



Thai  
Life  
Insurance

To be  
A Value-Driven Life Insurance Company of  
**Sustainability**



Management Discussion and Analysis  
for the 1st quarter, 2024



## 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 years<sup>1</sup>. 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




#### Thai Life Insurance Experience

- Initiated the “**Thai Life Insurance Experience**” project under the concept of “**OUR STORY, OUR JOURNEY**” at Thai Life Insurance Building, Bangna Branch, as a space to tell the history and achievements of the Company. It is also the first life insurance company in Thailand to use immersive marketing strategies to create shared experiences for stakeholders related to the Company.

#### Leading Investor for Corporate ESG Bond

- Received **Leading Investor for Corporate ESG Bond** as an outstanding investor in corporate bond under the green, social and sustainable finance framework (ESG Bonds) in 2023 from the Best Bond Awards 2023 organized by the Thai Bond Market Association (ThaiBMA).






#### Best Life Insurance Company – Thailand

- Received **the Best Life Insurance Company – Thailand 2023** and **the Best Investor Relations (Life Insurance) – Thailand 2023** awards from the Global Economics Awards 2023, organized by the Global Economics, to honour the outstanding life insurance companies in conducting business, which reinforces its leadership in the life insurance business.

#### Thailand's Top Influential Brands

- Received **2023 Thailand's Top Influential Brands** as the most outstanding and influential brand to consumers in 2023 from a survey of Gen Y consumers in Thailand, organized by Influential Brand Singapore, and Neo Target Co., Ltd.





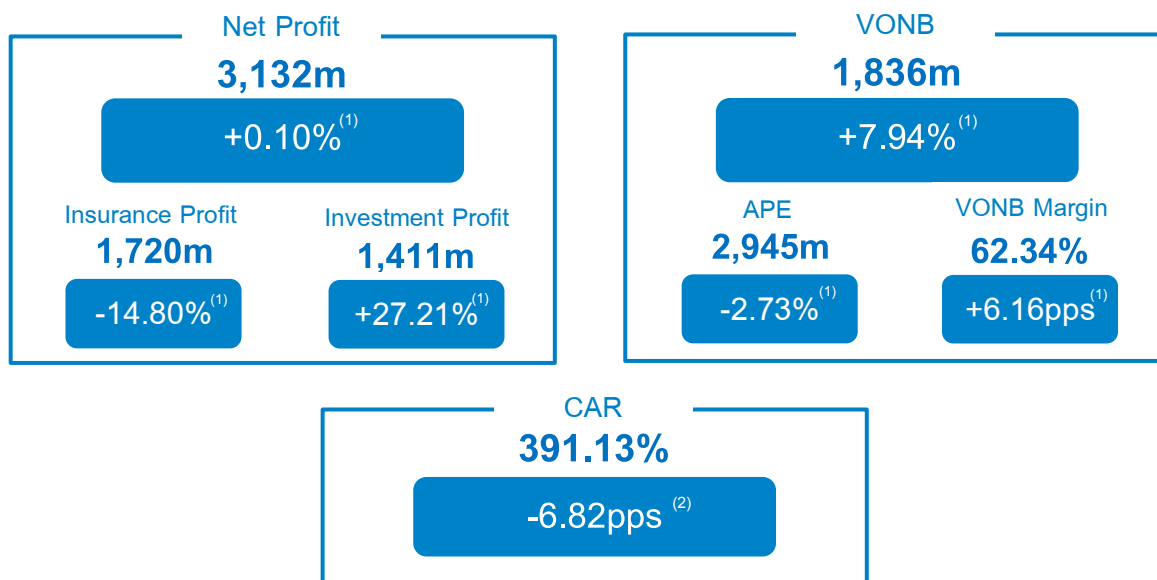
#### Enhanced Features in Thai Life Insurance Application

- Developed innovation to be the Life Solution Provider of customers and upgraded the Thai Life Insurance application by introducing **new Family Policy features that allow viewing information and paying insurance premiums for family members** to emphasize the accessibility of life insurance services to meet the needs of people in society.

<sup>1</sup> Referring to YTD total premium revenues as of 31 March 2024, disclosed by Thai Life Assurance Association (TLAA).

**1. RESULTS OF OPERATION AND FINANCIAL POSITION**

**1.1 OVERVIEW**



**Summary of the Company's performance for Q1/24**

- The Company registered a net profit of Baht 3,132 million for Q1/24, similar to the same period of last year. The increase in investment profit mainly from higher realized gain on sales of appreciated investments in foreign unit trusts, offset by the decrease in insurance profit from higher medical claims.
- 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 according to the Company's product strategy.
- Our capital remains robust with a Capital Adequacy Ratio (CAR) of 391.13% as of 31 March 2024, much higher than the regulatory capital requirement of 140%.

<sup>1</sup> The change in net profit, insurance profit, investment profit, VONB, APE, and VONB Margin were compared to the same period of last year.

<sup>2</sup> The change in CAR was compared to the position at last year ended.

