Management Discussion and Analysis
for the 3rd quarter, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Thai Life Insurance Public Company Limited (the Company) is the first largest life insurance company in Thailand which owned and operated by Thai nationals with history of more than 81 years based on total premium revenues, according to Thai Life Assurance Association[1]. The Company was founded in January 1942 and successfully developed the *"Thai Life Insurance"* brand to be well-regarded as one of the top insurance providers in Thailand, with a high level of brand recognition. The brand symbolizes "the optimistic partners for all with insightful expertise, passion for the good, realistic vision and dedication".

KEY MILESTONES

- Received **CGR Rating Score 2023** (Corporate Governance Report of Thai Listed Companies 2023) with **"5 stars" or "Excellent"** level from Thai Institute of Directors (IOD).

- Received **the Insurance Asia Awards 2023 in the category of Sustainable Insurance Initiative of the Year – Thailand Awards** for the vision of sustainability operations and sharing benefits back to society and communities. The awards programme was held on 27 July 2023, at Marina Bay Sands, Singapore.

- Received **the Honorary Award for Insurance Company with Outstanding Management 2022**, by the Office of Insurance Commission (OIC) on 8 September 2023, based on being a life insurance company with excellent management focused on developing innovation in customer service, personnel development, and conducting business sustainably.

- Striving **Digital Transformation** in delivery of innovative e-Services such as e-Receipt for TLI application to deliver sustainability by reducing paper waste and the application of Robotic Process Automation (RPA) to enhance the effectiveness of the Company's operations.

[1] YTD total premium revenues was disclosed referring to the industry data as of 30 September 2023 from Thai Life Assurance Association (TLAA).

1. RESULTS OF OPERATION AND FINANCIAL POSITION

1.1 OVERVIEW

VONB
5,366m
+4.19%[1]

Net Profit
7,729m
-3.63%[1]

APE
8,599m
-10.81%[1]

VONB Margin
62.41%
+8.99pps[1]

Insurance Profit
5,718m
+5.75%[1]

Investment Profit
2,011m
-23.04%[1]

Summary of the Company's performance for 9M23

- Although the APE was lower than last year, VONB continued to grow as a result of the success in shifting product mix toward more profitable product, especially Agency and Partnership channel, and the favourable interest rate movement.
- The Company registered a net profit of Baht 7,729 million for 9M23. Insurance profit continued to grow, while the volatility of investment profit was mainly driven by a lower gain on sale of equity securities compared to the same period of last year.

1.2 RESULTS OF OPERATIONS

Unit: THB (in millions)

Operating Results	Q3/23	Q3/22	% Change	9M23	% of Premium	9M22	% of Premium	% Change
Revenues								
Net premiums earned[3]	24,197	20,929	15.61%	63,268	100.00%	61,762	100.00%	2.44%
Investment returns[4]	5,071	4,833	4.92%	14,916	23.58%	15,823	25.62%	-5.73%
Other components of total revenues[5]	50	153	-67.32%	135	0.21%	202	0.33%	-33.17%
Total revenues	**29,318**	**25,915**	**13.13%**	**78,319**	**123.79%**	**77,787**	**125.95%**	**0.68%**
Expenses								
Change in long-term technical reserve	5,457	3,260	67.39%	8,813	13.93%	9,296	15.05%	-5.20%
Net benefits payments and insurance claims expenses	16,881	15,625	8.04%	48,032	75.92%	47,106	76.27%	1.97%
Commissions, brokerage and other underwriting expenses	2,457	2,610	-5.86%	7,614	12.03%	7,557	12.24%	0.75%
Operating expenses	1,420	1,435	-1.05%	4,062	6.42%	3,939	6.38%	3.12%
Other components of total expenses (Reversal)[6]	491	292	68.15%	240	0.38%	(5)	-0.01%	NM*
Total expenses	**26,706**	**23,222**	**15.00%**	**68,761**	**108.68%**	**67,893**	**109.93%**	**1.28%**
Profit before income tax expense	**2,612**	**2,693**	**-3.01%**	**9,558**	**15.11%**	**9,894**	**16.02%**	**-3.40%**
Income tax expense	524	485	8.04%	1,829	2.89%	1,874	3.03%	-2.40%
Net profit	**2,088**	**2,208**	**-5.43%**	**7,729**	**12.22%**	**8,020**	**12.99%**	**-3.63%**

* NM refers to "Non-Meaningful"

[1] The change in net profit, insurance profit, investment profit, VONB, APE, and VONB Margin were compared to the same period of last year.
[2] The % changes related to financial statements are based on rounded number in million baht.
[3] Net premiums earned include gross premium written, premium ceded and unearned premium reserve.
[4] Investment returns include net investment income, gain (loss) on investments, gain (loss) on fair value change and share of profit (loss) of associate.
[5] Other components of total revenues include fee and commission income and other income.
[6] Other components of total expenses (Reversal) include expected credit losses (reversal) and other expenses.

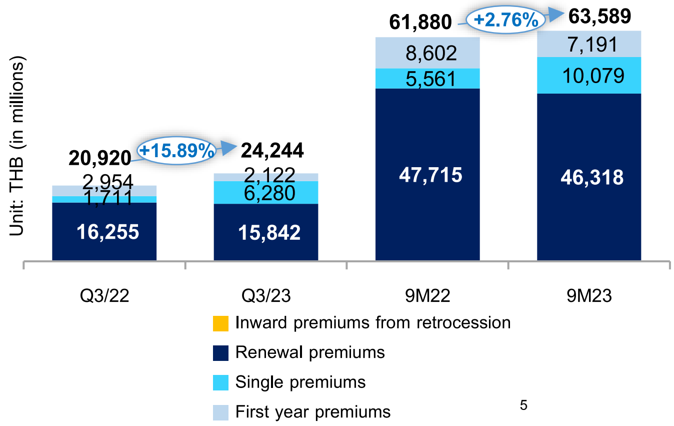
1.2.1 Revenue

Net premiums earned

Net premiums earned for 9M23 of Baht 63,268 million comprises gross written premiums of Baht 63,589 million less other components of Baht 321 million which include premium ceded and change in unearned premium reserve.

