



Thai
Life
Insurance

To be
A Value-Driven Life Insurance Company of
Sustainability



Management Discussion and Analysis
for the 2nd 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 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



Best Entrepreneur

- Honored with the **Best Entrepreneur award in the Life Insurance Business category at the Gold level** in the prestigious **Stevie Awards 2023** as the first and only executive from the life insurance business in Thailand to receive this esteemed award with a vision to drive Thai Life Insurance towards becoming a sustainable life insurance company, and delivering value to all stakeholders.

Asia Responsible Enterprise Awards 2024 (AREA 2024)

- Received the **Asia Responsible Enterprise Awards 2024 (AREA2024) in the Corporate Sustainability Reporting category and the Gold Emblem of Sustainability**, organized by Enterprise Asia. This recognition is attributed to our commitment in producing sustainable reports according to the Global Reporting Initiative (GRI) Standards and dedication to supporting the global sustainable development goals (SDGs) by the United Nations.



Thai Life Insurance Sadvertising

- Launched the Sadvertising film series “**Under My Skin**”, developed under the concept “**Value of Life, Value of Love**” to the idea of inspiring people to live life with “Adding value to others’ lives”. The advertisement has received awards from 3 global stages, which are ADFEST 2024 with 3 awards, Spikes Asia Awards 2024 with 3 awards, and Clio Awards 2024 with 2 awards.

Digital Transformation

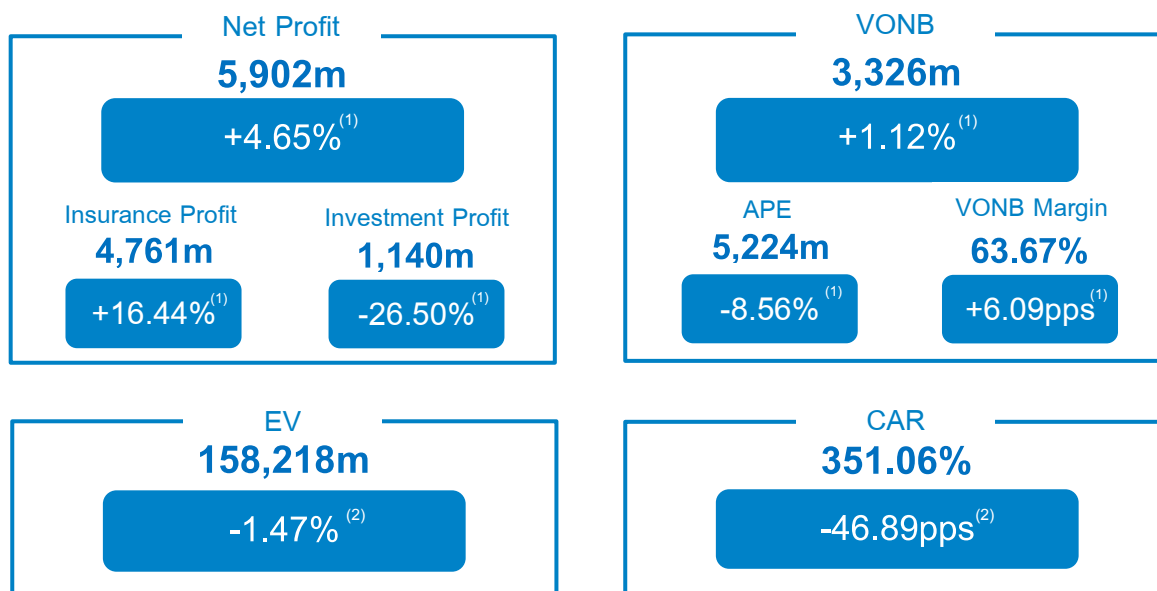
- Striving Digital Transformation by creating innovations to enhance customer experience and to improve operational efficiency as follows:
 1. **Customer Experience:** Option to receive e-Policy has been fully rolled out in agency channel. **e-Policy** and **e-Endorsement** were also made available on TL Application allowing customers to conveniently access their policy online. **Online Direct Debit service** for premium payments were further expanded for our customers convenience.
 2. **Distribution & Partners:** **Agency mobile application** was enhanced to improve recruitment process facilitating the onboarding experience.



¹ Referring to YTD total premium revenues as of 30 June 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 1H24

