
“Management Discussion and Analysis for 1st quarter 2019”

Performance Overview

In Q1/2019, the Company had a net profit of Baht 1,286 million, a decrease of Baht 473 million or 27% from a net profit of Baht 1,759 million posted in Q1/2018. This was because in Q1/2018, there were reversal of LAT reserve in the amount of Baht 660 million and realized gain in the amount of Baht 375 million whereas in Q1/2019, there was loss incurred from sale of securities in the amount of Baht 78 million.

In Q1/2019, the Company had a total revenue of Baht 13,099 million, a decrease of 19% from Q1/2018. Net premiums written amounted to Baht 9,811 million, a decrease of 23%. Total investment income amounted to Baht 3,123 million, a decrease of 8% and other incomes amounted to Baht 165 million.

Total expenses in Q1/2019 amounted to Baht 11,590 million, a decrease of 18% from Q1/2018. Underwriting expenses amounted to Baht 11,221 million, a decrease of 18% and operating expenses amounted to Baht 369 million, a decrease of 6%. In this connection, in Q1/2019 the Company did not have any LAT reserve set.

Regarding the Company's solvency, the Company's capital adequacy ratio (CAR) as of the end of Q1/2019 was at 270% which is two times greater than the minimum legal requirement.

Operating Performance

Table1: Operating Result Summary

Statement of income Unit : Million	Quarter				
	1/2019		1/2018		%YoY
Revenues					
Net premiums written ⁽¹⁾	9,811	100%	12,662	100%	-23%
Total investment income ⁽²⁾	3,123	32%	3,405	27%	-8%
Other income	165	2%	166	1%	-0.5%
Total revenues	13,099	134%	16,233	128%	-19%
Expenses					
Underwriting expenses	11,221	114%	13,745	109%	-18%
Operating expenses	369	4%	394	3%	-6%
Total expenses	11,590	118%	14,139	112%	-18%
Earning before tax	1,509	252%	2,094	17%	-28%
Tax	(223)	-2%	(335)	-3%	-33%
NI (loss)	1,285	13%	1,759	14%	-27%
Earnings (losses) per share : Baht	0.75		1.03		

⁽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)

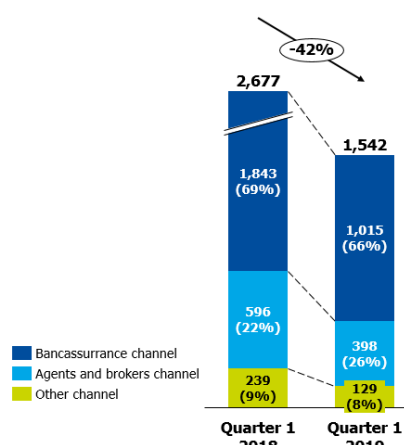
Premium Income

In Q1/2019, net premiums written amounted to Baht 9,811 million, a 23% decrease from Q1/2018. This was contributed to by the decrease in first year premium and renewal year premium.

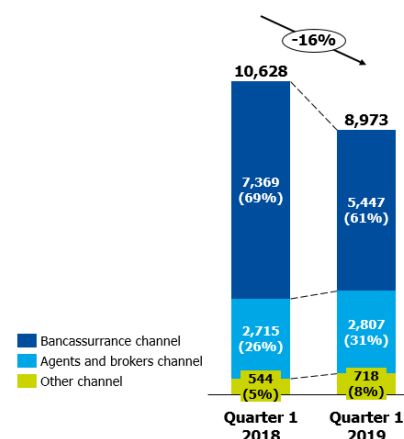
In Q1/2019, first year premiums amounted to Baht 1,542 million, a 42% decrease from first year premiums of Baht 2,677 million posted in Q1/2018. Renewal year premiums amounted to Baht 8,973 million, a decrease of 16% and total premiums in Q1/2019 amounted to Baht 10,515 million, a decrease of 21%. The decrease was due to the company's discontinued sale of whole life products via bancassurance as the partner bank had acquired an additional partner for its bancassurance business, and a decrease of premium from the impact of mortality table while the decrease in renewal premium was due to policies sold via bancassurance which matured.

As for total premiums by distribution channel in Q1/2019, bancassurance channel's total premiums represented 61% of the total premiums earned from all channels, while those earned from the agent channel contributed to 30%, comparing to the same period of the previous year in which the contribution of premiums earned via bancassurance and agent channels to total premiums earned from all channels was 69% and 25%, respectively.

