



**BANGKOK
LIFE**

กรุงเทพประกันชีวิต

**“Management Discussion and Analysis
for 1st quarter 2021”**

**STEP
TOWARDS
THE BETTER
FUTURE**



Executive Summary

Consolidated Baht, million

| OPERATING RESULTS | Quarter 1/21 | Quarter 1/20 | Change | Quarter 4/20 | Change QoQ% |
|--|-----------------|-----------------|---------------|-----------------|----------------|
| Revenues | | | | | |
| Net premiums written ⁽¹⁾ | 9,153 | 9,210 | -0.6 | 7,765 | 17.9 |
| First Year Premium | 1,341 | 1,277 | 5.0 | 1,194 | 12.3 |
| Bancassurance | 717 | 616 | 16.4 | 482 | 48.9 |
| Agent Channel | 389 | 419 | -7.2 | 498 | -21.9 |
| Other Channel | 236 | 242 | -2.7 | 215 | 9.5 |
| Renewal Premium | 8,648 | 8,780 | -1.5 | 6,852 | 26.2 |
| Total Investment Income ⁽²⁾ | 3,235 | 4,513 | -28.3 | 2,839 | 13.9 |
| Total Revenues | 12,726 | 14,389 | -11.6 | 10,407 | 22.3 |
| Expenses | | | | | |
| Underwriting expenses | 11,186 | 13,775 | -18.8 | 9,706 | 15.2 |
| Operating expenses | 363 | 363 | -0.1 | 379 | -4.3 |
| Expected Credit Loss | (2) | 30 | -106.5 | 128 | -101.5 |
| Total Expenses | 11,547 | 14,169 | -18.5 | 10,213 | 13.1 |
| Earning before tax | 1,179 | 221 | 434.1 | 194 | 507.8 |
| Net profit | 990 | 230 | 329.8 | 164 | 504.9 |
| Earnings per share (EPS) | 0.58 | 0.13 | 329.8% | 0.09 | 510.5% |
| Return on investment (ROI) | 3.92% | 5.57% | -1.7% | 3.45% | 0.5% |
| Capital Adequacy Ratio (CAR) | 284% | 266% | 18% | 274% | 10% |

⁽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 (Investment at fair value through profit or loss, Derivatives and Exchange rate)

- In the first quarter of 2021, Bangkok Life Assurance PCL. reported a net profit of 990 Million Baht, representing an earning per share of 0.58 Baht, increasing of 330% from the same period last year. The main reason was 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 first quarter of 2020.
- In the first quarter of 2021, the Company recorded a total First Year Premium (FYP) of 1,341 million Baht, an increase of 5% YoY, while industry FYP showed an increase of 6% YoY. However, if single premium is excluded, the Company's FYP of Ordinary premium grew 10% while the industry showed a decline of 8%.
- The FYP by distribution channel in 1Q21 is as followed: bancassurance, agent and other channels accounted for 53%, 29% and 18%, respectively.
- The total investment income in the first quarter of 2021 was 3,235 Million Baht, a decline of 28% from the same period last year as result of 1,068 Million Baht lower realized gain on investment. The return on investment (ROI) was 3.92%.
- Total expense in the first quarter of 2021 amounted to 11,547 Million Baht, a decline of 19% from the same period last year. The key reason was from the adjustment of PAD in the first quarter of 2020.
- The Capital Adequacy Ratio (CAR) at the first quarter of 2021 year was at 284%.

Performance Overview

Total Premium

In the first quarter of 2021, the Company's total premium amounted to 9,990 million Baht, a decline of 1% from the same period last year. Regarding the total premium by distribution channel: bancassurance, agent and other channels accounted for 59%, 31% and 10%, respectively.

First Year Premium

In the first quarter of 2021, the Company's FYP was 1,341 million Baht, an increase of 5% from the same period last year. Bancassurance channel saw FYP increasing 16% YoY while Agency channel saw FYP decline by 7%. The growth rate reflects product mix among other factors. Although FYP declined in agency channel, the profit margin has improved. For other channel, FYP declined by 2% but in amount term, the change was not significant.

