

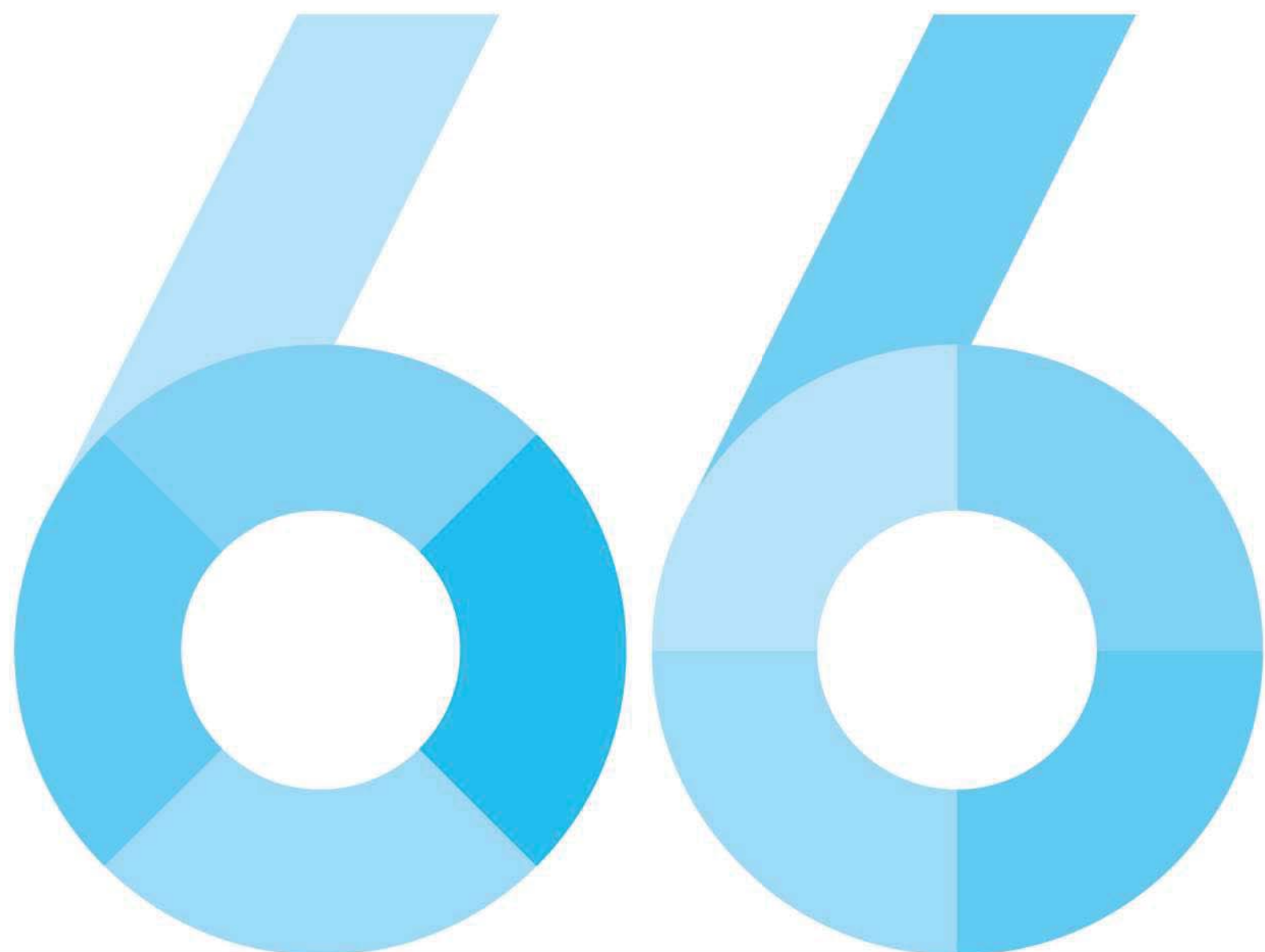


บริษัท กรุงเทพประกันชีวิต จำกัด (มหาชน)  
BANGKOK LIFE ASSURANCE PUBLIC COMPANY LIMITED

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## “Management Discussion and Analysis for 1<sup>st</sup> quarter 2018”

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66 YEARS OF STABILITY &  
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## Management's Discussion and Analysis for Quarter 1 2018

### Summary

In Q1/2018, the Company had a net profit of Baht 1,759 million, an increase of Baht 831 million or 89% from a net profit of Baht 928 million posted in Q1/2017. 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 allow the Company to no longer set LAT reserve as at Q1/2018.

In Q1/2018, the Company had a total revenue of Baht 16,239 million, an increase of 4% from Q1/2017. Net premiums written amounted to Baht 12,662 million, an increase of Baht 122 million or 1%. Total investment income amounted to Baht 3,411 million, an increase of Baht 496 million or 17% and other incomes amounted to Baht 165 million.

