
“Management Discussion and Analysis 2020”

Executive Summary

Baht, million

OPERATING RESULTS	Quarter 4/20	Quarter 4/19	Change YoY%	Quarter 3/20	Change QoQ%	2020	2019	Change YoY%
Revenues								
Net premiums written ⁽¹⁾	7,765	7,968	-2.5	9,743	-20.3	33,396	34,308	-2.7
First Year Premium	1,194	1,528	-21.9	3,005	-60.3	6,550	6,198	5.7
Bancassurance	482	879	-45.2	2,597	-81.4	4,228	3,735	13.2
Agent Channel	498	467	6.6	360	38.3	1,699	1,923	-11.6
Renewal Premium	6,851	6,682	2.5	6,798	0.8	28,195	29,495	-4.4
Total Investment Income ⁽²⁾	2,839	3,263	-13.0	2,942	-3.5	13,622	14,053	-3.1
Total Revenues	10,407	11,284	-7.8	12,824	-18.9	47,337	48,902	-3.2
Expenses								
Underwriting expenses	9,706	10,087	-3.8	11,775	-17.6	43,703	41,960	4.2
Operating expenses	379	408	-6.9	405	-6.3	1,534	1,636	-6.3
Expected Credit Loss	128	-	0.0	(9)	-1,568.6	339	-	0.0
Total Expenses	10,213	10,494	-2.7	12,171	-16.1	45,576	43,596	4.5
Earning before tax	194	789	-75.4	653	-70.3	1,761	5,306	-66.8
Net profit	164	653	-75.0	583	-72.0	1,608	4,384	-63.3
Net profit (Excluded LAT Reserve)	164	653	-75.0	583	-72.0	1,608	4,384	-63.3
Earnings per share (EPS)	0.09	0.38	-75.2	0.34	-72.2	0.94	2.57	-63.3
Return on investment (ROI)	3.45%	4.05%	-0.6%	3.54%	-0.1%	4.14%	4.43%	-0.3%
Capital Adequacy Ratio (CAR)	274%	314%	-40%	263%	11%	274%	314%	-40%

⁽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)

- In the year 2020, Bangkok Life Assurance PCL. reported a net profit of 1,608 Million Baht, representing an earning per share of 0.94 Baht, a decline of 63% from the same period last year. The decline was mainly 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 addition, the impact from COVID-19 resulted in a decline in investment income through lower interest rate and dividend received.
- In the year of 2020, the Company had a total revenue of 47,337 Million Baht, a decline of 3% from the same period last year. First Year Premium was 6,550 Million Baht, an increase of 6% YoY driven by growth in bancassurance channel.
- The FYP by distribution channel: bancassurance, agent and other channels accounted for 65%, 26% and 9%, respectively.
- The total investment income in the year of 2020 was 13,622 Million Baht, a decrease of 3% from the same period last year. The return on investment (ROI) was 4.14%.
- Total expense in the year of 2020 amounted to 45,576 Million Baht, an increase of 5% from the same period last year. The key reason was from the adjustment of PAD and expected credit loss.
- The Capital Adequacy Ratio (CAR) at the end of 2020 year was at 274%.
- The Embedded Value and the Value of new business as of 31 December 2020 was 67,502 million Baht, equal to 39.5 baht per share, a decrease of 5% from 2019, which is a result of a decline in bond yield resulting in the fair value of liabilities increasing more than the fair value of asset. The Value to new business was 1,151 million Baht, which was equal to 0.7 baht per share, an increase of 227% from 2019 driven by the change in composition of product mix towards protection and participatory insurance plan.

Performance Overview

Total Premium

In the year of 2020, the Company's total premium amounted to 34,745 million Baht, a decline of 3% from the same period last year. Regarding the total premium by distribution channels: bancassurance, agent and other channels accounted for 55%, 39% and 6%, respectively.

First Year Premium

In the fourth quarter of 2020, the Company's FYP was 1,194 million Baht, a decline of 22% from the same period last year mainly because of a 45% decline in the premium of Bancassurance channel as the focus was on selling strategic product in 3Q20 per planned. Meanwhile, Agent channel experienced an increase of 7% YoY while other channel saw 18% YoY FYP growth.

