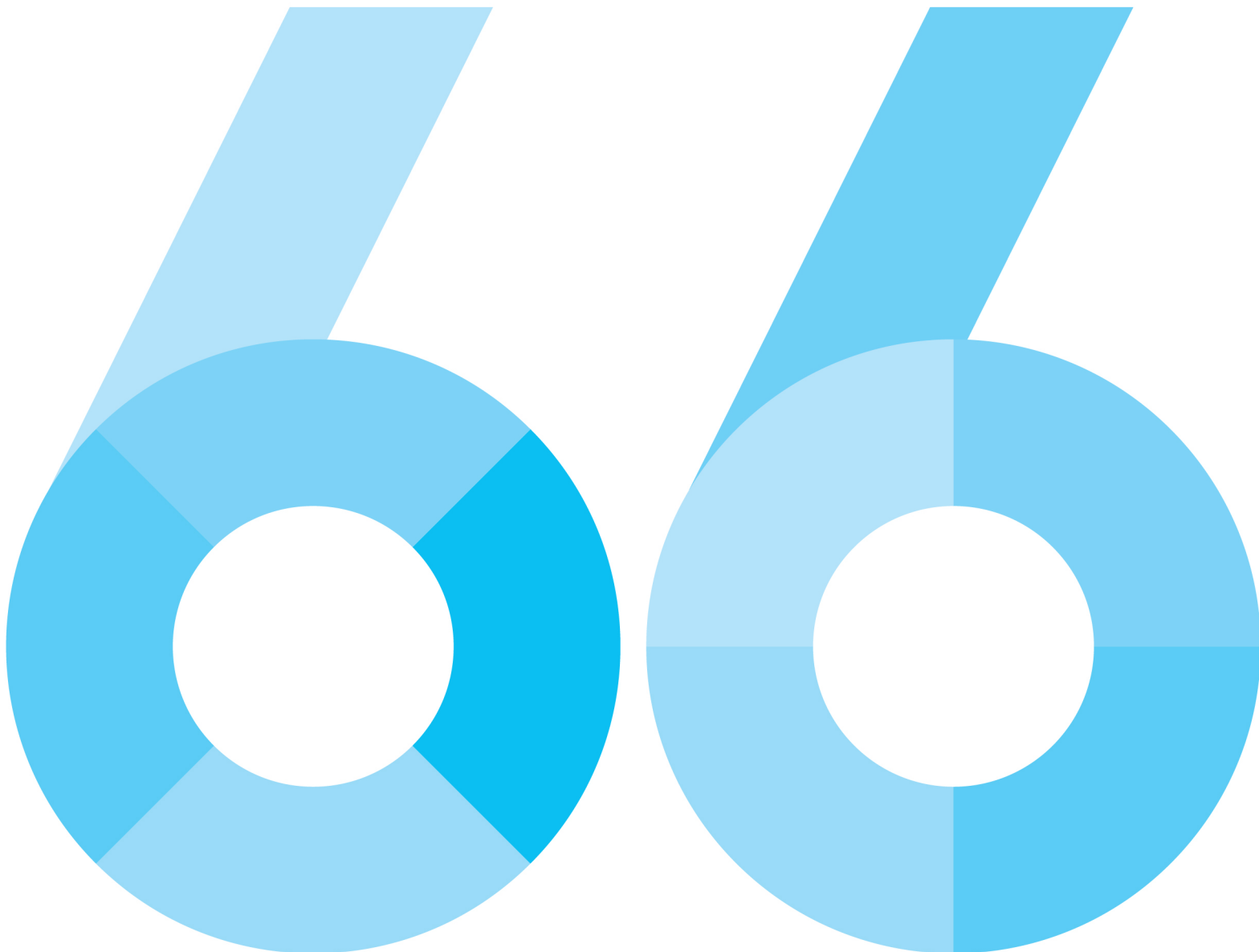




บริษัท กรุงเทพประกันชีวิต จำกัด (มหาชน)
BANGKOK LIFE ASSURANCE PUBLIC COMPANY LIMITED

“Management Discussion and Analysis for 4th quarter 2018”



66 YEARS OF STABILITY &
ALWAYS STAND BY YOU

Performance Overview

In Q4/2018, the Company had a net profit of Baht 987 million, a decrease of Baht 762 million or 44% from a net profit of Baht 1,749 million posted in Q4/2017.

