

# Income Insurance: Solid Growth Outlook with a Defensive Base

## Summary

- Income Insurance, formerly known as NTUC Income, was established in 1970 and since then has become one of Singapore's leading insurance companies, offering life, general, and health insurance. In 2020, the company corporatized and is now a private company with shares.
- Income serves over 1.7 million Singaporeans with its insurance products and in 3Q22 launched Trust Digital Bank, in partnership with Standard Chartered, which quickly reached over 500,000 customers.
- The company offers stable long-term growth potential with a defensive base of business, due to its well-entrenched business in Singapore as an insurance company as well as its digital transformation initiatives which will allow the company to not only increase its competitiveness in Singapore but also expand regionally.
- Income's Singapore insurance products have a strong long-term growth outlook given Singapore's key drivers of 1) an aging population, 2) Singapore's economic development outlook, and 3) technology opportunities for the company.
- We value the company at SGD \$23 per share based on a comparison vs. peers and crosscheck our valuation with an actuarial valuation benchmark produced by Milliman in November 2023.

## Zero One Research

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### Investment Valuation Sensitivity (SGD per share)

		PBV Multiple				
		0.63	0.70	0.78	0.86	0.94
Book Value Change	-20.0%	14.7	16.6	18.4	20.3	22.1
	-10%	16.6	18.7	20.7	22.8	24.9
	0.0%	18.4	20.7	<b>23.0</b>	25.3	27.6
	10%	20.3	22.8	25.3	27.9	30.4
	20.0%	22.1	24.9	27.6	30.4	33.2

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## Introduction

### Income – Solid Growth Outlook with a Defensive Base

Income Insurance, formerly known as NTUC Income, was established in 1970 and since then has become one of Singapore’s leading insurance companies, offering life, general, and health insurance.

Originally operating as a co-operative in Singapore formed by the country’s Labour movement, Income Insurance has since September 1st, 2022 been corporatized and now operates as the private corporate entity Income Insurance Limited. As part of the corporatization process, shares of the new entity have been distributed in specie to the previous shareholders of NTUC Income Insurance Co-operative Ltd.

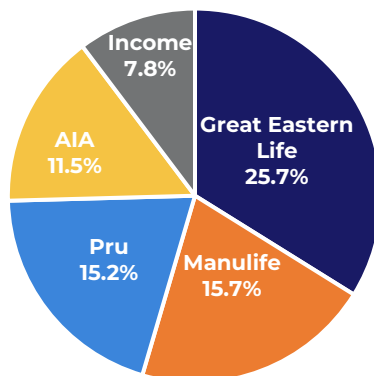
Today, Income serves over 1.7 million Singaporeans with its insurance products and in 3Q22 launched Trust Digital Bank in partnership with Standard Chartered, reaching over 500,000 customers by the end of 2H23.

Income’s previous parent co-operative NTUC continues to operate retail, education, F&B, and healthcare businesses in Singapore, which are separate from the operations and ownership of Income Insurance Limited.

### Top Five Insurer in Singapore Overall

The company is the fifth largest insurance company in Singapore overall, with 7.8% market share based on 2021 gross written premiums.

**Market Share of Top 5 Insurers in Singapore by Gross Written Premiums in 2021**



Source: Zero One Estimates, Insurance Edge

The company has an entrenched distribution network in Singapore comprised of over 500 brokerage and agency firms, over 800 agents, and over 200 client advisors.

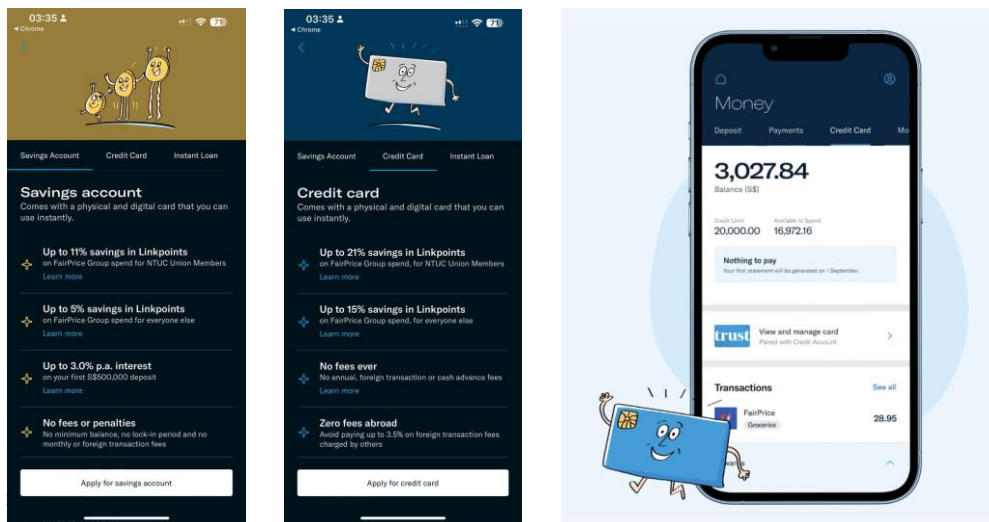
### Income’s Digital Transformation Strategy – Trust Digital Bank a Significant Win

Income’s Digital Transformation Strategy is a comprehensive plan to modernize core operations, introduce innovative business models, and expand its regional presence. It is focused on digitizing direct-to-consumer journeys for life and health insurance and retaining market leadership in non-life insurance. In the life insurance sector, an online-to-offline approach is being adopted to transform the life insurance journey of customers.

Income also wants to position itself as a significant digital player in Southeast Asia by focusing on regional expansion. This involves establishing embedded POCs with partners, potentially leading to joint ventures. Seeking partners with both life and non-life insurance licenses, the aim is to create a captive ecosystem for its products and digital platforms such as its SNACK app.

The company’s Trust Digital Bank in partnership with Standard Chartered has been a significant success, hitting 500,000 users just seven months after its 3Q22 launch. Given the success of Singlife’s app and Singapore’s Hugosave, we believe Trust Digital Bank is a proven business model for digital growth.

