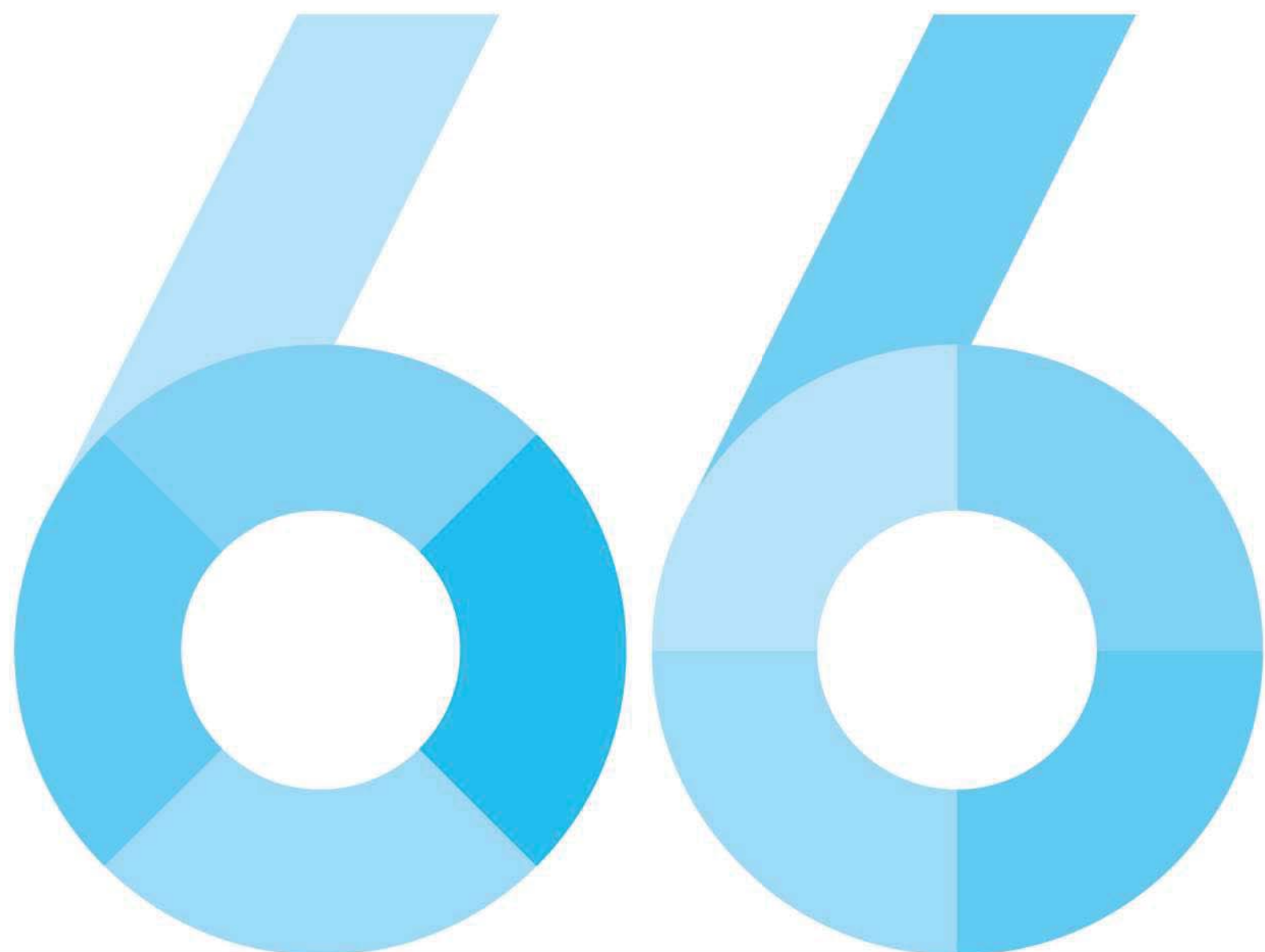




บริษัท กรุงเทพประกันชีวิต จำกัด (มหาชน)
BANGKOK LIFE ASSURANCE PUBLIC COMPANY LIMITED

“Management Discussion and Analysis for 2nd quarter 2018”



66 YEARS OF STABILITY &
ALWAYS STAND BY YOU

Performance Overview

In Q2/2018, the Company had a net profit of Baht 1,182 million, a decrease of Baht 47 million or 4% from a net profit of Baht 1,229 million posted in Q2/2017.

