

Ref. No. Acc. 022/2021

11 August 2021

Subject: Management Discussion and Analysis for the six-month period ended 30 June 2021

To: Director and Manager
The Stock Exchange of Thailand

Summary

The Company would like to report the operating result reviewed by the external auditor for the six-month period ended 30 June 2021. The report was presented according to the equity method (including investment in associate) and the separate financial statements, whereby the net profit were Baht 452.13 million and Baht 451.18 million, respectively. The net profit of the separate financial statements showed an increase of Baht 98.94 million or 28.09% in comparison to 2020's. This increase was attributed to various factors, as follows:

- An increase in investment income was in line with the 2021 stock market conditions, which had recovered in a better direction while the 2020 stock market was mostly fluctuated.
- Due to the Coronavirus (COVID-19) outbreak in the first quarter of 2021, the Company has constantly received premiums written from the renewal of COVID-19 health insurance policies. Moreover, the Company has launched new products related to COVID-19 health insurance policies to fulfill customers' needs.
- Claim expenses for both general insurance and motor insurance decreased. As for general insurance, it was due to large claims arising from accidents and natural perils in the first two quarters of 2020. Motor claim ratio has declined, in fact, both in 2021 and 2020 partly due to the low car usage from Covid 19 situation, the Curfew announcement and work from home guidance, other factors were due to the insurance premium adjustment, the reduction of underperformed sales channels and product types and the efficiency improvement of claim management.



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Financial operational summary

Key operational results and movements for the six-month period ended 30 June 2021 and 2020 are summarized in the table below.

(Unit: Million Baht)	Financial statements in which the equity method is applied				Separate financial statements			
	30 June 2021	30 June 2020	Increase (decrease)	Increase (decrease) (%)	30 June 2021	30 June 2020	Increase (decrease)	Increase (decrease) (%)
Gross premium written	6,974.42	7,127.46	(153.04)	(2.15%)	6,974.42	7,127.46	(153.04)	(2.15%)
Net premium written	3,606.82	3,651.32	(44.50)	(1.22%)	3,606.82	3,651.32	(44.50)	(1.22%)
Net earned premium	3,752.37	3,717.86	34.51	0.93%	3,752.37	3,717.86	34.51	0.93%
Fee and commission income	960.88	985.08	(24.20)	(2.46%)	960.88	985.08	(24.20)	(2.46%)
Share of gain (loss) from investments in an associate	0.95	(0.18)	1.13	627.78%	-	-	-	-
Investment and other income	378.09	279.80	98.29	35.13%	378.09	279.80	98.29	35.13%
Total income	5,092.29	4,982.56	109.73	2.20%	5,091.34	4,982.74	108.60	2.18%
Net claim expenses	2,056.55	2,175.34	(118.79)	(5.46%)	2,056.55	2,175.34	(118.79)	(5.46%)
Commission and brokerage expenses	1,083.05	1,105.58	(22.53)	(2.04%)	1,083.05	1,105.58	(22.53)	(2.04%)
Other underwriting expenses	679.13	600.87	78.26	13.02%	679.13	600.87	78.26	13.02%
Operating expenses	699.52	653.81	45.71	6.99%	699.52	653.81	45.71	6.99%
Finance cost	1.25	1.22	0.03	2.46%	1.25	1.22	0.03	2.46%
Expected credit loss (reversal)	0.93	(0.13)	1.06	815.38%	0.93	(0.13)	1.06	815.38%
Total expenses	4,520.43	4,536.69	(16.26)	(0.36%)	4,520.43	4,536.69	(16.26)	(0.36%)
Profit before income tax	571.86	445.87	125.99	28.26%	570.91	446.05	124.86	27.99%
Income tax	(119.73)	(93.98)	25.75	27.40%	(119.73)	(93.80)	25.93	27.64%
Net profit	452.13	351.89	100.24	28.49%	451.18	352.25	98.93	28.09%

- Gross premium for the six-month period ended 30 June 2021 comprises direct premium of Baht 6,944.81 million, a decrease of 1.88%, and reinsurance premium of Baht 29.61 million. Net premium written, which decreased from Baht 3,651.32 million to Baht 3,606.82 million or 1.22%, was mainly contributed from general insurance. Earned premium increased from Baht 3,717.86 million to Baht 3,752.37 million or 0.93%. Fee and commission income decreased by Baht 24.20 million or 2.46% from reinsurance income of general insurance.



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- Net investment income and gain on investments in securities and other income increased by Baht 98.29 million or 35.13% compared to those of previous year. This was in line with the stock market conditions of 2021 which had moved in a better direction. As a result, there was an increase in net investment income and gain on investments.
- Claim expenses of Baht 2,056.55 million, which decreased by 5.46% from last year. Motor claim ratio decreased because of the improvement of motor claims management and the adjustment of motor premium rates while general insurance claim reduced as there were large claims arising from accidents and natural perils in the first two quarters of 2020. Commission and brokerage expenses on gross premium were at 15.53%, slightly higher than the previous year. Other underwriting and operating expenses increased by Baht 123.97 million due to various marketing and sales promotion expenses incurred to retain existing customers and gain new customers under high market competition.

As detailed above, the Company's net profit per separate financial statements for the six-month period ended 30 June 2021 was Baht 451.18 million, Baht 98.93 million or 28.09% higher than the same period of last year. Earnings per share for the six-month periods ended 30 June 2021 and 2020 were Baht 7.65 and Baht 5.97, respectively. The net profit per equity method recorded at Baht 452.13 million includes operational performance of an associated company.

Financial position summary

Key financial position information as at 30 June 2021 and 31 December 2020:

(Unit: Million Baht)	Financial statements in which the equity method is applied			Separate financial statements		
	31 March 2021	31 December 2020	Increase (decrease)	31 March 2021	31 December 2020	Increase (decrease)
Total assets	26,824.18	25,585.33	1,238.85	26,826.24	25,589.12	1,237.12
Total liabilities	21,149.13	20,156.78	992.35	21,149.13	20,156.78	992.35
Equity	5,675.05	5,428.55	246.50	5,677.11	5,432.34	244.77

The Company's total assets increased from investment assets and reinsurance assets on loss reserves. Total liabilities increased mainly from insurance contract liabilities and amounts due to reinsurers under normal term. The movement of equity per separate financial statements for the six-month period ended 30 June 2021 amounting to Baht 451.18 million derived from unrealized gains from the measurement of investments in available-for-sale securities – net of tax of Baht 59.67 million, which was in line with the Stock Exchange index at the end of the period. Dividend paid for the year 2020 amounts to Baht 266.09 million.



As for the financial statements using the equity method, the movement was higher because of the exchange differences on the translation of financial statements in foreign currency - investment in an associate.

For your acknowledgement

Yours sincerely,



(Mrs. Nualphan Lamsam)

President and Chief Executive Officer