Total expenses in the Q1/2018 were Baht 14,145 million, a decrease of 3% from Q1/2017. Underwriting expenses amounted to Baht 13,744 million, a decrease of 3% and operating expenses amounted to Baht 400 million, an increase of 6%.

Regarding the Company's solvency, the Company's capital adequacy ratio (CAR) as of Q1/2018 was at 256% 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				
	1/2018		1/2017		%YoY
Revenues					
Net premiums written <sup>(1)</sup>	12,662	100%	12,540	100%	1%
Total investment income <sup>(2)</sup>	3,411	27%	2,915	23%	17%
Other income	165	1%	149	1%	11%
<b>Total revenues</b>	<b>16,239</b>	<b>128%</b>	<b>15,604</b>	<b>124%</b>	<b>4%</b>
Expenses					
Underwriting expenses	(13,744)	-109%	(14,173)	-113%	-3%
Operating expenses	(400)	-3%	(377)	-3%	6%
<b>Total expenses</b>	<b>(14,145)</b>	<b>-112%</b>	<b>(14,550)</b>	<b>-116%</b>	<b>-3%</b>
<b>Earning before tax</b>	<b>2,094</b>	<b>17%</b>	<b>1,055</b>	<b>8%</b>	<b>99%</b>
Tax	(335)	-3%	(126)	-1%	165%
<b>NI (loss)</b>	<b>1,759</b>	<b>14%</b>	<b>928</b>	<b>7%</b>	<b>89%</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)

## Management's Discussion and Analysis for Quarter 1 2018

### Premium Income

In Q1/2018, net premiums written amounted to Baht 12.66 billion, a 1% increase from Q1/2017 in which the net premium written was Baht 12.54 billion. This was mainly contributed to by an increase in first year premiums and renewal year premiums.

In Q1/2018, first year premiums amounted to Baht 2.68 billion, a 6% increase. Renewal year premiums amounted to Baht 10.63 billion, an increase of 0.1%.

Bancassurance channel remained the Company's main distribution channel in Q1/2018. Its total premiums represented 69% of the total premiums earned from all channels, while those of the agent channel contributed to 25%. (2017: Bancassurance and agent channel contributions were 68% and 26%, respectively.)

**Table 2:** First year premiums by channel

	2018	2017	Increase/ decrease ratio
	Quarter 1	Quarter 1	Quarter 1
Bancassurance channel	1,842	1,641	12%
Agents and brokers channel	596	642	-7%
Other channel	239	249	-4%
<b>Total</b>	<b>2,677</b>	<b>2,533</b>	<b>6%</b>

**Table 3:** Total premium by channel

	2018	2017	Increase/ decrease ratio
	Quarter 1	Quarter 1	Quarter 1
Bancassurance channel	9,211	8,947	3%
Agents and brokers channel	3,311	3,460	-4%
Other channel	783	740	6%
<b>Total</b>	<b>13,305</b>	<b>13,148</b>	<b>1%</b>

**Table 4:** Premium of each channel to total premium ratio

	2018	2017
	Quarter 1	Quarter 1
Bancassurance channel	69%	68%
Agents and brokers channel	25%	26%
Other channel	6%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Management's Discussion and Analysis for Quarter 1 2018

### Investment Income

**Table 5:** Investment income gain on investment and loss on revaluation

Unit : Million	Quarter			
	1/2018	1/2017	Change	%YoY
Net investment income	2,958	2,803	155	6%
Gain on investment	375	204	170	83%
Fair value gain				
Trading securities	(14)	(3)	(11)	-396%
Foreign exchange forward contracts	88	26	63	244%
Foreign exchange rate	5	(115)	120	104%
<b>Total</b>	<b>3,411</b>	<b>2,915</b>	<b>496</b>	<b>17%</b>

In Q1/2018, the Company had a total investment income of Baht 3.41 billion which increased by Baht 496 million or 17%. Net investment income was Baht 2.96 billion. Gain on investments was Baht 375 million, and gain on revaluation was Baht 78 million.

When considering the rate of return on investment, it could be seen that the rate of return on investment in Q1/2018 increased to 4.53% which was an increase from Q1/2017 in which the rate was 4.47%.

### Expenses

The details of significant changes in expenses between Q1/2018 and Q1/2017 can be summarized as follows:

1. Underwriting expenses in Q1/2018 decreased from Q1/2017 by 3% or Baht 429 million which was down from Baht 14.17 billion in 2017 to Baht 13.74 billion in 2018.