- The Company registered a net profit of Baht 5,902 million for 1H24, increased by 4.65% compared to the same period of last year. The increase was supported by the growth in insurance profit offset by the lower investment profit due to the reversal of expected credit loss (ECL) in last year and the lower gain on equity investment in this year.
- Although the APE was lower than the same period of last year, VONB continued to grow as a result of the success in shifting product mix toward more profitable products according to the Company's product strategy.
- As of 30 June 2024, embedded value was closed at Baht 158,218 million, decreased by Baht 2,361 million or 1.47% compared to the position as of 31 December 2023, mainly from paying shareholder dividends.
- Our capital remains robust with a Capital Adequacy Ratio (CAR) of 351.06% as of 30 June 2024, 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 | Q2/24 | Q2/23 | % Change | 1H24 | % of Premium | 1H23 | % of Premium | % Change |
|--|---------------|---------------|---------------|---------------|----------------|---------------|----------------|--------------|
| Revenues | | | | | | | | |
| Net premiums earned ¹ | 19,006 | 20,309 | -6.42% | 39,940 | 100.00% | 39,071 | 100.00% | 2.22% |
| Investment returns ² | 4,157 | 4,600 | -9.63% | 10,339 | 25.89% | 9,843 | 25.19% | 5.04% |
| Other components of total revenues ³ | 48 | 50 | -4.00% | 93 | 0.23% | 87 | 0.23% | 6.90% |
| Total revenues | 23,211 | 24,959 | -7.00% | 50,372 | 126.12% | 49,001 | 125.42% | 2.80% |
| Expenses | | | | | | | | |
| Change in long-term technical reserve | 871 | 2,074 | -58.00% | 5,824 | 14.58% | 3,356 | 8.59% | 73.54% |
| Net benefits payments and insurance claims expenses | 15,445 | 15,821 | -2.38% | 29,857 | 74.75% | 31,152 | 79.73% | -4.16% |
| Commissions, brokerage and other underwriting expenses | 1,985 | 2,598 | -23.60% | 4,365 | 10.93% | 5,157 | 13.20% | -15.36% |
| Operating expenses | 1,342 | 1,352 | -0.74% | 2,662 | 6.66% | 2,642 | 6.76% | 0.76% |
| Other components of total expenses (Reversal) ⁴ | 216 | 56 | 285.71% | 338 | 0.85% | (252) | -0.64% | -234.13% |
| Total expenses | 19,859 | 21,901 | -9.32% | 43,046 | 107.77% | 42,055 | 107.64% | 2.36% |
| Profit before income tax expense | 3,352 | 3,058 | 9.61% | 7,326 | 18.35% | 6,946 | 17.78% | 5.47% |
| Income tax expense | 582 | 546 | 6.59% | 1,424 | 3.57% | 1,306 | 3.34% | 9.04% |
| Net profit | 2,770 | 2,512 | 10.27% | 5,902 | 14.78% | 5,640 | 14.44% | 4.65% |

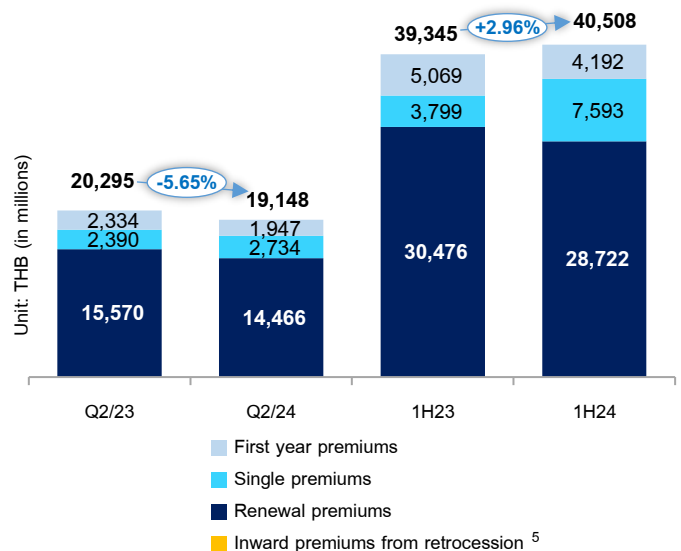
1.2.1 Revenue

Net premiums earned

Net premiums earned for 1H24 of Baht 39,940 million comprises gross written premiums Baht 40,508 million less other components Baht 568 million which include premium ceded and change in unearned premium reserve.

Gross written premiums

The increase in gross written premiums for 1H24 was mainly driven by the success in launching the new single premium product “Legacy Fit Wealthy 99/1” to recapture the policies matured.



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.

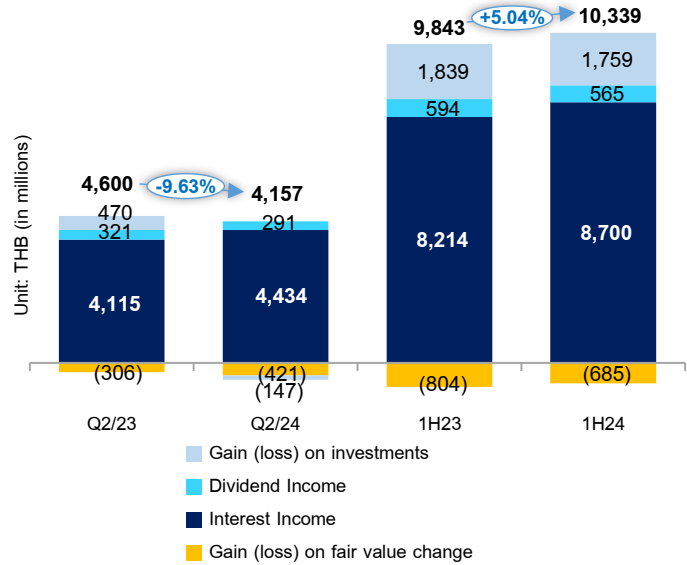
⁴ Other components of total expenses (Reversal) include expected credit losses (reversal) and other expenses.

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

Investment returns

Investment returns for 1H24 increased by 5.04% compared to the same period of last year, which were primarily from:

- The higher interest income aligning with the business growth as well as our action of utilizing capital to optimize investment yield.
- The slightly lower gain on investments was primarily driven by the loss on domestic equity investment, mostly offset by the gain on foreign unit trusts, because of our well-diversified investment portfolio.



| | 30 June 2024 | 31 December 2023 |
|--|--------------|------------------|
| Return on average investments ¹ | 3.74% | 3.72% |

The return on average investments increased from the rationale as mentioned above.