<sup>3</sup> 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	Q1/24	% of Premium	Q1/23	% of Premium	Change	
					Amount	%
<b>Revenues</b>						
Net premiums earned <sup>1</sup>	20,934	100.00%	18,762	100.00%	2,172	11.58%
Investment returns <sup>2</sup>	6,182	29.53%	5,244	27.95%	938	17.89%
Other components of total revenues <sup>3</sup>	45	0.22%	36	0.19%	9	25.00%
<b>Total revenues</b>	<b>27,161</b>	<b>129.75%</b>	<b>24,042</b>	<b>128.14%</b>	<b>3,119</b>	<b>12.97%</b>
<b>Expenses</b>						
Change in long-term technical reserve	4,953	23.66%	1,282	6.83%	3,671	286.35%
Net benefits payments and insurance claims expenses	14,412	68.84%	15,330	81.71%	(918)	-5.99%
Commissions, brokerage and other underwriting expenses	2,380	11.37%	2,559	13.64%	(179)	-6.99%
Operating expenses	1,320	6.31%	1,291	6.88%	29	2.25%
Other components of total expenses (Reversal) <sup>4</sup>	122	0.58%	(308)	-1.64%	430	NM
<b>Total expenses</b>	<b>23,187</b>	<b>110.76%</b>	<b>20,154</b>	<b>107.42%</b>	<b>3,033</b>	<b>15.05%</b>
<b>Profit before income tax expense</b>	<b>3,974</b>	<b>18.99%</b>	<b>3,888</b>	<b>20.72%</b>	<b>86</b>	<b>2.21%</b>
Income tax expense	842	4.03%	759	4.04%	83	10.94%
<b>Net profit</b>	<b>3,132</b>	<b>14.96%</b>	<b>3,129</b>	<b>16.68%</b>	<b>3</b>	<b>0.10%</b>

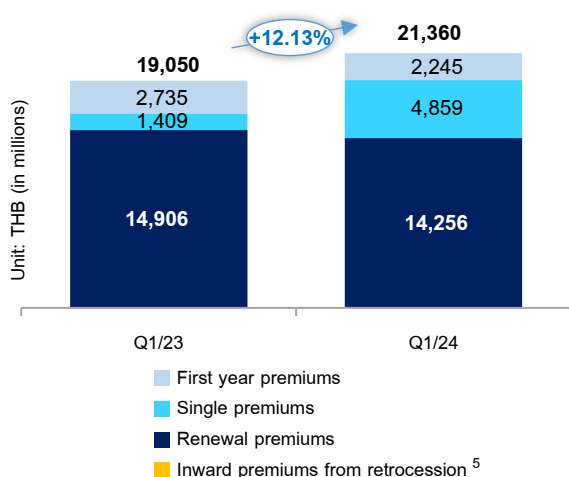
\* NM refers to "Non-Meaningful"

### 1.2.1 Revenue

#### Net premiums earned

Net premiums earned for Q1/24 of Baht 20,934 million comprises gross written premiums of Baht 21,360 million less other components of Baht 426 million which include premium ceded and change in unearned premium reserve.

#### Gross written premiums



The increase in gross written premiums for Q1/24 was mainly driven by the success in launching the new single premium product "Legacy Fit Wealthy 99/1" to recapture the policies matured.

<sup>1</sup> Net premiums earned include gross premium written, premium ceded and unearned premium reserve.

<sup>2</sup> Investment returns include net investment income, gain (loss) on investments and gain (loss) on fair value change.

<sup>3</sup> Other components of total revenues include fee and commission income, share of profit (loss) of associate and other income.

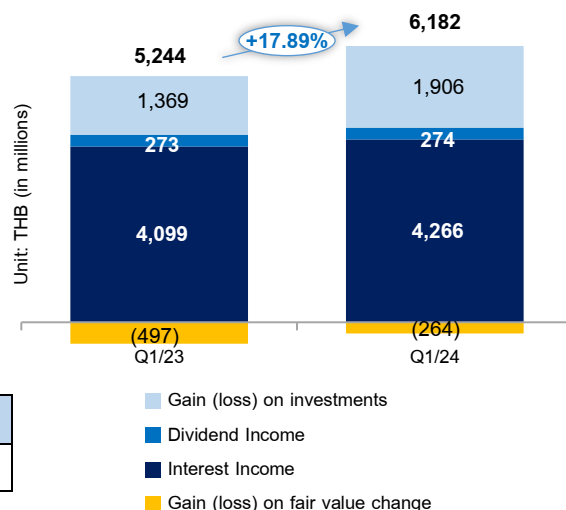
<sup>4</sup> Other components of total expenses (Reversal) include expected credit losses (reversal) and other expenses.

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

**Investment returns**

Investment returns for Q1/24 increased by 17.89% compared to the same period of last year, which were primarily from higher realized gain on sales of appreciated investments in foreign unit trusts and increase in interest income which is a stable source of investment return that aligned with the business growth.

The return on average investments slightly increased from last year.