In the first 6 months of 2018, the Company posted a net profit in a sum of Baht 2,941 million, compared to a net profit of Baht 2,157 million posted in the first 6 months of 2017. In Q1/2018, the Company reversed LAT reserve in a sum of Baht 660 million due to the condition of interest rate which improved to the level that allowed the Company to no longer set LAT reserve as at Q1/2018.

In Q2/2018, the Company had a total revenue of Baht 11,145 million, a decrease of 1% from Q2/2017. Net premiums written amounted to Baht 7,638 million, a decrease of 4%. Total investment income amounted to Baht 3,379 million, an increase of 3% and other incomes amounted to Baht 128 million.

In the first 6 months of 2018, the Company had a total revenue of Baht 27,378 million, an increase of 2% from the first 6 months of 2017. Net premiums written

amounted to Baht 20,300 million, a decrease of Baht 161 million or 1%. Total investment income amounted to Baht 6,784 million, an increase of Baht 595 million or 10% and other incomes amounted to Baht 294 million.

Total expenses in the Q2/2018 were Baht 9,778 million, a decrease of 0.6% from Q2/2017. Underwriting expenses amounted to Baht 9,347 million, a decrease of 1% and operating expenses amounted to Baht 431 million, an increase of 2%.

In the first 6 months of 2018, total expenses were Baht 23,916 million, a decrease of 2% from the first 6 months of 2017. Underwriting expenses amounted to Baht 23,091 million, a decrease of 2% and operating expenses amounted to Baht 825 million, an increase of 4%.

Regarding the Company's solvency, the Company's capital adequacy ratio (CAR) as of Q2/2018 was at 241% which is two times greater than the minimum level required by the Office of Insurance Commission (OIC).

Operating Performance

Table1: Operating Result Summary

Statement of income Unit : Million	Quarter					For 6 months				
	2/2018		2/2017		%YoY	2018		2017		%YoY
Revenues										
Net premiums written ⁽¹⁾	7,638	100%	7,920	100%	-4%	20,300	100%	20,461	100%	-1%
Total investment income ⁽²⁾	3,379	44%	3,281	41%	3%	6,784	33%	6,189	30%	10%
Other income	128	2%	92	1%	39%	294	1%	242	1%	22%
Total revenues	11,145	146%	11,294	143%	-1%	27,378	135%	26,891	131%	2%
Expenses										
Underwriting expenses	9,347	122%	9,419	119%	-1%	23,091	114%	23,592	115%	-2%
Operating expenses	431	6%	421	5%	2%	825	4%	791	4%	4%
Total expenses	9,778	128%	9,840	124%	-1%	23,916	118%	24,383	119%	-2%
Earning before tax	1,367	274%	1,454	18%	-6%	3,461	17%	2,508	12%	38%
Tax	(185)	-2%	(225)	-3%	-18%	(520)	-3%	(351)	-2%	48%
NI	1,182	15%	1,229	16%	-4%	2,941	14%	2,157	11%	36%

⁽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)

Premium Income

In Q2/2018, net premiums written amounted to Baht 7,638 million, a 4% decrease from Q2/2017. This was mainly contributed to by a decrease in renewal year premiums.

