MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to convey our management's perspective on our financial condition, results of operations and cash flow as of and for the years ended December 31, 2019, 2020 and 2021, as measured in accordance with TFRS. You should read the discussion and analysis below in conjunction with our audited financial statements, together with each of their related notes, included elsewhere in this Offering Circular. You should also read the section entitled "Selected Financial and Other Information". Our historical results presented in this Offering Circular do not necessarily indicate results expected for any future period. Although the following discussion is based on assumptions we consider reasonable, our actual results may differ materially from any forward-looking statements described or implied herein.

OVERVIEW

We are the largest domestically-founded Thai life insurance brand based on total premium revenues for the year ended December 31, 2020 and the eleven months ended November 30, 2021, according to TLAA. Our operation can trace its roots back more than 80 years. Founded in January 1942, we were the first life insurance company in Thailand owned and operated by Thai nationals. We have successfully developed the Thai Life brand into a brand that is well-regarded as one of the top insurance providers in Thailand, with a high level of brand recognition. The Thai Life brand symbolizes an optimistic partner for all with insightful expertise, passion for the good, realistic vision and dedication.

We achieved gross written premiums of Baht 92,039.37 million, Baht 91,269.12 million and Baht 90,451.49 million for the years ended December 31, 2019, 2020 and 2021, respectively. Our total revenue for the same periods was Baht 108,388.70 million, Baht 107,642.26 million and Baht 109,246.02 million, while our net profit was Baht 6,777.35 million, Baht 7,692.32 million and Baht 8,393.52 million, respectively. As of December 31, 2019, 2020 and 2021, we had total assets of Baht 457,638.10 million, Baht 494,045.20 million and Baht 533,706.29 million, respectively.

BASIS OF PRESENTATION

Our financial statements are prepared in accordance with TFRS, guidelines promulgated by the TFAC, and the OIC Notification on Preparation and Submission of the Financial Statements. The OIC Notification is effective for the annual periods beginning on or after January 1, 2020. We have consistently applied significant accounting policies throughout the years ended December 31, 2019, 2020 and 2021, except that we have adopted the new and revised TFRS and the OIC Notification on Preparation and Submission of the Financial Statements that became effective for annual periods beginning on or after January 1, 2018 as described below.

TFRS 4 *Insurance Contracts (revised 2019)* allows insurance entities that meet certain conditions to temporarily use the deferral approach to TFRS 9 *Financial Instruments* and TFRS 7 *Financial Instruments: Disclosures* and to instead apply the Accounting Guideline: Financial Instruments and Disclosure for insurance entities (the "**Accounting Guideline**") until TFRS 17 *Insurance Contracts* becomes effective. Having met such conditions as specified in TFRS 4 *Insurance Contracts (revised 2019)*, we have selected to apply the Accounting Guideline from January 1, 2020. At the same time, we also adopted TAS 32 *Financial Instruments: Presentation* ("**TAS 32**"). We adopted the Accounting Guideline and TAS 32 by adjusting the cumulative effects to retained earnings and other components of equity from January 1, 2020. We did not adjust the information presented for 2019.

The Accounting Guideline introduces a forward-looking expected credit loss model whereas in the previous periods we estimated allowance for doubtful accounts by analyzing payment histories and future expectations of customer payments. The Accounting Guideline requires considerable judgment about how changes in economic factors will affect expected credit loss on a probability-weighted basis. However, our classification, measurement and presentation of financial assets may differ from what we would have presented had we adopted TFRS 9.

We have also initially applied TFRS 16 *Leases* to our financial statements from January 1, 2020 onwards on contracts previously identified as leases according to TAS 17 *Leases* using the modified retrospective approach.

Previously, as a lessee, we recognized payments made under operating leases as profit or loss on a straight-line basis over the term of a lease. As of January 1, 2020, we recognize right-of-use assets and lease liabilities which change the nature of expenses related to those leases as we recognize depreciation of right-of-use assets and interest expense on lease liabilities.

We are not required to restate our financial statements as of and for the years ended December 31, 2019 to reflect the impact of the Accounting Guideline, TAS 32 and TFRS 16. As a result of the foregoing, our financial condition and results of operations as of and for the year ended December 31, 2020 and 2021 are not prepared on a fully comparable basis with respect to the financial information for earlier dates and periods presented in this Offering Circular and our historical performance and trends may not be a good indicator of our future performance. See Notes 3 and 35 to the 2020 Financial Statements for more details.

In addition, we changed the presentation of our financial statements and notes thereto to comply with the OIC Notification on Preparation and Submission of the Financial Statements. Certain line items in our financial statements as of and for the year ended December 31, 2019 have been reclassified in light of this notification to conform to the presentation in our financial statements as of and for the years ended December 31, 2020 and 2021. See Note 34 to the 2020 Financial Statements for more details. Certain additional line items in our financial statements as of and for the year ended December 31, 2020 have also been reclassified to conform to the presentation in our financial statements as of and for the years ended December 31, 2021. See Note 31 to the 2021 Financial Statements for more details.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The effects of COVID-19

Around the world, the outbreak of the COVID-19 has had wide-ranging effects. In Thailand, the Thai government has taken measures to contain the COVID-19 outbreak, including restrictions on travel, curfews, temporary business closures and cancellations of gatherings and events. Disruptions to travel and tourism, the retail and service sectors, global supply chains and other business activities has contributed to job losses and companies going bankrupt or out of business. The economy has been significantly and negatively impacted and financial markets have seen periods of material volatility.

Economic downturns generally result in lower interest yields and declines in securities prices, which can negatively affect our net investment income. Such downturns also tend to adversely affect customer demand for our insurance products. Due to reduction in household and individual incomes, policyholders may choose not to purchase new policies or expand existing coverages, defer paying insurance premiums, cancel their insurance policies or otherwise stop paying insurance premiums altogether. Comparing 2020 against 2019, the impact from the COVID-19 outbreak and the low-yield environment caused our total premium revenues to decline by 0.8% while that of the industry declined 1.8% year-on-year. In response to the low interest rate environment, we have shifted strategies regarding our products, distribution, people and technology. For example, we are promoting products that are less sensitive to movements in interest rates, including investment-linked, new participating and health protection products rather than products that offer high guaranteed returns only. We also look to expand our distribution channels with our digital platforms and online marketplace operators. Additionally, because of the pandemic, we are specifically increasing our digital efforts to remain accessible to customers while face-to-face interactions decrease in light of government lock-down measure, temporary branch closings, our new work-from-home policies and general social distancing needs.

Depending on the spread of the virus and its effect on the socio-economic situation, benefit payments may also increase as a result of increases in health issues or mortality rates. As of the date of this Offering Circular, the COVID-19 outbreak has not significantly impacted our claim experience. Claims related to the COVID-19 virus have generally been from customers who purchased health or hospital benefit riders. However, the increase in volumes of these claims was offset by the reduction in other medical claims as the public avoided visiting hospitals during the outbreak. Our loss ratio related to medical claims also decreased, from 5.8% for the year ended December 31, 2019 to 5.1% for the year ended December 31, 2021. Benefits payments and insurance claims expenses related to COVID-19 amounted to Baht 1.6 million and Baht 899.6 million for the year ended December 31, 2020 and 2021, respectively, representing 0.04% and 19.47% of our overall medical claim expenses for those periods.

Macroeconomic conditions in Thailand

Our business and profitability are affected by general economic conditions. Economic growth trends, household savings rates, consumer attitudes towards financial savings and changing demographics are some of the key factors affecting the performance of Thailand's life insurance industry. Fluctuating foreign exchange rates and other global economic developments often have an impact on general economic conditions in Thailand as well. For example, positive trends in Thailand's economic conditions have historically had a favorable impact on the demand of our products. From 2010 to 2019, Thailand's GDP expanded at a CAGR of 3.2%. From 2016 to 2020, GDP per capita CAGR for Thailand was 4.6%. Moreover, Thailand's unemployment rate between 2010 and 2019 was relatively stable at approximately 1%. This was lower than the unemployment rate observed in Vietnam, Indonesia, Malaysia, Singapore, Japan, China, and the United States, among other countries. As a consequence of the positive economic conditions, our company's gross written premiums grew at a CAGR of 10.7% between the years 2010 and 2019. In contrast, in light of COVID-19, Thailand's GDP fell 6.1% in 2020 and Thailand's total premium revenues recorded a 1.8% decrease compared to 2019 while our total premium revenues fell 0.8%. If economic conditions in Thailand deteriorate, higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending would adversely affect the demand for some of our products.

Interest rate volatility

Some of our insurance products and our investment returns are sensitive to interest rate fluctuations. Given that a majority of our investment portfolio is held in debt securities, our investment income should increase in periods of rising interest rates. However, this may also reduce the market value of our investment portfolio, resulting in realized and unrealized losses on our existing investments. Rising interest rates may also lead to an increase in surrenders of existing policies and annuity contracts if policyholders perceive competing products to have better returns. This may require the sale of invested assets at a time of declining prices, which may lead to realized losses.

Alternatively, a decline in interest rates could result in reduced returns on our portfolio of debt securities and a decline in profitability. However, declining interest rates could also result in an increase in realized and unrealized gains on our existing investments. During sustained periods of declining interest rates, our average investment yield will decline when our maturing investments are replaced with others that provide lower yields. In particular, to take advantage of the lower interest rate environment, issuers may redeem debt investments we hold. In addition, because our premiums are generally calculated based on a fixed assumed investment yield, lower interest rates could reduce our profitability if the yield on our investment portfolio decreased while our income from premiums remained unchanged. Furthermore, some of our life insurance products provide guaranteed returns to policyholders. Declines in market interest rates could reduce the spread between the rate of return we are able to earn on investments intended to support our obligations and the amounts that we are required to pay under these policies. As a consequence of the low interest rate environment, we continue to direct efforts toward our strategy of replacing and repricing such products to maintain our profitability and shifted our product strategy to focus on products that are less sensitive to movements in interest rates and more profitable, namely, investment-linked, new participating and health protection products. From 2019 to 2021, our average yield on investments in debt securities and loans was 3.75% (higher than the average ten-year government bond yield in the same period of 1.71%). As a result of the shift of focus on products that are less sensitive to interest rate volatility, our value of new business for the year ended December 31, 2021 was nearly four times less sensitive to adverse interest rate movements compared to sensitivities tested on a comparable basis on our value of new business for the year ended December 31, 2020. Our value of new business margin for the year ended December 31, 2021 also increased significantly to 49.1% compared to 17.3% for the year ended December 31, 2020.

Fluctuations in equity markets

Equity securities represented 12.2%, 11.1%, and 14.1% of our investment assets' total carrying value as of December 31, 2019, 2020 and 2021, respectively. Changes in equity markets may affect our investment returns and our overall results of operations. In particular, we bear the risks associated with investments that back products that are not unit-linked.

In periods of protracted or steep declines in the equity markets, surrenders may increase with customers shifting to other products. Additionally, because customers may be reluctant to commit to new investment-linked policies in times of uncertainty or market volatility, sales of investment-linked products typically decrease during such periods.

Regulatory environment

Our operating activities are subject to certain government regulations. These regulations impact our corporate structure, capital requirements, product designs, distribution channels, and investment guidelines, among others. In addition, our businesses and personnel are subject to the stringent supervision and audit of regulatory authorities. Over time, Thai regulations have become increasingly complex and stringent. Though we expect this trend to continue, we have a dedicated team that regularly studies the implications of evolving government legislation, regulations, and policies to adapt our strategies and operations to ensure we comply with such changes.

Changes in government policy, legislation, regulatory interpretation or enforcement applicable to us or our partners in any of our current or proposed markets may lead to a significant increase in compliance obligations and/or costs. For example, after December 31, 2019, if the capital adequacy ratio of a life insurance company falls below 120%, the OIC may intervene and implement appropriate measures to oversee the operations of such company. From January 1, 2022, the threshold for such OIC's intervention has increased to 140%. Though we have consistently maintained a capital adequacy ratio significantly higher than the minimum regulatory requirements imposed (our capital adequacy ratio was 355.22% as of December 31, 2021), compliance costs can be significant as we carry out sensitivity analyses for our capital adequacy ratio as part of our annual business planning process. If we fail to meet relevant regulatory requirements, we may be subject to regulatory sanctions, penalties, and fines, depending on the degree of the deficiency. In particular, failure to maintain an adequate capital adequacy ratio could result in direct government intervention or injunction for business expansion or revocation of the insurance business license.

Additionally, regulatory changes could affect our profitability by limiting our revenues. Certain of our products may become subject to additional pricing restrictions. For example, the OIC recently issued a regulation governing the terms and conditions of health insurance products that came into effect in November 2021. The new regulation is intended to standardize standalone health insurance issued by non-life insurance companies and health insurance riders issued by life insurance companies, requiring us to adjust the terms and conditions of our health riders and recalibrate our pricing and sales strategies for certain products. Government rules may also affect our investment options. Such restrictions could potentially limit our ability to diversify investment risks and improve returns on our investment portfolio. However, the flexibility permitted under the OIC's latest stance promises to be a positive change. In light of COVID-19, insurers may now generate higher returns because the OIC has relaxed both the scope of what investments insurers can participate in as well as the extent to which they can invest in certain assets.

Pricing, persistency and claims experience

Effective pricing of our products affects our business and results of operations. Pricing of our products involves an analysis of historical data, various assumptions and estimates related to our insurance reserves, future investment returns and our expense management, an application of appropriate pricing methodologies and ongoing monitoring to recognize changes in risk trends to forecast severity and frequency of losses. Such assumptions and estimates are based on our management's assessment of information available to us, but the ability to accurately price insurance products is subject to a number of assumptions relating to factors outside our control, including the availability of sufficient data. In 2019 and 2020 and the eleven months ended November 30, 2021, we remained competitive in terms of pricing as we secured 15.07%, 15.21% and 14.32% of total market share in terms of total premium revenues, respectively.

Pricing has a major impact on our persistency and claims experience. Both our persistency experience and our claims experience also vary over time and from one type of product to another, and our persistency and claims experience may vary from the assumptions that we make when we design and price our products. Maintaining a high level of persistency is important to our results of operations. As of December 31, 2019, 2020 and 2021, our 13th month persistency ratios were 84.5%, 84.5% and 88.6%, respectively.

Conversely, our claims experience affects our profitability in terms of costs, with benefits payments and insurance claims expenses comprising 51.20%, 51.11% and 54.46% of our expenses for the years ended December 31, 2019, 2020 and 2021, respectively.

Persistency experience may also be impacted by changes in consumer sentiment or policyholder behavior, the relative competitiveness of our products, changes in regulations and the investment performance of our funds, among other factors, while our claims experience may also be impacted by changes in mortality, morbidity and other factors.

Competition

Competition impacts our policy acquisition costs, our operating expenses, the growth of our customer base, our market share and our margins and spreads. We compete for business on the basis of various factors, including coverage offered, product features, price, quality of customer service, distribution network, relationships with partners, reinsurers and others, brand recognition, size of operations, operating efficiency, financial strength and credit ratings. Though technology disruption may impact our industry, barriers to entry are relatively high given large capital requirements and other regulatory limitations. Some of our competitors may offer higher commissions or more attractive rewards to agents and other distribution intermediaries or offer customers similar products at lower prices. However, our agency channel remains one of the strongest in the market. According to TLAA, we contributed 16.2% to the industry's total agency annual premium equivalent[1] in the eleven months ended November 30, 2021.

We may see more consolidation in the life insurance sector, which could lead to our competitors attaining increased financial strength, management capabilities, resources, operational experience, market share, distribution channels and capabilities in pricing, underwriting and claims settlement. In addition, closer alignment between the insurance and banking industries may incentivize some of our partners to distribute insurance products of their affiliates rather than our products. Moreover, we may also compete indirectly against banks, investment management firms and mutual fund companies, among others. This is because consumers may evaluate our offerings against certain financial products these firms provide, as well as against real estate, gold and other alternative investments.

Seasonality

We are subject to seasonal fluctuations in our results of operations and cash flow. Consequently, our results for an interim period should not be used as an indication of our annual results. Insurance volumes typically increase significantly around December, as customers often avail themselves of the personal income tax advantages that life insurance products offer. We also typically experience higher sales in the last month of each quarter as campaigns we introduce to promote sales among agents and other sales force usually conclude at the end of the relevant quarter. In addition, as we evaluate the sales performance of our staff on a half-yearly basis, we generally see an increase in sales at the end of the first half of the year and year-end.