	31 March 2024	31 December 2023
Return on average investments <sup>1</sup>	3.78%	3.72%

**1.2.2 Expenses**

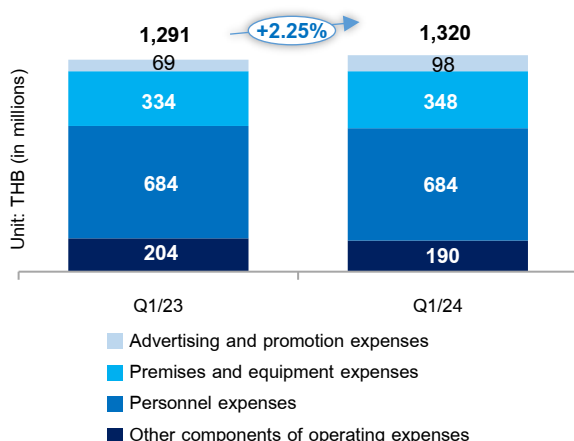
**Net benefits payments and insurance claims expenses**

Net benefits payments and insurance claims expenses for Q1/24 decreased by Baht 918 million, or 5.99%, compared to the same period of last year mainly due to the lower maturity benefit and coupon payments, partially offset by higher medical claims and surrender. In general, maturity benefit, coupon and surrender payments are largely offset by the release in reserve for these payments. Therefore, the overall impact on the net profit of these items is immaterial.

**Commissions, brokerage and other underwriting expenses**

Commissions, brokerage and other underwriting expenses for Q1/24 decreased by Baht 179 million, or 6.99%, compared to the same period of last year due to change in product mix according to the Company's product strategy.

**Operating expenses**



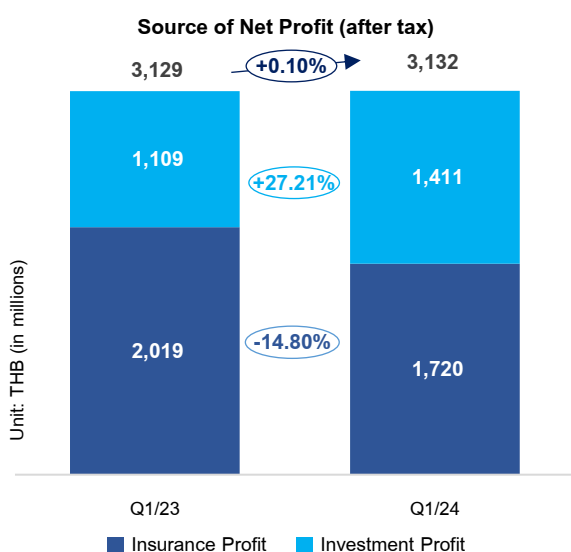
Operating expenses for Q1/24 slightly increased by Baht 29 million, or 2.25%, compared to the same period of last year. It was primarily from the increase in advertisement expenses for the promotion of corporate image, and amortization of the implementation cost of digital projects, such as new features on TLI application to increase customer engagement and digital sales tools for agent and bancassurance to enhance the productivity of distribution channels, etc.

<sup>1</sup> 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.

### 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



The **insurance profit**<sup>1</sup> decreased by 14.80% in Q1/24 compared to the same period of last year, mainly driven from higher medical claims.

The **investment profit**<sup>2</sup>, which is the investment return in excess of the interest accretion on insurance contract liability, increased by 27.21% in Q1/24 compared to the same period of last year, mainly driven by higher realized gain on sales of appreciated investments in foreign unit trusts.

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

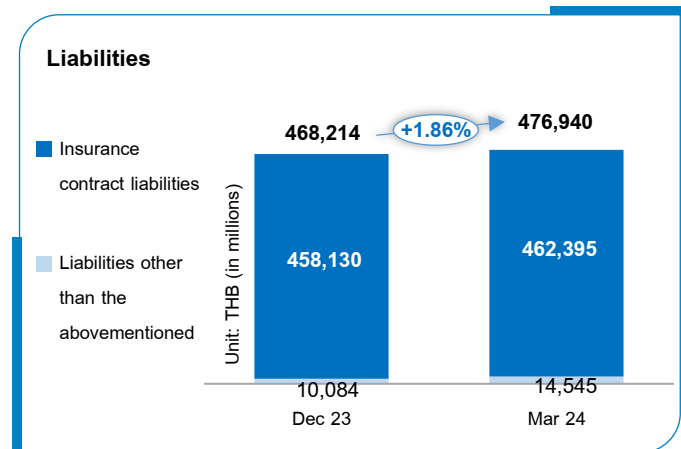
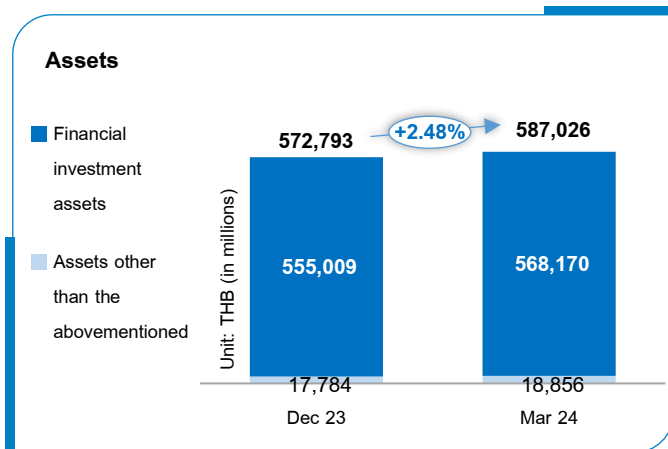
<sup>1</sup> Insurance profit is generated by writing an insurance contract and calculated by net profit minus the investment profit.