- 1) The item "life policy reserves increasing from prior period" decreased in the amount of Baht 4.46 billion, down Baht 3.11 billion or 41% from Baht 7.57 billion in Q1/2017. 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 due to the rising interest rate which allowed the Company to no longer set LAT reserve in Q1/2018.
- 2) Benefit payments under life policies and claim payments increased by 41%. They can be divided into:
  - Policy benefit payments increased by Baht 2.29 billion or 48%. The increase was mainly owing to maturity benefit payment which increased by Baht 1.32 billion or 260% and contractual benefit payment which increased by Baht 643 million or 26%.

## Management's Discussion and Analysis for Quarter 1 2018

- Claims and loss adjustment expenses decreased by Baht 23 million or 3%.
- 3) Commissions and brokerage increased by Baht 217 million or 26%, from Baht 833 million in the Q1/2017 to Baht 1,050 million in the Q1/2018. 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 for some products which had been revised upwards.

2. Operating expenses for the Q1/2018 increased by 6% or Baht 23 million, from Baht 377 million in the Q1/2017 to Baht 400 million in Q1/2018. This was mainly due to an increase in human resources costs from the annual salary rise.

### Profit for the Period for Separate Financial Statement

The Company posted a profit for Q1/2018 in a sum of Baht 1.76 billion, an increase by Baht 831 million or 89% from a net profit of Baht 928 million posted in Q1/2017. This was a result of net premium written which increased by 1%, investment income which increased by 17%, underwriting expenses which decreased by 3% due to the "life policy reserves increasing from prior period" which decreased by 41%.

### Profit for the Period for Consolidated Financial Statement

The consolidated financial statement for Q1/2018 posted a profit of Baht 1.75 billion, an increase from a net profit of Baht 922 million posted in Q1/2017 by Baht 831 million or 90%, from the reasons given in the part of separate financial statement and from the consolidation of the operating results of the Company's subsidiary companies which include BLA Insurance Broker Co., Ltd. ("BLAIB") of which the Company holds a 99% stake and Bangkok Life Assurance (Cambodia) PLC of which the Company holds a 52% stake, respectively.

## Financial Position Summary

**Table 6:** Financial Position Summary

Financial Position	As at 31 Mar 2018		As at 31 Dec 2017		Change	
Unit : Million						%
<b>Assets</b>						
Cash and cash equivalents	6,490	2%	3,877	1%	2,613	67%
Premiums due and uncollected	3,278	1%	1,910	1%	1,368	72%
Accrued investment incomes	3,307	1%	2,458	1%	849	35%
Investments	295,838	94%	295,169	96%	670	0%
Premises and equipment	1,342	0%	1,341	0%	0	0%
Other assets	4,407	1%	3,974	1%	433	11%
<b>Total assets</b>	<b>314,662</b>	<b>100%</b>	<b>308,729</b>	<b>100%</b>	<b>5,933</b>	<b>2%</b>
<b>Liabilities and equity</b>						
Life policy reserves	261,055	83%	256,959	83%	4,096	2%
Other insurance contract liabilities	9,527	3%	9,019	3%	507	6%
Other liabilities	4,430	1%	3,964	1%	465	12%
<b>Total liabilities</b>	<b>275,012</b>	<b>87%</b>	<b>269,943</b>	<b>87%</b>	<b>5,069</b>	<b>2%</b>
<b>Total equity</b>	<b>39,650</b>	<b>13%</b>	<b>38,786</b>	<b>13%</b>	<b>864</b>	<b>2%</b>
<b>Total liabilities and equity</b>	<b>314,662</b>	<b>100%</b>	<b>308,729</b>	<b>100%</b>	<b>5,933</b>	<b>2%</b>

## Management's Discussion and Analysis for Quarter 1 2018

### Assets

Total assets as of March 31, 2018 grew from December 31, 2017 by 2% or Baht 5.93 billion which was mainly due to cash and cash equivalent items which increased by Baht 2.61 billion or 67%.

### Liabilities

Total liabilities as of March 31, 2018 increased from December 31, 2017 by 2%, mainly from life policy reserve which rose by Baht 4.10 billion or 2% 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 increased by Baht 864 million or 2%, from Baht 38.79 billion as of December 31, 2017 to Baht 39.65 billion as of March 31, 2018. The increase was mainly contributed to by the operating profit of Baht 1.76 billion despite losses incurred from valuation of investments in available-for-sale securities, net of tax in a sum of Baht 895 million.

### **Cash Flows**

**Table 7:** Cash Flows

Unit : Million For 3 months	Statement of cash flows			
	2018	2017	Change	
Source (used) of fund				
Operating activities	2,638	1,776	862	49%
Investment activities	(25)	(81)	55	69%
Financing activities	-	21	(21)	-100%
<b>Net increased (decreased) in cash</b>	<b>2,613</b>	<b>1,716</b>	<b>897</b>	<b>52%</b>
Cash and cash equivalents -beginning	3,877	13,021	(9,144)	-70%
<b>Cash and cash equivalents -ending</b>	<b>6,490</b>	<b>14,737</b>	<b>(8,247)</b>	<b>-56%</b>

Cash and cash equivalents as of March 31, 2018 and 2017 were Baht 6.49 billion and Baht 14.74 billion. The increase in cash and cash equivalent amounted to Baht 2.61 billion and Baht 1.72 billion, respectively between the periods of 2018 and 2017, respectively. This was primarily owing to cash flows from operating activities.

