

Rank	Company	New Business Premiums	Renewal Premium	Total Premium	Market Share (New Business)
1	AIA	19,443	80,171	99,613	19.5%
2	TLI	14,490	48,310	62,799	23.1%
3	MTL	15,282	39,210	54,492	28.0%
4	KTAL	8,830	31,151	39,981	22.1%
5	SCBLife	15,439	21,148	36,587	42.2%
6	BLA	5,355	21,344	26,699	20.1%
7	FWD	7,364	17,207	24,570	30.0%
8	AZAY	4,637	17,797	22,435	20.7%
9	PLT	6,487	10,685	17,172	37.8%
10	OLIC	1,931	8,778	10,710	18.0%

Figure 9: Life Insurance Industry Premiums

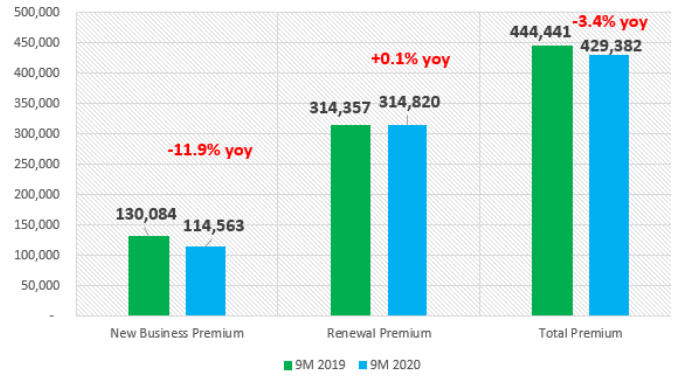


Figure 10: Industry New Business Premiums by products

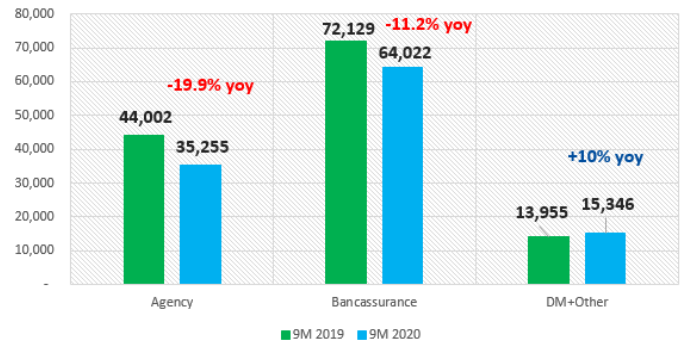


Figure 11: Industry New Business Premiums by Channels