### Trust Digital Bank Mobile App – Savings, Credit Card Applications



Source: Zero One Research

## Current Industry Environment

### Singapore Insurance Industry Growth Drivers

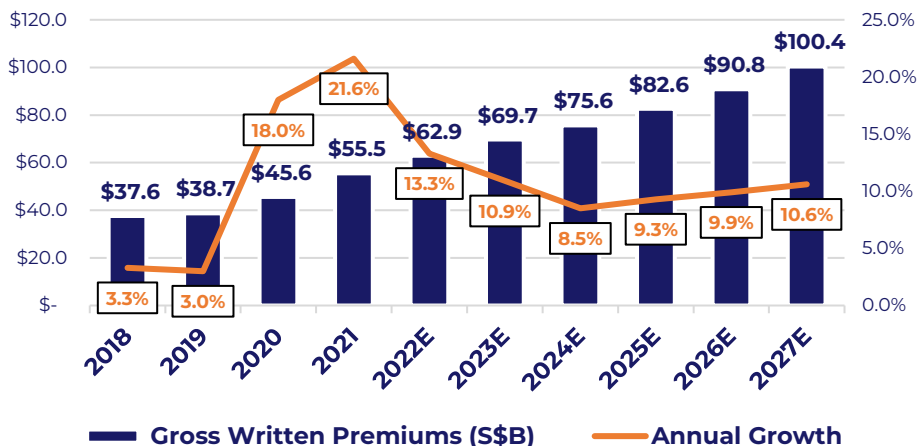
Singapore’s insurance industry has a stable growth outlook, driven by the following key drivers:

- Aging Population: Singapore’s aging population should result in higher demand for life and health insurance products, including retirement and long-term care coverage.
- Economic Development: Singapore’s growing economy will correlate with an increased demand for insurance products as individuals and businesses seek to protect their assets and manage risks.
- Increasing product penetration: Increasing education and awareness of insurance benefits as well as the adoption of technology such as insurtech solutions, should increase the penetration rate for insurance product with Singapore consumers and businesses.

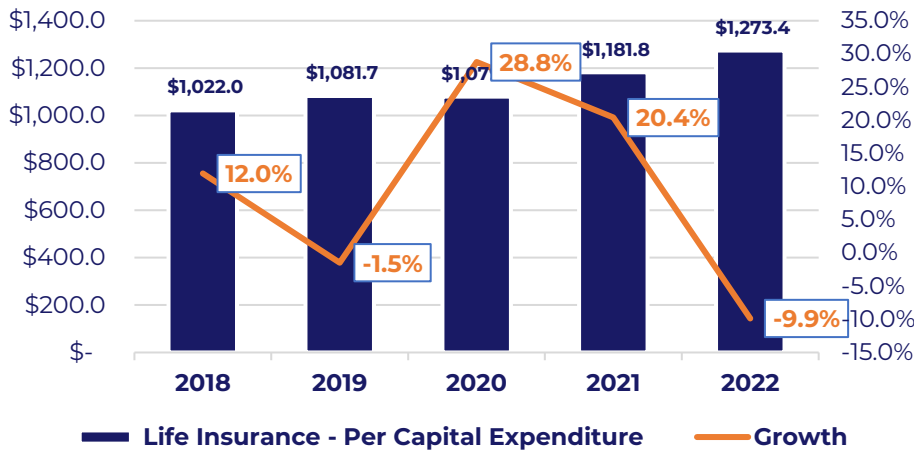
### Singapore Life Insurance Industry – Industry Environment

#### Life Insurance Gross Written Premiums and Expenditure Per Capita

Gross written premiums for Singapore life insurance have shown consistent and steady growth from 2019 through 2022. 1H23 experienced some weakness however, down 16.7% YoY. Nevertheless, gross premiums are still expected to continue growing at a high single-digit annual growth rate through 2027 at the least.



Source: Zero One Estimates, Singapore MAS, GlobalData

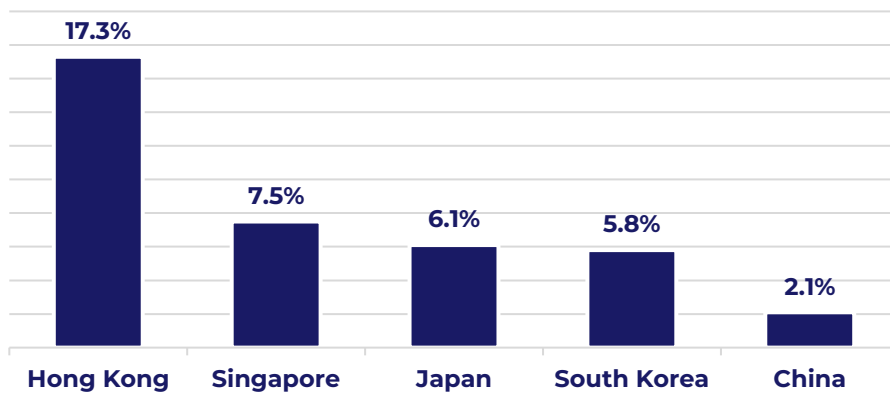


Source: Zero One Estimates, Singapore MAS

### Life Insurance Industry Penetration

Increasing penetration for insurance products a major long-term growth driver for Singapore life insurance. While Singapore ranks highly compared to many peers, Hong Kong provides an example of how much higher Singapore's penetration rate can go. Singapore's aging population will likely be a key driver here. Insurance penetration measures life insurance premiums vs. GDP.

### 2021 Life Insurance Penetration by Country



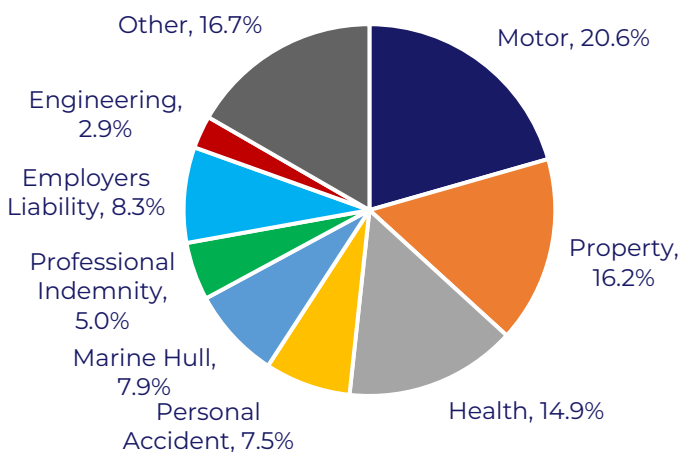
Source: Zero One Estimates, Atlas Magazine

### General Insurance Industry – Industry Environment

Due to increase in infrastructure investments and demand for health insurance post-pandemic, Singapore’s general insurance is expected to grow by 6.9% in 2023 according to Global Data. However, growth is anticipated to slow down beyond 2023 due to rising inflation and geopolitical uncertainties.

Within the general insurance sector, Motor insurance claims the largest market share at 20.6%. This is followed by Property insurance with 16.2% share, Health insurance with 14.9% share, and Employer’s Liability insurance with 8.3% share. Property insurance is a large part of the market due to the mandatory insurance requirement set by the Housing and Development Board for securing house loans, coupled with investments in infrastructure projects in the country.

