

THAI LIFE INSURANCE TLI TB

THAILAND / FINANCIALS

BUY

ตัวแทนขายประกันจะช่วยรับประกันความรุ่งเรือง

- บริษัทประกันชีวิตใหญ่เป็นอันดับ 3 ของไทยพร้อมตัวแทนที่มีเป็นจำนวนมาก ผลิตภัณฑ์ที่แข่งขันได้ รวมถึงการบริหารสินทรัพย์และหนี้สินอย่างมีประสิทธิภาพ
- เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 19.2 บาท โดยวิธี AV

TARGET PRICE
CLOSE
UP/DOWNSIDE

THB19.20
THB15.80
+21.5%

บริษัทประกันชีวิตที่ใหญ่เป็นอันดับ 3 พร้อมแนวโน้มการเติบโตที่ดี

TLI เป็นบริษัทประกันชีวิตที่ใหญ่เป็นอันดับ 3 ในประเทศไทย (ณ สิ้นเดือน มิ.ย. 22) เราเชื่อว่ากลุ่มประกันภัยและโดยเฉพาอย่างยิ่ง TLI น่าจะมีการฟื้นตัวที่แข็งแกร่งตั้งแต่ปี 2022 เป็นต้นไปจากวงจรอัตราดอกเบี้ยที่คาดว่าจะเพิ่มขึ้นและความตื่นตัวที่เพิ่มขึ้นของผู้บริโภคเกี่ยวกับประกันประเภทที่เน้นความคุ้มครองที่มากขึ้น นอกจากนี้ TLI กำลังเปลี่ยนแปลงยุทธศาสตร์ในการนำเสนอผลิตภัณฑ์ไปสู่ผลิตภัณฑ์ที่มีอัตราค่าไถ่สูงขึ้น ด้วยเหตุนี้จึงกล่าวได้ว่ากำไรสุทธิของ TLI ในปี 2022 จะเพิ่มขึ้น 16.8% y-y พร้อมการเติบโตในรอบ 3 ปี (2022-24) ที่ 15.8% CAGR

มีตัวแทนจำนวนมากพร้อมผลิตภัณฑ์อันครบครัน

TLI เป็นหนึ่งในสองบริษัทประกันภัยในประเทศไทยที่มีตัวแทนเป็นจำนวนมาก ปัจจุบันดังกล่าวทำให้บริษัทฯ สามารถนำเสนอผลิตภัณฑ์ประกันภัยที่มีความซับซ้อนสูงกว่า ซึ่งอาจให้อัตราค่าไถ่ที่สูงกว่าผลิตภัณฑ์ที่ออกมาใหม่ทั้งหมด นอกจากนี้ TLI ยังได้ออกผลิตภัณฑ์ใหม่จำนวนมากเพื่อรับมือกับสถานะอัตราดอกเบี้ยต่ำและได้ริเริ่มนำเสนอผลิตภัณฑ์ที่ให้ความคุ้มครองที่หลากหลาย เช่น ประกันสุขภาพเพิ่มเติมเพื่อตอบสนองต่อกระแสการรับรู้เกี่ยวกับความคุ้มครองที่เพิ่มขึ้น TLI ได้ประโยชน์จากผลิตภัณฑ์ใหม่ดังกล่าวที่มีอัตราค่าไถ่สูงขึ้นมาก ด้วยตัวแทนคุณภาพสูงและยุทธศาสตร์ในด้านสัดส่วนผลิตภัณฑ์ที่กำลังเปลี่ยนแปลง เราเชื่อว่าเบี้ยประกันภัยรับขั้นต้นของ TLI ในรอบ 3 ปี (2022-24) อาจโตในอัตรา 2.9% CAGR นอกจากนี้เรายังคิดว่าอัตราค่าไถ่ของมูลค่าธุรกิจใหม่ (VONB) น่าจะทรงตัวในระดับสูงที่ 49% ในปี 2022 และ 43% ในปี 2023-24

การบริหารสินทรัพย์และหนี้สินอย่างมีประสิทธิภาพ

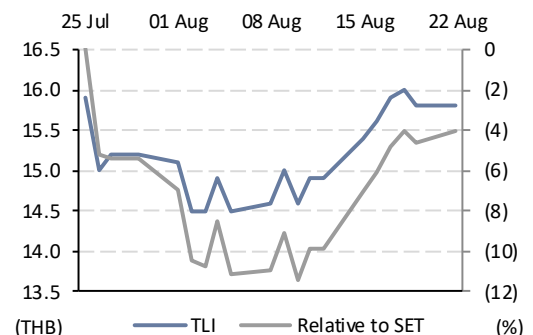
เราคิดว่า TLI เป็นหนึ่งในบริษัทประกันชีวิตที่ดีที่สุดในประเทศไทยในด้านการบริหารสินทรัพย์และหนี้สินได้อย่างมีประสิทธิภาพ TLI ได้ยื่น Duration gap เหลือ 0.2 ปีใน 1Q22 จาก 3.2 ปีในปี 2019 เราขอชมกลยุทธ์ดังกล่าวเนื่องจากปัจจัยดังกล่าวช่วยลดความผันผวนจากการเปลี่ยนแปลงของอัตราดอกเบี้ย ในปี 2021 บริษัทฯ มีความอ่อนไหวของ VONB ต่อผลตอบแทนจากการลงทุน น้อยลงเกือบ 4x เมื่อเทียบกับ VONB ในปี 2020 นอกจากนี้ในกลุ่ม 6 บริษัทประกันภัยหลัก TLI มี Combined ratio ดีเป็นอันดับสองและมีผลตอบแทนการลงทุน (ROI) เหนือค่าเฉลี่ยอุตสาหกรรม พร้อมผลตอบแทนที่ค่อย ๆ ปรับตัวดีขึ้นในท่ามกลางแนวโน้มผลตอบแทนพันธบัตรที่กำลังปรับตัวขึ้น จากการบริหารสินทรัพย์และหนี้สินที่มีประสิทธิภาพ เราเชื่อมั่นว่า TLI น่าจะรายงานกำไรสุทธิได้อย่างสม่ำเสมอและยั่งยืน นอกจากนี้บริษัทฯ น่าจะประสบปัญหาสภาพคล่องน้อยกว่าแม้ว่าสถานะอัตราดอกเบี้ยต่ำจะยืดเยื้อยาวนาน

เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 19.2 บาท (AV)

เราเริ่มรายงาน TLI ด้วยคำแนะนำซื้อ เราใช้วิธี AV และได้ราคาเป้าหมายปี 2023 ที่ 19.2 บาท ราคาเป้าหมายของเราคิดเป็นค่า 2023 P/EV ที่ 1.23x เราคิดว่า TLI น่าจะมีการซื้อขายโดยมี Premium สูงกว่า BLA (ซื้อขายที่ 0.9x ของ Trailing P/EV) แต่ต่ำกว่า AIA (ซื้อขายที่ 1.7x ของ Trailing P/EV)

KEY STOCK DATA

| YE Dec (THB m) | 2021 | 2022E | 2023E | 2024E |
|---------------------|--------|--------|--------|--------|
| Net earned premium | 90,104 | 91,625 | 94,602 | 98,387 |
| Operating profit | 10,790 | 12,099 | 13,986 | 16,088 |
| Net profit | 8,394 | 9,800 | 11,329 | 13,031 |
| EPS (THB) | 0.79 | 0.89 | 0.99 | 1.14 |
| Core net profit | 8,394 | 9,800 | 11,329 | 13,031 |
| Core EPS growth (%) | 9.1 | 12.3 | 11.3 | 15.0 |
| APE growth (%) | (34.7) | 15.6 | 14.4 | 14.4 |
| VONB margin (%) | 49.1 | 49.0 | 43.0 | 43.0 |
| EV growth (%) | 5.6 | 15.5 | 9.1 | 9.6 |
| Core P/E (x) | 20.0 | 17.8 | 16.0 | 13.9 |
| P/EV | 1.2 | 1.1 | 1.0 | 0.9 |
| RoEV (%) | 6.1 | 6.4 | 6.6 | 6.9 |
| Dividend yield (%) | 1.7 | 1.6 | 1.9 | 2.2 |



TLI listed on 25 Jul-22

| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|---------------------|---------|----------|
| Absolute (%) | (1.3) | n/a | n/a |
| Relative to country (%) | (5.1) | n/a | n/a |
| Mkt cap (USD m) | 5,014 | | |
| 3m avg. daily turnover (USD m) | n/a | | |
| Free float (%) | 22 | | |
| Major shareholder | V.C. Property (51%) | | |
| 12m high/low (THB) | 16.30/14.40 | | |
| Issued shares (m) | 11,450 | | |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 23 สิงหาคม 2022

Investment thesis

Thai Life Insurance, as a life insurance player among the top three in Thailand, should rise on the uptrend for life insurance in Thailand. On top of that, we see three competencies that should boost TLI's performance, leading it to become even stronger than its peers: 1) comprehensive distribution channels; 2) complete product range with a creditable brand; and 3) competent asset liability management.

We project TLI's 2022 net profit to increase by 16.8% y-y at a 15.8% three-year CAGR during 2022-24. We initiate coverage on TLI with a BUY call, using the AV method to derive our 2023 TP of THB19.2. Our TP implies a 2023 P/EV of 1.23x. We think that TLI should trade at a higher premium than BLA (trading at 0.9x trailing P/EV), but lower than AIA (trading at 1.7x trailing P/EV).

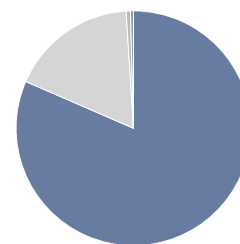
Company profile

Thai Life Insurance is the third-largest life insurance company in Thailand based on total premiums of 13.7% as of 30 Jun 2022. The company, established in January 1942, was the first life insurance company in Thailand to be owned and founded by Thai nationals. In 2013, Meiji Yasuda Life Insurance Co (MY; not listed) acquired 15% of TLI.

www.thailife.com

Principal activities (revenue, 2021)

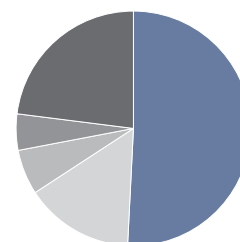
- Net earned premium - 82.5 %
- Net investment income - 17.7 %
- Gain on revaluation - -0.6 %
- Other income - 0.4 %



Source: Thai Life Insurance

Major shareholders

- V.C. Property - 50.8 %
- Meiji Yasuda Life Insurance - 15.0 %
- Her Sing (H.K.) - 6.2 %
- Chaiyawan Family - 5.0 %
- Others - 23.0 %



Source: Thai Life Insurance

Catalysts

Potential share price catalysts for TLI include:

- An increase in bond yield;
- A rise in the high-margin product mix.

Risks to our call

Downside risks to our AV-based equity value range are 1) slow economic growth, leading to a prolonged low interest rate environment and low purchasing power; and 2) regulatory and accounting changes in the insurance industry from the Office of Insurance Commission (OIC) and Bank of Thailand (BoT).

Event calendar

| Date | Event |
|----------|---------------------------|
| Nov 2022 | 3Q22 results announcement |

Key assumptions

| Year to Dec | 2022E | 2023E | 2024E |
|------------------------------------|-------|--------|--------|
| | (%) | (%) | (%) |
| Net profit (THB m) | 9,800 | 11,329 | 13,031 |
| Net profit growth (%) | 16.8 | 15.6 | 15.0 |
| Return on investment (%) | 3.9 | 4.0 | 4.1 |
| Loss ratio (%) | 56.1 | 56.1 | 56.1 |
| Increase in life reserve ratio (%) | 33.1 | 33.1 | 33.1 |
| APE growth (%) | 15.6 | 14.4 | 14.4 |
| VONB margin (%) | 49.0 | 43.0 | 43.0 |
| EV growth (%) | 15.9 | 9.1 | 9.5 |

Source: FSSIA estimates

Earnings sensitivity

| | | 2022E | | |
|---------------------------|-------|-------|-------|-------|
| Return on investment | ±25bp | 3.60 | 3.85 | 4.10 |
| % change in net profit | | (11) | 0 | 11 |
| Increase in reserve ratio | ±2ppt | 31.07 | 33.07 | 35.07 |
| % change in net profit | | (15) | 0 | 15 |
| GWP growth | ±2ppt | (0.5) | 1.5 | 3.5 |
| % change in net profit | | (1.1) | 0 | 1.1 |
| | | | | |
| | | | | |

Source: FSSIA estimates

Executive summary

Thai Life Insurance Public Company Limited (TLI) is the third-largest life insurance company in Thailand based on total premiums as of 30 Jun-22. According to the Thai Life Assurance Association (TLAA), in 30 Jun-22, it had a 14% market share compared with the 27% market share of AIA Thailand (AIA; not listed), the largest life insurer in Thailand, and FWD Group (FWD; not listed)'s 15% market share, the second-largest life insurer. The company was established in 1942 and was the first life insurance company in Thailand owned and founded by Thai nationals. Currently, its major shareholders are the Chaiyawan family (84% of total outstanding shares); and Meiji Yasuda (15% of total outstanding shares).

After facing challenges from the COVID-19 pandemic and the long-and-low interest rate environment, we think life insurance is poised for a strong recovery from 2022 onward. On top of that, we have a strong conviction that the motivation for purchasing insurance among Thai people is gradually changing toward a desire for more protection (rider products, i.e. health insurance) instead of the traditional goals of investment and wealth management as in the past (endowment and whole life products). Our thesis is supported by: 1) the post-COVID-19 recovery and an expected GDP acceleration; 2) the public's increasing protection awareness; 3) the trend toward an ageing society; 4) a rise in healthcare expenditures; and 5) the low interest rate environment is coming to an end. The increased demand for protection products should have multiple benefits for life insurers, in terms of revenue accretion and margin improvement. The VONB margin of rider products is normally higher than investment and wealth management products.

Investment idea: Three competencies to ride industry and rate upturn

TLI, as a top-three life insurance player, should also rise with these favourable tides. On top of that, we see three competencies boosting TLI's performance to become even stronger than that of its peers, including:

1) Comprehensive distribution channels: TLI has comprehensive distribution channels, including its agency; partnerships (bancassurance, government banks, and other organisations); and alternative channels. TLI is one of only two insurers in Thailand that have a strong agency presence. The salient benefit of the agency channel is that it can build a good and long-term relationship with customers. This makes it possible to offer more sophisticated insurance products, which potentially have higher margins than basic savings products. We also think that TLI has high-quality agents, backed up by: 1) being the second-ranked market leader in high margin products (e.g. riders, personal accident); and 2) a higher persistency ratio (the proportion of policyholders who continue to pay their renewal premiums) than the industry average. A high persistency ratio is good for business due to the cash flow generated from existing policies.

2) Complete product range with a creditable brand: Thanks to the pressure from low interest rates, TLI changed its product offerings to include low guaranteed returns and riders. Currently, TLI has a full range of investment and wealth management products to deal with the low interest rate environment, including lower committed return endowments; investment-related insurance, both universal life and unit-linked; and participating products. It also initiated various protection products like health riders in response to the increasing protection awareness trend. For TLI, the clear benefit of these new products is substantially greater margins and less sensitivity to interest rate movements.

With comprehensive distribution channels, particularly with regard to its high-quality agents nationwide, and a full range of complete products supported by its highly creditable brand, we are convinced TLI's gross written premiums (GWP) could grow at a 2.9% three-year CAGR during 2022-24. On top of that, we believe it should be able to successfully change its product structure toward higher margin products. Also, we think that its high VONB margin should be sustained at 49% in 2022 and 43% in 2023-24.

3) Competent asset liability management: Asset liability management (ALM) is very important for all life insurers thanks to the long-term characteristics of their insurance liabilities. Based on our analysis, we think TLI is one of the best life insurers in Thailand in terms of effective asset and liability management, for three main reasons. First, during the low interest rate environment in 2020-21, TLI shortened its duration gap to 1.5 and 0.2 years in 2021 and 1Q22, respectively, from 3.2 years in 2019. We like this strategy as it reduces the volatility of changes in interest rates. Second, to gain insight into how well TLI does ALM, we analysed its liabilities burden by using a combined ratio (the sum of an increase in life policy reserves and the net benefit payments divided by NEP). We found that, among the six major peers, TLI had the second-best combined ratio. Lastly, we analysed its return on investment (ROI) compared with its major competitors. Its ROI was well above the industry average, with a gradual improvement in returns based on a rising bond yield trend. With its effective ALM, we have a strong conviction that TLI should offer a steady and sustainable net profit growth profile. Additionally, it is less likely to face liquidity problems, even in a prolonged low interest rate environment.

Moderate (accounting) earnings growth with solid actuarial numbers

We project TLI's 2022 net profit to increase by 16.8% y-y at a 15.8% three-year CAGR during 2022-24, supported by: 1) the resumption of the growth path of its NEP; 2) a rise in ROI; 3) a consistently decent combined ratio; and 4) its efficient cost management.

Regarding its actuarial numbers, we expect its embedded value (EV) to continue to increase during 2022-24, with a 2022 EV of THB164.4b (+16% y-y) and a 2023 EV of THB179.3b (+9% y-y), backed by a rise in its net profit and efficient ALM, leading to a higher value of in-force (VIF).

AV-based valuation, with 2023 TP of THB19.2

The value of a life insurance company is assessed by the future profits that the current business is able to generate and the new business value. Therefore, we believe that the traditional simple market comparison valuations, e.g. P/E or P/BV, are not appropriate for deriving the intrinsic value of a life insurer as these methods do not incorporate future profits. Instead, we apply the Appraisal Value (AV) method, which we believe captures the future value that an insurer could generate.

We use the AV method to derive our 2023 TP of THB19.2. Our TP implies a 2023 P/EV of 1.23x. We compare TLI's valuation with BLA's and AIA's. We think that TLI should trade at a higher premium than BLA as TLI has a significantly higher market share than BLA. We also think TLI's agency channel is more efficient than BLA's. As a result, TLI has a higher profitability margin. Meanwhile, we think TLI's valuation should be below AIA's as AIA typically has stronger accounting and actuarial performance than TLI. AIA is one of the largest regional insurers. It operates in many Asian countries, including Thailand (18% of AIA's VONB as of 2021). AIA has been successful in most countries it operates in. In Thailand, AIA is ranked no.1 in terms of market share for life insurance. With its high-quality agents, products, and systems, AIA normally has one of the highest profitability margins. BLA is currently trading at 0.9x trailing P/EV, while AIA is trading at 1.7x trailing P/EV.

Thai Life Insurance at first glance

Company profile and development

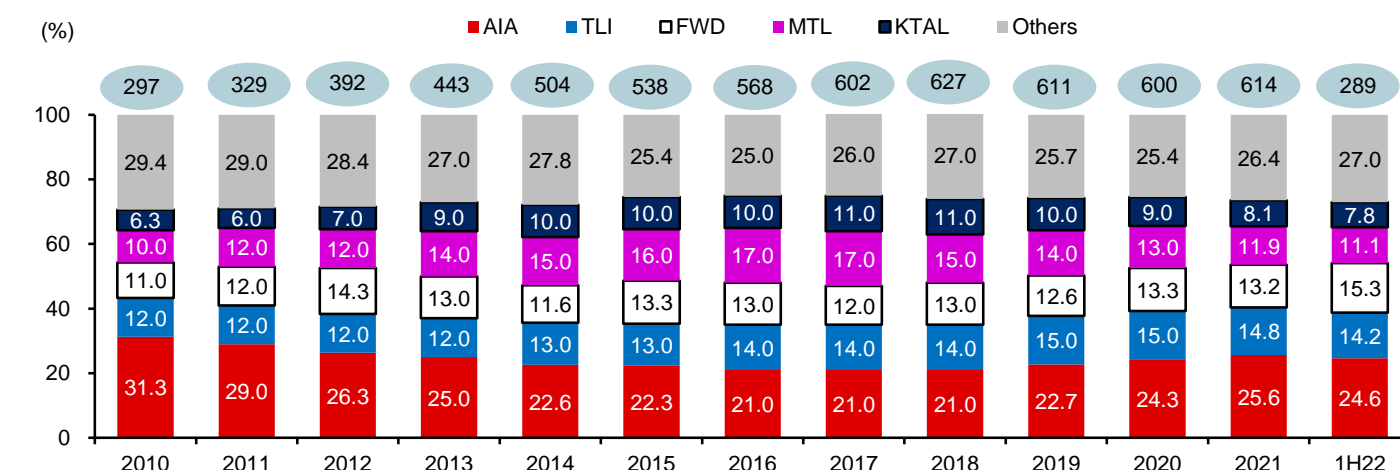
Thai Life Insurance Public Company Limited (TLI) is the third-largest life insurance company in Thailand based on total premiums as of 30 Jun-22. It had a 14% market share compared with the 27% market share of AIA Thailand, the largest life insurer in Thailand, and the 15% share of FWD Group, the second-largest, in 30 Jun-22. The company, established in January 1942, was the first life insurance company in Thailand to be owned and founded by Thai nationals. In 2013, Meiji Yasuda Life Insurance Co (MY; not listed) acquired 15% of TLI. Presently, the company's shareholding structure consists of V.C. Property (66%), MY (15%), Her Sing (H.K.) (10%), the Chaityawan family (8%), and Mrs. Chatchada Malakul Na Ayudhaya (1%). Note that V.C. Property and Her Sing (H.K.) are owned by the Chaityawan family.

Exhibit 1: TLI's key milestones

| Year | TLI's key milestones |
|------|---|
| 1942 | Establishment of Thai Life Insurance - the first life insurer owned and operated by Thai nationals |
| 2011 | Entered into exclusive partnerships with two major banks in Thailand (CIMB and BAY) for distribution of certain products in certain areas |
| 2013 | MY became TLI's strategic shareholder , with 15% of TLI's issued shares |
| | Launched MDA (Mobile Digital Agents) application, TLI's digital sales tool for agents with 4 functions: TL Pro, TL After, TL Team, and TL Recruit |
| | TL Pro, the digital selling function, was equipped with electronic application and QR code payment functions for the first time |
| 2015 | Acquired Thai Cardif Life Assurance |
| 2019 | Acquired a 35% stake in CB Life in Myanmar , becoming the first Thai insurer to enter Myanmar's insurance market through an acquisition |
| | Upgraded MDA to the MDA Plus application group with 4 separate applications (TL Pro Plus, TL After Plus, TL Team Plus, TL Recruit Plus) |
| | Also upgraded its e-application process under TL Pro Plus to connect the end-to-end process with other systems |
| 2020 | Launched a digital strategy , including the TLI application "super app" |
| | Added digital face-to-face function in TL Pro Plus |
| 2021 | Added e-commerce capabilities on the TLI website as part of TLI's digital strategy |
| 2022 | Listed on the Stock Exchange of Thailand on 25 July 2022 |

Source: TLI

Exhibit 2: Market share of key players by total premiums



Note that the blue circle represents the value of total premiums (THB b)

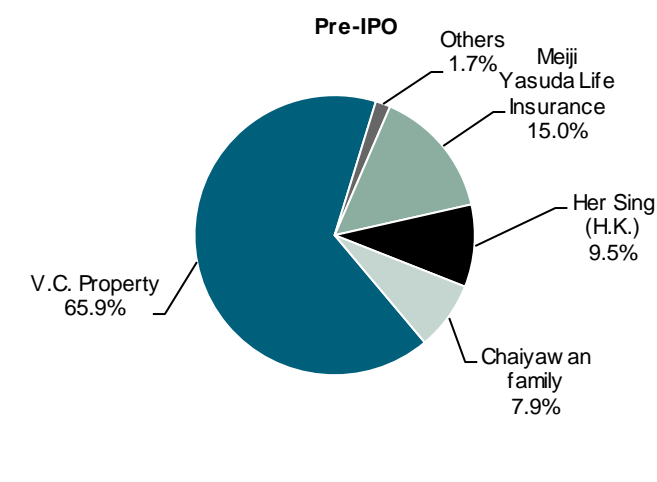
Source: Thai Life Assurance Association (TLAA); TLI's compilation

Shareholding structure

TLI placed its initial public offering at THB16.00/share during 29 Jun-22 to 14 Jul-22. It was listed on the Stock Exchange of Thailand on 25 Jul-22.

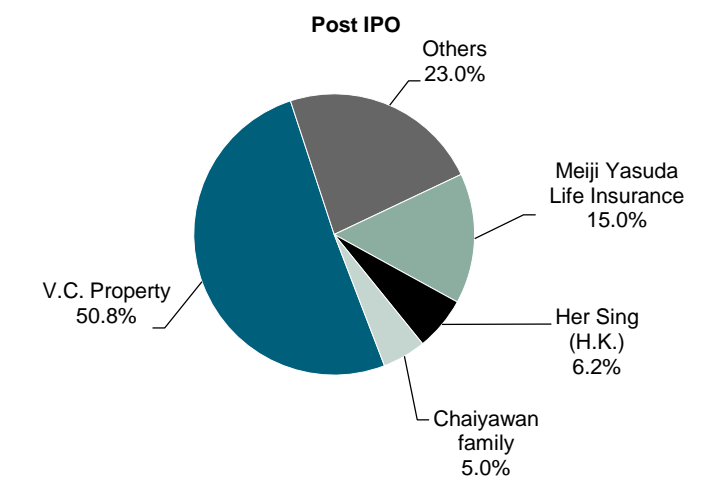
Pre-IPO, its major shareholders were the Chaiyawan family and MY. Post-IPO, these two groups are still major shareholders. Details in Exhibits 3 and 4.

Exhibit 3: Pre-IPO shareholding structure



Sources: TLI; FSSIA's compilation

Exhibit 4: Post-IPO shareholding structure (before the completion of overallotment option)



Sources: SET; FSSIA's compilation

Life insurance market – at the inflection point of recovery

The insurance industry can be divided into two categories:

Non-life insurance business, referring to insurance other than life insurance, in which the insurer agrees to indemnify the insured according to the assessed value of the damage.

Life insurance business, referring to an insurance business in which certain payments are made to the insured or beneficiaries. The benefits are compensation for loss of life, permanent disability, maturity or completion of a specified period as specified in the life insurance policy;

As of 2021, there are a total of 21 life insurance companies and 2 reinsurance companies.

Exhibit 5: Insurance premiums in 2021

| | | ----- By type of premium ----- | | | ----- By product group ----- | | | | Total | Market | ---- New business premium ---- | | | Market |
|--------------|----------|--------------------------------|---------------|----------------|------------------------------|--------------|---------------|--------------|----------------|---------------|--------------------------------|---------------|----------------|--------------|
| | | FYP | SP | RP | Ordinary | Industrial | Group | PA | premium | share | FYP | SP | Total | share |
| | | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (%) | (THB m) | (THB m) | (THB m) | (%) |
| 1 | AIA | 21,821 | 17,208 | 118,417 | 145,196 | 0 | 9,124 | 3,127 | 157,446 | 25.64 | 21,821 | 17,208 | 39,029 | 22.87 |
| 2 | TLI | 10,338 | 7,519 | 72,708 | 83,165 | 721 | 6,304 | 375 | 90,564 | 14.75 | 10,338 | 7,519 | 17,856 | 10.46 |
| 3 | FWD | 13,308 | 10,559 | 57,188 | 71,608 | 246 | 8,914 | 288 | 81,056 | 13.20 | 13,308 | 10,559 | 23,867 | 13.98 |
| 4 | MTL | 11,011 | 12,676 | 49,290 | 63,799 | 14 | 8,751 | 413 | 72,977 | 11.88 | 11,011 | 12,676 | 23,687 | 13.88 |
| 5 | KTAL | 8,571 | 4,018 | 37,432 | 46,187 | 0 | 3,782 | 52 | 50,021 | 8.15 | 8,571 | 4,018 | 12,589 | 7.38 |
| 6 | BLA | 5,159 | 1,148 | 29,455 | 32,833 | 0 | 2,884 | 44 | 35,762 | 5.82 | 5,159 | 1,148 | 6,307 | 3.70 |
| 7 | AZAY | 6,089 | 457 | 25,523 | 26,703 | 0 | 4,629 | 736 | 32,068 | 5.22 | 6,089 | 457 | 6,546 | 3.84 |
| 8 | PLT | 6,182 | 4,457 | 16,168 | 22,443 | 0 | 4,331 | 33 | 26,806 | 4.37 | 6,182 | 4,457 | 10,639 | 6.23 |
| 9 | OLIC | 2,116 | 631 | 11,965 | 7,356 | 4,236 | 2,949 | 171 | 14,712 | 2.40 | 2,116 | 631 | 2,747 | 1.61 |
| 10 | SELIC | 1,322 | 6,743 | 2,826 | 7,432 | 0 | 3,404 | 54 | 10,891 | 1.77 | 1,322 | 6,743 | 8,064 | 4.73 |
| 11 | GT | 2,523 | 4,155 | 3,574 | 4,014 | 0 | 6,222 | 16 | 10,252 | 1.67 | 2,523 | 4,155 | 6,679 | 3.91 |
| 12 | TMLTH | 2,063 | 421 | 6,778 | 7,339 | 0 | 1,847 | 76 | 9,262 | 1.51 | 2,063 | 421 | 2,484 | 1.46 |
| 13 | CHUBB | 1,551 | 1,216 | 3,838 | 3,277 | 0 | 3,294 | 35 | 6,606 | 1.08 | 1,551 | 1,216 | 2,768 | 1.62 |
| 14 | SLI | 1,385 | 223 | 3,380 | 4,977 | 0 | 0 | 11 | 4,988 | 0.81 | 1,385 | 223 | 1,608 | 0.94 |
| 15 | DLA | 1,037 | 2,901 | 901 | 2,134 | 0 | 2,705 | 0 | 4,839 | 0.79 | 1,037 | 2,901 | 3,938 | 2.31 |
| 16 | PLA | 318 | 255 | 2,749 | 2,531 | 0 | 776 | 15 | 3,322 | 0.54 | 318 | 255 | 573 | 0.34 |
| 17 | ALife | 274 | 365 | 573 | 1,211 | 0 | 0 | 0 | 1,212 | 0.20 | 274 | 365 | 638 | 0.37 |
| 18 | SAHA | 6 | 322 | 158 | 214 | 9 | 259 | 4 | 487 | 0.08 | 6 | 322 | 329 | 0.19 |
| 19 | MBK Life | 57 | 183 | 239 | 133 | 0 | 314 | 33 | 480 | 0.08 | 57 | 183 | 240 | 0.14 |
| 20 | KWG | 76 | 0 | 237 | 312 | 0 | 0 | 1 | 313 | 0.05 | 76 | 0 | 76 | 0.04 |
| 21 | BUILife | 0 | 0 | 51 | 3 | 0 | 38 | 11 | 51 | 0.01 | 0 | 0 | 0 | 0.00 |
| Total | | 95,208 | 75,456 | 443,451 | 532,866 | 5,225 | 70,528 | 5,496 | 614,115 | 100.00 | 95,208 | 75,456 | 170,664 | 100.0 |

Sources: TLAA; FSSIA's compilation

Exhibit 5: Insurance premiums in 1H22 (cont.)

