

Summary impact of COVID on Non-Life Insurance business performance

The operating results of Thai Group Holdings (“TGH”) for the year ended 2021 had net loss of Baht 3,360 million, which was significantly affected by the unfavorable operating results of the non-life insurance business of 2 subsidiaries namely Southeast Insurance Public Company Limited (“SEIC”) and Thai Insurance Public Company Limited (“TIC”). These 2 companies have been affected by the issuance of accident and health insurance policies covering COVID-19 infection.

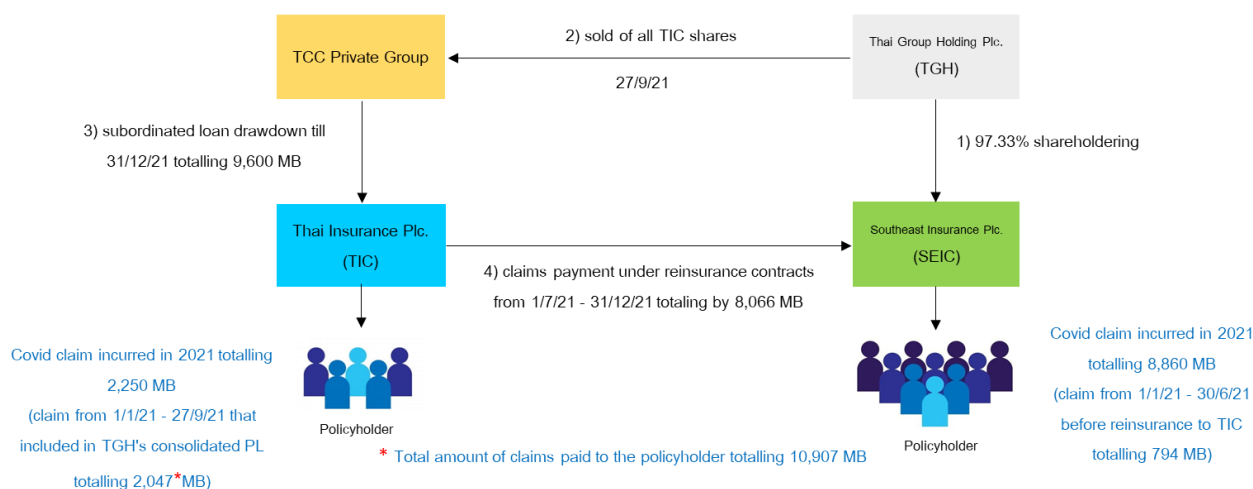
SEIC and TIC have been operating in the general insurance business for many decades with a commitment to provide protection to customers and all stakeholders in every circumstances that the Thai society had suffered loss. TIC has issued a COVID-19 insurance policy for the first time in 2020 to provide protection to doctors and public health personnel who have made a great sacrifices and expose themselves on epidemic infection to care for patients infected with COVID-19.

COVID-19 has undergone several mutations since 2020 from the original strain to a variety of species such as Beta, Alpha, Delta. Up to now, it has been mutated to an Omicron which had even more rapid epidemic rate but with lower severity of the disease. Daily new infected cases reported had climbed over Delta infection. This had been classified as a dynamic and beyond our expectation as such greatly affecting the burden on claims payment under the COVID-19 insurance policy. Both companies have tried their best to resolve issues that affect their operations with a great support from the major shareholder and the Board of Directors. The sequence of important events are as follows.

Significant events in 2021 relating to the performance of TGH, SEIC and TIC

| | |
|---------------------|---|
| Quarter 1 – 2, 2021 | The average daily new cases report of Covid infections has increased from 90 to 3,300 at the end of June 2020. |
| Quarter 2, 2021 | TIC stopped selling COVID-19 policies SEIC stopped selling COVID-19 policies |
| Quarter 3, 2021 | <p>1) An insurance company exercised the contractual right under the insurance policy to terminate their COVID-19 policies due to significant change in risk profile. On 16 July 2021, the Office of Insurance Commission (“OIC”) issued an order of the Registrar No. 38/2564 regarding the cancellation of the conditions for termination of insurance policies by companies in the COVID-19 insurance policy with retrospective effect on the policies issued by the company prior to the date of the order.</p> <p>2) The average daily new cases report of Covid infections increased to 20,000.</p> <p>3) A private company under TCC Group had expressed the intention to purchase TIC’s shares from TGH in order to provide financial support for all policy obligations of TIC and partial policy obligations of SEIC in the initial amount of Baht 7,000 million. (Detail as disclosed to the Stock Exchange of Thailand on September 27, 2021)</p> |
| Quarter 4, 2021 | <p>1) The major shareholder as a private company had provided financial support to TIC to pay claims of COVID-19 policies issued by SEIC totaling by Baht 9,600 million.</p> <p>2) The average daily new cases report of Covid infections has decreased to 3,400 before the outbreak of Omicron.</p> |

Picture 1 Flow of financial support from major shareholder



In conclusion, the claims for COVID-19 policies for SEIC and TIC had incurred in 2021 amounting to Baht 10,907 million. The major shareholder had provided financial support during the year 2021 totalling Baht 9,600 million*. In case that the major shareholder had not provided such financial support, the amount of claim incurred would have affected TGH's operating results to incur more than Baht 10,000 million losses. As such SEIC and TIC would not be in a position to pay claim to all insured since the quarter 4 of 2021 onward.