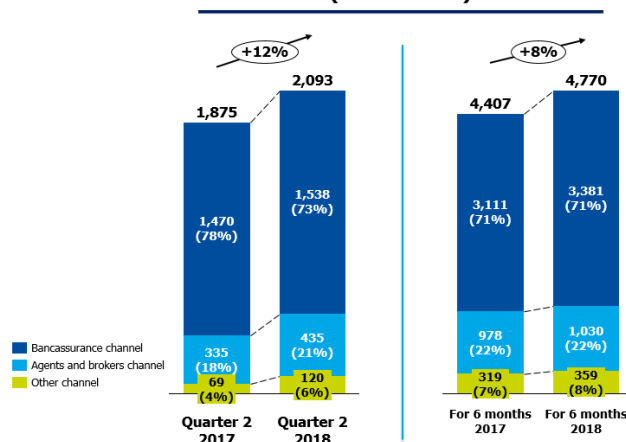
In Q2/2018, first year premiums amounted to Baht 2,093 million, a 12% increase from first year premiums of Baht 1,875 million posted in Q2/2017. Renewal year premiums amounted to Baht 5,732 million, a decrease of 8% and total premiums amounted to Baht 7,825 million, a decrease of 3%. The decrease in renewal premium was due to policies which matured.

Bancassurance channel remained the Company's main distribution channel in Q2/2018. Its total premiums represented 57% of the total premiums earned from all channels, while those earned from the agent channel contributed to 39%. When comparing to the same period of the previous year, the contribution of premiums earned via bancassurance and agent channels to total premiums earned from all channels was 60% and 37%, respectively.

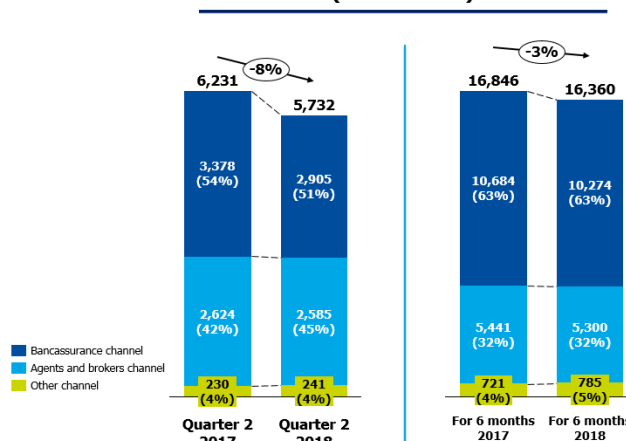
First year premiums in the first 6 months of 2018 amounted to Baht 4,770 million, an 8% growth from the first 6 months of 2017.

Total premiums for the first 6 months of 2018 amounted to Baht 21,130 million, a decrease of 1%. The proportions of premiums from bancassurance and agent channels to total premiums were 65% and 30% respectively. (2017: 65% and 30%, respectively)

First year premiums by channel (million baht)



Renewal year premiums by channel (million baht)



Total premiums by channel (million baht)

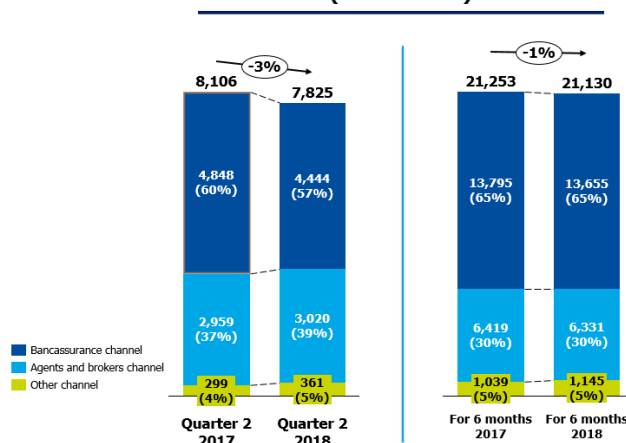


Table 2: Investment income gain on investment and gain (loss) on revaluation

Unit : Million	Quarter				For 6 months			
	2/2018	2/2017	Change	%YoY	2018	2017	Change	%YoY
Net investment income	3,013	2,853	159	6%	5,964	5,649	315	6%
Gain on investment	458	487	(28)	-6%	833	691	142	20%
Fair value gain (loss)								
Trading securities	(8)	(7)	(1)	-10%	(22)	(10)	(12)	120%
Foreign exchange forward contracts	(139)	(17)	(122)	707%	(51)	8	(59)	-700%
Foreign exchange rate	54	(35)	89	256%	59	(150)	209	139%
Total	3,379	3,281	98	3%	6,784	6,189	595	10%

