



**Thai
Life**
Insurance



**Management Discussion and Analysis
for the year 2023**

MANAGEMENT DISCUSSION AND ANALYSIS

Thai Life Insurance Public Company Limited (the Company) is the first largest life insurance in Thailand which owned and operated by Thai nationals with history of more than 82 years¹. 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. The Company’s vision is “**To be a value-driven life insurance company of sustainability**” with the business purpose “To be the Life and Financial Solutions Provider in every life stage, life event and lifestyle of customers to meet the diverse demands of each individual customer by providing healthier, better and wealthier lives for customers during the later stages of their life.”

KEY MILESTONES



➤ Received **the Brand of the Year Award 2023-2024** at the World Branding Awards for the seventh consecutive year in England.



➤ Received **the Thailand Corporate Excellence Awards 2023** in the category of products and services excellence from the Thailand Management Association (TMA).



➤ 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).



➤ Joined **SET50 index** under the security named “TLI” as of 1 July 2023 in accordance with the criteria set by the Stock Exchange of Thailand (SET).



➤ Received **Most Innovative Life Insurance Company – Thailand 2023** from International Finance Awards 2023 as organization with outstanding innovation.

➤ Striving **Digital Transformation** in delivery of innovative e-Services, such as

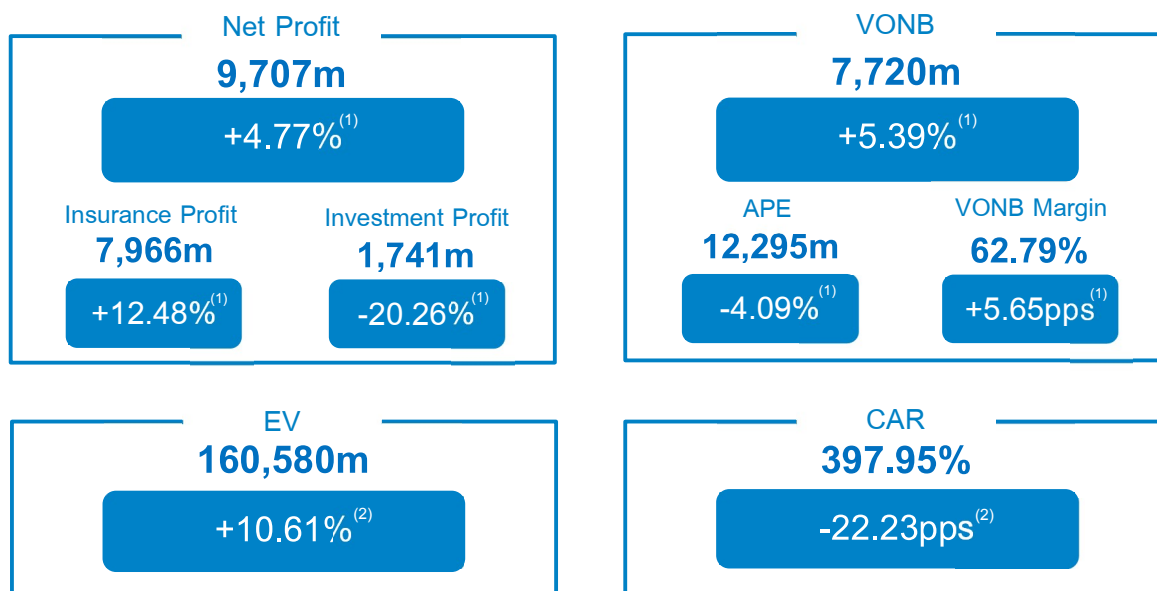
- **Customer Engagement:** enhance customer experience and improve customer service convenience by providing claim transfer service within the same day of approval through “**Thai Life Insurance Smart Pay**”, payment of insurance premiums via automatic online direct debit (ODD) and **e-Receipt** service through TLI application and iService website, including development of the electronic identity verification with Face Scan (**e-KYC**) on TLI application.
- **Channel Productivity:** enhance agent platform to fasten sales processes with achieving 98.49% of electronic insurance application (**e-app**) adoption in 2023 and develop **Digital for Life (DFL)** sales application for partnership channel.
- **Operational Efficiency:** develop automated underwriting of new insurance policies (**Auto-underwritten**) to deliver faster services.



¹ Based on YTD total premium revenues was disclosed referring to the industry data as of 31 December 2023 from Thai Life Assurance Association (TLAA).

1. RESULTS OF OPERATION AND FINANCIAL POSITION

1.1 OVERVIEW



Summary of the Company's performance for YE23

- The Company registered a net profit of Baht 9,707 million for YE23. Insurance profit continued to grow, while the decrease in investment profit was mainly driven by a higher loss on fair value changes due to the foreign exchange market volatility, a higher impairment expense from unit trusts portfolio in line with the unfavourable market, and a lower gain on sale of equity securities compared to the last year.
- 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.
- As of 31 December 2023, embedded value was Baht 160,580 million, increased by Baht 15,410 million or 10.61% compared to the position as of 31 December 2022. The growth was mainly driven by the Value of New Business and expected return on EV.
- Our capital remains robust with a Capital Adequacy Ratio (CAR) of 397.95% as of 31 December 2023, much higher than the regulatory capital requirement of 140%.

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 change in EV and CAR were compared to the position at last year ended.

³ The % changes related to financial statements are based on rounded number in million baht.