**2022 General Insurance by Industry**



Source: Zero One Estimates, Singapore MAS

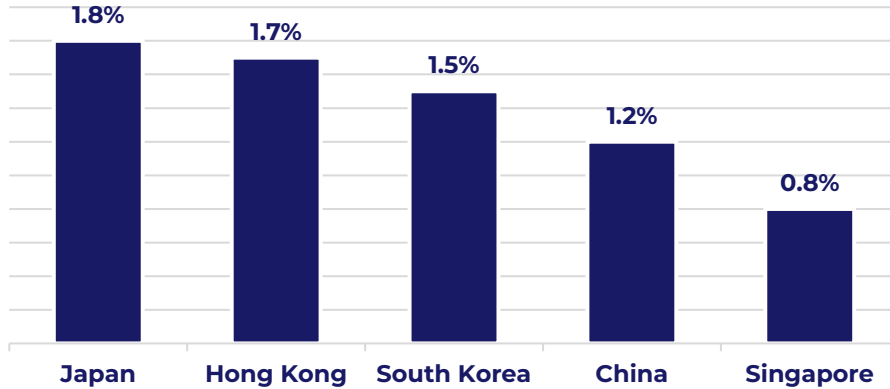
The fastest growing segments in 2022 were Personal Accident insurance, Health insurance, and Marine Hull insurance which grew 74%, 18.6%, and 18.7% YoY respectively in terms of gross premiums. Nevertheless, Property insurance grew 7.7% YoY as well.

### General Insurance Industry Penetration

In comparison to other Asia-Pacific countries, Singapore's general insurance penetration was merely 0.8% in 2022, lagging South Korea at 1.5%, Japan at 1.8%, China at 1.2%, and Hong Kong at 1.7%. This indicates substantial growth potential for general insurers in the country.

Increasing penetration for insurance products is a major long-term growth driver for Singapore general insurance as well. As shown below the penetration rate for general insurance in Singapore is relatively low compared to peers.

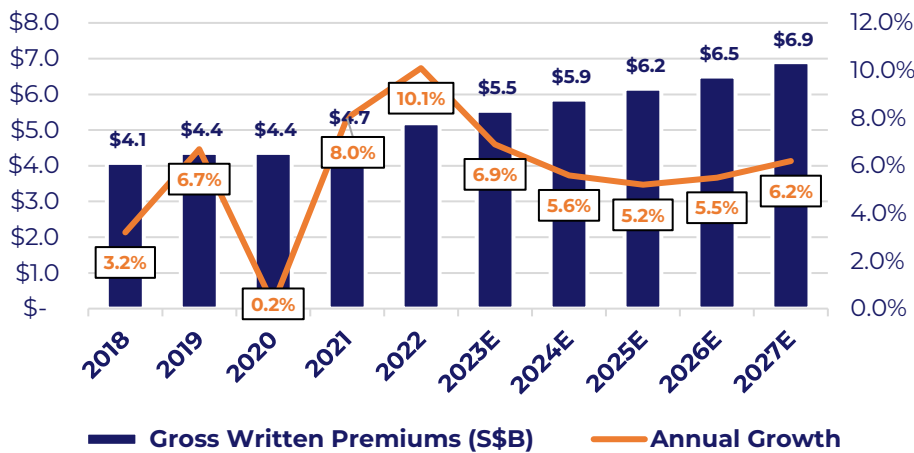
2022 General Insurance Penetration by Country



Source: Zero One Estimates, KM Business Information Australia Pty Ltd

Singapore General Insurance – Gross Business Premiums & Expenditure Per Capita

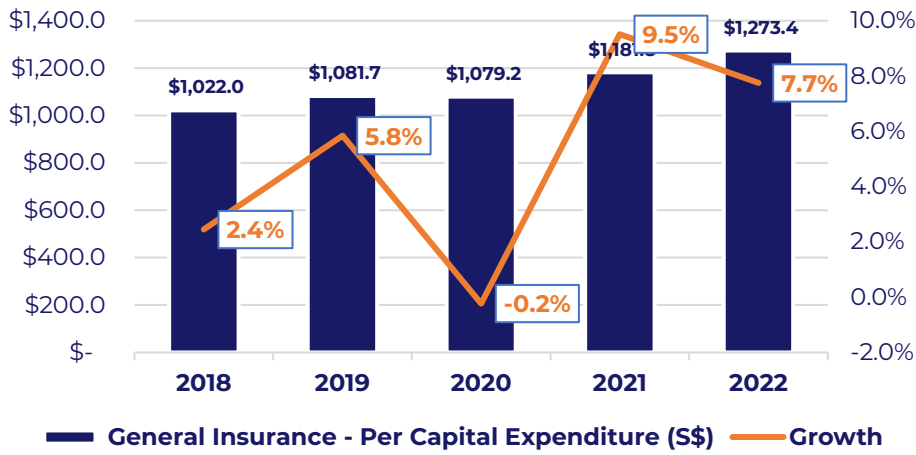
Gross premiums for Singapore’s general insurance industry exhibited 6.2% compound annual over the period 2018 – 2022, with some volatility caused by the 2020 COVID crisis followed by the strong rebound in 2021 based on data from the Monetary Authority of Singapore. Going forward, gross business premiums are expected to grow at a mid-single-digit annual growth rate through 2027E.



Source: Zero One Estimates, Singapore MAS, GlobalData

Expenditure per capita for general insurance grew to SGD \$1,273.4 in 2022 from SGD \$1,022 in 2018 according to data from the Monetary Authority of Singapore. Much of the local general insurance industry’s additional growth is expected to come from a continued increase in expenditure per capita.












Source: Zero One Estimates, Singapore MAS

## Singapore Competitors

Income Insurance enjoys an entrenched business position in Singapore; however, in this section we profile its competition. The company's largest competitors are Great Eastern Life, Manulife, Pru, and AIA.