In the year of 2020, the Company had an FYP of 6,550 million Baht, an increase of 6% from last year which is a good growth compared to the Industry which saw FYP declined by 11% YoY. The Company's outperformance was mainly from an increase in premium from bancassurance channel in which the strategic product launched in 3Q20 contributed to the success. As a result, Bancassurance channel showed a 13% YoY increase in FYP. Agent FYP declined 12% from the previous year from a change of product sold and the impact from Covid-19. Other channel showed a 15% increase YoY from the increase across Group, Online and Direct marketing channel.

Renewal Premium

In the year of 2020, the Company had a renewal premium of 28,195 million Baht, a decline of 4% from the same period last year due to matured products of Bancassurance and agent channel this year.

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

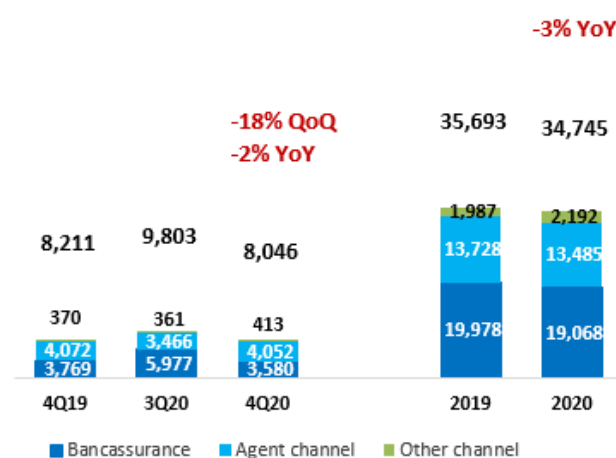


Figure 2: First Year Premium by channels (Baht: million)

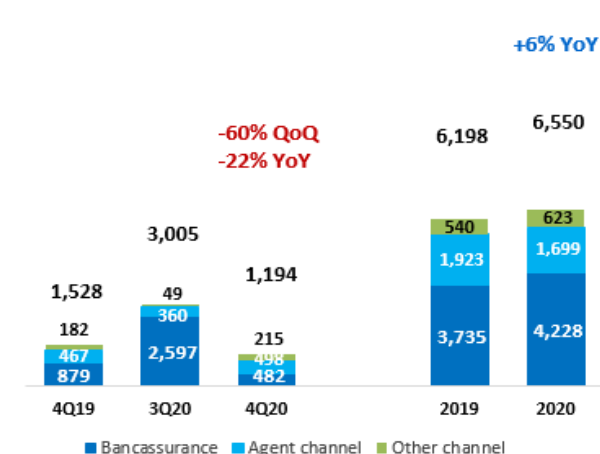
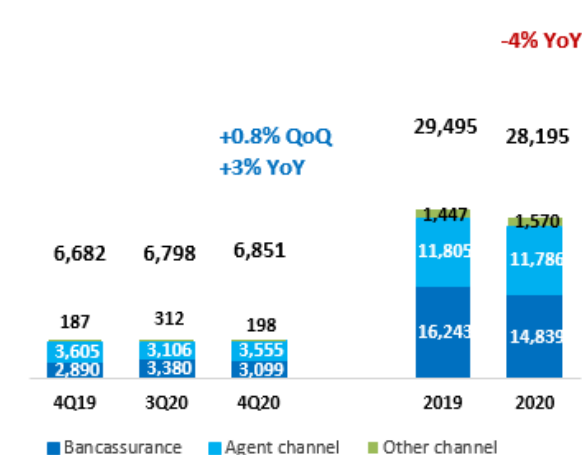


Figure 3: Renewal Premium by channels (Baht: million)



Investment Asset and Investment Return

In the year of 2020, the Company's total investment asset was 329,279 million Baht, an increase of 5,492 million Baht from the end of 2019. The Company's investment portion of fixed income increased from 80.9% in the previous year to 83.5% this year. Meanwhile, investment in equity declined slightly to 8.5% while investment in REIT declined to 4.9%.

In the fourth quarter of 2020, the Company's investment income ⁽³⁾ was 2,839 million Baht, a slight decrease of 4% QoQ and 13% YoY. Excluding realized gain, interest and dividend income dropped 8% QoQ and 7% YoY.

In the year of 2020, the return on investment (ROI) equals to 4.14%, declining from 4.43% in the previous year as a result of a drop in investment yield (including interest and dividend income) from 4.10% in the previous year to 3.83%.