1.2 RESULTS OF OPERATIONS

Unit: THB (in millions)

Operating Results	YE23	% of	YE22	% of	Change	
		Premium		Premium	Amount	%
Revenues						
Net premiums earned ¹	89,712	100.00%	87,636	100.00%	2,076	2.37%
Investment returns ²	18,858	21.02%	19,282	22.00%	(424)	-2.20%
Other components of total revenues ³	189	0.21%	235	0.27%	(46)	-19.57%
Total revenues	108,759	121.23%	107,153	122.27%	1,606	1.50%
Expenses						
Change in long-term technical reserve	12,133	13.52%	14,913	17.02%	(2,780)	-18.64%
Net benefits payments and insurance claims expenses	67,523	75.27%	64,992	74.16%	2,531	3.89%
Commissions, brokerage and other underwriting expenses	10,790	12.03%	10,552	12.04%	238	2.26%
Operating expenses	5,619	6.26%	5,467	6.24%	152	2.78%
Other components of total expenses (Reversal) ⁴	687	0.77%	(193)	-0.22%	880	NM*
Total expenses	96,752	107.85%	95,731	109.24%	1,021	1.07%
Profit before income tax expense	12,007	13.38%	11,422	13.03%	585	5.12%
Income tax expense	2,300	2.56%	2,157	2.46%	143	6.63%
Net profit	9,707	10.82%	9,265	10.57%	442	4.77%

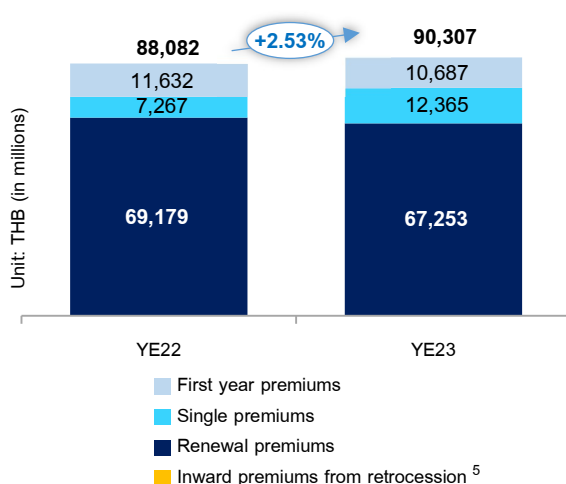
* NM refers to "Non-Meaningful"

1.2.1 Revenue

Net premiums earned

Net premiums earned for YE23 of Baht 89,712 million comprises gross written premiums of Baht 90,307 million less other components of Baht 595 million which include premium ceded and change in unearned premium reserve.

Gross written premiums



The increased in gross written premiums for YE23 was mainly driven by the success in launching the new single premium product "Legacy Fit Wealthy 99/1" to recapture the policies matured or fully paid.

¹ Net premiums earned include gross premium written, premium ceded and unearned premium reserve.

² Investment returns include net investment income, gain (loss) on investments, gain (loss) on fair value change and share of profit (loss) of associate.

³ Other components of total revenues include fee and commission income and other income.

⁴ Other components of total expenses (Reversal) include expected credit losses (reversal) and other expenses.

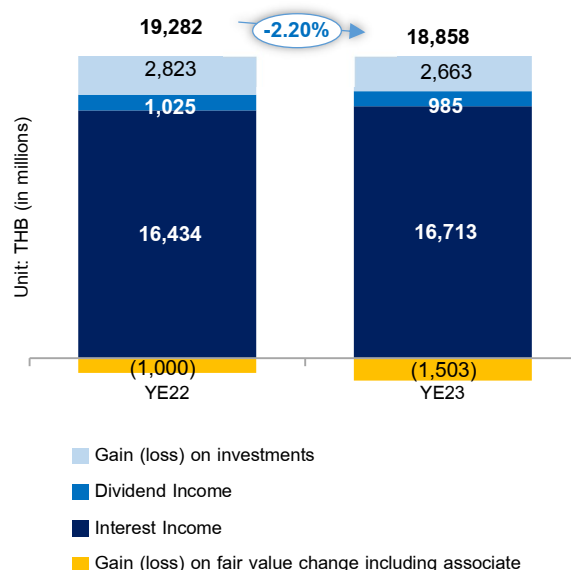
⁵ Inward premiums from retrocession amounts are not visible in the above graphic as they are insignificant.

Investment returns

Investment returns for YE23 decreased by 2.20% compared to the last year, which were primarily from the higher unrealized loss on fair value change and the lower gain on investment. However, the interest income for YE23 which served as a stable source of investment return grew by 1.70% from the last year, which aligned with the business growth.

The volatility of investment return was driven by:

- The higher unrealized loss of Baht 503 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 the foreign exchange market volatility.
- The gain on investments was lower than the last year by Baht 160 million as the Thai equity market downturn even though the Company had gains from the foreign equity portfolio.



	31 December 2023	31 December 2022
Return on average investments ¹	3.72%	3.79%

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

1.2.2 Expenses

Net benefits payments and insurance claims expenses

Net benefits payments and insurance claims expenses for YE23 increased by Baht 2,531 million, or 3.89%, compared to the 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 products. However, the higher surrender was largely offset by the release in reserve of the surrender policies with an overall net result of immaterial impact to the net profit.