| | | ----- By type of premium ----- | | | ----- By product group ----- | | | | Total | Market | ---- New business premium ---- | | | Market |
|-------|----------|--------------------------------|---------|---------|------------------------------|------------|---------|---------|---------|--------|--------------------------------|---------|---------|--------|
| | | FYP | SP | RP | Ordinary | Industrial | Group | PA | premium | share | FYP | SP | Total | share |
| | | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (%) | (THB m) | (THB m) | (THB m) | (%) |
| 1 | AIA | 10,885 | 4,508 | 55,667 | 64,135 | 0 | 5,365 | 1,560 | 71,060 | 24.58 | 10,885 | 4,508 | 15,392 | 19.32 |
| 2 | FWD | 7,933 | 4,826 | 31,552 | 39,357 | 112 | 4,731 | 111 | 44,311 | 15.33 | 7,933 | 4,826 | 12,759 | 16.02 |
| 3 | TLI | 5,672 | 3,863 | 31,447 | 36,605 | 321 | 3,868 | 188 | 40,982 | 14.18 | 5,672 | 3,863 | 9,535 | 11.97 |
| 4 | MTL | 7,614 | 3,418 | 21,100 | 28,004 | 6 | 3,996 | 125 | 32,131 | 11.11 | 7,614 | 3,418 | 11,032 | 13.85 |
| 5 | KTAL | 4,245 | 1,823 | 16,355 | 20,273 | 0 | 2,123 | 28 | 22,424 | 7.76 | 4,245 | 1,823 | 6,069 | 7.62 |
| 6 | BLA | 2,025 | 674 | 13,839 | 14,777 | 0 | 1,740 | 22 | 16,539 | 5.72 | 2,025 | 674 | 2,700 | 3.39 |
| 7 | AZAY | 3,081 | 288 | 12,839 | 13,124 | 0 | 2,704 | 380 | 16,208 | 5.61 | 3,081 | 288 | 3,369 | 4.23 |
| 8 | PLT | 2,861 | 2,427 | 8,550 | 11,072 | 0 | 2,748 | 18 | 13,839 | 4.79 | 2,861 | 2,427 | 5,289 | 6.64 |
| 9 | OLIC | 806 | 428 | 5,862 | 3,363 | 1,997 | 1,649 | 87 | 7,096 | 2.45 | 806 | 428 | 1,234 | 1.55 |
| 10 | GT | 1,068 | 2,394 | 2,185 | 1,780 | 0 | 3,861 | 6 | 5,647 | 1.95 | 1,068 | 2,394 | 3,462 | 4.35 |
| 11 | TMLTH | 946 | 274 | 3,400 | 3,468 | 0 | 1,113 | 38 | 4,619 | 1.60 | 946 | 274 | 1,219 | 1.53 |
| 12 | SELIC | 349 | 2,217 | 1,434 | 2,100 | 0 | 1,874 | 26 | 4,000 | 1.38 | 349 | 2,217 | 2,566 | 3.22 |
| 13 | CHUBB | 903 | 597 | 1,819 | 1,412 | 0 | 1,887 | 19 | 3,318 | 1.15 | 903 | 597 | 1,500 | 1.88 |
| 14 | DLA | 106 | 1,893 | 274 | 317 | 0 | 1,955 | 0 | 2,272 | 0.79 | 106 | 1,893 | 1,999 | 2.51 |
| 15 | SLI | 537 | 39 | 1,665 | 2,236 | 0 | 0 | 5 | 2,241 | 0.78 | 537 | 39 | 576 | 0.72 |
| 16 | PLA | 101 | 63 | 893 | 976 | 0 | 71 | 9 | 1,057 | 0.37 | 101 | 63 | 164 | 0.21 |
| 17 | RBL | 150 | 323 | 245 | 717 | 0 | 0 | 0 | 717 | 0.25 | 150 | 323 | 472 | 0.59 |
| 18 | SAHA | 3 | 194 | 74 | 120 | 4 | 144 | 2 | 270 | 0.09 | 3 | 194 | 196 | 0.25 |
| 19 | MBK Life | 10 | 106 | 126 | 37 | 0 | 188 | 17 | 242 | 0.08 | 10 | 106 | 115 | 0.14 |
| 20 | KWG | 17 | 0 | 87 | 98 | 0 | 6 | 1 | 104 | 0.04 | 17 | 0 | 17 | 0.02 |
| 21 | BUILife | 0 | 0 | 21 | 1 | 0 | 20 | 0 | 22 | 0.01 | 0 | 0 | 0 | 0.00 |
| Total | | 49,310 | 30,354 | 209,433 | 243,972 | 2,440 | 40,044 | 2,642 | 289,097 | 100.00 | 49,310 | 30,354 | 79,664 | 100.00 |

Sources: TLAA; FSSIA's compilation

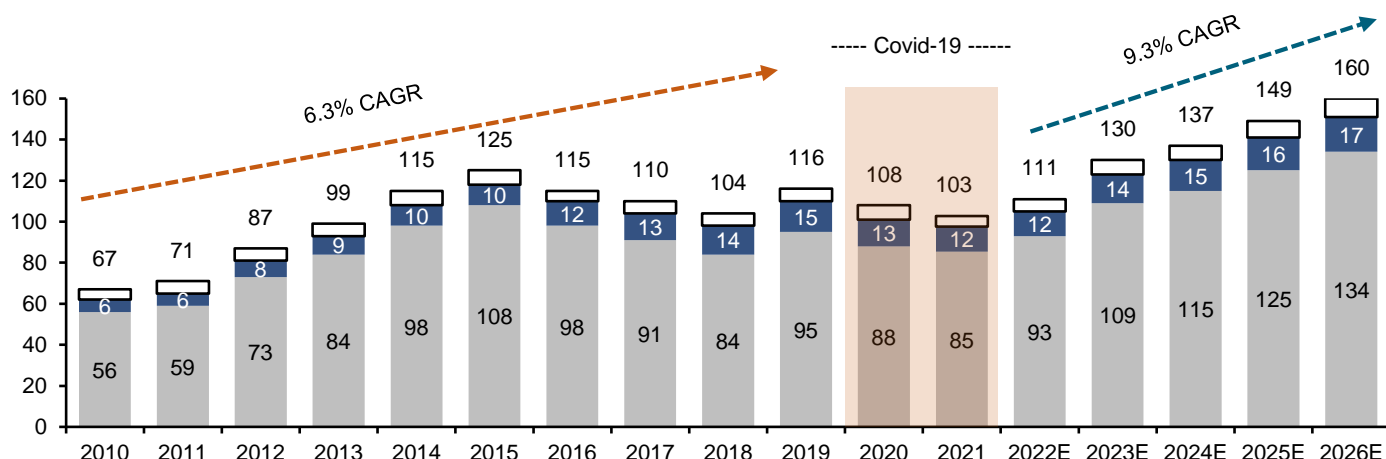
After enjoying a 6.3% nine-year CAGR during 2011-19, Thailand's life insurance new business value – considering its annual premium equivalent (APE) – declined by a 5.9% two-year CAGR during 2020-21. This was mainly caused by external factors such as the COVID-19 pandemic; an economic slowdown; and low interest rates. This is in line with the overall business of insurance, considering total premiums. The total premiums increased strongly with an 8.4% nine-year CAGR during 2011-19. Then, the COVID-19 impact led to a minimal growth rate for total premiums at 0.3% at a two-year CAGR during 2020-21.

We think the life insurance industry in Thailand is poised for a strong recovery. We expect growth to recover from 2022 onward, supported by: 1) the post-COVID-19 recovery and an expected GDP acceleration; 2) the public's increasing protection awareness; 3) the trend toward an ageing society; 4) a rise in healthcare expenditures; and 5) the low interest rate environment is coming to an end.

Exhibit 6: Thailand's life insurance industry faced challenges in 2020-21 thanks to COVID-19 and the economic slowdown, resulting in a drop in APE

(THB b)

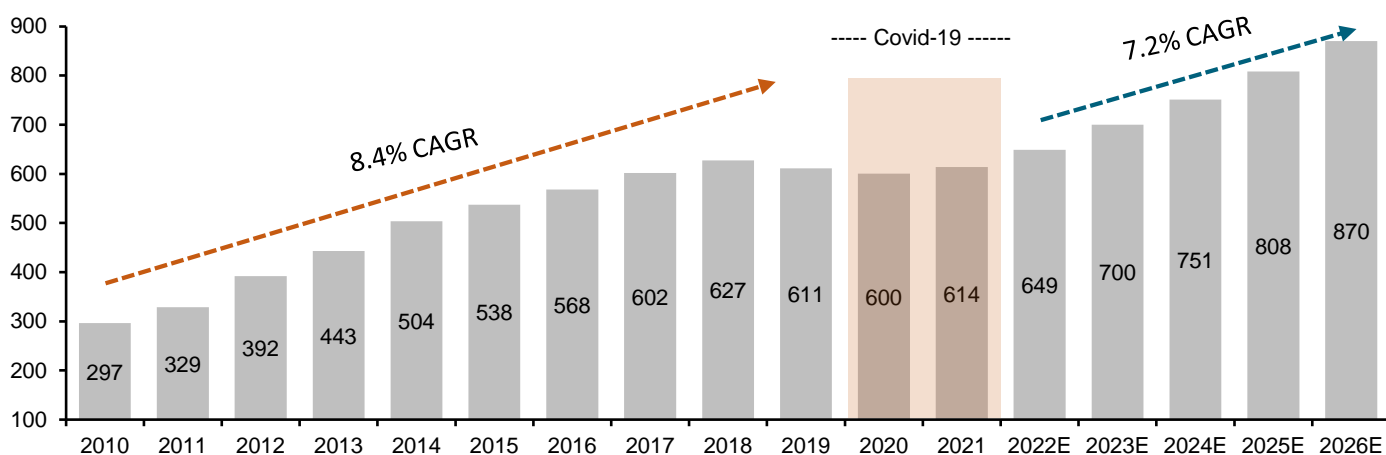
■ Ordinary life ■ Group □ Industrial & Personal accident



Sources: TLAA; Milliman estimates

Exhibit 7: Total premium growth of the life insurance industry in Thailand

(THB b)



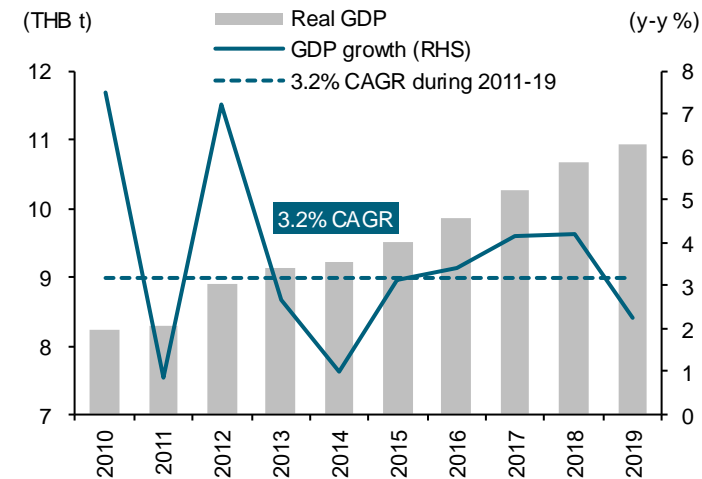
Sources: TLAA; Milliman estimates

#1 An increase in GDP growth should boost insurance premiums

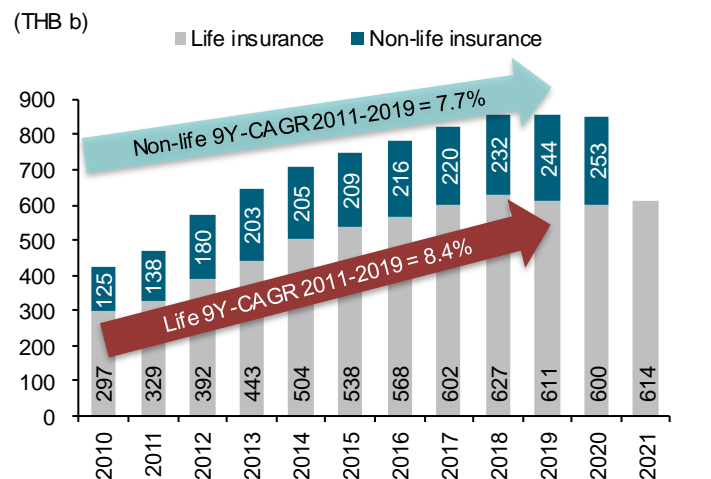
We divide the purpose of life insurance purchases in Thailand into two main groups: 1) for investment and wealth management (i.e. endowment, whole life products, and investment-linked products, etc.); and 2) protection (rider products, i.e. health insurance). Thai people normally purchase insurance for the first objective. Thus, the growth rate of total life insurance premiums typically has a positive correlation with GDP growth. For example, the nine-year CAGR during 2011-2019 for total premiums was 8.4%, while GDP increased 3.2% CAGR during the same period. Simply put, this suggests that the total premium growth rate increases at a rate equal to 2.6x GDP growth.

According to the Bloomberg consensus, it is expected that Thailand's GDP growth in 2022 and 2023 will be 3.70% y-y and 4.20% y-y, respectively. We are convinced that the total life insurance premium growth rate could accelerate from 2022 onward.

Milliman (an international actuarial and consulting firm) expects that total premiums will increase by 7.2% CAGR during 2022-26. Also, Milliman projects that APE will rise by 9.3% at a five-year CAGR during the same period.

Exhibit 8: Nine-year CAGR for GDP growth over 2011-19 was 3.2%

Sources: Office of the National Economic and Social Development Council (NESDC)

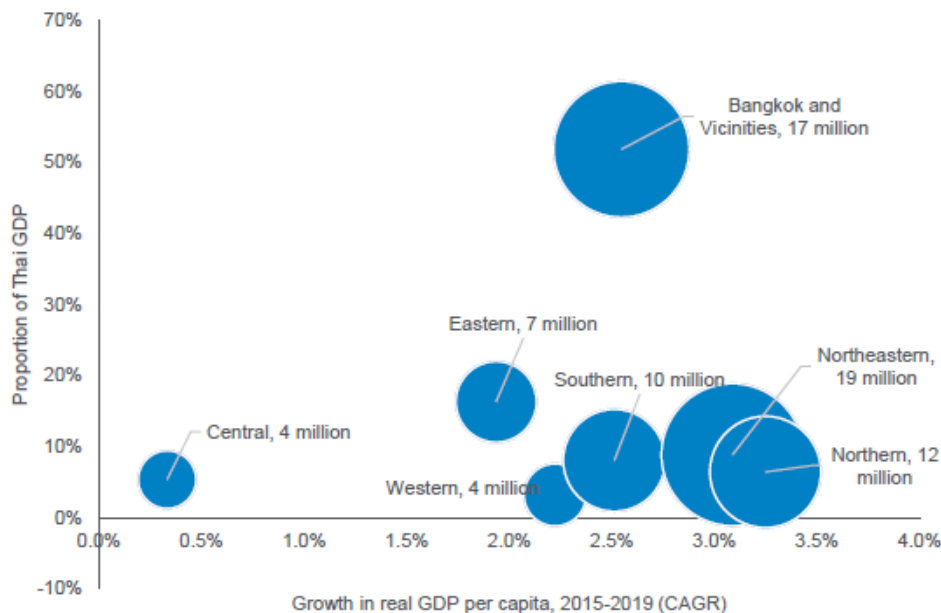
Exhibit 9: Nine-year CAGR for total premium growth over 2011-19 was 8.4%

Note: 2020-21 were abnormal years due to COVID-19

Source: TLI; TLAA

So far, the life insurance penetration rate in Bangkok and the nearby areas has been higher than in provincial areas⁽¹⁾ due to higher incomes and education levels in the capital city. Going forward, we think the APE growth rate in the provinces might outpace Bangkok as the share of GDP per capita increases in rural areas. On top of that, we expect people in the provinces to have a better understanding and more awareness of life insurance products thanks to the COVID-19 pandemic.

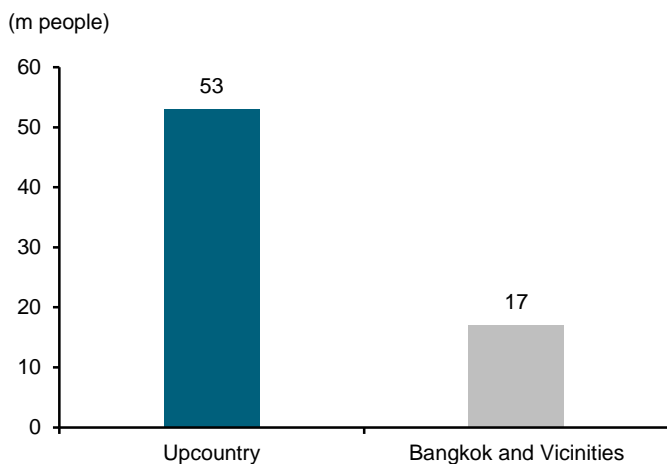
With its significantly larger population, we expect this trend to benefit life insurers who have a strong presence in rural areas.

Exhibit 10: Provincial residents are likely to be key for growth in Thailand's life insurance sectorCorrelation between growth in real GDP per capita by region and proportion of Thai GDP⁽²⁾

Note: (1) Provincial areas refers to provinces other than Bangkok, Pathum Thani, Nonthaburi, Samut Prakan and Samut Sakhon; (2) Numbers in the chart relate to the population size in the region

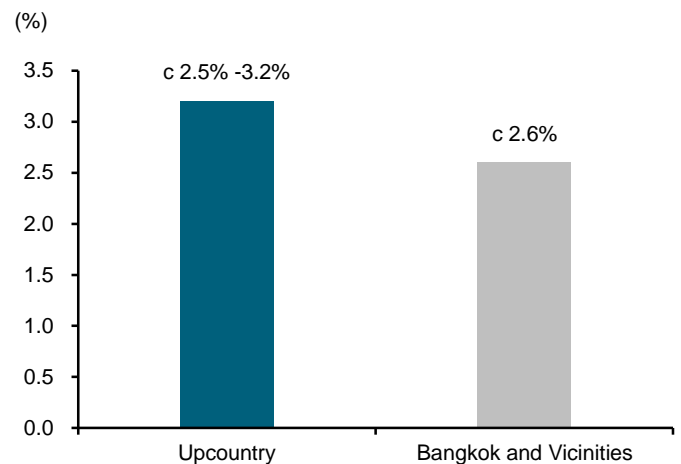
Sources: TLI; NESDC; Milliman industry report

Exhibit 11: There is an opportunity to sell insurance to meet untapped upcountry demand, which has a 3x higher population than Bangkok and Vicinities



Sources: TLI; Milliman industry report; FSSIA's compilation

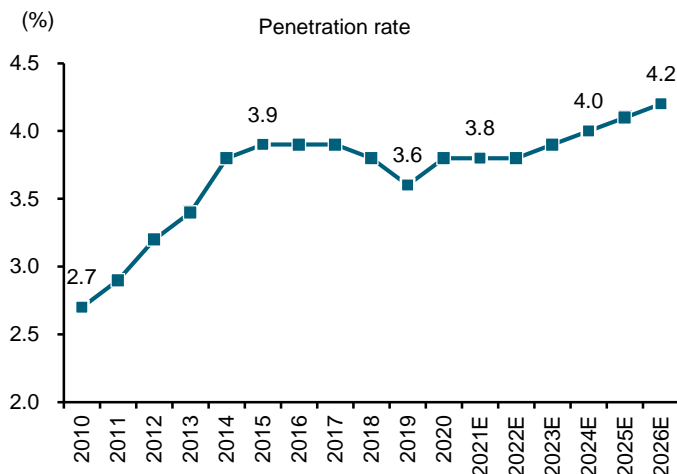
Exhibit 12: Upcountry real GDP per capita (2015-2019 CAGR) has been rising



Sources: TLI; Milliman industry report; FSSIA's compilation

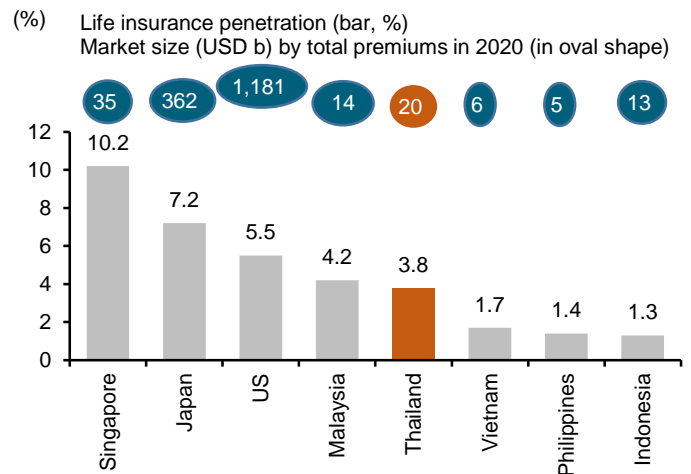
Apart from the potential increase in GDP, we see two more catalysts, which are related to wealth increasing for Thai people, that should support a rise in life insurance premiums. First, gross savings (the amount of gross disposable income less final consumption expenditure) as a percentage of GDP in Thailand increased from 29% in 2009 to 32% in 2019. Thus, insurance could be seen as an alternative investment for people who have sufficient savings. Second, the life insurance penetration rate in Thailand is still low. With Thai people's financial well-being improving, we expect this to spur the insurance purchase rate. According to Milliman, the life insurance penetration rate (life insurance premiums to GDP) is expected to increase to 4.2% in 2026 from 3.8% in 2020.

Exhibit 13: Life insurance penetration rate expected to increase gradually



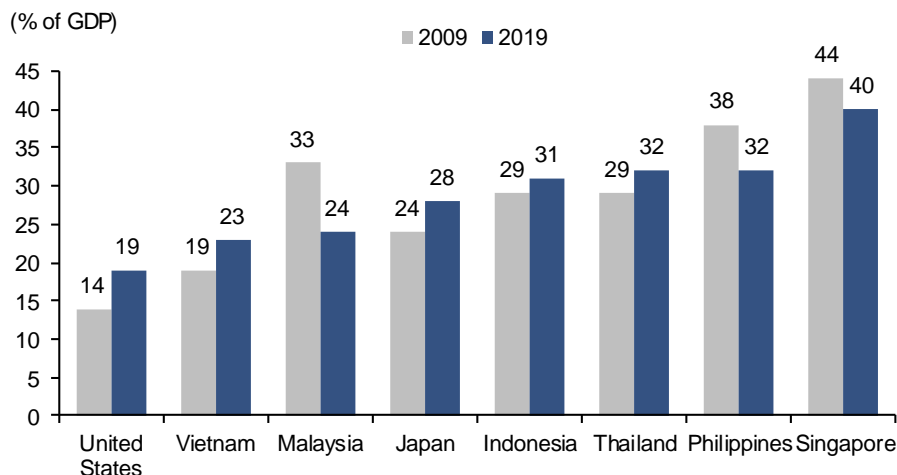
Sources: Organisation for Economic Co-operation and Development (OECD); International Monetary Fund (IMF); TLAA; NESDC; National Statistical Office Thailand; Milliman industry report

Exhibit 14: Low life insurance penetration in Thailand



Note: All market sizes are in USD b

Sources: OECD; IMF; TLAA; NESDC; National Statistical Office Thailand; Milliman industry report

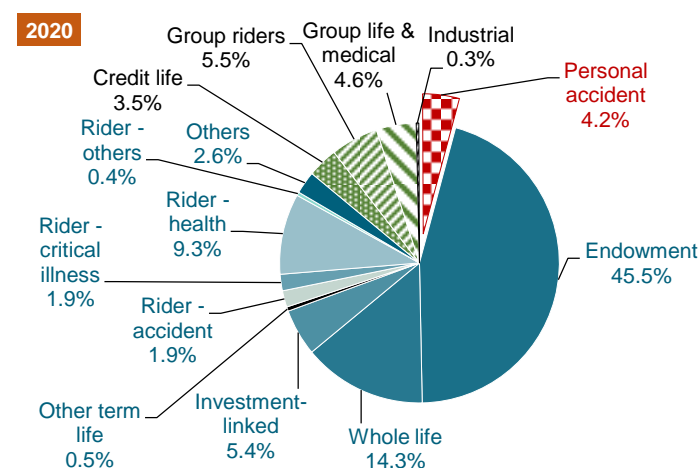
Exhibit 15: Thailand's gross savings as a % of GDP has increased from 2009 to 2019

Sources: OECD, IMF, TLAA, NESDC, National Statistical Office Thailand, Milliman industry report

#2 The increase in insurance awareness thanks to COVID-19

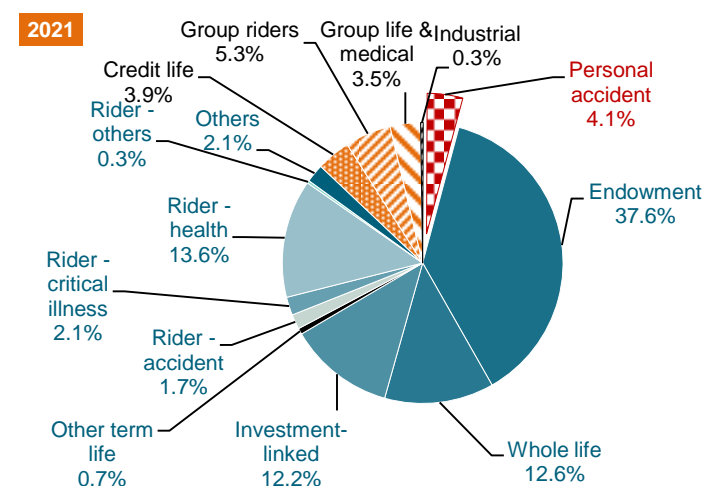
COVID-19 has resulted in a large number of people becoming ill and led to a high mortality rate. Therefore, the pandemic has emphasised the importance of insuring oneself against unforeseen circumstances and having a solid understanding of any such insurance coverage. Going forward, we think this should continue to benefit the life insurance industry in terms of a rise in APE.

On top of that, we see that COVID-19 has slightly changed people's perception of insurance in Thailand. As mentioned before, insurance in Thailand has traditionally been seen as a means of investment and wealth management rather than protection, but in our view COVID-19 has increased the awareness of the protective benefits of buying insurance. Of the total new business products launched by insurance companies in 2020, endowments, whole life, and investment-linked products totalled 65% vs 9% for health riders. But by 2021, the contribution of endowments, whole life and investment-linked products fell to 62%, while health riders increased to 14%.

Exhibit 16: New business value (by APE) product mix, 2020

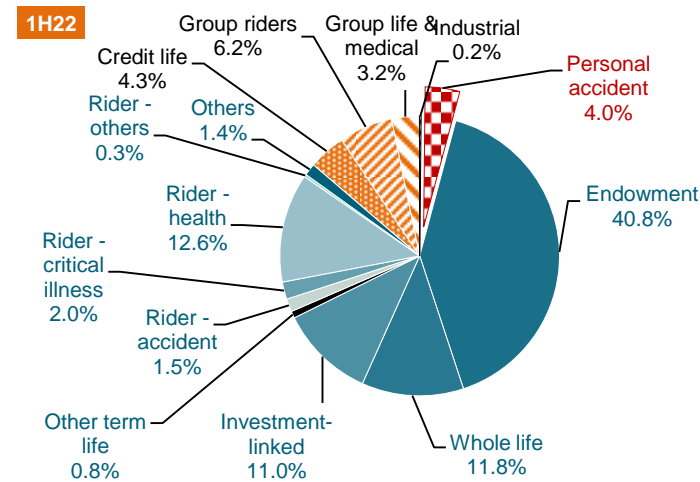
Note that ordinary life insurance products are light blue letters, while group insurance is in green, and personal accident insurance is red.

Sources: TLAA, Milliman industry report, TLI's compilation

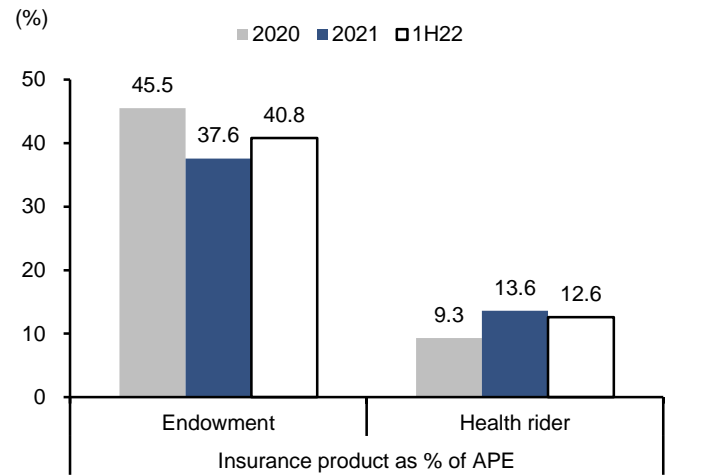
Exhibit 17: New business value (by APE) product mix, 2021

Note that ordinary life insurance products are light blue letters, while group insurance is in green, and personal accident insurance is red.

Sources: TLAA, Milliman industry report, TLI's compilation

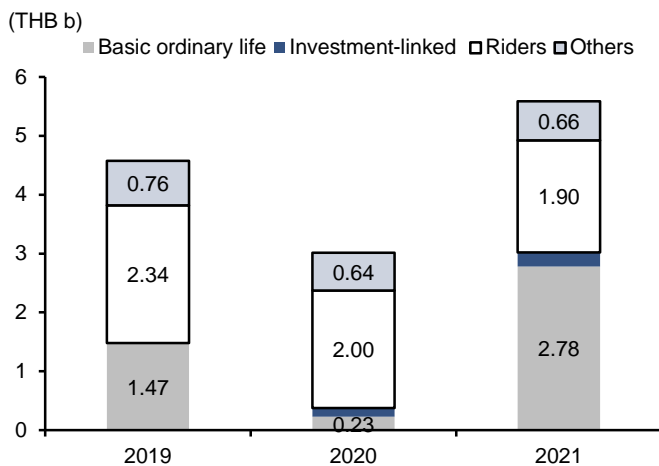
Exhibit 18: New business value (by APE) product mix, 1H22

Sources: TLAA, Milliman industry report, TLI's compilation

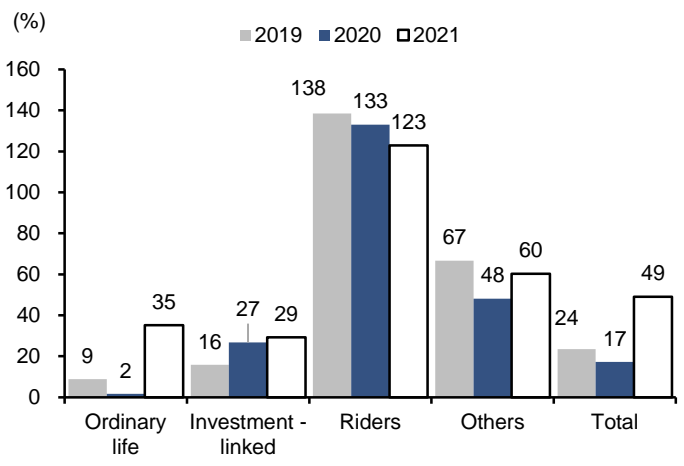
Exhibit 19: Health rider plays more important role

Sources: TLAA, Milliman industry report, TLI's compilation

The increase in protection products should have multiple benefits for insurers, in terms of revenue accretion and margin improvement. The overall VONB margins of rider products are normally higher than investment and wealth management products. While investment and wealth management products offer to return a designated amount of money back to the policyholders within the policy's life, protection products have no guaranteed return feature.

Exhibit 20: TLI – VONB by product

Sources: TLI; FSSIA's compilation

Exhibit 21: TLI – VONB margins by product

Sources: TLI; FSSIA's compilation

Note that life insurance policies can be divided into four main types which are: basic ordinary life, investment-linked, riders, and others.

#1 Regarding basic ordinary life, there are four sub categories:

1) Endowments or savings life insurance: A life insurance product that combines savings and protection features. They have fixed policy terms, usually ranging from a minimum of three years up to much longer, such as 30 years and beyond. In return for the premium paid, endowment products provide a combination of death benefits and survival benefits during the life of the contract as well as maturity benefits.

2) Whole life insurance: Whole life assurance products are similar to endowments, except that their coverage is up to age 90 or 99 and they offer a maturity benefit at the end of the policy term (in this respect, they are more like long-term endowment products). As with endowments, whole life products also offer survival benefits such as non-guaranteed dividends and bonuses.

3) Term life insurance: Term life products offer protection against mortality and morbidity risks for a certain period of time. In return for the premium paid, the beneficiary will receive payment of the sum assured from the insurer when the insured dies or suffers another insurable event during the term of the policy. Once the policy term ends, the coverage stops and there is no maturity benefit paid out.

4) Annuity insurance: A life insurance product designed to convert premiums that customers pay into a steady stream of income, mainly for retirement. The payoff period usually commences upon the insured's retirement or when the insured reaches the age of 55, 60 or 65.