Gross written premiums

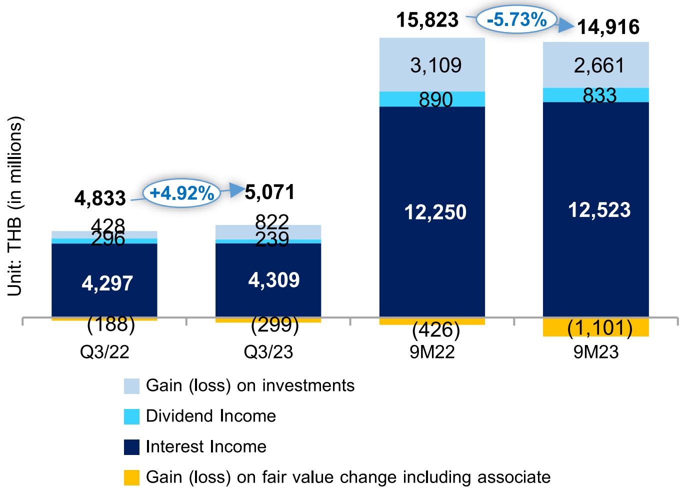
The increase in gross written premiums for both Q3/23 and 9M23 was mainly driven by the success in launching the new single premium product "Legacy Fit Wealthy 99/1" in late Q2/23 to recapture the policies matured or fully paid.



Investment returns

Investment returns for Q3/23 increased by 4.92% compared to the same period of last year, which were primarily from the increase in gain on investments from rebalancing portfolio as well as the increase in interest income following the growth of fixed income portfolio.

For 9M23, the interest income served as a stable source of investment return and grew by 2.23% from the same period of last year which aligned with the business growth. The volatility was driven by the gain (loss) on fair value change of investments as explained below:



- The higher unrealized loss of Baht 675 million on net position of fair value change in foreign currency hedge instruments and effect of foreign exchange rate movement on foreign investments, as a result of tightening monetary policy by Federal Reserve compared to Bank of Thailand. This monetary policy resulted in a higher interest spread between Thailand and US and also affected foreign exchange rate.
- The gain on investments was lower than the same period of last year by Baht 448 million as the Company reduced the exposure on equity securities ahead of the weak market from geopolitical conflicts in 1Q22, which had resulted in a higher base of gain on investments compared to 1Q23.

	30 September 2023	31 December 2022
Return on average investments[2]	3.73%	3.79%

The return on average investments slightly decreased from the rationale as mentioned above and the growth of investment portfolio.

[1] Inward premiums from retrocession amounts are not visible in the above graphic as they are insignificant.

[2] Return on average investments is calculated as sum of net investment income and gain (loss) on investment in the latest 12 months divided by an average of the sum of net financial investment assets at the beginning and the end of the period.

1.2.2 Expenses

Net benefits payments and insurance claims expenses

Net benefits payments and insurance claims expenses for both Q3/23 and 9M23 increased by Baht 1,256 million and Baht 926 million, or 8.04% and 1.97%, respectively, compared to the same period of last year which were primarily from the higher medical claims, partially offset by lower death claims, and the increase in surrender mainly from fully paid policies of some old products. However, the higher surrender was largely offset by the release in reserve of the surrender policies, and resulted in an overall immaterial impact to the net profit.

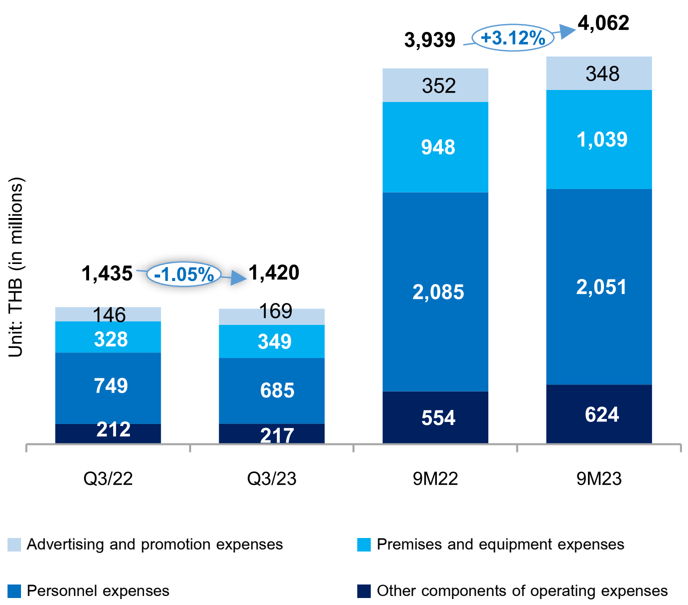
The increase in medical claims was mainly driven by the business growth and the higher medical claims from non-simple diseases as check-ups and treatments for such diseases might be avoided and deferred during the pandemic. For Group Employee Business, the medical claims were also higher than last year as companies started to operate their business as normal after the pandemic.

Commissions, brokerage and other underwriting expenses

Commissions, brokerage and other underwriting expenses for Q3/23 decreased by Baht 153 million or 5.86% compared to the same period of last year due to change in product mix.

Commissions, brokerage and other underwriting expenses for 9M23 increased by Baht 57 million or 0.75% compared to the same period of last year. The increase in these expenses was mainly due to the increase in incentive expenses from sales of higher margin products.

Operating expenses



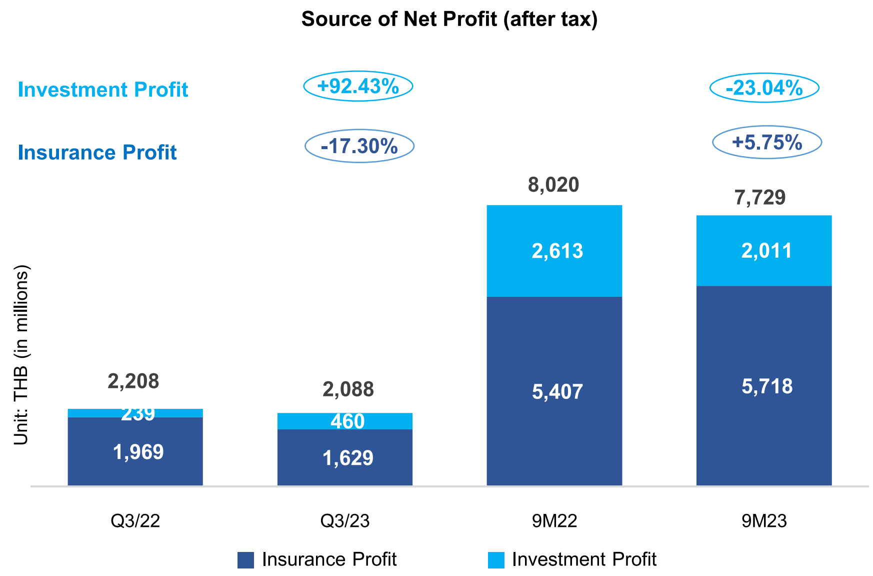
Operating expenses for Q3/23 decreased by Baht 15 million or 1.05% compared to the same period of last year, as a result of effective cost management.