**First year premiums by channel
(million baht)**



**Renewal year premiums by channel
(million baht)**



**Total premiums by channel
(million baht)**

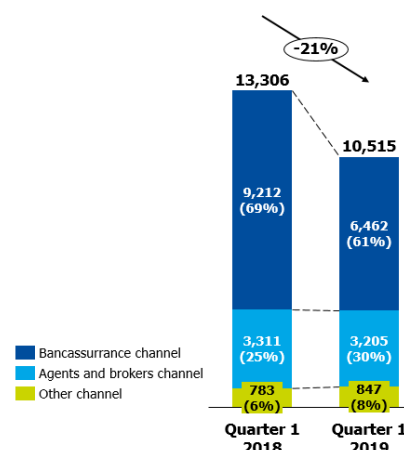


Table 2: Investment income gain on investment and gain (loss) on revaluation

Unit : Million	Quarter			
	1/2019	1/2018	Change	%YoY
Net investment income	3,076	2,952	124	4%
Gain on investment	(78)	375	(453)	-121%
Fair value gain (loss)				
Trading securities	1	(14)	15	104%
Foreign exchange forward contracts	129	88	40	46%
Foreign exchange rate	(4)	5	(9)	-184%
Total	3,123	3,405	(282)	-8%

Investment Income

In Q1/2019, the Company had a total investment income of Baht 3,123 million which decreased by Baht 282 million or 8%. Net investment income was Baht 3,076 million. Loss on sale of investments was Baht 78 million, while gain on revaluation was Baht 125 million.

When considering the rate of return on investment, it could be seen that the rate of return on investment in Q1/2019 decreased to 3.93%, down from Q1/2018 in which the rate was 4.53%. This was mainly due to loss on sale of investment.

Expenses

The details of significant changes in expenses between Q1/2019 and Q1/2018 can be summarized as follows:

1. Underwriting expenses in Q1/2019 decreased from Q1/2018 by 18% or Baht 2,523 million which was down from Baht 13,744 million in 2018 to Baht 11,221 million in 2019.

- 1) The item "life policy reserves increasing from prior period" amount of Baht -6,514 million (Or shown as income on profit and loss statement), down by Baht 10,974 million or 246% from Baht 4,460 million in Q1/2018. This was because of

the increase in the number of maturing policies in Q1/2019, and the reversal of LAT reserve in the amount of Baht 660 million.

- 2) Benefit payments under life policies and claim payments increased by 112% or Baht 8,815 million from Baht 7,855 million in 2018 to Baht 16,670 million in 2019. They can be divided into:

- Policy benefit payments which increased by Baht 8,883 million or 126%. The increase was mainly owing to maturity benefit payment which increased by Baht 9,226 million or 504%, and surrender benefit payment which increased by Baht 271 million or 15%.
- Claims and loss adjustment expenses which decreased by Baht 68 million or 9%

- 3) Commissions and brokerage decreased by Baht 195 million or 19%, from Bath 1,050 million in Q1/2018 to Bath 855 million in Q1/2019. In this connection, commissions and brokerage decreased in accordance with the decrease in premiums.

2. **Operating expenses** for Q1/2019 decreased by 6% or Baht 25 million, from Baht 394 million recorded in Q1/2018 to Baht 369 million in Q1/2019.

This was mainly due to a decrease in human resources expenses.

Profit for the Period for Separate Financial Statement

The Company posted a net profit for Q1/2019 in a sum of Baht 1,286 million, a decrease by Baht 473 million or 27% from a net profit of Baht 1,759 million posted in Q1/2018. This was a result of net premiums and total investment income which decreased by 23% and 8%, respectively.

Profit for the Period for Consolidated Financial Statement

The consolidated financial statement for Q1/2019 posted a profit of Baht 1,285 million, a decrease from a net profit of Baht 1,753 million posted in Q1/2018 by Baht 468 million or 27%, from the reasons given in the part of separate financial statement.

Financial Position Summary

Assets

Total assets as of March 31, 2019 grew from December 31, 2018 by 1% or Baht 1,917 million which was mainly from investment assets which represented 96% of the total assets and 116% of life policy reserve.

Liabilities

Total liabilities as of March 31, 2019 decreased from December 31, 2018 by 2%, or Baht 6,514 million. This was in accordance with the decreasing life policy reserve of new policies and a decrease of in-force policies from policies which matured in this quarter.

Shareholders' Equity

Shareholders' equity increased by Baht 3,770 million or 10%, from Baht 38,496 million as of December 31, 2018 to Baht 42,266 million as of March 31, 2019. The increase was mainly contributed to by the operating profit of Baht 1,286 million and gain from revaluation of available-for-sale investments in the sum of Baht 2,484 million.