#2 With regard to investment linked-policy, there are two sub categories:

1) Unit-linked: Unit-linked policies have an associated account made up of units in underlying investment funds, which are built up through the payment of premiums to the account, but reduced through the deduction of policy charges. The account values go up or down as the price of the units move in line with the underlying assets of each investment fund chosen by the insured and, as such, the policy benefits are linked directly to the underlying investment returns. The policy benefits typically include additional insurance coverage, either paid via deductions from units based on book value or offered as attached non-linked riders.

2) Universal life: The product is structured in a similar manner to unit-linked, with the policy having an account value, which is built up through the payment of premiums and reduced through the deduction of policy and coverage charges. The main difference compared to unit-linked products is that the account value does not have a direct link to underlying asset performance. Instead, life insurers credit the account with returns determined by them (crediting rate), after taking into account underlying investment performance and competitive factors.

#3 Riders or additional coverage products, i.e. health rider, hospital benefit rider, accidental death/disability rider, protection for serious illnesses, and payer rider, etc. Normally, riders are top-ups from the core product (whole life or endowment).

#4 Others such as industrial life insurance, group life insurance, and personal accident insurance.

Industrial life: Most industrial life insurance offers life protection and periodic benefits. In addition, it offers accident coverage. However, the sum insured for industrial life insurance is usually much lower than that of ordinary life insurance because the company focuses on selling products to low-income customers. Sums insured for industrial life insurance products will normally not exceed THB150k.

Group life insurance: Group life insurance provides life insurance coverage for individual groups and the sum assured will be paid to the beneficiary in the event of a defined event, i.e. death or disability of the member.

Personal accident: Personal accident insurance provides protection for death, dismemberment, and permanent disability from accidents under individual and group policies. This type of insurance must be renewed annually.

Exhibit 22: Types of insurance policies

| Basic Ordinary Life | Investment-Linked | Riders | Other |
|--|---|--|---|
| Endowment <ul style="list-style-type: none"> Ranked 2nd with 21% market share based on 2020 APE Life policies which combine both savings and protection features | Universal life <ul style="list-style-type: none"> Offers insurance protection up to age of 90 and a minimum guaranteed return on investment | Health rider <ul style="list-style-type: none"> Reimburses the hospital and other medical expenses | Industrial Life Insurance <ul style="list-style-type: none"> Periodic payouts and life protection coverage |
| Term life <ul style="list-style-type: none"> Guaranteed payments of a stated benefit if the covered person dies during the period of coverage | Unit linked <ul style="list-style-type: none"> Combines insurance coverage and investment exposure Does not provide minimum guaranteed returns | Hospital Benefit Rider <ul style="list-style-type: none"> Daily cash allowance for hospital stay | Group Life Insurance <ul style="list-style-type: none"> Offered to creditors and employers |
| Whole life <ul style="list-style-type: none"> Death benefits may be paid to the designated beneficiary or to policyholder by a specific date | | Accident Death / Disability Rider <ul style="list-style-type: none"> Benefits when an accident leads to death, dismemberment or permanent disability | Personal Accident Insurance <ul style="list-style-type: none"> Coverage for loss of life, dismemberment and permanent disability from accidents |
| Annuity <ul style="list-style-type: none"> Steady income stream for policyholders' retirement | | Critical Illness Rider <ul style="list-style-type: none"> Lump-sum benefits upon diagnosis of a critical illness | |
| | | Payer Rider <ul style="list-style-type: none"> Protection for juveniles upon death/permanent disability of the premium payer | |

Source: TLI

#3 Increasingly elderly population

We see two elderly trends which should directly benefit the life insurance industry. First, Thailand is already considered to be an ageing society, with more than 10% of the total population aged 60 and over since 2005. It began transitioning to an aged society, with those aged 60 and over reaching 20% in 2021. According to the United Nations, Thailand will become a super-aged society by 2035, with people aged 60 and over increasing to c30% of the total. Second, the average life expectancy in Thailand is on a rising trend, from c70 years old in 2000 to c77 years in 2020.

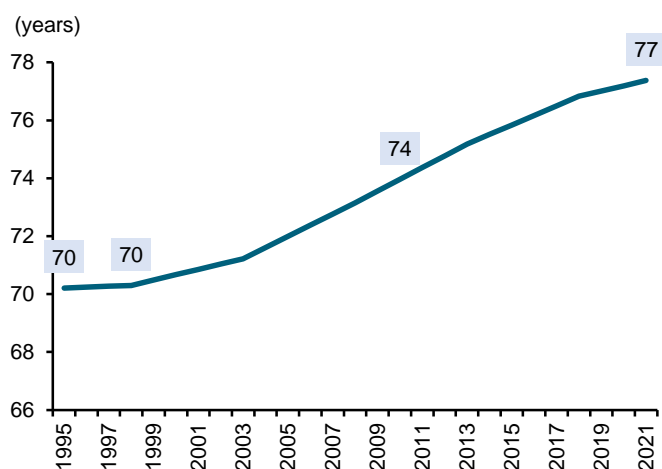
With the aforementioned trends, we believe that the current labour force will have more motivation to buy both investment and protection life insurance products to protect their health and wealth, such as endowments and annuities. On top of that, the current labour force might also purchase life insurance for legacy purposes such as whole life, term life, etc.

Exhibit 23: By 2035, people aged 60 and over should increase to c30% of Thailand's total population

| ----- 2015 ----- | | | ----- 2035E ----- | | |
|------------------|----------------|------|-------------------|----------------|------|
| | Country | (%) | | Country | (%) |
| 1 | Japan | 32.8 | 1 | Japan | 39.9 |
| 2 | Hong Kong | 21.8 | 2 | Korea | 35.5 |
| 3 | Georgia | 20.3 | 3 | Hong Kong | 35.3 |
| 4 | Chinese Taipei | 18.6 | 4 | Singapore | 34.1 |
| 5 | Korea | 18.4 | 5 | Chinese Taipei | 33.1 |
| 6 | Singapore | 17.9 | 6 | Thailand | 30.2 |
| 7 | Cyprus | 17.7 | 7 | Macao | 28.8 |
| 8 | Israel | 15.8 | 8 | China | 28.5 |
| 9 | Arminian | 15.8 | 9 | Cyprus | 26.0 |
| 10 | Thailand | 15.6 | 10 | Georgia | 25.9 |

Sources: United Nations, Department of Economic and Social Affairs, World Population Prospects; FSSIA's compilation

Exhibit 24: The average life expectancy in Thailand is on a rising trend

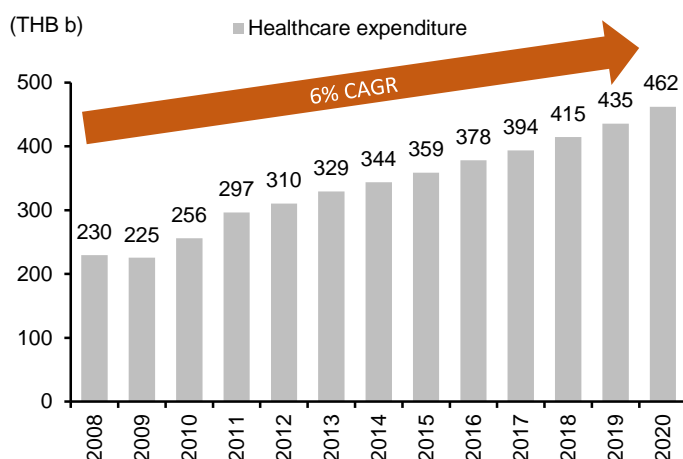


Sources: United Nations, World Population Prospects; FSSIA's compilation

#4 Healthcare expenditures are on the rise

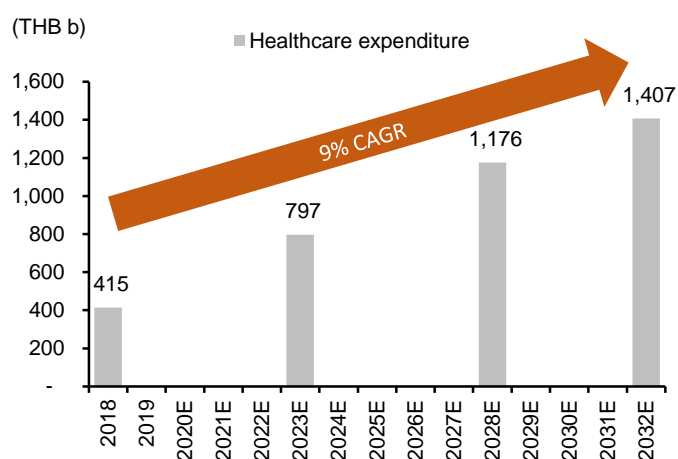
Thailand's healthcare expenditures increased at a 6% CAGR over the past 12 years (2009-20). We think expenditures will accelerate over the next 10 years, as Thailand's society grows older. According to the Thailand Development Research Institute (TDRI), healthcare expenditures may reach THB1.4t by 2032, implying a 9% CAGR during 2019-32. Moreover, in accordance with the National Economic and Social Development Council (NESDC), the number of people with severe diseases has increased as the population ages. As a result, we are convinced that rising healthcare expenditures should spur greater health insurance demand. As mentioned before, health insurance products typically have better margins than other ordinary life products. Therefore, we foresee that life insurers should not only benefit from the higher APE growth, but also a greater VONB margin expansion.

Exhibit 25: Expect healthcare expenditure momentum to increase



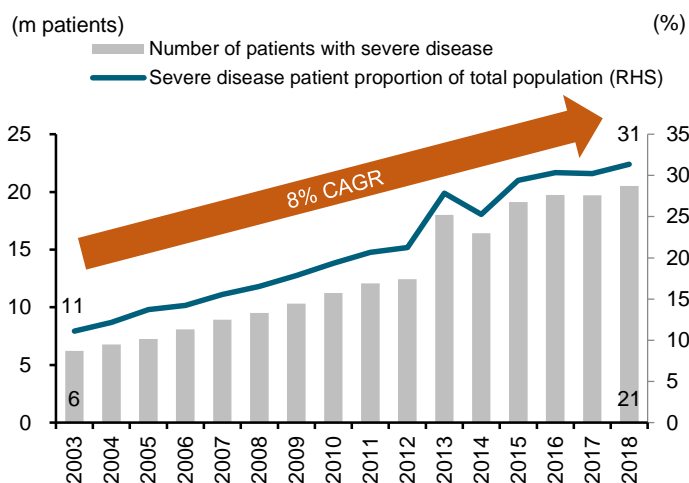
Source: NESDC

Exhibit 26: Healthcare expenditures should accelerate at a 9% CAGR during 2019-32



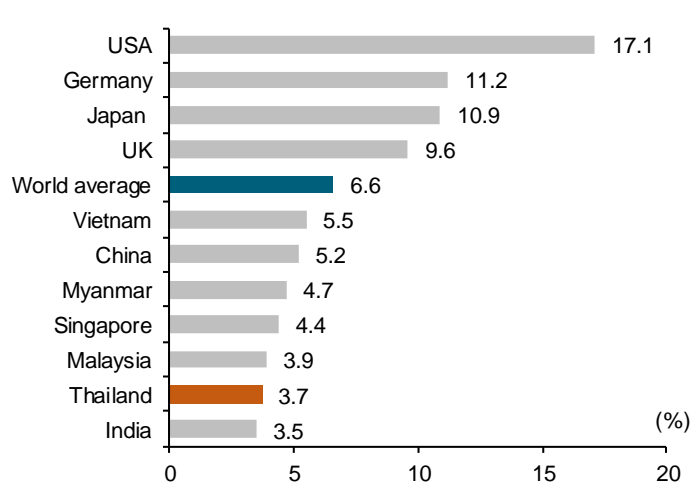
Source: TDRI

Exhibit 27: The number of people with severe diseases has increased as the population ages



Source: NESDC

Exhibit 28: Healthcare expenditure as % of GDP



Source: World Health Organization (WHO)

#5 The low interest rate environment is coming to an end

Interest rates for life insurance companies is a significant factor in determining their profitability thanks to the dominance of long-duration and savings products. Life insurers write a lot of spread business in which they earn money from the difference between the total return on their assets and the rate they credit to their policyholders. Therefore, a life insurance company's performance is likely to have a high correlation with interest rate movements.

Exhibit 29: How increases in interest rates impact life insurers

| Interest rate ↑ | | |
|---------------------------------------|---|--------------------------------------|
| New business | In-force business | Balance sheet |
| Need for higher price ↓ | Guarantees (risk of negative spreads) ↓ | Investment returns* (fixed income) ↑ |
| Insurance demand (savings products) ↑ | Reinvestment risk ↓ | Capital (if duration mismatch) ↑ |
| | Lapse (lower-than-expected) ↑ | Solvency ↑ |

* Impact on investment returns excluding realised gains from selling assets

Sources: Swiss Re Institute; FSSIA's compilation

At the start of the pandemic, central banks – including the Bank of Thailand (BoT) – around the world lowered interest rates to mitigate the impact of slower economic growth, triggering record lows in US 10-year treasury notes. Thus, for more than the past two years, life insurers in Thailand have been challenged by a low interest rate environment. This has made it difficult for them to find investments with adequate yields, manage corporate spreads, and offer competitive products to consumers.

However, we now expect the low interest rate environment to soon be over. Given the strong economic recovery and a significant increase in inflation in the US, the Federal Reserve (Fed) has pledged to implement a more hawkish policy. According to the Bloomberg consensus, the US policy rate should hike to 3.6% in 2022. The rate hike trend in the US should persist at least until early next year, in our view.

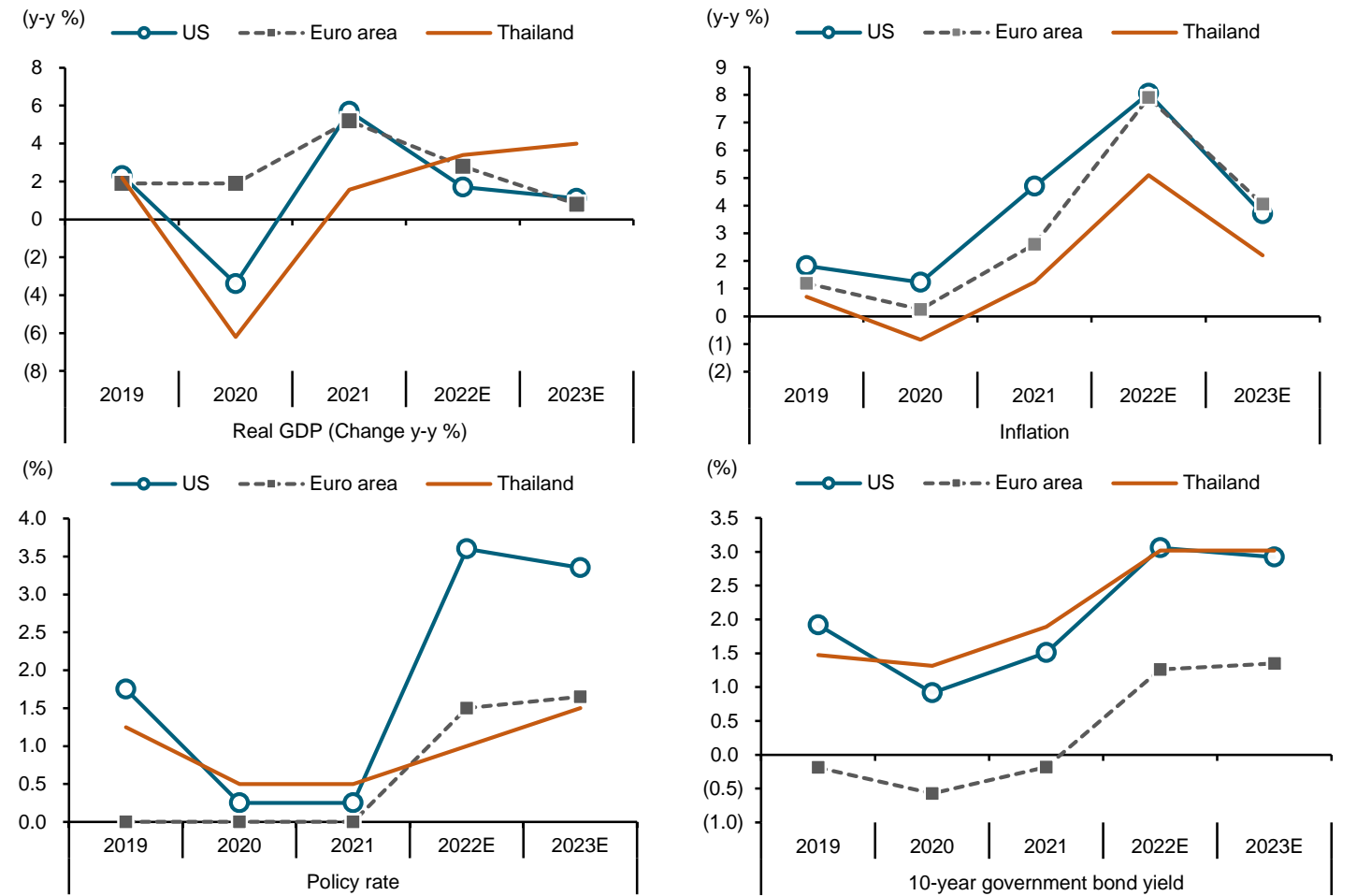
Regarding Thailand's policy rate, the BoT increased the policy rate to 0.75% from 0.5% in the recent MPC meeting on 10 Aug-22. FSSIA expects that the BoT will raise the rate by another 0.25% this year, with the aim of proactively reining in consumer inflation expectations, given the rising prices of energy, electricity, and food despite the potential for collateral damage in the form of lower GDP in 2022-23. In 2023, we expect the BoT to hike its rate by 0.25% twice, likely in 1H23, in order to curb inflation and – mostly importantly – crush higher consumer inflation expectations.

Exhibit 30: Rising trends for key rates in 2022-23E

| | ----- Real GDP growth ----- | | | ----- Inflation ----- | | | ----- Policy rate ----- | | | --- 10-year government bond yield --- | | |
|-------|-----------------------------|-----------|----------|-----------------------|-----------|----------|-------------------------|-----------|----------|---------------------------------------|-----------|----------|
| | US | Euro area | Thailand | US | Euro area | Thailand | US | Euro area | Thailand | US | Euro area | Thailand |
| | (y-y %) | (y-y %) | (y-y %) | (y-y %) | (y-y %) | (y-y %) | (%) | (%) | (%) | (%) | (%) | (%) |
| 2019 | 2.30 | 1.90 | 2.20 | 1.82 | 1.19 | 0.71 | 1.75 | 0.00 | 1.25 | 1.92 | (0.19) | 1.47 |
| 2020 | (3.40) | 1.90 | (6.20) | 1.23 | 0.25 | (0.84) | 0.25 | 0.00 | 0.50 | 0.92 | (0.57) | 1.32 |
| 2021 | 5.70 | 5.20 | 1.57 | 4.70 | 2.60 | 1.24 | 0.25 | 0.00 | 0.50 | 1.51 | (0.18) | 1.89 |
| 2022E | 1.70 | 2.80 | 3.40 | 8.05 | 7.90 | 5.10 | 3.60 | 1.50 | 1.00 | 3.06 | 1.26 | 3.02 |
| 2023E | 1.10 | 0.80 | 4.00 | 3.70 | 4.05 | 2.20 | 3.35 | 1.65 | 1.50 | 2.92 | 1.35 | 3.02 |

As of 22 Aug 2022

Sources: Bloomberg consensus; FSSIA's compilation

Exhibit 31: Rising trends for key rates in 2022-23E

As of 22 Aug 2022

Sources: Bloomberg consensus; FSSIA's compilation

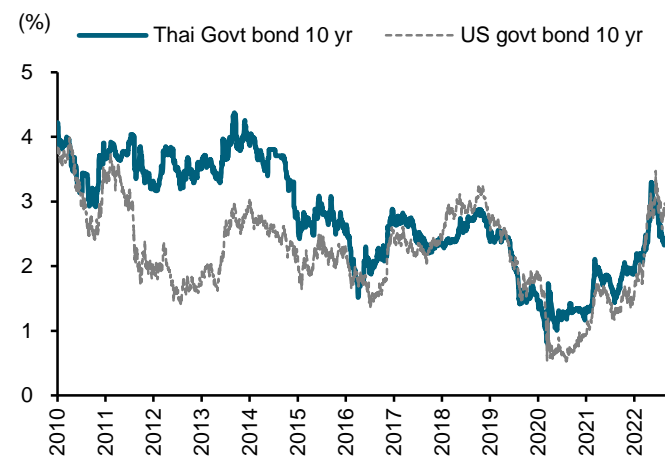
We expect that the uptrend in interest rates should benefit insurers in terms of potentially higher ROIs in the next one to two years, probable lower reserves, and being able to launch new products with attractive returns.

The assets and liabilities of life insurers are heavily exposed to interest rate movements. Particularly, more than 80% of their assets are investments in securities which are normally concentrated in fixed-income securities that return interest. Regarding their liabilities, more than 90% of their liabilities are life policy reserves, which are sensitive to interest rates. Many of their products, such as endowments and annuities, have a guaranteed rate of return. The returns are typically interest that is credited.

Therefore, life insurers' earnings are mainly derived from the spread between their investment returns and their guaranteed yield. We believe that the increase in interest rates would result in a higher spread between interest earned and interest credited. Or simply said, this would not only increase the net income for insurers, but also relieve the risks of being unable to meet contractually guaranteed obligations to policyholders, leading to potentially lower reserve setting.

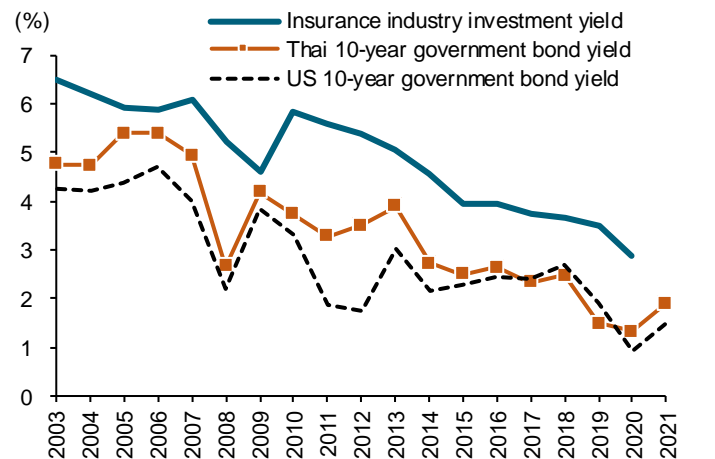
In addition, if interest continues to rise and can be sustained over the long term, this would allow insurance companies to offer products with attractive returns, causing insurance premiums to eventually increase.

Exhibit 32: 10-year US and Thai bond yield



As of 22 Aug 2022
Sources: Bloomberg; FSSIA's compilation

Exhibit 33: Thai insurers' ROI has a very high correlation with the Thai 10-year bond



Sources: TLAA; FSSIA's compilation

Investment idea: Three competencies to ride industry and rate upturn

We believe insurance stocks tend to attract investors' attention during periods of rising interest rates as their performance, which tends to include an acceleration of premium growth, a lower policy reserve, and a higher ROI, has a positive correlation with the rate movement. Undoubtedly, many insurance stocks have performed well in the past couple of months.

We expect TLI to benefit from the rising interest rate wave. On top of that, we see three competencies that could boost TLI's performance to a level even stronger than that of its peers, including: 1) comprehensive distribution channels; 2) complete products on the shelf with a creditable brand; and 3) competent asset and liability management.

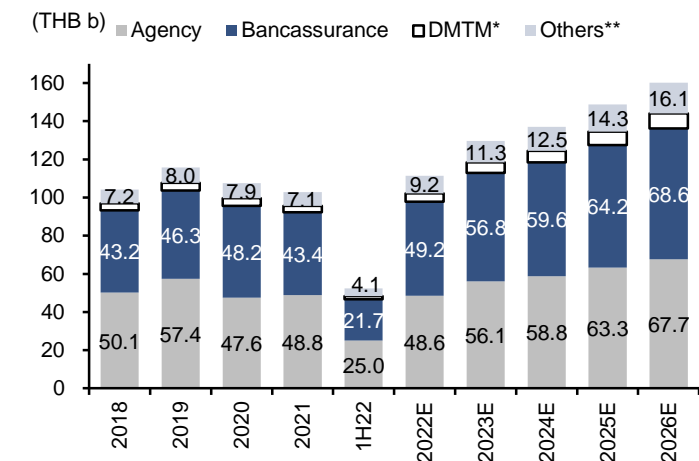
#1 Comprehensive distribution channels

Agency channel leadership; an advantage for selling higher margin products

Insurance distribution channels in Thailand can be divided into four main groups: 1) agency; 2) bancassurance; 3) direct marketing and telemarketing (DMTM); and 4) other channels, including digital, independent financial advisors and worksite marketing.

Before 2004, agency was the main channel through which to distribute insurance products. Bancassurance, or selling insurance through bank branches, has been liberalised since 2004, and since then, bancassurance has become one of the most important channels. Agency and bancassurance are currently the most essential channels in Thailand, which accounted for 48% and 42%, respectively, of total APE as of 2021. According to Milliman's forecast, this trend should persist going forward. On top of that, the digital channel should gradually play a more important role following the insurtech trend.

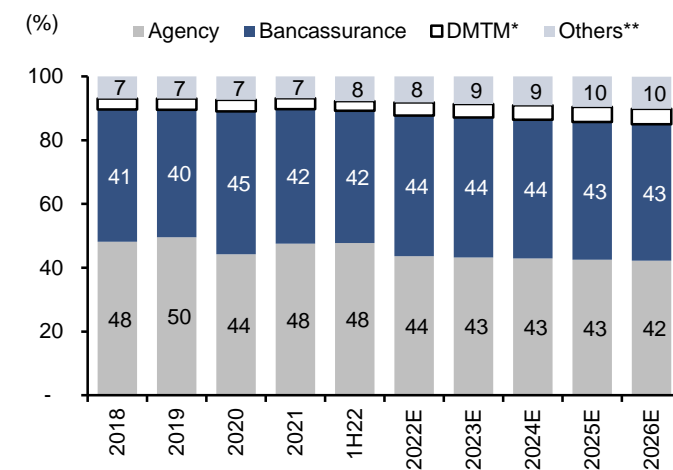
Exhibit 34: A large proportion of life insurance industry APE is distributed via agency and bancassurance channels with expected growth in others mainly driven by digital channels



Note *DMTM refers to direct marketing and telemarketing. **Other channels include digital, independent financial advisors and worksite marketing.

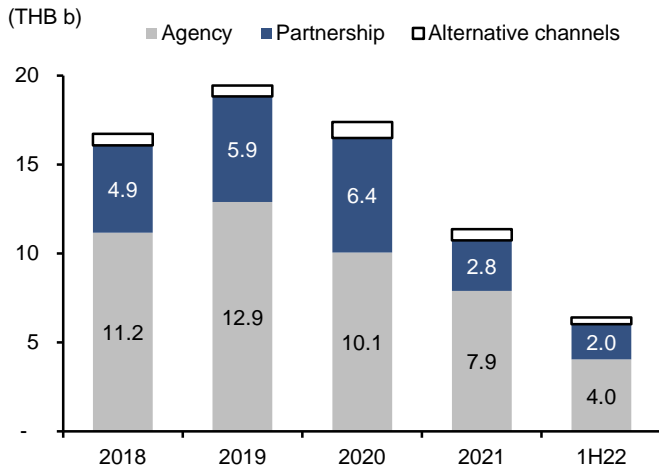
Sources: TLAA; TLI; Milliman's estimates; FSSIA's compilation

Exhibit 35: Contribution of insurance distribution channels by APE

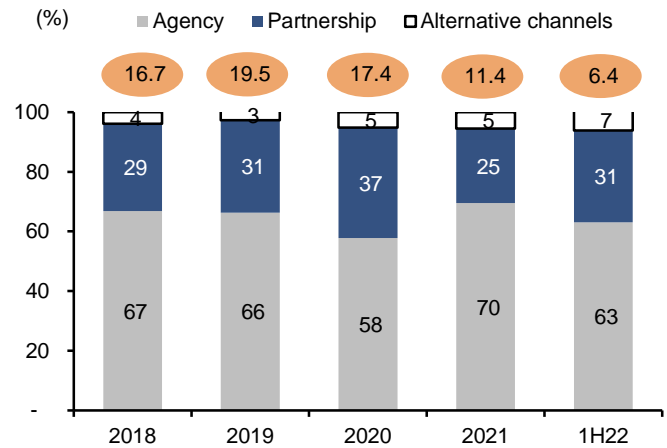


Note *DMTM refers to direct marketing and telemarketing. **Other channels include digital, independent financial advisors and worksite marketing.

Sources: TLAA; TLI; Milliman's estimates; FSSIA's compilation

Exhibit 36: TLI's APE by channel

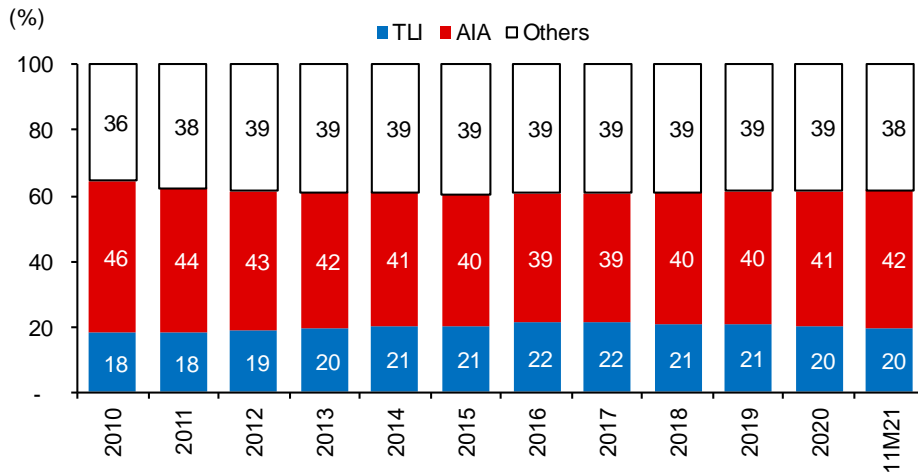
Sources: TLI; FSSIA's compilation

Exhibit 37: Breakdown of TLI's APE by channel

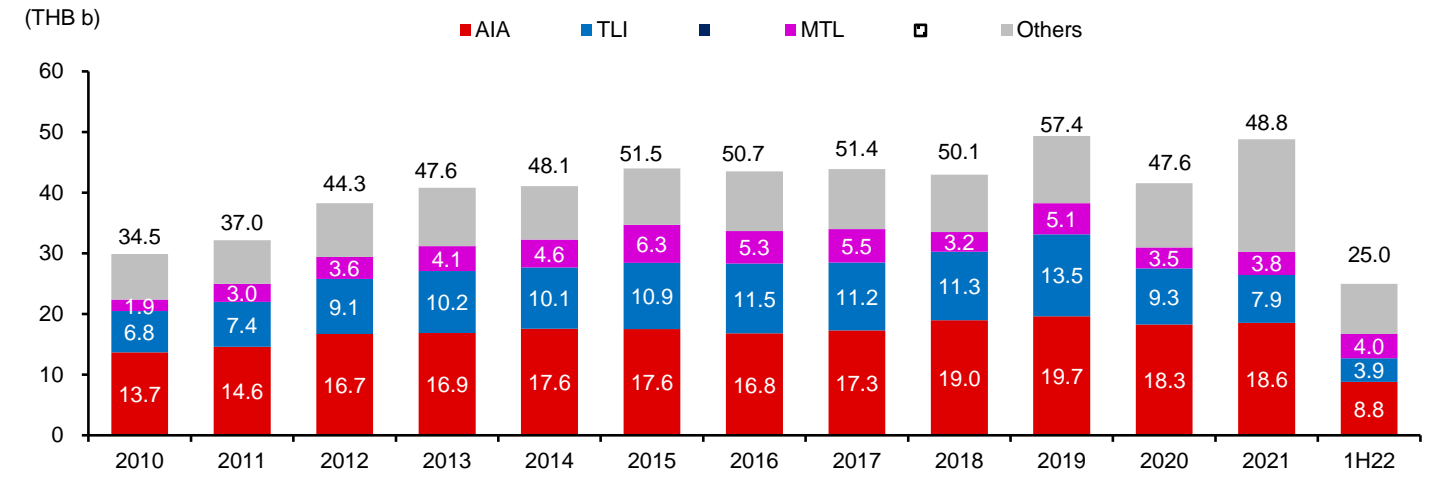
Note that the orange circle represents the value of APE (THB b)

Sources: TLI; FSSIA's compilation

Each channel has both pros and cons. We see three strong points for the agency channel. First, we think the advantage of the agency channel is that it can build a good and long-term relationship with customers. This makes it possible to offer more sophisticated insurance products, which potentially have higher margins than basic savings products. Second, the company has full management, coaching, and recruiting authority. Third, the agency channel gives the company more flexibility to adapt to a change in product strategy through incentivisation. However, creating a quality agent is a difficult task and time consuming. As a result, many insurance companies rely mainly on selling insurance through banks.