In Q4/2018, the Company had a total revenue of Baht 11,227 million, a decrease of 20% from Q4/2017. Net premiums written amounted to Baht 7,759 million, a decrease of 26%. Total investment income amounted to Baht 3,397 million, a decrease of 3% and other incomes amounted to Baht 71 million.

Total expenses in the Q4/2018 amounted to Baht 10,058 million, a decrease of 16% from Q4/2017. Underwriting expenses amounted to Baht 9,665 million, a decrease of 16% and operating expenses amounted to Baht 393 million, a decrease of 13%. This was contributed to by the fact in 4/2017 the Company had to reverse LAT reserve in an amount of Baht 1,025 million whereas in Q4/2018 the Company did not have any LAT reserve set.

In the year 2018, the Company posted a net profit in a sum of Baht 4,926 million, compared to a net profit of Baht 3,645 million posted in 2017 which was an increase of Baht 1,281 million or 35%.

In the year 2018, the Company had a total revenue of Baht 53,800 million, a decrease of 4% from the year 2017. Net premiums written amounted to Baht 39,554 million, a decrease of Baht 3,361 million or 8%. Total investment income amounted to Baht 13,751 million, an increase of Baht 736 million or 6% and other incomes amounted to Baht 495 million.

Total expenses in the year 2018 were Baht 48,061 million, a decrease of 8% from the year 2017. Underwriting expenses amounted to Baht 46,297 million, a decrease of 8% and operating expenses amounted to Baht 1,764 million, an increase of 6%. In this connection, the underwriting expenses in 2017 included LAT reserve of Baht 660 million whereas in the year 2018, the Company did not set LAT reserve in its financial statement and had reversed LAT reserve in the amount of Baht 660 million in Q1/2018.

Regarding the Company's solvency, the Company's capital adequacy ratio (CAR) as of the year 2018 was at 260% which is two times greater than the minimum legal requirement.

Operating Performance

Table1: Operating Result Summary

Statement of income Unit : Million	Quarter			Yearly						
	4/2018	4/2017	%YoY	2018	2017	%YoY				
Revenues										
Net premiums written ⁽¹⁾	7,759	100%	10,553	100%	-26%	39,554	100%	42,915	100%	-8%
Total investment income ⁽²⁾	3,397	44%	3,512	33%	-3%	13,751	35%	13,015	30%	6%
Other income	71	1%	48	0%	48%	495	1%	384	1%	29%
Total revenues	11,227	145%	14,113	134%	-20%	53,800	136%	56,314	131%	-4%
Expenses										
Underwriting expenses	9,666	125%	11,568	110%	-16%	46,297	117%	50,488	118%	-8%
Operating expenses	393	5%	452	4%	-13%	1,764	4%	1,665	4%	6%
Total expenses	10,058	130%	12,020	114%	-16%	48,061	122%	52,153	122%	-8%
Earning before tax	1,168	274%	2,093	20%	-44%	5,739	15%	4,161	10%	38%
Tax	(181)	-2%	(344)	-3%	47%	(813)	-2%	(516)	-1%	58%
NI	987	13%	1,749	17%	-44%	4,926	12%	3,645	8%	35%

⁽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

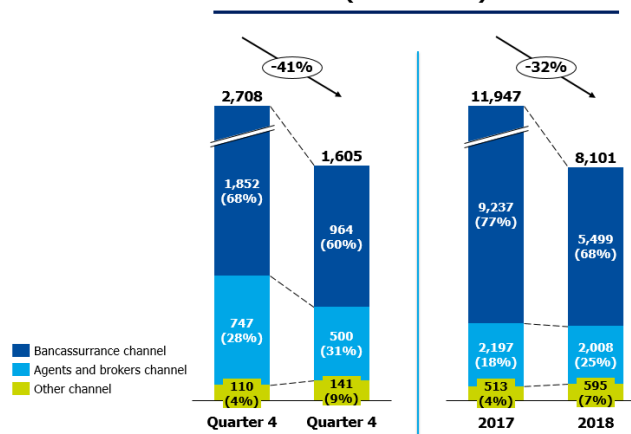
In Q4/2018, net premiums written amounted to Baht 7,759 million, a 26% decrease from Q4/2017. This was contributed to by the decrease in first year premium and renewal year premium.