Environment, Society and Governance ("ESG")

The insurance industry increasingly places significance on sustainability to respond to customers' demand for products that consider ESG elements. Therefore, it is necessary for us to incorporate ESG principles into our business strategies, product design, risk management, business alliances, investments, and corporate social responsibility to maintain competitiveness. We are in the process of adopting various ESG policies and implementing ESG concepts in our operations. For instance, we design and develop products that promote well-being and embed ESG considerations into our investment analysis. Our ESG investments primarily consider the "three Rs" principles: Risks, Returns, and Real Impact (on the development of society or environment). We aim to promote transparency and sustainability in our operations and consider all stakeholders involved in the value chain, including employees, business partners, society, and the environment.

If we are unable to follow the ESG policies and guidelines that we set, such failure may have a negative effect on us. For example, our reputation may be jeopardized if we are unable to maintain investment alternatives that answer to customers' ESG demand. As a result, customers may refrain from purchasing our life insurance products or renewing their existing policies with us, which may, in turn, affect our renewal premiums and new business premiums. In addition, the adoption of ESG-related policies and concepts may narrow our investment options. Nevertheless, we believe that the adoption of ESG-related practices will benefit us in the long term in that it will enable us to become one of the key players in sustainable business in Thailand and reinforce our leadership in the life insurance business.

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[1] TLAA does not report the industry's annual premium equivalent and only provides the industry's first year premiums and single premiums. Industry's annual premium equivalent is derived from 100% of industry's first year premiums plus 10% of industry's single premiums. Industry's annual premium equivalent is not directly comparable to ours. Industry's first year premiums that are used for the calculation of industry's annual premium equivalent are recognized when premiums are received at the point of annual premium equivalent calculation while first year premiums that we use for our calculation of annual premium equivalent recognize premiums on an annualized basis.

CRITICAL ACCOUNTING POLICIES

Classification of insurance and investment contracts

TFRS 4 requires contracts written by insurers to be classified either as insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts under which we accept significant insurance risk from a given policyholder by agreeing to compensate the policyholder or other beneficiaries if a specified uncertain future event which adversely affects the policyholder or other beneficiaries (an "**insured event**") occurs. Once a contract has been classified as an insurance contract, it remains so classified for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Investment contracts are those that transfer financial risk with no significant insurance risk. We define significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than the benefits payable if the insured event did not occur.

The deposit component of an insurance contract is unbundled when both of the following conditions are met: (i) the deposit component, including any embedded surrender option, can be measured separately (i.e. without taking into account the insurance component); and (ii) our accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component. Under the above criteria, we decided to unbundle the deposit components of our unit-linked contracts.

Recognition and measurement of insurance contracts

Premiums due and uncollected

Premiums due and uncollected are stated at net realizable value. The allowance for doubtful accounts is assessed primarily with an analysis of payment histories, our future expectations around customer payments and the status of premium receivables. Bad debts are written off when incurred.

Premiums due and uncollected for individual policies represents those amounts that remain unpaid but are within grace periods we have set. For individual policies, the grace period is 31 days after a given due date. For policies that are overdue and remain outstanding after the grace period, the premiums due and uncollected will be settled by granting automatic premium loans where the cash surrender is greater than the amount due. In light of the OIC's COVID-19 pandemic relief measure guidelines, we have extended a grace period for 60 days for all policies under which the original grace period had lapsed between February 27, 2020 and June 30, 2020 and, upon request, have extended a grace period for 60 days for policies under which the original grace period had lapsed between July 1, 2020 and June 30, 2022. In respect of group policies, the credit term is 30 to 60 days.

Long-term technical reserves

Long-term technical reserves are liabilities for insurance contractual benefits and claims that are expected to be incurred in the future. Long-term technical reserves are recorded when the premiums are recognized and are released when benefits and claims are incurred. We calculate long-term technical reserves using the net level premium valuation method. Each liability is measured using assumptions, including mortality, morbidity and discounted interest rates considered to be appropriate for the policies in force. For unit-linked contracts, unit reserves are determined based on the value of the underlying asset backing the units relating to the policies and non-unit reserves are calculated based on the unearned cost of insurance.

Loss reserves and outstanding claims

Loss reserves and outstanding claims comprise provisions for our estimate of the ultimate cost of settling all claims incurred but unpaid at a given reporting date, whether or not reported, and any related claims handling expenses for short-term insurance contracts. Provisions for insurance claims are assessed based on our experiences as well as historical data. Using actuarial methods, we make allowances for claims incurred but not yet reported.

Premium reserve

Premium reserve is unearned premium reserve and is calculated using written premiums for short-term insurance contracts and group insurance in accordance with the pattern of risk underwritten or a pro rata basis of the premium based on the remaining duration of each policy.

Unexpired risks reserve

Unexpired risks reserve is the reserve for claims which may occur under in-force policies. Unexpired risks reserve is set aside using an actuarial method. Based on historical claims data, this reserve is calculated as the best estimate of the claims expected to occur during the remaining coverage periods. At the end of a reporting period, we compare the amount of unexpired risks reserve with unearned premium reserve. If unexpired risks reserve is higher than unearned premium reserve, the difference is recognized as unexpired risks reserve in the financial statements.

Unpaid policy benefits

Unpaid policy benefits represent claims and benefits payable to policyholders in relation to deaths, surrenders, dividends, maturities and policyholder deposits in respect of dividends and maturities, including related interest and other benefits. Unpaid policy benefits are recognized at cost.

Due to insured

Due to insured consists of advance premiums received from an insured party and any other money we have to pay to them other than a policy benefit. Due to insured is recognized at cost.

Premium written and premium earned

For short-term insurance contracts, premium written is recognized on the inception date and is presented gross of premium ceded and commissions and brokerage expenses. Premium earned comprises premium written during the year and changes in unearned premium reserves from the previous year. This revenue is recognized proportionally over the period of coverage.

For long-term insurance contracts, first year premium written is recognized as revenue when the insurance policy is effective (or premium is received and insurance policy is approved). Renewal premium income is recognized as revenue when each premium is due and is estimated with our historical lapse experience taken into account. First year premium written and renewal premium income are presented gross of premium ceded and commissions and brokerage expenses. Premium received in advance is not recognized until the due date.

Commission and brokerage expenses

Commissions and brokerage expenses are recognized as expenses when incurred.

Benefits and claims expenses

Benefits and claims expenses consist of benefits, claims and losses, adjustments paid during the years, net of subrogation recoveries and charges in provision for short-term insurance claims. These benefits and claims expenses are recognized as expenses when they are incurred or approved or notified or when benefits are due as stipulated in the insurance policy terms.

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve us from our direct obligations to policyholders. Premium ceded, reinsurer's share of unearned premium reserve, commission income and benefits, claims and loss adjustment expenses recovered from reinsurers are recognized as expense or revenue in accordance with the pattern of reinsurance service received when incurred. An asset or liability is recognized in the statement of financial position representing reinsurance receivables, reinsurers' share of insurance contract liabilities and reinsurance payables. The net amount is presented in the statement of financial position only when we have a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Reinsurers' share of insurance contract liabilities are deemed impaired if there is an objective evidence, as a result of an event that occurred after its initial recognition, that we may not recover all amounts due and that the event has a reliably measurable impact on the amounts that we will receive from the reinsurer.

Insurance liability adequacy test

For short-term insurance contracts, the insurance liability adequacy test compares our best estimate of future insurance contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims on policies in force at the reporting date. The estimation is performed by using an actuarial method based on historical claim and expense experience. Where an expected shortfall on reserves is identified, additional provision is made for unearned premium reserves or loss reserves and recognized as profit or loss.

For long-term insurance contracts, the insurance liability adequacy test compares our best estimate of future insurance contractual cash flows using current assumptions with the carrying amount of gross insurance contract provisions for long-term technical reserves. Where an expected shortfall on reserves is identified, additional provision is made for long-term technical reserves and recognized as profit or loss.

An additional provision for liability inadequacy, for policies in force at the reporting date, is made where (i) reserves calculated using the gross premium valuation method under the best estimate basis is higher than (ii) liabilities calculated using the net level premium valuation method. The test is performed using the aggregation of the total insurance contract liabilities, including loss reserves and outstanding claims and premium reserves.

When performing the insurance liability adequacy test, the assumptions used in gross premium valuation are in accordance with the Notification of Office of Insurance Commission regarding Assessment of Assets and Liabilities of Life Insurance Company B.E. 2562, except for discounted interest rates, where we instead use the adjusted current risk-free interest rate.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are initially recognized on trade dates. A financial asset and financial liability are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue, except for financial assets and liabilities measured at fair value through profit or loss. Those are initially recognized at fair value alone.

Classification and subsequent measurement

Financial assets held for trading are measured at fair value through profit or loss. Net gains and losses, including any interest or dividend income, are recognized as profit or loss. Financial assets that we intend to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost, less impairment losses. Acquisition cost and maturity amount of debt securities differences are amortized by effective interest method through the remaining life of the financial assets. Interest income, foreign exchange gains/losses and impairment are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

Financial assets other than those securities held for trading or intended to be held to maturity are classified as available-for-sale investments. Subsequent to their initial recognition, available-for-sale investments are measured at fair value through other comprehensive income, with changes in fair value on investments recognized directly in equity, except for impairment losses and differences due to foreign exchange, which are recognized as profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized as profit or loss. For investments that are interest bearing, interest calculated using the effective interest method is also recognized as profit or loss.

If we dispose a part of our holding in a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment. The fair value of debt securities is calculated by referencing to the price quoted by the Thai Bond Market Association at a given reporting date. For debt securities which are not listed on the Thai Bond Market Association, the fair value is calculated by referencing to the price quoted by other reliable institutions at the reporting date. For equity securities and other securities which are listed, the fair value is estimated using the last bid price from the relevant stock exchange for each reporting date. For unit trusts which are non-listed, fair value is estimated using net asset value at the reporting date.

Financial liabilities are measured at amortized cost or fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value. Net gains and losses, including any interest expense, are recognized as profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized as profit or loss. Any gain or loss on derecognition is also recognized as profit or loss.

Derecognition

We derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which we do not retain substantially all of the risks and rewards of ownership and do not retain control of the financial asset. If we enter into transactions where we transfer assets in our statement of financial position but still retain all or substantially all of the risks and rewards of the transferred assets, in these cases, the transferred assets are not derecognized.

We derecognize a financial liability when its contractual obligations expire or are discharged or cancelled. We also derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In such cases, a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, we have a legally enforceable right to set off the amounts and we intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivatives

Derivatives are recognized at fair value. At the end of each reporting period the fair value is measured. The gain or loss on remeasurement to fair value is recognized immediately as profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on nature of the item being hedged.

Hedging

We designate certain derivatives as hedging instruments to hedge the variability in cash flows from changes in foreign exchange rates and interest rates. Embedded derivatives should be separated from the host contract and accounted for separately. At inception of designated hedging relationships, we document the risk management objective and strategy for undertaking the hedge. We also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. From inception of the hedge, the effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis. Any ineffective portion of changes in the fair value of the derivative is recognized immediately as profit or loss.

We designate only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity. For all hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of the hedging reserve are reclassified as profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge reserve is reclassified as profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified as profit or loss.

Investment assets held to cover linked liabilities

Investment assets held to cover linked liabilities are the investments in unit trusts under unit-linked contracts as the policy benefits are directly linked to the value of the investment in securities. These investments in securities are stated at fair value. For unit trusts securities which are listed, the fair value is calculated using the last bid price from the relevant stock exchange for each reporting date. For unit trusts which are non-listed, fair value is calculated using net asset value on the reporting date.

Impairment

Equity instruments and unit trust

Decisions about impairment loss are made using objective evidence of impairment, including information about significant negative changes in technology, economic conditions, and the legal environment, among others, which indicate a given investment will not be recovered. The fall of an investment's fair value below its cost for a prolonged time or by a significant amount is considered an objective evidence of impairment.

When a decline in the fair value of equity instruments and unit trust measured at fair value through other comprehensive income has been recognized directly in equity and there is an objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized as profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized as profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized as profit or loss.

Debt instruments

We recognize allowances for expected credit losses on debt instruments measured at amortized cost, debt investments measured at fair value through other comprehensive income and lease receivables.

Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls, discounted at the effective interest rate of the financial asset. Expected credit losses are measured on either the basis of a 12-month expected credit loss, where losses are expected to result from possible default events within 12 months of a given reporting date or on the basis of a lifetime expected credit loss, where losses are expected to result from all possible default events over the expected life of a financial instrument. We recognize expected credit losses as 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instrument since its initial recognition or the financial assets are credit-impaired, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses. The maximum period considered when estimating expected credit losses is the maximum contractual period over which we are exposed to a particular credit risk.

Expected credit losses are re-measured at each reporting date to reflect changes in the credit risk of financial instruments since their initial recognition. Increases in loss allowances are recognized as an impairment loss as profit or loss. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets except for debt securities at fair value through other comprehensive income. We recognize an impairment loss as profit or loss with the corresponding entry in other comprehensive income.

Expected credit losses for investments in debt securities

Probabilities of default and loss given default for investments in debt securities are based on historical data supplied by rating agencies for each credit rating. We consider debt securities to have low credit risk when its credit rating is equivalent to the globally understood definition of "investment grade." We assume that the credit risk on debt securities has increased significantly if its credit rating deteriorates significantly. We consider debt securities to be in default when the debtor is unlikely to pay its credit obligations in full or the debt securities are more than one day past due. The assessment of a significant increase in credit risk is performed on an individual basis.

Accounting policies applicable before January 1, 2020

The carrying amounts of our assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized as profit or loss unless a previous revaluation was credited to equity, in which case it is charged to equity. Impairment loss is recognized when there has been a significant or prolonged decline in fair value below cost or where other objective evidence of impairment exists.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is an objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized as profit or loss, even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized as profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized as profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortized cost is calculated as the present value of the estimated cash flows discounted at the original effective interest rate. The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized as profit or loss. For financial assets carried at amortized cost and available-for-sale financial assets that are debt securities, such a reversal is recognized as profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

Measurement of fair values

We have established a framework with respect to the measurement of fair values. This includes a Valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

When measuring the fair value of an asset or a liability, we use observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, the fair value measurement will be categorized in its entirety at the lowest level of the fair value hierarchy that is significant to the entire measurement. We recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

DESCRIPTION OF KEY LINE ITEMS

Gross written premiums

Gross written premiums represent all premium revenue received by us for a given period, without deduction for premiums ceded by us to reinsurers. Our gross written premiums include inward premiums from retrocession but exclude the investment portion of unit-linked products. We receive inward premiums from retrocession from a retrocedent, pursuant to arrangements which require us to be the retrocessionaire for a portion of the risks that such retrocedent reinsures.

Premiums ceded to reinsurers

Premiums ceded represent the portion of gross written premiums ceded to reinsurers, who share part of the insured risk that we have assumed under our insurance contracts.

A decrease (increase) in unearned premium reserves from previous year

A decrease (increase) in unearned premium reserves from a previous year reflects the year-to-year or period-to-period change to unearned premium reserves, which represent the total annual unexpired written premiums less the amount earned.

Fee and commission income

Fee and commission income comprises the fees we earn from our investment-linked contracts and commissions we derive from our reinsurers.

Net investment income

Net investment income comprises interest income and dividend income from associated companies, additional related parties and others, less investment expenses. Dividend income comes from our investments in equity securities and equity investment funds while interest income comes from our investments in fixed-income securities, loans and similar receivables. Investment expenses consist of specific business taxes (levied on interest received from investments in debt securities, and service and other fees we received in relation to investments), investment fees paid for securities borrowing and lending, and credit support annex payables for derivatives transactions. We also allocate operating expenses in connection with our investment department, including expenses relating to personnel and premises, as part of our investment expenses.

Gains (loss) on investments

Gains (loss) on investments represent the returns earned when we sell an investment for more (less) than its purchase price.

Gain (loss) on fair value change

Gain (loss) on fair value change reflects the changes in fair value of our financial assets and financial liabilities over the course of a given period. It mainly includes the net profit and loss impact from changes in fair value of forward foreign exchange contracts used to manage foreign exchange risk where hedge accounting does not apply.

Share of profit of associate

Share of profit of associate relates to profits from our investments in associated companies. This item was reclassified from a component of total expenses to a component of total revenues in 2020.

Other income

Other income includes any gains or losses on the disposal of land, premises or equipment, as determined by comparing the carrying amount with the proceeds of the sale. It also includes revenues from other operating activities such as rental income and support service income, among others.

Long-term technical reserve increase from previous year

Long-term technical reserves are liabilities for insurance contractual benefits and claims that are expected to be incurred in the future. Long-term technical reserves are recorded when the premiums are recognized and are released when benefits and claims are incurred. We calculate long-term technical reserves using the net level premium valuation method. Each liability is measured using assumptions, including mortality, morbidity and discounted interest rates considered to be appropriate for the policies in force. For unit-linked contracts, unit reserves are determined based on the value of the underlying asset backing the units relating to the policies and non-unit reserves are calculated based on the unearned cost of insurance. A long-term technical reserve increase from a previous year reflects the year-to-year change to the amount of these reserves.