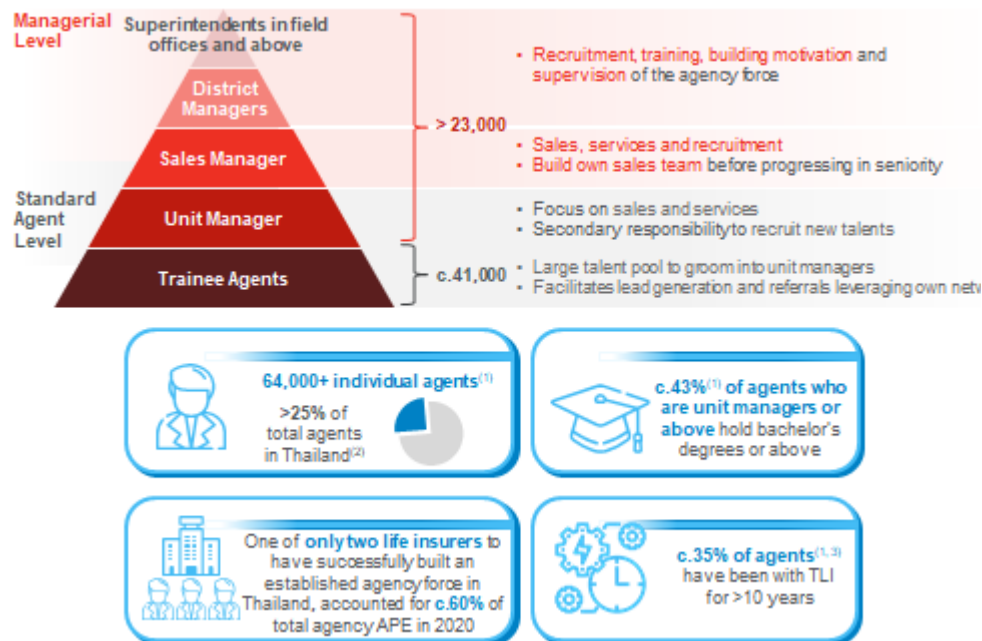
Exhibit 38: AIA and TLI are the persistent, top two players by market share in the agency channel by GWP

Sources: TLAA; TLI

Exhibit 39: APE from insurance agents of key players

Source: TLAA; TLI's compilation

Unlike other competitors, TLI chose to build its foundation up from the agency channel, which shows that TLI can create an effective agency channel. TLI has consistently held its position as the second-largest agency-led life insurer in Thailand, while AIA (regional peer) has been the largest for the past decade. In terms of GWP, TLI's market share was 19.9% in 11M21, well ahead of the top 3-5 ranked competitors in terms of market share. TLI was able to narrow the gap with AIA with a 186-bps increase in its market share over the past decade (2011-21) thanks to nationwide coverage and quality agents. As of 31 Mar-22, TLI had more than 64,000 agents (As of Jun-21, TLI's agents is c25% of the total agents in Thailand) across the country, with 77% of its agents covering territories upcountry. Typically, 60-70% of TLI's total APE comes from agency channels.

Exhibit 40: TLI has high-quality agents with c36% at the management level, and c35% of its agents have been with the company for more than 10 years

Note: (1) As of 31 Mar 2022. (2) Based on number of agents for TLI and in Thailand as of 30 Jun 2021. (3) Agents who are unit managers or above.

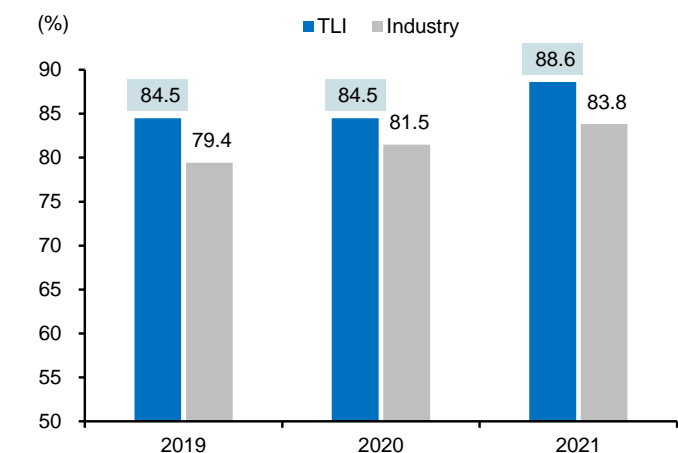
Source: TLI

High-quality agency channel

We think the evidence proving that TLI's agency channel outperforms other competitors are: 1) its higher persistency ratio (the proportion of policyholders who continue to pay their renewal premiums) than the industry average; and 2) being the second-highest market leader in high margin products (in terms of total premiums), i.e. riders, personal accident.

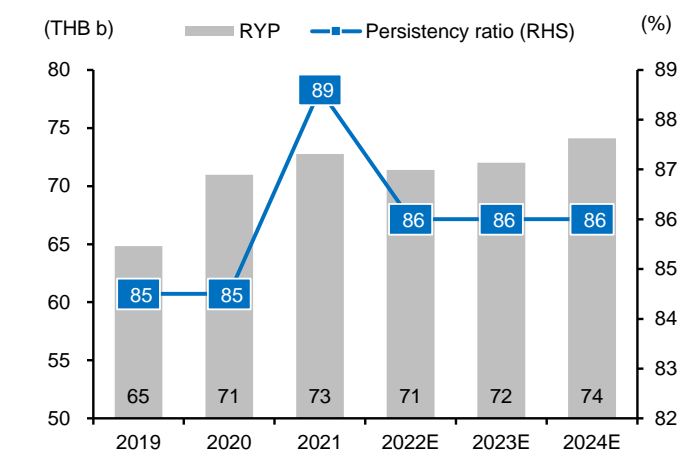
The average overall persistency ratio of TLI varied from 85-89% during 2019-21, while that of the industry was c81.6%. This demonstrates that its agents are able to maintain good relationships with its policyholders. When the insurance sales are backed up by proper service and all queries of the buyers are handled promptly, we believe that the buyer will not only be satisfied and maintain their policies but also prefer TLI's products to others.

Exhibit 41: TLI has a higher persistency ratio than the industry average



Note: Persistency ratio of TLI is from the company's reporting while the industry persistency ratio is calculated by FSSIA
Sources: TLAA; FSSIA estimates

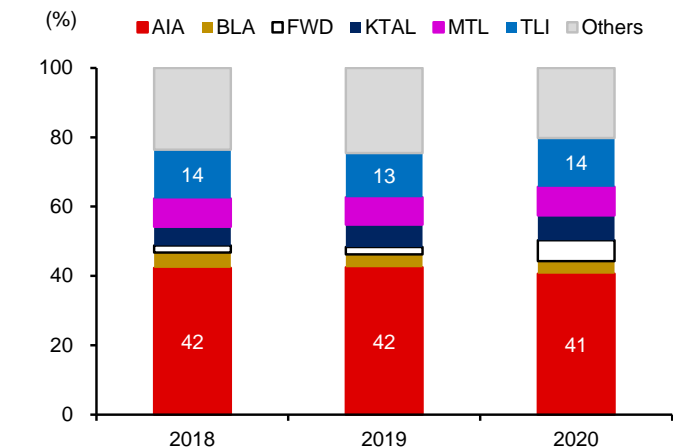
Exhibit 42: Overall persistency ratio of TLI should remain at a high level of 86% in 2022-24E



Source: FSSIA estimates

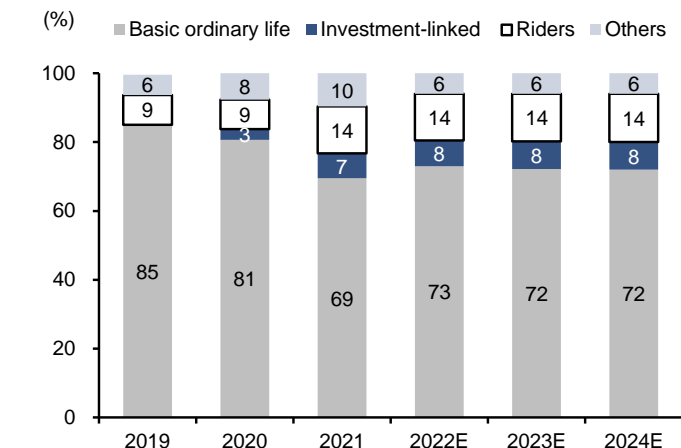
Rider insurance policies such as health riders are high margin products thanks to the protection feature that does not offer a guaranteed return. Although every life insurer wants to attach riders with their main policies, selling rider products is a difficult task for life insurers as policyholders always require in-depth data before purchasing. Notably, TLI captured the second-highest market share in rider products during 2018-20. Given the efficiency of TLI's agents, we are convinced that it should maintain its leading position. Also, we expect rider products to gradually play a more important role in 2022-24. This would not only increase its APE, but also allow it to retain its high margin level, in our view.

Exhibit 43: TLI ranked #2 in market share for rider products in terms of total premiums



Sources: TLAA; FSSIA estimates

Exhibit 44: TLI's APE by product



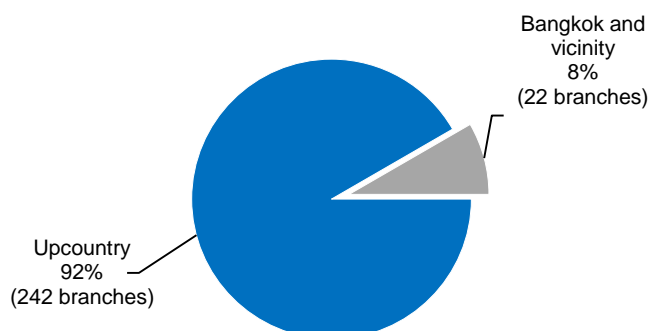
Sources: TLAA; FSSIA estimates

Nationwide agency coverage

Apart from having high-quality agents, another important point that allows TLI to outperform its competitors focused on the same agency channel is its nationwide presence. As of 31 Mar-22, TLI had 264 branches, with 242 branches located upcountry.

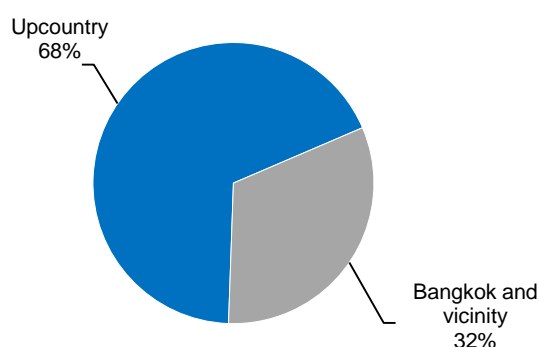
As discussed under the insurance industry outlook, we expect the APE growth rate upcountry to outpace Bangkok and the nearby areas due to the rising GDP per capita of people in the provinces. Therefore, we believe TLI is probably one of the insurers who stands to benefit the most from this trend.

Exhibit 45: 92% of its branches are located upcountry – as of Mar 2022



Sources: TLI; FSSIA's compilation

Exhibit 46: 68% of its agency GWP came from upcountry in 1Q22

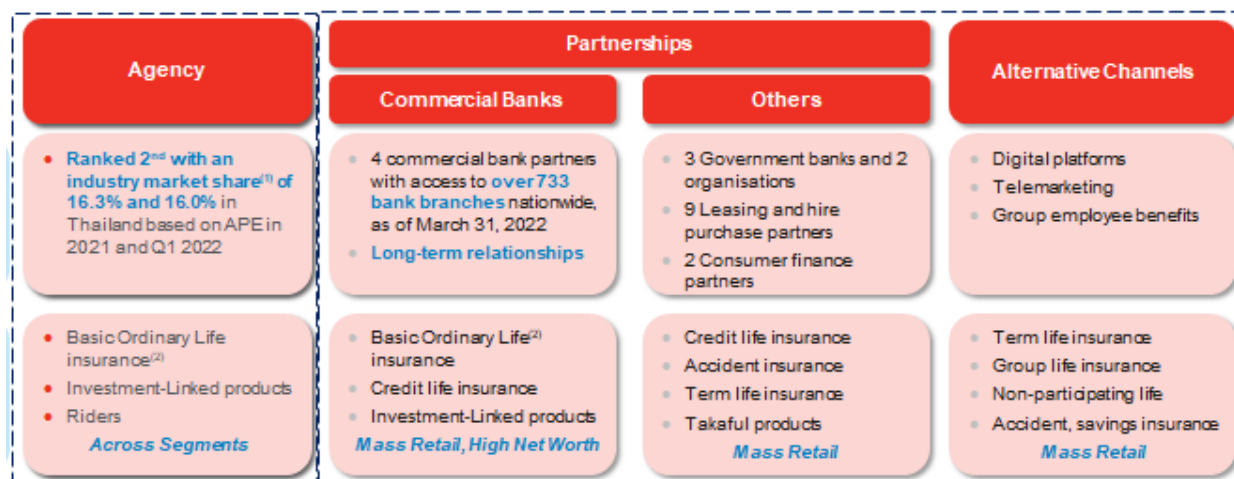


Sources: TLI; FSSIA's compilation

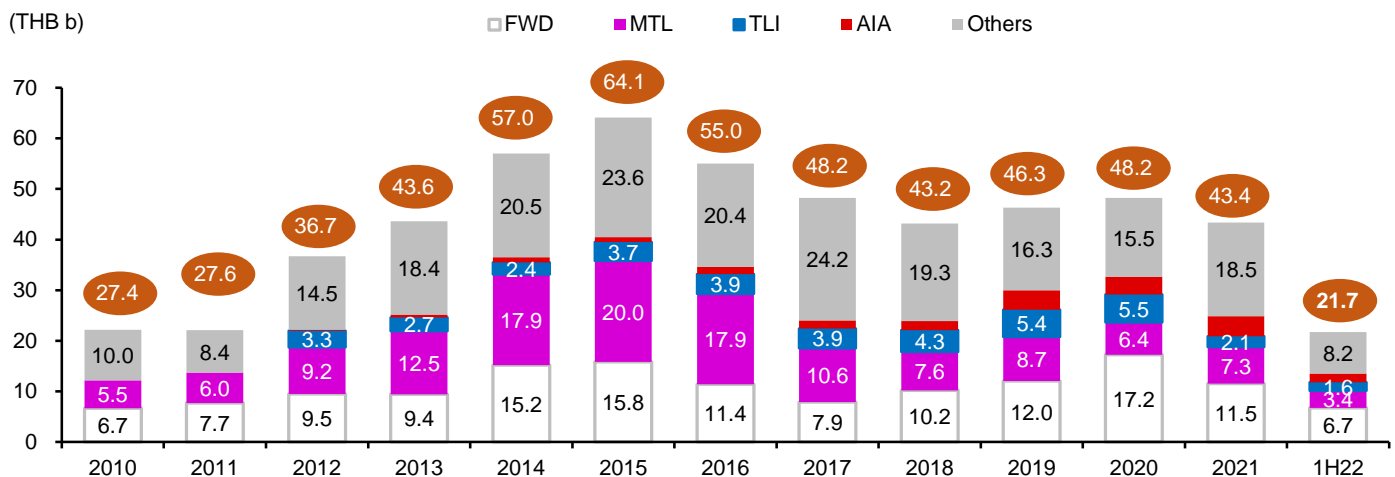
Diversification into partnerships and alternative channels to grasp all segments

Although we think that the agency channel is a good way to sell high margin products, it is undeniable that TLI may be missing out on opportunities to offer products to certain groups of customers. To address this concern, TLI has diversified its channels to include partnering with commercial banks, government banks and organisations, and leasing, hire purchase and consumer finance companies. On top of that, TLI sells its insurance products through alternative channels such as digital platforms, telemarketing, and employee group benefits. Generally, 30-40% of TLI's total APE comes from partnerships and alternative channels.

Exhibit 47: Summary of TLI's distribution channels



Source: TLI

Exhibit 48: APE from bancassurance of key players

Source: TLAA; Milliman industry report, TLI's compilation

Partnerships with commercial and government banks

Bancassurance is another popular way for insurers to sell their products. The big four banks in Thailand have already signed partnership agreements with insurers, namely SCB X (SCB TB; BUY; TP THB134) with FWD; Kasikornbank (KBANK TB; BUY; TP THB192) with Muang Thai Life (MTL; not listed); Bangkok Bank (BBL TB; BUY; TP THB170) with AIA and BLA; and Krungthai Bank (KTB TB; BUY; TP THB18.2) with AXA group (AXA; not rated).

Regarding TLI, it has been the exclusive partner of Bank of Ayudhya (BAY TB; not rated), the fifth-largest bank in Thailand in terms of asset size for selling products upcountry. Also, TLI can sell its products through the bank's branches in Bangkok and nearby, but not exclusively.

Moreover, TLI has signed an exclusive partnership deal with CIMB Thai Bank (CIMBT TB; not rated) to sell non-endowment products. Regarding endowment products, TLI can sell through CIMBT's channels but not exclusively.

On top of that, TLI has been partnering with other commercial banks, government banks and organisations, and leasing, hire purchase and consumer finance companies, as illustrated in Exhibits 49-51:






Exhibit 49: TLI - multiple Bancassurance partnerships

As an independent life insurer, TLI's neutrality allows for multiple partnerships with leading financial institutions around the country

| | krungsri Bank of Ayudhya | CIMB THAI CIMB Thai Bank | sunlife Thai Credit Retail Bank | TISCO TISCO Bank |
|--|--|---|---|---|
| Partnership Established | 2011 | 2011 | 2010 | 2012 |
| Nature | Exclusive (Non-Bangkok Metropolitan area branches) | Exclusive (Non-endowment products at CIMB branches) | Non-Exclusive | Non-Exclusive |
| No. of Bank Branches⁽¹⁾ | 599 (331 in up-country areas and 268 in Bangkok Metropolitan Area) | 48 | 25 | 61 |
| Terms / Renewal | ✓ 5 year exclusive partnership ending December 31, 2025 | ✓ 3 year exclusive partnership ending December 30, 2023 | ✓ Non-exclusive partnership since Feb 24, 2010 | ✓ Non-exclusive Partnership since Jan 1, 2012 |
| Customer Segment Exposure for TLI | ✓ Middle-high income segment ✓ High net worth segment | ✓ High net worth segment | ✓ High net worth ✓ Middle-high income segment | ✓ Middle-high income segment |
| Geographic Coverage | ✓ Up-country ✓ Bangkok Metropolitan Area | ✓ Bangkok Metropolitan Area | ✓ Bangkok Metropolitan Area | ✓ Bangkok Metropolitan Area |
| Key Products | ✓ Endowment ✓ Whole life ✓ Single premium credit life insurance | ✓ Endowment ✓ Whole life ✓ Single premium credit life insurance ✓ Universal life ✓ Unit-linked products | ✓ Endowment ✓ Whole life ✓ Single premium credit life insurance | ✓ Endowment ✓ Whole life ✓ Single premium credit life insurance |
| Access to 730+ branches nationwide as of March 30, 2022 | | | | |











Source: TLI; Note that no. of bank branches are as of 1Q22

Exhibit 50: Penetration through government networks

| 3 Government Banks | | | | Other Government Organizations | |
|-------------------------------------|---|---|---|---|---|
| |  SGB Savings Bank of Thailand ("GHB") |  BAAC Bank for Agriculture and Agricultural Cooperatives ("BAAC") |  IBANK Islamic Bank of Thailand ("IBANK") |  Government Pension Fund of Thailand ("Government Pension Fund of Thailand") | <ul style="list-style-type: none"> Partnership since 2008 Partners with over 88 governmentsaving cooperatives Serves mainly government officials |
| Partnership Since | 1992 Renewed in 2019 till October 2022 | 2005 | 2012 |  Thailand Post ("Thailand Post") | <ul style="list-style-type: none"> Partnership since 2020 Over 1,571 post offices nationwide Thai Life offers micro insurance products |
| No. of Bank Branches ⁽¹⁾ | 190 | 1,021 | 97 | 80+ Government Saving Cooperatives | <ul style="list-style-type: none"> Partnership with BAAC, IBANK and governmentsaving cooperatives each began in 2005, 2012 and 2018 |
| Customer Segment Exposure for TLI | ✓ Low to Middle Income Segment | ✓ Farmers and upcountry households | ✓ Middle to high income customers | | |
| Key Business Lines | ✓ Housing finance services | ✓ Deposit accounts | ✓ Banking products under the principles of Islamic Sharia | | |
| Key Products | <ul style="list-style-type: none"> Credit insurance (85% of APE in 2021) Islamic insurance (takaful) products IBANK offers for Islamic customers, i.e. endowment and whole life | | | | |

Source: TLI; Note that no. of bank branches are as of 1Q22

Exhibit 51: Partnerships with non-banks

| Leasing and hire purchase | | Consumer finance partners | |
|---------------------------|--|---------------------------|---|
| Partners | <div><div> ISUZU Leasing Since 2019</div><div> OALT Since 2015</div><div> Panda Leasing Since 2016 Exclusive</div><div> AMANA Leasing Since 2012</div><div> Mazda Since 2019</div><div> TOYOTA Leasing Since 2012</div><div> SG CAPITAL Since 2013 Exclusive</div><div> SG CAPITAL Since 2017 Exclusive</div></div> <p>Our 9 partners provide us over 208 outlets and branches⁽¹⁾</p> | Partners | <div><div> KTC Since 2007 Exclusive</div><div><ul style="list-style-type: none">15 branchesContributed to 66.1% of premiums generated by consumer finance partners in 2021</div></div> <div> AEON Since 2007</div> <div><ul style="list-style-type: none">95 branchesContributed to 31.9% of premiums generated by consumer finance partners in 2021</div> |
| Term | <ul style="list-style-type: none">Mostly non-exclusive based on working relationshipExclusive arrangements with CIMB Thai Auto and Worldlease with renewable three-year terms that run until May 2024 and December 2023 respectively | Term | <ul style="list-style-type: none">Generally three years with a renewable option |
| Products | <ul style="list-style-type: none">Mainly single premium credit life insurance at the point of sale to cover loans for cars and motorcycles | Products | <ul style="list-style-type: none">Mainly term life with accident and health riders |
| | | Distribution model | <ul style="list-style-type: none">Mainly through telemarketing efforts, as outsourced telemarketing agents approach customers based on information shared by our partnersAEON sells some of our products at its branches at the point of sale |
| | | Key Initiatives | <ul style="list-style-type: none">Currently exploring new ways to facilitate premium payment, e.g. using QR code scansConstantly assesses performances with partners and collaborate on performance targets, marketing and sales scripts, lead submission procedures for PDPA compliance and other processes |

Source: TLI

Source: TLI

Digital channel

Although the premium contribution from this channel is still minimal, we see a stronger contribution in the medium to long term as it should grow with the digitalisation and insuretech trend. Undeniably, the COVID-19 pandemic became an accelerator for TLI to use technology to support product offerings and services for customers. Online services are fully utilised throughout the insurance process, including videoconferences, email, e-applications for policy offerings, delivery of documents, premium payments, receiving protection and even compensation payments.

Exhibit 52: TLI’s website



Source: TLI

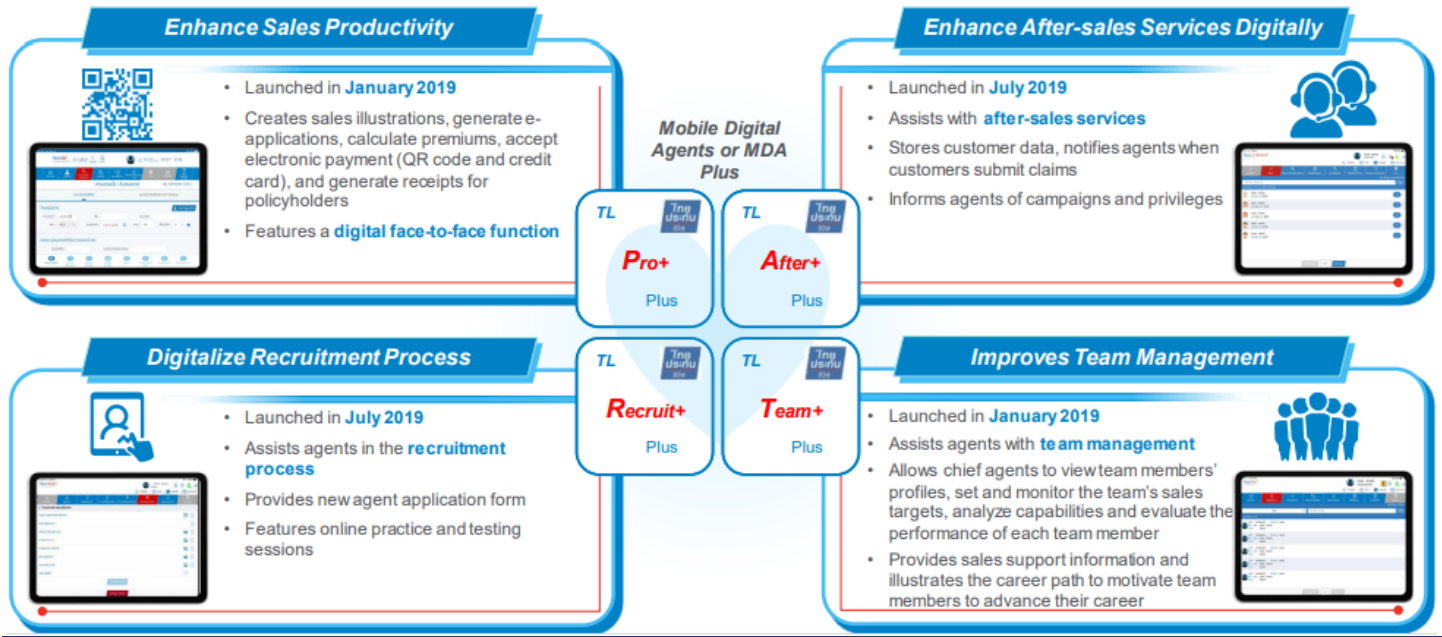
Exhibit 53: Online product launch plan

| Period | Products and launched plan |
|----------------------------------|---|
| Nov – Dec 21 | Launched a simple short-term savings product and a limited pay endowment product |
| Feb 22 | Launch personal accident product |
| Early in the second half of 2022 | Launch health and cancer care products |
| 2022-2023 | Launch customized products (e.g. health and critical illness riders, tax savings) |

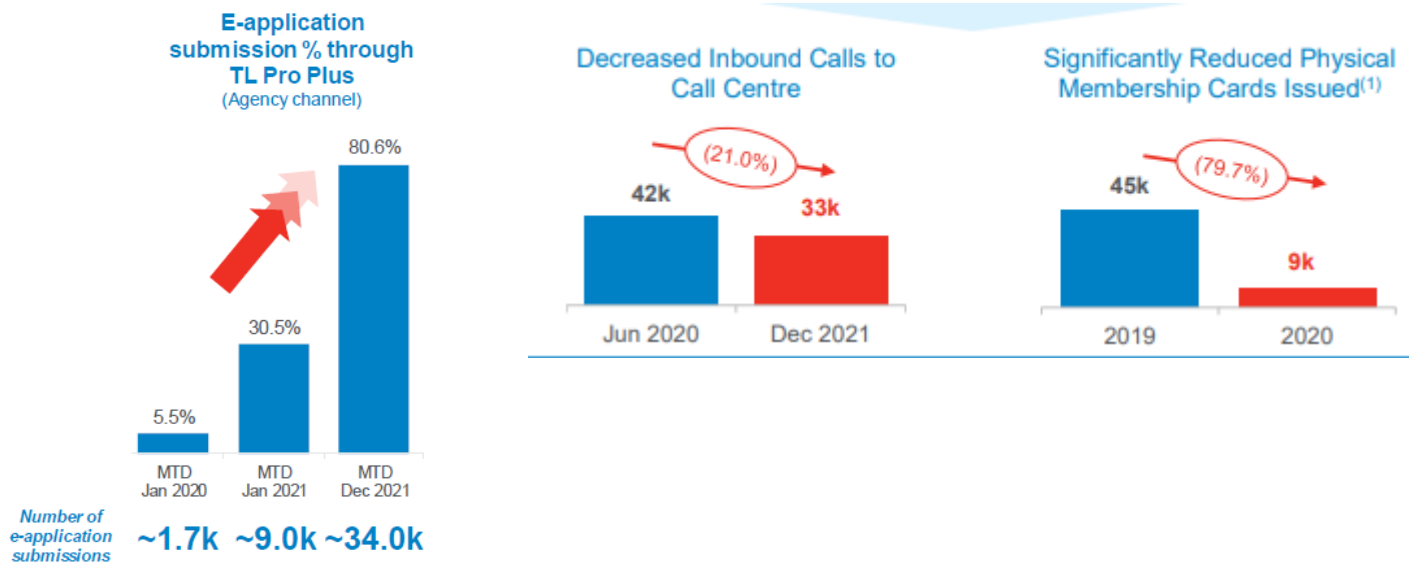
Source: TLI

TLI has developed its digital platform, www.thailife.com, to promote customer engagement and provide comprehensive details of products. In 2019, it also introduced a group of applications that agents can utilise to improve their service, called Mobile Digital Agents Plus, or MDA Plus. There are four sub-applications to serve four functions (Exhibit 54). Moreover, TLI has launched applications for its clients and its bancassurance channel. We believe that the company will continue to leverage the digital platform to increase its sales volume and save costs. It will utilise some money from its IPO to invest in further digital transformation and marketing. We think this will help TLI improve the accuracy, speed and quality of their services and boost the efficiency of risk management and operational costs.

Exhibit 54: Leveraging digital tools to improve productivity and operational efficiency

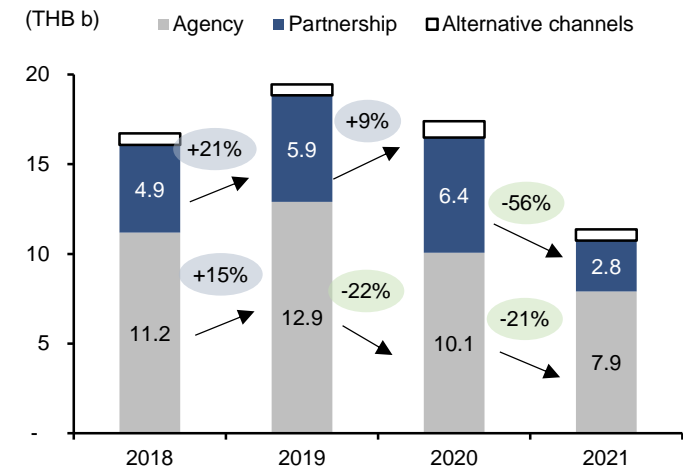


Source: TLI

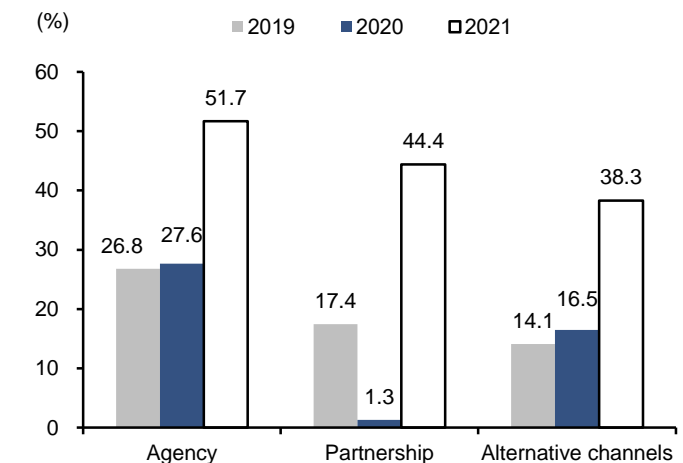
Exhibit 55: How TLI was able to utilise its digital platform to improve its operations

Note: TLI stopped offering physical membership cards in April 2020
Source: TLI

We think that diversifying distribution channels is a good strategy to expand its client base. There was strong APE growth from TLI's partnerships and alternative channels during 2018-20. Particularly, in 2020 when its agents were not able to meet clients face-to-face due to COVID-19, the APE from the agency channel dropped by 22% y-y. Its total APE, however, was cushioned by a 9% y-y increase in its partnership channel. As a result, its 2020 total APE declined by only 11% y-y. Additionally, in 2021, although the partnership channel's APE dropped significantly, the VONB of this channel improved substantially. This was another driver for the overall VONB margin of TLI.