Company	Logo	Description
HSBC Life Singapore Pte Ltd	 <b>HSBC</b>	<ul style="list-style-type: none"> <li>• HSBC Singapore is a subsidiary of HSBC Insurance Asia Pacific Holdings Limited.</li> <li>• HSBC offers personal and commercial insurance services, serving individuals, families, and businesses across Singapore.</li> <li>• In 2022, HSBC Singapore acquired AXA Singapore to expand its insurance and wealth management capabilities.</li> </ul>
AIA Singapore Pte Ltd		<ul style="list-style-type: none"> <li>• AIA Singapore is a subsidiary of the AIA Group, which is the world's second-largest insurance company and the leader in terms of market capitalization.</li> <li>• AIA Singapore provides life insurance, accident and health coverage, medical protection, as well as investment and savings plans.</li> </ul>
Prudential Singapore		<ul style="list-style-type: none"> <li>• Prudential Singapore, a subsidiary of Prudential PLC, provides life and health insurance across Singapore.</li> <li>• Prudential Singapore is the second-largest life insurer and the third-largest general insurer by market share.</li> </ul>
Singapore Life Ltd	 <b>Singlife</b>	<ul style="list-style-type: none"> <li>• Singlife was created through the merger of Aviva Singapore and Singlife in 2020.</li> <li>• The company provides medical and life insurance and lifestyle insurance such as for cars, travel, and homes.</li> </ul>
Great Eastern Life Assurance Co. Ltd		<ul style="list-style-type: none"> <li>• Great Eastern, operating under OCBC Bank, is the oldest life insurance company in Singapore.</li> <li>• Great Eastern is the top general and life insurer by market share.</li> </ul>

Tokio Marine Life Insurance Singapore Ltd	 <p>TOKIOMARINE</p>	<ul style="list-style-type: none"> <li>• Tokio Marine offers general and life insurance services across Singapore.</li> <li>• Tokio Marine is among the top 10 life insurers in the country.</li> </ul>
Manulife Singapore Pte Ltd	 <p><b>Manulife</b></p>	<ul style="list-style-type: none"> <li>• Manulife Singapore offers insurance, retirement, and wealth management services.</li> <li>• Manulife Singapore is one of the top five life and general insurers in the country.</li> </ul>

## Income Insurance Business Financials

Income, as an insurance company, makes money primarily through the premiums it collects from policyholders. The company also invests a portion of these funds to generate returns, generating investment income for the business. Additionally, careful underwriting helps manage risk, ensuring that claims paid out don't exceed the collected premiums.

### Gross Premium Income – Fell in 2022 Due to a Rising Interest Rate Environment, However the Decline was a Short-Term Cyclical Issue

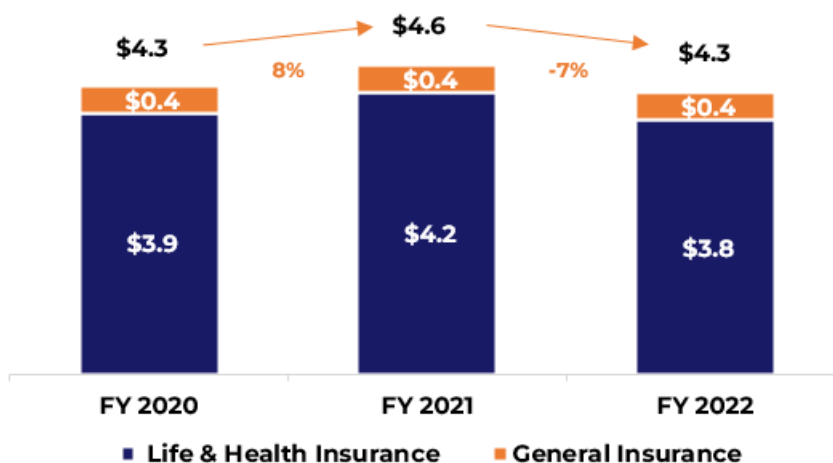
Gross premium income refers to the total premiums collected by an insurance company from all its policies, both new and existing, during a specific period. It includes premiums from all policies, whether they are new or renewals.

On the other hand, new business premiums specifically represent the premiums collected from newly issued policies within a given time frame. As a metric it focuses solely on the revenue generated from acquiring new customers and writing new insurance contracts.

In summary, while gross premium income encompasses all premiums collected including renewals, new business premiums isolate the revenue generated from newly acquired policies as a measure of new revenue.

During 2022, Income Insurance's gross premiums were SGD \$4.3 billion, reflecting a 7% YoY decrease from FY 2021. As shown below, General Insurance premiums remained steady while Life Insurance premiums declined. This decline was driven by a rising interest rate environment causing weakness for Participating Life Insurance Policies.

Gross Premiums FY 2020-2022 (\$B)

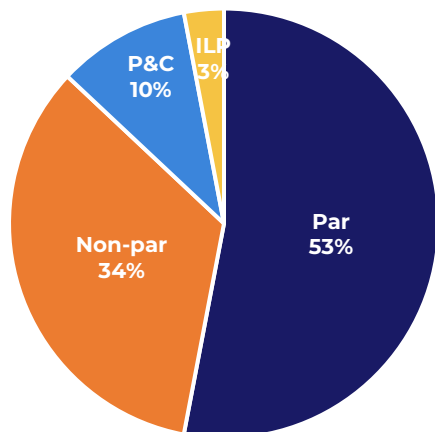


Source: Zero One Estimates, Company Data

Despite the impact of a rising interest rate environment on savings products such as Participating Life Insurance plans, the company experienced strength in parts of its General Insurance business such as Health Insurance.

Participating Life Insurance is the largest source of gross premiums for the company, accounting for 53% as shown in the chart below. This is why the rising interest rate environment in 2022 caused an overall decline in gross premiums for the company during that year.

### 2022 Gross Premiums by Segment



Source: Zero One Estimates, Company Data

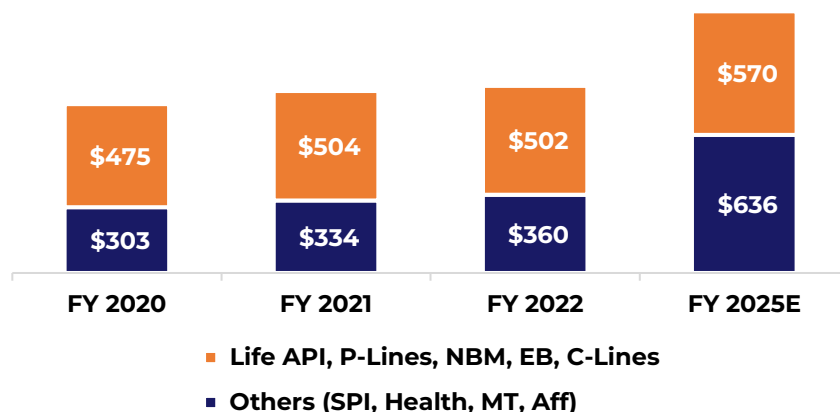
We believe that Income’s gross premium weakness of 2022 does not represent a long-term trend for the company but is rather a cyclical issue.

### New Business Premiums – Rose 3% YoY in 2022, Targeted to Rise Through 2025E

New business premiums are a better indicator of the company’s fundamental direction. We note that new business premiums increased in 2022, rising 3% YoY. 53% of new business premiums came from Property & Casualty insurance, while just 20% came from Participating Life Insurance. This was likely due to the rising interest rate environment deterring customers from these savings products during the period.