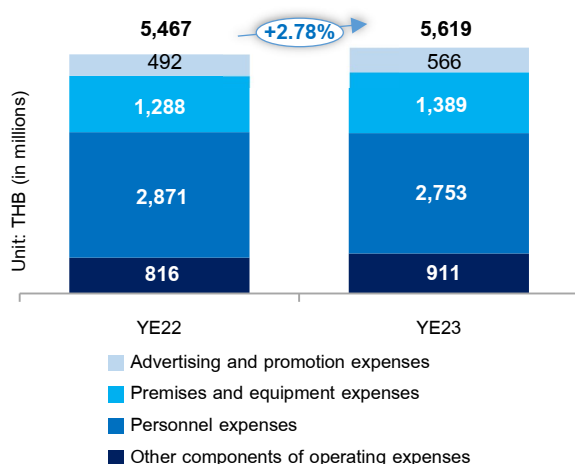
The increase in medical claims was mainly driven by the business growth and the higher medical claims from non-simple diseases as check-ups and treatments for such diseases might be avoided and deferred during the pandemic. For Group Employee Business, the medical claims were also higher than last year 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 YE23 increased by Baht 238 million, or 2.26%, compared to the last year. The increase in these expenses was mainly due to the increase in incentive expenses from sales of higher margin products.

¹ 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.

Operating expenses



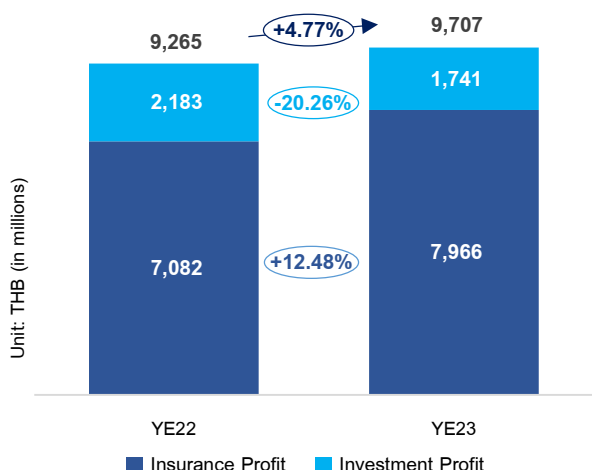
Operating expenses for YE23 increased by Baht 152 million, or 2.78%, compared to the last year. It was primarily from the increase in advertisement expenses for the promotion of new products and corporate image, consulting fees for system development, and amortization of implementation cost of digital 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

Source of Net Profit (after tax)



Note: - 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 12.48% in YE23 compared to the last year. The insurance profit growth has been supported by our product strategy which is focusing on selling products with sustainable profit.

The **investment profit**², which is the investment return in excess 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 YE23 was lower compared to the last year by 20.26%, mainly driven by a higher loss on fair value changes due to the foreign exchange market volatility, a higher impairment expense from unit trusts portfolio in line with the unfavourable market, and a lower gain on sale of equity securities compared to the last year.

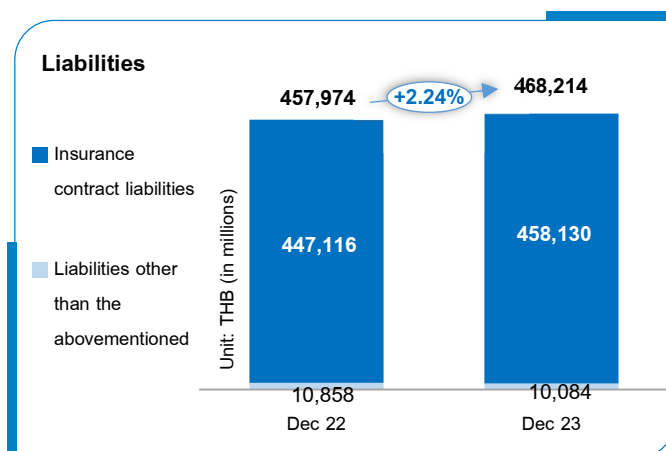
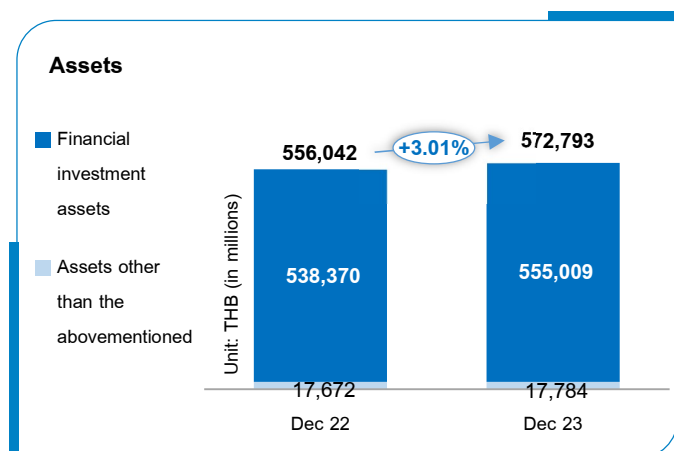
¹ Insurance profit is generated by writing an insurance contract and calculated by net profit minus the investment profit.