Exhibit 56: APE growth by channel

Sources: TLI; FSSIA's compilation

Exhibit 57: VONB margin of partnership channel improved substantially

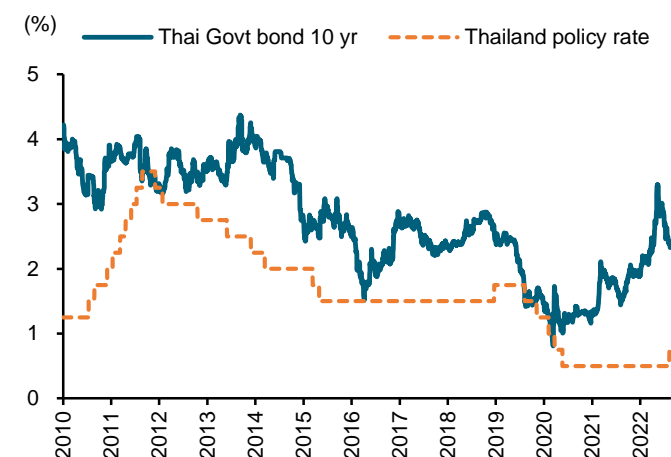
Sources: TLI; FSSIA's compilation

#2 Complete range of products on the shelf with creditable brand

During 2010-11, when the 10-year Thai bond was at c3.0-4.5%, Thai insurers normally introduced endowment products committing to an internal rate of return (IRR) of c2.5-3.5% (based on our data collection). These products were very popular as policyholders considered these as an alternative investment to deposits.

Then, after the 10-year Thai bond yield began falling continuously, insurers reduced the committed return. IRRs during 2016-18 declined to c1.5-2.6%, with TLI's Thainathawee 1 offering a 2.63% IRR.

Exhibit 58: 10-year Thai bond yield and policy rate



Sources: Bloomberg; FSSIA's compilation

Exhibit 59: Example of endowment products which guaranteed high returns



Sources: iTAX; FSSIA's data collection

Committing to such a high return poses a high burden for insurers, especially when the bond yield is on a downward trend. During the COVID-19 pandemic in 2020-21, many governments around the world cut interest rates to ease the burden on those affected. The 10-year Thai bond yield reached its lowest point at c0.8% in Nov-21.

As a consequence, many insurance companies, including TLI, started to adjust their products to offer a lower guaranteed return rate and participating products since 2020. In the early stages of product modification, it was harder to sell as policyholders still wanted to receive a high return, resulting in lower APE for both the overall industry and TLI. However, we read this strategy as positive as it reduced the policy reserve burden in the medium term, as those products did not offer fixed returns. Also, TLI was able to partly pass on the investment risk to policyholders.

Exhibit 60: TLI's new health rider



Source: TLI

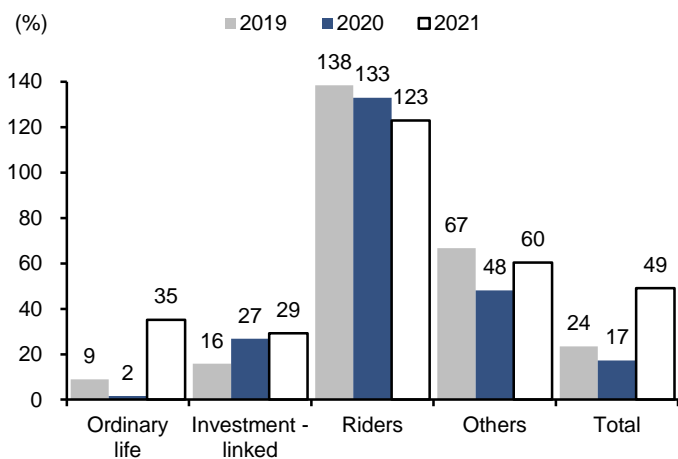
Exhibit 61: TLI's participating products



Source: TLI

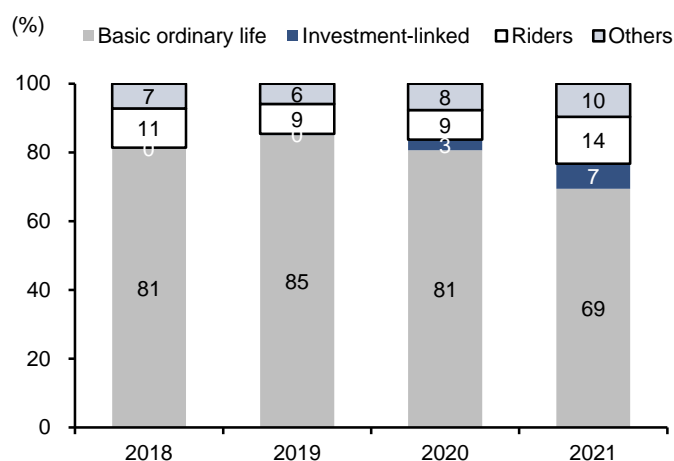
Currently, TLI has a full range of investment and wealth management products to deal with low interest environments, including lower committed return endowments; investment-related insurance, both universal life and unit-linked; and participating products. On top of the brand new investment and wealth management products, TLI launched many new protection products such as rider products, especially health riders, in response to the increasing protection awareness trend in Thailand. These new products provide substantially greater margins and reduce TLI's exposure to interest rate movements.

Exhibit 62: The VONB margin of ordinary life, investment-linked, and total portfolio posted a material improvement in 2021 vs 2019



Sources: TLI; FSSIA's compilation

Exhibit 63: With a full range of products, TLI is able to adjust its product mix (in terms of APE) toward higher margin products

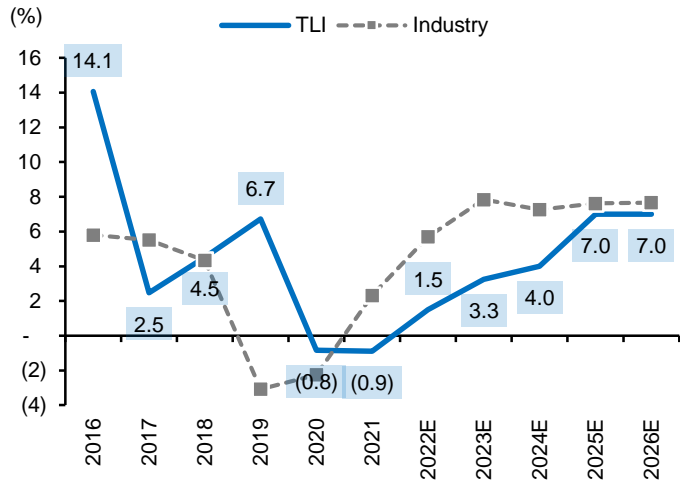


Sources: TLI; FSSIA's compilation

We believe that TLI, as a widely recognised and trusted Thai insurer, has a proven track record of launching products that are in demand. Therefore, its products should be able to meet the needs of its customers. We think that TLI will be able to compete in the health rider and investment-linked markets successfully.

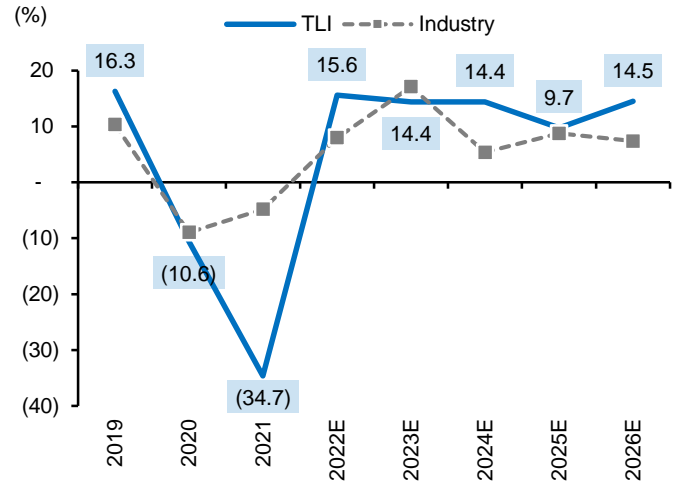
With comprehensive distribution channels, particularly with regard to its high-quality agents nationwide in conjunction with its complete product range and highly creditable brand, we are convinced that TLI's GWP can resume a moderate growth path starting from 2022. On top of that, we believe it could successfully change its product structure to include higher margin products. We also expect that the high level of its VONB margin should be sustained in 2022-24.

Exhibit 64: TLI's GWP should moderately increase in line with overall insurance industry gains



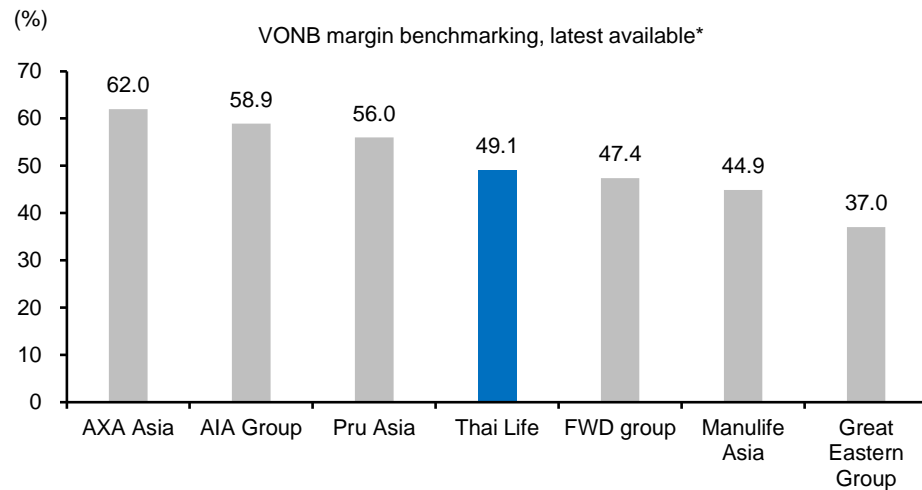
Sources: TLI; Milliman's estimates; FSSIA estimates

Exhibit 65: TLI's APE should grow in line with the insurance industry overall



Sources: TLI; Milliman's estimates; FSSIA estimates

Exhibit 66: TLI's VONB margin improved in line with global players



*Based on 2021 for TLI and FWD (Group), Manulife (Asia); 9M21 for AXA (AXA Asia), AIA (Group), Great Eastern (Group) and 1H21 for Prudential Plc (Asia)

Sources: TLI; company filings; EV report

#3 Competent asset liability management

Once interest rates resume their uptrend, it is expected that most life insurers would normally benefit from this. We agree with this assumption. However, we recommend that investors closely consider each insurer's ALM ability.

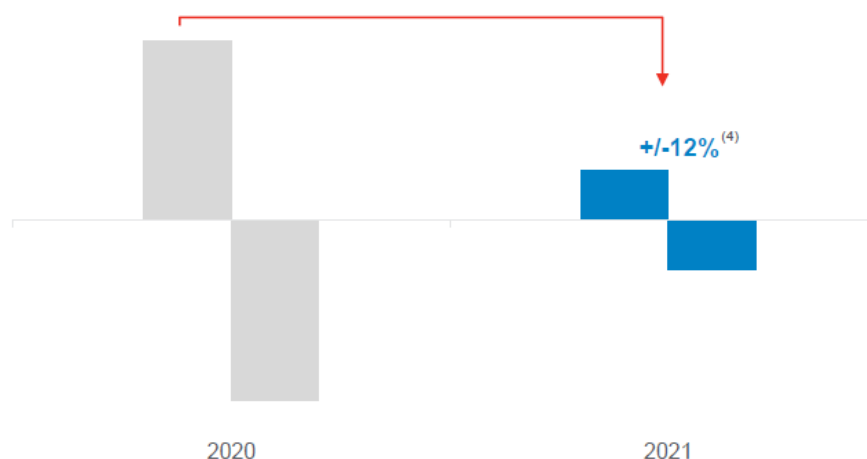
ALM is very important for all life insurers due to the long-term feature of their insurance liabilities. With the liability duration for a life insurance company typically extending out more than 20 years, they could become exposed to severe duration risk if their long-term and fixed liability payments are not well matched by assets or interest rate derivatives.

To match their assets and liabilities, life insurers must hold a large proportion of long-term bonds in their asset portfolios. If the duration is perfectly matched, or within some tolerance, the change in the value of the assets should be equal to that in the liabilities within the fluctuation of the interest rate. However, we view this as not an easy task due to the difficulty in finding suitable long-term and low-risk investment securities. Therefore, the duration gap between the assets and liabilities of life insurance companies is typically negative, or the duration of liabilities is longer than assets. During periods of high interest rates, many insurers leave their duration gap at a high level. When interest rates are on a downward trend, they usually shorten the gap to reduce the volatility risk of asset and liability revaluation.

Based on our analysis, we think TLI is one of the best life insurers in Thailand in terms of managing its assets and liabilities effectively, supported by four reasons. First, during the low interest rate environment in 2020-21, TLI shortened its duration gap. TLI's duration gap in 2019 was at 3.2 years. In 2021 and 1Q22, the duration gap was 1.5 and 0.2 years, respectively. We like this strategy as it reduces the volatility of changes in interest rates. In 2021, the VONB sensitivity to net investment returns at +/- 50 bps was nearly 4x less sensitive compared to 2020's full-year VONB.

Exhibit 67: VONB sensitivity to net investment returns +/- 50bps

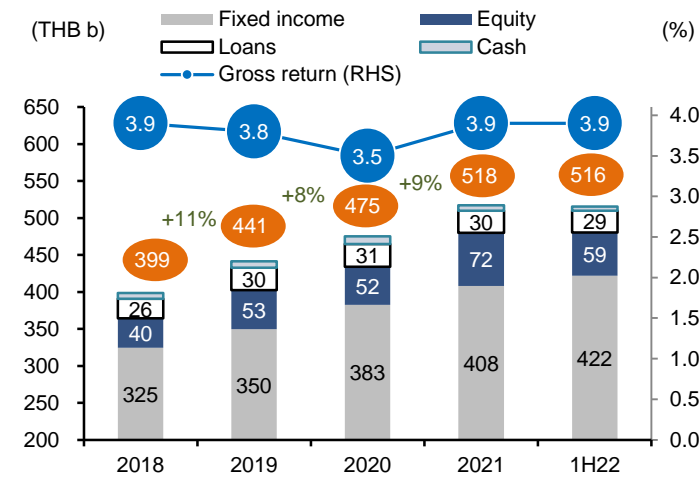
Nearly 4X less sensitive compared to 2020 full year VONB sensitivity



Sources: TLI; FSSIA's compilation

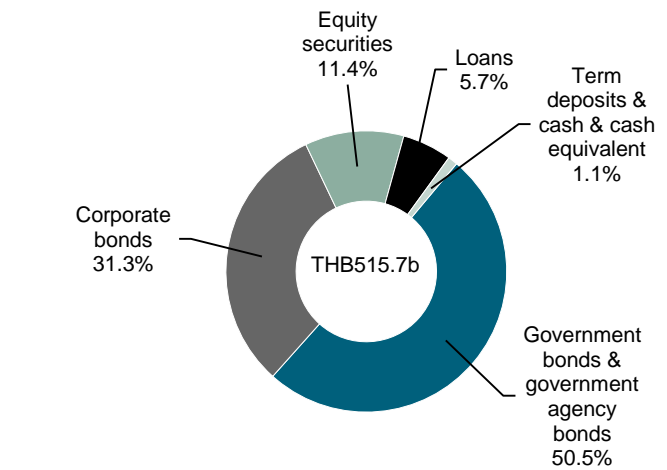
Second, we think TLI's portfolio is well diversified with acceptable risk. Around 80% of its portfolio is comprised of fixed income securities, while the superior investment grade (c10-14%) is normally equity investments. The remaining investment tools are typically loans, deposits, etc.

Exhibit 68: Asset allocation and gross returns



Note that gross return data are from TLI's calculation
Sources: TLI; FSSIA's compilation

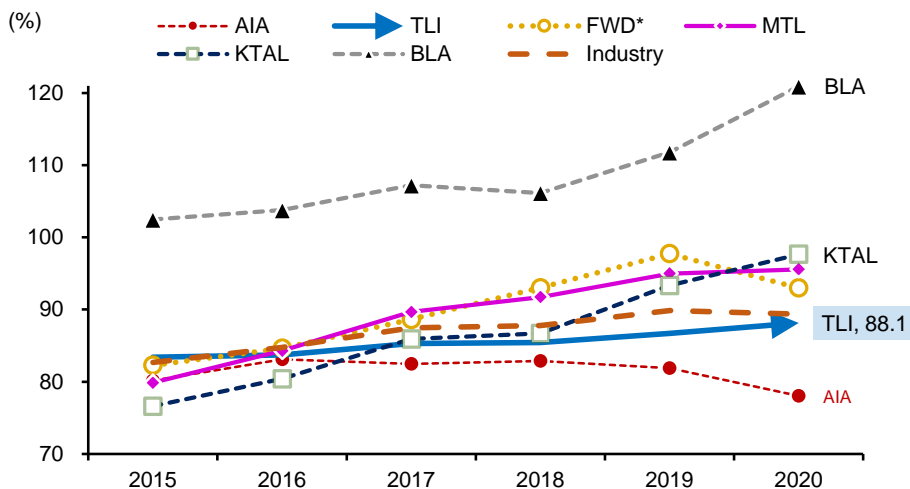
Exhibit 69: Investment portfolio breakdown, at end of 2Q22



Sources: TLI; FSSIA's compilation

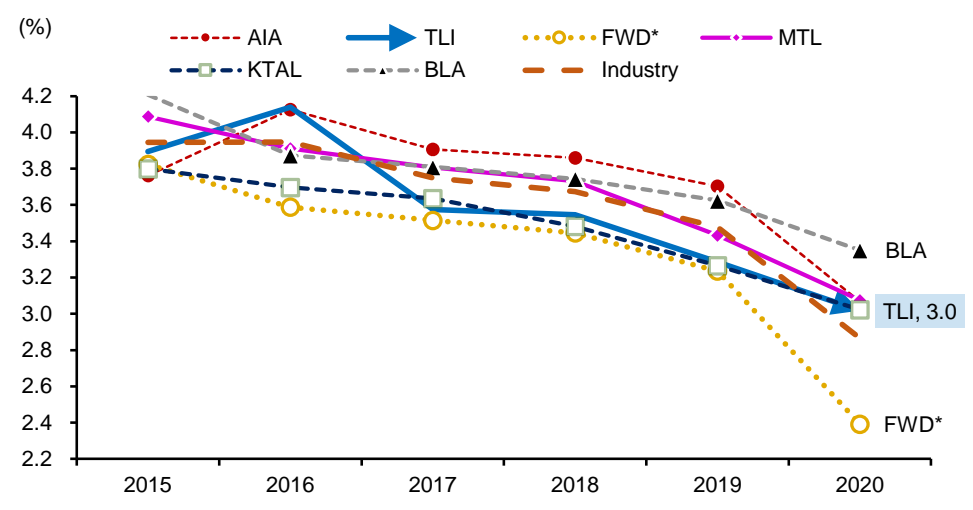
Third, to present a better picture of how well TLI does ALM, we analysed its liabilities burden by using a combined ratio (the sum of an increase in life policy reserve and net benefit payments divided by NEP). We found that, among the six major peers, TLI had the second-best combined ratio. We think this comes from: 1) its well diversified and well risk-adjusted returns on its product offerings; and 2) its efficient liability management. Lastly, we analysed its ROI compared with its major competitors. Its ROI was well above the industry average, with a gradual improvement in returns following the rising bond yield trend.

Exhibit 70: TLI had the second-best combined ratio



*FWD merged with SCB Life in 2019
Sources: TLAA; FSSIA's compilation

Exhibit 71: TLI had decent ROI



Note that the ROI is calculated based on the data from TLAA. Thus, this might differ from the company's report. We use these data just for comparison purposes; *FWD merged with SCB Life in 2019
Sources: TLAA; FSSIA's compilation

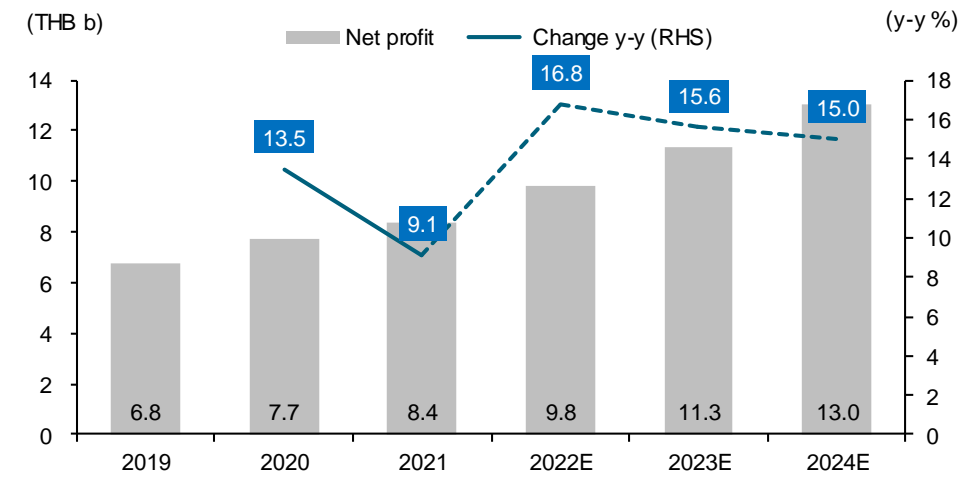
With its effective ALM, we have a strong conviction that TLI should offer a steady and sustainable net profit growth profile. Additionally, we think it will not face liquidity problems even in a prolonged low interest rate environment.

Financial highlights

#1 Moderate NP growth due to product mix strategy and an uptrend rate cycle

We project TLI's 2022 net profit to increase at a moderate rate of 16.8% y-y at a 15.8% three-year CAGR during 2022-24, supported by: 1) the resumption of growth for its NEP; 2) a rise in ROI; 3) a consistently decent combined ratio; and 4) its efficient cost management.

Exhibit 72: TLI's net profit growth

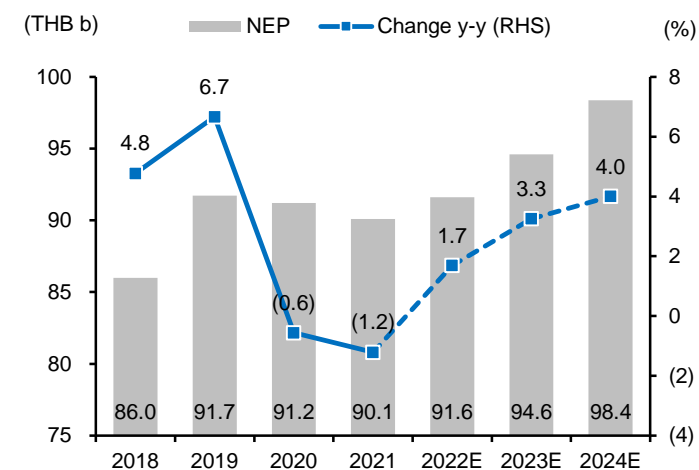


Sources: TLI; FSSIA estimates

1) The resumption of NEP growth

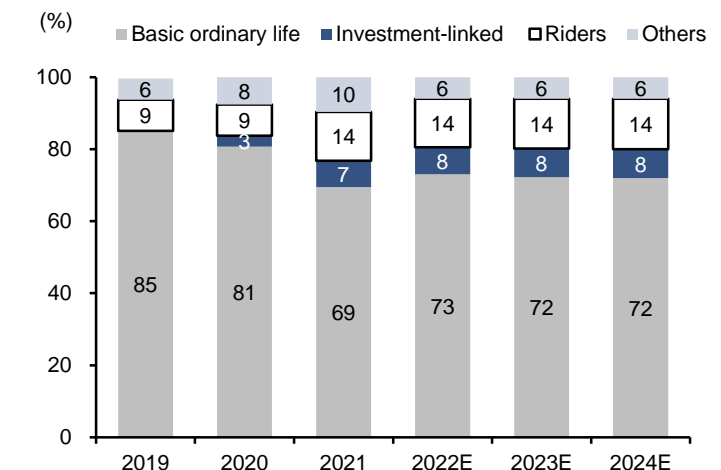
TLI recorded a slight drop in its NEP growth during 2020-21 following the impact of COVID-19 and changes in its product mix offering strategy to deal with the low interest environment. In 2022, we expect its NEP to increase by 1.7% y-y with a 3.0% three-year CAGR during 2022-24, supported by: 1) a rise in its new policy sales; and 2) maintaining its persistency ratio at a high level.

Exhibit 73: NEP should resume its growth path



Sources: TLI; FSSIA's estimates

Exhibit 74: The proportion of investment-linked insurance and rider products (by APE) should gradually rise

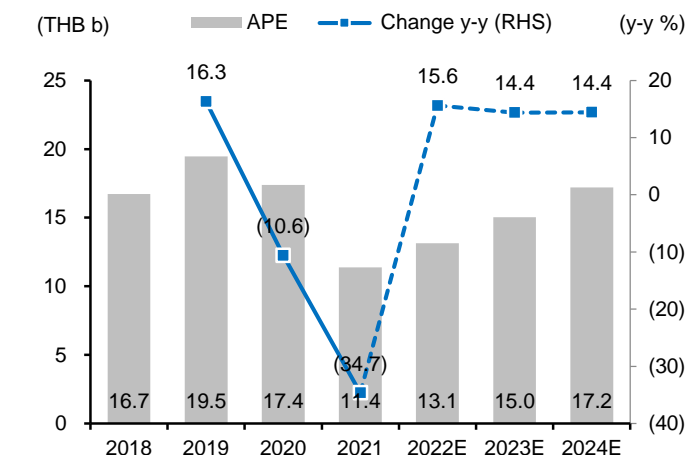


Sources: TLI; FSSIA estimates

We consider growth to come from new policy sales in terms of APE. We forecast that its APE will rise by 16% y-y in 2022 vs -35% y-y in 2021 following the economic recovery post COVID-19, which should result in an increase in its clients' purchasing power. Moreover, we think its newly launched products should attract additional interest from policyholders. In the next three years, we expect TLI to deliver a 15% three-year CAGR during 2022-24 in its APE. We believe the growth rate of investment-linked and rider products should outpace basic ordinary life products following its strategy of increasing its high margin product offerings. Thus, we expect the proportion of investment-linked insurance and rider products to gradually rise.

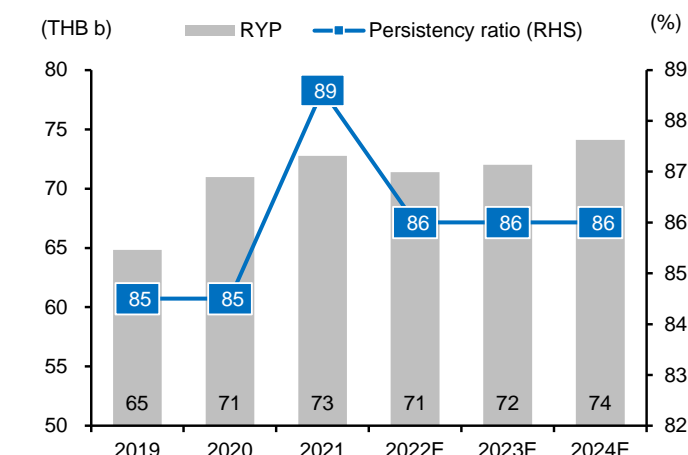
In regard to the overall persistency ratio, we expect TLI to deliver a consistent ratio of 86% starting from 2022, backed by the good relationships between its agents and clients.

Exhibit 75: APE growth outlook



Sources: TLI; FSSIA estimates

Exhibit 76: Persistency ratio should be stable at a high level

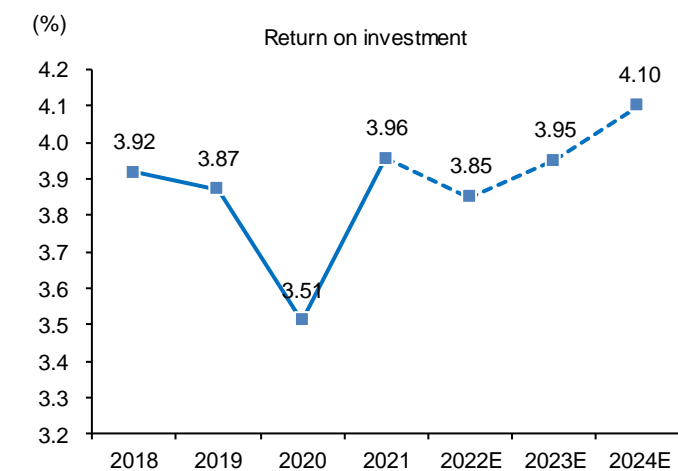


Sources: TLI; FSSIA estimates

2) A rise in ROI

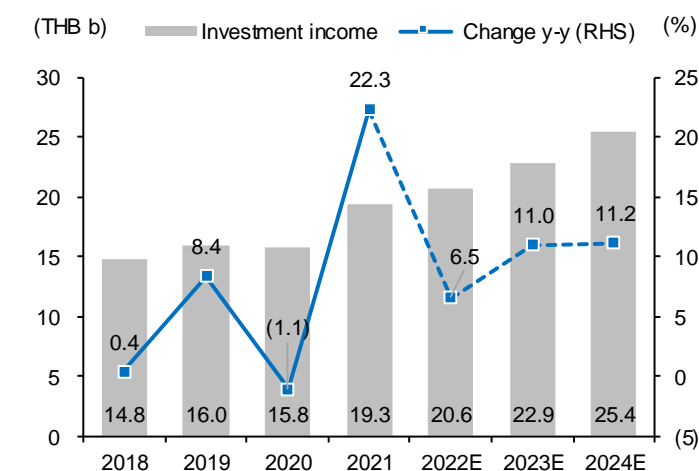
We expect its ROI to maintain at a high level of 3.85% in 2022, in line with the increase in the 10-year Thai bond rate. We expect the ROI of TLI to slightly increase in 2023-24 to 3.95% and 4.10%, respectively, backed by the rising bond yield trend. Thus, the investment income contribution to total income should also increase slightly.