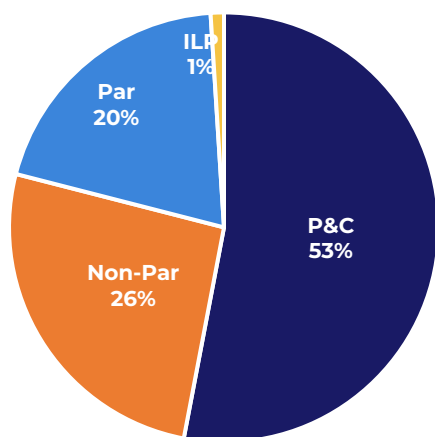
Moreover, Income Insurance targets substantial growth for new business premiums through 2025E as shown below.

**New Business Premiums (SGD '000)**



Source: Zero One Estimates, Company Data

**2022 New Business Premiums by Segment**

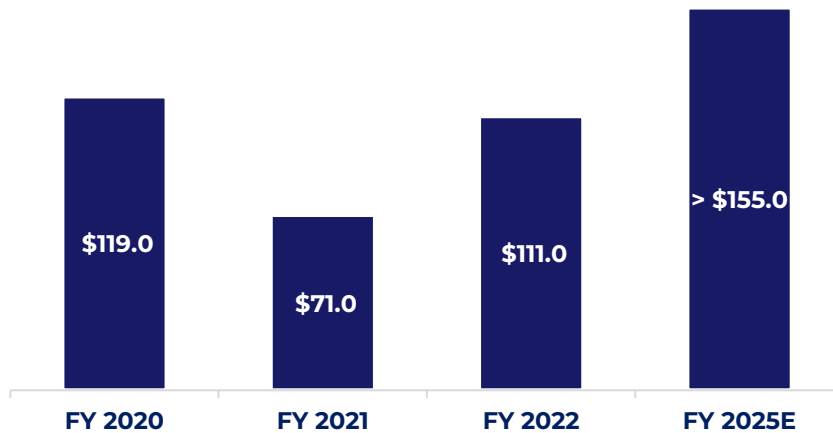


Source: Zero One Estimates, Company Data

**Operating Profit Rising**

The company’s operating profit measure, which adjusts for non-recurring items such as fair value adjustments for investments, rose to SGD \$111 million in 2022 from 71 million in 2021 and 119 million in 2020. Growth is expected to continue, with the company targeting over SGD \$155 million in adjusted operating profit by 2025E.

Insurance Op Results, IFRS4 Basis (SGD Million)



## Comprehensive Income with 2022 Estimates

Statement of Comprehensive Income	2020	2021	2022E
SGD '000			
<b>Gross Premiums</b>	<b>4,261,065</b>	<b>4,604,638</b>	<b>4,327,856</b>
Life Insurance Par Fund	1,910,476	2,328,768	2,165,754
Life Insurance Non Par Fund	1,689,128	1,627,846	1,513,897
Investment-Linked Fund	281,217	268,505	249,710
General Insurance Fund	380,244	379,519	398,495
Shareholders' Fund	-	-	-
<b>Reinsurance Premiums</b>	<b>(51,312)</b>	<b>(143,404)</b>	<b>(339,069)</b>
Life Insurance Par Fund	(19,680)	(102,785)	(252,654)
Life Insurance Non Par Fund	(4,738)	(7,866)	(14,688)
Investment-Linked Fund	(254)	(159)	(275)
General Insurance Fund	(26,640)	(32,594)	(71,452)
Shareholders' Fund	-	-	-
<b>Net Premiums</b>	<b>4,209,753</b>	<b>4,461,234</b>	<b>4,287,361</b>
Life Insurance Par Fund	1,890,796	2,225,983	2,380,415
Life Insurance Non Par Fund	1,684,390	1,619,980	1,235,076
Investment-Linked Fund	280,963	268,346	119,268
General Insurance Fund	353,604	346,925	552,602
Shareholders' Fund	-	-	-
<b>Fee &amp; Investment Income</b>	<b>3,479,902</b>	<b>196,255</b>	<b>(2,288,700)</b>
Life Insurance Par Fund	2,782,326	(108,684)	(1,589,517)
Life Insurance Non Par Fund	346,517	23,043	(180,849)
Investment-Linked Fund	179,933	158,538	(402,000)
General Insurance Fund	46,891	28,011	(23,868)
Shareholders' Fund	124,235	95,347	(92,466)
<b>Total Income</b>	<b>7,689,655</b>	<b>4,657,489</b>	<b>1,998,661</b>
Life Insurance Par Fund	4,673,122	2,117,299	790,899
Life Insurance Non Par Fund	2,030,907	1,643,023	1,054,227
Investment-Linked Fund	460,896	426,884	(282,732)
General Insurance Fund	400,495	374,936	528,734
Shareholders' Fund	124,235	95,347	(92,466)
<b>Net Insurance Benefits &amp; Claims</b>	<b>(6,774,071)</b>	<b>(3,849,356)</b>	<b>(3,549,511)</b>
Life Insurance Par Fund	(4,501,328)	(1,883,794)	(2,014,486.32)
Life Insurance Non Par Fund	(1,614,897)	(1,361,409)	(1,037,940.91)
Investment-Linked Fund	(443,959)	(405,125)	(180,060.31)
General Insurance Fund	(213,887)	(199,028)	(317,023.21)
Shareholders' Fund	-	-	-
<b>Expenses</b>	<b>(541,129)</b>	<b>(638,346)</b>	<b>(499,463)</b>
Life Insurance Par Fund	(178,135)	(223,490)	(207,845.70)
Life Insurance Non Par Fund	(120,355)	(138,741)	(129,029.13)
Investment-Linked Fund	(19,374)	(15,468)	(14,385.24)
General Insurance Fund	(129,729)	(141,146)	(148,203.30)
Shareholders' Fund	(93,536)	(119,501)	0
<b>Total Claims &amp; Expenses</b>	<b>(7,315,200)</b>	<b>(4,487,702)</b>	<b>(4,048,974)</b>
Life Insurance Par Fund	(4,679,463)	(2,107,284)	(2,222,332)
Life Insurance Non Par Fund	(1,735,252)	(1,500,150)	(1,166,970)
Investment-Linked Fund	(463,333)	(420,593)	(194,446)
General Insurance Fund	(343,616)	(340,174)	(465,227)
Shareholders' Fund	(93,536)	(119,501)	-
<b>Net Operating Surplus/Benefit</b>	<b>374,455</b>	<b>169,787</b>	<b>(2,050,313)</b>
Life Insurance Par Fund	(6,341)	10,015	(1,431,433)
Life Insurance Non Par Fund	295,655	142,873	(112,743)
Investment-Linked Fund	(2,437)	6,291	(477,178)
General Insurance Fund	56,879	34,762	63,507
Shareholders' Fund	30,699	(24,154)	(92,466)
<b>Other Items</b>	<b>1,588</b>	<b>(7,954)</b>	<b>(4,000)</b>
<b>Net Surplus/Benefit</b>	<b>376,043</b>	<b>161,833</b>	<b>(643,000)</b>
Life Insurance Par Fund	(16,619)	(266)	(1,432,433)
Life Insurance Non Par Fund	295,655	142,873	(113,743)
Investment-Linked Fund	(2,437)	6,291	(478,178)
General Insurance Fund	56,879	34,762	62,507
Shareholders' Fund	42,565	(21,827)	-