Benefits payments and insurance claims expenses

Benefits payments and insurance claims expenses primarily represent the costs we incur when settling claims for policy benefits and insurance claims, including payment at maturity, cash surrender, losses and adjustments, net of subrogation recoveries and changes in provision for short-term insurance claims. Benefits payments and insurance claims expenses also include certain personnel expenses and premises and equipment expenses, among other expenses.

Benefits payments and insurance claims expenses recovered from reinsurers

Benefits payments and insurance claims expenses recovered from reinsurers represent: (i) the monies we recover from reinsurers under our reinsurance agreements when we pay claims under our insurance contracts to policyholders; and (ii) profit share received from reinsurers. Profit share arises from profits reinsurers generate from the portfolio we seek to reinsure.

Commissions and brokerage expenses

Commissions and brokerage expenses represent the payments we make to agents and others for selling our policies and providing additional customer services, including collecting premiums from policyholders.

Other underwriting expenses

Other underwriting expenses primarily represent contributions paid to the life insurance fund but also include certain personnel expenses, premises and equipment expenses, among other expenses.

Operating expenses

Operating expenses include personnel expenses, premises and equipment expenses, advertising and promotion expenses, bank fees, consulting fees, and taxes and duties, among other expenses. These expenses also take into account any provision for or reversal of allowance for premiums due. Personnel expenses are our most significant operating expenses and include salaries, allowances, bonuses and other benefits.

Expected credit loss (reversal)

Expected credit loss is a probability-weighted estimate of credit losses measured using the present value of cash shortfalls we expect to incur (e.g. the difference between cash flows we are obligated to pay under a contract and the cash flows that we expect to receive), discounted at the effective interest rates of the financial assets.

Other expenses

Other expenses primarily comprise write-off expenses related to litigation, service expenses for policyholders, and miscellaneous expenses such as expenses for office materials and refreshments offered to customers at branches and customer service centers.

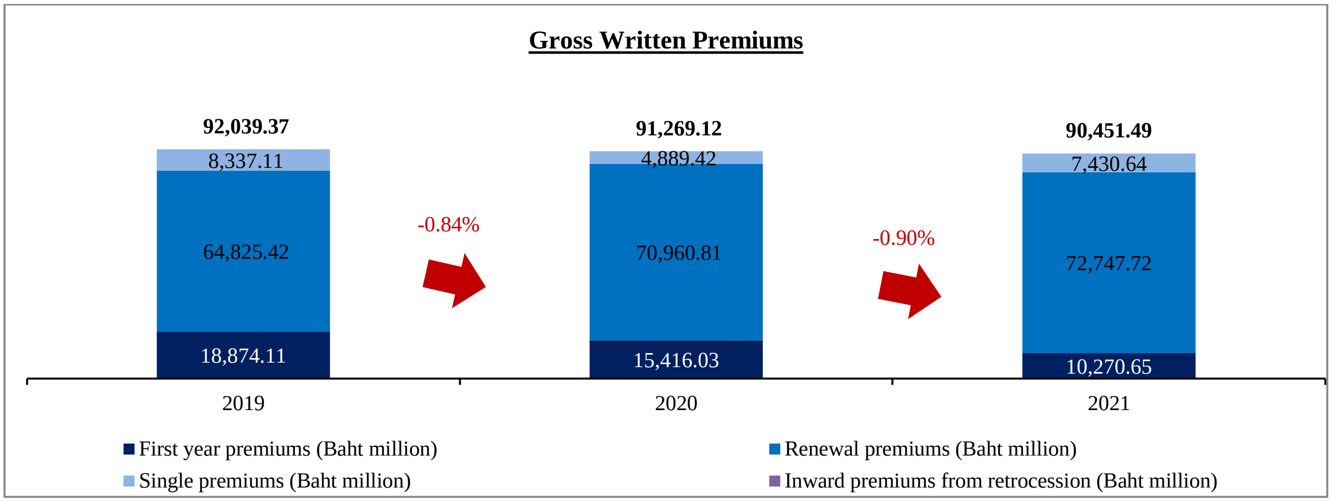
Income tax expense

Income tax expense is the aggregate amount included in the determination of profit for a period with respect to current and deferred taxes. It uses the Thai corporation tax rate of 20% and is reconciled to account both for income and/or expenses not subject to tax as well as for adjustments for previous periods.

RESULTS OF OPERATIONS

Gross written premiums

The graphic below illustrates the breakdown of our gross written premiums for each of the periods indicated.



Note: Inward premiums from retrocession for the years ended December 31, 2019, 2020 and 2021 amounted to Baht 2.73 million, Baht 2.86 million and Baht 2.48 million, respectively. These amounts are not visible in the above graphic as they are insignificant.

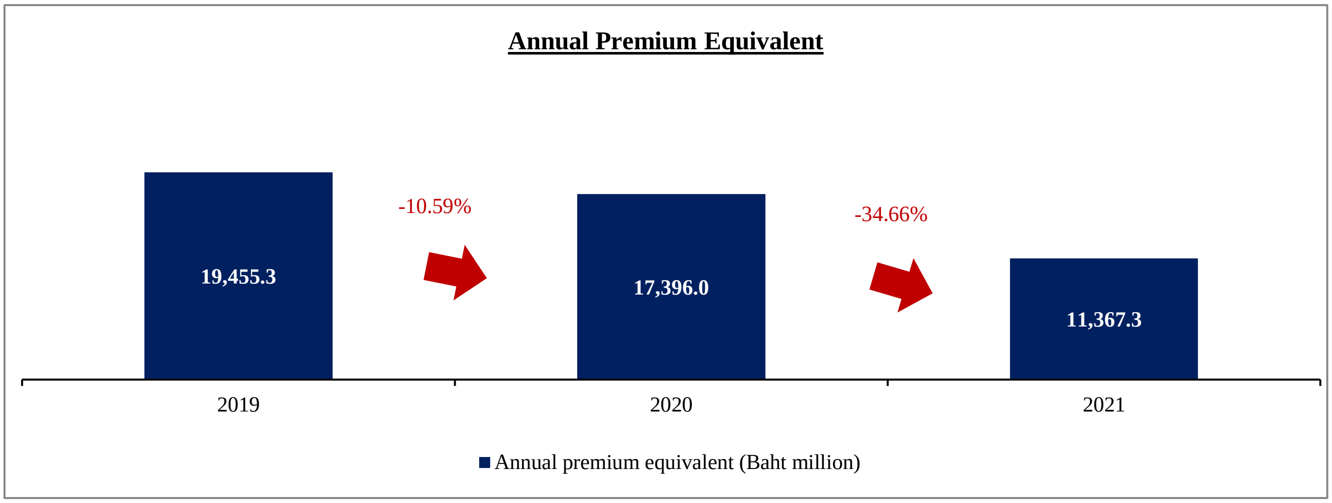
	For the year ended December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
Gross written premiums			
First year premiums	18,874.11	15,416.03	10,270.65
Renewal premiums	64,825.42	70,960.81	72,747.72
Single premiums	8,337.11	4,889.42	7,430.64
Total premium revenues	**92,036.64**	**91,266.26**	**90,449.01**
Inward premiums from retrocession	2.73	2.86	2.48
Gross written premiums	**92,039.37**	**91,269.12**	**90,451.49**

Gross written premiums decreased by 0.90% to Baht 90,451.49 million for the year ended December 31, 2021 from Baht 91,269.12 million for the year ended December 31, 2020, primarily due to a decrease in first year premiums as a result of the prolonged COVID-19 pandemic which, among other effects, limited face-to-face interactions with customers and affected sales of most of our products, particularly in the agency and bank partnership channel. COVID-19 pandemic also reduced consumers' purchasing power. Renewal premiums increased as a result of policyholders choosing to retain their existing high-return endowment policies, particularly those sold through our bank partners, in light of the low interest rate environment. Single premiums increased significantly as we achieved higher sales for single premium endowment and universal life products in the agency channel, as well as credit life protection products in the leasing and hire purchase and commercial bank channels.

Gross written premiums decreased by 0.84% to Baht 91,269.12 million for the year ended December 31, 2020 from Baht 92,039.37 million for the year ended December 31, 2019, primarily due to a decrease in our new business premiums, both in the first year premiums and single premiums component, partially offset by an increase in renewal premiums. The decrease in the first year premiums mainly resulted from the COVID-19 pandemic and our product transition strategy to maintain and further enhance profitability in the persistent low interest rate economic environment. In 2020, we took the initiative to reprice the rates of premiums and withdrew a number of whole life and endowment products that were less profitable. We also increased our focus on investment-linked, new participating and health protection products. The decrease in the single premiums component resulted from a decline in sales of single premium endowment products in the agency channel, which was in line with our product transition strategy. A decline in sales of credit life insurance, which is generally more sensitive to movements in consumer disposable income, from the partnership distribution channel also contributed to the decrease in single premiums as the COVID-19 pandemic affected consumer purchasing power. The increase in renewal premiums resulted from policyholders choosing to maintain their existing high-return endowment policies in light of the low interest rate environment. The increase was partly also attributable to a number of COVID-19 relief measures we implemented to help customers to maintain in-force policies. These measures include extending an additional 60-day grace period (totaling 91 days) for policies under which the original grace period had lapsed during this period (in accordance with the OIC's COVID-19 pandemic relief measure guidelines), waiving interest charges on overdue premiums for renewals that occur within six months of lapses, and waiving interests on automatic premium loans for six months.

Annual premium equivalent

The graphic below sets forth our annual premium equivalent for each of the periods indicated.



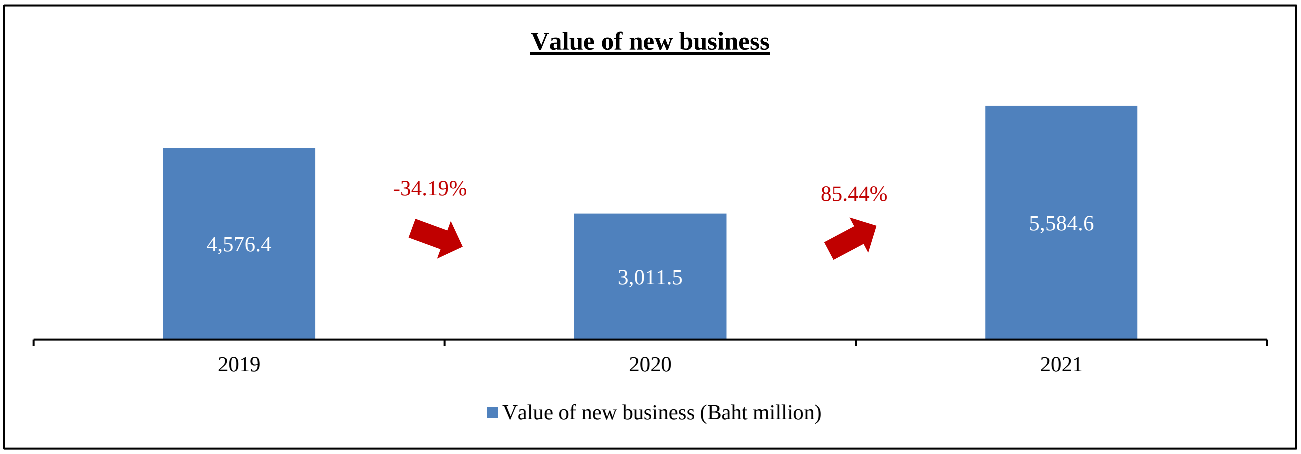
Annual premium equivalent is a commonly used industry measure of insurance product sales of insurance companies that is calculated as 100% of annualized first year premiums plus 10% of single premiums for all new policies written during the period. Compared to first year premiums and single premiums, we believe that annual premium equivalent provides a more accurate indication of the sustainability of our new business as it normalizes single premiums into the equivalent of regular premium payments.

Annual premium equivalent decreased by 34.66% to Baht 11,367.3 million for the year ended December 31, 2021 from Baht 17,396.0 million for the year ended December 31, 2020, primarily due to similar reasons that first year premiums decreased for the same period, as a result of the prolonged COVID-19 pandemic and the repricing of premium rates of our products to maintain and further enhance profitability in the persistent low interest rate economic environment.

Annual premium equivalent decreased by 10.59% to Baht 17,396.0 million for the year ended December 31, 2020 from Baht 19,455.3 million for the year ended December 31, 2019 due to similar reasons that first year and single premiums decreased for the same period, given that we withdrew a number of whole life and endowment products that were less profitable as part of our product transition strategy.

Value of new business

The graphic below sets forth our value of new business for each of the periods indicated.



Value of new business is an actuarial metric, which represents an actuarially determined estimate of the value to shareholders arising from new life insurance business issued in the relevant reporting period, and is calculated as the present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. We believe that value of new business provides useful information for investors as to the value being created by new business activity, and hence our ability to generate profits from new business.

Value of new business for the year ended December 31, 2021 increased by 85.44% to Baht 5,584.6 million from Baht 3,011.5 million for the year ended December 31, 2020, primarily due to higher value of new business margin resulting from an increase in sales of products that are more profitable and less sensitive to interest rate volatility, namely, investment-linked, new participating and health protection products, as well as cancellation of existing whole life and non-participating endowment products that generated less profit in a low interest rate environment. As a replacement, we introduced new participating endowment products with new pricing along with a number of health riders for different customer segments, which provided a higher margin. In addition, an increase in interest rates compared to the previous year also had a positive impact on our value of new business margin.

Value of new business for the year ended December 31, 2020 decreased by 34.19% to Baht 3,011.5 million from Baht 4,576.4 million for the year ended December 31, 2019, primarily due to lower new business sales and a decrease in interest rates compared to the previous year.

Premiums ceded to reinsurers

Premiums ceded to reinsurers increased by 9.59% to Baht 278.60 million for the year ended December 31, 2021 from Baht 254.21 million for the year ended December 31, 2020, primarily due to an increase in the size of our reinsurance portfolio.

Premiums ceded to reinsurers increased by 3.31% to Baht 254.21 million for the year ended December 31, 2020 from Baht 246.07 million for the year ended December 31, 2019 as we entered into reinsurance arrangements for basic ordinary life insurance products and riders with high sum assured and multiple payment critical illness riders.

Net written premiums

As a result of the foregoing, net written premiums decreased by 0.93% to Baht 90,172.89 million for the year ended December 31, 2021 from Baht 91,014.91 million for the year ended December 31, 2020. Net written premiums decreased by 0.85% to Baht 91,014.91 million for the year ended December 31, 2020 from Baht 91,793.30 million for the year ended December 31, 2019.

Decrease (increase) in unearned premium reserves from previous year

Unearned premium reserves increased by Baht 69.08 million for the year ended December 31, 2021 compared to a decrease of Baht 201.50 million for the year ended December 31, 2020, primarily due to an increase in premium payments for short-term health riders.

Unearned premium reserves decreased by Baht 201.50 million for the year ended December 31, 2020 compared to an increase of Baht 58.55 million for the year ended December 31, 2019, primarily due to delayed premium payments as a result of our relief measures introduced in connection with the COVID-19 pandemic where we extended the grace periods for premium payments.

Net premiums earned

As a result of the foregoing, net premiums earned decreased by 1.22% to Baht 90,104.19 million for the year ended December 31, 2021 from Baht 91,213.65 million for the year ended December 31, 2020. Net premiums earned decreased by 0.56% to Baht 91,213.65 million for the year ended December 31, 2020 from Baht 91,731.60 million for the year ended December 31, 2019.