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)

	31 December	% of Total	31 December	% of Total	Change	
	2023	Assets	2022	Assets	Amount	% Change
Assets						
Cash and cash equivalents	7,696	1.35%	7,686	1.38%	10	0.13%
Investment assets						
<i>Investments in securities</i>	517,259	90.30%	501,281	90.15%	15,978	3.19%
<i>Loans and accrued interest</i>	30,054	5.25%	29,403	5.29%	651	2.21%
Total investment assets	547,313	95.55%	530,684	95.44%	16,629	3.13%
Total financial investment assets	555,009	96.90%	538,370	96.82%	16,639	3.09%
Assets other than the abovementioned ¹	17,784	3.10%	17,672	3.18%	112	0.63%
Total assets	572,793	100.00%	556,042	100.00%	16,751	3.01%
Liabilities and Equity						
Liabilities						
Insurance contract liabilities						
<i>Insurance technical reserves</i>	435,857	76.09%	423,630	76.19%	12,227	2.89%
<i>Other insurance contract liabilities</i>	22,273	3.89%	23,486	4.22%	(1,213)	-5.16%
Total insurance contract liabilities	458,130	79.98%	447,116	80.41%	11,014	2.46%
Liabilities other than the abovementioned ²	10,084	1.76%	10,858	1.95%	(774)	-7.13%
Total liabilities	468,214	81.74%	457,974	82.36%	10,240	2.24%
Equity						
Share capital	31,232	5.45%	31,232	5.62%	-	0.00%
Retained earnings	70,780	12.36%	64,545	11.61%	6,235	9.66%
Other components of equity	2,567	0.45%	2,291	0.41%	276	12.05%
Total equity	104,579	18.26%	98,068	17.64%	6,511	6.64%
Total liabilities and equity	572,793	100.00%	556,042	100.00%	16,751	3.01%

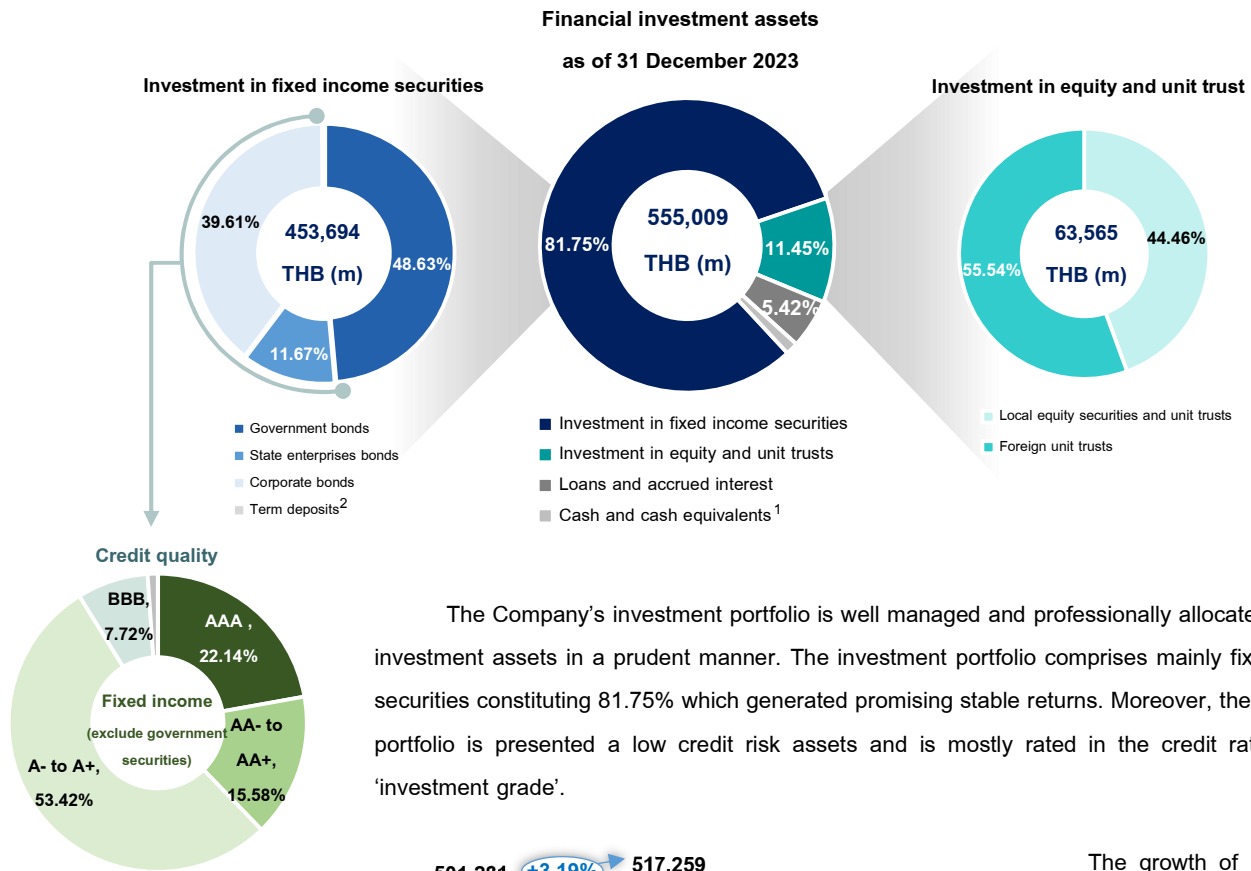


¹ Assets other than the abovementioned consist of accrued investment income, derivative assets, net investments in associated companies, net investments held to cover linked liabilities, net premiums due and uncollected, land, premises and equipment, reinsurers' share of insurance contract liabilities,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

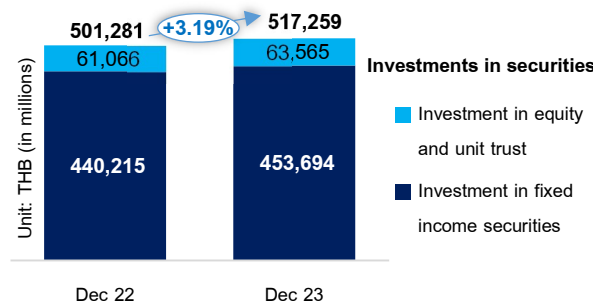
² Liabilities other than the abovementioned consists of investment contract liabilities, reinsurance payable, derivative liabilities, income tax payable, net deferred tax liabilities, employee benefit obligations and other liabilities.