1.2.2 Expenses

Net benefits payments and insurance claims expenses

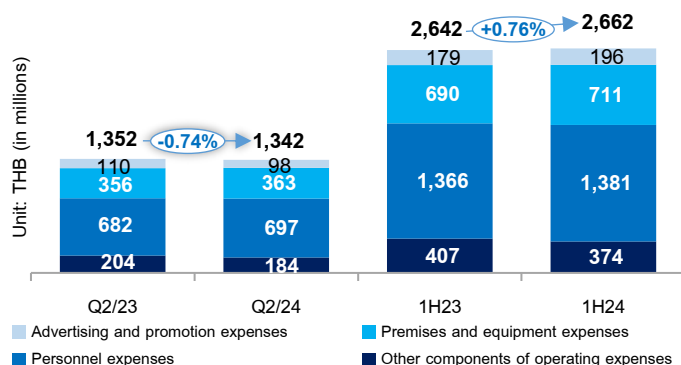
Net benefits payments for Q2/24 and 1H24 decreased by 2.38% and 4.16% compared to the same period of last year, respectively, which were primarily from lower maturity benefit and coupon payments, partially offset by higher surrender and medical claims. In general, maturity benefit, coupon and surrender 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 Q2/24 and 1H24 decreased by 23.60% and 15.36% compared to the same period of last year, respectively, due to change in product mix according to the Company’s product strategy.

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

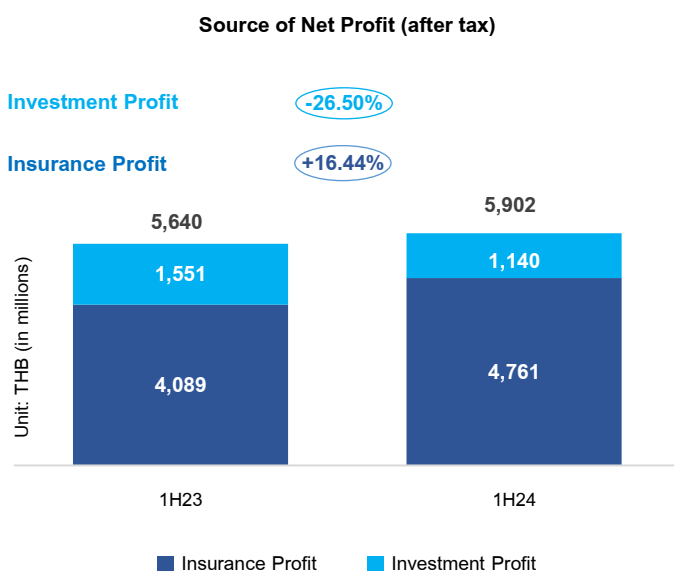


Operating expenses for both Q2/24 and 1H24 were similar to the same period of last year.

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, with a consideration of 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 with 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**¹ increased by 16.44% in 1H24 compared to the same period of last year, as a result of our business strategy to focus more on protection-oriented products.

The **investment profit**², which is the investment return in excess of the interest accretion on insurance contract liability, decreased by 26.50% in 1H24 compared to the same period of last year, due to the reversal of expected credit loss (ECL) in last year of Baht 299 million and the lower gain on equity investment in this year.

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

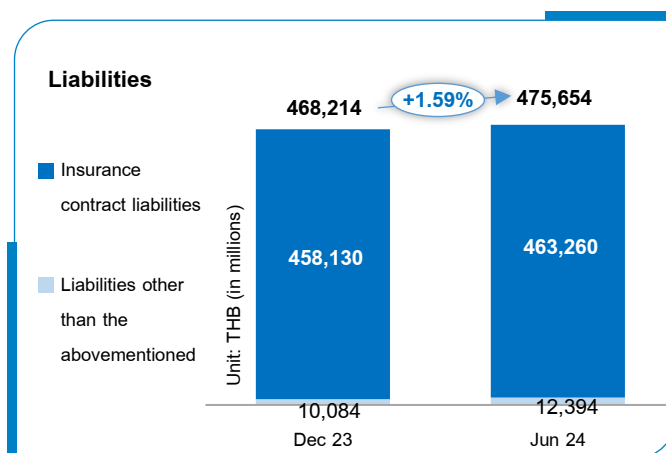
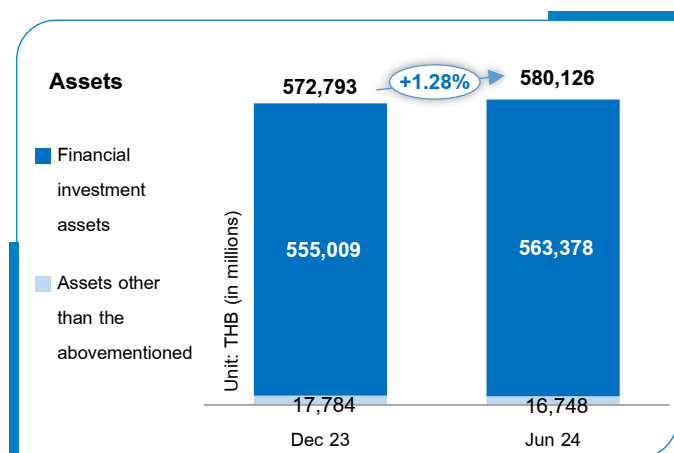
¹ Insurance profit is generated by writing an insurance contract and calculated by net profit minus the investment profit.