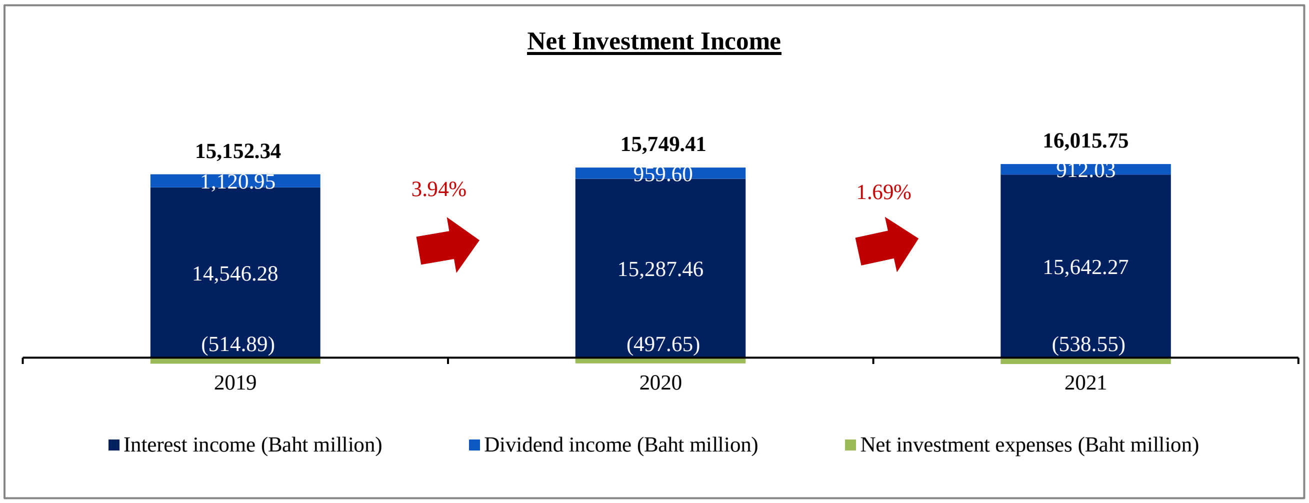
Fee and commission income

Fee and commission income increased by 47.65% to Baht 34.89 million for the year ended December 31, 2021 from Baht 23.63 million for the year ended December 31, 2020, primarily due to higher fee income from unit-linked contracts.

Fee and commission income increased by 27.25% to Baht 23.63 million for the year ended December 31, 2020 from Baht 18.57 million for the year ended December 31, 2019, primarily due to higher commissions received from reinsurers which were in line with the increase in premiums ceded to reinsurers.

Net investment income

The graphic below sets forth the breakdown of our net investment income for each of the periods indicated.



Investment income, which comprises dividend and interest income (net of investment expenses), increased by 1.69% to Baht 16,015.75 million for the year ended December 31, 2021 from Baht 15,749.41 million for the year ended December 31, 2020. Investment income increased by 3.94% to Baht 15,749.41 million for the year ended December 31, 2020 from Baht 15,152.34 million for the year ended December 31, 2019. Investment income was 13.98%, 14.63% and 14.66% of total revenues for the years ended December 31, 2019, 2020 and 2021, respectively.

Dividend income decreased by 4.96% to Baht 912.03 million for the year ended December 31, 2021 from Baht 959.60 million for the year ended December 31, 2020, as many companies in which we hold shares paid fewer dividends due to the economic downturn brought by the COVID-19 pandemic. We also reduced our investment in REITs and infrastructure funds as we believe some of these investments are negatively impacted by the pandemic and may take a longer time to recover. Dividend income decreased by 14.39% to Baht 959.60 million for the year ended December 31, 2020 from Baht 1,120.95 million for the year ended December 31, 2019, primarily due to a decrease in dividends earned from investments in common stocks and REITs, as a result of a lower balance of both types of investments and lower dividend payout ratios from these investments.

Interest income increased by 2.32% to Baht 15,642.27 million for the year ended December 31, 2021 from Baht 15,287.46 million for the year ended December 31, 2020, primarily due to growth in our fixed income portfolio size. Interest income increased by 5.10% to Baht 15,287.46 million for the year ended December 31, 2020 from Baht 14,546.28 million for the year ended December 31, 2019, primarily due to higher interest earned from long-term corporate debentures, government bonds and structured notes which were acquired during 2020.

Investment expenses consist of specific business taxes (levied on interest received from investments in debt securities, and service and other fees we received in relation to investments), investment fees paid for securities borrowing and lending, and credit support annex payables for derivatives transactions. We also allocate operating expenses in connection with our investment department, including expenses relating to personnel and premises, as part of our investment expenses.

Investment expenses increased by 8.22% to Baht 538.55 million for the year ended December 31, 2021 from Baht 497.65 million for the year ended December 31, 2020, primarily due to an increase in specific business taxes, which was in line with higher interest earned from debt instruments for the year ended December 31, 2021.

Investment expenses decreased by 3.35% to Baht 497.65 million for the year ended December 31, 2020 from Baht 514.89 million for the year ended December 31, 2019, primarily due to lower interest expenses on credit support annex payables and operating expenses.

Gain on investments

Gain on investments increased to Baht 3,324.88 million for the year ended December 31, 2021 from Baht 66.78 million for the year ended December 31, 2020, primarily due to gains realised from sales of investments in shares and investment units, as part of our portfolio rebalancing strategies from sectors which benefited from the COVID-19 pandemic, e.g. the technology sector, to other sectors which are expected to benefit from the relaxation of pandemic-related restrictions.

Gain on investments decreased by 92.02% to Baht 66.78 million for the year ended December 31, 2020 from Baht 837.12 million for the year ended December 31, 2019, primarily due to lower net gain from sale of investment in securities as we repositioned our investment portfolio and sold a portion of our equity securities in an unfavorable market around mid-2020 when we sought safer investments considering the economic impact of the COVID-19 pandemic.

Gain (loss) on fair value change

We recorded a loss on fair value change of Baht 652.18 million for the year ended December 31, 2021 compared to a gain on fair value change of Baht 153.91 million for the year ended December 31, 2020, primarily due to the weakening of Thai Baht which resulted in loss on fair value change of derivatives. Such loss was partially offset by gain on foreign exchanges in relation to our foreign investments.

Gain on fair value change decreased by 49.92% to Baht 153.91 million for the year ended December 31, 2020 from Baht 307.35 million for the year ended December 31, 2019, partially due to the adoption of the Accounting Guideline and TAS 32 in 2020 and the strengthening of Thai Baht. The strengthening of Thai Baht resulted in gain on fair value change of derivatives. Such gain was partially offset by loss on foreign exchanges in relation to our foreign investments.

Share of profit of associate

Share of profit of associate decreased by 92.67% to Baht 12.04 million for the year ended December 31, 2021 from Baht 164.31 million for the year ended December 31, 2020, primarily due to the reclassification of our investments in associated companies, namely, Thai Paiboon Insurance Public Company Limited, The Thai Credit Retail Bank Public Company Limited and Hotels and Resorts Company Limited in 2021 from investments in associated companies to investments in securities as we no longer have significant influence over these companies.

Share of profit of associate increased by 90.95% to Baht 164.31 million for the year ended December 31, 2020 from Baht 86.05 million for the year ended December 31, 2019, primarily due to first-time recognition of share of profit from CB Life, a joint venture in Myanmar we formed in August 2019.

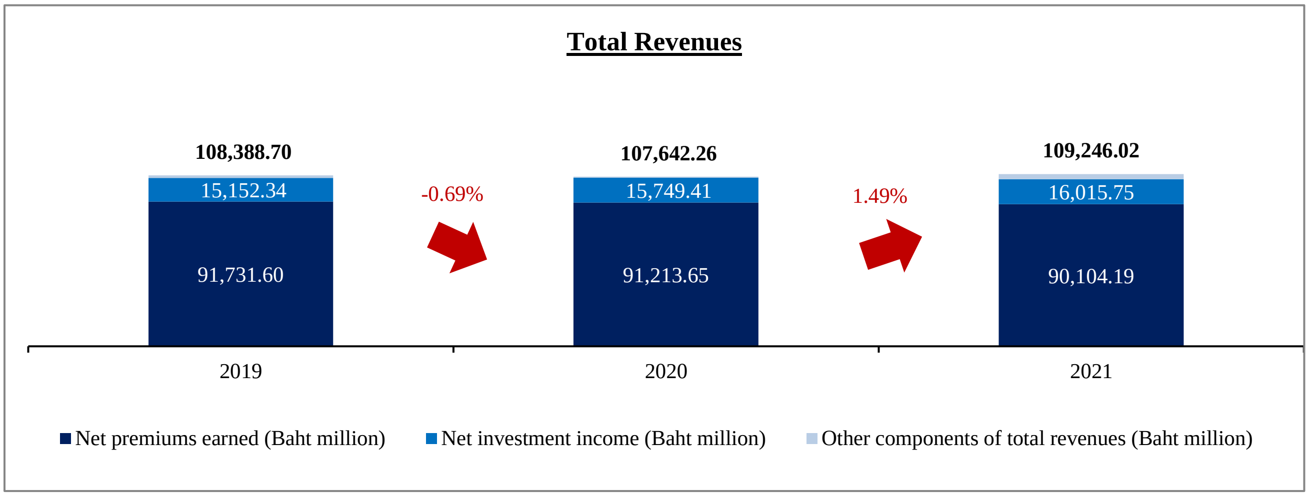
Other income

Other income increased by 50.22% to Baht 406.45 million for the year ended December 31, 2021 from Baht 270.57 million for the year ended December 31, 2020, primarily due to gains on sales of foreclosed properties and higher interest received from overdue premiums.

Other income increased by 5.83% to Baht 270.57 million for the year ended December 31, 2020 from Baht 255.67 million for the year ended December 31, 2019, primarily due to higher gain on sales of foreclosed properties and interest received from overdue premiums.

Total revenues

The graphic below sets forth the breakdown of our total revenues for each of the periods indicated.



Note: Other components of total revenues include fee and commission income, gain (loss) on investments, gain (loss) on fair value change, share of profit of associate and other income. Other components of total revenues for the years ended December 31, 2019, 2020 and 2021 amounted to Baht 1,504.76 million, Baht 679.20 million and Baht 3,126.08 million, respectively.

As a result of the foregoing, total revenues increased by 1.49% to Baht 109,246.02 million for the year ended December 31, 2021 from Baht 107,642.26 million for the year ended December 31, 2020. Total revenues decreased by 0.69% to Baht 107,642.26 million for the year ended December 31, 2020 from Baht 108,388.70 million for the year ended December 31, 2019.

Long-term technical reserve increase from previous year

We recorded a 7.23% lower long-term technical reserve increase from the previous year for the year ended December 31, 2021. The long-term technical reserve increase from the previous year was Baht 28,224.84 million for the year ended December 31, 2021 compared to Baht 30,422.99 million for the year ended December 31, 2020. The lower long-term technical reserve increase from the previous year was primarily due to the lower reserves allocated as more insurance policies reached maturity in 2021.

We recorded a 6.45% higher long-term technical reserve increase from the previous year for the year ended December 31, 2020. The long-term technical reserve increase from the previous year was Baht 30,422.99 million for the year ended December 31, 2020 compared to Baht 28,580.76 million for the year ended December 31, 2019. The higher long-term technical reserve increase from the previous year was primarily due to the low interest rate environment prompting us to maintain higher technical reserves for prudence.

Benefits payments and insurance claims expenses

Our benefits and insurance claims expenses have not been significantly impacted by the COVID-19 outbreak. See also *"— Significant Factors affecting our Financial Condition and Results of Operations — The* *effects of COVID-19."* Our loss ratio related to medical claims also decreased from 5.8% for the year ended December 31, 2019 to 5.1% in the same period of 2021.

Benefits payments and insurance claims expenses increased by 6.96% to Baht 53,608.00 million for the year ended December 31, 2021 from Baht 50,120.82 million for the year ended December 31, 2020, primarily due to an increase in death claims and payment at maturity. Benefits payments and insurance claims expenses related to COVID-19 amounted to Baht 1.6 million and Baht 899.6 million for the year ended December 31, 2020 and 2021, respectively, representing 0.04% and 19.47% of our overall medical claim expenses for those periods. The significant increase in benefits payments and insurance claims expenses related to COVID-19 was due to the more widespread COVID-19 infection in Thailand in 2021 compared to 2020, resulting in an increase in the number of policyholders who received medical care or passed away. Benefits payments and insurance claims expenses related to COVID-19 are ordinary expenses arising in the normal course of business. We do not offer products that provide protection exclusively for COVID-19 illnesses or products which offer a lump sum compensation upon being diagnosed with the COVID-19 virus (Jer Jai Job policies). Such products are offered by non-life insurance companies.

Benefits payments and insurance claims expenses decreased by 1.96% to Baht 50,120.82 million for the year ended December 31, 2020 from Baht 51,120.71 million for the year ended December 31, 2019, primarily due to a decrease in medical claim expenses. Benefits payments and insurance claims expenses related to COVID-19 amounted to Baht 1.6 million in 2020, representing 0.04% of our overall medical claim expenses.

Benefits payments and insurance claims expenses recovered from reinsurers

Benefits payments and insurance claims expenses recovered from reinsurers decreased by 4.75% to Baht 149.72 million for the year ended December 31, 2021 from Baht 157.18 million for the year ended December 31, 2020, primarily due to a decrease in profit share received from reinsurers.

Benefits payments and insurance claims expenses recovered from reinsurers decreased by 14.82% from Baht 184.52 million for the year ended December 31, 2019 to Baht 157.18 million for the year ended December 31, 2020, primarily due to a decrease in profit share received from reinsurers. We received less profit share from reinsurers as we sought higher claim recovery from reinsurers for our credit life portfolio and ceded lower reinsurance renewal premiums to them.

Net benefits payments and insurance claims expenses

As a result of the foregoing, net benefits payments and insurance claims expenses increased by 6.99% to Baht 53,458.28 million for the year ended December 31, 2021 from Baht 49,963.64 million for the year ended December 31, 2020. Net benefits payments and insurance claims expenses decreased by 1.91% to Baht 49,963.64 million for the year ended December 31, 2020 from Baht 50,936.19 million for the year ended December 31, 2019.

Commissions and brokerage expenses

Commissions and brokerage expenses decreased by 16.73% to Baht 8,677.65 million for the year ended December 31, 2021 from Baht 10,421.50 million for the year ended December 31, 2020 in line with a decrease in first year premiums.

Commissions and brokerage expenses decreased by 14.83% to Baht 10,421.50 million for the year ended December 31, 2020 from Baht 12,235.96 million for the year ended December 31, 2019, primarily due to a reduction in the agent commissions rate in relation to a number of whole life and endowment products, which are the products our agents sell the most and for which they incur the largest sum of agent commissions. This was in line with a decrease in total premium revenues received from our agency channel. This rationalization of compensation structure for agents resulted from the shift in our focus to boost sales of products that are less sensitive to interest rate movements and have a higher profit margin. Commissions and brokerage expenses paid to The Thai Credit Retail Bank Public Company Limited and T.C. Insurance Broker Service Company Limited, our former associated companies and related party, respectively, also decreased.

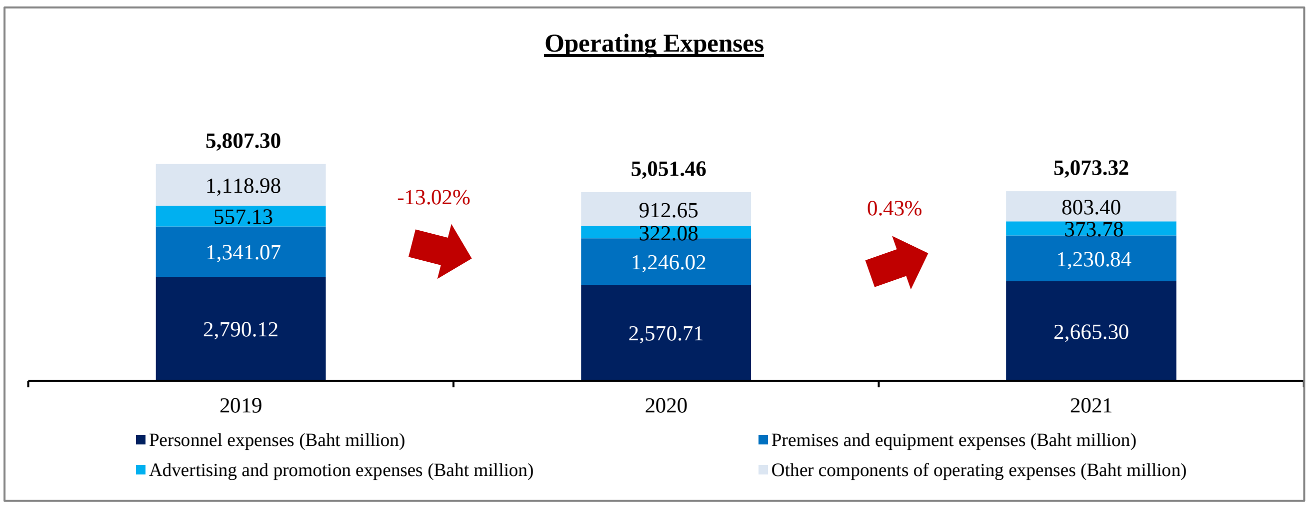
Other underwriting expenses

Other underwriting expenses decreased by 6.21% to Baht 1,726.40 million for the year ended December 31, 2021 from Baht 1,840.68 million for the year ended December 31, 2020. The decrease was in line with the decline in our total premium revenues.