Operating expenses for 9M23 increased by Baht 123 million or 3.12% compared to the same period of last year. It was primarily from the increase in consulting fees for system development and amortization of implementation cost of digital projects, such as new features on TLI application to increase customer engagement and digital sale tools for agent and bancassurance to enhance the productivity of distribution channels, etc.

Change in long-term technical reserve

Long-term technical reserve is required to be set up when the Company received the premium, for paying the insurance benefits to policyholders in the future, and taking into consideration the time value of money. Therefore, the change in long-term technical reserve can be split into 2 parts 1) set-up and release in accordance to the cash flows from insurance contracts and 2) interest accretion on the insurance contract liability. The first part is compared with the cash flows in the income statement resulting in **insurance profit**. The second part is compared with the Company's investment returns resulting in **investment profit**. Insurance profit and investment profit are the **source of net profit**.

1.2.3 Source of Net Profit



Note: - Summation may not add up to total amount due to rounding.
- Income tax expenses are allocated using effective tax rate.

The **insurance profit**[1], which is a sustainable source of profit, has shown a strong growth of 5.75% in 9M23 compared to the same period of last year. The insurance profit growth has been supported by our product strategy which is focusing on selling products with sustainable profit. However, there was a decrease in Q3/23 compared to the same period of last year, mainly due to the higher medical claims.

The **investment profit**[2], which is the investment return in exceed of the interest accretion on insurance contract liability (including coupon deposit) and policyholder dividend, were affected mostly by the market volatility.

The investment profit for 9M23 was lower compared to the same period of last year by 23.04%, mainly due to the lower gain on sale of equity securities. Meanwhile, there was an increase by 92.43% in Q3/23 compared to the same period of last year, mainly due to the higher gain on sale of foreign investments.

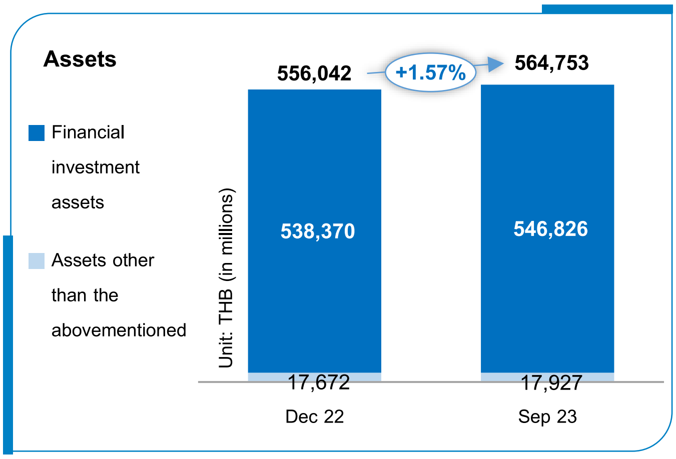
[1] Insurance profit is generated by writing an insurance contract and calculated by net profit minus the investment profit.

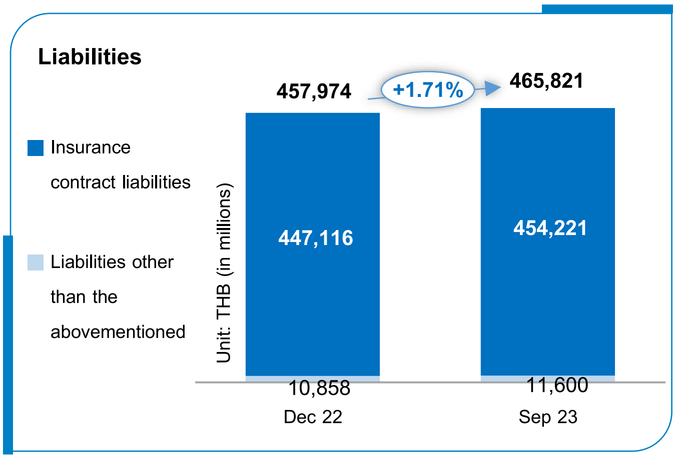
[2] Investment profit is defined as the total investment return in excess of the interest accretion on insurance contract liabilities (including coupon deposit) and policyholder dividends; total investment return consists of net investment income, gain (loss) on investments, gain (loss) on fair value change, and expected credit losses (reversal).

1.3 ANALYSIS OF FINANCIAL POSITION

Unit: THB (in millions)

	30 September 2023	% of Total Assets	31 December 2022	% of Total Assets	Change	% Change
Assets						
Cash and cash equivalents	3,482	0.62%	7,686	1.38%	(4,204)	-54.70%
Investment assets						
Investments in securities	*513,579*	*90.94%*	*501,281*	*90.15%*	*12,298*	*2.45%*
Loans and accrued interest	*29,765*	*5.27%*	*29,403*	*5.29%*	*362*	*1.23%*
Total investment assets	543,344	96.21%	530,684	95.44%	12,660	2.39%
Total financial investment assets	**546,826**	**96.83%**	**538,370**	**96.82%**	**8,456**	**1.57%**
Assets other than the abovementioned[1]	17,927	3.17%	17,672	3.18%	255	1.44%
Total assets	**564,753**	**100.00%**	**556,042**	**100.00%**	**8,711**	**1.57%**
Liabilities and Equity						
Liabilities						
Insurance contract liabilities						
Insurance technical reserves	*432,451*	*76.57%*	*423,630*	*76.19%*	*8,821*	*2.08%*
Other insurance contract liabilities	*21,770*	*3.86%*	*23,486*	*4.22%*	*(1,716)*	*-7.31%*
Total insurance contract liabilities	**454,221**	**80.43%**	**447,116**	**80.41%**	**7,105**	**1.59%**
Liabilities other than the abovementioned[2]	11,600	2.05%	10,858	1.95%	742	6.83%
Total liabilities	**465,821**	**82.48%**	**457,974**	**82.36%**	**7,847**	**1.71%**
Equity						
Share capital	31,232	5.53%	31,232	5.62%	-	0.00%
Retained earnings	68,838	12.19%	64,545	11.61%	4,293	6.65%
Other components of equity	(1,138)	-0.20%	2,291	0.41%	(3,429)	-149.67%
Total equity	**98,932**	**17.52%**	**98,068**	**17.64%**	**864**	**0.88%**
Total liabilities and equity	**564,753**	**100.00%**	**556,042**	**100.00%**	**8,711**	**1.57%**