In Q4/2018, first year premiums amounted to Baht 1,605 million, a 41% decrease from first year premiums of Baht 2,708 million posted in Q4/2017. Renewal year premiums amounted to Baht 6,408 million, a decrease of 20% and total premiums in Q4/2018 amounted to Baht 8,012 million, a decrease of 25%. The decrease was due to the fact that in Q4/2017, the Company sold a new long-term endowment product via bancassurance which was well received.

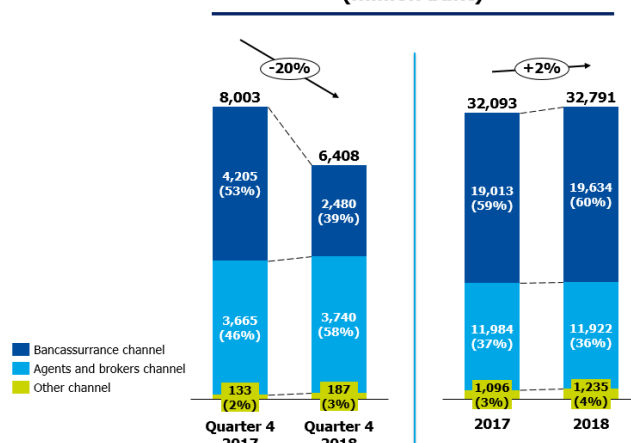
As for total premiums by distribution channel in Q4/2018, bancassurance channel's total premiums represented 43% of the total premiums earned from all channels, while those earned from the agent channel contributed to 53% when comparing to the same period of the previous year in which the contribution of premiums earned via bancassurance and agent channels to total premiums earned from all channels was 57% and 41%, respectively.

First year premiums in the year 2018 amounted to Baht 8,101 million, a 32% decrease from the year 2017. This was mainly contributed to by a decrease in first year premiums in Q3/2018 and Q4/2018. Total premiums for the year 2018 amounted to Baht 40,892 million, a decrease of 7%. The proportions of premiums from bancassurance and agent channels to total premiums were 61% and 34% respectively. (2017: 64% and 32%, respectively)

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



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



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

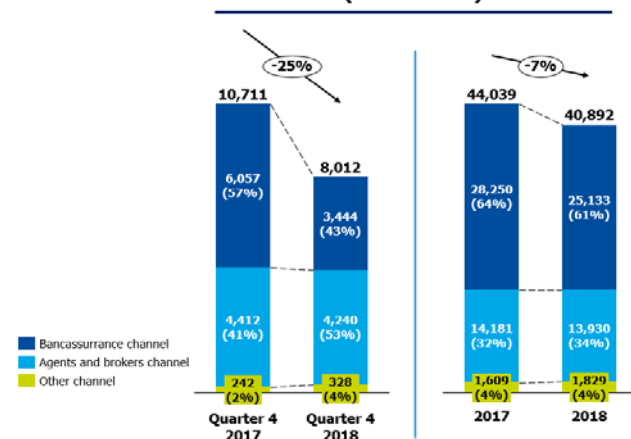


Table 2: Investment income gain on investment and gain (loss) on revaluation

Unit : Million	Quarter				Yearly			
	4/2018	4/2017	Change	%YoY	2018	2017	Change	%YoY
Net investment income	2,967	2,916	51	2%	12,202	11,552	650	6%
Gain on investment	445	318	127	40%	1,486	1,362	124	9%
Fair value gain (loss)								
Trading securities	5	(8)	13	159%	(16)	(15)	(0)	-2%
Foreign exchange forward contracts	9	21	(12)	-59%	60	54	6	11%
Foreign exchange rate	(29)	265	(294)	-111%	18	63	(45)	-71%
Total	3,397	3,512	(115)	-3%	13,751	13,015	735	6%

Investment Income

In Q4/2018, the Company had a total investment income of Baht 3,397 million which decreased by Baht 115 million or 3%. Net investment income was Baht 2,967 million. Gain on investments was Baht 445 million, while loss on revaluation was Baht 15 million.