Other underwriting expenses decreased by 21.78% to Baht 1,840.68 million for the year ended December 31, 2020 from Baht 2,353.25 million for the year ended December 31, 2019 as we arranged fewer sales promotion campaigns due to the COVID-19 pandemic. As a result, we saw a decrease in total premium revenues. Contribution paid to the policyholder protection fund also decreased in line with the decline in the total premium revenues.

Operating expenses

The graphic below sets forth the breakdown of our operating expenses for each of the periods indicated.



Operating expenses increased by 0.43% to Baht 5,073.32 million for the year ended December 31, 2021 from Baht 5,051.46 million for the year ended December 31, 2020, primarily due to a significant increase in advertisement expenses for the promotion of our products and corporate image as well as employee expenses. In 2021, advertisement and promotion expenses increased by 16.05% and employee expenses increased by 3.68% compared to 2020. Our advertisement and promotion expenses significantly increased in 2021 given the more conservative spending on these expenses in 2020 in light of the COVID-19 outbreak. Compared to 2019, our advertisement and promotion expenses for the year ended December 31, 2021 declined significantly, reflecting our ongoing operational efficiency initiatives to reduce expenses. The increase in operating expenses was partially offset by a decrease in other expenses as we no longer record amortization expenses for intangible assets (value of business acquired ("**VOBA**") and value of distribution agreements for life insurance ("**VODA**") acquired through our acquisition of Thai Cardif) as contracts in relation to these intangible assets expired in 2020.

Operating expenses decreased by 13.02% to Baht 5,051.46 million for the year ended December 31, 2020 from Baht 5,807.30 million for the year ended December 31, 2019, primarily due to a significant decrease in our advertising and promotion expenses, personnel expenses, and other expenses. Our advertising and promotion expenses and personnel expenses decreased by 42.19% and 7.86%, respectively, in 2020, reflecting our ongoing operational efficiency initiatives to reduce expenses. These initiatives include using online media in place of in-person promotion events or campaigns. Other expenses, which primarily comprise amortization expenses for intangible assets (VOBA and VODA acquired through our acquisition of Thai Cardif), decreased by 18.44% as contracts in relation to these intangible assets expired in early 2020. The decreases in these operating expenses were partially offset by a slight increase in operating expenses of Baht 1.37 million due to adoption of the Accounting Guideline and TRFS16 in 2020.

Expected credit loss (reversal)

We recorded a 302.25% higher expected credit loss, equal to Baht 1,057.68 million, for the year ended December 31, 2021, compared to an expected credit loss of Baht 262.94 million for the year ended December 31, 2020, primarily due to additional provisions we made for expected credit loss amounting to Baht 953.70 million for certain debt securities to reflect an increased credit risk profile. However, none of such debt securities had defaulted in 2021.

We recorded an expected credit loss of Baht 262.94 million for the year ended December 31, 2020 compared to a reversal of expected credit loss of Baht 177.84 million for the year ended December 31, 2019, as we sold a substantial part of our investments to reposition our investment portfolio in light of the high market volatility brought by the COVID-19 pandemic.

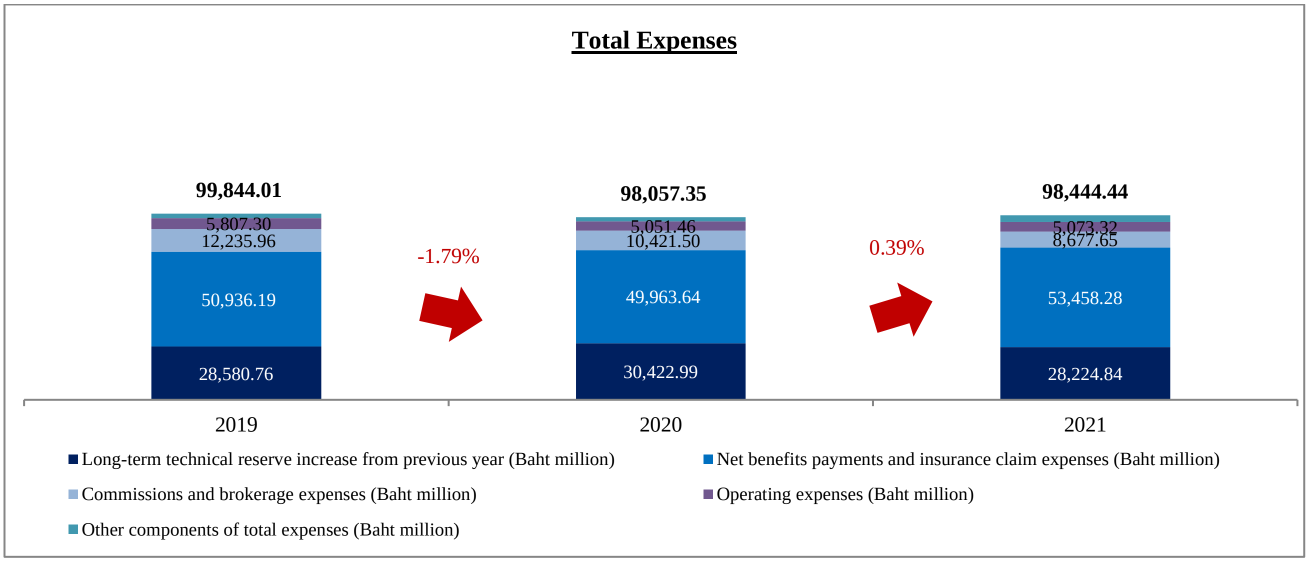
Other expenses

Other expenses increased by 140.35% to Baht 226.27 million for the year ended December 31, 2021 from Baht 94.14 million for the year ended December 31, 2020, primarily due to an increase in donations for charity and public causes and an increase in allowance for doubtful accounts.

Other expenses decreased by 13.15% to Baht 94.14 million for the year ended December 31, 2020 from Baht 108.39 million for the year ended December 31, 2019, primarily due to a decrease in write-off expenses related to litigation and service expenses for policyholders.

Total expenses

The graphic below sets forth the breakdown of our total expenses for each of the periods indicated.



Note: Other components of total expenses include other underwriting expenses, expected credit losses (reversal) and other expenses. Other components of total expenses for the years ended December 31, 2019, 2020 and 2021 amounted to Baht 2,283.80 million, Baht 2,197.76 million and Baht 3,010.35 million, respectively.

As a result of the foregoing, total expenses increased by 0.39% to Baht 98,444.44 million for the year ended December 31, 2021 from Baht 98,057.35 million for the year ended December 31, 2020. Total expenses decreased by 1.79% to Baht 98,057.35 million for the year ended December 31, 2020 from Baht 99,844.01 million for the year ended December 31, 2019.

Profit before income tax expense

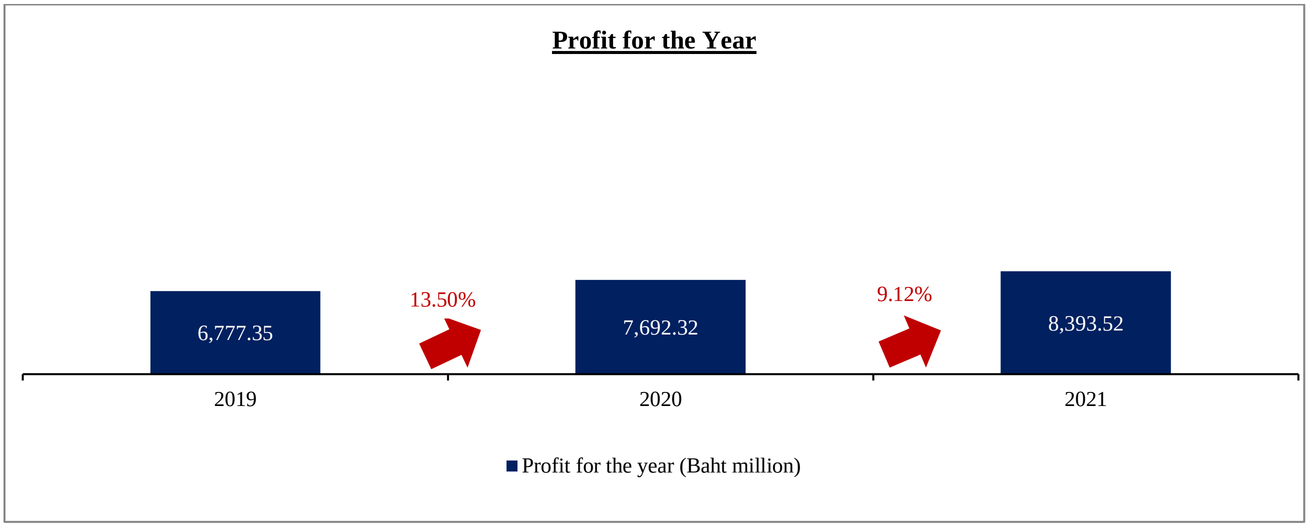
As a result of the foregoing, profit before income tax expense increased by 12.69% to Baht 10,801.58 million for the year ended December 31, 2021 from Baht 9,584.91 million for the year ended December 31, 2020. Profit before income tax expense increased by 12.17% to Baht 9,584.91 million for the year ended December 31, 2020 from Baht 8,544.69 million for the year ended December 31, 2019.

Income tax expense

Income tax expense increased by 27.24% to Baht 2,408.06 million for the year ended December 31, 2021 from Baht 1,892.59 million for the year ended December 31, 2020. Income tax expense increased by 7.09% to Baht 1,892.59 million for the year ended December 31, 2020 from Baht 1,767.34 million for the year ended December 31, 2019. The increase in each case was in line with the increase in our profit before income tax expense during each period.

Profit for the year

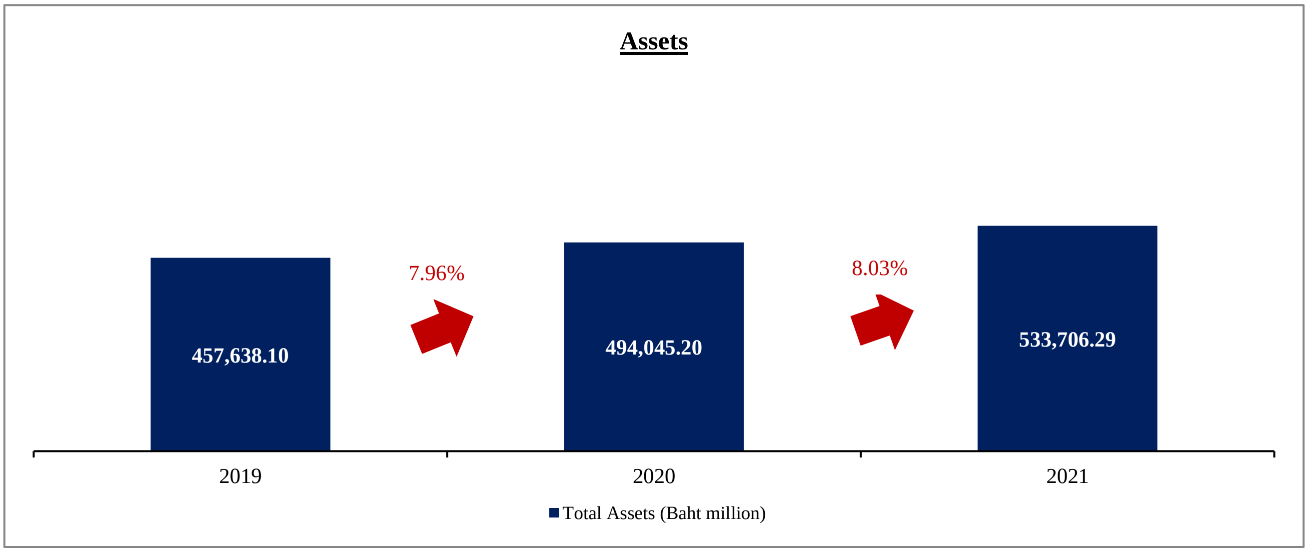
The graphic below sets forth our profit for each of the periods indicated.



As a result of the foregoing, profit for the year increased by 9.12% to Baht 8,393.52 million for the year ended December 31, 2021 from Baht 7,692.32 million for the year ended December 31, 2020. Profit for the year increased by 13.50% to Baht 7,692.32 million for the year ended December 31, 2020 from Baht 6,777.35 million for the year ended December 31, 2019.

ANALYSIS OF FINANCIAL POSITION

Assets



As of December 31, 2019, 2020 and 2021, our total assets were Baht 457,638.10 million, Baht 494,045.20 million and Baht 533,706.29 million, respectively, contributing to a CAGR of 7.99% from December 31, 2019 to December 31, 2021. The growth in our total assets was primarily due to an increase in total investment assets.

The following table sets forth the principal components of our assets as of the dates indicated:

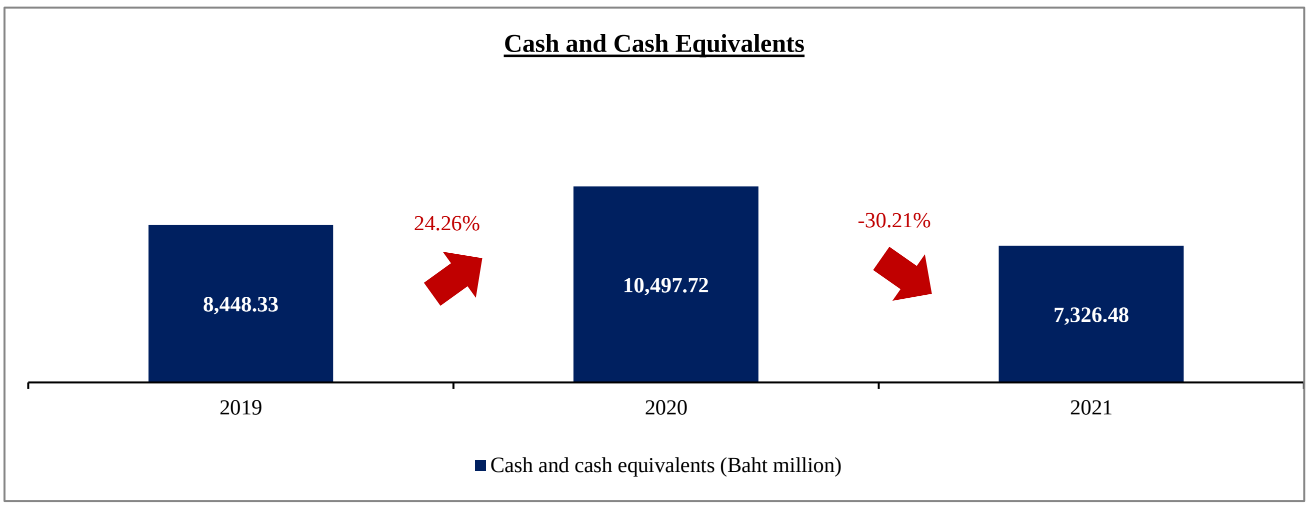
	As of December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
Financial investment assets			
Cash and cash equivalents	8,448.33	10,497.72	7,326.48
Investment assets			
Investments in securities	402,688.44	434,331.97	480,690.51
Loans and accrued interest	30,346.30	30,550.95	29,936.27
Total investment assets	433,034.74	464,882.92	510,626.78
Total financial investment assets	**441,483.07**	**475,380.64**	**517,953.26**
Assets other than the abovementioned[(1)]	**16,155.03**	**18,664.56**	**15,753.03**
Total assets	**457,638.10**	**494,045.20**	**533,706.29**

Note:

(1) Assets other than the abovementioned consist of accrued investment income, derivative assets, net investments in associated companies, investments held to cover linked liabilities, net premiums due and uncollected, net land, premises and equipment, reinsurers' share of insurance contract liabilities, net reinsurance receivables, net intangible assets, net property foreclosed and other assets.

