

Summary Analysis of Significant Changes and Impacts from the adoption of TFRS 17 and TFRS 9

The key changes from the adoption of TFRS 17, Insurance Contracts and TFRS 9, Financial Instruments are summarized as follows:

TFRS 17 Insurance Contracts

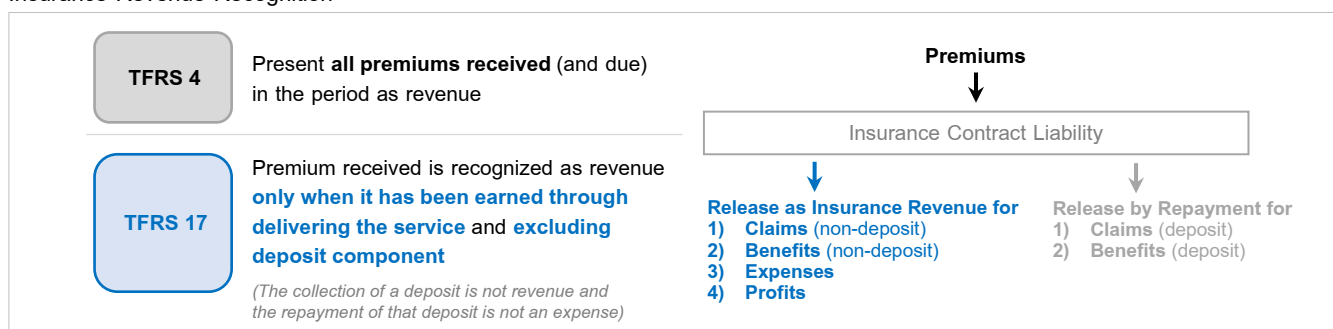
TFRS 17 aims to provide more updated information about the obligation, risk, and performance of insurance contracts and increase the transparency in reported financial information. Therefore, the measurement of insurance contract liability, presentation of financial information, and disclosures are changed as below:

- **Measurement of Insurance Contract Liability**

- ✓ TFRS 17 requires insurers to hold a liability as the total of:
 - a) the **fulfilment cash flows** – the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits, and expenses relating to servicing insurance contracts, including an adjustment for the timing and risk of those cash flows (**Risk Adjustment**); and
 - b) the **contractual service margin (CSM)** – the expected profit for providing future insurance coverage (unearned profit)
- ✓ The insurance contract liability is required to be updated at each reporting date, using **current estimates** that are consistent with relevant market information.
- ✓ Thai Life has selected an accounting policy choice to reflect the effect of change in interest rates (change in financial risk) in **other comprehensive income (OCI)**.
- ✓ The **Insurance Finance Income or Expenses (IFIE)** or interest cost of insurance contract liabilities is disaggregated and presented separately in
 - a) **Profit or Loss (P&L)** result from unwinding interest cost of insurance contract liabilities based on **locked-in discount rate** at initial recognition or effective interest rate (EIR) and
 - b) **Other Comprehensive Income (OCI)** result from revaluation of insurance contract liability using **current discount rate** for all existing insurance portfolios, except for unit linked portfolio whereby IFIE is recorded in P&L only.

- **Presentation**

- ✓ The new Statement of Financial Position presents **net position balance** of insurance contracts and reinsurance contracts, while previously presented asset and liability positions separately base on the nature i.e., policy loan and premium due.
- ✓ The new Income Statement clearly presents the Company's **source of profit**, including **Insurance Profit** and **Investment Profit**.
- ✓ Insurance Revenue Recognition



- **Disclosure**

- ✓ TFRS 17 requires **more details** in disclosure enabling users of financial statements to have a better understanding of the company's financial results. It is required to disclose a split by **profitable** and **onerous** (loss making) products.

TFRS 9 Financial Instruments

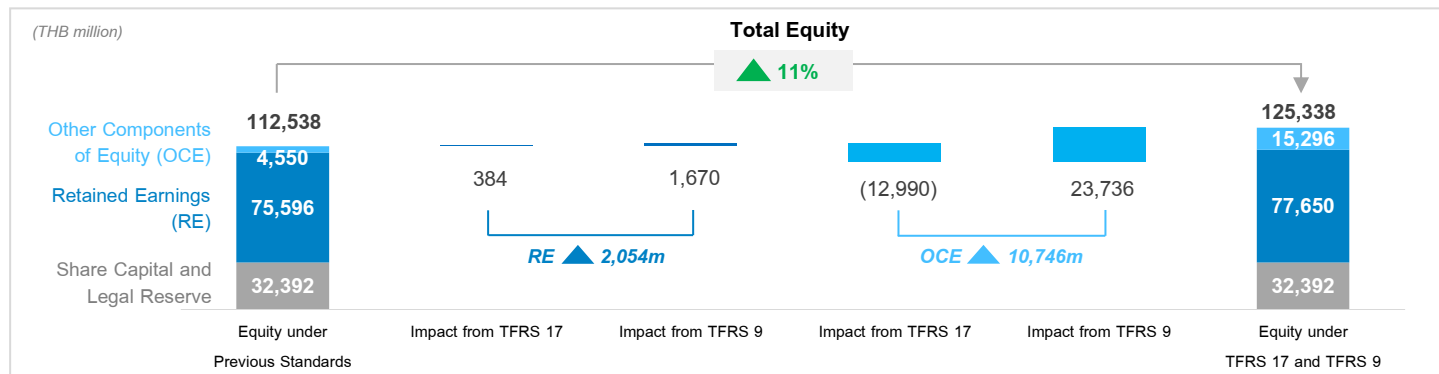
- **Classification and Measurement of Financial Assets**

- ✓ Based on the **business model**, the financial assets are measured at fair value and managed to **align with insurance contract liability**.
- ✓ Most of our fixed income assets are measured at Fair Value through Other Comprehensive Income (FVOCI), thus asset and liability volatility due to interest rate movements will be largely offset in OCI.