In the year 2018, the Company had a total investment income of Baht 13,751 million which increased by 6%. Net investment income was Baht 12,202 million. Gain on investments was Baht 1,486 million, and gain on revaluation was Baht 63 million.

When considering the rate of return on investment, it could be seen that the rate of return on investment in the year 2018 decreased to 4.60% which was a decrease from the year 2017 in which the rate was 4.65%.

Expenses

The details of significant changes in expenses between Q4/2018 and Q4/2017 can be summarized as follows:

1. Underwriting expenses in Q4/2018 decreased from Q4/2017 by 16% or Baht 1,902 million which was down from Baht 11,568 million in 2017 to Baht 9,666 million in 2018.

- 1) The item "life policy reserves increasing from prior period" decreased to the amount of Baht 2,672 million, down Baht 114 million or 4% from Baht 2,786 million in Q4/2017. This was because the Company had to reverse LAT reserve in a sum of Baht 1,025 million in Q4/2017. As a result the impact of reversal of LAT reserve, life policy reserves decreased from the previous year by 30% in accordance with the decrease in earned premiums.
- 2) Benefit payments under life policies and claim payments decreased by 17% or Baht 1,268 million which was down from Baht 7,399 million in 2017 to Baht 6,131 million in 2018. They can be divided into:
 - Policy benefit payments which decreased by Baht 1,171 million or 18%. The decrease was mainly owing to maturity benefit payment which decreased by Baht 969 million or 42% and contractual benefit payment which decreased by Baht 398 million or 17%.
 - Claims and loss adjustment expenses which decreased by Baht 97 million or 12%

3) Commissions and brokerage decreased by Baht 241 million or 24%, from Baht 993 million in the Q4/2017 to Baht 752 million in the Q4/2018. In this connection, commissions and brokerage decreased in accordance with the decrease in premiums.

2. Operating expenses for the Q4/2018 decreased by 13% or Baht 59 million, from Baht 452 million recorded in the Q4/2017 to Baht 393 million in Q4/2018. This was mainly due to a decrease in human resources costs.

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

1. Underwriting expenses in the year 2018 decreased from the year 2017 by 8% or Baht 4,191 million which was down from Baht 50,488 million in 2017 to Baht 46,297 million in 2018.

1) The item "life policy reserves increasing from prior period" decreased to the amount of Baht 17,313 million, down Baht 5,870 million or 25% from Baht 23,183 million in 2017. This was because the Company had to set LAT reserve in a sum of Baht 660 million in the year 2017 and reversed LAT reserve in a sum of Baht 660 million in 2018 due to the rising interest rate which allowed the Company to no longer set LAT reserve. The increase in contractual benefits and maturity benefits in 2018 also caused life policy reserves to decrease.

2) Benefit payments under life policies and claim payments increased by 8% or Baht 1,847 million which was up from Baht 22,824 million in 2017 to Baht 24,671 million in 2018. They can be divided into:

- Policy benefit payments which increased by Baht 1,887 million or 10%. The increase was mainly owing to surrender benefit payment which increased by Baht 788 million or 12% and maturity benefit payment which increased by Baht 598 million or 13%.
- Claims and loss adjustment expenses which decreased by Baht 40 million or 1%. This was mainly due to a decrease in health insurance claims.

3) Commissions and brokerage decreased by Baht 44 million or 1%, from Baht 3,499 million in 2017 to Baht 3,455 million in 2018. This was a decrease that was lower than the decrease of premiums due to the fact that the Company had limited the sales proportion of short-term products in 2018 which incurred lower commission rate than long-term products. It was also due to commissions of some products which had been revised upwards.