Financial investment assets

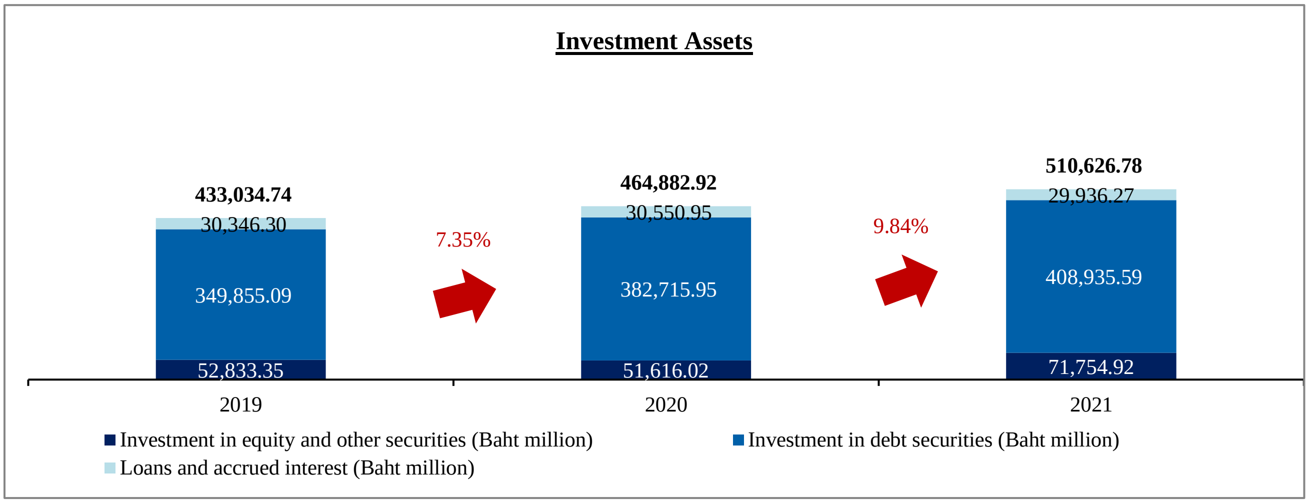
Cash and cash equivalents



Cash and cash equivalents decreased by 30.21% to Baht 7,326.48 million as of December 31, 2021 from Baht 10,497.72 million as of December 31, 2020, primarily due to an increase in securities investments.

Cash and cash equivalents increased by 24.26% to Baht 10,497.72 million as of December 31, 2020 from Baht 8,448.33 million as of December 31, 2019, primarily due to an increase in short-term deposits placed with financial institutions.

Investment assets



Note: Investment in equity and other securities comprise investment in common stocks and investment units.

Investment assets comprised investments in securities and loans and accrued interest. As of December 31, 2019, 2020 and 2021, investments in securities accounted for 92.99%, 93.43% and 94.14% of investment assets, respectively. Our investments in debt securities are carried at either amortized cost or fair value, while our investments in equity securities are carried at fair value.

Our investments in securities consisted mainly of investments in fixed income securities (government bonds, government agency bonds, corporate bonds) and term deposits, constituting 80.79%, 82.33% and 80.09% of our portfolio of the total investment assets as of December 31, 2019, 2020 and 2021, respectively. As of the same dates, the carrying value of our investments in fixed income securities and term deposits was Baht 349,855.09 million, Baht 382,715.95 million and Baht 408,935.59 million, respectively. Our investments in equity and other securities had a carrying value of Baht 52,833.35 million, Baht 51,616.02 million and Baht 71,754.92 million, respectively, as of December 31, 2019, 2020 and 2021.

Investment assets increased by 9.84% to Baht 510,626.78 million as of December 31, 2021 from Baht 464,882.92 million as of December 31, 2020, primarily due to an increase in the asset value of our equity securities and investment units and an increase in investments we made in debt securities using proceeds from insurance premiums.

Investment assets increased by 7.35% to Baht 464,882.92 million as of December 31, 2020 from Baht 433,034.74 million as of December 31, 2019, primarily due to an increase in the asset value of our investment in debt securities and, to a lesser extent, the amount of policy loans we extended. Our debt securities portfolio grew as we repositioned our investment strategy by increasing our holdings in debt securities at the beginning of 2020 as part of our strategic response to minimize the impact of market volatility caused by the COVID-19 pandemic. The adoption of the Accounting Guideline and TAS 32 in 2020 also contributed to an increase in investment assets of Baht 184.48 million. See Note 3 to the 2020 Financial Statements for more details.

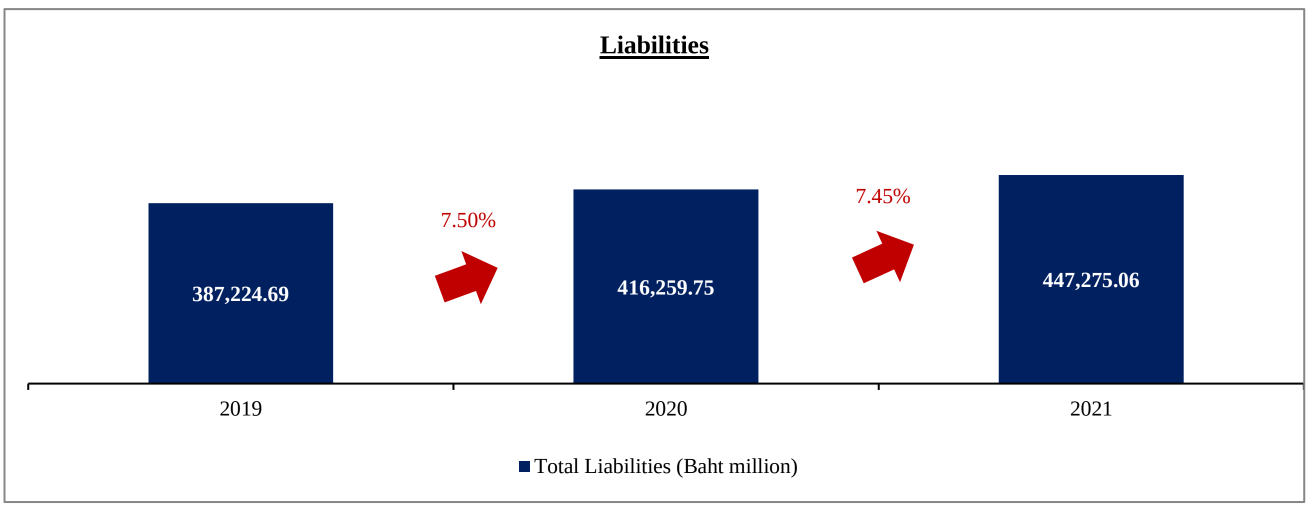
Assets other than the abovementioned

Assets other than the abovementioned consist of accrued investment income, derivative assets, net investments in associated companies, investments held to cover linked liabilities, net premiums due and uncollected, net land, premises and equipment, reinsurers' share of insurance contract liabilities, net reinsurance receivables, net intangible assets, net property foreclosed and other assets.

Assets other than the abovementioned decreased by 15.60% to Baht 15,753.03 million as of December 31, 2021 from Baht 18,664.56 million as of December 31, 2020, primarily due to a decrease in derivatives assets. Derivative assets decreased primarily due to a significant decrease in fair value of our cross currency swap and forward contracts that we entered into to protect against the exchange risk from foreign currency investments as a result of the weakening of Thai Baht.

Assets other than the abovementioned increased by 15.53% to Baht 18,664.56 million as of December 31, 2020 from Baht 16,155.03 million as of December 31, 2019, primarily due to an increase in net premiums due and uncollected, which was in line with growth in renewal premiums and in-force policies in 2020. The increase in assets other than the abovementioned also resulted from an increase in accrued investment income which was in line with growth in our investment assets. An increase in derivative assets, primarily due to a significant increase in fair value of our forward contracts that we entered into for hedging purposes, also contributed to the decrease in assets other than the abovementioned. The significant increase in fair value of our derivative assets in 2020 was mainly attributed to the adoption of the Accounting Guideline and TAS 32, which require us to record the value of derivative assets based on fair value instead of book value and resulted in an increase of Baht 2,319.27 million in our derivatives assets. Had we adopted TFRS 16, there would have been an increase of Baht 94.84 million in net land, premises and equipment as of 31 December 2019, contributing to the increase in assets other than the abovementioned. See Note 3 to the 2020 Financial Statements for more details. The increase in assets other than the abovementioned was partially offset by a decrease in intangible assets as we amortized contracts for VOBA and VODA which were acquired through our acquisition of Thai Cardif.

Liabilities



As of December 31, 2019, 2020 and 2021, our total liabilities were Baht 387,224.69 million, Baht 416,259.75 million and Baht 447,275.06 million, respectively, contributing to a CAGR of 7.47% from December 31, 2019 to December 31, 2021. The growth in our total liabilities was primarily due to an increase in long-term technical reserves.

The following table sets forth the principal components of our liabilities as of the dates indicated:

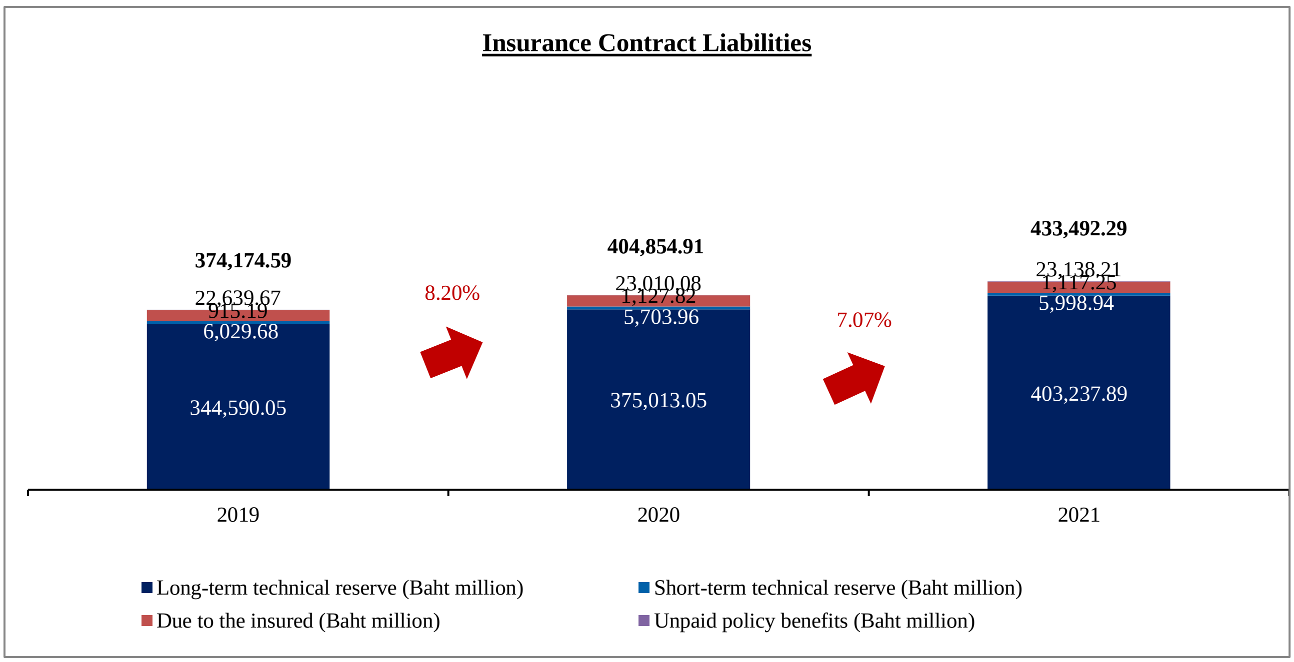
	As of December 31,		
	2019	2020	2021
		THB (in millions)	
Liabilities			
Insurance contract liabilities			
Long-term technical reserves	344,590.05	375,013.05	403,237.89
Short-term technical reserves	6,029.68	5,703.96	5,998.94
Unpaid policy benefits	915.19	1,127.82	1,117.25
Due to the insured	22,639.67	23,010.08	23,138.21
Total insurance contract liabilities	374,174.59	404,854.91	433,492.29
Other liabilities(1)	8,758.92	6,603.29	5,321.72
Employee benefit obligations	1,786.37	1,708.04	1,593.28
Deferred tax liabilities, net	1,354.95	1,559.79	2,027.41
Liabilities other than the abovementioned(2)	1,149.86	1,533.72	4,840.36
Total liabilities	**387,224.69**	**416,259.75**	**447,275.06**

Notes:

(1) Other liabilities include deposit from agents, accrued operating expenses, credit support annex payables for derivatives transactions, accrued commission and brokerage expenses, suspense premiums, investment payables and others.

(2) Liabilities other than the abovementioned consists of investment contract liabilities, reinsurance payable, derivative liabilities and income tax payable.

Insurance contract liabilities



Insurance contract liabilities comprise long-term technical reserves, short-term technical reserves, unpaid policy benefits and due to the insured.

Long-term technical reserves are liabilities for insurance contractual benefits and claims that are expected to be incurred in the future. Long-term technical reserves are recorded when the premiums are recognized and are released when benefits and claims are incurred. We calculate long-term technical reserves using the net level premium valuation method. Each liability is measured using assumptions, including mortality, morbidity and discounted interest rates considered to be appropriate for the policies in force. Long-term technical reserves amounted to Baht 344,590.05 million, Baht 375,013.05 million and Baht 403,237.89 million as of December 31, 2019, 2020 and 2021, respectively.

Short-term technical reserves comprise unearned premium reserves and loss reserves and outstanding claims. Unearned premium reserves are portions of gross written premiums relating to unexpired risk of insurance coverage. When the unexpired risks are considered to be greater than unearned premium reserves, the difference is recognized as unexpired risk reserves. Loss reserves and outstanding claims are provisions for our estimated ultimate cost of settling all claims incurred but unpaid, whether or not reported, and related handling expenses of short-term insurance contracts.

Dues to the insured are advance premiums received from the insured and any amount other than benefits under the insurance policy that we have to pay to the insured.

Unpaid policy benefits represent claims and benefits payable to policyholders in relation to deaths, surrenders, dividends, maturities and policyholder deposits in respect of maturities and dividends, including related interest payable and other benefits.

Insurance contract liabilities increased by 7.07% to Baht 433,492.29 million as of December 31, 2021 from Baht 404,854.91 million as of December 31, 2020, primarily due to an increase in policies in force, particularly policies with single premium payment and renewed policies. See "— *Gross written premiums*."

Insurance contract liabilities increased by 8.20% to Baht 404,854.91 million as of December 31, 2020 from Baht 374,174.59 million as of December 31, 2019, primarily due to an increase in unpaid policy benefits as we saw an increase in death and disability claims. We also increased long-term technical reserves for prudence in light of the low interest rate environment, contributing to an increase in insurance contract liabilities. These increases were partially offset by a decrease in loss reserves and outstanding claims.

Other liabilities

Other liabilities consist of deposit from agents, accrued operating expenses, credit support annex payables for derivatives transactions, accrued commission and brokerage, suspense premiums, investment payables and others.

Other liabilities decreased by 19.41% to Baht 5,321.72 million as of December 31, 2021 from Baht 6,603.29 million as of December 31, 2020, primarily due to significant decreases in investment payables and credit support annex payables for derivatives transactions resulting from fair value losses on derivatives with credit support annex.

Other liabilities decreased by 24.61% to Baht 6,603.29 million as of December 31, 2020 from Baht 8,758.92 million as of December 31, 2019, primarily due to significant decreases in investment payables and credit support annex payables for derivatives transactions resulting from lower fair value gains on derivatives with credit support annex. The decreases were partially offset by an increase in lease liabilities of Baht 96.21 million as a result of the adoption of TFRS 16 in 2020 and an increase in other liabilities of Baht 102 million as a result of the reclassification as we changed how we record employee benefit obligations. See Note 3 to the 2020 Financial Statements and note 31 to the 2021 Financial Statements for more details. See also "— *Employee benefit obligations*" below.

Employee benefit obligations

Employee benefit obligations decreased by 6.72% to Baht 1,593.28 million as of December 31, 2021 from Baht 1,708.04 million as of December 31, 2020, primarily due to a decrease in post-employment benefits as such benefits were paid during the year.

Employee benefit obligations decreased by 4.38% to Baht 1,708.04 million as of December 31, 2020 from Baht 1,786.37 million as of December 31, 2019, primarily due to the reclassification of short-term employee benefits amounting to Baht 102.00 million as other liabilities. See Note 31 to the 2021 Financial Statements for more details. See also "— *Other liabilities*" above. Such decrease was offset by an increase in post-employment benefits under a defined benefit plan. Had employee benefit obligations as of December 31, 2020 not been reclassified, the obligations would have increased by 1.33% compared to December 31, 2019.

Net deferred tax liabilities

Net deferred tax liabilities increased by 29.98% to Baht 2,027.41 million as of December 31, 2021 from Baht 1,559.79 million as of December 31, 2020, primarily due to an increase in unrealized gain on investments.