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

1.3 ANALYSIS OF FINANCIAL POSITION

Unit: THB (in millions)

| | 30 June 2024 | % of Total Assets | 31 December 2023 | % of Total Assets | Change | % Change |
|--|-----------------|----------------------|---------------------|----------------------|--------------|---------------|
| Assets | | | | | | |
| Cash and cash equivalents | 4,495 | 0.78% | 7,696 | 1.35% | (3,201) | -41.59% |
| Investment assets | | | | | | |
| <i>Investments in securities</i> | 528,460 | 91.09% | 517,259 | 90.30% | 11,201 | 2.17% |
| <i>Loans and accrued interest</i> | 30,423 | 5.24% | 30,054 | 5.25% | 369 | 1.23% |
| Total investment assets | 558,883 | 96.33% | 547,313 | 95.55% | 11,570 | 2.11% |
| Total financial investment assets | 563,378 | 97.11% | 555,009 | 96.90% | 8,369 | 1.51% |
| Assets other than the abovementioned ¹ | 16,748 | 2.89% | 17,784 | 3.10% | (1,036) | -5.83% |
| Total assets | 580,126 | 100.00% | 572,793 | 100.00% | 7,333 | 1.28% |
| Liabilities and Equity | | | | | | |
| Liabilities | | | | | | |
| Insurance contract liabilities | | | | | | |
| <i>Insurance technical reserves</i> | 441,926 | 76.18% | 435,857 | 76.09% | 6,069 | 1.39% |
| <i>Other insurance contract liabilities</i> | 21,334 | 3.68% | 22,273 | 3.89% | (939) | -4.22% |
| Total insurance contract liabilities | 463,260 | 79.86% | 458,130 | 79.98% | 5,130 | 1.12% |
| Liabilities other than the abovementioned ² | 12,394 | 2.13% | 10,084 | 1.76% | 2,310 | 22.91% |
| Total liabilities | 475,654 | 81.99% | 468,214 | 81.74% | 7,440 | 1.59% |
| Equity | | | | | | |
| Share capital | 31,232 | 5.38% | 31,232 | 5.45% | - | 0.00% |
| Retained earnings | 70,957 | 12.24% | 70,780 | 12.36% | 177 | 0.25% |
| Other components of equity | 2,283 | 0.39% | 2,567 | 0.45% | (284) | -11.06% |
| Total equity | 104,472 | 18.01% | 104,579 | 18.26% | (107) | -0.10% |
| Total liabilities and equity | 580,126 | 100.00% | 572,793 | 100.00% | 7,333 | 1.28% |

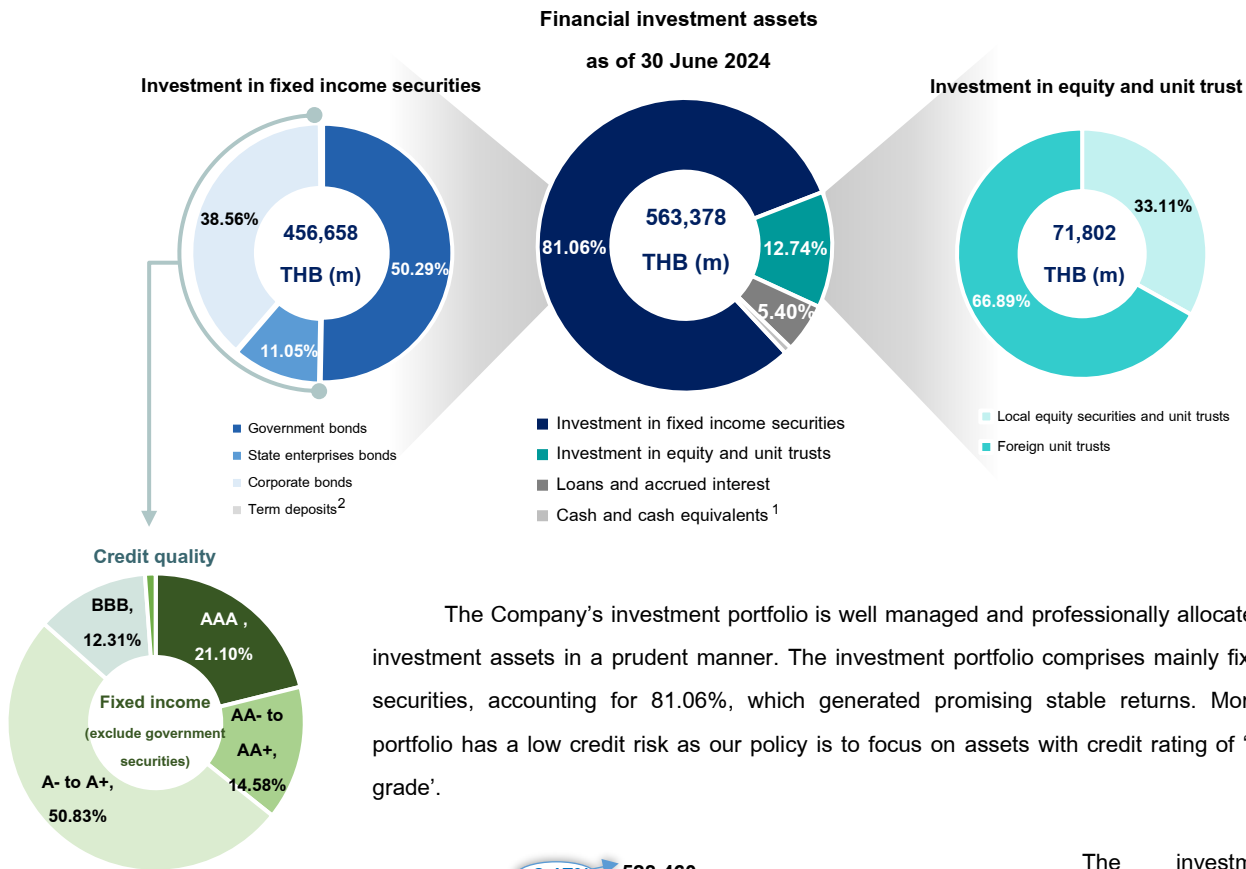


¹ Assets other than the abovementioned consist of accrued investment income, derivative assets, net investments in associated companies, net investments held to cover linked liabilities, net premiums due and uncollected, land, premises and equipment, reinsurers' share of insurance contract liabilities,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