<sup>2</sup> 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 March	% of Total	31 December	% of Total	Change	
	2024	Assets	2023	Assets	Amount	% Change
<b>Assets</b>						
Cash and cash equivalents	3,168	0.54%	7,696	1.35%	(4,528)	-58.84%
Investment assets						
<i>Investments in securities</i>	534,886	91.12%	517,259	90.30%	17,627	3.41%
<i>Loans and accrued interest</i>	30,116	5.13%	30,054	5.25%	62	0.21%
Total investment assets	565,002	96.25%	547,313	95.55%	17,689	3.23%
<b>Total financial investment assets</b>	<b>568,170</b>	<b>96.79%</b>	<b>555,009</b>	<b>96.90%</b>	<b>13,161</b>	<b>2.37%</b>
Assets other than the abovementioned <sup>1</sup>	18,856	3.21%	17,784	3.10%	1,072	6.03%
<b>Total assets</b>	<b>587,026</b>	<b>100.00%</b>	<b>572,793</b>	<b>100.00%</b>	<b>14,233</b>	<b>2.48%</b>
<b>Liabilities and Equity</b>						
<b>Liabilities</b>						
Insurance contract liabilities						
<i>Insurance technical reserves</i>	441,072	75.14%	435,857	76.09%	5,215	1.20%
<i>Other insurance contract liabilities</i>	21,323	3.63%	22,273	3.89%	(950)	-4.27%
<b>Total insurance contract liabilities</b>	<b>462,395</b>	<b>78.77%</b>	<b>458,130</b>	<b>79.98%</b>	<b>4,265</b>	<b>0.93%</b>
Liabilities other than the abovementioned <sup>2</sup>	14,545	2.48%	10,084	1.76%	4,461	44.24%
<b>Total liabilities</b>	<b>476,940</b>	<b>81.25%</b>	<b>468,214</b>	<b>81.74%</b>	<b>8,726</b>	<b>1.86%</b>
<b>Equity</b>						
Share capital	31,232	5.32%	31,232	5.45%	-	0.00%
Retained earnings	73,912	12.59%	70,780	12.36%	3,132	4.42%
Other components of equity	4,942	0.84%	2,567	0.45%	2,375	92.52%
<b>Total equity</b>	<b>110,086</b>	<b>18.75%</b>	<b>104,579</b>	<b>18.26%</b>	<b>5,507</b>	<b>5.27%</b>
<b>Total liabilities and equity</b>	<b>587,026</b>	<b>100.00%</b>	<b>572,793</b>	<b>100.00%</b>	<b>14,233</b>	<b>2.48%</b>

