

**THREL: Management Discussion and Analysis for 1Q/2025 (Ended 31 March 2025)**

13 May 2025

Subject: Management Discussion and Analysis for 1Q/2025 (Ended 31 March 2025)

To President
The Stock Exchange of Thailand

Thaire Life assurance Public Company Limited presents the operating results for Q1/2025, the equity method financial statements reviewed by the auditor, as follows:

Operating Result for 1Q/2025

The company's insurance revenue was THB 680 million, an increase of 7% compared to the same period last year. The combined ratio was 114.3%, improving by 0.6 percentage points. The overall performance aligned with expectations but was still affected by group health claims from the UY2024 and reinsurance contract expenses (outward treaty) related to 2025 risk management.

The company reported a net loss under the equity method for 1Q/2025 at THB 101 million, loss increased by THB 6 million or 6% from the previous year.

For investment income, the company reported net investment income of THB 15 million for 1Q/2025, which was comparable to the same period last year. Interest income increased by THB 1 million, while dividend income declined by THB 2 million. This was due to a reallocation of the investment portfolio, with a higher allocation to debt securities and a reduced exposure to equity investments, aimed at minimizing investment volatility.

(Unit : Million Baht)

Item	1Q/2025	1Q/2024	YOY
Insurance revenue	680	637	7%
Insurance service expenses	(737)	(727)	-1%
Net expenses from reinsurance contracts held	(40)	(4)	-838%
Insurance service result	(97)	(95)	-2%
Net investment income	15	16	-8%
Net insurance finance expenses	(17)	(14)	-18%
Operating expenses	(28)	(26)	-5%
Loss before income tax	(127)	(119)	-6%
Net loss for the period	(101)	(95)	-6%
Combined Ratio	-114.3%	-114.9%	

* The Combined Ratio is calculated as: (Insurance service expenses + Net expenses from reinsurance contracts held) / Insurance revenue



Overview of Financial Reporting Standard Change – TFRS 17

In accordance with Thai Financial Reporting Standard No. 17 (TFRS 17) on Insurance Contracts, which became effective in 2025 and replaces the previous standard (TFRS 4), insurance companies are now required to report financial information that more accurately reflects the value of insurance-related assets and liabilities over the coverage period. The standard enhances transparency by capturing obligations, risks, and contractual commitments as of the financial reporting date.

Key Differences Between TFRS 4 and TFRS 17:

Item	TFRS#4	TFRS#17
Revenue recognition	Recognized as earned premiums (based on written premium in the period).	Recognized based on the services rendered in the period; calculated as changes in liabilities for remaining coverage (LRC). (Details as per Appendix 1)
Expense recognition	Recognize the Claims incurred and IBNR reserves.	Claims are recognized as incurred during the period along with loss component (onerous contracts) and risk adjustment. The risk adjustment is set aside to cover potential claims exceeding estimates; if actual claims align with estimates, the reserved amount is recognized as revenue in the service period. (Details as per Appendix 1)
Finance expenses from insurance contracts	Not applicable	Recognize interest expense from present value adjustments of insurance contract liabilities.



TFRS 17 Impact on Retained Earnings (as of 31 Dec 2024)

As of December 31, 2024, the company (separate financial statements) reported unappropriated retained losses of THB 90 million, a decrease of THB 620 million from the retained earnings of THB 529 million prior to the adoption of TFRS 17. This was mainly due to an increase of THB 718 million in insurance contract liabilities, partially offset by a THB 142 million increase in deferred tax assets. The key components are:

TFRS4	THB (m)	TFRS17	THB (m)	Remark
1. Insurance contract liabilities	1,178	1. Net present value for future cashflow (Best estimate liabilities, BEL)	1,214	#17 BEL included due to/due from
2. Amount due to/ from reinsurance - net	258	2. Contractual service margin (CSM)	636	
		3. Risk adjustment (RA)	304	
Total	<u>1,436</u>		<u>2,154</u>	increased 718 THB million

(Details are provided in Note 14.1.2 to the financial statements, page 47)

The increase in insurance contract liabilities resulted from valuation under the new standard, comprising the following key components:

1. Present Value of Future Cash Flows (PVFCF) or Best Estimate Liability (BEL) totaling THB 1,214 million, which is close to the previous insurance contract liability reserves reporting under TFRS4 (including GPV, UPR, and IBNR), combined with the net due to/ from reinsurance contracts.

The company also included a loss component of THB 129 million as part of BEL, representing the estimated liabilities from onerous contracts expected to generate future losses.

2. Contractual Service Margin (CSM) totaling THB 636 million, a new component under TFRS 17, represents the expected profit over the coverage period and will be gradually recognized as income over time.
3. Risk Adjustment (RA) totaling THB 304 million, another new component under TFRS 17, reflects the estimated uncertainty in claim outcomes and serves as a buffer against adverse claim experience. If actual claims align with expectations, this reserve will also be released as income in the future.

As mentioned above, the total reserve amount of THB 940 million under TFRS 17—comprising the Contractual Service Margin (CSM) and Risk Adjustment (RA) will be released as income gradually over the coverage period, in line with actuarial projections.



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This overall change aligns with TFRS 17 principles, reflecting the present valuation of insurance liabilities. The transition has no impact on cash flow or long-term business fundamentals.

Please be informed accordingly.

Yours sincerely

-Signed-

(Mr. Vipon Vorasowharid)
Managing Director



Appendix 1: Definitions of Key Accounting Items under TFRS 17:

• Insurance Revenue

The company recognizes insurance revenue based on the fulfillment of performance obligations. Insurance revenue for each reporting period consists of the total changes in liabilities for remaining coverage (LRC) related to the services the company expects to provide. These include:

- **Amortization of the Contractual Service Margin (CSM):**
Recognizing the release of profit from insurance services provided during the period.
- **Release of Best Estimate Liability (BEL) / Expected Claims:**
Recognizing the expected cost of claims and related insurance expenses during the period.
- **Release of Risk Adjustment (RA):**
Recognizing changes in the risk adjustment for the period.

• Insurance Service Expenses

Insurance service expenses arising from insurance contracts are generally recognized in profit or loss as incurred, excluding investment components and other excluded items. These include:

- **Actual Claims and Other Insurance Service Expenses:**
Claims paid and related service costs.
- **Loss Components on Onerous Contracts at Inception:**
Loss components recognized at the inception of contracts that are expected to generate losses over their coverage period.
- **End-of-Period Revisit of Assumptions:**
Adjustments due to revised actuary assumptions at the end of the reporting period regarding insurance liabilities.