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 81.75% 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'.



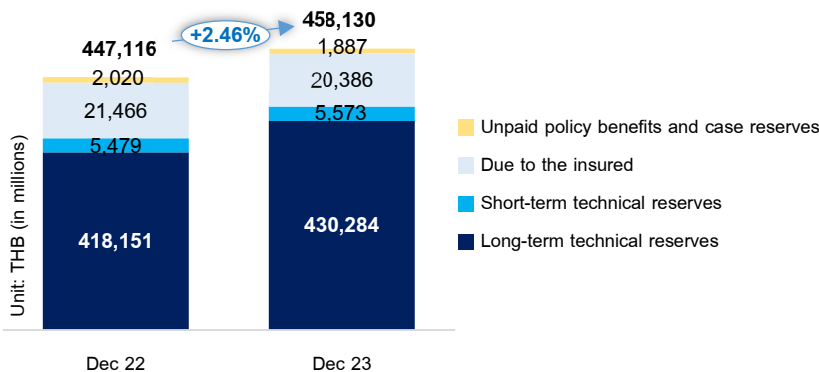
The growth of investment by 3.19% was from more investment in debt securities which resulted from the growth in insurance business and the increase in foreign unit trust portfolio under a favorable foreign market.

Note:

- The above graphic sets out information about the credit quality as at 31 December 2023 of investment in fixed income securities (state enterprises and corporate)
- Short-term F1+(tha) credit rating of 0.04% and BB+ credit rating of 1.10% are not visible in the above graphic as they are insignificant.

1.3.2 Liabilities

Insurance contract liabilities



Insurance contract liabilities increased by 2.46% mainly from the increase in long-term technical reserve.

¹ Cash and cash equivalents 1.38% 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		
	For the year 2023	For the year 2022
Operating profit margin ¹	13.30%	12.97%
Net profit margin ²	8.92%	8.65%
Underwriting expense ratio ³	18.17%	18.19%
	31 December 2023	31 December 2022
Return on average shareholders' equity ⁴	9.58%	10.04%

Efficiency ratios		
	31 December 2023	31 December 2022
Return on average assets ⁵	1.72%	1.70%
Investment assets to reserves ratio ⁶	119.47%	118.69%

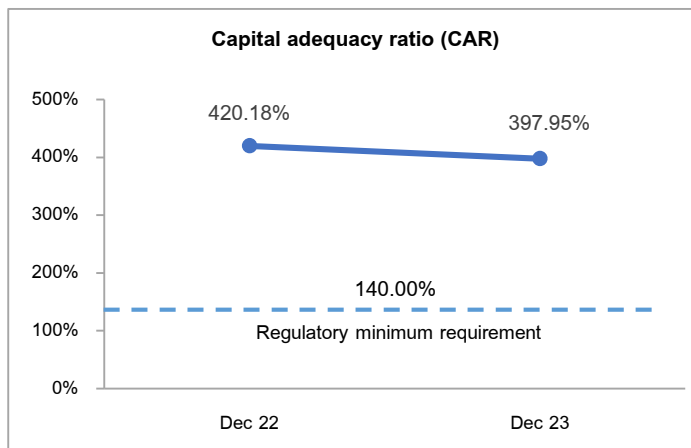
Other financial ratios		
	31 December 2023	31 December 2022
Debt to equity ratio ⁷	4.48x	4.67x
Reserves to equity ratio ⁸	4.17x	4.32x
	31 December 2022	31 December 2021
Dividend payout ratio ⁹	37.09%	30.08%

Operating profit margin, net profit margin and return on average assets for YE23 increased compared to the last year, primarily from the success in shifting product mix toward higher margin products.

Underwriting expense ratio for YE23 decreased compared to the last year due to change in product mix.

Debt to equity ratio and reserves to equity ratio decreased compared to the last year due to the increase in shareholders' equity from the net profit for the period.

1.4.2 Capital ratios



As of 31 December 2023, the Company's capital adequacy ratio (CAR)¹⁰ was 397.95%, significantly higher than regulatory minimum requirement of 140%.

The CAR decreased by 22.23pps (percentage points) from 420.18% as of 31 December 2022 to 397.95% as of 31 December 2023 primarily due to utilizing capital to optimize investment yield through investing more in long-term Thai government bonds, partially offset by the positive impact from interest rate movement.

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)

	YE23	YE22
Annualized premium equivalent (APE)	12,295	12,819
Value of new business (VONB)	7,720	7,325
VONB margin ⁽¹⁾	62.79%	57.14%
Embedded value (EV)	160,580	145,170
EV operating profit	15,153	13,797
Operating return on EV ⁽²⁾	10.44%	9.70%

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

(2) Operating return on EV is calculated as EV operating profit divided by opening EV.