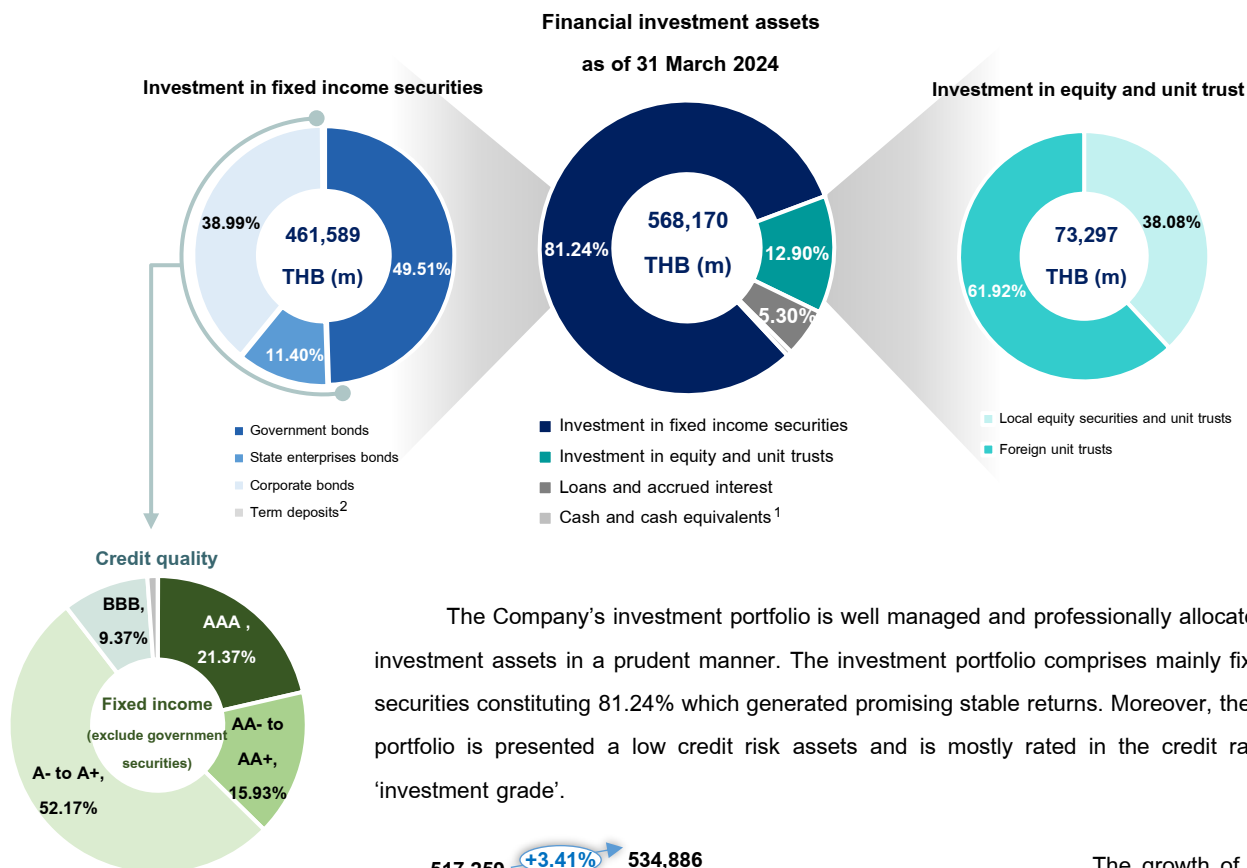


<sup>1</sup> Assets other than the abovementioned consist of accrued investment income, derivative assets, net investments in associated companies, net investments held to cover linked liabilities, net premiums due and uncollected, land, premises and equipment, reinsurers' share of insurance contract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

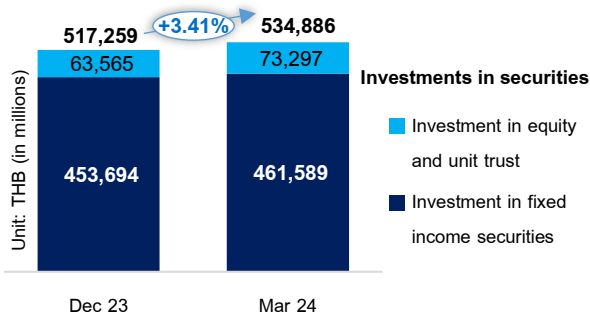
<sup>2</sup> Liabilities other than the abovementioned consists of investment contract liabilities, reinsurance payable, derivative liabilities, income tax payable, net deferred tax liabilities, employee benefit obligations and other liabilities.

### 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 81.24% 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'.



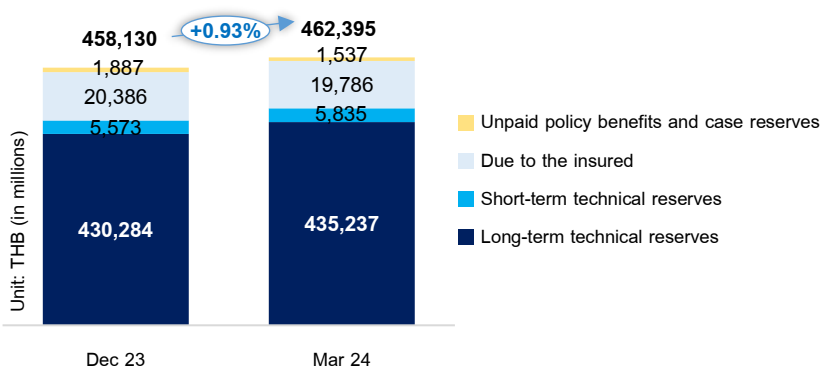
The growth of investment by 3.41% was from more investment in debt securities which resulted from the growth in insurance business and the increase in valuation of foreign unit trust portfolio under favourable foreign stock markets.

Note:

- The above graphic sets out information about the credit quality as at 31 March 2024 of investment in fixed income securities (state enterprises and corporate)
- Short-term F1+(tha) credit rating of 0.05% and BB+ credit rating of 1.11% are not visible in the above graphic as they are insignificant.

### 1.3.2 Liabilities

#### Insurance contract liabilities



Insurance contract liabilities increased by 0.93% mainly from the increase in long-term technical reserve.

<sup>1</sup> Cash and cash equivalents 0.56% are not visible in the above graphic as they are insignificant.

<sup>2</sup> Term deposits 0.10% 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 Q1/24	For Q1/23
Operating profit margin <sup>1</sup>	18.60%	20.41%
Net profit margin <sup>2</sup>	11.53%	13.01%
Underwriting expense ratio <sup>3</sup>	17.32%	20.21%
	<b>31 March 2024</b>	<b>31 December 2023</b>
Return on average shareholders' equity <sup>4</sup>	9.15%	9.58%

Efficiency ratios		
	31 March 2024	31 December 2023
Return on average assets <sup>5</sup>	1.69%	1.72%
Investment assets to reserves ratio <sup>6</sup>	122.19%	119.47%