Renewal Year Premium

In the first quarter of 2021, the Company had a renewal year premium of 8,648 million Baht, a decline of 2% from the same period last year due to paid-up policies across distribution channels. For the full year, the Company continues to expect Renewal Year Premium for 2021 to be positive. As of current, Renewal Year Premium has not been negatively impacted by the spread of COVID-19.

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

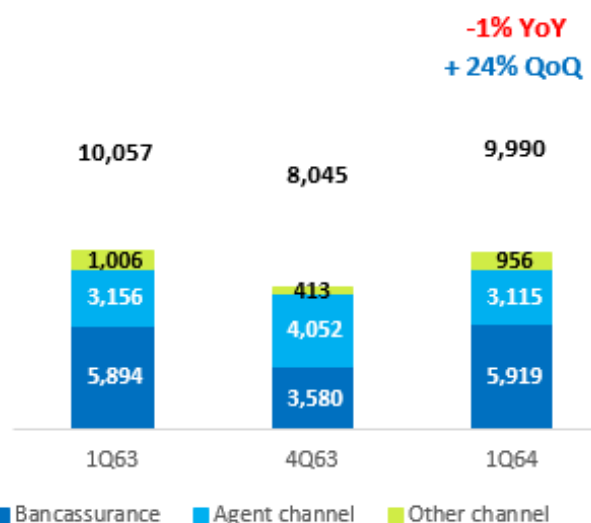


Figure 2: First Year Premium by channels (Baht: million)

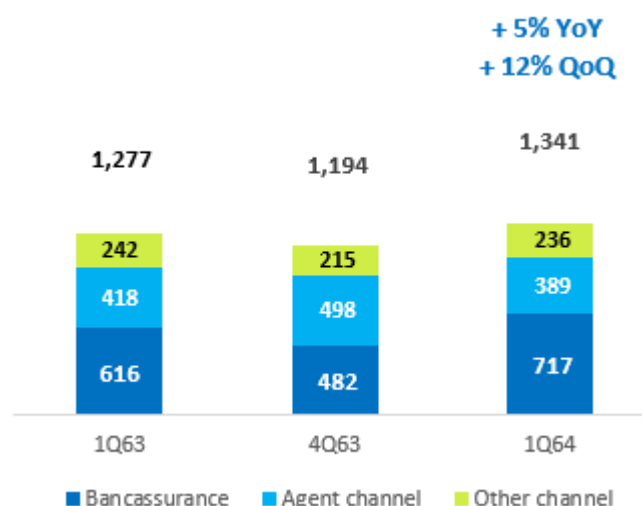
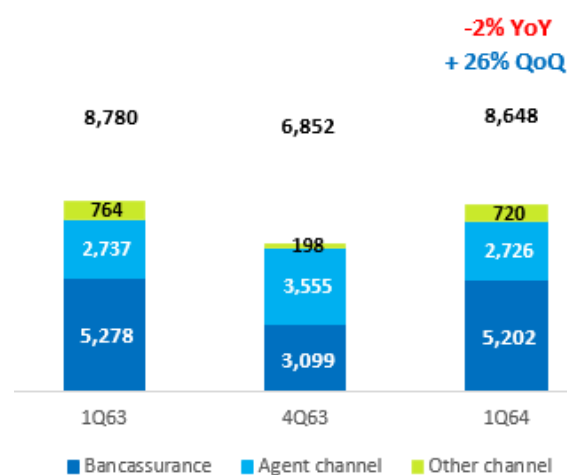


Figure 3: Renewal Premium by channels (Baht: million)



Investment Asset and Investment Return

In the first quarter of 2021, the Company's total investment asset was 333,341 million Baht, an increase of 3,131 million Baht. The Company's investment proportion in fixed income was at 83%, equity at 9% and REIT at 5%.

In the first quarter of 2021, the Company's investment income ⁽³⁾ was 3,240 million Baht, a decrease of 28% from the same period last year as a result of lower realized gain. Excluding realized gain, interest and dividend income dropped 6.8% YoY.