## Consolidated Statement of Financial Position

<b>Consolidated Statement of Financial Position</b>			
	2020	2021	2022
SGD '000			
<b>Assets</b>	<b>45,843,314</b>	<b>47,267,137</b>	<b>42,104,602</b>
Life Insurance Par Fund	34,078,404	34,838,571	31,797,955
Life Insurance Non Par Fund	5,449,449	5,984,575	5,103,262
Investment-Linked Fund	2,783,754	2,904,479	2,303,242
General Insurance Fund	1,491,865	1,537,315	1,324,697
Shareholders' Fund	2,039,842	2,002,197	1,609,344
Other			(33,898)
<b>Liabilities</b>	<b>41,581,877</b>	<b>42,907,415</b>	<b>38,988,819</b>
Life Insurance Par Fund	33,555,426	34,316,461	31,797,955
Life Insurance Non Par Fund	3,020,218	3,400,209	3,196,125
Investment-Linked Fund	2,717,825	2,832,259	2,251,363
General Insurance Fund	818,297	849,230	858,814
Shareholders' Fund	1,470,111	1,509,256	918,460
Other			(33,898)
<b>Net Assets</b>	<b>4,261,437</b>	<b>4,359,722</b>	<b>3,115,783</b>
<b>Share Capital Reserves</b>	<b>4,251,819</b>	<b>4,350,475</b>	<b>3,115,783</b>
Non-Controlling Interest & Other	9,618	9,427	-
<b>Total Equity</b>	<b>4,261,437</b>	<b>4,359,902</b>	<b>3,115,783</b>

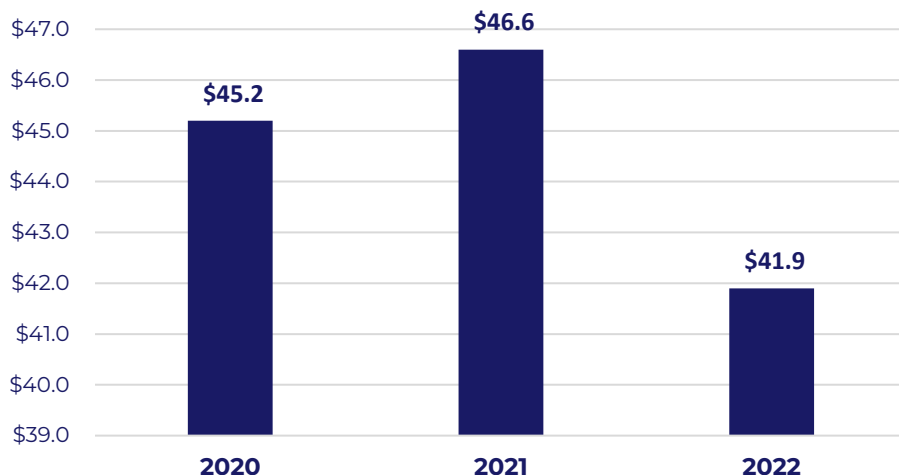
Source: Zero One Estimates, Company Data; note that 2022E full-year comprehensive income is estimated by Zero One and not a company-provided data set.

## Investment Portfolio Size & Capital Adequacy Ratio

The company's investment portfolio assets are comprised of roughly 60%+ bonds and cash, with the remaining amount split between Private Investments & Real Estate and Public Equities.

Total combined assets under management were about SGD \$42 billion in 2022, declining from SGD 46.6 billion in 2021 mostly due to fair value mark-downs caused by the rising interest rate environment.

### Investment Portfolio AUM (SGD Billion)



Source: Zero One Estimates, Company Data

### S&P Credit Rating of AA-

Income Insurance has a credit rating of AA- from S&P Global. S&P's credit report viewed Income's recent corporatization as a positive factor in its analysis. The company was said to have satisfactory capitalization and to enjoy greater business and financing flexibility as a corporatized entity.

### Capital Adequacy Ratio of 193%

Income Insurance has a capital adequacy ratio (CAR) of 193% under the RBC2 framework based on reported data. This exceeds by a wide margin the minimum required level of 120% as per Singapore's Insurance Act and Insurance (Valuation and Capital) Regulations 2004. As a comparison, Income's peer Singlife reported a CAR of 184% in its 2022 disclosed financials.

### Income Insurance – Valuation Per Share of SGD \$23

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#### Milliman Valuation Report – Anchors and Crosschecks Our Estimated Investment Valuation

A key benchmark crosschecking our valuation of Income Insurance is based on the detailed actuarial consulting report conducted by the firm Milliman in November 2023.

Milliman's valuation is comprised of two primary components:

1. **EV** – The embedded value (EV) of Income's existing portfolio as of December 2022.
2. **VNB** – The Value of New Business (VNB) for the calendar year of December 2022.

It also includes three key assumptions:

1. **RDR** – An assumed Risk Discount Rate (RDR) of 7.0%.
2. **Investment Return** – An assumed investment return of 8.10% per annum for investment holdings, which is 500 basis points above the risk-free rate of 3.10%.
3. **Tax Rate** – A corporate tax rate of 17% on company profits.

Note that in our tables below, we show Milliman's valuation estimate variations based on higher or lower RDR (applying a higher or lower estimate of risk to Income Insurance's valuation) and higher or lower investment return assumptions (applying a higher or lower estimate of the annualized investment return Income Insurance can achieve with its investment portfolio).

#### Milliman's Estimated EV Plus 1-Year VNB Equates to SGD\$4.4 Billion as a Benchmark

Based on the factors described in the paragraphs above, Milliman's actuarial valuation results in an EV for Income Insurance of SGD \$4,276.7m. We add the 2022 VNB of SGD \$80.3m to represent an additional year of value creation, to arrive at a total of SGD \$4,357m as shown in the combined sensitivity tables below.

Below we show the base case actuarial valuation calculated by Milliman plus our estimates of the sensitivity of the base case valuation to different discount rate and investment return assumptions.

		Risk Discount Rate (RDR)		
		6%	7%	8%
Investment Return	7.6%	4,459	4,161	3,942
	8.1%	4,575	<b>4,277</b>	4,057
	8.6%	4,700	4,402	4,183

Below we show a similar analysis for the 1-Year VNB portion of our estimated actuarial valuation.