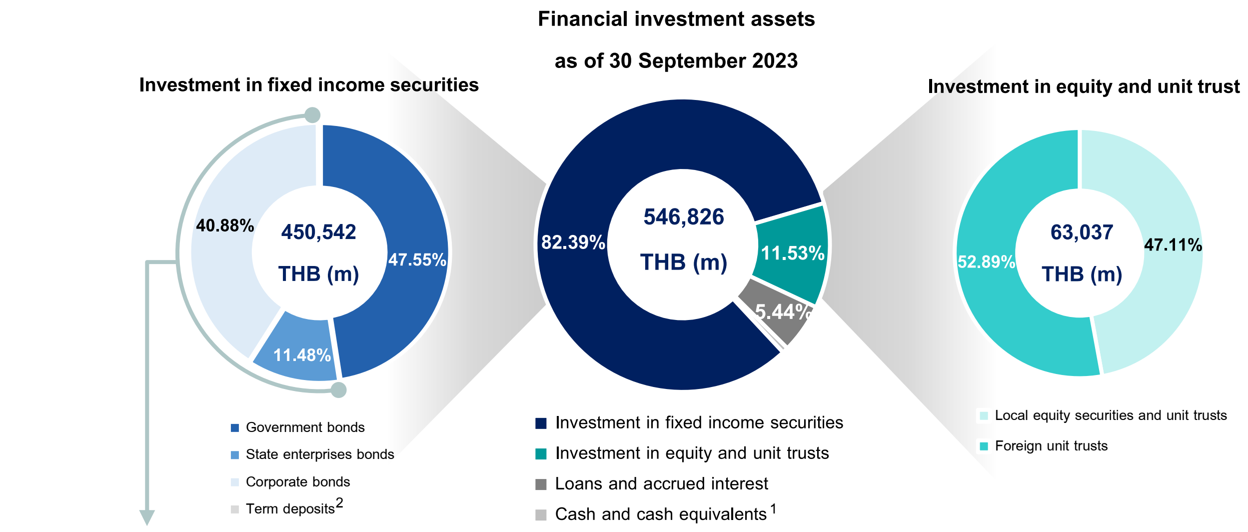


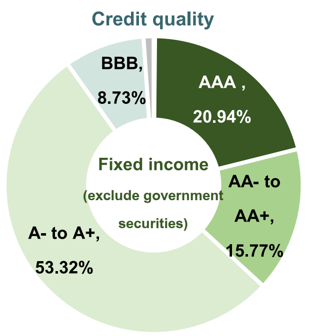
[1] Assets other than the abovementioned consist of accrued investment income, derivative assets, net investments in associated companies, net investments held to cover linked liabilities, net premiums due and uncollected, land, premises and equipment, reinsurers' share of insurance contract liabilities,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

[2] Liabilities other than the abovementioned consists of investment contract liabilities, reinsurance payable, derivative liabilities, income tax payable, net deferred tax liabilities, employee benefit obligations and other liabilities.

1.3.1 Assets

Financial investment assets

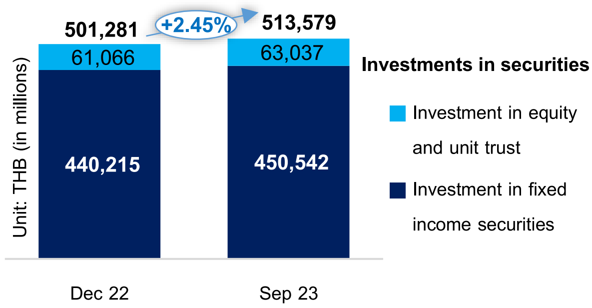




The Company's investment portfolio is well managed and professionally allocated financial investment assets in a prudent manner. The investment portfolio comprises mainly fixed income securities constituting 82.39% which generated promising stable returns. Moreover, the diversified portfolio is presented a low credit risk assets and is mostly rated in the credit rating of the 'investment grade'.

Note:

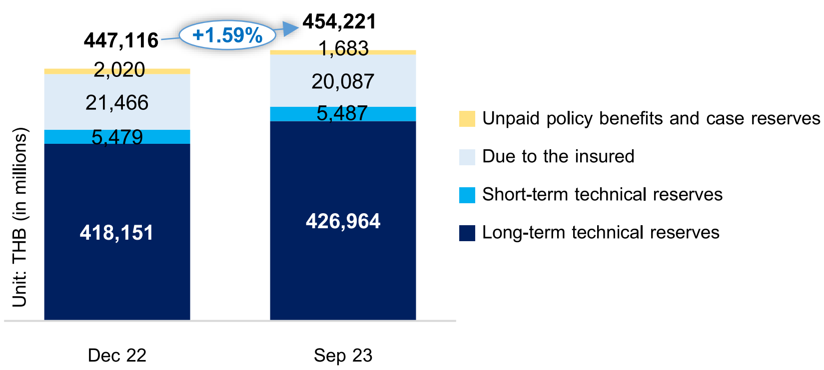
- The above graphic sets out information about the credit quality as at 30 September 2023 of investment in fixed income securities (state enterprises and corporate)
- Short-term F1+(tha) credit rating of 0.15% and BB credit rating of 1.09% are not visible in the above graphic as they are insignificant.



The growth of investment by 2.45% was from more investment in debt securities which resulted from the growth in insurance business and the increase in unit trust portfolio under a favorable foreign market.

1.3.2 Liabilities

Insurance contract liabilities



Insurance contract liabilities increased by 1.59% mainly from the increase in long-term technical reserve.

[1] Cash and cash equivalents 0.64% are not visible in the above graphic as they are insignificant.

[2] Term deposits 0.09% are not visible in the above graphic as they are insignificant.