2. Operating expenses for the year 2018 decreased by 6% or Baht 99 million, from Baht 1,665 million in 2017 to Baht 1,764 million in 2018 due to the Company's expense management policy.

Profit for the Period for Separate Financial Statement

The Company posted a net profit for Q4/2018 in a sum of Baht 987 million, a decrease by Baht 762 million or 44% from a net profit of Baht 1,749 million posted in Q4/2017. This was a result of net premiums which decreased by 26%.

In the year 2018, the Company posted a net profit in a sum of Baht 4,926 million, an increase by Baht 1,281 million or 35% from a net profit of Baht 3,645 million posted in the year 2017, despite a decrease in total

revenue by 4%. In this connection, however, the decrease in underwriting expenses was more than at 8%.

The underwriting expenses in 2017 included LAT reserve of Baht 660 million whereas in the year 2018, the Company did not set LAT reserve in its financial statement and had reversed LAT reserve in the amount of Baht 660 million in Q1/2018.

Profit for the Period for Consolidated Financial Statement

The consolidated financial statement for Q4/2018 posted a profit of Baht 986 million, a decrease from a net profit of Baht 1,745 million posted in Q4/2017 by Baht 759 million or 44%, from the reasons given in the part of separate financial statement.

The consolidated financial statement for the year 2018 posted a profit of Baht 4,960 million, an increase from a Baht 3,627 million net profit posted in the year 2017 by Baht 1,333 million or 37%.

Financial Position Summary

Assets

Total assets as of December 31, 2018 grew from December 31, 2017 by 5% or Baht 15,824 million which was mainly from investment assets which represented 97% of the total assets and 115% of life policy reserve.

Liabilities

Total liabilities as of December 31, 2018 increased from December 31, 2017 by 6%, mainly from life policy reserve which rose by Baht 17,313 million or 7% 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 291 million or 1%, from Baht 38,786 million as of December 31, 2017 to Baht 38,496 million as of December 31, 2018. The decrease was mainly contributed to by the operating profit of Baht 4,926 million, dividend paid in a sum of Baht 920 million, and loss from revaluation of available-for-sale investments in a sum of Baht 4,313 million.

Table 3: Financial Position Summary

Financial Position	As at 31 Dec 2018		As at 31 Dec 2017		Change	
Unit : Million						%
Assets						
Cash and cash equivalents	9,746	3%	3,877	1%	5,869	151%
Premiums due and uncollected	1,910	1%	1,910	1%	(0)	0%
Accrued investment incomes	2,691	1%	2,458	1%	233	9%
Investments	304,320	94%	295,169	96%	9,151	3%
Premises and equipment	1,353	0%	1,341	0%	12	1%
Other assets	4,533	1%	3,974	1%	559	14%
Total assets	324,553	100%	308,729	100%	15,824	5%
Liabilities and equity						
Life policy reserves	273,908	84%	256,595	83%	17,313	7%
Other insurance contract liabilities	9,330	3%	9,383	3%	(54)	-1%
Other liabilities	2,820	1%	3,964	1%	(1,145)	-29%
Total liabilities	286,058	88%	269,943	87%	16,115	6%
Total equity	38,496	12%	38,786	13%	(291)	-1%
Total liabilities and equity	324,553	100%	308,729	100%	15,824	5%

Table 4: Cash Flows

Unit : Million For the year	Statement of cash flows			
	2018	2017	Change	
Source (used) of fund				
Operating activities	6,898	(7,626)	14,524	190%
Investment activities	(109)	(265)	156	59%
Financing activities	(921)	(1,252)	332	26%
Net increased (decreased) in cash	5,869	(9,144)	15,012	164%
Cash and cash equivalents -beginning	3,877	13,021	(9,144)	-70%
Cash and cash equivalents -ending	9,746	3,877	5,869	151%

Cash and cash equivalents as of December 31, 2018 and 2017 were Baht 9,746 million and Baht 3,877 million. In this connection, cash flows amounted to Baht 5,869 million and decreased by Baht 9,144 million, between the periods of 2018 and 2017, respectively. This was primarily owing to cash flows from operating activities.