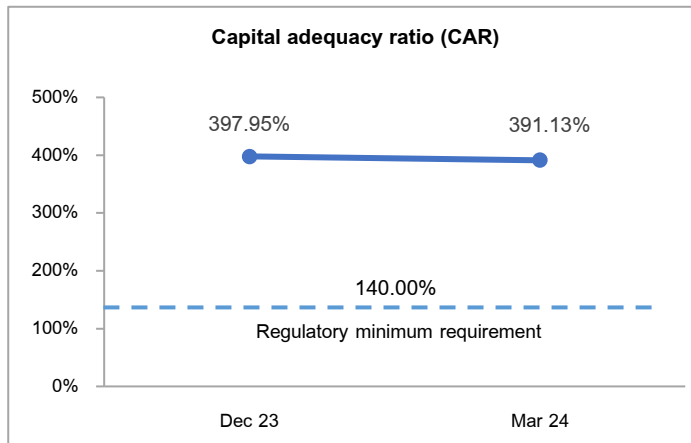
Other financial ratios		
	31 March 2024	31 December 2023
Debt to equity ratio <sup>7</sup>	4.33x	4.48x
Reserves to equity ratio <sup>8</sup>	4.01x	4.17x
	<b>31 December 2023</b>	<b>31 December 2022</b>
Dividend payout ratio <sup>9</sup>	59.01%	37.09%

Operating profit margin, net profit margin and return on average assets for Q1/24 decreased compared to the same period of last year, primarily from higher medical claims.

Underwriting expense ratio for Q1/24 decreased compared to the same period of last year due to change in product mix according to the Company's product strategy.

Debt to equity ratio and reserves to equity ratio decreased compared to the same period of last year due to the increase in shareholders' equity from the net profit for the period and the revaluation gain on investments and hedged instruments under other components of shareholders' equity.

### 1.4.2 Capital ratios



As of 31 March 2024, the Company's capital adequacy ratio (CAR)<sup>10</sup> was 391.13%, similar to CAR as of 31 December 2023 which remained strong and significantly higher than regulatory minimum requirement of 140%.

<sup>1</sup> Operating profit margin is calculated as profit before income tax expense divided by gross written premiums for the period.

<sup>2</sup> Net profit margin is calculated as net profit divided by total revenues for the period.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> Investment assets to reserves ratio is calculated as investment assets divided by insurance contract liabilities at the end of the period.

<sup>7</sup> Debt to equity ratio is calculated as total liabilities divided by total shareholders' equity at the end of the period.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> 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)

	Q1/24	Q1/23
Annualized premium equivalent (APE)	2,945	3,028
Value of new business (VONB)	1,836	1,701
VONB margin <sup>(1)</sup>	62.34%	56.18%

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

Unit: THB (in millions)

By product line	Q1/24				Q1/23			
	APE	%APE	VONB	VONB Margin	APE	%APE	VONB	VONB Margin
Ordinary life (Traditional)	1,589	53.95%	1,029	64.76%	1,470	48.55%	792	53.89%
Ordinary life (New participating)	394	13.37%	149	37.80%	583	19.27%	194	33.19%
Investment-linked	57	1.95%	26	44.59%	94	3.10%	34	36.21%
Riders	466	15.82%	435	93.39%	443	14.63%	463	104.44%
Others <sup>(1)</sup>	439	14.91%	197	44.93%	438	14.46%	219	49.96%
<b>Total company<sup>(2)</sup></b>	<b>2,945</b>	<b>100.00%</b>	<b>1,836</b>	<b>62.34%</b>	<b>3,028</b>	<b>100.00%</b>	<b>1,701</b>	<b>56.18%</b>

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	Q1/24				Q1/23			
	APE	%APE	VONB	VONB Margin	APE	%APE	VONB	VONB Margin
Agency	1,971	66.92%	1,295	65.72%	2,105	69.53%	1,194	56.73%
Partnership	618	20.98%	437	70.75%	598	19.75%	422	70.51%
Alternative channels <sup>(1)</sup>	356	12.10%	103	29.03%	325	10.73%	85	26.20%
<b>Total company<sup>(2)</sup></b>	<b>2,945</b>	<b>100.00%</b>	<b>1,836</b>	<b>62.34%</b>	<b>3,028</b>	<b>100.00%</b>	<b>1,701</b>	<b>56.18%</b>