1.4 FINANCIAL RATIOS AND ACTUARIAL DATA

1.4.1 Financial ratios

Profitability ratios		
	9M23	**9M22**
Operating profit margin[1]	15.03%	15.99%
Net profit margin[2]	9.87%	10.31%
Underwriting expense ratio[3]	18.36%	18.58%
	30 September 2023	**31 December 2022**
Return on average shareholders' equity[4]	9.52%	10.04%

Efficiency ratios		
	30 September 2023	**31 December 2022**
Return on average assets[5]	1.61%	1.70%
Investment assets to reserves ratio[6]	119.62%	118.69%

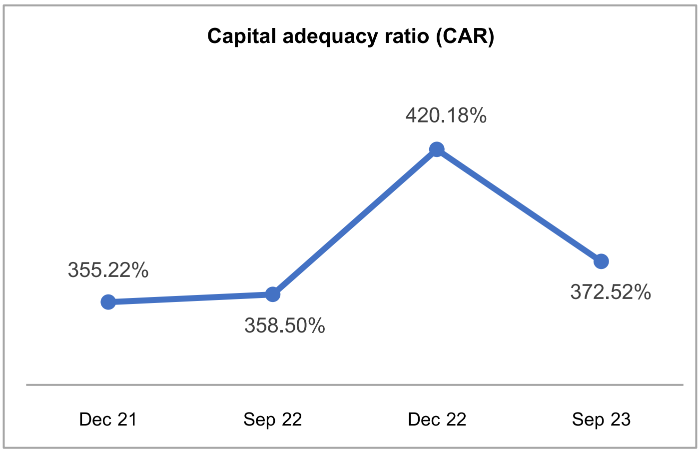
Other financial ratios		
	30 September 2023	**31 December 2022**
Debt to equity ratio[7]	4.71x	4.67x
Reserves to equity ratio[8]	4.37x	4.32x
	31 December 2022	**31 December 2021**
Dividend payout ratio[9]	37.09%	30.08%

Operating profit margin and net profit margin for 9M23 slightly decreased compared to the same period of last year, primarily from the volatility of investment returns which was mostly driven by the gain (loss) on fair value change of investments.

Underwriting expense ratio for 9M23 decreased compared to the same period of last year due to change in product mix.

Debt to equity ratio and reserves to equity ratio slightly increased compared to last year from the additional long-term technical reserve set-up which resulted from the growth in premium collected.

1.4.2 Capital ratios



As of 30 September 2023, the Company's capital adequacy ratio (CAR)[10] was 372.52%, significantly higher than regulatory minimum requirement of 140%.

The CAR decreased by 47.66pps (percentage points) from 420.18% as of 31 December 2022 to 372.52% as of 30 September 2023 primarily due to paying shareholder dividend and utilizing capital to optimize investment yield.

[1] Operating profit margin is calculated as profit before income tax expense divided by gross written premiums for the period.

[2] Net profit margin is calculated as net profit divided by total revenues 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] Return on average shareholders' equity is calculated as net profit in the latest 12 months divided by average total shareholders' equity at the beginning and the end of the period.

[5] Return on average assets is calculated as net profit in the latest 12 months divided by average total assets at the beginning and the end of the period.

[6] Investment assets to reserves ratio is calculated as investment assets divided by insurance contract liabilities at the end of the period.

[7] Debt to equity ratio is calculated as total liabilities divided by total shareholders' equity at the end of the period.

[8] Reserves to equity ratio is calculated as insurance contract liabilities (excluding unpaid policy benefits, case reserves and due to the insured) divided by total shareholders' equity at the end of the period.

[9] 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.

[10] 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).

1.4.3 Actuarial data

Unit: THB (in millions)

	9M23	9M22
Annualized premium equivalent (APE)	8,599	9,641
Value of new business (VONB)	5,366	5,151
VONB margin[1]	62.41%	53.42%

Note: (1) VONB margin is calculated as VONB divided by APE.

Unit: THB (in millions)

	9M23				9M22			
By product line	**APE**	**%APE**	**VONB**	**VONB Margin**	**APE**	**%APE**	**VONB**	**VONB Margin**
Ordinary life (Traditional)	4,221	49.09%	2,615	61.94%	5,950	61.71%	2,582	43.39%
Ordinary life (New participating)	1,677	19.51%	549	32.74%	1,245	12.92%	393	31.60%
Investment-linked	221	2.58%	78	35.03%	307	3.19%	101	32.95%
Riders	1,428	16.60%	1,445	101.25%	1,218	12.63%	1,443	118.50%
Others[1]	1,051	12.22%	679	64.65%	921	9.55%	631	68.49%
Total company	**8,599**	**100.00%**	**5,366**	**62.41%**	**9,641**	**100.00%**	**5,151**	**53.42%**

Note: (1) Others consist of Industrial Life Insurance, Group Insurance and Personal Accident Insurance (PA)

(2) Summation may not add up to total amount due to rounding.

Unit: THB (in millions)

	9M23				9M22			
By Channel	**APE**	**%APE**	**VONB**	**VONB Margin**	**APE**	**%APE**	**VONB**	**VONB Margin**
Agency	6,169	71.75%	3,889	63.03%	6,532	67.75%	3,699	56.62%
Partnership	1,737	20.20%	1,230	70.84%	2,548	26.43%	1,225	48.09%
Alternative channels[1]	693	8.06%	247	35.68%	561	5.82%	227	40.38%
Total company	**8,599**	**100.00%**	**5,366**	**62.41%**	**9,641**	**100.00%**	**5,151**	**53.42%**

Note: (1) Alternative channels are telemarketing, group employee benefits and digital platforms.

(2) Summation may not add up to total amount due to rounding.