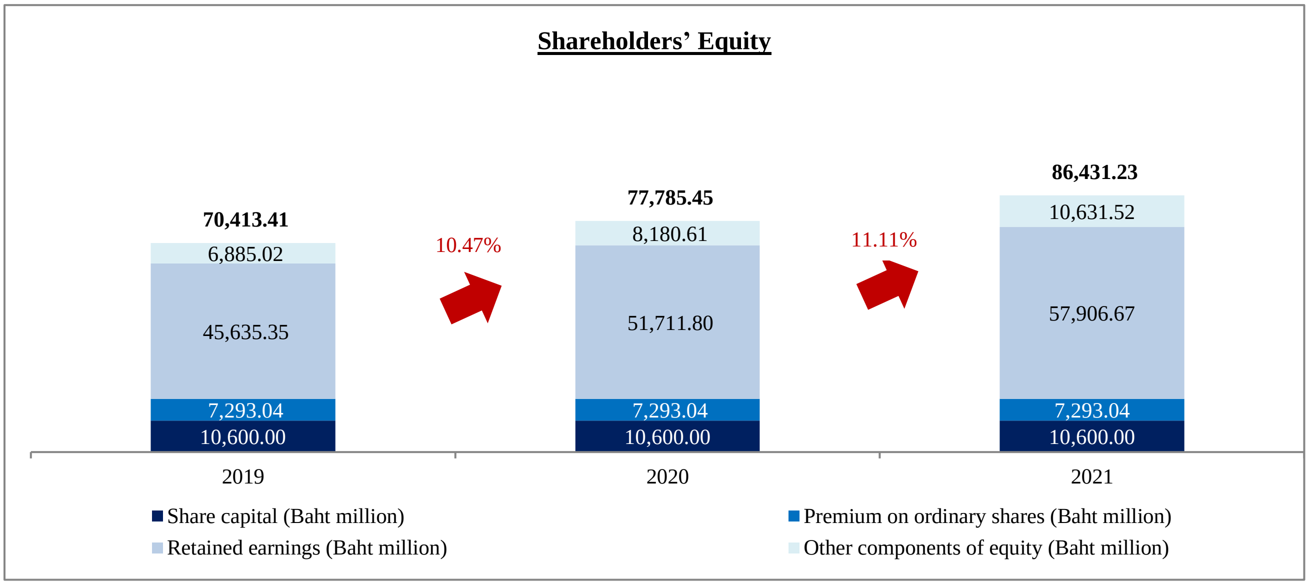
Net deferred tax liabilities increased by 15.12% to Baht 1,559.79 million as of December 31, 2020 from Baht 1,354.95 million as of December 31, 2019, primarily due to an increase in unrealized gain on investments and derivatives. Had we adopted the Accounting Guideline, TAS 32 and TFRS 16 in 2019, our net deferred tax liabilities as of December 31, 2019 would increase by Baht 515.90 million.

Liabilities other than the abovementioned

Liabilities other than the abovementioned increased by 215.60% to Baht 4,840.36 million as of December 31, 2021 from Baht 1,533.72 million as of December 31, 2020, primarily due to an increase in derivative liabilities resulting from loss on fair value of derivatives due to the weakening of Thai Baht and higher income tax payable which was in line with the increase in profit for the period.

Liabilities other than the abovementioned increased by 33.38% to Baht 1,533.72 million as of December 31, 2020 from Baht 1,149.86 million as of December 31, 2019, primarily due to an increase in derivative liabilities, resulting from loss on fair value of derivatives. Had we adopted the Accounting Guideline and TAS 32 in 2019, such adoption would have resulted in a decrease in derivative liabilities of Baht 75.75 million. In addition, higher income tax payable, which was in line with growth in profit for the year, also contributed to the increase in liabilities other than the abovementioned.

SHAREHOLDERS' EQUITY



The following table sets forth the main components of our shareholders' equity information as of December 31, 2019, 2020 and 2021:

	As of December 31,		
	2019	2020	2021
		THB (in millions)	
Equity			
Share capital			
Authorized share capital	10,600.00	10,600.00	11,600.00
Issued and paid-up share capital	10,600.00	10,600.00	10,600.00
Premium on ordinary shares	7,293.04	7,293.04	7,293.04
Retained earnings			
Appropriated			
Legal reserve	1,060.00	1,060.00	1,160.00
Unappropriated	44,575.35	50,651.80	56,746.67
Other components of equity	6,885.02	8,180.61	10,631.52
Total equity	**70,413.41**	**77,785.45**	**86,431.23**

As of December 31, 2019, 2020 and 2021, we had total equity of Baht 70,413.41 million, Baht 77,785.45 million and Baht 86,431.23 million, respectively.

Our equity, as of December 31, 2021, was Baht 86,431.23 million, representing a 11.11% increase from Baht 77,785.45 million as of December 31, 2020. The increase was primarily due to profit generated during the period.

Our equity, as of December 31, 2020, was Baht 77,785.45 million, representing a 10.47% increase from Baht 70,413.41 million as of December 31, 2019. The increase was primarily due to profit generated during the period, partially offset by the effect of the adoption of the Accounting Guideline, TAS 32 and TFRS 16 in 2020, which resulted in a decrease in retained earnings of Baht 150.73 million. See Note 3 to the 2020 Financial Statements for more details.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2021, our cash and cash equivalents were Baht 7,326.48 million. Our principal cash inflows come from insurance premiums, cash receipts from investments in securities, and interests received from fixed income investments, which comprised mostly debt instruments.

Net written premiums are generally affected by fluctuations in the level of policy surrenders, withdrawals, maturities, benefits and claims and guarantees to policyholders. We may face liquidity pressure in the form of unexpected cash demands that could arise from an increase in the level of policyholders terminating policies. We closely monitor and manage the level of surrenders in order to minimize such liquidity risk. Liquidity from net investment income is generated from our portfolio of investment assets.

Apart from cash and cash equivalents, our investments generally comprise highly liquid and marketable securities such as deposits and short-term government bonds with a maturity of less than one year, which generally could be liquidated to meet cash needs. As of December 31, 2021, the carrying value of deposits and short-term government bonds with a maturity of less than one year amounted to Baht 12,978.38 million.

We use our cash inflows and existing cash balances to pay liabilities under insurance policies and purchase reinsurance and investment assets. We also use our funds to pay operating expenses, income taxes and dividends that may be declared and payable to our shareholders. The payment of dividends and other distributions and payments is regulated by the OIC.

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
Net cash provided by (used in) operating activities	2,322.01	3,761.44	(294.44)
Net cash used in investing activities	(351.62)	(302.25)	(619.00)
Net cash used in financing activities	(1,409.80)	(1,409.80)	(2,257.80)
Net increase (decrease) in cash and cash equivalents	**560.59**	**2,049.39**	**(3,171.24)**
Cash and cash equivalents at the beginning of the year	7,887.74	8,448.33	10,497.72
Cash and cash equivalents at the end of the year	**8,448.33**	**10,497.72**	**7,326.48**

Operating activities

Cash flows from our operating activities include revenue and expenses from sales of our insurance products and net purchases and sales of financial investments.

Net cash used in operating activities amounted to Baht 294.44 million for the year ended December 31, 2021 compared to net cash provided by operating activities of 3,761.44 million for the year ended December 31, 2020. Net cash used in operating activities in 2021 reflects an increase in cash payments we made to acquire investments in securities.

Net cash provided by operating activities increased by 61.99% to Baht 3,761.44 million for the year ended December 31, 2020 from Baht 2,322.01 million for the year ended December 31, 2019, primarily due to decreases in benefit payments and insurance claim expenses and commission and brokerage expenses given the rationalization of commission rates. The decline in other underwriting expenses, which was in line with diminished premium revenues, also contributed to the increase in net cash provided by operating activities.

Investing activities

Net cash used in investing activities increased by 104.80% to Baht 619.00 million for the year ended December 31, 2021 from Baht 302.25 million for the year ended December 31, 2020, primarily due to higher investments in intangible assets. This was partially offset by proceeds from sales of foreclosed properties.

Net cash used in investing activities decreased by 14.04% to Baht 302.25 million for the year ended December 31, 2020 from Baht 351.62 million for the year ended December 31, 2019, primarily due to fewer investments in equipment for information technology projects as we mostly made these investments in 2019. This was partially offset by increased investments in computer software to support the information technology infrastructure in which we invested in 2019.

Financing activities

Net cash used in financing activities increased by 60.15% to Baht 2,257.80 million for the year ended December 31, 2021 from Baht 1,409.80 million for the year ended December 31, 2020 as we approved higher dividend payments to shareholders compared to 2020.

Net cash used in financing activities remained stable at Baht 1,409.80 million for the years ended December 31, 2019 and 2020. The cash outflows were for payments of dividends to shareholders.

CAPITAL EXPENDITURE

We regularly make capital expenditures to expand our operations, maintain our equipment and increase our operating efficiency. Between 2019 and 2021, our capital expenditures were mainly for computer hardware and software. We have historically funded our capital expenditures through cash provided by our operating activities, including insurance premiums, cash generated by our investments in securities, and interest from fixed income investments and loans, mostly comprising debt instruments.

The following table sets forth our capital expenditures for the periods indicated:

	For the years ended December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
Building	47	12	43
Furniture and fixtures	76	79	114
Hardware	105	71	54
Vehicle	1	-	-
Software	225	173	183
Assets under construction	(64)[1]	88	(21)[1]
Total	**390**	**423**	**373**

Note:

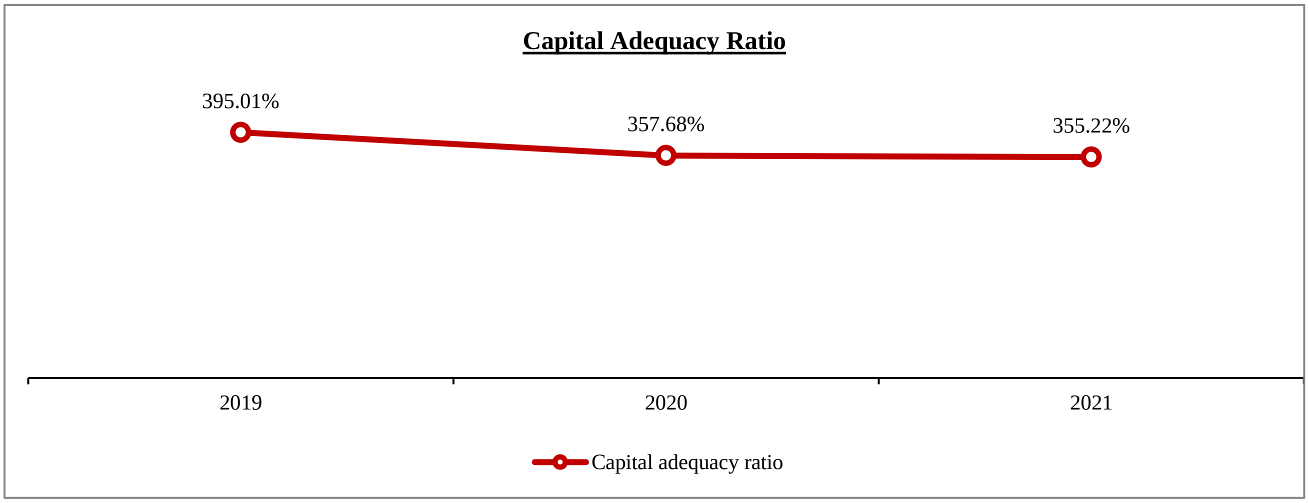
(1) Data presents net amount after reclassification of assets into other categories after construction or development has been completed.

Our planned capital expenditures primarily consist of investments related to the purchasing and installation of operating information technology equipment in line with our goal to transform ourselves into a strategic data driven organization.

Future capital expenditures for the years ended December 31, 2022, 2023 and 2024 are expected to be approximately Baht 745 million, Baht 739 million and Baht 746 million, respectively, and will primarily comprise information technology projects to accommodate our business operations, improve our customer experience, enhance efficiency and productivity, reduce costs, and strengthen data analytics capabilities. These include adding new features to the TLI Application, enhancing our system to accommodate claims submitted through our digital platforms, and improving our data governance.

We intend to fund our future capital expenditures with our existing cash balance and proceeds from this Offering.

CAPITAL ADEQUACY RATIO



It is our policy to maintain an adequate level of capital and liquidity to support our business strategies and growth, to meet regulatory requirements and to weather current and future economic cycles. We believe that we have taken a conservative stance with respect to our capital and liquidity management, as reflected in our high capital adequacy ratio in recent years.

The OIC, among other things, sets capital adequacy requirements that an insurer must meet in order to be authorized to carry on insurance business in or from Thailand. The current absolute minimum capital adequacy requirement for a life insurance company is 100%. However, if the capital adequacy ratio of a life insurance company falls below 120%, the OIC may intervene and implement appropriate measures to oversee the operations of such company. From January 1, 2022, the threshold for such OIC's intervention has increased to 140%. As of December 31, 2021, our capital adequacy ratio was 355.22%, significantly higher than the minimum regulatory requirement to prevent the OIC's business intervention of 120% as of the same date.

INDEBTEDNESS

We did not have any indebtedness as of December 31, 2021.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of December 31, 2021, our material contractual obligations and commitments related primarily to construction of branches and consulting and service agreements for computer systems, employment contracts, and other information technology service contracts.

The following table sets forth our principal contractual commitments as of the dates indicated:

	As of December 31, 2021 Payment due by period			
	THB (in millions) ***(audited)***			
	Total	**Less than 1 year**	**Year 1-5**	**More than 5 years**
Commitment from operating lease agreements				
Commitment from operating lease agreements	136.98	78.76	53.07	5.15
Capital expenditure commitment				
Building and other construction	16.67	16.67	-	-
Other commitments				
Consulting and service fees for computer systems	351.42	308.80	32.31	10.31
Employment contracts and other service fees	220.93	138.80	73.10	9.03

CONTINGENT LIABILITIES AND GUARANTEES

Due to the nature of the insurance business, we are involved in legal proceedings in the ordinary course of business. The legal proceedings primarily involve claims on our insurance policies. We are also involved in immaterial legal and arbitration proceedings that do not relate to claims on our insurance policies.

We make provisions from time to time for the probable losses to us with respect to those claims when our management can reasonably estimate the outcome of the proceedings, taking into account the legal advice we have received. We do not make provisions for pending litigation when the outcome of the litigation cannot be reasonably estimated or our management believes that the probability is remote or that any resulting liabilities will not have a material adverse effect on our financial position or operating results. We believe that the recorded amount of reserves, unpaid policy benefits, and due to insured parties in the financial statements is adequate to meet the potential losses in respect of these claims.

As of December 31, 2021, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2019, 2020 and 2021, we had no material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

Market risk is the risk of potential loss to future earnings, fair values or future cash flows that may result from adverse changes in interest rates, foreign exchange rates, equity securities prices and commodities, which can have an adverse effect on income and capital. We are exposed to market risk arising principally from our holding of financial investment assets. As of December 31, 2021, we had financial investment assets of Baht 517,953.26 million, which are subject to market risk arising from our investment activities.

Interest rate risk

Movement in interest rates is one of the main factors that affect the value of our assets and liabilities and the overall investment return. Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As our financial assets principally comprise debt securities and, to a lesser extent, loans and term deposits, changes in the level of interest rates can have a significant impact on our overall investment returns.

Exposure to interest rate fluctuations arises when there is a tenure mismatch between rate-sensitive assets and liabilities items. We mitigate interest rate risk by defining the target duration gap between our assets and liabilities and, to the extent possible and practicable, lengthen the duration of our assets to better match that of our liabilities. In addition, we use derivative instruments, principally interest rate swaps, bond forwards, and cross currency swaps to manage exposure to fluctuations in interest rates on specific debt securities.

As of the dates indicated, changes of interest rates would impact the fair value of our debt securities through other comprehensive income and affect our total equity as shown below. This sensitivity analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

	As of December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
		Total equity, net of tax	
+ 25 basis points in yield curves	(202.62)	(512.41)	(394.17)
- 25 basis points in yield curves	202.75	512.50	394.23

Exchange rate risk

Exchange rate risk arises when we enter into transactions denominated in foreign currencies such as investment in bonds or equity securities denominated in foreign currencies. Although our liabilities are predominantly denominated in Thai Baht, we invest, in some instances, in instruments in foreign currencies for yield enhancement and risk diversification purposes. These investments expose us to gains and losses arising from foreign exchange rate movements. Our business units monitor foreign currency exposures and where these are not consistent with our risk appetite, positions may be closed or hedging instruments may be purchased. We use various derivative instruments such as cross currency interest rate swap and foreign exchange forward to hedge against the exchange rate risk. Our internal policy generally requires us to use derivatives to hedge against 80% to 100% of our foreign exchange exposures.

As of the dates indicated, movements in U.S. dollar would affect the value of our financial investment assets denominated in foreign currencies and impact total equity and net profit or loss as shown below. This sensitivity analysis assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of our sale and purchases of financial instruments.