Table 1: Investment Assets as of year-end 2020

	2019	2020	Change
Short-term investment	4.0%	3.5%	-0.5%
Bond	44.0%	49.0%	5.0%
Debenture & Note	32.9%	31.0%	-1.9%
Total fixed income	80.9%	83.5%	2.6%
Equity	9.0%	8.5%	-0.6%
REIT	6.9%	4.9%	-2.0%
Policy Loan	2.6%	2.5%	-0.1%
Secured Loan	0.5%	0.6%	0.1%
Total investment asset (Mb)	323,787	329,279	1.7%

Figure 4: Investment Income (Baht, Million)

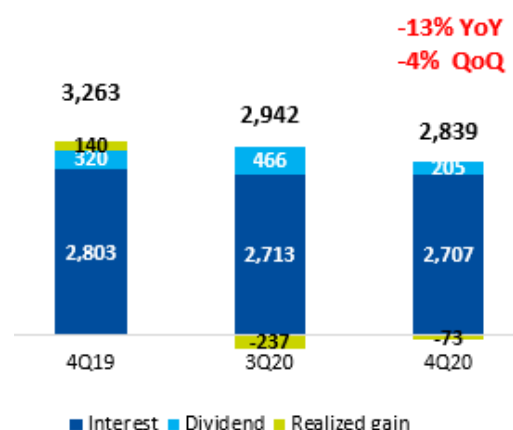
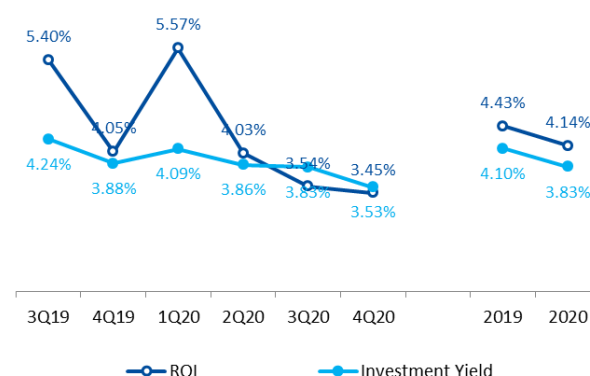


Figure 5: Return on Investment



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

Underwriting Expenses and Operating Expenses

In the year of 2020, the Company underwriting expenses totaled 43,703 Million Baht, an increase of 4% YoY. The increase was mainly from maturity benefit payment with the major component coming from the impact of PAD adjustment from 4% to 5% or 2,668 Million Baht in amount term and an increase in maturity benefit payment.

In the year of 2020, the Company had an operating expense of 1,534 Million Baht, a decrease of 6% from the same period last year because of increasing efficiency.

Figure 6: Underwriting Expenses (Baht, million)

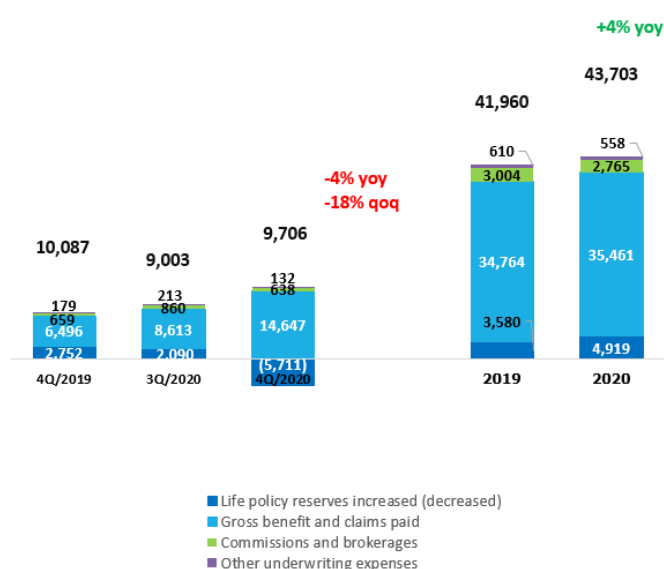
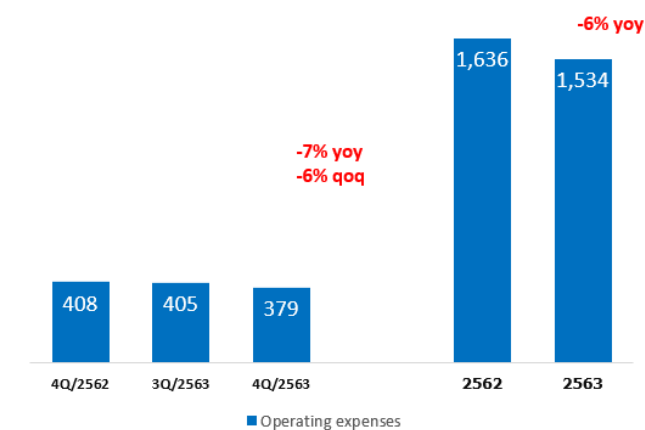


