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Fitch Affirms Muang Thai Life's IFS Rating at 'A-'; Outlook Stable

Fitch Ratings - Bangkok/Hong Kong - 29 Feb 2024: Fitch Ratings has affirmed Muang Thai Life Assurance Public Company Limited's (MTL) Insurer Financial Strength (IFS) Rating at 'A-' and Long-Term Issuer Default Rating (IDR) at 'BBB+'. The Outlook is Stable. At the same time, Fitch has affirmed the National IFS Rating at 'AAA(tha)' with a Stable Outlook and MTL's regulatory compliant Tier 2 subordinated note at 'BBB'.

The affirmation reflects MTL's 'Favourable' company profile and 'Strong' capitalisation. We expect a continued recovery of MTL's recently weakened profitability in medium term, although its investment portfolio still has large exposure to risky assets.

Key Rating Drivers

'Favourable' Company Profile: Fitch ranks MTL's company profile as 'Favourable' as a result of its 'Favourable' business profile and 'Moderate/Favourable' corporate governance compared with other life insurers in Thailand

MTL has substantial market share of approximately 11% by total premium income and consistent operational support from its major shareholders, including KASIKORNBANK Public Company Limited (KBank, IDR: BBB/Stable) and Ageas Insurance International N.V. (IDR: A+/Stable). MTL's product lines, client base and distribution channels offer well-rounded business diversification.

'Strong' Capitalisation: MTL has a strong capital buffer to support its business, underpinned by its 'Strong' Fitch Prism Model score at end of 3Q23, inclusive of the benefits from regulatory Tier 2 compliant debt. The company reports its risk-based capital (RBC) ratio at 344% at end-3Q23, significantly above Thailand's 140% regulatory threshold, with financial leverage declining to approximately 11%, from 14%, after partial repayments of subordinated debt. We expect capitalisation to remain stable in 2024.

Modest Earnings Recovery: MTL has seen a modest earnings recovery, with annualised return on equity rising to 6.8% in 3Q23, after dipping to below 6.5% in 9M22 (2021: 10.2%). Its three-year average return on equity over 2021-9M23 stands at 7.9% (2020-9M22: 8.9%), which is within the range for its rating category.

We expect the company's new business value growth to improve in the medium term, underpinned by robust demand for health-related products, protection and rider in preparation for IFRS17, as well as enhanced market opportunities through its partnership with KBank and efficiency gains from the

digital transformation of its distribution networks.

High Risky-Asset Ratio: MTL increased its allocation of fixed-income securities to 81% in 3Q23, up from 77% in 2021. However, despite the increase, its overall risky asset ratio remained unchanged; the three-year average was 241%, similar to 243% at 3Q23. This can be attributed to a slight rise in the allocation to below-investment-grade bonds, which rose to 95% of capital in 3Q23, compared to 90% in 2021.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

IFS and National IFS Ratings

- A persistent drop in capitalisation, measured by a lower RBC ratio of below 280% and deterioration in the Fitch Prism model score to below 'Strong' for an extended period.
- A prolonged weakening in profitability, as indicated by return on equity falling below 6.5%, and material declining trend in value of new business.
- A material increase in investment and asset risk; including a further rise in the risky-asset ratio.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

IFS Rating

- Improvement in MTL's capitalisation level, with the Fitch Prism model score maintained at well into the 'Strong' level
- A significant improvement in MTL's operating scale and business diversification; for instance, the insurer participates in many business lines, geographies and distribution sources.

National IFS Rating

- An upgrade is not possible as its 'AAA(tha)' National IFS Rating is already the highest score on the National Rating scale.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and

materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Muang Thai Life Assurance Public Company Limited	LT IDR	BBB+	Affirmed	BBB+
	LT IFS	A-	Affirmed	A-
	Natl LT IFS	AAA(tha)	Affirmed	AAA(tha)
	• subordinated	BBB	Affirmed	BBB

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Insurance Rating Criteria \(pub.20 Jul 2023\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Additional Disclosures

Solicitation Status

Endorsement Status

Muang Thai Life Assurance Public Company Limited EU Endorsed, UK Endorsed

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