Exhibit 77: ROI* should increase gradually



* ROI is calculated from sum of net investment income and gain (loss) on investment dividend by the total average net investment assets and net loans
Sources: TLI; FSSIA estimates

Exhibit 78: Investment income growth

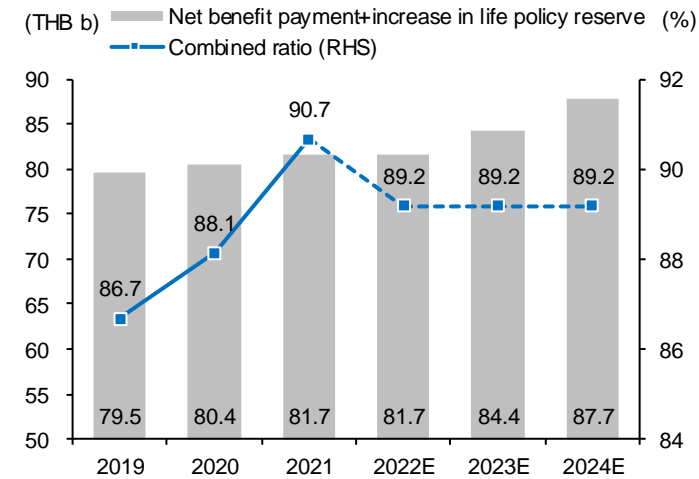


Sources: TLI; FSSIA estimates

3) A consistently decent combined ratio

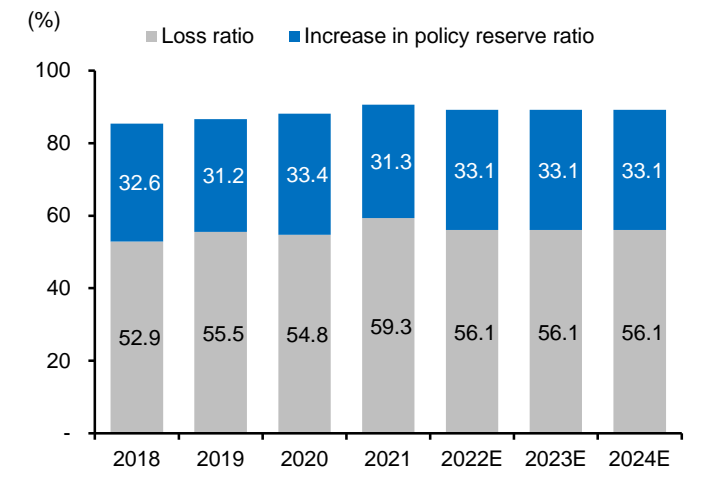
We forecast TLI's combined ratio to be stable over 2022-24 at 89.2% on the back of its steady loss ratio (net benefit payment to NEP), and an increase in its life policy reserve ratio (increase in policy reserve to NEP) at 56.1% and 33.1%, respectively, during 2022-24. We do not expect an extraordinary cash return to policyholders as TLI has normally sold diversified products in the past.

Exhibit 79: TLI's combined ratio to be stable over 2022-24



Sources: TLI; FSSIA estimates

Exhibit 80: The combination of loss ratio and increase in life policy reserve

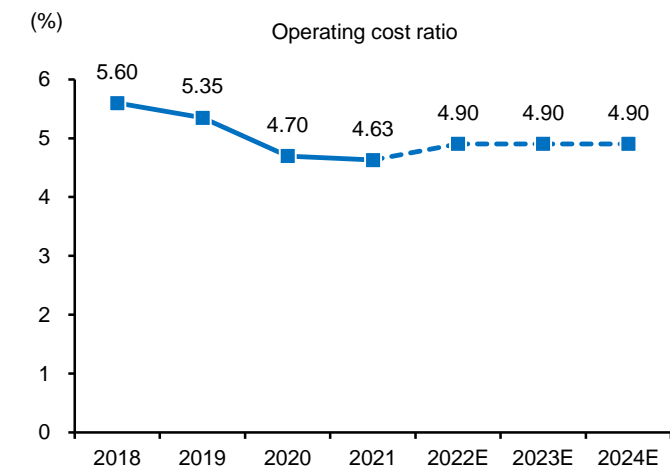


Sources: TLI; FSSIA estimates

4) Efficient cost management

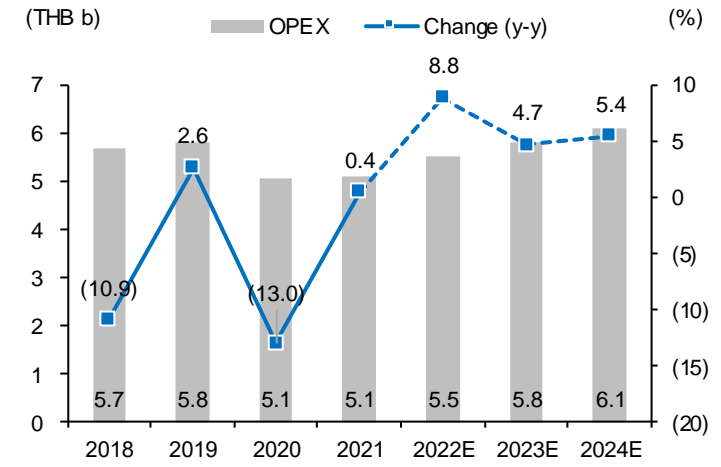
Although TLI will gradually increase its digital investment, it should be able to control other costs effectively. It might save more costs as it reaps the benefits from past digital investments, e.g. a reduction in paperwork. Therefore, we are convinced that TLI should maintain its operating cost ratio of 4.9% during 2022-24.

Exhibit 81: Efficient cost management with projected operating cost ratio at 4.90%



Sources: TLI; FSSIA estimates

Exhibit 82: OPEX growth

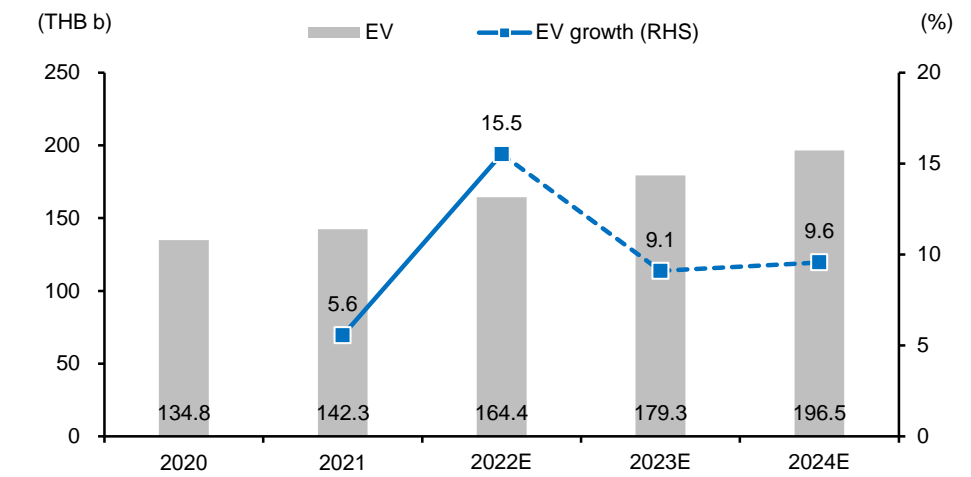


Sources: TLI; FSSIA estimates

#2 Decent embedded value growth

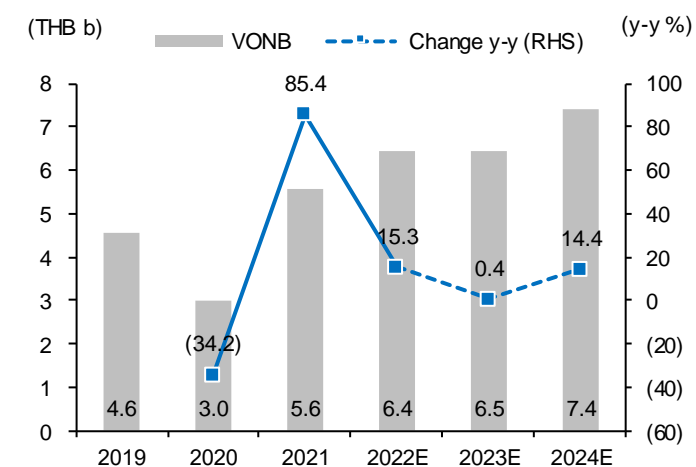
TLI's EV should continue to increase during 2022-24, with a 2022 EV of THB164.4b (+16% y-y) and a 2023 EV of THB179.3b (+9% y-y), following a rise in its net profit and an increase in its VIF – the present value of future net-of-tax statutory profits less cost of capital required to support in-force business. We expect a bright outlook for its VIF as we think its APE should post impressive growth, as previously mentioned. On top of that, we think its VONB margin should sustain at a high level of 49% in 2022 and 43% during 2023-24 as a result of its changing product mix strategy.

Exhibit 83: TLI's EV growth



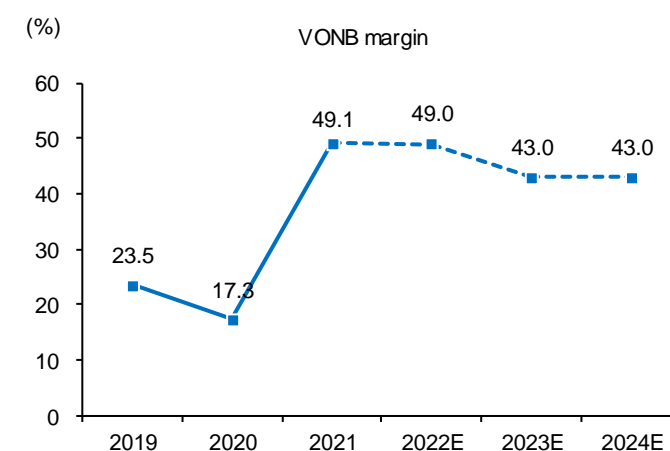
Sources: TLI; FSSIA estimates

Exhibit 84: TLI's VONB growth



Sources: TLI; FSSIA estimates

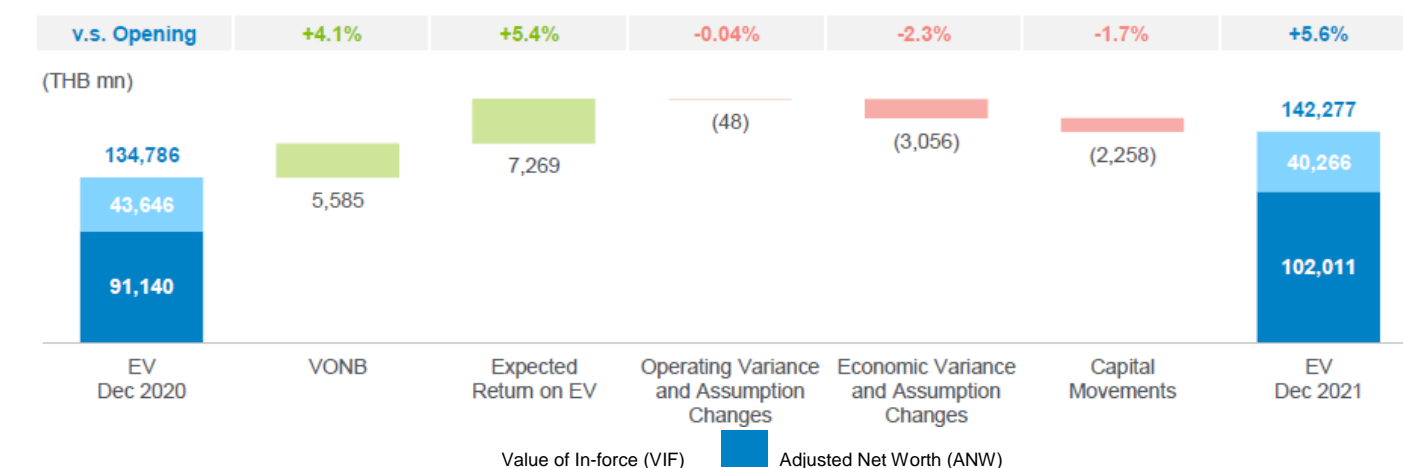
Exhibit 85: TLI's VONB margin



Sources: TLI; FSSIA estimates

Exhibit 86: The change in TLI's EV from 2020 to 2021

EV Movement in 2021



VIF = Present value of future net of tax statutory profits less cost of capital required to support in force business; ANW = Adjusted statutory net asset value attributable to shareholders
 Sources: TLI; Milliman report

Exhibit 87: Sensitivity to EV, based on 2021 EV

| As of 31 Dec 2021 | EV | Change of key rates | | |
|--|----------------|---------------------|----------|----------|
| | | Range | Increase | Decrease |
| | (THB m) | | (%) | (%) |
| EV | 142,277 | | | |
| Discount rate | | ± 1.0% | (3.5) | 4.0 |
| Interest rate | | ± 0.5% | 0.6 | (0.1) |
| Discontinue/ Partial withdrawal money from policy | | ± 10.0% | (0.1) | 0.2 |
| Change of mortality rate | | ± 10.0% | (4.0) | 4.1 |
| Change of expenses in acquiring business and maintaining the in-force policy | | ± 10.0% | (1.3) | 1.3 |
| Change of equity price | | ± 10.0% | 4.9 | (4.9) |

Sources: TLI, Milliman report

Exhibit 88: Sensitivity to VONB, based on 2021 VONB

| As of 31 Dec 2021 | VONB | Change of key rates | | |
|--|--------------|---------------------|----------|----------|
| | | Range | Increase | Decrease |
| | (THB m) | | (%) | (%) |
| VONB after CoC | 5,585 | | | |
| Discount rate | | ± 1.0% | (7.0) | 8.2 |
| Interest rate | | ± 0.5% | 21.9 | (23.5) |
| Investment yield | | ± 0.5% | 12.1 | (12.1) |
| Discontinue/ Partial withdrawal money from policy | | ± 10.0% | (5.3) | 5.7 |
| Change of mortality rate | | ± 10.0% | (14.8) | 15.1 |
| Change of expenses in acquiring business and maintaining the in-force policy | | ± 10.0% | (6.3) | 6.3 |

Sources: TLI, Milliman report

Exhibit 89: Economic assumptions for VIF, 2021

| As of | 30 Jun 2021 | 31 Dec 2021 |
|--|-------------|-------------|
| | (%) | (%) |
| Current 10-year Thai government bond yield | 1.78 | 1.90 |
| Long-term 10-year Thai government bond yield | 2.50 | 2.70 |
| Local equity return | 8.00 | 8.00 |
| Discount rate | 8.00 | 8.00 |

Sources: TLI, Milliman report

Exhibit 90: Economic assumptions for VONB, 2021

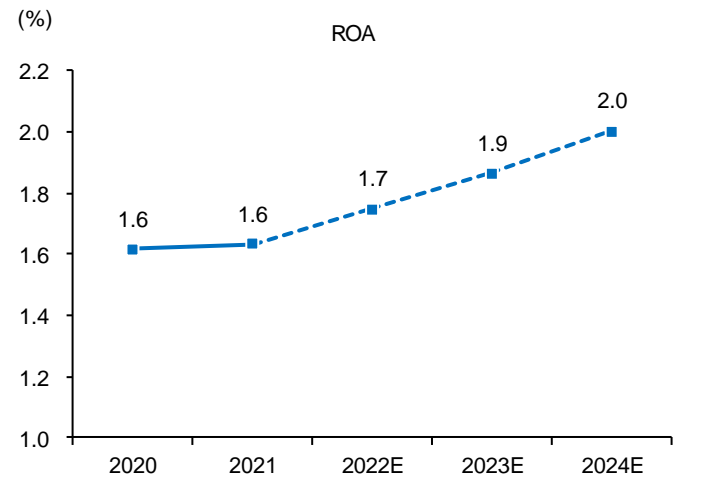
| For policy issued during the quarter | 2Q21 | 4Q21 |
|--|------|------|
| | (%) | (%) |
| Current 10-year Thai government bond yield | 1.95 | 1.89 |
| Long-term 10-year Thai government bond yield | 2.50 | 2.50 |
| Local equity return | 8.00 | 8.00 |
| Discount rate | 8.00 | 8.00 |

Sources: TLI, Milliman report

#3 Improving profitability margin

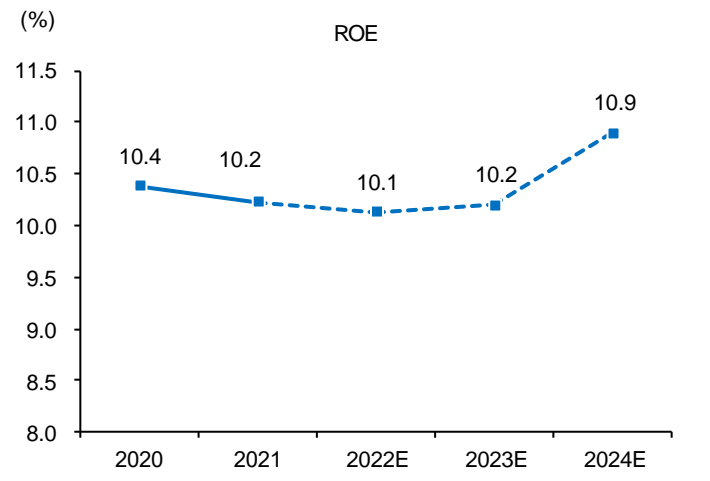
Based on an increasing bond yield and a continued rise in TLI’s net profit, we expect its profitability margin to improve in most aspects, including net profit margin, ROA, and ROEV (net profit to average EV). However, its ROE should slightly decline in 2022 following the IPO impact.

Exhibit 91: TLI’s ROA



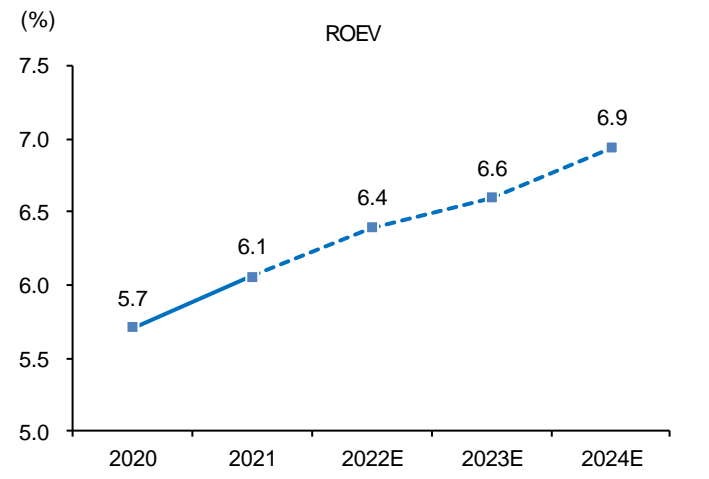
Sources: TLI; FSSIA estimates

Exhibit 92: TLI’s ROE



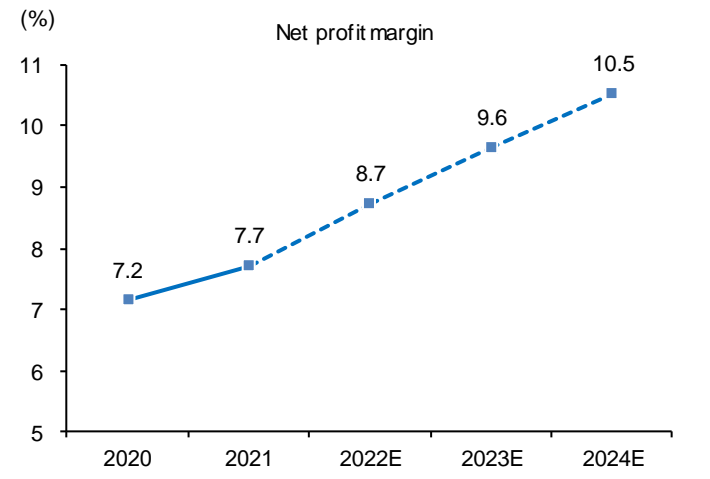
Sources: TLI; FSSIA estimates

Exhibit 93: TLI’s ROEV



Sources: TLI; FSSIA estimates

Exhibit 94: TLI’s net profit margin

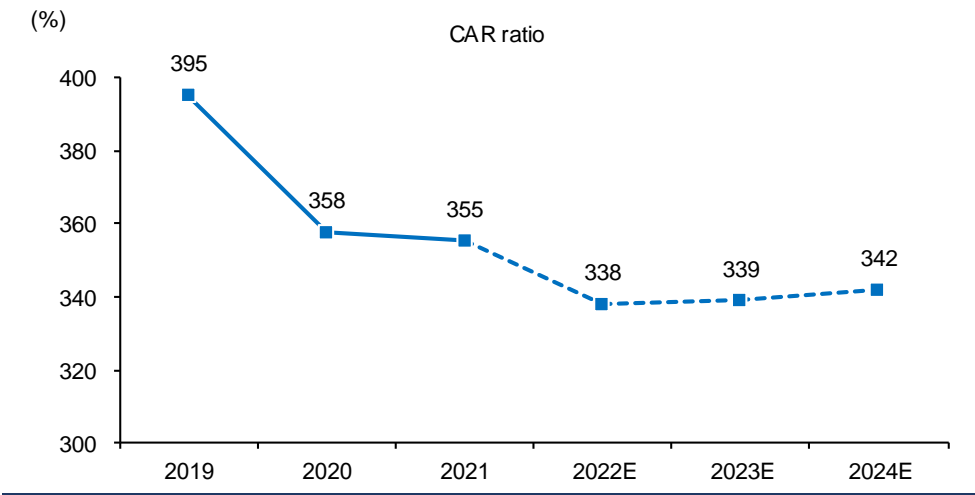


Sources: TLI; FSSIA estimates

#4 Solid capital base

We expect TLI’s capital adequacy ratio (CAR) to remain at a high level of 338% in 2022 and 339% in 2023 vs the regulatory minimum requirement of 140%. Thus, we believe that TLI should have sufficient capital to deal with potential future uncertainty.

Exhibit 95: Sufficient CAR to weather potential future uncertainty



Sources: TLI; FSSIA estimates

#5 No significant impact from COVID-19 on TLI’s performance

During 2021-22, some non-life insurers in Thailand faced liquidity problems thanks to the substantially higher claims on “Jer Jai Job” insurance, which was a type of COVID insurance in which policyholders could claim an insurance payout promptly if they became infected. This type of insurance required a low premium, but when the policyholders got infected, they were able to claim a high amount. For example, if the premium was only THB500 per policy, the insurance claim was high at THB100,000. TLI did not sell this type of insurance.

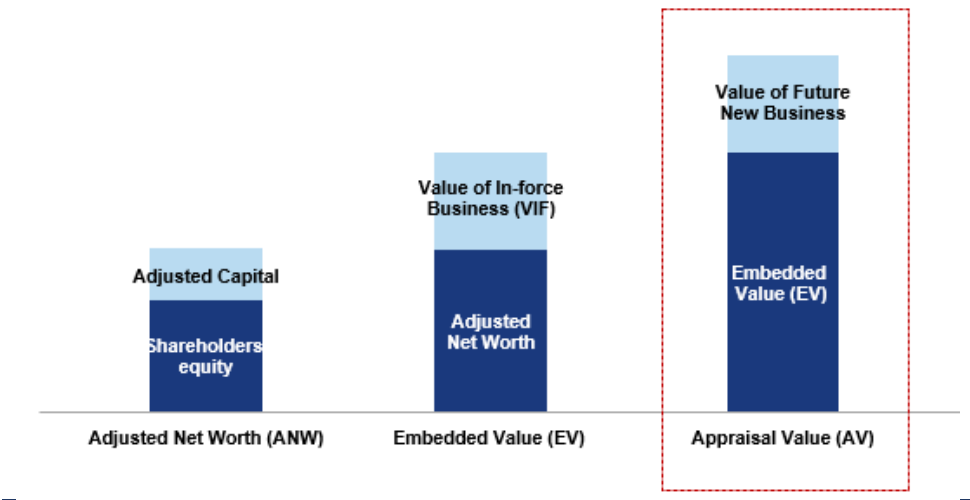
TLI offered health insurance where policyholders could claim medical expenses only when hospitalised or upon death. Although the cost of claiming medical expenses from COVID-19 increased moderately, we think that TLI benefited from lower claims for other diseases as most people chose not to go to the hospital out of fear of COVID-19 infection. Therefore, TLI’s performance in 2020-21 was not significantly impacted by COVID-19. Going forward, we have a strong conviction that TLI will not face liquidity problems thanks to its efficient risk management.

AV-based valuation, with 2023 TP of THB19.2

The valuation range and valuation methodology are prepared independently by FSSIA and not provided or prepared in consultation with TLI and other syndicate members. Our valuation range is based upon a long-term analysis and is not linked to a near-term assessment of the likely performance of the securities of the company.

Insurance is a long-term business. This means that clients buy policies today but continue to pay premiums for the next several years. It is from this future income that the insurers make profits. As a result, the value of a life insurance company is assessed by the future profits that the current business is able to generate. Therefore, we believe that the traditional simple market comparison valuations, e.g. P/E or P/BV, are not appropriate for deriving the intrinsic value of a life insurer as these methods do not incorporate future profits. We apply the concept of the current value of residual assets to shareholder, plus the value of the policies that will still be in force, along with the future profits that a life insurer could generate from its new business, known as the Appraisal Value (AV) method.

Exhibit 96: The concept of AV

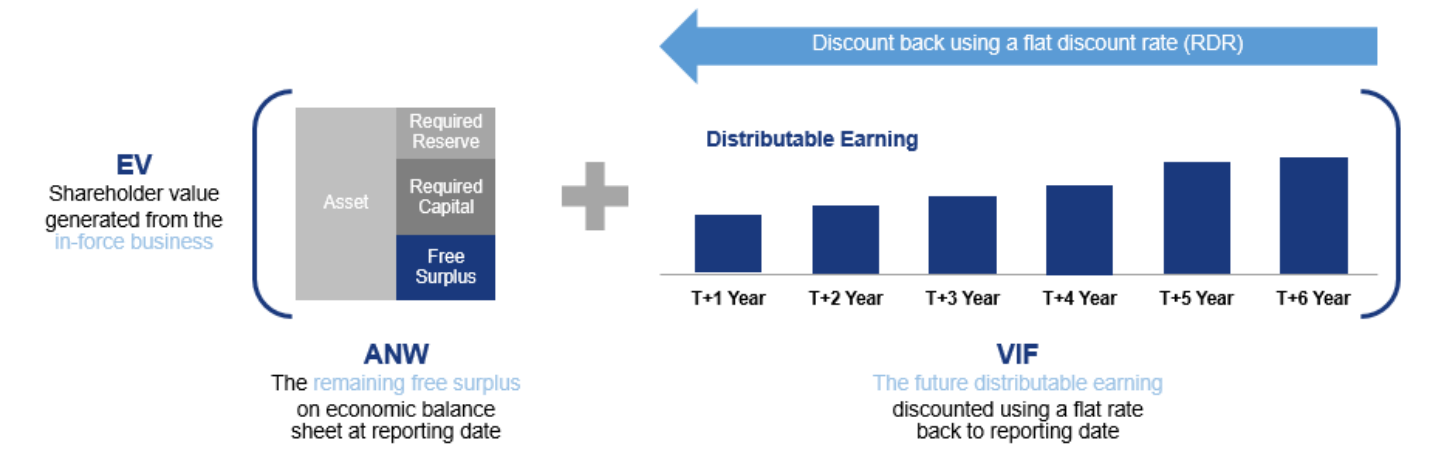


Source: TLI

To derive equity value via the AV method, we divide it into two main parts: 1) EV, which is the shareholder value generated from the in-force business; and 2) the present value of the future new business.

On top of that, EV consists of two parts: 1) adjusted net worth (ANW), which is the residual assets as of reporting date; and 2) value of in-Force (VIF), which is the present value of the future profits generated by existing policies.

Exhibit 97: The concept of AV



Source: TLI

We use the AV method and derive our 2023 TP of THB19.2, based on the assumptions:

- 1) 2023 EV of THB180b, increasing 9% y-y.
- 2) 2023 APE growth of 14.4% y-y.
- 3) 2023 VONB margin of 43%. Before the COVID-19 pandemic in 2019, TLI's VONB margin was 23.5%. It then went down to 17% in 2020, pressured by the low rate environment and the pandemic. In 2021, its VONB margin skyrocketed to 49.1% following its new product mix strategy. In 2022, we think TLI could maintain its VONB margin at 49%. However, in 2023, we expect that its VONB might slightly reduce as we think TLI may gradually introduce non-participating products to maintain its market share.

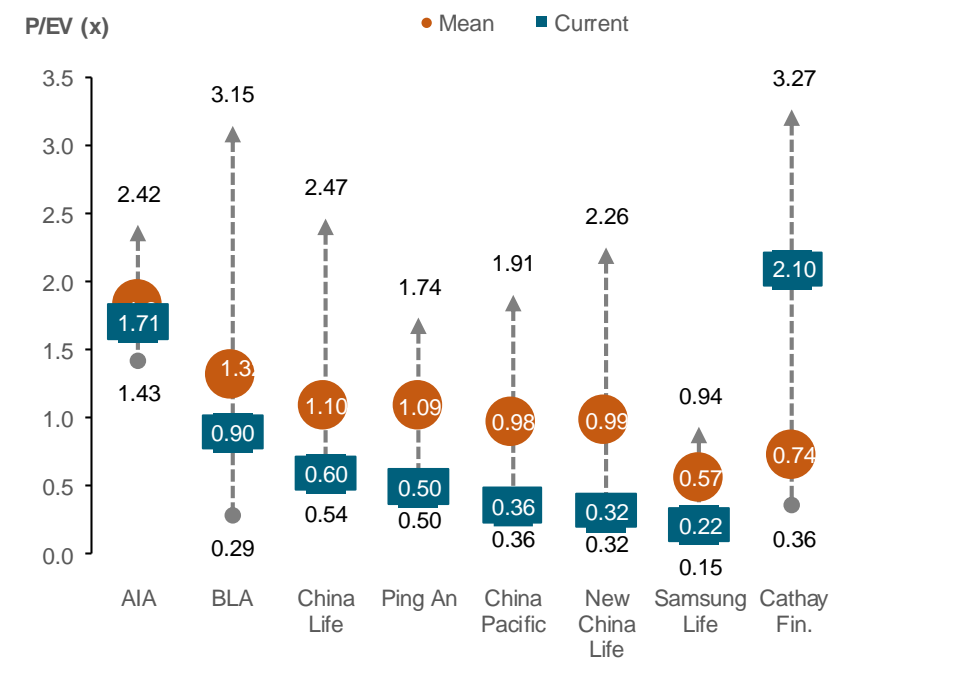
Our TP implies a 2023 P/EV of 1.23x. We compare TLI's valuation with BLA's and AIA's. We think that TLI should trade at a higher premium than BLA as TLI has a significantly higher market share than BLA. We also think TLI's agency channel is more efficient than BLA's. As a result, TLI has a higher profitability margin. Meanwhile, we think TLI's valuation should be below AIA's as AIA typically has stronger accounting and actuarial performance than TLI. AIA is one of the largest regional insurers. It operates in many Asian countries, including Thailand (18% of AIA's VONB as of 2021). AIA has been successful in most countries it operates in. In Thailand, AIA is ranked no.1 in terms of market share for life insurance. With its high-quality agents, products, and systems, AIA normally has one of the highest profitability margins. BLA is currently trading at 0.9x trailing P/EV, while AIA is trading at 1.7x trailing P/EV.