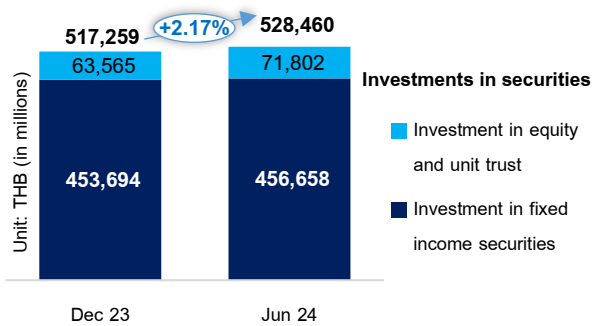
1.3.1 Assets

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, accounting for 81.06%, which generated promising stable returns. Moreover, the portfolio has a low credit risk as our policy is to focus on assets with credit rating of 'investment grade'.

The investment in securities increased by 2.17% was primarily from the growth in insurance business and the increase in valuation of foreign unit trust portfolio as a result of the favorable foreign stock markets.

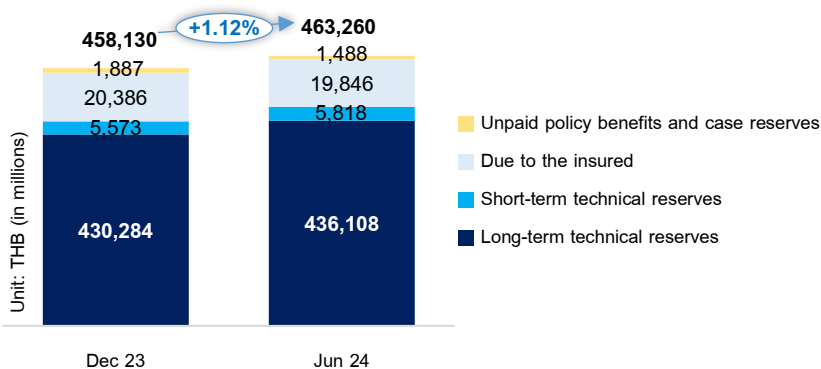


Note:

- The above graphic sets out information about the credit quality as at 30 June 2024 of investment in fixed income securities (state enterprises and corporate)
- Short-term credit rating of F1+(tha) 0.03% and BB+ credit rating of 1.15% are not visible in the above graphic as they are insignificant.

1.3.2 Liabilities

Insurance contract liabilities



Insurance contract liabilities increased by 1.12% mainly from the increase in long-term technical reserves as a result of the growth in insurance business.

¹ Cash and cash equivalents 0.80% are not visible in the above graphic as they are insignificant.

² 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 | | |
|---|--------------|------------------|
| | 1H24 | 1H23 |
| Operating profit margin ¹ | 18.08% | 17.65% |
| Net profit margin ² | 11.72% | 11.51% |
| Underwriting expense ratio ³ | 17.35% | 19.82% |
| | 30 June 2024 | 31 December 2023 |
| Return on average shareholders' equity ⁴ | 9.72% | 9.58% |

| Efficiency ratios | | |
|--|--------------|------------------|
| | 30 June 2024 | 31 December 2023 |
| Return on average assets ⁵ | 1.75% | 1.72% |
| Investment assets to reserves ratio ⁶ | 120.64% | 119.47% |

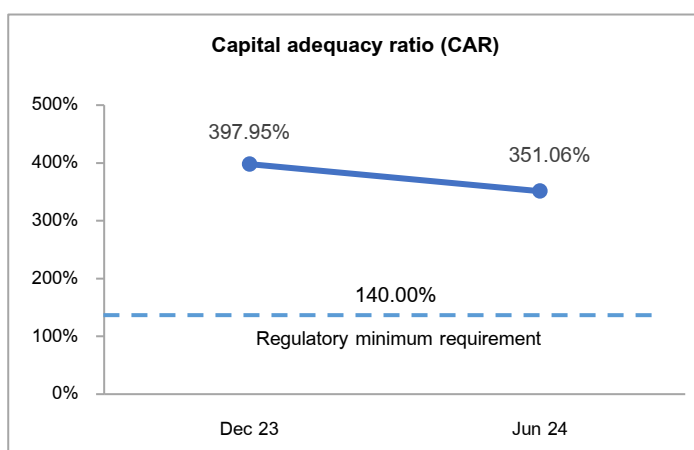
| Other financial ratios | | |
|---------------------------------------|------------------|------------------|
| | 30 June 2024 | 31 December 2023 |
| Debt to equity ratio ⁷ | 4.55x | 4.48x |
| Reserves to equity ratio ⁸ | 4.23x | 4.17x |
| | 31 December 2023 | 31 December 2022 |
| Dividend payout ratio ⁹ | 59.01% | 37.09% |

Operating profit margin and net profit margin for 1H24 increased compared to the same period of last year, primarily from the success in shifting product mix toward higher margin products.

