

Embedded Value Report 2013

Presentation for Investors

April 2014

I. VALUATION METHODOLOGY & ASSUMPTIONS

Key components	Methodology	Assumptions
<div style="display: flex; align-items: center; justify-content: center;"> <div style="text-align: center; margin-right: 20px;"> <p>I. Discounted Value of In-force Business</p> </div> <div style="text-align: left; margin-right: 20px;"> <p><i>Discounted Value of earnings from In-force business less Cost of Capital</i></p> </div> <div style="text-align: center; margin-right: 20px;">+</div> <div style="text-align: center; margin-right: 20px;"> <p>II. Adjusted Net Worth</p> </div> <div style="text-align: left;"> <p><i>Excess of market value of assets over Statutory liabilities</i></p> </div> </div> <hr style="width: 100%; margin-top: 10px;"/> <p style="text-align: center;">Embedded Value (I. + II.)</p>	<ul style="list-style-type: none"> ❑ The EV report is prepared using the traditional method. ❑ Consistent with methodology used by other Thai life insurance companies. 	<ul style="list-style-type: none"> ❑ Risk discount rate at 10% ❑ Long term investment return at 5% ❑ Capital adequacy ratio at 140% ❑ Tax rate assumed at 20% from 2013 onwards ❑ Lapse, mortality, morbidity, expense assumptions and loss ratio are best estimates of future expected experience based on the company's own historical experience and management's view of future experience

II. VALUATION RESULTS – 1/2

Overall Embedded Value (EV) and Value of New business (VONB)

(Unit: Baht million)		2013	2012	yoy
EV	I. Value of in-force business (after cost of capital)	17,474	12,318	+42%
	Value of in-force business	23,319	20,369	+14%
	Less cost of capital	(5,845)	(8,051)	-27%
	II. Adjusted net asset value	12,945	14,687	-12%
	Embedded Value (I.+II.)	30,419	27,005	+13%
VONB	Value of new business (after cost of capital)	4,405	3,078	+43%
	Value of new business	5,087	4,073	+25%
	Less cost of capital	(682)	(996)	-32%

II. VALUATION RESULTS – 2/2

Embedded Value (EV) Movement Analysis

(Unit: Baht million)

Embedded value in 2012		27,005
Expected return on embedded value	2,340	
Value of new business	4,405	
Experience variance	(990)	
Assumption changes	660	
Dividends	(3,000)	
Embedded value in 2013		30,419

III. SENSITIVITY ANALYSIS – VALUE-IN-FORCE (VIF)

Base case: Value of in-force business at THB 17,474 million

(Unit: Baht million)

Economic sensitivities	Investment return	+/-25 bps	-2,237 -13%	2,240 13%
Operational sensitivities	Lapse rates	+/-10%	-126 -1%	119 1%
	Mortality, morbidity and loss ratio	+/-10%	-612 -4%	614 4%
	Expenses	+/-10%	-572 -3%	573 3%
	Risk discount rate	+/-10%	-1,228 -7%	1,390 8%
Others	Tax rate	30% for 2015 onwards	-2,641 -15%	
	Capital adequacy	CAR at 165% (or 25% points above 140%)	-1,398 -8%	

IV. SENSITIVITY ANALYSIS – VALUE OF NEW BUSINESS (VONB)

Base case: Value of new business at THB 4,405 million

(Unit: Baht million)

Economic sensitivities	Investment return	+/-25 bps	-347	347	-8% 8%
Operational sensitivities	Lapse rates	+/-10%	-143	150	-3% 3%
	Mortality, morbidity and loss ratio	+/-10%	-148	148	-3% 3%
	Expenses	+/-10%	-199	198	-5% 4%
	Risk discount rate	+/-10%	-311	350	-7% 8%
Others	Tax rate	30% for 2015 onwards	-839		-19%
	Capital adequacy	CAR at 165% (or 25% points above 140%)	-413		-9%

THE END

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