Investment Income

In Q2/2018, the Company had a total investment income of Baht 3,379 million which increased by Baht 98 million or 3%. Net investment income was Baht 3,013 million. Gain on investments was Baht 458 million, and loss on revaluation was Baht 92 million.

In the first 6 months of 2018, the Company had a total investment income of Baht 6,784 million which increased by 10%. Net investment income was Baht 5,964 million. Gain on investments was Baht 833 million, and loss on revaluation was Baht 14 million.

When considering the rate of return on investment, it could be seen that the rate of return on investment in the first 6 months of 2018 decreased to 4.64% which was a decrease from the first 6 months of 2017 in which the rate was 4.67%.

Expenses

The details of significant changes in expenses between Q2/2018 and Q2/2017 can be summarized as follows:

1. Underwriting expenses in Q2/2018 decreased from Q2/2017 by 1% or Baht 72 million which was down from Baht 9,419 million in 2017 to Baht 9,347 million in 2018.

- 1) The item "life policy reserves increasing from prior period" decreased to the amount of Baht 3,239 million, down Baht 455 million or 12% from Baht 3,694 million in Q2/2017. This was because there were many policies which matured, causing life policy reserves to decrease.
- 2) Benefit payments under life policies and claim payments increased by 5%. They can be divided into:
 - Policy benefit payments which increased by Baht 162 million or 4%. The increase was mainly owing to maturity benefit payment which increased by Baht 84 million or 10% and surrender benefit payment which increased by Baht 76 million or 5%.
 - Claims and loss adjustment expenses which increased by Baht 94 million or 16%

3) Commissions and brokerage increased by Baht 87 million or 12%, from Baht 732 million in the Q2/2017 to Baht 819 million in the Q2/2018. There was such an increase due to the Company's concentrating on the sale of long-term products which incurred higher commission rate than short-term products and which had high profit margin and which offered high coverage for the insureds. It was also due to commissions of some products which had been revised upwards.

2. Operating expenses for the Q2/2018 increased by 2% or Baht 10 million, from Baht 421 million in the Q2/2017 to Baht 431 million in Q2/2018. This was mainly due to an increase in human resources costs from the annual salary rise.

The details of significant changes in expenses for the first 6 months of 2018 and 2017 were as follows:

1. Underwriting expenses in the first 6 months of 2018 decreased from the first 6 months of 2017 by 2% or Baht 501 million which was down from Baht 23,592 million in 2017 to Baht 23,091 million in 2018.

1) The item "life policy reserves increasing from prior period" decreased to the amount of Baht 7,699 million, down Baht 3,561 million or 32% from Baht 11,260 million in 2017. This was because there were many policies which matured, causing life policy reserves to decrease and because the Company reversed LAT reserve in a sum of Baht 660 million in Q1/2018 due to the rising interest rate which allowed the Company to no longer set LAT reserve.

2) Benefit payments under life policies and claim payments increased by 24%. They can be divided into:

- Policy benefit payments which increased by Baht 2,450 million or 27%. The increase was

mainly owing to maturity benefit payment which increased by Baht 1,407 million or 102% and contractual benefit payment which increased by Baht 658 million or 16%.

- Claims and loss adjustment expenses which increased by Baht 71 million or 5% from death claims which increased by 16%

3) Commissions and brokerage increased by Baht 305 million or 19%, from Baht 1,564 million in the first 6 months of 2017 to Baht 1,869 million in the first 6 months of 2018. There was such an increase due to the Company's concentrating on the sale of long-term products which incurred higher commission rate than short-term products. It was also due to commissions of some products which had been revised upwards.