In the first quarter of 2021, the return on investment (ROI) equals to 3.92%, declining from 5.57% in the previous year, but increasing from 3.45% in the previous quarter. Investment yield (including interest and dividend income) was at 3.74%, declining 35 bps YoY, but increasing 21 bps QoQ.

Table 1: Investment Assets as of 31 March 2021

| Investment assets | 2563 | 1Q64 | Change |
|-------------------------------------|----------------|----------------|--------------|
| Short-term investment | 3.5% | 4.3% | 0.8% |
| Bond | 49.0% | 48.6% | -0.4% |
| Debenture & Note | 31.0% | 30.0% | -1.0% |
| Total Fixed income | 83.5% | 82.9% | -0.6% |
| Equity | 8.5% | 9.2% | 0.7% |
| REIT | 4.9% | 4.9% | 0.0% |
| Loan | 3.1% | 3.0% | -0.1% |
| - Policy Loans | 2.5% | 2.5% | 0.0% |
| - Secured Loans | 0.6% | 0.5% | -0.1% |
| Total Investment assets (MB) | 330,210 | 333,341 | 0.9% |

Figure 4: Investment Income (Baht, Million)

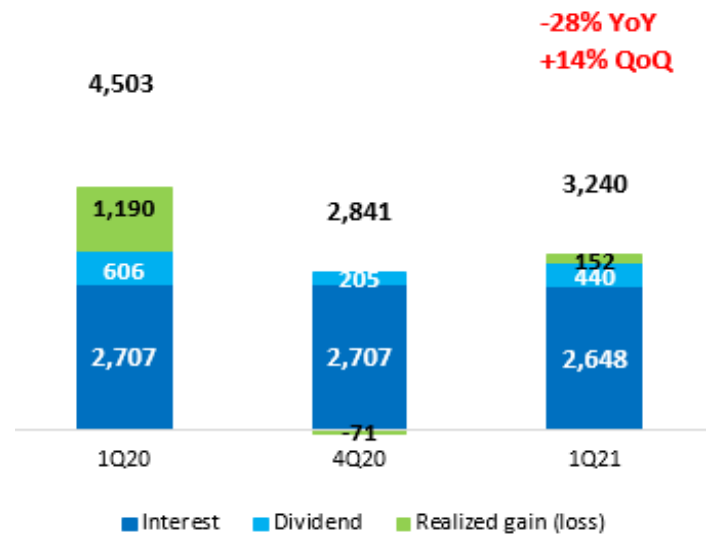
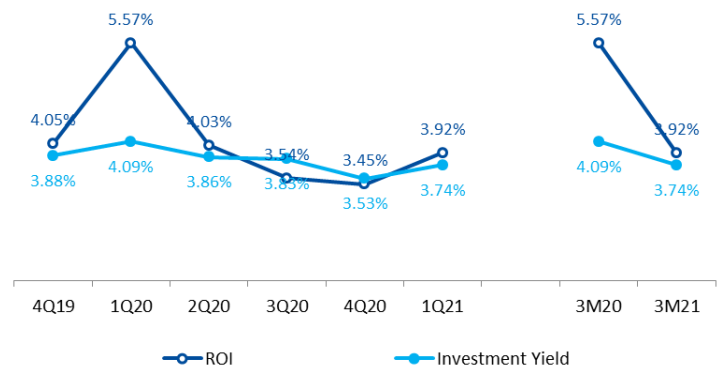


Figure 5: Return on Investment



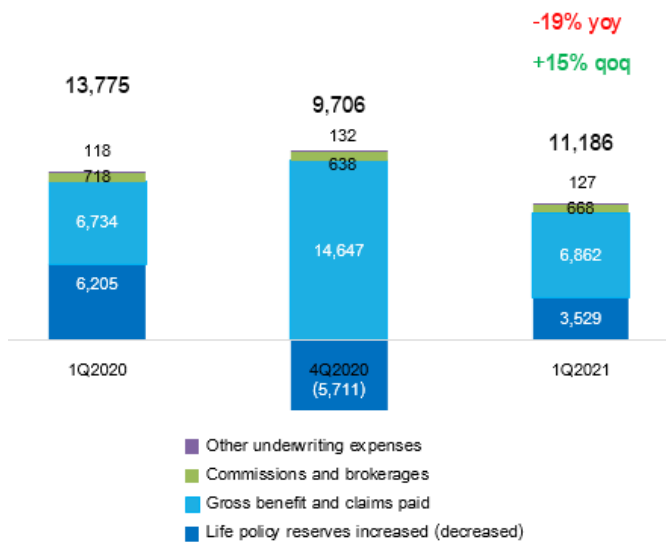
(3) Interest income + Dividend + Profit (Loss) from Investment