Annualized premium equivalent (APE), Value of new business (VONB) and Value of new business margin (VONB Margin)

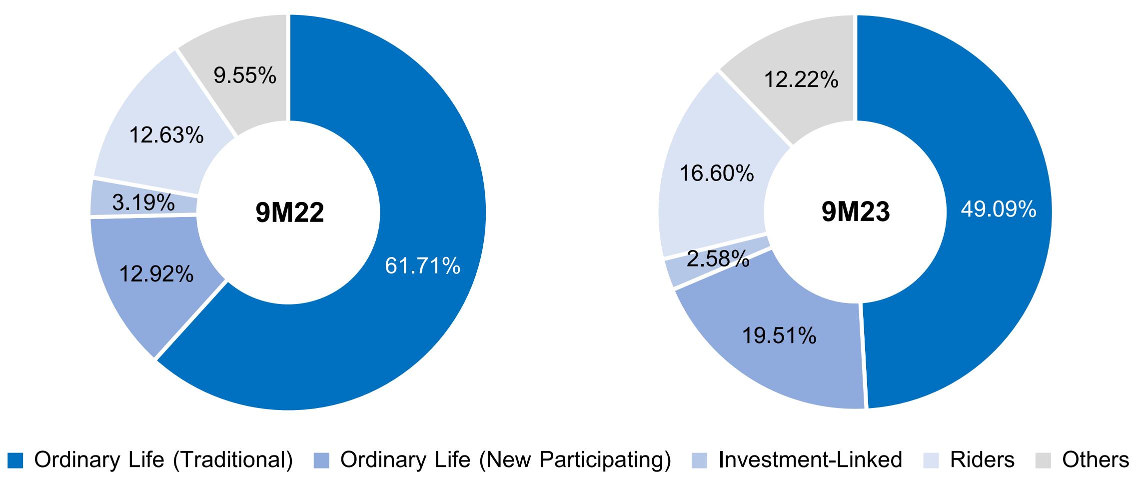
Annualized premium equivalent, or APE, is a common measure used by the life insurance industry to account for the sales of insurance products. It is calculated as 100% of annualized first year premiums plus 10% of single premiums for all new policies written during the reporting period. Compared to first year premiums and single premiums, the Company believe APE provides a more accurate indication of the sustainability of the Company's new business as it normalizes single premiums into the equivalent of regular premiums.

Value of new business, or VONB, represents an estimated economic value generated from the new policies written during the reporting period. It is calculated as the present value, measured at point of sale, of future net-of-tax profits less the corresponding cost of capital. The Company believes VONB providing a more proper indication of the value generated from the new business, and hence the Company's ability to create value for shareholders. Value of new business margin, or VONB margin, is calculated as VONB divided by APE.

The Company's APE in 9M23 decreased by 10.81% to Baht 8,599 million while VONB increased by 4.19% to Baht 5,366 million, compared to the same period of last year. Despite having a lower APE, VONB continued to grow as a result of the success in shifting product mix toward more profitable product, especially Agency and Partnership channel, and the favourable interest rate movement. The Company continued to promote products whose profitability are healthy and less sensitive to the interest rate movement, such as new participating products, investment-linked products, and riders, as shown in the diagram of 'APE Mix by Product Line' below. The Company believe this strategy would enable us to deliver a sustainable growth in VONB.

- **Agency and Partnership channel:** Despite APE decreased from the same period of last year, VONB increased as a result of shifting toward more profitable products.
- **Alternative channel:** APE and VONB increased from the same period of last year mainly due to higher production from Group Employee Benefits business.

APE Mix by Product Line



1.5 LIQUIDITY AND CAPITAL RESOURCES

As of 30 September 2023, the Company's cash and cash equivalents were Baht 3,482 million. The Company's primary cash inflows came from insurance premiums, cash receipts from investments in securities, and interests received from debt instruments which mostly generated steady fixed income.

Net written premiums are mostly affected by the level of policy fully paid-ups, maturities, and surrenders. The Company closely monitors and manages the level of policy benefits payment in order to minimize liquidity risk. Also, liquidity from net investment income is generated from the Company's portfolio of investment assets.

Apart from cash and cash equivalents, the Company's investments partially comprise highly liquid and marketable securities such as deposits and short-term government bonds with maturities of less than one year. These could be liquidated when in need of cash. As of 30 September 2023, the carrying value of the above-mentioned securities is amounted to Baht 2,230 million.

The Company uses the Company's cash inflows and existing cash balances to pay the benefits under insurance policies and purchase reinsurance and investment assets. The Company also uses the Company's funds to pay operating expenses, income taxes and dividends that may be declared and payable to the Company's shareholders. The dividend payment, profit distributions and settlement are regulated by the OIC.

2. FACTORS AND EVENTS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2.1 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Macroeconomic conditions in Thailand

The Bank of Thailand (BOT) has adjusted forecast of Thai economy for the entire year 2023 from 3.6% to 2.8% due to lower-than-expected GDP in 2Q2023 and the export sector which continues to drag overall growth. Nonetheless, BOT has raised forecast of private consumption from 4.4% to 6.1% due to robust domestic demand and tourist expenditure as expected.

For the inflation rate, although inflation has been declining for 8 consecutive months, there is still an upside risk in 2024 due to government stimulus measures, higher agricultural costs as a result of the El Nino drought, and higher energy costs.

Fluctuations in equity markets

In Q3/23, the market fluctuation increased significantly, especially in September, arising from the critical concern of the interest rate movement. In addition, US economy was more robust than expected which leaded the investors to adjust the projection of US rate upwards. Therefore, the performance of the global equity markets in September was bearish and adversely affected the investment returns in Q3/23, as well as Thai stock market. Despite the fact that Thai stock market is stimulated by the favorable government policies, there are ongoing concerns relating to credit rating downgrade for Thailand, which might affect the volatility of Thai stock market.

Interest rate volatility

In Q3/23, the long-term Thai government bond yield increased significantly as compared to the previous quarter and moved together with the global bond yields throughout the quarter, especially in September, bond yield surged rapidly. It came from several factors such as the decrease in the political uncertainties and the swift implementation of populist policies from the newly-formed government. These policies were resulted in higher budget deficit and increase in the government bond's supply. In addition, the Bank of Thailand Monetary Policy Committee tightened monetary policy further by voting unanimously for both meetings held in this quarter to raise the policy rate 0.25% in each of the meetings. The policy rate was raised to 2.50%, which was the highest level in the last 10 years. Moreover, the movement in yield was also affected by the intention of major central bank to extend the tightening monetary policy in place.

During this quarter, the government yield curve shifted up along the curve with a steepening bias. The 10-year Thai government bond yield at the end of the third quarter of 2023 closed at 3.18%, up from 2.58% at the end of the previous quarter. The movement range was between 2.54% and 3.26%.

Pricing, persistency and claims experience

Effective pricing of the Company's products affects the Company's business and results of operations. Pricing of the Company's products involves an analysis of historical data, various assumptions and estimates related to the Company's insurance reserves, future investment returns and cash flows, 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 assessment of the Company's management over available information. However, the ability to accurately price insurance products is subject to a number of assumptions relating to factors outside the Company's control, including the availability of sufficient data.