Underwriting expense ratio for 1H24 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 were higher compared to last year due to the increase in long-term technical reserve.

1.4.2 Capital ratios



As of 30 June 2024, the Company's capital adequacy ratio (CAR)¹⁰ was 351.06%, decreased by 46.89pps (percentage points) from 397.95% as of 31 December 2023 primarily driven by paying shareholder dividends and utilizing capital to optimize investment yield. Nevertheless, the Company's CAR remained strong and significantly higher than the regulatory minimum requirement of 140%.

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 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)

| | 1H24 | 1H23 |
|---------------------------------------|--------------|------------------|
| Annualized premium equivalent (APE) | 5,224 | 5,713 |
| Value of new business (VONB) | 3,326 | 3,289 |
| VONB margin ⁽¹⁾ | 63.67% | 57.57% |
| | 30 June 2024 | 31 December 2023 |
| Embedded value (EV) | 158,218 | 160,580 |
| | 1H24 | FY23 |
| EV operating profit | 7,611 | 15,153 |
| Operating return on EV ⁽²⁾ | 4.74% | 10.44% |

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 | 1H24 | | | | 1H23 | | | |
|---------------------------------------|--------------|----------------|--------------|---------------|--------------|----------------|--------------|---------------|
| | APE | %APE | VONB | VONB Margin | APE | %APE | VONB | VONB Margin |
| Ordinary life (Whole Life and Others) | 1,344 | 25.72% | 1,138 | 84.73% | 938 | 16.41% | 782 | 83.38% |
| Ordinary life (Traditional Endowment) | 1,349 | 25.83% | 616 | 45.62% | 1,795 | 31.42% | 718 | 39.98% |
| Ordinary life (New participating) | 676 | 12.93% | 248 | 36.74% | 1,159 | 20.29% | 361 | 31.12% |
| Investment-linked | 136 | 2.61% | 59 | 43.10% | 167 | 2.93% | 58 | 34.89% |
| Riders | 935 | 17.89% | 880 | 94.15% | 896 | 15.68% | 929 | 103.67% |
| Others ⁽¹⁾ | 785 | 15.02% | 385 | 49.07% | 758 | 13.27% | 442 | 58.26% |
| Total company⁽²⁾ | 5,224 | 100.00% | 3,326 | 63.67% | 5,713 | 100.00% | 3,289 | 57.57% |

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

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

Unit: THB (in millions)

| By Channel | 1H24 | | | | 1H23 | | | |
|-------------------------------------|--------------|----------------|--------------|---------------|--------------|----------------|--------------|---------------|
| | APE | %APE | VONB | VONB Margin | APE | %APE | VONB | VONB Margin |
| Agency | 3,638 | 69.64% | 2,413 | 66.32% | 4,013 | 70.24% | 2,311 | 57.59% |
| Partnership | 963 | 18.44% | 720 | 74.70% | 1,184 | 20.73% | 817 | 68.98% |
| Alternative channels ⁽¹⁾ | 623 | 11.92% | 193 | 31.06% | 516 | 9.03% | 161 | 31.20% |
| Total company⁽²⁾ | 5,224 | 100.00% | 3,326 | 63.67% | 5,713 | 100.00% | 3,289 | 57.57% |

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)

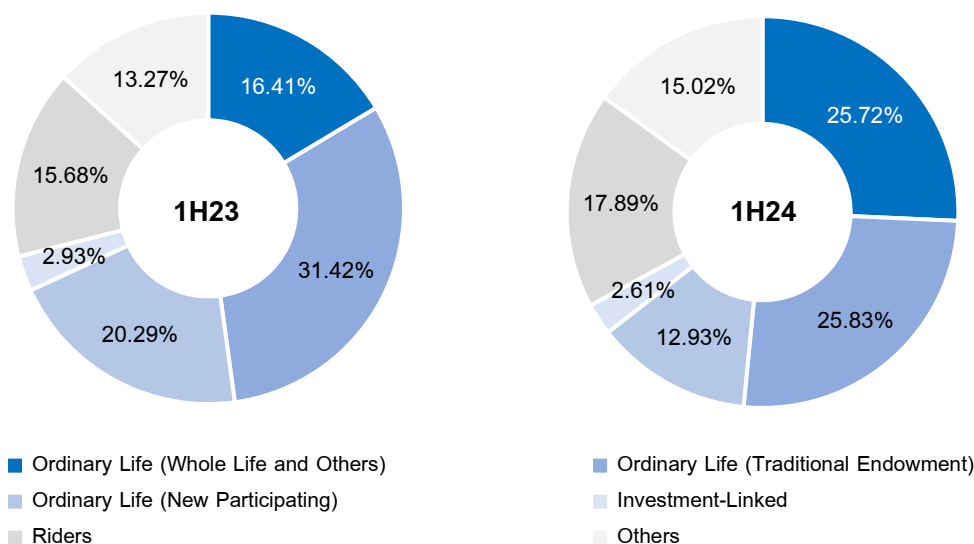
Annualized premium equivalent, or APE, is a common measure used by the life insurance industry to account for the sales of insurance products. It is calculated as 100% of annualized first year premiums plus 10% of single premiums for all new policies written during the reporting period. Compared to first 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 1H24 decreased by 8.56% to Baht 5,224 million while VONB increased by 1.12% to Baht 3,326 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 having a lower APE, VONB increased from the same period of last year as a result of shifting toward more profitable products.
- **Partnership channel:** VONB decreased from the same period of last year mainly due to lower sales of credit life products as banks are tightening the criteria for loans, and to a lesser extent a shift from critical illness rider to health rider, which has a lower VONB margin, in response to customer needs.
- **Alternative channel:** VONB increased from the same period of last year due to higher APE production from both Direct/Telemarketing and Group Employee Benefit business