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)**

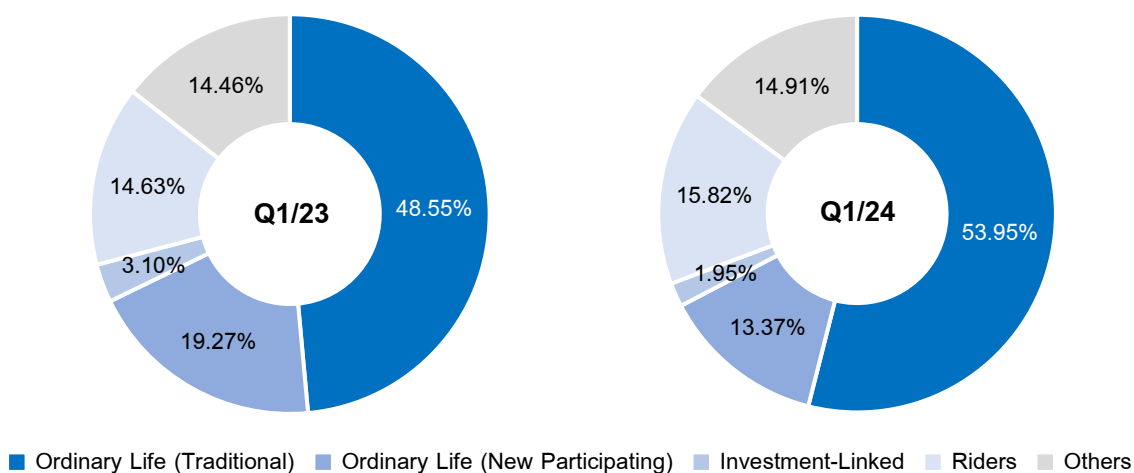
Annualized premium equivalent, or APE, is a common measure used by the life insurance industry to account for the sales of insurance products. It is calculated as 100% of annualized first year premiums plus 10% of single premiums for all new policies written during the reporting period. Compared to first 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 Q1/24 decreased by 2.73% to Baht 2,945 million while VONB increased by 7.94% to Baht 1,836 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 according to the Company’s product strategy.

- **Agency channel:** Despite APE decreased from last year, VONB increased as a result of shifting toward more profitable products.
- **Partnership channel:** APE and VONB increased from last year mainly due to higher production from Commercial Bank.
- **Alternative channel:** APE and VONB increased from last year mainly due to higher production from Direct/Telemarketing business.

**APE Mix by Product Line**



## 1.5 LIQUIDITY AND CAPITAL RESOURCES

As of 31 March 2024, the Company's cash and cash equivalents were Baht 3,168 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 March 2024, the carrying value of the above-mentioned securities is amounted to Baht 5,399 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

Thailand's economic growth is expected to be 2.6% in 2024 by Bank of Thailand, following a 1.9% increase in 2023. This growth is anticipated to be driven by exports and tourism. However, the growth in export sector is likely to decline from the slowdown in global economy.

The Monetary Policy Committee (MPC) maintains a cautious stance regarding a policy rate cut, despite Thailand's headline inflation rate being in negative territory for more than six consecutive months. The government and relevant agencies have called for the MPC to reduce the policy rate in order to alleviate the public's burden from loan interest payments and support economic growth.

Regarding the Digital Wallet policy including the sources of funds, it is still under detailed consideration. The policy will be proposed to Parliament for subsequent review and is expected to be announced for implementation towards the end of the year.

#### Fluctuations in equity markets

In Q1/24, global equity markets were outperformed than domestic equity market. In 2023, Thai equity market was underperformed compared to other markets as Thai economic recovery remains at a slow pace, meanwhile, economic growth in developed countries was better than expectation. Therefore, our diversified portfolio in domestic and global equity markets is resulted in more efficient performance.

#### Interest rate volatility

In Q1/24, Thai government bond yield continued to decline following the trend from the previous quarter. It was in contrast to the upward movement of global bond yield in this quarter. The main factors causing lower Thai government bond yield were softer-than-expected economic data, negative inflation for six consecutive months, and a delay in fiscal stimulus. In addition, the outcome of the first MPC meeting in 2024 was unanimously voted to maintain the policy rate at 2.50%, which two members voted for a cut in the policy rate to 2.25%. These aforementioned factors resulted in the change in expectation of market participants, who gave a higher probability that MPC might consider to cut the policy rate earlier than previous thought, and even before the major central banks' decision to cut the policy rates.

During this quarter, Thai government bond yield went down quite evenly in every part of the curve, with a little change in shape and steepness of the yield curve. The 10-year Thai government bond yield at the end of the first quarter of 2024 closed at 2.51%, down from 2.70% at the end of the previous quarter. The movement range was between 2.49% and 2.79%.

## 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.

## 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 14.79% and 14.74% to the industry's total agency annualized premium equivalent<sup>1</sup> in the first 3 months of 2023 and 2024, 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.

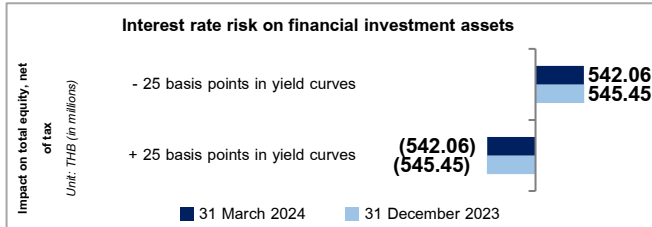
<sup>1</sup> Thai Life Assurance Association only provides the industry's first year premiums and single premiums. Industry's annualized premium equivalent is approximated from 100% of industry's first year premiums plus 10% of industry's single premiums.



## 2.2 QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

### Interest rate risk

#### Exposure to equity from investment assets

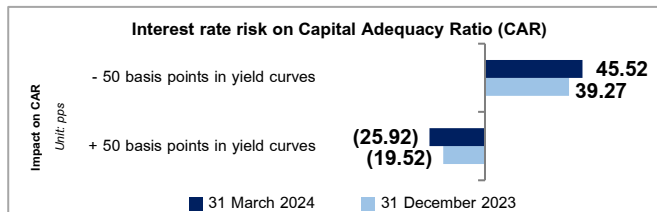


Note: As of the dates indicated, changes of interest rates would impact the fair value of debt securities through other comprehensive income as shown above. This sensitivity analysis assumes that all other variables remain constant.