Regarding cash flows of Q1/2018, the Company had cash flow from operating activities in the amount of Baht 2.64 billion whereas in Q1/2017, cash flow from operating activities amounting to Baht 1.78 billion due to the following entries:

- 1) Net premiums written were in a sum of Baht 12.39 billion in Q1/2018, increasing by Baht 24 million from Baht 12.37 billion in Q1/2017.

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- 2) Interests received, dividends received, and other investment incomes amounted to Baht 2.47 billion in Q1/2018, an increase of Baht 285 million from Q1/2017 due to an increase in investment profit from Baht 204 million in Q1/2017 to Baht 375 million in Q1/2018.
- 3) Benefits payments under life policies and loss incurred on direct insurance increased by Baht 2.80 billion from Baht 5.45 billion in Q1/2017 to Baht 8.25 billion in Q1/2018.
- 4) Investments in securities and general investments decreased by Baht 3.35 billion from Baht 5.59 billion in Q1/2017 to Baht 2.24 billion in Q1/2018.

### Capital Adequacy under Risk-Based Capital: RBC

As required by laws, the Company maintained capital adequacy ratio as of March 31, 2018 at 256%<sup>1</sup> which increased from 252% as of December 31, 2017. The ratio is still double the minimum level required by law.

### Key Financial Ratios

**Table 8:** Financial Ratios<sup>2</sup>

Financial ratio	Quarter	
	1/2018	1/2017
NI / Total income	10.8%	5.9%
NI / Net premium	13.8%	7.4%
Life policy reserve / Net premium	35.0%	59.9%
Underwriting expenses / Net premium	107.9%	112.3%
Operating expenses / Net premium	3.1%	3.0%
Investment assets / Total asset	96.1%	96.9%
Investment assets / Life policy reserve	115.8%	116.4%
NI / Average investment assets	4.53%	4.47%
NI / Average equity	17.9%	10.9%
NI / Average assets	2.3%	1.3%
Car ratio <sup>1</sup>	256%	253%

<sup>1</sup>This ratio has not been reviewed and audited by CPA.

<sup>2</sup>Calculation formulas:

Net income ratio	= net income/ total income
Net income to net premium ratio	= net income/ net premium
Reserve to net premium ratio	= increase in policy reserve over the previous period/ net premium
Underwriting expenses to net premium ratio	= Underwriting expenses/ net premium
Operating expenses to net premium ratio	= Operating expenses/ net premium
Investment assets to total asset ratio	= (cash and cash equivalents & investment assets)/ total asset
Investment assets to life policy reserve ratio	= (cash and cash equivalents & investment assets)/ / life policy reserve
Return on investment	= investment income/ average investment asset
Return on equity	= net income/ average total equity
Return on Asset	= net income/ average total asset

## Management's Discussion and Analysis for Quarter 1 2018

### Industry Overview

Industry's total life insurance premiums as of the end of March, 2018 amounted to Baht 161.67 billion<sup>3</sup>, an 8% increase year on year. They can be divided into first year premiums of Baht 46.04 billion, a growth of 16% and renewal year premiums of Baht 115.64 billion, a 5% increase. Top six companies by market share are as follows:

**Table 9:** Market share

No.	Company	FYP	RYP	TP	Market share
1	AIA	6,535.19	23,330.60	29,865.79	18.47%
2	Muang Thai Life Assurance	4,763.72	21,170.35	25,934.07	16.04%
3	Krungthai-AXA Life	9,879.36	11,403.04	21,282.40	13.16%
4	Thai Life Insurance	5,615.57	14,036.95	19,652.52	12.16%
5	SCB Life Assurance	2,755.61	11,005.84	13,761.45	8.51%
6	Bangkok Life Assurance	2,677.11	10,628.48	13,305.59	8.23%

Regarding the industry's production for Q1/2018<sup>4</sup>, bancassurance channel's sales continued to grow with the total premium earned through bancassurance increasing by 13%, compared to the first quarter of the previous year. Bancassurance premiums represented 51% of total premiums earned from all channels, an increase from Q1/2017. Agent channel also expanded with a 2% increase in total premiums, representing 42% of total premiums earned from all channels in 2018, a decrease from Q1/2017.

<sup>3</sup>Source: Thai Life Insurance Association

<sup>4</sup>Source: Thai Life Insurance Association