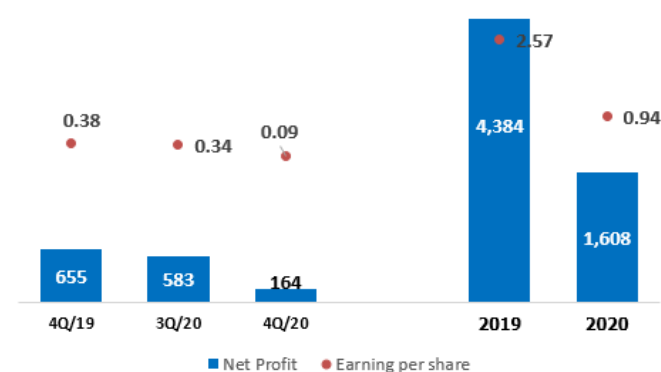
Figure 7: Operating Expense (Baht, million)



Net Profit:

In the year of 2020, the Company has a net profit of 1,608 Million Baht or Baht 0.94 per share, a decline of 63% from the same period last year. The decline came from PAD adjustment from 4% to 5% amounting to 2,668 Million Baht and the impact from COVID-19 resulting in a decrease investment income.

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



Capital Adequacy and Risk-Based Capital (RBC)

At the end of year of 2020, the Company's Capital Adequacy Ratio ("CAR") was at 274%, a decline from 314% at the end of 2019. The decline came from the effect of the fair value of equity investments, which decreased from the effect of the fair value of capital fund from the decrease in interest rate.

Embedded Value and the Value of New Business

The Embedded Value as of 31 December 2020 was 67,502 million Baht, which equals to 39.53 baht per share, a decline of 5% from 2019. The Value of new business was 1,151 million Baht, which equals to 0.67 baht per share, an increase of 227% from 2019 driven by the change in composition of product mix towards protection and participatory insurance plan.

Summary of Financial Position as of 31 December 2020

	31 Dec 20	%	31 Dec 19	%	Change	%
Assets						
Cash and cash equivalents	8,072	2%	13,442	4%	(5,370)	-40%
Premiums due and uncollected	1,786	1%	1,801	1%	(15)	-1%
Accrued investment incomes	1,647	0.5%	1,684	1%	(37)	-2%
Investments ⁽⁴⁾	322,141	95%	311,375	93%	10,766	3%
Premises and equipment	2,188	0.6%	1,426	0.4%	762	53%
Other assets	3,944	1%	3,953	1%	(9)	0%
Total Assets	339,778	100%	333,680	100%	6,098	2%
Liabilities and equity						
Life policy reserves	282,407	83%	277,489	83%	4,919	2%
Other insurance contract liabilities	8,921	3%	9,153	3%	(232)	-3%
Other liabilities	2,351	1%	2,778	1%	(426)	-15%
Total liabilities	293,680	86%	289,420	87%	4,260	1%
Retained earnings	31,729	9%	31,626	9%	103	0.3%
Unrealized gain on investment	9,092	3%	7,536	2%	1,557	21%
Non-controlling interests of the subsidiaries	0	0.0%	35	0.0%	(35)	-99%
Total equity	46,098	14%	44,260	13%	1,838	4%
Total liabilities and equity	339,778	100%	333,680	100%	6,098	2%
Book value/Share	27.00		25.92			

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

Assets

Total assets as of 31 December 2020 increased from 31 December 2019 by 2% or 6,098 Million Baht. The majority of the company's assets was investment asset, which accounted for 95% of total assets and accounted for 117% of life reserve policy.

Liabilities and Equity

Total liabilities as of 31 December 2020 increased 1% from 31 December 2019. The increase mostly came from the increase in life policy reserves.

The total equity as of 31 December 2020 was 46,098 Million Baht, an increase of 1,838 Million Baht or 4% from 31 December 2019. The increase came from the adoption of accounting guidelines for financial instruments which added 763 Million Baht, Dividend paid 547 Million Baht as well as net profit of 1,608 Million Baht which more than offset unrealized loss from financial instruments of 49 Million Baht and Change in equity from sale of a subsidiary of 35 Million Baht. Book value per share (BV/share) was at 27 Baht per share.