Regarding cash flows of the year 2018, the Company had cash flows earned from operating activities in the amount of Baht 6,898 million whereas in the year 2017, funds spent on operating activities amounted to Baht 7,626 million due to the following entries:

- 1) Gross premiums written were in a sum of Baht 40,667 million in the year 2018, decreasing by Baht 3,149 million from Baht 43,816 million in the year 2017.
- 2) Interests received, dividends received, and other investment incomes amounted to Baht 13,400 million in the year 2018, an increase of Baht 422 million from the year 2017.
- 3) Benefits payments under life policies and loss incurred on direct insurance increased by Baht 1,464 million from Baht 23,272 million in 2017 to Baht 24,736 million in 2018.
- 4) Investments in securities and general investments decreased by Baht 20,053 million from Baht 34,609 million in the year 2017 to Baht 14,556 million in the year 2018.

Capital Adequacy under Risk-Based Capital: RBC

As required by laws, the Company maintained capital adequacy ratio as of December 31, 2018 at 260%¹ which increased 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 the year	
	4/2018	4/2017	2018	2017
NI / Total income	8.8%	12.4%	9.2%	6.5%
NI / Net premium	12.7%	16.6%	12.4%	8.5%
Life policy reserve / Net premium	34.2%	26.5%	43.7%	54.0%
Underwriting expenses / Net premium	123.9%	109.8%	116.9%	117.6%
Operating expenses / Net premium	5.0%	4.3%	4.5%	3.9%
Investment assets / Total asset	96.8%	96.9%	96.8%	96.9%
Investment assets / Life policy reserve	114.7%	116.6%	114.7%	116.6%
NI / Average investment assets	4.48%	4.51%	4.60%	4.65%
NI / Average equity	10.0%	18.7%	12.7%	10.1%
NI / Average assets	1.2%	2.3%	1.6%	1.2%
Car ratio ¹	260%	252%	260%	252%

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

Embedded value and Value of new business

Embedded value as of December 31, 2018 was Baht 62,959 million, an increase by 0.3% from the year 2017. Value of new business in the year 2018 was Baht 1,396 million, a decrease by 13% from the year 2017.

Industry Overview²

Industry's total life insurance premiums as at the end of December, 2018 amounted to Baht 627,387 million, a 4% increase year on year. They can be divided into first year premiums of Baht 180,415million, a growth of 19% and renewal year premiums of Baht 446,972 million, a 3% increase. Top six companies by market share are as follows:

Table 6: Market share

No.	Company	FYP	RYP	TP	Market share
1	AIA	29,665	104,477	134,142	21%
2	Muang Thai Life Assurance	22,773	71,694	94,467	15%
3	Thai Life Insurance	24,606	61,662	86,268	14%
4	Krungthai-AXA Life	21,544	45,492	67,036	11%
5	SCB Life Assurance	13,938	36,973	50,911	8%
6	Bangkok Life Assurance	8,101	32,791	40,892	7%

Regarding the industry's production for the year 2018, bancassurance channel's sales continued to grow with the total premium earned through bancassurance increasing by 4%, compared to the same period of the previous year. Bancassurance premiums represented 45% of total premiums earned from all channels, similar to that of 2017. Agent channel also expanded with a 3% increase in total premiums, representing 49% of total premiums earned from all channels in the year 2018, similar to that of the year 2017.

Significant Events

Liquidation of the subsidiary

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 amounted to Bath 53 million.

The impact of the new Labor Protection Act and the provision of post-employment benefits

On December 13, 2018, the National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment and causes the Company and its subsidiaries to have additional liabilities for long-term employee benefits. The Company and its subsidiaries have recorded the effect of the change by recognising past service costs in the amount of Bath 36 million as expenses immediately in the income statement. The Company will pay the additional compensation when the new Labour Protection Act becomes effective.

² Source: Thai Life Insurance Association