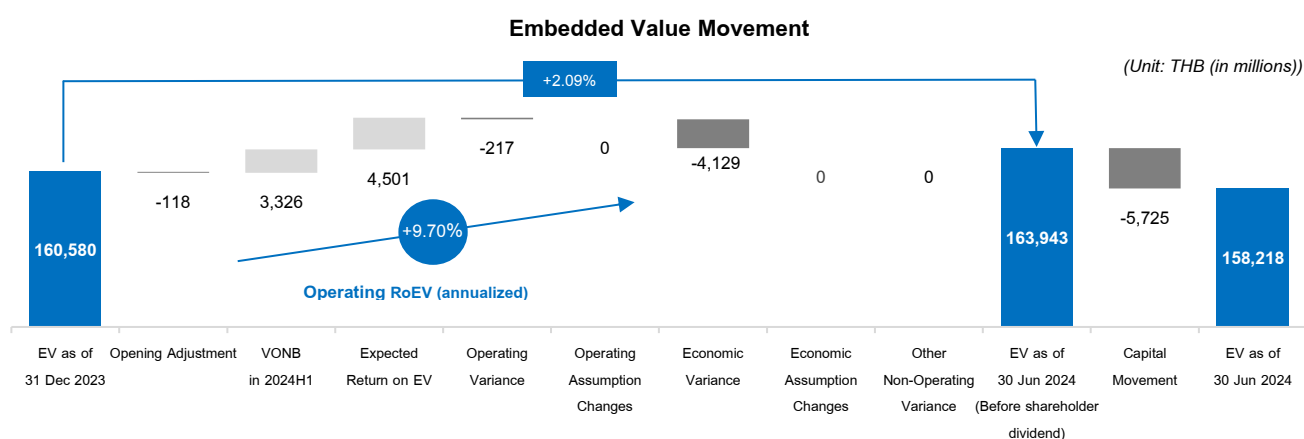
APE Mix by Product Line



Embedded value (EV)

The Company's embedded value in 1H24 decreased by Baht 2,361 million, or 1.47% from Baht 160,580 million as of 31 December 2023 to Baht 158,218 million as of 30 June 2024. The key contributors to this change were as follows:

- An opening adjustment decreased the EV by Baht 118 million reflecting model enhancements.
- An EV operating profit contributed Baht 7,611 million, which comprises of:
 - VONB for the six months ended 30 June 2024 of Baht 3,326 million,
 - Expected return on EV of Baht 4,501 million,
 - Operating variances of negative Baht 217 million mainly driven by surrender and claims variance, which was partially offset by the expense variance from expense underrun.
- Economic variance contributed negative Baht 4,129 million mainly due to the increase in required capital and hence a higher cost of capital, as well as the inconsistent yield movement between asset and liability.
- A capital movement of dividends paid to our shareholders in 1H24 resulted in a decrease of Baht 5,725 million.



1.5 LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2024, the Company's cash and cash equivalents were Baht 4,495 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 generally affected by the level of policy fully paid-ups, maturities, surrenders, and deaths. The Company is closely monitoring the level of policy benefits payment in order to manage and minimize liquidity risk.

Apart from cash and cash equivalents, the Company's investments partially comprise highly liquid and marketable securities such as deposits and short-term government bonds with maturities of less than one year. These could be liquidated when in need of cash. As of 30 June 2024, the carrying value of the above-mentioned securities is amounted to Baht 7,261 million.

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

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

2.1 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Macroeconomic conditions in Thailand

The Thai economy is expected to improve in the second half of the year 2024, driven by the tourism sector, a projected recovery in exports following cyclical factors, and accelerating government budget disbursement after delays in passing the budget earlier. However, downside risks persist from slowing private consumption due to high household debt levels weighing on spending, potential underperformance of exports if the global economy grows below expectations, and rising geopolitical risks.

The Monetary Policy Committee (MPC) maintains its growth forecasts for 2024 and 2025 at 2.6% and 3.0% respectively. Meanwhile, inflationary pressures may increase towards year-end, leading the committee to keep the policy rate unchanged at 2.5%.

Interest rate volatility

In Q2/24, Thai government bond yield increased modestly from the previous quarter, and moved in tandem with global bond yields throughout this quarter. The important factors causing this bond yield movement were higher inflation rate towards target range, continued recovery in tourism sector, accelerating government budget disbursement, and a cabinet approval of additional budget for implementing economic stimulus policy. In addition, the outcome of the third MPC meeting in 2024 was unanimously voted to maintain the policy rate at 2.50%, which one members voted for a cut in the policy rate to 2.25%, down from two members in the previous meeting. These aforementioned factors resulted in the change in expectation of market participants that MPC has a higher probability to hold the policy rate at current level throughout the year.

During this quarter, Thai government bond yield increased, with a little change in shape and steepness of the curve. At the end of Q2/24, the 10-year Thai government bond yield closed at 2.68%, up from 2.51% at the end of the previous quarter. The movement range was between 2.51% and 2.84%.

Fluctuations in equity markets

Global equity markets mostly performed well and continued increasing in the last quarter. The critical positive factors remained as the resilient economic growth and a decreasing global inflation trend, in contrast to the Thai equity market, which is still decreasing. The slow economic recovery has made many investors less confident in the market.