Financial Ratios

Financial ratio	Quarter		Year	
	4/2020	4/2019	2020	2019
NI / Total income	1.6%	5.8%	3.4%	9.0%
NI / Net premium	2.1%	8.2%	4.8%	12.8%
Life policy reserve / Net premium	-73.2%	34.7%	14.7%	10.4%
Underwriting expenses / Net premium	93.3%	127.1%	92.3%	122.2%
Operating expenses / Net premium	4.9%	5.1%	4.6%	4.8%
Investment assets / Total asset	97.0%	96.5%	96.8%	95.0%
Investment assets / Life policy reserve	116.7%	116.0%	116.7%	116.0%
NI / Average investment assets	3.4%	4.1%	4.1%	4.4%
NI / Average equity	1.5%	5.8%	3.6%	10.6%
NI / Average assets	0.2%	0.8%	0.5%	1.3%
CAR ratio	274%	314%	274%	314%

Industry Overview

In the year of 2020, life insurance industry reported a new business premium amounting to Baht 158,239 million, declining 11% from the same period last year.

For new business premiums by distribution channels in the year of 2020, Agent channel decreased by 16% YoY, Bancassurance channel decreased by 8% YoY and other channel decreased by 9% YoY.

In terms of channel mix: Agent, bancassurance and other channel for 34%, 53% and 13% respectively.

Table 2: Life insurance Premiums market share (%)

Rank	Company	New Business Premiums	Renewal Premium	Total Premiums	Market Share (New Business)
1	AIA	29,191	116,655	145,846	18.4%
2	TLI	20,465	70,827	91,292	12.9%
3	FWD	28,986	51,362	80,348	18.3%
4	MTL	21,563	53,764	75,327	13.6%
5	KTAL	11,753	42,898	54,651	7.4%
6	BLA	6,550	28,195	34,745	4.1%
7	AZAY	6,496	24,957	31,452	4.1%
8	PLT	8,903	15,409	24,312	5.6%
9	OLIC	2,629	11,990	14,620	1.7%
10	TMLTH	2,181	6,360	8,541	1.4%

Source: The Thai Life Assurance Association

Figure 9: Life Insurance Industry Premiums

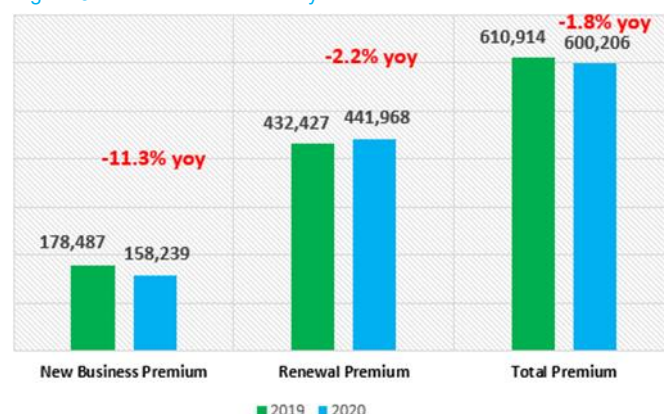


Figure 10: Industry New Business Premiums by products

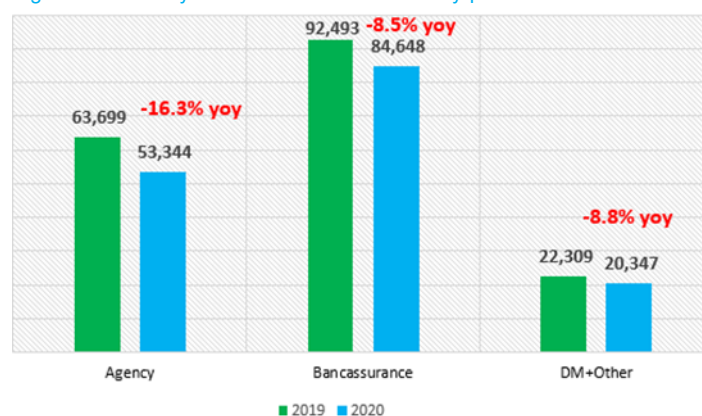


Figure 11: Industry New Business Premiums by Channels