2. Operating expenses for the first 6 months of 2018 increased by 4% or Baht 34 million, from Baht 791 million in the first 6 months of 2017 to Baht 825 million in the first 6 months of 2018, from the reasons given in part of operating expenses for the Q2/2018.

Profit for the Period for Separate Financial Statement

The Company posted a net profit for Q2/2018 in a sum of Baht 1,182 million, a decrease by Baht 47 million or 4% from a net profit of Baht 1,229 million posted in Q2/2017. This was a result of net premium written which decreased by 4%, and operating expenses which increased by 2%, from the reasons given in the part of operating expenses.

In the first 6 months of 2018, the Company posted a net profit in a sum of Baht 2,941 million, an increase by Baht 783 million or 36% from a net profit of Baht 2,157 million posted in the first 6 months of 2017.

Profit for the Period for Consolidated Financial Statement

The consolidated financial statement for Q2/2018 posted a profit of Baht 1,227 million, an increase from a net profit of Baht 1,220 million posted in Q2/2017 by Baht 7 million or 1%, from the reasons given in the part of separate financial statement.

The consolidated financial statement for the first 6 months of 2018 posted a profit of Baht 2,980 million, an increase from a Baht 2,141 million net profit posted in the first 6 months of 2017 by Baht 839 million or 39%.

Financial Position Summary

Assets

Total assets as of June 30, 2018 grew from December 31, 2017 by 2% or Baht 7,482 million which was mainly due to investment assets which increased by Baht 5,158 million or 2%.

Liabilities

Total liabilities as of June 30, 2018 increased from December 31, 2017 by 2%, mainly from life policy reserve which rose by Baht 7,699 million or 3% in accordance with the increasing life policy reserve of in-force policies in line with the insurance coverage period and new policies received during the period.

Shareholders' Equity

Shareholders' equity decreased by Baht 545 million or 1%, from Baht 38,786 million as of December 31, 2017 to Baht 38,241 million as of June 30, 2018 due to the decrease in stock value.

Table 3: Financial Position Summary

Financial Position	As at 30 Jun 2018		As at 31 Dec 2017		Change	
Unit : Million						%
Assets						
Cash and cash equivalents	5,644	2%	3,877	1%	1,767	46%
Premiums due and uncollected	2,338	1%	1,910	1%	427	22%
Accrued investment incomes	2,401	1%	2,458	1%	(56)	-2%
Investments	300,326	95%	295,169	96%	5,158	2%
Premises and equipment	1,352	0%	1,341	0%	10	1%
Other assets	4,151	1%	3,974	1%	177	4%
Total assets	316,211	100%	308,729	100%	7,482	2%
Liabilities and equity						
Life policy reserves	264,294	84%	256,595	83%	7,699	3%
Other insurance contract liabilities	9,378	3%	9,383	3%	(5)	0%
Other liabilities	4,297	1%	3,964	1%	333	8%
Total liabilities	277,970	88%	269,943	87%	8,027	3%
Total equity	38,241	12%	38,786	13%	(545)	-1%
Total liabilities and equity	316,211	100%	308,729	100%	7,482	2%

Table 4: Cash Flows

Unit : Million For 6 months	Statement of cash flows			
	2018	2017	Change	
Source (used) of fund				
Operating activities	2,202	(7,873)	10,075	128%
Investment activities	(60)	(142)	81	58%
Financing activities	(375)	(338)	(37)	-11%
Net increased (decreased) in cash	1,767	(8,352)	10,119	-121%
Cash and cash equivalents -beginning	3,877	13,021	(9,144)	-70%
Cash and cash equivalents -ending	5,644	4,668	976	21%

Cash and cash equivalents as of June 30, 2018 and 2017 were Baht 5,644 million and Baht 4,668 million. The increase in cash and cash equivalent amounted to Baht 1,767 million and the decrease amounted to Baht 8,352 million, between the periods of 2018 and 2017, respectively. This was primarily owing to cash flows from operating activities.