Underwriting Expenses and Operating Expenses

In the first quarter of 2021, the Company underwriting expenses totaled 11,186 Million Baht, a decrease of 19% YoY. The decline was mainly from the impact of PAD adjustment from 4% to 5% or 2,668 Million Baht booked in the first quarter of 2020.

In the first quarter of 2021, the Company had an operating expense of 363 Million Baht, a decrease of 0.1% from the same period last year. The company continues to focus on expense management.

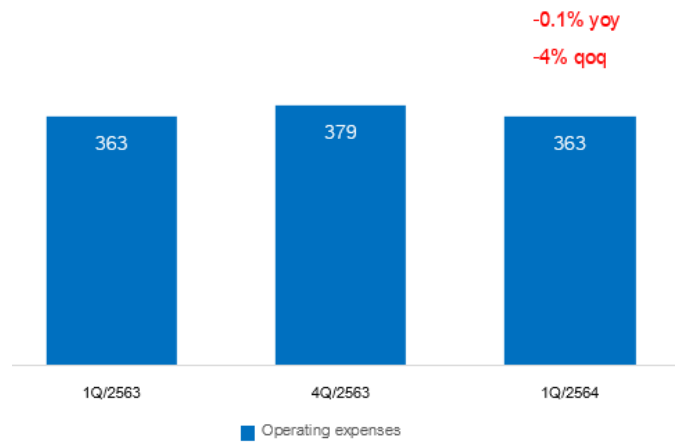
Figure 6: Underwriting Expenses (Baht, million)



Capital Adequacy and Risk-Based Capital (RBC)

In the first quarter of 2021, the Company’s Capital Adequacy Ratio (“CAR”) was at 284%, an increase from 274% at the end of 2020 due to an increase in government bond yield, which resulted in an increase in CAR.

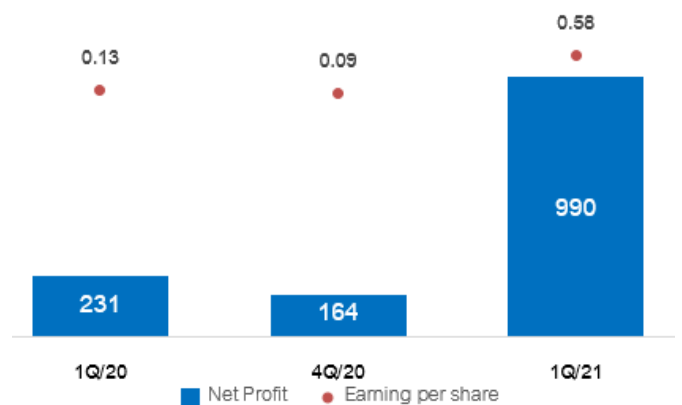
Figure 7: Operating Expense (Baht, million)



Net Profit

In the first quarter of 2021, the Company had a net profit of 990 Million Baht or Baht 0.58 per share, an increase of 330% from the same period last year mainly from PAD adjustment from 4% to 5% amounting to 2,668 Million Baht in the first quarter of 2020.