Exhibit 98: AV valuation assumptions

| Assumptions | 2023E |
|---|----------------|
| | (%) |
| VIF | |
| APE growth | 14.4 |
| VONB margin | 43.0 |
| Present value of new business | |
| Market risk premium | 8.0 |
| Beta (x) | 1.3 |
| Cost of equity : Using CAPM | 13.4 |
| Terminal growth | 1.5 |
| | |
| 2023E equity value | (THB b) |
| EV | 179.9 |
| ANW | 127.7 |
| VIF | 52.2 |
| New business | 40.5 |
| AV | 220.4 |
| 2023 TP (THB/share) | 19.2 |
| Implied market comparable method | (x) |
| Implied P/EV | 1.23 |

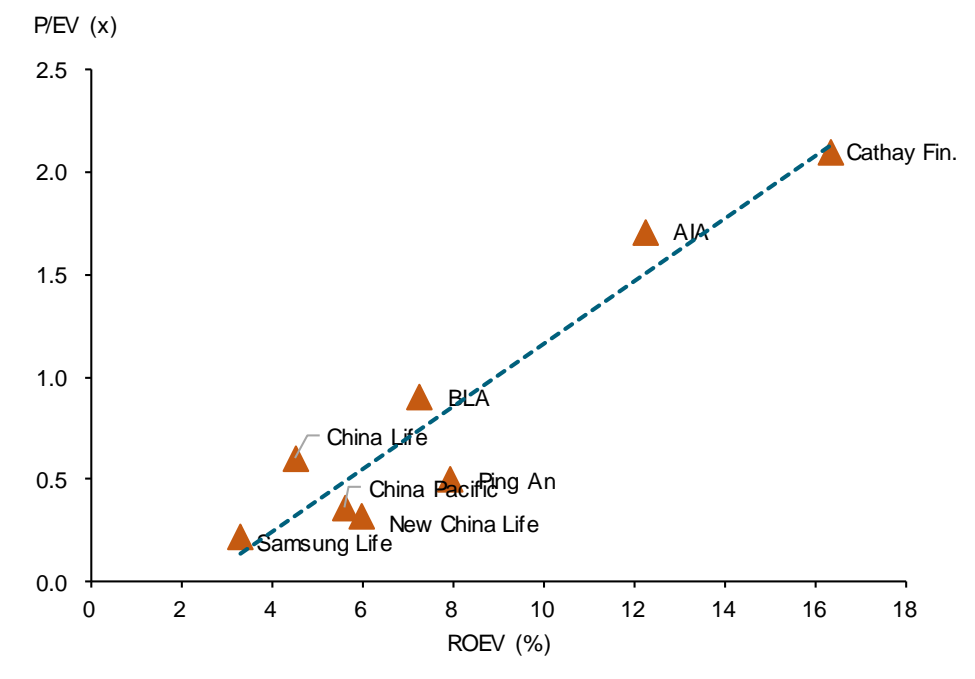
Source: FSSIA estimates

Exhibit 99: P/EV trading range of Asian life insurers



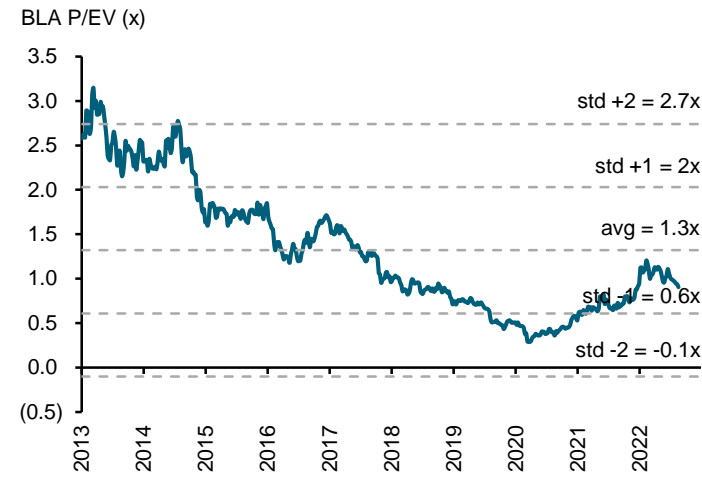
As of 22 Aug 2022
Sources: Bloomberg; FSSIA's compilation

Exhibit 100: The valuation metric between P/EV (x) and ROEV (%)



As of 22 Aug 2022
Sources: Bloomberg; FSSIA's compilation

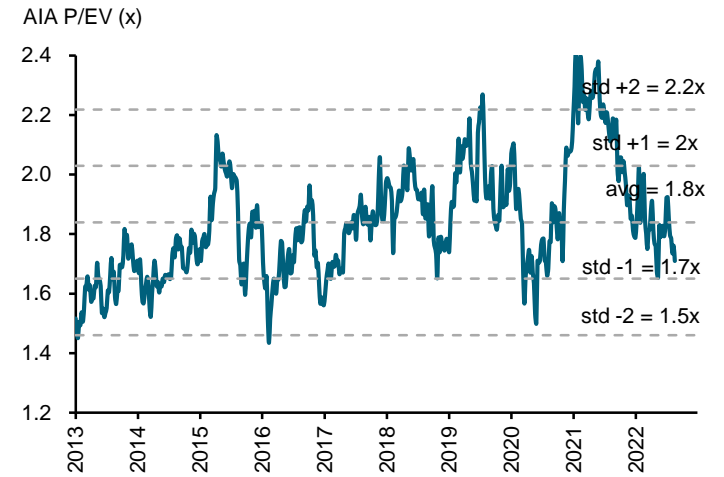
Exhibit 101: Trailing P/EV of BLA



As of 22 Aug 2022

Sources: Bloomberg; BLA; FSSIA's compilation

Exhibit 102: Trailing P/EV of AIA



As of 22 Aug 2022

Sources: Bloomberg; AIA; FSSIA's compilation

Exhibit 103: Valuation and financial comparisons of life insurance companies

| Company | BBG | Market Cap | Share price | | P/E | | | EPS growth | | | P/BV | | | ROE | | |
|---------------------------|---------|--------------|-------------|---------|-------------|-------------|-------------|------------|------|------|------------|------------|------------|------------|------------|-------------|
| | | | Current | Current | 21 | 22E | 23E | 21 | 22E | 23E | 21 | 22E | 23E | 21 | 22E | 23E |
| | | (USD m) | (LCY) | (USD) | (x) | (x) | (x) | (%) | (%) | (%) | (x) | (x) | (x) | (%) | (%) | (%) |
| Thailand | | | | | | | | | | | | | | | | |
| Thai Life Insurance* | TLI TB | 5,059 | 15.8 | 0.5 | 20.0 | 17.8 | 16.0 | 9.1 | 12.3 | 11.3 | 1.9 | 1.7 | 1.6 | 10.2 | 10.1 | 10.2 |
| Bangkok Life Assu | BLA TB | 1,719 | 35.8 | 1.0 | 15.3 | 15.9 | 11.9 | 94.7 | 9.2 | 34.4 | 1.3 | 1.3 | 1.2 | 6.4 | 8.6 | 10.7 |
| Hong Kong/Regional | | | | | | | | | | | | | | | | |
| AIA Group | 1299 HK | 115,371 | 75.5 | 9.7 | 18.3 | 16.5 | 13.7 | 51.3 | 16.3 | 20.7 | 1.8 | 1.9 | 1.7 | 9.8 | 11.2 | 12.2 |
| Thailand average | | 6,778 | | | 17.6 | 16.8 | 13.9 | | | | 1.6 | 1.5 | 1.4 | 8.3 | 9.4 | 10.5 |

*FSSIA's coverage; share prices as of 22 Aug 2022

Sources: Bloomberg as of 22 Aug 2022; FSSIA's compilation

TLI – 2Q22 results

TLI reported a 2Q22 net profit of THB2,018m (-23% y-y, -47% q-q). Its 2Q22 net profit fell 23% y-y from higher benefit payments due largely to higher maturity payments from the policies sold in the previous years and higher medical claims. 2Q22 net profit declined 47% q-q thanks to a lower gain on investments from THB2.2b in 1Q22 to THB0.4b in 2Q22.

2Q22 highlights

- TLI's total premiums rose by 3% y-y to THB21.5b. Its 2Q22 first-year premiums (FYP) and single premiums (SP) increased 15% y-y and 82% y-y, respectively, while its renewal premiums (RYP) went down by 5% y-y.
- Its investment yield increased to 3.33% from 3.26% in 1Q22 and 3.24% in 2Q21 following 1) higher interest income from an increase in its fixed income portfolio size; and 2) higher dividend income following a higher dividend payment from its equity portfolio.
- The life policy reserve to premium ratio dropped to 20.4% from 28.6% in 2Q21, primarily due to the higher reserve release from more policies reaching maturity. Meanwhile, its loss ratio increased to 72.6% from 61.1% in 2Q21 due largely to higher maturity payments from the policies sold in previous years and higher medical claims. Accordingly, its combined ratio rose to 93.0% from 89.7% in 2Q21.
- TLI reversed its expected credit loss of THB299m from a reversal of THB100m and THB172m in 1Q22 and 2Q21, respectively, to reflect a decreased credit risk profile.
- Its 1H22 VONB margin remained at a high level, relatively stable y-y, at 51% primarily due to sales from new participating endowment products and high growth in the partnership channel. Growth in the partnership channel was driven by a recovery of sales at bank branches after the lockdown easing.
- Its CAR ratio went down to 319% from 361% in 1Q22.

Exhibit 104: TLI – 2Q22 results review

| Year ending Dec | 2Q21 | 1Q22 | 2Q22 | ----- 2Q22 ----- | | 1H22 | 2021A | 2022E | Change |
|---|---------------|---------------|---------------|------------------|-------------|-----------|----------------|----------------|-------------|
| | (THB m) | (THB m) | (THB m) | (y-y %) | (q-q %) | %of 22E | (THB m) | (THB m) | (y-y %) |
| Net earned premiums | 20,956 | 19,335 | 21,498 | 3 | 11 | 45 | 90,104 | 91,625 | 2 |
| Increase in policy reserve | (6,003) | (1,644) | (4,392) | (27) | 167 | 20 | (28,225) | (30,297) | 7 |
| Net benefit payments under life policies & claims | (12,802) | (15,880) | (15,601) | 22 | (2) | 61 | (53,458) | (51,413) | (4) |
| Other underwriting expenses | (2,352) | (2,469) | (2,478) | 5 | 0 | 39 | (10,404) | (12,578) | 21 |
| Underwriting profit | (200) | (658) | (973) | 388 | 48 | 61 | (1,983) | (2,662) | 34 |
| Investment income | 3,942 | 4,173 | 4,252 | 8 | 2 | 48 | 16,016 | 17,602 | 10 |
| Non-underwriting income | 4,518 | 6,534 | 4,332 | (4) | (34) | 53 | 18,688 | 20,602 | 10 |
| Other income | 61 | 86 | 85 | 39 | (1) | 62 | 441 | 275 | (38) |
| Total income | 4,380 | 5,961 | 3,444 | (21) | (42) | 52 | 17,147 | 18,215 | 6 |
| Operating costs | (1,272) | (1,226) | (1,278) | 0 | 4 | 45 | (5,073) | (5,522) | 9 |
| Expected credit loss | 172 | 100 | 299 | 74 | 201 | (79) | (1,058) | (502) | (52) |
| Other expenses | (8) | (40) | (62) | 683 | 58 | 111 | (226) | (92) | (59) |
| Operating profit | 3,272 | 4,795 | 2,403 | (27) | (50) | 59 | 10,790 | 12,099 | 12 |
| Tax | (655) | (1,001) | (388) | (41) | (61) | 57 | (2,408) | (2,420) | 0 |
| Profit after tax | 2,617 | 3,794 | 2,015 | (23) | (47) | 60 | 8,381 | 9,679 | 15 |
| Associates | 10 | (0) | 3 | (70) | (884) | 2 | 12 | 121 | 905 |
| Normalised profit | 2,627 | 3,793 | 2,018 | (23) | (47) | 59 | 8,394 | 9,800 | 17 |
| Extra items | 0 | 0 | 0 | | | - | 0 | 0 | |
| Net profit | 2,627 | 3,793 | 2,018 | (23) | (47) | 59 | 8,394 | 9,800 | 17 |
| Operating performance | (%) | (%) | (%) | | | | (%) | (%) | |
| Underwriting margin | (1.33) | (3.72) | (5.69) | | | | (3.20) | (4.34) | |
| Operating profit margin | 15.76 | 24.65 | 11.19 | | | | 11.94 | 13.31 | |
| Return on investment | 3.84 | 5.02 | 3.67 | | | | 3.96 | 3.85 | |
| Investment yield | 3.24 | 3.26 | 3.33 | | | | 3.28 | 3.29 | |
| Combined ratio | 89.73 | 90.63 | 93.00 | | | | 90.65 | 89.18 | |
| Loss ratio | 61.09 | 82.13 | 72.57 | | | | 59.33 | 56.11 | |
| Increase in policy reserves/NEP | 28.64 | 8.50 | 20.43 | | | | 31.32 | 33.07 | |
| Effective tax rate | 20.02 | 20.88 | 16.14 | | | | 22.32 | 20.00 | |
| ROE | 12.93 | 17.61 | 9.95 | | | | 10.22 | 10.13 | |
| ROA | 2.09 | 2.87 | 1.51 | | | | 1.63 | 1.75 | |
| Actuarial data | | | | | | | | | |
| Reported APE (THB m) | 2,537 | 3,324 | 3,090 | | | | 11,367 | 13,142 | |
| VONB (THB m) | n.a. | 1,662 | 1,639 | | | | 5,585 | 6,440 | |

| | | | | | | | | | |
|---------|-----|-----|-----|--|--|--|-----|-----|--|
| CAR (%) | 334 | 361 | 319 | | | | 355 | 338 | |
|---------|-----|-----|-----|--|--|--|-----|-----|--|

Sources: TLI; FSSIA estimates

Company background

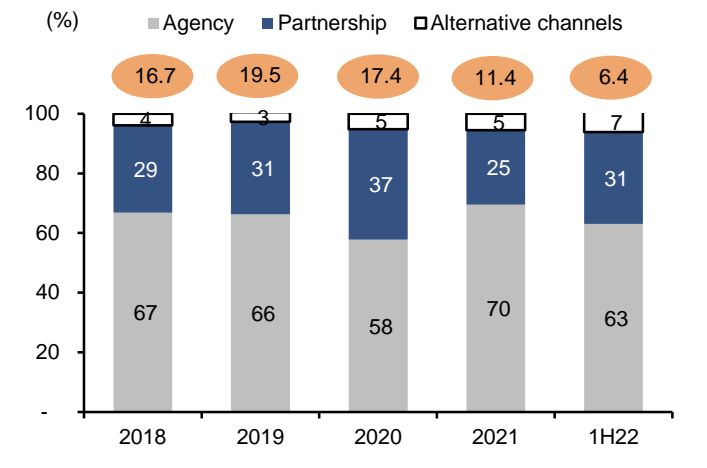
1) Market presence

The company has a distribution network through various channels, including agency; partnership; and alternative channels, throughout the country covering both upcountry and Bangkok and vicinities. In 2021, 70% of its APE came from the agency channel; 25% from partnerships; and the remaining 5% from alternative channels.

As of Mar-22, TLI has more than 64,000 insurance agents in 77 provinces across the country. TLI is considered to be one of the life insurance companies with the highest agent counts at 25% of the total agents in Thailand as of Jun-21. As of Mar-22, it has 264 branches nationwide, and 242 are located upcountry. In 2021 and 1Q22, the agency GWP from customers upcountry accounted for 63% and 68% of its total respectively.

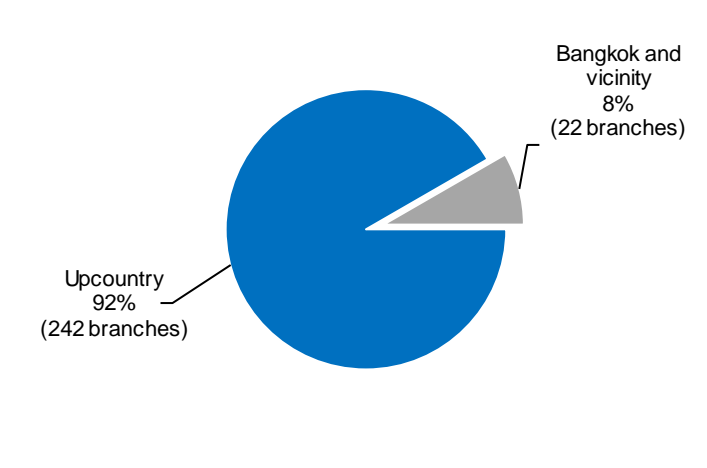
On top of that, the company has entered the Myanmar market through an investment in CB Life Insurance Company Limited (CB Life) since 2019. In the future, TLI might expand its international presence further in Myanmar, Cambodia, or the Lao People's Democratic Republic. However, thanks to COVID-19, these projects were delayed.

Exhibit 105: TLI – APE by channel



Note that the orange circle represents the value of APE (THB b)
Sources: TLI; FSSIA's compilation

Exhibit 106: Branch locations by region – as of Mar 2022

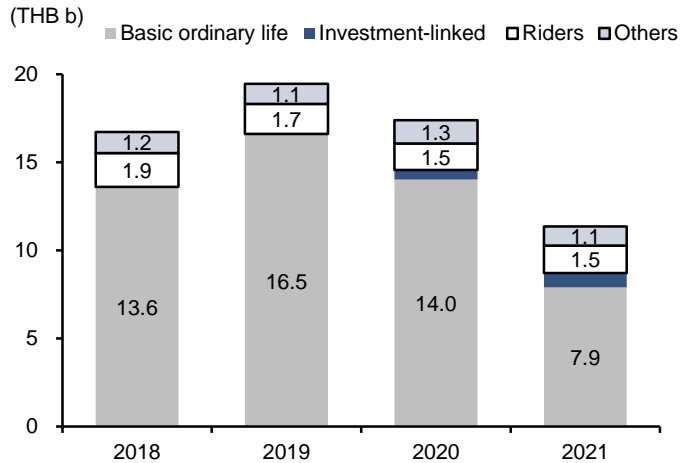


Sources: TLI; FSSIA's compilation

2) Product mix

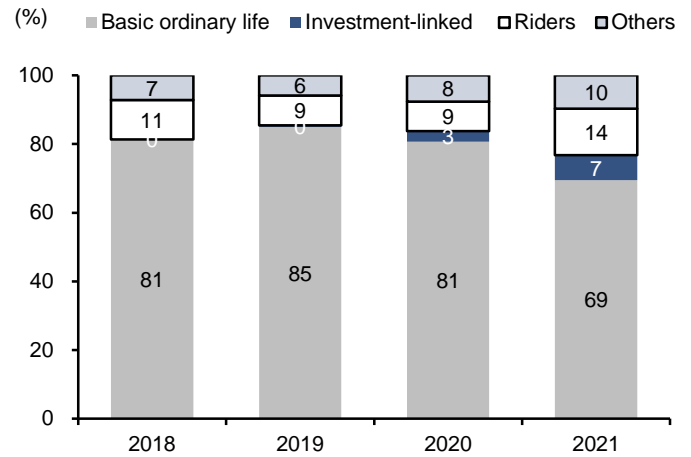
As of 2021, the company offers four key products (considering by APE), consisting of 69% basic ordinary life; 7% investment-linked; 14% riders; and 10% others. The company's direction is that it wants to increase the proportion of high margin products such as investment-linked and riders, going forward. As of 1Q22, 73% of its APE was from basic ordinary life; 4% from investment-linked; 13% from riders; and 10% others.

Exhibit 107: TLI – APE by product



Sources: TLI; FSSIA's compilation

Exhibit 108: TLI – APE by product breakdown

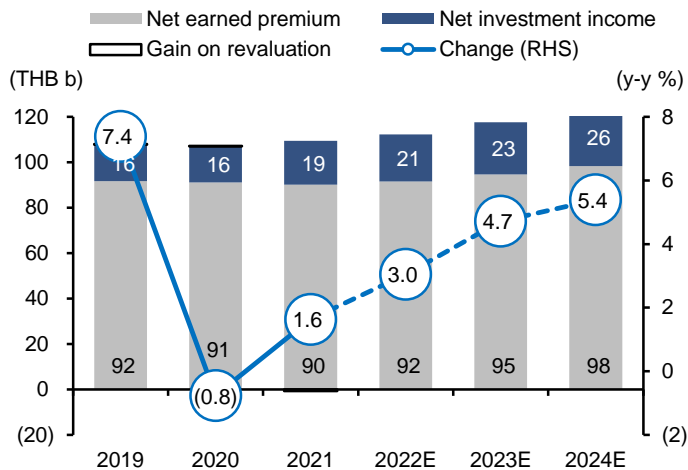


Sources: TLI; FSSIA's compilation

3) Revenue structure

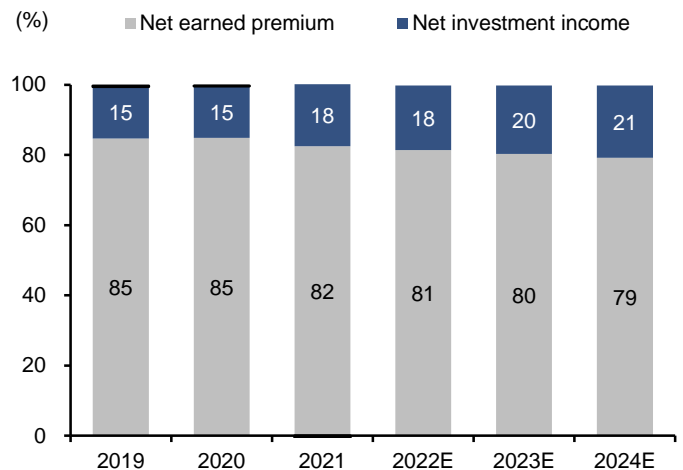
Insurance providers, including TLI, generate income in two ways: 1) through the premiums charged to policyholders; and 2) through investment income on the proceeds from premium payments. As of 2021, 82% of its revenue comes from net earned premiums and 18% is from net investment income.

Exhibit 109: TLI – Revenue and growth



Sources: TLI; FSSIA's compilation

Exhibit 110: TLI – Revenue breakdown

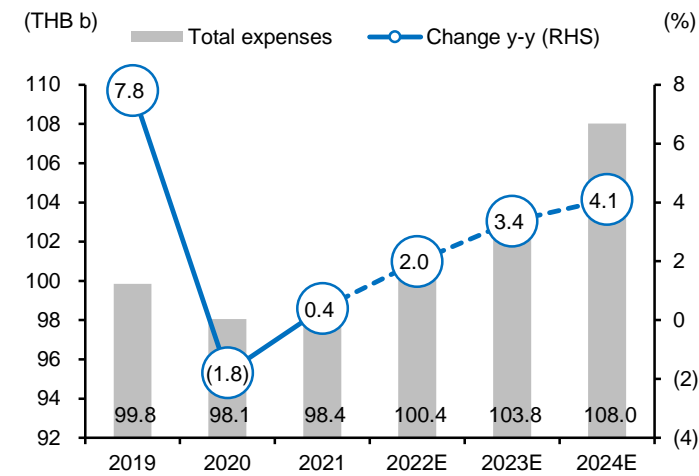


Sources: TLI; FSSIA's compilation

4) Cost structure

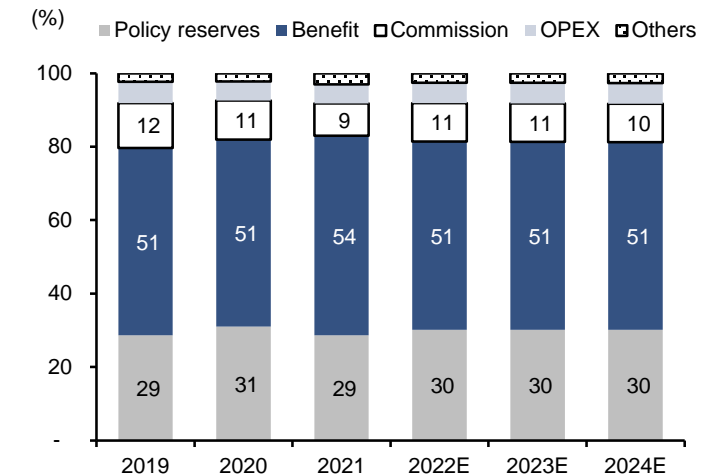
The main costs of insurance providers, including TLI, are increases in policy reserves and benefit payments. As of 2021, 29% of its expenses comes from increases in policy reserves and 54% is from net benefit payments.

Exhibit 111: TLI – Expenses and growth



Sources: TLI; FSSIA's compilation

Exhibit 112: TLI – Cost breakdown

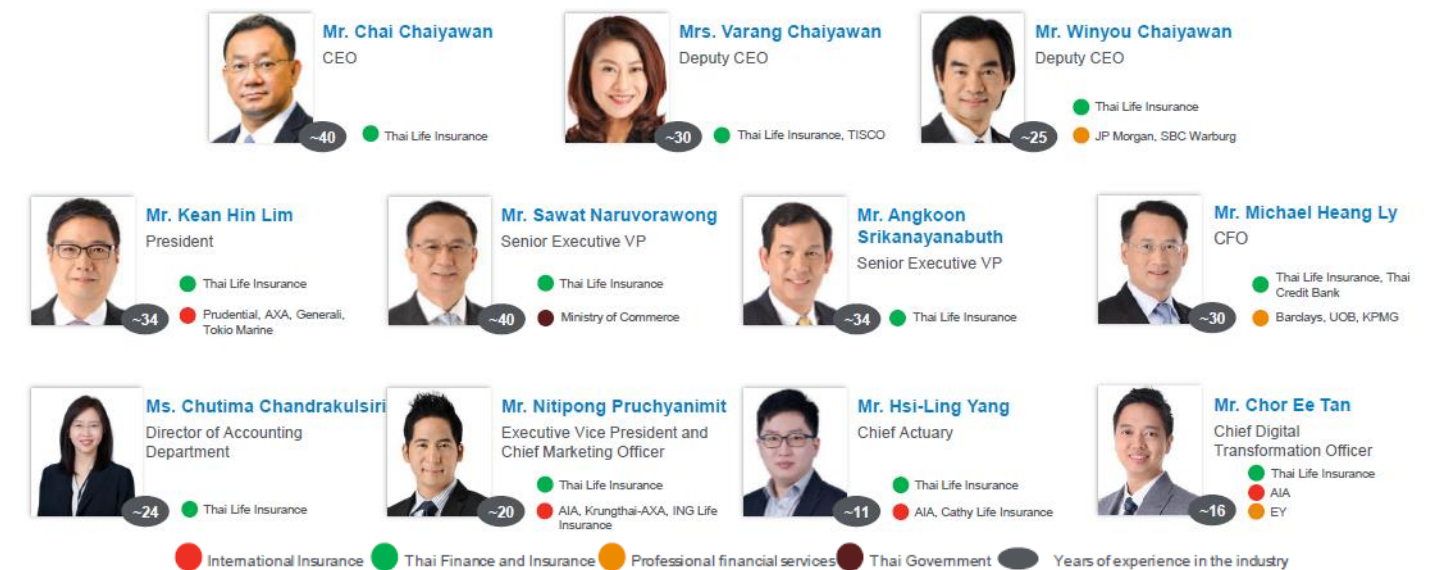


Sources: TLI; FSSIA's compilation

5) Management team

TLI's management team is one of the best-in-class management teams, in our view, with long experience in the financial and insurance market. The average tenor for management working with TLI is more than 17 years, with the average length of experience in the finance and insurance industry at over 24 years.

Exhibit 113: TLI's management team



Source: TLI

Sensitivity analysis

We constructed our sensitivity analysis to analyse which factors should have the most impact on TLI's net profit and EV. We found that the change in ROI, which mostly moves in line with the 10-year bond yield, has the greatest impact. This is followed by the change in increased in reserve ratio, which normally depends on the ability to manage liabilities and assets, along with the product offering mix. The change in GWP only has a minimal impact on TLI's net profit and EV.

Exhibit 114: Sensitivity analysis of impact on TLI's net profit and EV from changes in ROI, increased in reserve ratio, and GWP growth

| | Change | Impact on net profit | Impact on EV |
|------------------------------|--------|----------------------|--------------|
| | (%) | (%) | (%) |
| 1. ROI | +0.25 | +11 | +0.5 |
| 2. Increase in reserve ratio | -2 | +15 | +0.7 |
| 3. GWP | +2 | +1.1 | +0.05 |

Source: FSSIA estimates

Exhibit 115: Potential impact on TLI's net profit from changes in GWP growth, increases in reserve ratio, and ROI

Impact of GWP growth and ROI on net profit

| ROI | GWP growth | | | | |
|-------|------------|--------|--------|--------|--------|
| | -2.5% | -0.5% | 1.5% | 3.5% | 5.5% |
| 3.35% | -23.3% | -22.2% | -21.2% | -20.1% | -19.0% |
| 3.60% | -12.7% | -11.7% | -10.6% | -9.5% | -8.5% |
| 3.85% | -2.1% | -1.1% | 0.0% | 1.1% | 2.1% |
| 4.10% | 8.5% | 9.6% | 10.6% | 11.7% | 12.7% |
| 4.35% | 19.1% | 20.2% | 21.2% | 22.3% | 23.3% |

Impact of Reserve Ratio and ROI on net profit

| ROI | Increased in reserve ratio | | | | |
|-------|----------------------------|-------|--------|--------|--------|
| | 29.0% | 31.0% | 33.0% | 35.0% | 37.0% |
| 3.35% | 8.8% | -6.2% | -21.2% | -36.2% | -51.2% |
| 3.60% | 19.4% | 4.4% | -10.6% | -25.6% | -40.6% |
| 3.85% | 30.0% | 15.0% | 0.0% | -15.0% | -30.0% |
| 4.10% | 40.6% | 25.6% | 10.6% | -4.4% | -19.4% |
| 4.35% | 51.2% | 36.2% | 21.2% | 6.3% | -8.7% |

Source: FSSIA's estimates

Exhibit 116: Potential impact on TLI's EV from changes in GWP growth, increases in reserve ratio, and ROI

Impact of GWP growth and ROI on EV

| ROI | GWP growth | | | | |
|-------|------------|--------|-------|-------|-------|
| | -2.5% | -0.5% | 1.5% | 3.5% | 5.5% |
| 3.35% | -1.1% | -1.0% | -1.0% | -0.9% | -0.9% |
| 3.60% | -0.6% | -0.5% | -0.5% | -0.4% | -0.4% |
| 3.85% | -0.1% | -0.05% | 0.00% | 0.05% | 0.1% |
| 4.10% | 0.4% | 0.4% | 0.5% | 0.5% | 0.6% |
| 4.35% | 0.9% | 0.9% | 1.0% | 1.0% | 1.1% |

Impact of Reserve Ratio and ROI on EV

| ROI | Increased in reserve ratio | | | | |
|-------|----------------------------|-------|-------|-------|-------|
| | 29.0% | 31.0% | 33.0% | 35.0% | 37.0% |
| 3.35% | 0.4% | -0.3% | -1.0% | -1.7% | -2.3% |
| 3.60% | 0.9% | 0.2% | -0.5% | -1.2% | -1.9% |
| 3.85% | 1.4% | 0.7% | 0.0% | -0.7% | -1.4% |
| 4.10% | 1.9% | 1.2% | 0.5% | -0.2% | -0.9% |
| 4.35% | 2.3% | 1.7% | 1.0% | 0.3% | -0.4% |

Source: FSSIA's estimates

Key risks

Downside risks to our AV-based equity value range are 1) slow economic growth, leading to a prolonged low interest rate environment and low purchasing power; and 2) regulatory and accounting changes in the insurance industry from the Office of Insurance Commission (OIC) and BoT.

Upside risks to our AV- based equity value range are 1) a stronger-than-expected increase in the interest rate; 2) a faster-than-expected change in its product mix to higher margin products; and 3) a favorable equity market.