Pricing has a major impact on the Company's persistency and claims experience. Both also vary over time and type of products. Moreover, the persistency and claims experience may vary from the assumptions that the Company uses for designing and pricing products. Maintaining a high level of persistency and an appropriate claim experience are important to the Company's operating results.

Regulatory environment

The Company regularly studies the implications of evolving government legislation, regulations, and policies to adapt the Company's strategies and operations to comply with such changes. The new effective regulations in 2023 which have the impact to the Company are as follows:

- **The Royal Decree on the Exchange of Information for International Agreements on Taxation B.E. 2566 and related secondary laws:** The decree was announced in the Royal Gazette on 30 March and 15 August 2023, respectively, to comply with the Common Reporting Standard (CRS). Life insurance companies have been stipulated for reporting the financial account information. When tax residency indication was found, the Company must report the financial account owner and financial account information of policy to the Director-General of the Revenue Department (RD) within 30 June of the following year. In addition, the Company must examine the high-value individual accounts as of 31 December 2022 and report to RD within 16 September 2023. Currently, the Company prepared CRS Self Certification Form, as a required document of life insurance application form, for tax residency's consideration. In addition, the Company has already reported the financial account information as of 31 December 2022 as required.
- **The OIC announcement related to the criteria, procedure, and condition for registration of the electronic activities, the request of an approval for the use of services from external parties and certification of information system for life insurance industry as of 2023:** which was published on 20 June 2023 to define the registration's criteria and condition including the request for approval to certify the information system by applying the electronic activities for the issuance of an electronic insurance policies (e-policy), the offering of insurance policies, policy loans, and benefit payments from life insurance contracts. This announcement replaces the previous announcement in 2017 to add more requirements i.e., annual examination to certify the information system.

  In 2023, the Company has already registered insurance policy's benefit payments via e-claim in TLI App (Mobile Grouplife) which was approved by OIC.

Competition

The Company competes in business on the basis of various factors, including coverage offered, product features, pricing, quality of customer service, customer privilege, 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 industry, barriers to entry are relatively high given large capital requirements and other regulatory limitations.

Closer alignment between the insurance and banking industries may incentivize some of the Company's partners to distribute insurance products of their affiliates rather than the Company's products. Moreover, the Company may also compete indirectly against banks, investment management firms and mutual fund companies. This is because consumers may evaluate the Company's offerings against certain financial products these firms provide, as well as against corporate bonds, real estate, gold, digital asset, and other alternative investments.

However, the Company's agency channel is one of the strongest in the market. According to Thai Life Assurance Association, the Company contributed 16.94% and 15.41% to the industry's total agency annualized premium equivalent[1] in the first 9 months of 2022 and 2023, respectively.

Seasonality

The Company's results of operations and cash flow are subjected to seasonal fluctuations. Consequently, the interim results should not be used as an indication of the Company's annual results due to the reasons as follows:

- Insurance volumes increase significantly around December, as the personal income tax advantages that life insurance products offer.
- The Company evaluates the sales performance of the Company's staff on a half-yearly basis. Therefore, increase in sales is generally seen at the end of the first half of the year and year-end.
- Typically, medical claims occurred seasonally mainly driven by the weather.

[1] Thai Life Assurance Association only provides the industry's first year premiums and single premiums. Industry's annualized premium equivalent is approximated from 100% of industry's first year premiums plus 10% of industry's single premiums.

2.2 QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

Market risk is the risk of potential loss in 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. The Company are exposed to market risk arising principally from the Company's investing activities and market risk also affects the Company's capital adequacy ratio.

Interest rate risk

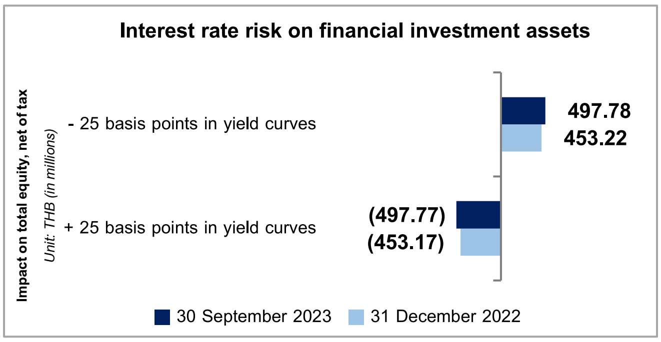
Interest rate risk is the risk that the value or future cash flows will fluctuate due to changes in market interest rates. Movement in interest rates is one of the main factors that affects the Company value of assets and liabilities and the overall investment returns.

- **Exposure to total equity from financial investment assets**

As major portion of the Company's financial assets are debt securities which are mainly classified as amortized cost while only a small portion is accounted for as fair value through other comprehensive income (FVOCI). On the other hand, the Company's insurance contract liability is not materially affected by the current interest rate movement as the interest rate used to calculate the liability is principally locked in at the rate of product pricing. Therefore, the fluctuation in the market interest rate would only slightly affect the Company's total equity in the Financial Statement.

In addition, the Company uses 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 30 September 2023, the impact of sensitivity on interest rate risk was resulted from the growth in debt security's portfolio.



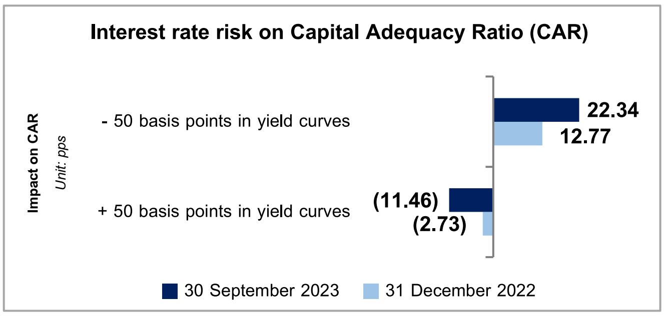
Note:
As of the dates indicated, changes of interest rates would impact the fair value of debt securities through other comprehensive income and affect the Company's total equity as shown above. This sensitivity analysis assumes that all other variables, in particular, foreign currency exchange rates,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

- **Exposure to capital adequacy ratio (CAR)**

Unlike financial statements in which assets and liabilities are recognized under book value basis, capital adequacy ratio is calculated by taking the market value of all assets and liabilities into account, and therefore has a higher exposure to market risks.