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



Summary of Financial Position as of 31 March 2021

Consolidated Baht, million

| | 31 Mar 21 | % | 31 Dec 20 | % | Change | % |
|---|----------------|-------------|----------------|-------------|--------------|-----------|
| Assets | | | | | | |
| Cash and cash equivalents | 8,607 | 2% | 8,072 | 2% | 534 | 7% |
| Premiums due and uncollected | 2,909 | 1% | 1,786 | 1% | 1,123 | 63% |
| Accrued investment incomes | 2,774 | 0.8% | 1,647 | 0% | 1,127 | 68% |
| Investments ⁽⁴⁾ | 324,738 | 94% | 322,141 | 95% | 2,597 | 1% |
| Premises and equipment | 2,265 | 0.7% | 2,188 | 0.6% | 77 | 4% |
| Other assets | 3,395 | 1% | 3,944 | 1% | (549) | -14% |
| Total Assets | 344,688 | 100% | 339,778 | 100% | 4,909 | 1% |
| Liabilities and equity | | | | | | |
| Life policy reserves | 285,937 | 83% | 282,407 | 83% | 3,529 | 1% |
| Other insurance contract liabilities | 9,183 | 3% | 8,921 | 3% | 262 | 3% |
| Other liabilities | 2,701 | 1% | 2,351 | 1% | 349 | 15% |
| Total liabilities | 297,820 | 86% | 293,680 | 86% | 4,140 | 1% |
| Retained earnings | 32,718 | 9% | 31,729 | 9% | 990 | 3.1% |
| Unrealized gain on investment | 8,962 | 3% | 9,092 | 3% | (130) | -1% |
| Non-controlling interests of the subsidiaries | 0 | 0.0% | 0 | 0.0% | 0 | 4% |
| Total equity | 46,867 | 14% | 46,098 | 14% | 769 | 2% |
| Total liabilities and equity | 344,688 | 100% | 339,778 | 100% | 4,909 | 1% |
| Book value/Share | 27.45 | | 27.00 | | | |

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

Assets

Total assets as of 31 March 2021 increased from 31 December 2020 by 1% or 4,909 Million Baht. The majority of the company's assets was investment asset, which accounted for 94% of total assets and accounted for 114% of life reserve policy.

Liabilities and Equity

Total liabilities as of 31 March 2021 increased 1% from 31 December 2020. The increase mostly came from the increase in life policy reserves.

The total equity as of 31 March 2021 was 46,867 Million Baht, an increase of 769 Million Baht or 2% from 31 December 2020. The increase came from net profit of 990 Million Baht which more than offset unrealized loss from financial instruments of 221 Million Baht. Book value per share (BV/share) was at 27.45 Baht per share.

Financial Ratios

| Financial ratio | Quarter | | QoQ |
|---|---------|--------|--------|
| | 1/2021 | 1/2020 | 4/20 |
| NI / Total income | 7.8% | 1.6% | 1.6% |
| NI / Net premium | 10.5% | 2.4% | 2.1% |
| Life policy reserve / Net premium | 37.5% | 65.5% | -73.2% |
| Underwriting expenses / Net premium | 87.9% | 145.5% | 93.3% |
| Operating expenses / Net premium | 3.9% | 3.8% | 4.9% |
| Investment assets / Total asset | 94.2% | 93.6% | 97.0% |
| Investment assets / Life policy reserve | 113.6% | 111.2% | 116.7% |
| NI / Average investment assets | 3.9% | 5.6% | 3.4% |
| NI / Average equity | 8.5% | 2.2% | 1.5% |
| NI / Average assets | 1.2% | 0.3% | 0.2% |
| CAR ratio | 284% | 266% | 274% |

Industry Overview

In the first quarter of 2021, life insurance industry reported a new business premium amounting to Baht 43,688 million Baht, an increase of 5.8%. However, if considering only the ordinary FYP without single premium, it decreased by 8.3%. Meanwhile, Renewal year premium and total premium compared to the same period last year increase by 0.8% and 2.2%, respectively.

For new business premiums by distribution channels in the first quarter of 2021, Agent channel decreased by 3.7% YoY, which accounted for 29% of total FYP. The proportion decreased from the same period last year.

Bancassurance channel FYP increased by 16.5% YoY, which accounted for 59% of total FYP. This proportion increased from the same period last year. Other channel and direct marketing FYP declined by 12.2% compared to the same period last year.