Glossary

Apart from some specific insurance terminology that is mentioned in the paper, there are some related insurance words that should be clarified for better understanding of this sector, as follows:

Exhibit 117: Insurance glossary

| Insurance terminology | Meaning |
|------------------------------------|--|
| Adjusted Net Worth ("ANW") | ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business, plus the TFRS equity value (excluding the value of intangible assets) of other activities, such as the general insurance business. |
| Appraisal Value | Measures the overall economic value of a life insurance company which includes (i) the embedded value of the business and (ii) goodwill/structural value which is the present value of expected future earnings on a future new business net of the cost of holding capital required or CoC to support. |
| Annual Premium Equivalent ("APE") | A commonly used industry measure of new business activity that is calculated as 100% of annualised first-year premiums plus 10% of single premiums for all new policies written during the period, before deduction of reinsurance expenses incurred during such period. |
| Asset-liability Management ("ALM") | ALM is the management of the relative risk profiles of assets and liabilities. |
| Cost of Capital ("CoC") | CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. |
| Embedded Value ("EV") | An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience excluding any economic value attributable to future new business. Sum of VIF and ANW net of CoC. |
| Gross Written Premiums ("GWP") | Gross written premiums consist of: 100% of renewal premiums; 100% of first year premiums; and 100% of inward premiums from retrocession. |
| In-force Policy | An insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated. |
| Net Premiums | Life insurance premiums net of reinsurance premiums ceded to third-party reinsurers. |
| First Year Premiums | Premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold. |
| Renewal Premiums | Premiums receivable in subsequent years of a multi-year insurance policy. |
| Persistency Ratio | A percentage calculated as annualised premiums received from life insurance policies under which second-year premiums are paid divided by annualised first-year premiums from policies issued in the previous year. The ratio is calculated based on policies remaining in force issued within the prior 13-month period. Commonly measured for a 13-month or 25-month period. |
| Single Premiums | Single premium policies of insurance are those that require only a single lump sum payment from the policyholder. |
| Reserves | Liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies. |
| Underwriting | The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk. |
| Value of In-force Business ("VIF") | The present value of the projected after-tax statutory profits emerging in the future from the current life insurance business in force less the cost arising from holding the required capital to support the in-force business. |
| Value of New Business ("VONB") | VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. |
| VONB Margin | A measure of profitability of the life insurance business based on VONB as a percentage of APE. |
| Participating policies | Contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits. |
| Non-participating policies | Unlike a participating insurance policy, this policy does not pay out any bonuses or dividends based on the insurer's profits. These life insurance plans do not pay out guaranteed benefits on maturity. |

Sources: TLI; FSSIA's compilation

Financial Statements

Thai Life Insurance

| Profit and Loss (THB m) Year Ending Dec | 2020A | 2021A | 2022E | 2023E | 2024E |
|---|----------------|----------------|----------------|----------------|----------------|
| Gross written premiums | 91,269 | 90,451 | 91,808 | 94,792 | 98,584 |
| Reinsurance | (55) | (347) | (184) | (190) | (197) |
| Net earned premiums | 91,214 | 90,104 | 91,625 | 94,602 | 98,387 |
| Increase in policy reserve | (30,423) | (28,225) | (30,297) | (31,281) | (32,533) |
| Net benefit payments under life policies & claims | (49,964) | (53,458) | (51,413) | (53,084) | (55,207) |
| Other underwriting expenses | (12,262) | (10,404) | (12,578) | (12,987) | (13,506) |
| Underwriting profit | (1,435) | (1,983) | (2,662) | (2,749) | (2,859) |
| Total investment income | 15,749 | 16,016 | 17,602 | 20,868 | 23,422 |
| Gain (loss) on investment | 67 | 3,325 | 3,000 | 2,000 | 2,000 |
| Net investment income | 15,816 | 19,341 | 20,602 | 22,868 | 25,422 |
| Gain on revaluation | 154 | (652) | 0 | 0 | 0 |
| Other income | 294 | 441 | 275 | 284 | 296 |
| Total income | 14,829 | 17,147 | 18,215 | 20,403 | 22,858 |
| Operating costs | (5,051) | (5,073) | (5,522) | (5,779) | (6,091) |
| Expected credit loss | (263) | (1,058) | (502) | (543) | (582) |
| Other expenses | (94) | (226) | (92) | (95) | (99) |
| Operating profit | 9,421 | 10,790 | 12,099 | 13,986 | 16,088 |
| Tax | (1,893) | (2,408) | (2,420) | (2,797) | (3,218) |
| Profit after tax | 7,528 | 8,381 | 9,679 | 11,189 | 12,870 |
| Associates | 164 | 12 | 121 | 140 | 161 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Normalised profit | 7,692 | 8,394 | 9,800 | 11,329 | 13,031 |
| Extra items | | 0 | 0 | 0 | 0 |
| Net profit | 7,692 | 8,394 | 9,800 | 11,329 | 13,031 |
| Per share (THB) | | | | | |
| Core EPS | 0.73 | 0.79 | 0.89 | 0.99 | 1.14 |
| Reported EPS | 0.73 | 0.79 | 0.89 | 0.99 | 1.14 |
| DPS | 0.21 | 0.27 | 0.26 | 0.30 | 0.34 |
| Growth | | | | | |
| Net premium earned (%) | (0.56) | (1.22) | 1.69 | 3.25 | 4.00 |
| Net investment income growth (%) | (1.08) | 22.28 | 6.52 | 11.00 | 11.17 |
| Operating profit (%) | 10.50 | 11.94 | 13.31 | 14.90 | 16.48 |
| Net profit (%) | 13.50 | 9.12 | 16.76 | 15.60 | 15.03 |
| Normalised EPS (%) | 13.50 | 9.12 | 12.26 | 11.31 | 15.03 |
| APE (%) | (10.59) | (34.66) | 15.61 | 14.38 | 14.43 |
| VONB (%) | (34.20) | 85.45 | 15.31 | 0.37 | 14.43 |
| EV (%) | | 5.56 | 15.52 | 9.10 | 9.56 |
| Income Breakdown | | | | | |
| Net premium earned (%) | 84.87 | 82.49 | 81.44 | 80.34 | 79.28 |
| Net investment income (%) | 14.72 | 17.71 | 18.31 | 19.42 | 20.48 |
| Gain on revaluation (%) | 0.14 | (0.60) | 0.00 | 0.00 | 0.00 |
| Other income (%) | 0.27 | 0.40 | 0.24 | 0.24 | 0.24 |
| Operating performance | | | | | |
| Operating profit margin (%) | 10.50 | 11.94 | 13.31 | 14.90 | 16.48 |
| Investment yield (%) | 3.51 | 3.96 | 3.85 | 3.95 | 4.10 |
| Combined ratio (%) | 88.13 | 90.65 | 89.18 | 89.18 | 89.18 |
| Loss ratio (%) | 54.78 | 59.33 | 56.11 | 56.11 | 56.11 |
| Increase in policy reserves/NEP (%) | 33.35 | 31.32 | 33.07 | 33.07 | 33.07 |
| VONB margin (%) | 17.30 | 49.10 | 49.00 | 43.00 | 43.00 |
| Effective tax rate (%) | 20.09 | 22.32 | 20.00 | 20.00 | 20.00 |
| Dividend payout on recurring profit (%) | 29.35 | 34.10 | 30.00 | 30.00 | 30.00 |
| ROE (%) | 10.38 | 10.22 | 10.13 | 10.20 | 10.90 |
| ROA (%) | 1.62 | 1.63 | 1.75 | 1.86 | 2.00 |
| ROEV (%) | 5.71 | 6.06 | 6.39 | 6.59 | 6.94 |
| Actuarial data | | | | | |
| Reported APE (THB m) | 17,396 | 11,367 | 13,142 | 15,032 | 17,201 |
| VONB (THB m) | 3,012 | 5,585 | 6,440 | 6,464 | 7,396 |
| EV (THB m) | 134,786 | 142,277 | 164,945 | 179,912 | 197,077 |
| CAR (%) | 358 | 355 | 338 | 339 | 342 |

*Other incomes comprise fee and underwriting income and other income
Sources: TLI: FSSIA estimates

Financial Statements

Thai Life Insurance

| Balance Sheet (THB m) Year Ending Dec | 2020A | 2021A | 2022E | 2023E | 2024E |
|---|----------------|----------------|----------------|----------------|----------------|
| Cash & equivalents | 10,498 | 7,326 | 11,398 | 12,211 | 13,075 |
| Investment securities | 436,071 | 481,312 | 524,786 | 562,239 | 601,982 |
| Net loans | 30,551 | 29,936 | 34,193 | 36,634 | 39,224 |
| Other assets | 16,926 | 15,132 | 16,508 | 17,320 | 18,204 |
| Total assets | 494,045 | 533,706 | 586,885 | 628,405 | 672,485 |
| Policy reserves | 375,013 | 403,238 | 433,535 | 464,816 | 497,349 |
| Other insurance liabilities | 29,842 | 30,254 | 31,767 | 33,355 | 35,023 |
| Other liabilities | 11,405 | 13,783 | 14,482 | 15,202 | 15,960 |
| Total liabilities | 416,260 | 447,275 | 479,783 | 513,374 | 548,332 |
| Paid up capital | 10,600 | 10,600 | 11,450 | 11,450 | 11,450 |
| Share premium | 7,293 | 7,293 | 20,253 | 20,253 | 20,253 |
| Other equity items | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 59,892 | 68,538 | 75,398 | 83,328 | 92,450 |
| Total equity | 77,785 | 86,431 | 107,101 | 115,031 | 124,153 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total liabilities & equity | 494,045 | 533,706 | 586,885 | 628,405 | 672,485 |
| | | | | | |
| Growth | | | | | |
| Total investments (%) | 7.88 | 10.37 | 9.03 | 7.14 | 7.07 |
| Total assets (%) | 7.96 | 8.03 | 9.96 | 7.07 | 7.01 |
| Total insurance liabilities (%) | 8.20 | 7.07 | 7.34 | 7.06 | 6.87 |
| | | | | | |
| Leverage & capital measures | | | | | |
| Equity/assets (x) | 0.16 | 0.16 | 0.18 | 0.18 | 0.18 |
| Debt/equity (x) | 5.35 | 5.17 | 4.48 | 4.46 | 4.42 |
| | | | | | |
| Valuation | | | | | |
| Recurring P/E (x) * | 21.8 | 20.0 | 17.8 | 16.0 | 13.9 |
| Reported P/E (x) | 21.8 | 20.0 | 17.8 | 16.0 | 13.9 |
| Dividend yield (%) | 1.3 | 1.7 | 1.6 | 1.9 | 2.2 |
| Price/book (x) | 2.2 | 1.9 | 1.7 | 1.6 | 1.5 |
| Price/embedded value (x) | 1.2 | 1.2 | 1.1 | 1.0 | 0.9 |
| Price/embedded value @ target price (x) | 1.5 | 1.4 | 1.3 | 1.2 | 1.1 |
| | | | | | |

* Pre exceptional & pre-goodwill and fully diluted

Sources: Thai Life Insurance; FSSIA estimates

Corporate Governance

Board structure

| | |
|---|---|
| Number of Independent Directors (ID) | 5 of 12 board members* |
| Percentage of IDs on the board | 41.7% |
| ID participation/attendance at board meetings | 100% |
| ID participation in audit/remuneration committees | 3/3 in audit committee and 2/3 in remuneration committee |
| ID terms (years of service, re-election/replacement procedures) | Nine years continuously and can be re-appointed with consent from the Board |

*Comprises at least one-third and not less than three persons

Source: TLI's 2021 annual report

Additional comments: To comply with good corporate governance practices and to promote a proper balance of power between the Board of Directors and the management, the Board of Meeting No. 6/2021, held on 17 September 2021, appointed an independent director to be a participant in determining the agendas of the Board of Directors' meeting.

Audit Practices

| | |
|--------------------------------|--------------------------------------|
| Auditor | KPMG Phoomchai Audit Ltd. |
| Length of service | More than five years |
| Reporting incidents | None |
| Fee track record | THB4.2m in 2020, and THB4.2m in 2021 |
| Policy on change of audit firm | To review every 7 years |

Source: TLI

Additional comments: For the accounting year ended 31 December 2021, the Company paid the non-audit fee to KPMG Phoomchai Audit Company Limited, which is the Company's auditor, in the amount of THB 7,573,100 for the services related to the provision of tax advisory services and the initial public offering to the Company.

Compensation and remuneration

| | |
|---|--|
| Directors' remuneration vs earnings/ROE/share performance | In 2020, THB4m vs net profit of THB 7,692m; In 2021, THB16.6m vs net profit of THB8,394m |
| Changes/stability in senior management | None |
| Incidents of termination of senior management | None |
| Track record on insider sales | None |

Source: TLI

Additional comments: None

Shareholders' rights

| | |
|---|---|
| Communication - shareholder participation in AGMs/EGMs | AGM once annually, EGM when appropriate and in accordance with SEC guidelines |
| Related party transactions | In accordance with SEC guidelines |
| Voting issues - policies, incidents of rejected proposals | None |

Source: TLI

Additional comments: TLI just listed on the SET on 25 Jul 2022

Corporate Governance report of Thai listed companies 2021

| EXCELLENT LEVEL – Score range 90-100 | | | | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|---------|--------|-------|--------|
| AAV | BCPG | CPALL | GCAP | K | MSC | PLANET | SAMART | SPI | THRE | TVD |
| ADVANC | BDM5 | CPF | GFPT | KBANK | MST | PLAT | SAMTEL | SPRC | THREL | TVI |
| AF | BEM | CPI | GGC | KCE | MTC | PORT | SAT | SPVI | TIPCO | TVO |
| AH | BGC | CPN | GLAND | KKP | MVP | PPS | SC | SSSC | TISCO | TWPC |
| AIRA | BGRIM | CRC | GLOBAL | KSL | NCL | PR9 | SCB | SST | TK | U |
| AKP | BIZ | CSS | GPI | KTB | NEP | PREB | SCC | STA | TKT | UAC |
| AKR | BKI | DDD | GPSC | KTC | NER | PRG | SCCC | STEC | TMT | UBIS |
| ALT | BOL | DELTA | GRAMMY | LALIN | NKI | PRM | SCG | STI | TNDT | UV |
| AMA | BPP | DEMCO | GULF | LANNA | NOBLE | PROUD | SCGP | SUN | TNITY | VGI |
| AMATA | BRR | DRT | GUNKUL | LH | NSI | PSH | SCM | SUSCO | TOA | VIH |
| AMATAV | BTS | DTAC | HANA | LHFG | NVD | PSL | SDC | SUTHA | TOP | WACOAL |
| ANAN | BTW | DUSIT | HARN | LIT | NWR | PTG | SEAFECO | SVI | TPBI | WAVE |
| AOT | BWG | EA | HMPRO | LPN | NYT | PTT | SEAOL | SYMC | TQM | WHA |
| AP | CENTEL | EASTW | ICC | MACO | OISHI | PTTEP | SE-ED | SYNTEC | TRC | WHAUP |
| ARIP | CFRESH | ECF | ICHI | MAJOR | OR | PTTGC | SELIC | TACC | TRU | WICE |
| ARROW | CHEWA | ECL | III | MAKRO | ORI | PYLON | SENA | TASCO | TRUE | WINNER |
| ASP | CHO | EE | ILINK | MALEE | OSP | Q-CON | SHR | TCAP | TSC | ZEN |
| AUCT | CIMBT | EGCO | ILM | MBK | OTO | QH | SIRI | TEAMG | TSR | |
| AWC | CK | EPG | INTUCH | MC | PAP | QTC | SIS | TFMAMA | TSTE | |
| AYUD | CKP | ETC | IP | MCOT | PCSGH | RATCH | SITHAI | TGH | TSTH | |
| BAFS | CM | FPI | IRPC | METCO | PDG | RS | SMK | THANA | TTA | |
| BANPU | CNT | FPT | ITEL | MFEC | PDJ | S | SMPC | THANI | TTB | |
| BAY | COM7 | FSMART | IVL | MINT | PG | S & J | SNC | THCOM | TTCL | |
| BBL | COMAN | GBX | JSP | MONO | PHOL | SAAM | SONIC | THG | TTW | |
| BCP | COTTO | GC | JWD | MOONG | PLANB | SABINA | SPALI | THIP | TU | |
| VERY GOOD LEVEL – Score range 80-89 | | | | | | | | | | |
| 2S | ASIMAR | CHOW | FLOYD | IT | LOXLEY | OCC | RPC | SKY | TCC | TVT |
| 7UP | ASK | CI | FN | ITD | LRH | OGC | RT | SLP | TCMC | TWP |
| ABICO | ASN | CIG | FNS | J | LST | PATO | RWI | SMIT | TEAM | UEC |
| ABM | ATP30 | CMC | FORTH | JAS | M | PB | S11 | SMT | TFG | UMI |
| ACE | B | COLOR | FSS | JCK | MATCH | PICO | SA | SNP | TFI | UOBKH |
| ACG | BA | CPL | FTE | JCKH | MBAX | PIMO | SAK | SO | TIGER | UP |
| ADB | BAM | CPW | FVC | JMART | MEGA | PJW | SALEE | SORKON | TITLE | UPF |
| AEONTS | BC | CRD | GEL | JMT | META | PL | SAMCO | SPA | TKN | UPOIC |
| AGE | BCH | CSC | GENCO | KBS | MFC | PM | SANKO | SPC | TKS | UTP |
| AHC | BEC | CSP | GJS | KCAR | MGT | PMTA | SAPPE | SPCG | TM | VCOM |
| AIT | BEYOND | CWT | GYT | KEX | MICRO | PPP | SAWAD | SR | TMC | VL |
| ALL | BFIT | DCC | HEMP | KGI | MILL | PPPM | SCI | SRICHA | TMD | VPO |
| ALLA | BJC | DCON | HPT | KIAT | MTSIB | PRIME | SCN | SSC | TMI | VRANDA |
| ALUCON | BJCHI | DHOUSE | HTC | KISS | MK | PRIN | SCP | SSF | TMILL | WGE |
| AMANAH | BLA | DOD | HYDRO | KOOL | MODERN | PRINC | SE | STANLY | TNL | WIJK |
| AMARIN | BR | DOHOME | ICN | KTIS | MTI | PSG | SFLEX | STGT | TNP | WP |
| APCO | BROOK | DV8 | IFS | KUMWEL | NBC | PSTC | SFP | STOWER | TOG | XO |
| APCS | CBG | EASON | IMH | KUN | NCAP | PT | SFT | STPI | TPA | XPG |
| APURE | CEN | EFORL | IND | KWC | NCH | QLT | SGF | SUC | TPAC | YUASA |
| AQUA | CGH | ERW | INET | KWM | NETBAY | RBF | SIAM | SWC | TPCS | |
| ASAP | CHARAN | ESSO | INSET | L&E | NEX | RCL | SINGER | SYNEX | TPS | |
| ASEFA | CHAYO | ESTAR | INSURE | LDC | NINE | RICHY | SKE | TAE | TRITN | |
| ASIA | CHG | ETE | IRC | LEO | NRF | RML | SKN | TAKUNI | TRT | |
| ASIAN | CHOTI | FE | IRCP | LHK | NTV | ROJNA | SKR | TBSP | TSE | |
| GOOD LEVEL – Score range 70-79 | | | | | | | | | | |
| A | BGT | CITY | GIFT | JTS | MDX | PK | SGP | SUPER | TQR | YGG |
| AI | BH | CMAN | GLOCON | JUBILE | MJD | PLE | SICT | SVOA | TTI | ZIGA |
| AIE | BIG | CMO | GREEN | KASET | MORE | PPM | SIMAT | TC | TYCN | |
| AJ | BLAND | CMR | GSC | KCM | MUD | PRAKIT | SISB | TCCC | UKEM | |
| ALPHAX | BM | CPT | GTB | KK | NC | PRAPAT | SK | THMUI | UMS | |
| AMC | BROCK | CRANE | HTECH | KKC | NDR | PRECHA | SMART | TNH | UNIQ | |
| APP | BSBM | CSR | HUMAN | KWI | NFC | PTL | SOLAR | TNR | UPA | |
| AQ | BSM | D | IHL | KYE | NNCL | RJH | SPACK | TOPP | UREKA | |
| ARIN | BTNC | EKH | IIG | LEE | NOVA | RP | SPG | TPCH | VIBHA | |
| AS | BYD | EMC | INGRS | LPH | NPK | RPH | SQ | TPIPL | W | |
| AU | CAZ | EP | INOX | MATI | NUSA | RSP | SSP | TIPIPP | WIN | |
| B52 | CCP | F&D | JAK | M-CHAI | PAF | SABUY | STARK | TPLAS | WORK | |
| BEAUTY | CGD | FMT | JR | MCS | PF | SF | STC | TPOLY | WPH | |

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|
| 2S | BCH | CPALL | GC | K | MFC | PE | QLT | SNP | THCOM | TU |
| 7UP | BCP | CPF | GCAP | KASET | MFEC | PG | QTC | SORKON | THIP | TVD |
| ADVANC | BCPG | CPI | GEL | KBANK | MILL | PHOL | RATCH | SPACK | THRE | TVI |
| AF | BE8 | CPN | GFPT | KBS | MINT | PK | RML | SPALI | THREL | TVO |
| AI | BEYOND | CSC | GGC | KCAR | MONO | PL | RWI | SPC | TIDLOR | TWPC |
| AIE | BGC | DCC | GJS | KCE | MOONG | PLANB | S & J | SPI | TIPCO | U |
| AIRA | BGRIM | DELTA | GPI | KGI | MSC | PLANET | SAAM | SPRC | TISCO | UBE |
| AKP | BJCHI | DEMCO | GPSC | KKP | MST | PLAT | SABINA | SRICHA | TKS | UBIS |
| ALPHAX | BKI | DIMET | GSTEEL | KSL | MTC | PM | SAPPE | SSF | TKT | UEC |
| AMA | BLA | DRT | GUNKUL | KTB | MTI | PPP | SAT | SSP | TMD | UKEM |
| AMANAHA | BPP | DTAC | HANA | KTC | NBC | PPPM | SC | SSSC | TMILL | UOBKH |
| AMATA | BROOK | DUSIT | HARN | KWC | NEP | PPS | SCB | SST | TMT | UPF |
| AMATAV | BRR | EA | HEMP | KWI | NINE | PR9 | SCC | STA | TNITY | UV |
| AP | BSBM | EASTW | HENG | L&E | NKI | PREB | SCCC | STOWER | TNL | VGI |
| APCS | BTS | ECL | HMPRO | LANNA | NMG | PRG | SCG | SUSCO | TNP | VIH |
| AQUA | BWG | EGCO | HTC | LH | NNCL | PRINC | SCN | SVI | TNR | WACOAL |
| ARROW | CEN | EP | ICC | LHFG | NOBLE | PRM | SEAOL | SYMC | TOG | WHA |
| AS | CENTEL | EPG | ICHI | LHK | NOK | PROS | SE-ED | SYNTEC | TOP | WHAUP |
| ASIAN | CFRESH | ERW | IFEC | LPN | NSI | PSH | SELIC | TAE | TOPP | WICE |
| ASK | CGH | ESTAR | IFS | LRH | NWR | PSL | SENA | TAKUNI | TPA | WIIK |
| ASP | CHEWA | ETE | ILINK | M | OCC | PSTC | SGP | TASCO | TPP | XO |
| AWC | CHOTI | FE | INET | MAKRO | OGC | PT | SINGER | TBSP | TRU | ZEN |
| AYUD | CHOW | FNS | INSURE | MALEE | ORI | PTG | SIRI | TCAP | TRUE | |
| B | CIG | FPI | INTUCH | MATCH | PAP | PTT | SITHAI | TCMC | TSC | |
| BAFS | CIMBT | FPT | IRC | MBAX | PATO | PTTEP | SKR | TFG | TSTE | |
| BAM | CM | FSMART | IRPC | MBK | PB | PTTGC | SMIT | TFI | TSTH | |
| BANPU | CMC | FSS | ITEL | MC | PCSGH | PYLON | SMK | TFMAMA | TTA | |
| BAY | COM7 | FTE | IVL | MCOT | PDG | Q-CON | SMPC | TGH | TTB | |
| BBL | COTTO | GBX | JKN | META | PDJ | QH | SNC | THANI | TTCL | |
| DECLARED | | | | | | | | | | |
| AJ | CHG | DDD | ETC | JR | MAJOR | NUSA | RS | SSS | TQM | YUASA |
| ALT | CPL | DHOUSE | FLOYD | JTS | NCAP | NYT | SAK | STECH | TSI | ZIGA |
| APCO | CPR | DOHOME | GULF | KEX | NCL | OR | SCGP | STGT | VARO | |
| B52 | CPW | ECF | III | KUMWEL | NOVA | PIMO | SCM | TKN | VCOM | |
| BEC | CRC | EKH | INOX | LDC | NRF | PLE | SIS | TMI | VIBHA | |

| Level | |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Sources: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

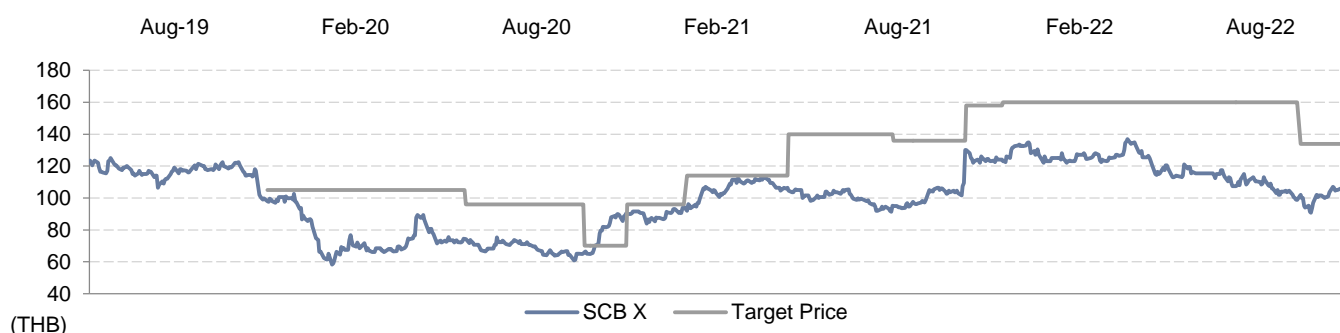
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

SCB X (SCB TB)



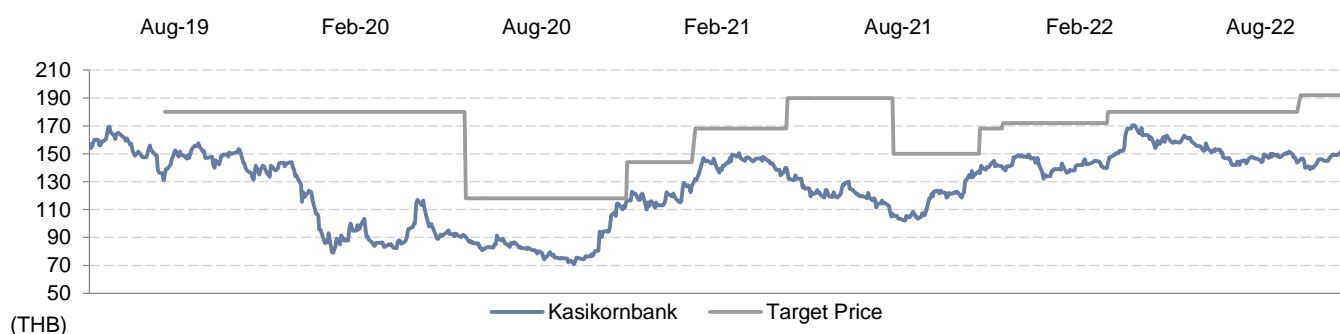
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 27-Jan-2020 | HOLD | 105.00 | 22-Jan-2021 | BUY | 114.00 | 25-Oct-2021 | BUY | 160.00 |
| 16-Jul-2020 | BUY | 96.00 | 22-Apr-2021 | BUY | 140.00 | 08-Jul-2022 | BUY | 134.00 |
| 27-Oct-2020 | HOLD | 70.00 | 22-Jul-2021 | BUY | 136.00 | | | |
| 03-Dec-2020 | HOLD | 96.00 | 23-Sep-2021 | BUY | 158.00 | | | |

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Kasikornbank (KBANK TB)



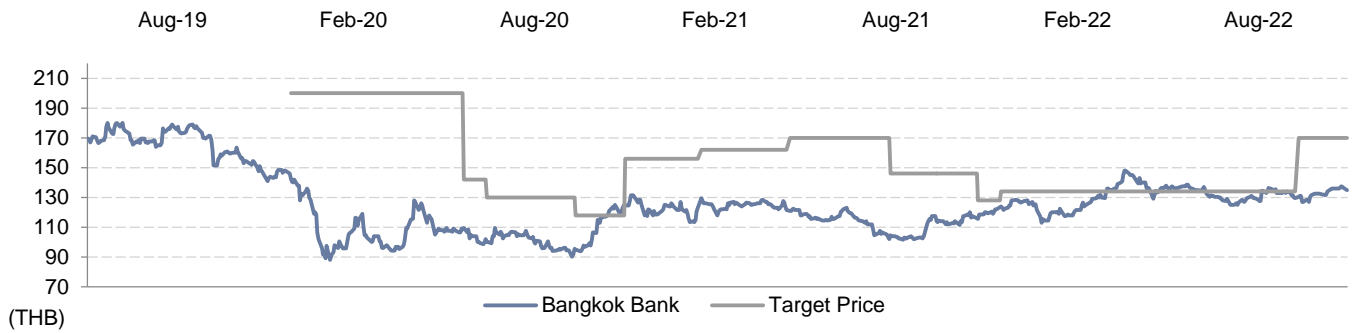
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 30-Oct-2019 | BUY | 180.00 | 21-Apr-2021 | BUY | 190.00 | 24-Jan-2022 | BUY | 180.00 |
| 16-Jul-2020 | BUY | 118.00 | 22-Jul-2021 | BUY | 150.00 | 08-Jul-2022 | BUY | 192.00 |
| 03-Dec-2020 | BUY | 144.00 | 05-Oct-2021 | BUY | 168.00 | | | |
| 29-Jan-2021 | BUY | 168.00 | 25-Oct-2021 | BUY | 172.00 | | | |

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Bank (BBL TB)



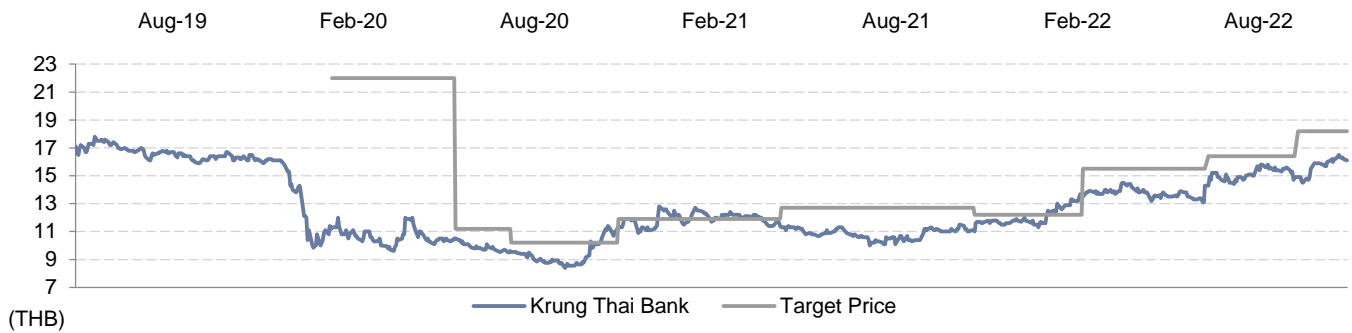
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 18-Feb-2020 | BUY | 200.00 | 03-Dec-2020 | BUY | 156.00 | 05-Oct-2021 | HOLD | 128.00 |
| 16-Jul-2020 | BUY | 142.00 | 05-Feb-2021 | BUY | 162.00 | 25-Oct-2021 | HOLD | 134.00 |
| 05-Aug-2020 | BUY | 130.00 | 23-Apr-2021 | BUY | 170.00 | 08-Jul-2022 | BUY | 170.00 |
| 21-Oct-2020 | BUY | 118.00 | 21-Jul-2021 | BUY | 146.00 | | | |

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Krung Thai Bank (KTB TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 02-Apr-2020 | BUY | 22.00 | 03-Dec-2020 | HOLD | 11.90 | 06-Jan-2022 | BUY | 15.50 |
| 16-Jul-2020 | HOLD | 11.20 | 22-Apr-2021 | HOLD | 12.70 | 22-Apr-2022 | BUY | 16.40 |
| 02-Sep-2020 | HOLD | 10.20 | 05-Oct-2021 | HOLD | 12.20 | 08-Jul-2022 | BUY | 18.20 |

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------------------|----------|------------|--------|--|
| Thai Life Insurance | TLI TB | THB 15.80 | BUY | Downside risks to our AV-based equity value range are 1) slow economic growth, leading to a prolonged low interest rate environment and low purchasing power; and 2) regulatory and accounting changes in the insurance industry from the Office of Insurance Commission (OIC) and Bank of Thailand (BoT). |
| SCB X | SCB TB | THB 103.50 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |
| Kasikornbank | KBANK TB | THB 153.50 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |
| Bangkok Bank | BBL TB | THB 135.00 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |
| Krung Thai Bank | KTB TB | THB 16.10 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 22-Aug-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.