Unit: THB (in millions)

By product line	YE23				YE22			
	APE	%APE	VONB	VONB Margin	APE	%APE	VONB	VONB Margin
Ordinary life (Traditional)	6,626	53.90%	4,055	61.19%	7,690	59.99%	3,790	49.28%
Ordinary life (New participating)	2,114	17.20%	731	34.59%	1,848	14.42%	635	34.34%
Investment-linked	305	2.48%	106	34.87%	416	3.25%	133	32.04%
Riders	1,917	15.59%	1,914	99.88%	1,617	12.61%	1,897	117.33%
Others ⁽¹⁾	1,332	10.83%	913	68.57%	1,248	9.73%	870	69.74%
Total company⁽²⁾	12,295	100.00%	7,720	62.79%	12,819	100.00%	7,325	57.14%

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)

By Channel	YE23				YE22			
	APE	%APE	VONB	VONB Margin	APE	%APE	VONB	VONB Margin
Agency	8,164	66.41%	5,315	65.10%	8,784	68.52%	5,224	59.47%
Partnership	3,246	26.40%	2,062	63.53%	3,284	25.62%	1,801	54.84%
Alternative channels ⁽¹⁾	884	7.19%	343	38.80%	751	5.86%	300	39.97%
Total company⁽²⁾	12,295	100.00%	7,720	62.79%	12,819	100.00%	7,325	57.14%

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)

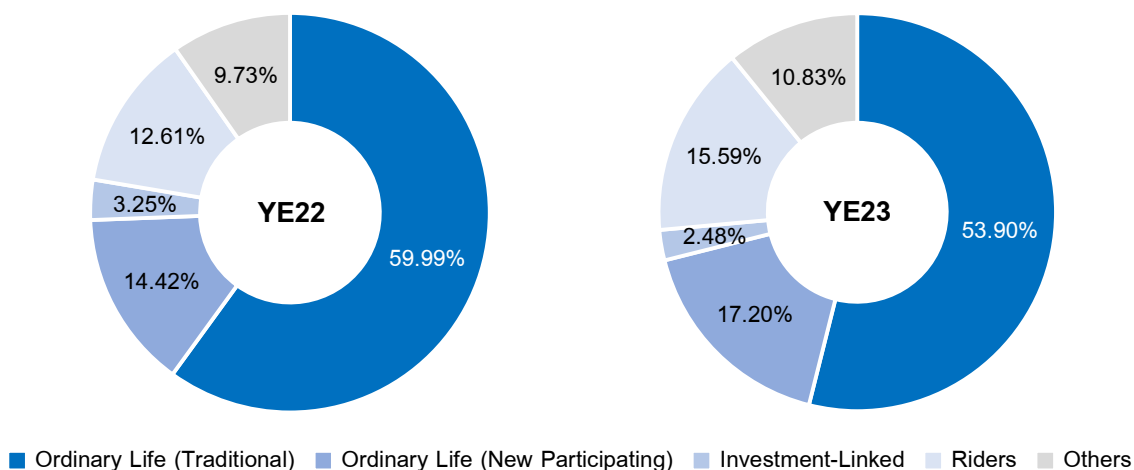
Annualized premium equivalent, or APE, is a common measure used by the life insurance industry to account for the sales of insurance products. It is calculated as 100% of annualized first year premiums plus 10% of single premiums for all new policies written during the reporting period. Compared to first 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 YE23 decreased by 4.09% to Baht 12,295 million while VONB increased by 5.39% to Baht 7,720 million, compared to the 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. The Company continued to promote 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 last year, VONB increased as a result of shifting toward more profitable products.
- **Alternative channel:** APE and VONB increased from the last year mainly due to higher production from Group Employee Benefits business.

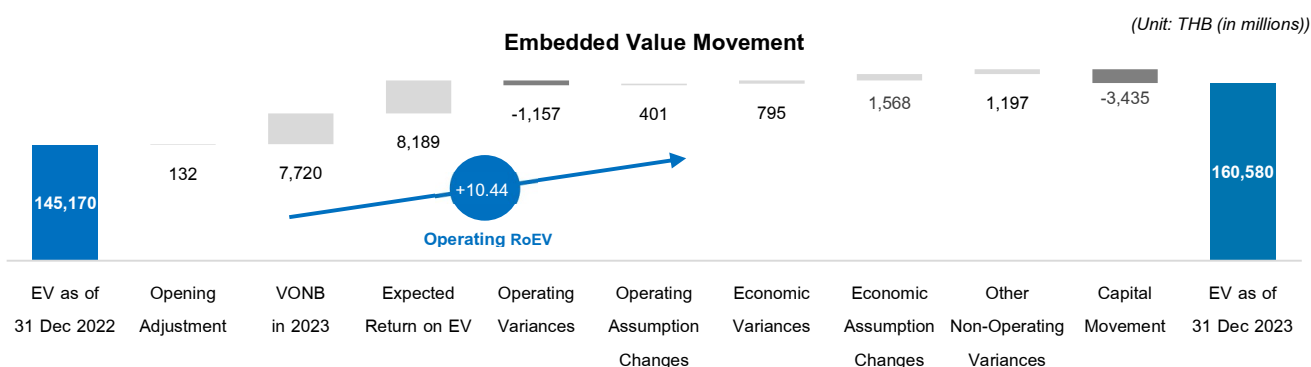
APE Mix by Product Line



Embedded value (EV)