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)



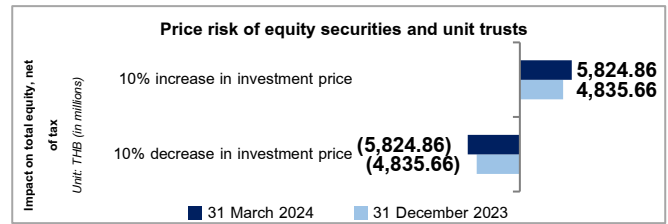
Note: The interest rate shocks are applied on the yield curve as of each valuation date.

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 March 2024, the Company's asset duration closely matches its liability duration.

### Price risk

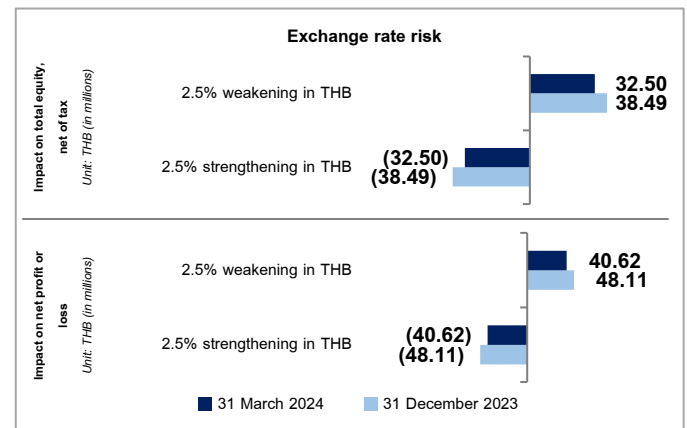


Note: The impact as shown above excludes investment assets held to cover unit-linked liabilities.

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.

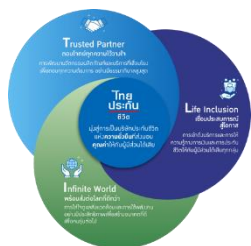
### Exchange rate risk



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.

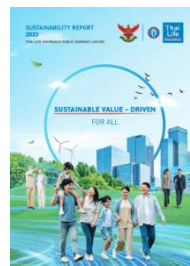
Exchange rate risk arises when the Company enter into transactions denominated in foreign currencies such as investment in bonds or equity securities denominated in foreign currencies for yield enhancement and risk diversification purposes. These investments expose us to gains and losses arising from 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”)



### “TLI” Sustainability Strategy

- **Trusted Partner (Governance & Economic)**
- **Life Inclusion (Social)**
- **Infinite World (Environment)**



The 2023 Sustainability Report was published on the Company’s website on 27 March 2024.

<https://investor.thailife.com/th/document/sustainability-reports>

### Governance & Economic Dimension

Trusted Partner

- ✓ Established **“ESG Risk Management Policy”**.
- ✓ **Build a comprehensive ecosystem associated with products and services to meet the needs of customers in every Life Stage, Life Event, and Lifestyle**, such as developing the Thailife Insurance Application with new user-friendly features for more convenience, and integration of policyholder’s cards into a one-stop service by incorporating QR code on the back of the card for easy access to policy details.

### Social Dimension

Life Inclusion

- ✓ Introduced new **Family Policy features that allow viewing information and paying insurance premiums for family members** to emphasize the accessibility of life insurance services to meet the needs of people in society.
- ✓ Continue ESG products for community enterprises named **“Thai Life Insurance Suk Yang Yuen Refund”**.
- ✓ **Committed to providing financial and life insurance knowledge to communities through Creating Shared Value (CSV) projects of “Thai Life Insurance Opportunity for the Better Life” and “Thai Life Insurance Enhancing Opportunities, Creating Careers”** which aim to promote the quality of life of people in society including the sustainability and well-being to the society from financial planning and life insurance.

### Environmental Dimension

Infinite World

- ✓ **Increased in ESG corporate bonds investment** to Baht 24,173 million, accounting for 4.36% of the total investment portfolio in 2023.
- ✓ **Implemented Green Building project including the installation of solar cells** to 13 locations. This initiative aims to decrease energy usage by utilizing renewable energy to meet target of reducing energy consumption by 2% per year.
- ✓ **Installed of a solar rooftop enabled the generation of 75,855 kWh of electricity**, resulting in a reduction of greenhouse gas emissions equivalent to 38 tonnes of carbon dioxide equivalent, comparable to the planting approximately 3,107 trees in 2023.

## 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 in 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.





**Thai  
Life**  
Insurance

**Thai Life Insurance Public Company Limited**

123 Ratchadaphisek Road, Din Daeng, Bangkok 10400, Thailand

Tel. +66 2247 0247 Fax. +66 2246 9946

[www.thailife.com](http://www.thailife.com) Registration No. 0107555000104