Regarding cash flows of the first 6 months of 2018, the Company had cash flows earned from operating activities in the amount of Baht 2,202 million whereas in the first 6 months of 2017, funds spent from operating activities amounted to Baht 7,873 million due to the following entries:

1) Net premiums written were in a sum of Baht 20,614 million in the first 6 months of 2018, decreasing by Baht 323 million from Baht 20,937 million in the first 6 months of 2017.

- 2) Interests received, dividends received, and other investment incomes amounted to Baht 6,857 million in the first 6 months of 2018, an increase of Baht 607 million from the first 6 months of 2017.
- 3) Benefits payments under life policies and loss incurred on direct insurance increased by Baht 2,407 million from Baht 10,580 million in 2017 to Baht 12,987 million in 2018.
- 4) Investments in securities and general investments decreased by Baht 12,512 million from Baht 20,802 million in the first 6 months of 2017 to Baht 8,290 million in the first 6 months of 2018.

Capital Adequacy under Risk-Based Capital: RBC

As required by laws, the Company maintained capital adequacy ratio as of June 30, 2018 at 241%¹ which decreased from 252% as of December 31, 2017. The ratio is still double the minimum level required by law.

Table 5: Financial Ratios

Financial ratio	Quarter		For 6 months	
	2/2018	2/2017	2018	2017
NI / Total income	10.6%	10.9%	10.7%	8.0%
NI / Net premium	15.7%	15.5%	14.5%	10.5%
Life policy reserve / Net premium	43.0%	46.6%	38.0%	54.8%
Underwriting expenses / Net premium	124.0%	118.9%	113.9%	114.8%
Operating expenses / Net premium	5.7%	5.3%	4.1%	3.9%
Investment assets / Total asset	96.8%	96.5%	96.8%	96.5%
Investment assets / Life policy reserve	115.8%	116.0%	115.8%	116.0%
NI / Average investment assets	4.76%	4.86%	4.64%	4.67%
NI / Average equity	12.1%	12.7%	15.3%	12.6%
NI / Average assets	1.5%	1.6%	1.9%	1.5%
Car ratio ¹	241%	253%	241%	253%

¹This ratio has not been reviewed and audited by CPA.

Industry Overview²

Industry's total life insurance premiums as at the end of June, 2018 amounted to Baht 312,530 million, a 5% increase year on year. They can be divided into first year premiums of Baht 89,970 million, a growth of 8% and renewal year premiums of Baht 222,560 million, a 4% increase. Top six companies by market share are as follows:

Table 6: Market share

No.	Company	FYP	RYP	TP	Market share
1	AIA	13,985	47,317	61,302	20%
2	Muang Thai Life Assurance	10,295	40,308	50,602	16%
3	Thai Life Insurance	11,517	28,924	40,442	13%
4	Krungthai-AXA Life	15,012	22,765	37,777	12%
5	SCB Life Assurance	6,381	22,050	28,431	9%
6	Bangkok Life Assurance	4,771	16,360	21,131	7%

Regarding the industry's production for the first 6 months of 2018, bancassurance channel's sales continued to grow with the total premium earned through bancassurance increasing by 6%, compared to the first 6 months of the previous year. Bancassurance premiums represented 48% of total premiums earned from all channels, an increase from 2017. Agent channel also expanded with a 3% increase in total premiums, representing 45% of total premiums earned from all channels in 2018, a decrease from the first 6 months of 2017.

Significant Events

In June 2018, The Shareholders' meeting of Bangkok Life Assurance (Cambodia) Public Limited Company, a subsidiary of the Company, passed a resolution to liquidate. The subsidiary is recorded separately in the financial statements as a discontinued operation and the separate financial statement has included an impairment set for the investment.

² Source: Thai Life Insurance Association