	As of December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
		Total equity, net of tax	
2.5% strengthening in THB	87.68	(9.74)	(26.41)
2.5% weakening in THB	(87.68)	9.74	26.41

	As of December 31,		
	2019	**2020**	**2021**
		THB (in millions)	
		Impact on net profit or loss	
2.5% strengthening in THB	109.61	(12.18)	(33.01)
2.5% weakening in THB	(109.61)	12.18	33.01

Price risk

Price risk is the risk that arises from changes in equities and commodities prices that may adversely affect our income or capital funds. We invest in equity and unit trust portfolio to enhance longer term returns and diversify risks.

We mitigate price risk by determining risk appetite level and maintaining the risk to be within the appetite limit. We also employ various non-statistical and statistical tools such as value at risk and sensitivity analysis to evaluate the risk level.

As of the dates indicated, changes in equity prices would affect the value of our investments in listed equity securities and unit trusts and impact total equity as shown below, excluding investments assets held to cover unit-linked liabilities.

	As of December 31,		
	2019	2020	2021
		THB (in millions)	
		Total equity, net of tax	
10% increase	4,207.16	4,086.35	5,561.66
10% decrease	(4,207.16)	(4,086.35)	(5,561.66)

FINANCIAL RATIOS AND ACTUARIAL DATA

The following table sets forth certain financial ratios and actuarial data commonly used in the insurance sector as of the dates and for the periods indicated therein.

	As of/For the year ended December 31,		
	2019	2020	2021
Liquidity ratios			
Premium turnover[1] (days)	14.18	17.21	18.62
Profitability ratios			
Operating profit margin[2]	9.28%	10.50%	11.94%
Underwriting expense ratio[3]	22.16%	18.97%	17.11%
Gross return on average investments[4]	3.81%	3.45%	3.89%
Net return on average investments[5]	3.61%	3.44%	3.22%
Net premium ratio[6] (times)	1.40x	1.23x	1.10x
Net profit margin[7]	6.25%	7.15%	7.68%
Return on average shareholders' equity[8]	10.32%	10.38%	10.22%
Efficiency ratios			
Return on average assets[9]	1.55%	1.62%	1.63%
Investment assets to reserves ratio[10]	115.73%	114.83%	117.79%
Asset turnover ratio[11] (times)	0.25x	0.23x	0.21x
Financial ratios			
Debt to equity ratio [12] (times)	5.50x	5.35x	5.17x
Reserves to equity ratio[13] (times)	4.98x	4.89x	4.73x
Reserves to assets ratio[14] (times)	0.77x	0.77x	0.77x
Dividend payout ratio[15]	21.29%	29.99%	
Other ratios			
Total capital required [16] (in THB millions)	27,508.8	25,599.3	28,966.7
Capital adequacy ratio[17]	395.01%	357.68%	355.22%

	As of/For the year ended December 31,		
	2019	2020	2021
Actuarial data			
VONB margin[18]	23.5%	17.3%	49.1%
Embedded value (in THB millions)		134,786.2	142,277.3

Notes:

(1) Premium turnover is calculated as 365 times the average overdue premium receivables at the beginning and the end of the period divided by gross written premiums.

(2) Operating profit margin is calculated as profit before income tax expense divided by gross written premiums for the period.
(3) Underwriting expense ratio is calculated as taking the sum of the commission and brokerage expenses, other underwriting expenses and operating expense; and dividing such sum by gross written premiums for the period.
(4) Gross return on average investments is calculated as sum of net investment income and gain on investment divided by an average of the sum of net financial investment assets at the beginning and the end of the period.
(5) Net return on average investments is calculated as net investment income divided by an average of net financial investment assets at the beginning and the end of the period.
(6) Net premium ratio is calculated as net written premiums divided by average total shareholders' equity at the beginning and the end of the period.
(7) Net profit margin is calculated as net profit divided by total revenues for the period.
(8) Return on average shareholders' equity is calculated as net profit for the period divided by average total shareholders' equity at the beginning and the end of the period.
(9) Return on average assets is calculated as net profit for the period divided by average total assets at the beginning and the end of the period.
(10) Investment assets to reserves ratio is calculated as investment assets divided by insurance contract liabilities at the end of the period.
(11) Asset turnover ratio is calculated as total revenues divided by average total assets at the beginning and the end of the period.
(12) Debt to equity ratio is calculated as total liabilities divided by total shareholders' equity at the end of the period.
(13) Reserves to equity ratio is calculated as insurance contract liabilities (excluding unpaid policy benefits and due to the insured) divided by total shareholders' equity at the end of the period.
(14) Reserves to assets ratio is calculated as insurance contract liabilities (excluding unpaid policy benefits and due to the insured) divided by total assets at the end of the period.
(15) Dividend payout ratio is calculated as approved dividend payment divided by net profit from the operating results of the period on which dividend payment consideration was based.
(16) Total capital required is calculated in accordance with the Notification of the OIC on Types of Capital and Rules, Criteria, and Conditions for Calculation of Capital of Life Insurance Companies B.E. 2562 (as amended).
(17) Capital adequacy ratio is calculated, utilising total capital required, in accordance with the Notification of the OIC on Types of Capital and Rules, Criteria, and Conditions for Calculation of Capital of Life Insurance Companies B.E. 2562 (as amended).
(18) VONB margin is calculated as VONB divided by APE.

Set out below is a discussion of certain key financial ratios:

Profitability ratios

Our underwriting expense ratio was 22.16%, 18.97% and 17.11% for the years ended December 31, 2019, 2020 and 2021, respectively. The decrease in our expense ratio in 2020 was primarily due to a decrease in commission and brokerage expenses, which was in line with a decrease in our premium revenues, and a decrease in operating expenses. These decreases resulted from our ongoing initiatives to reduce expenses for operational efficiency. The decrease in our expense ratio in 2021, as compared to 2020, was mainly due to the decrease in commission and brokerage expenses.

Our gross return on average investments was 3.81%, 3.45% and 3.89% for the years ended December 31, 2019, 2020 and 2021, respectively. The decrease in our gross return on average investments in 2020 was primarily due to a decrease in gain on investments in equity securities as part of our strategic response to minimize the impact of market volatility caused by the COVID-19 pandemic. Our gross return on average investments increased in 2021, as compared to 2020, primarily due to gains realized from sales of investments in shares and investment units, as part of our portfolio rebalancing strategies from sectors which benefited from the COVID-19 pandemic, e.g. the technology sector, to other sectors which are expected to benefit from the relaxation of pandemic-related restrictions.

Our net return on average investments was 3.61%, 3.44% and 3.22% for the years ended December 31, 2019, 2020 and 2021, respectively. The decrease in our net return on average investments in 2020 was primarily due to the decrease in our yield on investments in debt securities. Although the market interest rate increased after the COVID-19 pandemic, it subsequently declined resulting in the average market interest rate in 2020 being lower than the previous year. Our net return on average investments decreased in 2021, as compared to 2020, mainly due to the decrease in our yield on investments in debt securities coupled with debt securities with high interest rates gradually reaching maturity and being replaced with those with lower interest rates.

Our net profit margin was 6.25%, 7.15% and 7.68% for the years ended December 31, 2019, 2020 and 2021, respectively. The increase in our net profit margin in 2020 was primarily due to a decrease in our total expenses as benefits payments and insurance claims expenses as well as commissions and brokerage expenses decreased. The increase in our net profit margin in 2021, as compared to 2020, was mainly due to an increase in total revenue during the period.

Our return on average shareholders' equity was 10.32%, 10.38% and 10.22% for the years ended December 31, 2019, 2020 and 2021, respectively. The increase in our return on average shareholders' equity for the year ended December 31, 2020 was primarily due to an increase in our net profit for the year. The decrease in our return on average shareholders' equity in 2021, as compared to 2020, was mainly due to an increase in shareholders' equity.

Efficiency ratios

Our return on average assets was 1.55%, 1.62% and 1.63% for the years ended December 31, 2019, 2020 and 2021, respectively. The increases in our return on average assets in 2020 and 2021 were primarily due to an increase in our net profit for the respective years as we implemented ongoing initiatives to reduce expenses for operational efficiency.

Other ratios and actuarial data

Our capital adequacy ratio was 395.01%, 357.68% and 355.22% as of December 31, 2019, 2020 and 2021, respectively. The decrease in our capital adequacy ratio in 2020 was primarily due to the low interest rate environment. However, total capital we are required to maintain lessened as we reduced investments in equity in light of the market volatility brought by the COVID-19 pandemic. Moreover, the correlation between assets and insurance risk has been adjusted as prescribed by the OIC resulting in lower required capital. Meanwhile, the decrease in our capital adequacy ratio as of December 31, 2021 from December 31, 2020 was primarily due to our investment portfolio adjustment to move toward riskier assets for investment yield enhancement.

Our value of new business margin was 23.5%, 17.3%, and 49.1% for the years ended December 31, 2019, 2020 and 2021, respectively. Compared to the year ended December 31, 2020, our value of new business margin increased significantly in the year ended December 31, 2021, primarily due to an increase in sales of products that are more profitable and less sensitive to interest rate volatility as well as cancellation of existing products that generated less profit in a low yield environment. As a replacement, we introduced new products with new pricing leading to a higher margin. In addition, an increase in interest rates compared to the previous year also had a positive impact on our value of new business margin. Compared to the year ended December 31, 2019, our value of new business margin decreased in the year ended December 31, 2020, primarily due to lower interest rates which mainly impacted our basic ordinary life insurance products.

Our embedded value increased by Baht 7,491.1 million in 2021, from Baht 134,786.2 million as of December 31, 2020 to Baht 142,277.3 million as of December 31, 2021, representing a 5.6% increase. The key contributors to this change were the value of new business for the twelve months ended December 31, 2021 of Baht 5,584.6 million, the expected return on embedded value of Baht 7,268.7 million, an economic variance of negative Baht 3,967.6 million, reflecting changes in the market value of assets and liabilities due to the increase in market interest rates, an increase from a change in an economic assumption of Baht 911.6 million, and a capital movement in relation to dividends paid to our shareholders causing a decrease of Baht 2,257.8 million. See "*Embedded Value.*"

PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

TFRS 17 is an insurance accounting standard applicable to insurance contracts that will come into effect for our financial periods commencing on January 1, 2024. The new standard represents a fundamental shift in how we account for contracts. TFRS 17 aims to increase transparency as it requires organizations to place a greater focus on improving data quality, achieving data normalization and encouraging cross-interpretation.

We began the preparation for TFRS 17 adoption in 2017. Our implementation plan is divided into the following five phases:

- Phase 1 — Gap assessment. This stage includes studying the basic concepts, training and budget assessment.

- Phase 2 — Preparation of business requirements document describing business solutions for the product and designing and building a pilot actuarial model. This phase contemplates completion of transition approach assessment and first draft accounting policy.

- Phase 3(a) — Detailed sub-ledger system design and actuarial model build. This phase includes completion of detailed design and testing of a target operating model and full actuarial models.

- Phase 3(b) — Test run and transition proposition. This phase involves producing a TFRS 17 compliant opening balance sheet.

- Phase 4 — Parallel run. We run the TFRS 17 system in parallel with the existing accounting system in this stage. This phase involves obtaining reviews from auditors and informing the Board of the new accounting policies.

- Phase 5 — We commence financial reporting in compliance with TFRS 17.

We are currently in phase 3(a) of the implementation process. We are also in the process of studying the full impact of the adoption of the TFRS 17 on our financial performance. We collaborate closely with the regulators and other players in the industry to evaluate the impact and execution challenges of the adoption.

STATEMENT OF FINANCIAL POSITION DATA

The following table sets out data from our statement of financial position in which equity method is applied as of each of the dates indicated therein:

	As of December 31,		
	2019	2020	2021
		THB (in millions)	
Assets			
Cash and cash equivalents	8,448.33	10,497.72	7,326.48
Premiums due and uncollected, net	3,731.25	4,876.39	4,354.56
Accrued investment income	3,211.26	3,559.54	4,063.42
Reinsurers' share of insurance contract liabilities	8.99	6.07	6.57
Reinsurance receivables, net	145.36	133.39	126.66
Derivative assets	2,244.43	3,822.00	900.54
Investment assets			
Investments in securities	402,688.44	434,331.97	480,690.51
Loans and accrued interest	30,346.30	30,550.95	29,936.27
Investments in associates, net	1,486.13	1,691.57	470.93
Investments held to cover linked liabilities	36.15	47.43	150.41
Property foreclosed, net	861.01	865.35	308.57
Land, premises and equipment, net	2,924.14	2,719.46	2,533.93
Intangible assets, net	693.46	472.53	1,291.94
Other assets	812.85	470.83	1,545.50
Total assets	**457,638.10**	**494,045.20**	**533,706.29**
Liabilities and Equity			
Liabilities			
Insurance contract liabilities	374,174.59	404,854.91	433,492.29
Investment contract liabilities	36.15	47.43	150.41
Reinsurance payable	144.63	156.18	183.36
Derivative liabilities	219.13	344.23	3,055.33
Income tax payable	749.95	985.88	1,451.26
Deferred tax liabilities, net	1,354.95	1,559.79	2,027.41
Employee benefit obligations	1,786.37	1,708.04	1,593.28
Other liabilities	8,758.92	6,603.29	5,321.72
Total liabilities	**387,224.69**	**416,259.75**	**447,275.06**

	As of December 31,		
	2019	2020	2021
		THB (in millions)	
Equity			
Share capital			
Authorised share capital	10,600.00	10,600.00	11,600.00
Issued and paid-up share capital	10,600.00	10,600.00	10,600.00
Premium on ordinary shares	7,293.04	7,293.04	7,293.04
Retained earnings			
Appropriated			
Legal reserve	1,060.00	1,060.00	1,160.00
Unappropriated	44,575.35	50,651.80	56,746.67
Other components of equity	6,885.02	8,180.61	10,631.52
Total equity	**70,413.41**	**77,785.45**	**86,431.23**
Total liabilities and equity	**457,638.10**	**494,045.20**	**533,706.29**

STATEMENT OF COMPREHENSIVE INCOME DATA

The following table sets out data from our statement of comprehensive income in which equity method is applied for each of the periods indicated therein:

	For the year ended December 31,		
	2019	2020	2021
		THB (in millions)	
Revenues			
Gross premium written	92,039.37	91,269.12	90,451.49
Less Premium ceded	(246.07)	(254.21)	(278.60)
Net premiums written	91,793.30	91,014.91	90,172.89
Add (less) Unearned premium reserve decrease (increase) from previous year	(58.55)	201.50	(69.08)
Add (less) Reinsurers' share of increase (decrease) in unearned premium reserve from previous year	(3.15)	(2.76)	0.38
Net premiums earned	91,731.60	91,213.65	90,104.19
Fee and commission income	18.57	23.63	34.89
Net investment income	15,152.34	15,749.41	16,015.75
Gain on investments	837.12	66.78	3,324.88
Gain (loss) on fair value change	307.35	153.91	(652.18)
Share of profit of associate	86.05	164.31	12.04
Other income	255.67	270.57	406.45
Total revenues	**108,388.70**	**107,642.26**	**109,246.02**

	For the year ended December 31,		
	2019	2020	2021
		THB (in millions)	
Expenses			
Long-term technical reserve increase from previous year	28,580.76	30,422.99	28,224.84
Benefits payments and insurance claims expenses	51,120.71	50,120.82	53,608.00
Less Benefits payments and insurance claims expenses recovered from reinsurers	(184.52)	(157.18)	(149.72)
Net benefits payments and insurance claims expenses	50,936.19	49,963.64	53,458.28
Commissions and brokerage expenses	12,235.96	10,421.50	8,677.65
Other underwriting expenses	2,353.25	1,840.68	1,726.40
Operating expenses	5,807.30	5,051.46	5,073.32
Expected credit loss (reversal)	(177.84)	262.94	1,057.68
Other expenses	108.39	94.14	226.27
Total expenses	**99,844.01**	**98,057.35**	**98,444.44**
Profit before income tax expense	**8,544.69**	**9,584.91**	**10,801.58**
Income tax expense	1,767.34	1,892.59	2,408.06
Profit for the year	**6,777.35**	**7,692.32**	**8,393.52**

STATEMENT OF CASH FLOWS DATA

The following table sets out a summary of our cash flows for the periods indicated therein:

	For the year ended December 31,		
	2019	2020	2021
		THB (in millions)	
Net cash provided by (used in) operating activities	2,322.01	3,761.44	(294.44)
Net cash used in investing activities	(351.62)	(302.25)	(619.00)
Net cash used in financing activities	(1,409.80)	(1,409.80)	(2,257.80)
Net increase (decrease) in cash and cash equivalents	**560.59**	**2,049.39**	**(3,171.24)**
Cash and cash equivalents at the beginning of the year	7,887.74	8,448.33	10,497.72
Cash and cash equivalents at the end of the year	**8,448.33**	**10,497.72**	**7,326.48**