Exposure to interest rate fluctuations arises when there is a movement mismatch between rate-sensitive assets and liabilities. The Company mitigates interest rate risk by defining a target duration gap between the Company's assets and liabilities and, to the extent possible and practicable, to reduce the gap. In addition, the Company uses derivative instruments to manage such exposures.

As of 30 September 2023, the Company's duration gap between asset and liability under RBC is less than 1 year.



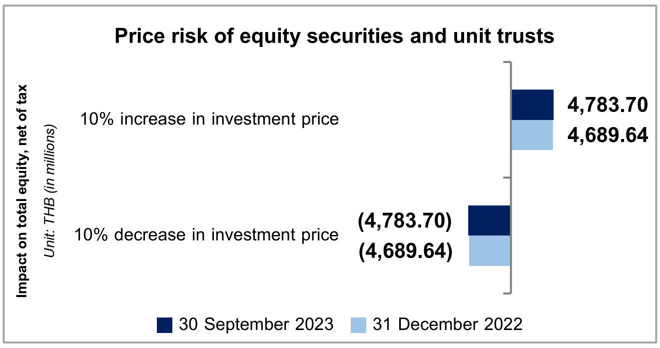
Note:
The interest rate shocks are applied on the yield curve as of each valuation date.

Price risk

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

The Company mitigates price risk by determining risk appetite level and maintaining the risk to be within the appetite limit.

As of 30 September 2023, the price risk arising from equity securities and unit trusts was still maintained in the similar level as compared to the last year due to the well managed investment strategy.

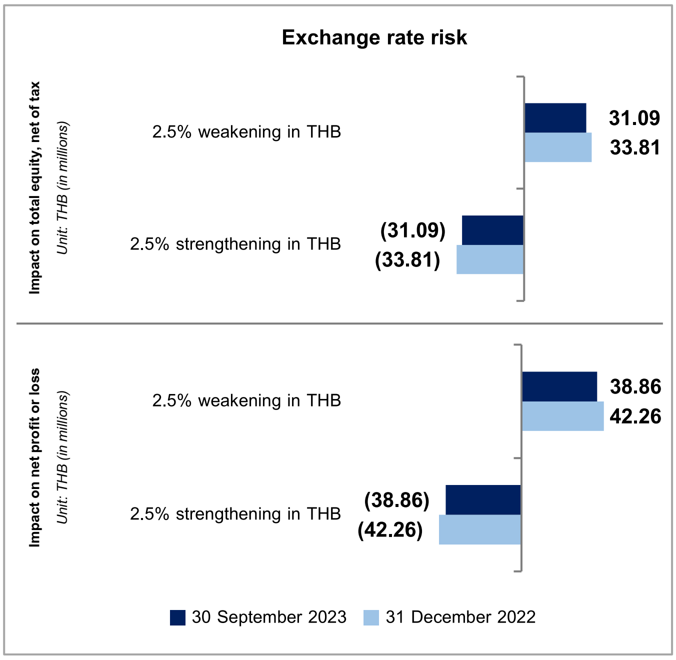


Note:
As of the dates indicated, changes in equity prices would affect the value of investments in listed equity securities and unit trusts and impact total equity as shown above, excluding investments assets held to cover unit-linked liabilities.

Exchange rate risk

Exchange rate risk arises when the Company enter into transactions denominated in foreign currencies such as investment in bonds or equity securities denominated in foreign currencies. Although liabilities are predominated in Thai Baht, the Company invests, 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. The Company's business units monitor foreign currency exposures and where these are not consistent with the Company's risk appetite, positions may be closed or hedging instruments may be purchased. The Company uses various derivative instruments such as cross currency swap and foreign exchange forward to hedge against the exchange rate risk. The Company's internal policy generally requires to use derivatives to hedge against 80% to 100% of foreign exchange exposures.

As of 30 September 2023, the exchange rate risk was mitigated, compared to the last year due to the improved effectiveness in the Company's hedging strategy.



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

2.3 ENVIRONMENT, SOCIETY AND GOVERNANCE (“ESG”)

The Company focuses on sustainable business operations with the vision

“To be a value-driven life insurance company of sustainability”.

Summary of the Company's ESG performance in Q3/23

Economic & Governance Dimension

- ✓ The Company has received **the Insurance Asia Awards 2023 in the category of Sustainable Insurance Initiative of the Year – Thailand Awards** for the vision of sustainability operations, which emphasizes business operations with good corporate governance and comprehensive risk management, and sharing benefits back to society and communities. Thai Life Insurance is the only life insurance company in Asia to receive the award for sustainability operations, held at Marina Bay Sands, Singapore.
- ✓ The Company received **CGR Rating Score 2023** (Corporate Governance Report of Thai Listed Companies 2023) with **“5 stars” or “Excellent”** level from Thai Institute of Directors (IOD).

Social Dimension

- ✓ The Company is committed to providing financial knowledge to customers and the public through the **Creating Shared Value (CSV)** initiative.
- ✓ The Company conducted vocational training and financial management workshops for community members in the **"Thai Life Insurance: Enhancing Opportunities, Creating Careers"** project in Q3/23.
- ✓ The Company has continuously promoted ESG product, **"Thai Life Insurance Suk Yang Yuen Refund"** to align with the overarching strategy of providing access to financial services and financial literacy.

Environmental Dimension

- ✓ The Company has initiated a **Green Building** project, involving the refurbishment and maintenance of the air ventilation system in the building, including the installation of air filters to enhance air purity. Additionally, an automated watering system has been implemented to reduce water usage.
- ✓ Currently, the Company is in the process of preparing data to align with the **Leadership in Energy and Environmental Design (LEED) standards**.

2.4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

TFRS 17 is an insurance accounting standard applicable to insurance contracts that will come into effect for the Company’s financial periods commencing on 1 January 2025. The new standard represents a fundamental shift in how the Company accounts for insurance 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.

TFRS 17 aims to increase transparency requiring the Company to disclose product profitability and source of profit. Our product strategy focusing on products with sustainable profit will continue to secure our profit under TFRS 17. The Company has finished system testing and implementation in 2022. As a result, our systems for TFRS 17 are now ready to be used for preparing parallel run. The Company is also assessing the financial impact of adopting TFRS 17 together with TFRS 9. The Company collaborates closely with the regulators and other players in the industry to evaluate the impact and execution challenges of the adoption.

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