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 has a dedicated team that regularly studies the implications of evolving government legislation, regulations, and policies to adapt the Company's strategies and operations to ensure the Company comply with such changes.

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.

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.

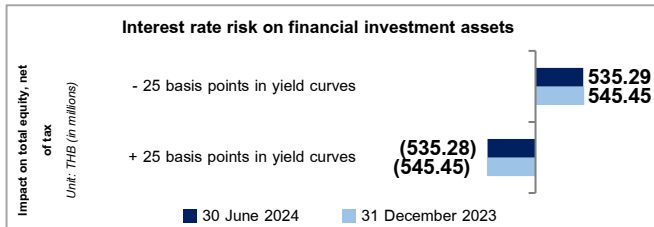
However, the Company's agency channel is one of the strongest in the market. According to Thai Life Assurance Association, the Company contributed 14.77% and 14.07% to the industry's total agency annualized premium equivalent¹ in the first 6 months of 2023 and 2024, respectively.

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

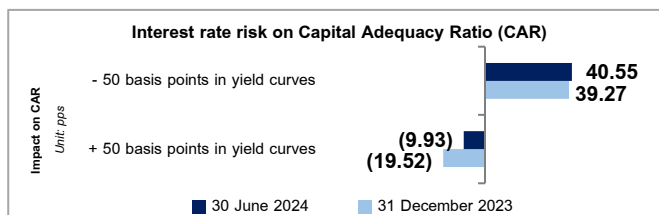


Note: As of the dates indicated, changes of interest rates would impact the fair value of debt securities through other comprehensive income as shown above. This sensitivity analysis assumes that all other variables remain constant.

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)



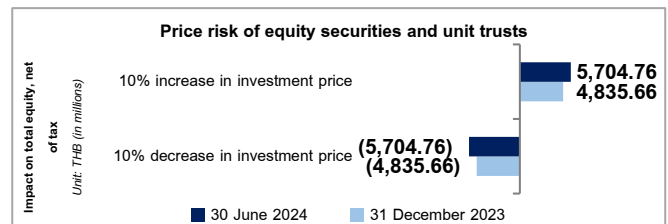
Note: The interest rate shocks are applied on the yield curve as of each valuation date.

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 to the extent possible and practicable to reduce the gap. The Company also uses derivative instruments to manage such exposures.

As of 30 June 2024, the Company's asset duration closely matches with the liability duration.

Price risk

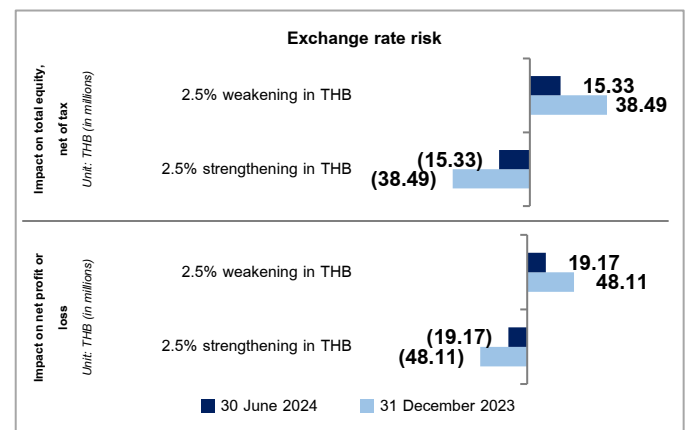


Note: The impact as shown above excludes investment assets held to cover unit-linked liabilities.

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 the level of risk appetite and maintains the risk within such level.

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 the purposes of yield enhancement and risk diversification. These investments expose to gains and losses arising from foreign exchange rate movements. The Company closely monitors and manages the exposure to be within our 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 using 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)**



AREA 2024 and the Gold Emblem of Sustainability



LEED Gold certification



ESG100 Index for the year 2024

Governance & Economic Dimension

Trusted Partner

- ✓ **Listed in the ESG100 Index for the year 2024** by Thaipat Institute, recognizing listed companies with outstanding performance in environmental, social, and governance (ESG).
- ✓ **Received the Asia Responsible Enterprise Awards 2024 (AREA2024) in the Corporate Sustainability Reporting category and the Gold Emblem of Sustainability**, organized by Enterprise Asia. These awards recognize the Company's 2023 sustainable disclosure through reports following Global Reporting Initiatives (GRI) and Sustainable Development Goals (SDGs).

Social Dimension

Life Inclusion

- ✓ **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.
- ✓ **Expanding access opportunities for society by Introducing new feature in TLI Application: preliminary health checks via Vital Scan technology powered by AI**. This system assesses basic health indicators through preliminary health technology processing, promoting the accessibility of life insurance services to meet the needs of people in society and fostering learning through using technology systems.

Environmental Dimension

Infinite World

- ✓ **Received LEED Gold certification** from the U.S. Green Building Council (USGBC) and Green Business Certification Institute (GBCI) under LEED Version 4.1 for Operations and Maintenance: Existing Buildings for Thai Life Insurance Building, Head Office. This certification focuses on managing and maintaining existing buildings through renovations and system upgrades to increase energy efficiency, enhance the resource efficiency, and promote environmental-friendly sustainability.
- ✓ **Continue to implement Green Building project including the installation of solar rooftop** to 13 locations in 2024 to reduce energy usage. The installation of solar panels on the roofs of 4 branches has been completed in Q2/24.

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 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 and 2024. 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 Registration No. 0107555000104