Figure 9: Life Insurance Industry Premiums

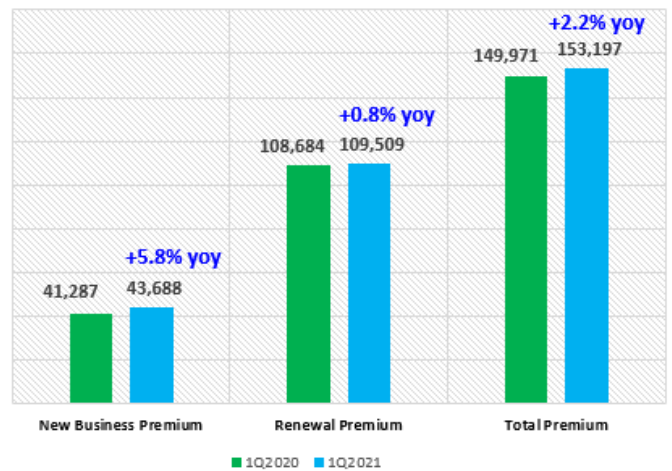


Figure 10: Industry New Business Premiums by products

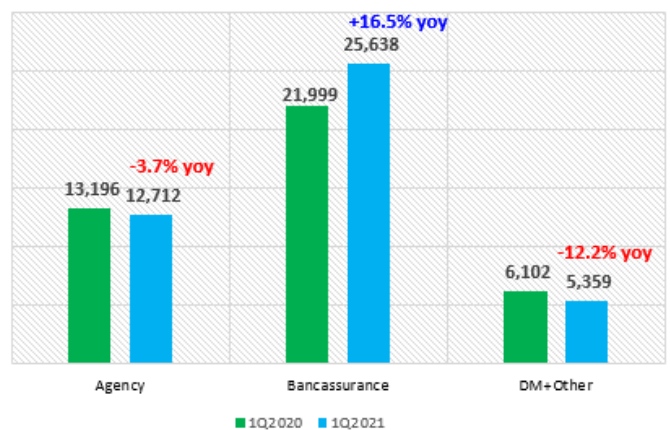


Figure 11: Industry New Business Premium by Channels

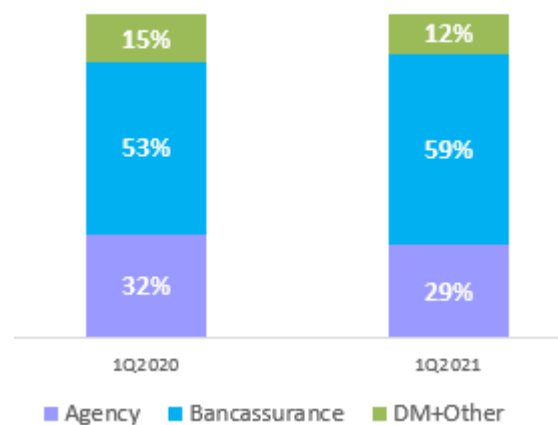


Table 2: Life Insurance Premiums market share (%)

| Rank | Company | New Business Premium | Renewal Premium | Total Premium | Market Share (New Business) |
|------|---------|----------------------|-----------------|---------------|-----------------------------|
| 1 | AIA | 10,204 | 26,503 | 36,707 | 23.36% |
| 2 | FWD* | 8,288 | 17,225 | 25,514 | 18.97% |
| 3 | TLI | 3,453 | 16,101 | 19,553 | 7.90% |
| 4 | MTL | 6,402 | 11,661 | 18,063 | 14.65% |
| 5 | KTAL | 3,415 | 10,019 | 13,434 | 7.82% |
| 6 | BLA | 1,341 | 8,648 | 9,990 | 3.07% |
| 7 | AZAY | 1,630 | 6,293 | 7,924 | 3.73% |
| 8 | PLT | 2,793 | 3,820 | 6,613 | 6.39% |
| 9 | OLIC | 630 | 2,968 | 3,598 | 1.44% |
| 10 | GT | 1,307 | 1,366 | 2,672 | 2.99% |

Source: The Thai Life Assurance Association