The Company's embedded value in 2023 increased by Baht 15,410 million, or 10.61% from Baht 145,170 million as of 31 December 2022 to Baht 160,580 million as of 31 December 2023. The key contributors to this change were as follows:

- An opening adjustment increased the EV by Baht 132 million reflecting model enhancements.
- An EV operating profit contributed Baht 15,153 million, which comprises of:
 - VONB for the twelve months ended December 31, 2023 of Baht 7,720 million,
 - Expected return on EV of Baht 8,189 million,
 - Operating variances of negative Baht 1,157 million mainly driven by the higher medical claims, and
 - Operating assumption changes of positive Baht 401 million.
- Economic variances contributed positive Baht 795 million as the positive impact from the interest rate movement was partially offset by the impact from underperforming equity securities and foreign exchange market volatility.
- Economic assumption changes contributed positive Baht 1,568 million from an increase in long-term view of 10-year Thai government bond yield and risky assets (Equities and REITs), which was partially offset by an increase in risk discount rate (RDR) from 8.0% to 8.2%.
- Other non-operating variances contributed positive Baht 1,197 million from a refinement of the modelling for non-guaranteed benefit reserves.
- A capital movement of dividends paid to our shareholders resulted in a decrease of Baht 3,435 million.



1.5 LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2023, the Company's cash and cash equivalents were Baht 7,696 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 31 December 2023, the carrying value of the above-mentioned securities is amounted to Baht 4,748 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

In 2024, Thailand's GDP growth is expected to improve to 3.0-3.6% driven by recovering private consumption and exports, although global uncertainty and high household debt remains a challenge. In addition, tourism will continue to recover, projected by the Bank of Thailand (BOT) to reach 34.5 million arrivals, and it potentially grow faster if Chinese visitors rebound.

Fiscal policy and accelerated infrastructure spending continue to expand, but there is a low risk arising from legal controversial issues of Baht 500,000 million for digital wallet stimulus plan. The current account surplus is forecasted to widen in 2024, aided by tourism and lower commodity imported costs.

Inflation is expected to remain in the 1-3% target range, but the risks still exist from commodity's price and the reduction in energy subsidies. BOT will likely maintain the policy rate at 2.5% in 2024 amid uncertain outlook.

Interest rate volatility

In Q4/23, Thai government bond yield decreased significantly comparing to the previous quarter. The downward movement in bond yield had occurred continuously since late October and moved in line with the global bond yields throughout the quarter. The gradually decrease in economic outlook and inflation were the major factors causing the change in yields for which the market had an expectation that the policy rate was already at peak and likely to decline in 2024 with the result of monetary policy meeting from major central banks indicating more easing policy, especially the Fed. Furthermore, the Bank of Thailand Monetary Policy Committee made a unanimous decision to hold policy rate at 2.5% after the MPC had voted to increase policy rate in 8 consecutive meetings.

During this quarter, Thai government bond yield declined along the curve with a flattening bias owing to the fact that the 10 to 20-year bond yield decreased more severely than short-term bond yield. The 10-year bond yield at the end of Q4/23 closed at 2.70%, down from 3.18% at the end of the previous quarter. The movement range was between 2.70% and 3.39%.

Fluctuations in equity markets

The global equity market was as volatile as presented in few years ago. The rising in interest rate was still the key factor that the markets have been focused on. However, there are many other factors which were different from prior year, such as the A.I. technology innovation and the Israel-Hamas conflict. The slower growth in Chinese economy has been introducing the concern among investors in emerging countries including Thailand as reflecting by flowing out of foreign funds from Thai market. As a result from global economic slowdown and uncertainties of the government policy may experience a decline in foreign investors' confidence of Thai listed companies' stocks. Given that, the markets in developed countries have outperformed the emerging markets.

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 the 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.
- OIC Announcement related to Criteria and Procedures for the Issuing and Sale Offering of Insurance Policies, Policy Loans and Benefit Payments from Life Insurance Contracts via an Electronic Methods, B.E. 2566** which was published on 3 May 2023 to define additional requirements for online sale offering, sales tools, the issuance of an electronic insurance policies (e-policy), and policy benefit via electronic methods using e-KYC and e-Signature, including preservation of the information systems security.

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 product and service 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 16.26% and 14.60% to the industry's total agency annualized premium equivalent¹ in 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:

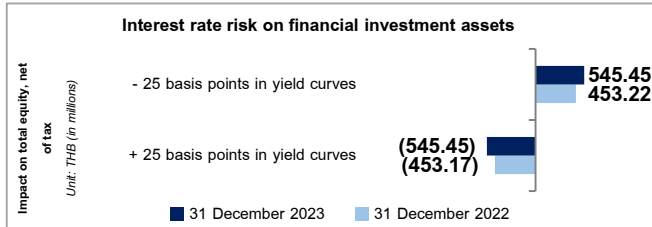
- Insurance volumes increase significantly around December, as the personal income tax advantages that life insurance products offer.
- The Company evaluates the sales performance of the Company's staff on a half-yearly basis. Therefore, increase in sales is generally seen at the end of the first half 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

Interest rate risk

Exposure to equity from investment assets

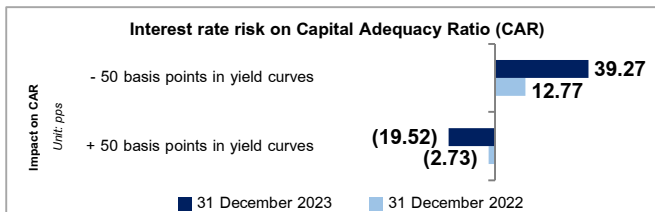


Note: As of the dates indicated, changes of interest rates would impact the fair value of debt securities through other comprehensive income as shown above. This sensitivity analysis assumes that all other variables remain constant.