		Risk Discount Rate (RDR)		
		6%	7%	8%
Investment Return	7.6%	86	62.4	46
	8.1%	103.8	<b>80.3</b>	63.5
	8.6%	123	99.8	83

Finally, in the table below we combined the two above tables to arrive at a combined actuarial valuation estimate for Income Insurance, inclusive of our estimates for the impact of different discount rate and investment return assumptions:

		Risk Discount Rate (RDR)		
		6%	7%	8%
Investment Return	7.6%	4,545	4,223.7	3,988
	8.1%	4,678.3	<b>4,357</b>	4,120.7
	8.6%	4,823	4,502.1	4,266

### Milliman Embedded Value per share

#### SGD \$41 per Share Actuarial Benchmark, However We Value Income Insurance at a Discount to This Benchmark

Using Income's total ordinary share count of 107,166,676 shares, we arrive at the following per share valuations, with sensitivity included:

EV (SGD per share)				
		Risk Discount Rate (RDR)		
		6%	7%	8%
Investment Return	7.6%	41.6	38.8	36.8
	8.1%	42.7	<b>39.9</b>	37.9
	8.6%	43.9	41.1	39.0

1-Year VNB per share:

VNB (SGD per share)				
		Risk Discount Rate (RDR)		
		6%	7%	8%
Investment Return	7.6%	0.8	0.6	0.4
	8.1%	1.0	<b>0.7</b>	0.6
	8.6%	1.2	0.9	0.8

Combined total Milliman value per share (EV + VNB) sums to SGD \$41 per share as shown below:

Combined Actuarial Value (SGD per share)				
		Risk Discount Rate (RDR)		
		6%	7%	8%
Investment Return	7.6%	42	39.4	37
	8.1%	43.7	<b>40.7</b>	38.5
	8.6%	45	42.0	40

While the above shows SGD \$40.7 per share serves as an actuarial valuation benchmark, it's important to note that our estimated investment valuation of Income Insurance shares is at a discount to this benchmark. This is based on a consideration of the realized investment market valuations achieved by other insurance companies as described in the next section.

## Valuation Consideration vs. Peer Market Valuations

### Listed Insurance Companies Trade with a Median Price to Book Value of ~1.3x and Tend to Trade at a Discount to Their Embedded Value

Below we show a comparison with peer valuations. The median price to book value (company market value divided by equity value attributable to shareholders) for the universe shown is 1.3x.

Peer Comparables Valuation Table						
Name	Ticker	Stock Market	PBV	Market Cap (SGD bn)	Embedded Value (SGD bn)	Mkt Cap / Emb Value
GREAT EAST HOLD	GE SP E	Singapore	1.13	8,236	17,895	0.46
SINGLIFE	Unlisted	Unlisted	2.22	4,600	NA	NA
AIA	1299 HK	Hong Kong	2.37	128,897	92,289	1.40
ZHONGAN ONLINE-H	6060 HK	Hong Kong	1.40	4,167	NA	NA
CHINA LIFE-H	2628 HK	Hong Kong	0.57	117,551	180,827	0.65
ALLIANZ MALAYSIA	ALLZ MK	Malaysia	0.71	939	NA	NA
LPI CAPITAL BHD	LPI MK	Malaysia	2.24	1,375	NA	NA
PRUDENTIAL PLC	PRU LN	UK	1.79	40,580	54,314	0.75
AVIVA PLC	AV/ LN	UK	1.28	20,024	NA	NA
BANGKOK LIFE ASS	BLA TB	Thailand	0.79	1,315	2,660	0.49
DAI-ICHI LIFE HO	8750 J	Japan	0.96	27,103	67,185	0.40
MANULIFE FIN	MFC CN	Canada	1.31	53,053	NA	NA
ALLIANZ SE-REG	ALV GR	Germany	1.69	138,783	NA	NA
<b>Median</b>			<b>1.31</b>			<b>0.57</b>

Source: Zero One Estimates, Bloomberg, Company Reports, Singlife Market Cap via reported potential TPG stake deal valuation and PBV using 2022 Annual Report

Many companies do not publicly report an Embedded Value figure; thus, we have fewer reference points available using embedded value as a comparison.

However, for those where an embedded value is provided, we note that many insurance companies trade with market values at significant discounts to their EV. For example, Great Eastern Holdings (GE SP) is trading with a market cap of less than 50% of its embedded value.

We believe a multiple of book value is a more reliable metric for comparing valuation vs. peers given the limited availability of embedded value metrics amongst peers. We thus use PBV as our prime valuation metric, and then compare our resulting valuation with the Milliman actuarial valuation for Income Insurance as a crosscheck.

### We Value Income Insurance based on a 40% discount to Median PBV, Equating to SGD \$23 per Share

We value Income Insurance using a 40% discount to the median price to book value (PBV) of the peer group shown above. This results in a valuation of SGD \$23 per share for the company.

We apply this discount to the peer group median valuation out of conservatism since many peers are listed on major stock exchanges. The availability of more liquid trading of shares can justify a higher valuation multiple for an investment. Many peers also have more recent book value

financial data available than Income Insurance has, due to these peers being publicly listed.

### Crosscheck – Our Valuation Implies a 43% Discount to the Milliman Actuarial Benchmark

As a crosscheck on our 40% discount variable, we note that our resulting valuation for Income Insurance also implies a 43% discount to Milliman's combined EV+1-Year VNB actuarial valuation for the company. We can compare this 43% discount to the Milliman actuarial benchmark valuation vs. Income's peer group data shown above and see that our resulting discount falls within the range of the discounts to EV many insurance peers currently trade at in the market.

### Valuation Summary Tables

Our valuation summary is shown in the following table. If we value Income Insurance using its 2022 last reported book value (Total Equity), then we arrive at a valuation of SGD \$2.47 billion, which equates to SGD \$23 per share:

Income Insurance Per Share Valuation (SGDm)	
End-2022 Reported Book Value	3,156
Peer Median PBV Multiple	1.30
Premium (Discount) to Median	-40.0%
<u>PBV Valuation Used in Income Valuation</u>	<u>0.78</u>
Income Insurance BV Per Share (SGD)	29.45
<u>Company Valuation</u>	<u>2,469</u>
<b><u>Valuation Per Share</u></b>	<b><u>23.03</u></b>
Premium (Discount) to Emb Value	-43.3%

Source: Zero One Estimates

Our valuation implies a valuation per Income Insurance customer as per below.

Income Insurance Customers (m)	1.7
<u>Valuation Per Customer (SGD)</u>	<u>\$ 1,452</u>
2021 Reported Gross Premium Income	4,605
<u>Est. GPI Per Customer (SGD)</u>	<u>\$ 2,709</u>

Source: Zero One Estimates

As an additional crosscheck on our PBV-derived valuation, our resulting valuation for Income Insurance implies a valuation per dollar of gross written premiums (GWP) that falls between the multiples that Great Eastern trades at and Singlife was valued at based on its last private round.