Significant Impacts on Financial Results from TFRS 17 and TFRS 9

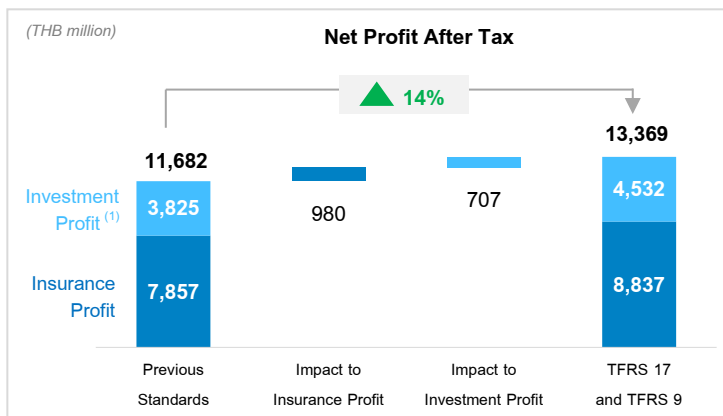
The effects of adopting TFRS 17 and TFRS 9 on the key financial results are presented as detailed below:

Impact on total equity as at 31 December 2024



- Retained earnings (RE) increased by Baht 2,054 million due to higher net profit under TFRS 17 and TFRS 9.
- Other Components of Equity (OCE) increased by Baht 10,746 million as market value of debt securities remeasurement, from amortized cost to Fair Value through Other Comprehensive Income (FVOCI), partially offset by the increase in insurance contract liability due to current interest rate movements.

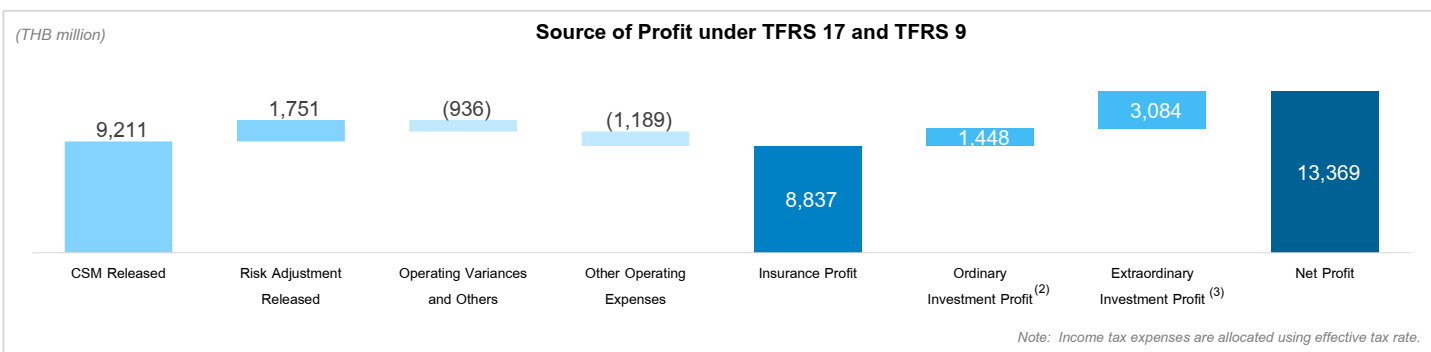
Impact on profit and loss for the year ended 31 December 2024



Under TFRS 17 and TFRS 9, the Company registered **net profit of Baht 13.4 billion**, increased by Baht 1.7 billion, or 14% compared to previous standard, comprises of:

- Insurance Profit increased by Baht 980 million, or 12% mainly due to **no longer having new business strain when selling profitable products**. Under TFRS 17, profitable new business can start recognizing profit since the first year.
- Investment Profit increased by Baht 707 million, or 19% mainly due to a **lower interest cost of insurance contract liability** as re-locked in at lower interest rates under TFRS 17.

Source of Profit Analysis under TFRS 17 and TFRS 9 for the year ended 31 December 2024



- Contractual Service Margin (CSM) Release of Baht 9.2 billion is the main contributor to Net Profit.
- Ordinary Investment Profit of Baht 1.4 billion represents the sustainable net interest spread between asset and liability.
- In 2024, Net Profit benefited from extraordinary items due to a substantial rise in the market value of foreign unit trusts⁽⁴⁾.

¹ Investment profit is defined as net investment income in excess of the insurance finance income or expenses (interest cost of insurance contract liability); net investment income consists of investment income, gain (loss) on investments, gain (loss) on fair value change, and change in expected credit losses.

² Ordinary investment profit consists of investment income, and insurance finance income or expenses (interest cost of insurance contract liability).

³ Extraordinary investment profit consists of gain (loss) on investments, gain (loss) on fair value change, and expected credit losses (reversal).

⁴ Under the new accounting standards, unit trust is required to measure at fair value through profit and loss. To ensure the future financial reporting properly reflect the Company's business model and strategy for offshore equity investment, Thai Life has changed the investment vehicle for a portion of offshore equities toward the end of 2024.