Table 3: Financial Position Summary

Financial Position	As at 31 Mar 2019		As at 31 Dec 2018		Change	
Unit : Million						%
Assets						
Cash and cash equivalents	6,656	2%	9,746	3%	(3,090)	-32%
Premiums due and uncollected	3,242	1%	1,910	1%	1,331	70%
Accrued investment incomes	3,573	1%	2,691	1%	882	33%
Investments	303,928	94%	304,320	94%	(392)	0%
Premises and equipment	1,339	0%	1,353	0%	(14)	-1%
Other assets	3,899	1%	4,533	1%	(634)	-14%
Total assets	322,637	100%	324,553	100%	(1,917)	-1%
Liabilities and equity						
Life policy reserves	267,394	83%	273,908	84%	(6,514)	-2%
Other insurance contract liabilities	9,994	3%	9,373	3%	621	7%
Other liabilities	2,982	1%	2,777	1%	206	7%
Total liabilities	280,371	87%	286,058	88%	(5,687)	-2%
Total equity	42,266	13%	38,496	12%	3,770	10%
Total liabilities and equity	322,637	100%	324,553	100%	(1,917)	-1%

Table 4: Cash Flows

Unit : Million For 3 months	Statement of cash flows			Change
	2019	2018		
Source (used) of fund				
Operating activities	(3,081)	2,638	(5,720)	-217%
Investment activities	(8)	(25)	17	68%
Financing activities	-	-	-	100%
Net increased (decreased) in cash	(3,090)	2,613	(5,703)	-218%
Cash and cash equivalents -beginning	9,746	3,877	5,869	151%
Cash and cash equivalents -ending	6,656	6,490	166	3%

Cash and cash equivalents as of March 31, 2019 and 2018 were Baht 6,656 million and Baht 6,490 million. In this connection, cash flows decreased by Baht 3,090 million and increased by Baht 2,613 million, between the periods of 2019 and 2018, respectively. This was primarily owing to cash flows from operating activities.

Regarding cash flows of Q1/2019, the Company had cash flows spent on operating activities in the amount of Baht 3,081 million whereas in Q1/2018, funds earned from operating activities amounted to Baht 2,638 million due to the following entries:

- 1) Gross premiums written were in the sum of Baht 9,196 million in Q1/2019, decreasing by Baht 3,194 million from Baht 12,391 million in Q1/2018.
- 2) Interests received, dividends received, and other investment incomes amounted to Baht 2,591 million in Q1/2019, an increase of Baht 128 million from Q1/2018.
- 3) Benefits payments under life policies and loss incurred on direct insurance increased by Baht 8,554 million from Baht 8,247 million in Q1/2018 to Baht 16,801 million in Q1/2019.
- 4) In Q1/2019, the Company earned from investments in securities and general investments in the amount of Baht 3,238 million whereas in Q1/2018, its investments in securities and general investments increased by Baht 2,241 million.

Capital Adequacy under Risk-Based Capital: RBC

As required by laws, the Company maintained capital adequacy ratio as of March 31, 2019 at 270%¹ which increased from 260% as of December 31, 2018. The ratio is still double the minimum level required by law.

Table 5: Financial Ratios

Financial ratio	Quarter	
	1/2019	1/2018
NI / Total income	9.8%	10.8%
NI / Net premium	12.8%	13.8%
Life policy reserve / Net premium	-64.8%	35.0%
Underwriting expenses / Net premium	111.7%	107.9%
Operating expenses / Net premium	3.7%	3.1%
Investment assets / Total asset	96.3%	96.1%
Investment assets / Life policy reserve	116.2%	115.8%
NI / Average investment assets	3.93%	4.53%
NI / Average equity	12.7%	17.9%
NI / Average assets	1.6%	2.3%
Car ratio ¹	270%	256%

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

Industry Overview²

Industry's total life insurance premiums as at the end of March, 2019 amounted to Baht 148,111 million, a 9% decrease year on year. They can be divided into first year premiums of Baht 37,985 million, an 18% decrease and renewal year premiums of Baht 110,126 million, a 5% decrease. Top six companies by market share are as follows:

Table 6: Market share

No.	Company	FYP	RYP	TP	Market share
1	AIA	6,981	24,036	31,017	21%
2	Muang Thai Life Assurance	5,184	16,511	21,695	15%
3	Thai Life Insurance	5,753	14,960	20,714	14%
4	Krungthai-AXA Life	3,427	12,318	15,745	11%
5	SCB Life Assurance	3,580	10,161	13,741	9%
6	Bangkok Life Assurance	1,542	8,973	10,515	7%

Regarding the industry's production for Q1/2019, Agent channel saw a 1% increase in total premiums from Q1/2018, representing 46% of total premiums earned from all channels, an increase from Q1/2018. Bancassurance channel saw a 20% decrease in total premiums, representing 45% of total premiums earned from all channels, a decrease from Q1/2018. Direct marketing and others channel experienced an increase of 8% and 15% in total premiums, respectively.

² Source: Thai Life Insurance Association