The business mix between Life and Non-Life insurance varies substantially between these comparisons, however we believe this additional GWP ratio

check helps justify that our valuation for Income Insurance is within a feasible range.

Gross Premiums Written (SGDm)		2022
Singlife (2022)	\$	3,480
Market Valuation / GPW		1.32
Great Eastern Holdings (2022)	\$	18,577
Market Valuation / GPW		0.45
Income Insurance (2021)	\$	4,605
Our Valuation / GPW		0.54

In the table below we show our investment valuation's sensitivity to higher or lower PBV multiple assumptions achievable in the market as a valuation as well as a higher or lower book value assumption for Income Insurance.

		PBV Multiple				
		0.63	0.70	0.78	0.86	0.94
Book Value Change	-20.0%	14.7	16.6	18.4	20.3	22.1
	-10%	16.6	18.7	20.7	22.8	24.9
	0.0%	18.4	20.7	<b>23.0</b>	25.3	27.6
	10%	20.3	22.8	25.3	27.9	30.4
	20.0%	22.1	24.9	27.6	30.4	33.2



## Income Insurance Management Team

Name and Position	Credentials
Andrew Yeo CEO	<ul style="list-style-type: none"> <li>Occupied many senior management roles in the insurance industry over the past 23 years, including 5 years in Vietnam</li> <li>Has been with Income for 8 years, serving as the CEO for the last 4 years</li> </ul>
Susan Ong GM - Corporate Business	<ul style="list-style-type: none"> <li>Worked at AXA for 19 years before working at Income</li> <li>Dedicated the last decade heavily involved in the corporate business</li> </ul>
Jeffrey Tan GM - Financial Management	<ul style="list-style-type: none"> <li>Previously served as the Head of Planning &amp; Risk Management, Insurance at Fortis</li> <li>Joined MuangthaiLife as Deputy CFO and later assumed the role of CIO</li> <li>Before joining income in 2021, held the position of Regional Director in Investment Management &amp; Corporate Finance at Ageas</li> </ul>
Andrew Ho Chief Legal & Compliance Officer	<ul style="list-style-type: none"> <li>Former Head of Legal at Bank of Merrill Lynch and Paypal and Project Manager overseeing license applications for payment providers at MAS</li> <li>Joined Income in 2022</li> </ul>
Fabian Ng GM - Consumer	<ul style="list-style-type: none"> <li>Has 33 years of experience in the banking and finance industry</li> <li>Recently lead Bancassurance at DBS bank</li> <li>Currently heading Income's Consumer business for the last 4 years</li> </ul>
Peter Tay GM - Digital Business	<ul style="list-style-type: none"> <li>Has been at Income for more than 15 years</li> <li>Held significant positions including head of Corporate Office, Chief Operating Officer, and Chief Digital Officer</li> </ul>
Theresa Nai Chief Operating Officer	<ul style="list-style-type: none"> <li>Formerly served as Chief Operating Officer at Prudential for a decade before joining Income</li> <li>Brings extensive experience in implementing growth and operations strategies through digitization, standardization, and simplification</li> </ul>
Dhiren Admin Chief Customer Officer	<ul style="list-style-type: none"> <li>Previously served as Chief Marketing Officer at Kraft Heinz for 5 years before joining Income as the CMO in 2022</li> </ul>

	<ul style="list-style-type: none"> <li>Subsequently, in 2023, became Chief Customer Officer to emphasize Income's commitment to prioritize customer interests</li> </ul>
Ury Oliver Gan Chief Financial Officer	<ul style="list-style-type: none"> <li>Former Chief Financial Officer at QBE Hong Kong</li> <li>Former Director of Planning and Forecasting at Prudential Asia</li> <li>Former Finance Director at RSA</li> </ul>
David Chua Chief Investment Officer	<ul style="list-style-type: none"> <li>Former Chief of Staff and Chief Investment Officer at Prudential</li> <li>Vice President (Investment) at Ergo Group AG</li> </ul>
Colin Chu Chief Strategy Officer	<ul style="list-style-type: none"> <li>Chartered P&amp;C Underwriter and former Head of Distribution in Singapore at Liberty insurance</li> <li>Formerly held the position of Regional Head of Strategy and Transformation in Asia at Liberty mutual Insurance</li> </ul>
Chen Book King Chief Technology Officer	<ul style="list-style-type: none"> <li>Started at Income in 2017 as the Head of Digitisation, and became a CTO in 2018</li> <li>Before joining Income, held various senior positions at NCS Group and was briefly with EY's Advisory Services</li> </ul>
Lau Sok Hoon Chief Actuary	<ul style="list-style-type: none"> <li>Appointed Actuary after working for 15 years at Prudential before becoming the Vice President for Group &amp; Health of Income</li> <li>Subsequently, in 2014, was appointed as the Chief Actuary at Income</li> </ul>
Mark Shi Chief Risk Officer	<ul style="list-style-type: none"> <li>Former Chief Investment Officer, Head of Investment Strategy of the Investment Department, and Head of Capital and Solvency Management of the Risk Management department at Income</li> </ul>
Angie Ng Chief People Officer	<ul style="list-style-type: none"> <li>Experienced Human Resources Practitioner in the insurance sector, having held key HR roles at Manulife and AIA prior to joining Income</li> </ul>
Alvin Lim Chief Internal Auditor	<ul style="list-style-type: none"> <li>Chartered accountant and former Audit Manager at KPMG, with previous auditing experience at banks such as DBS, Deutsche Bank, and Standard Chartered Bank.</li> <li>Former Head of BRCM and HSBC prior becoming the Chief Internal Auditor in the last 6 years</li> </ul>

## Select ESG Credentials for Consideration

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We highlight the following select ESG credentials for consideration related to the UNDP Sustainable Development Goals (SDG) framework.

- **SDG #15 – Climate Action:** The company has committed to becoming net zero for greenhouse gas emissions by 2050. Given that a financial business doesn't inherently produce a lot of greenhouse gas emissions, we believe that Income could ideally have a more near-term timeline to achieve net zero. Globally, many insurance companies have committed to earlier net zero timelines.
- **SDG#4 – Quality Education:** Via its OrangeAid program, the company has committed to investing \$100 million over 10 years for youth education, senior citizens' education, and the environment. The company also exhibits significant effort to improve the financial understanding and wellness of its customers.
- **Responsible Investments:** The company's EFM's are all PRI signatories and TCFD supporters. The company has also set a target to have no coal-related investments by 2030. We believe this is a relatively rapid timeline target for the company.

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