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. 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 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.

Exposure to capital adequacy ratio (CAR)



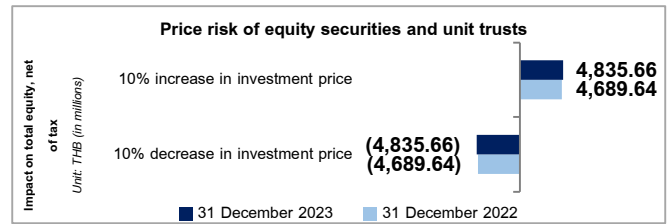
Note: The interest rate shocks are applied on the yield curve as of each valuation date.

Capital adequacy ratio is calculated by taking the market value of all assets and liabilities into account.

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 within the extent possible and practicable to reduce the gap. In addition, the Company uses derivative instruments to manage such exposures.

As of 31 December 2023, the Company's duration gap between asset and liability under RBC is less than 1 year.

Price risk

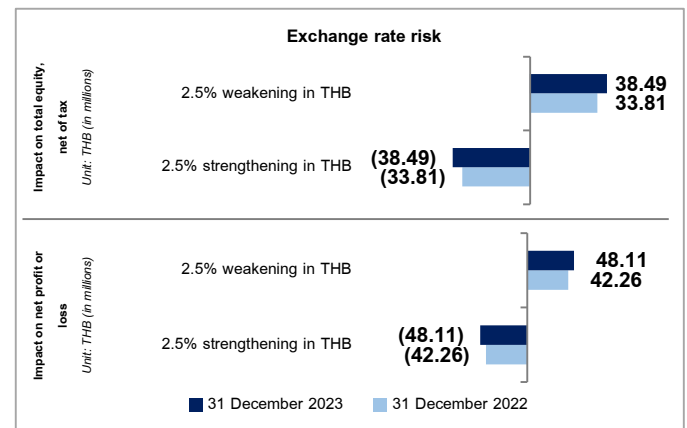


Note: The impact as shown above excludes investment assets held to cover unit-linked liabilities.

Price risk 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 maintains the risk to be within the appetite limit.

Exchange rate risk



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 as shown above. This sensitivity analysis assumes that all other variables remain constant and ignores any impact of sale and purchases of financial instruments.

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 for yield enhancement and risk diversification purposes. These investments expose us to gains and losses arising from foreign exchange rate movements. The Company monitors foreign currency exposures to be consistent with the Company's risk appetite. 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.

2.3 ENVIRONMENTAL, SOCIETY AND GOVERNANCE (“ESG”)



Economic & Governance Dimension

- ✓ Enhanced **“Thai Life Insurance Promptpay CI 108”** by extending CI coverage to early and intermediate stage of Alzheimer’s disease, reinforcing our commitment to an elderly-friendly society.
- ✓ Launched **“Thai Life Insurance - Health Fit Multi Pay Cancer”**, an innovative product encompassing comprehensive coverage for all stages of cancer, including recurrence.
- ✓ **Connecting healthcare information systems with contract hospitals** via Application Programming Interface (API) technology to expedite the provision of services.
- ✓ Achieved an **“Excellent” level** for the 2023 Corporate Governance Report (CGR) Rating Score.
- ✓ Selected as the company with ESG outstanding performance in a group of **2023 ESG Emerging List** by joining the **ESG100** of Thaipat Institute.
- ✓ Received the **Insurance Asia Awards 2023 in the category of Sustainable Insurance Initiative of the Year – Thailand Awards**.

Social Dimension

- ✓ Launched ESG products for community enterprises named **“Thai Life Insurance Suk Yang Yuen Refund”** addressing the initial sustainability needs of the Thai life insurance business in every dimension.
- ✓ Enhanced financial accessibility with **over 650,000 registered users of the TLI Application** (the growth rate is 41% from the last year).
- ✓ Committed to provide financial knowledge to customers and community through Creating Shared Value (CSV) projects of **“Thai Life Insurance: Opportunity for the Better Life”** and **“Thai Life Insurance: Enhancing Opportunities, Creating Careers”**.
- ✓ Enhanced the awareness of sustainable business practices among suppliers and business partners by organizing an online supplier seminar for the first time that focuses on the topic of **“Sustainable Procurement”**.

Environmental Dimension

- ✓ Implemented **Green Building project**, involving the refurbishment and maintenance of the air ventilation system in the building, the installation of Solar Cell to decrease the energy usage by using the Renewable Energy, and encouragement of **EV Car usage**.
- ✓ Participated in the **Special Campaign EV / HEV Car** with Toyota Leasing to promote the use of energy-saving and environmentally friendly cars.
- ✓ Participated in the **Care the Whale project** that organized by the Stock Exchange of Thailand (SET) to promote waste reduction from the origin and continuously develop environmental management according to Circular Economy principles.

2.4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

TFRS 17 is 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 requires organizations to place a greater focus on 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 ready and allowing us to perform parallel run for 2023. 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 impacts and challenges of the adoption.



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