The table below showed details of loss from COVID-19 policy claims which had been included in the consolidated financial statements of TGH for the year 2021

| Description | Amount (MB) |
|--|--------------|
| SEIC - COVID-19 insurance claims for infection before 1 July 2021 before the effective of reinsurance contract with TIC. | 794 |
| Unexpired risk reserve from estimated claims to be incurred from SEIC's COVID Policies from 31 December 2021 until expiry of all policies. | 3,412 |
| Total loss from COVID-19 policy claims included in consolidated financial statements of TGH | 4,206 |

* Remark : the major shareholder additionally provided the financial support in January 2022 by Baht 300 million total Baht 9,900 million.

Financial Performance for Year 2021

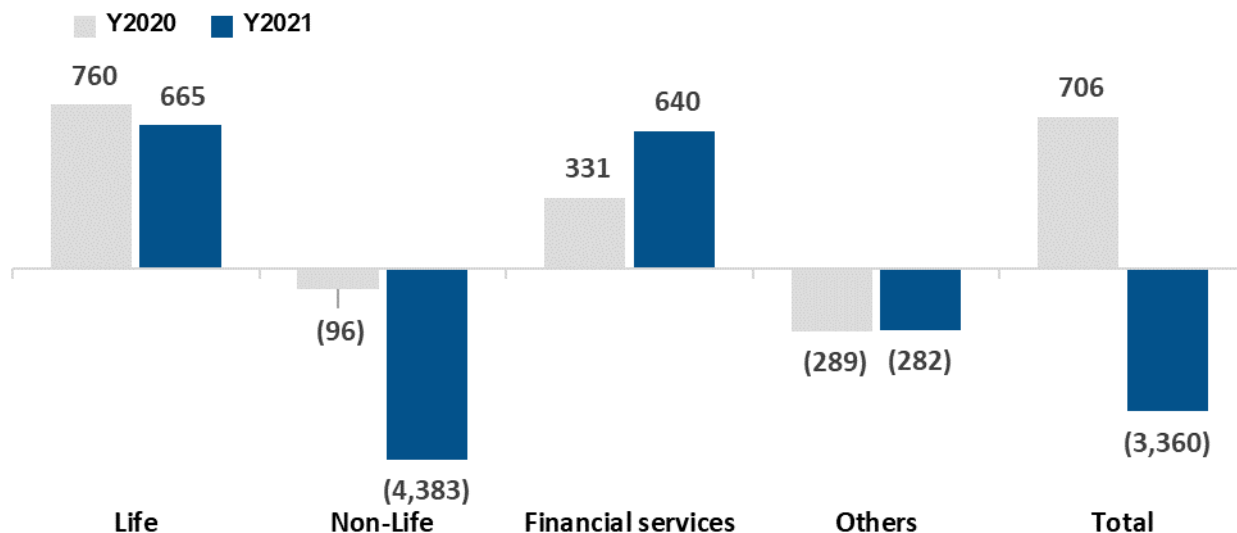
| <i>Unit: Million Baht</i> | | Jan - Dec 2021 | Jan - Dec 2020 | %Change YoY |
|---------------------------|--|-------------------|-------------------|------------------|
| 1 | Total Revenue | 33,616 | 23,208 | ▲ 44.8% |
| 2 | Net premium earned and Commission & brokerage income | 19,579 | 16,671 | ▲ 17.4% |
| 3 | Income from operating lease, hire-purchase and finance lease | 4,705 | 4,142 | ▲ 13.6% |
| 4 | Net Investment income | 2,079 | 2,252 | ▼ -7.7% |
| 5 | Gain on sell of investment in subsidiary | 7,100 | - | ▼ -100.0% |
| 6 | Other income | 153 | 143 | ▲ 7.0% |
| 7 | Total Expenses | (37,198) | (22,309) | ▲ 66.7% |
| 8 | Underwriting expenses | (30,570) | (16,181) | ▲ 88.9% |
| 9 | Direct rental costs | (3,616) | (3,224) | ▲ 12.2% |
| 10 | Operating expenses | (2,347) | (2,451) | ▼ -4.2% |
| 11 | Impairment loss from adjusting to non-going concern basis | (230) | - | ▲ 100.0% |
| 12 | Finance costs | (435) | (453) | ▼ -4.0% |
| 13 | Profit (loss) before income tax expense | (3,582) | 899 | ▼ -498.4% |
| 14 | Tax income (expense) | 222 | (193) | ▲ 215.0% |
| 15 | Net Profit (loss) | (3,360) | 706 | ▼ -575.9% |
| 1 | Investment income ratio | 6.2% | 9.7% | |
| 2 | Operating expense ratio | 7.0% | 10.6% | |
| 3 | Net Profit Margin | -10.0% | 3.0% | |
| 4 | Basic earnings (loss) per share | (4.35) | 0.97 | |

* Net investment income comprised Investment income, Gain (Loss) on investments, Gain (Loss) on fair value change of investments, Gain (Loss) on exchange rate, Gain (Loss) on derivative and Expected credit loss.

Net Profit (Loss)

The breakdown of net profit (loss) by segments was shown in the figures below.

Figure 2: Net profit (loss) by segment



TGH Group reported net loss of Baht 3,360 million due to net loss from Non-life insurance business operation total Baht 4,383 million. Loss from Non-life operation is mainly due to provision for unexpired risk reserve from COVID claim total Baht 3,412 million and reserve for the expenses relating to liquidation of business amounting to Baht 278 million. Whereas the operation for Motor and Property business had an improvement in operating result from prior year as a result of reduction in claim for voluntary and compulsory Motor insurance and acquisition costs and operating expenses control during the year.

However, other business operation for both life insurance and financial services had good operating result and had net profit of Baht 665 million and Baht 640 million respectively.

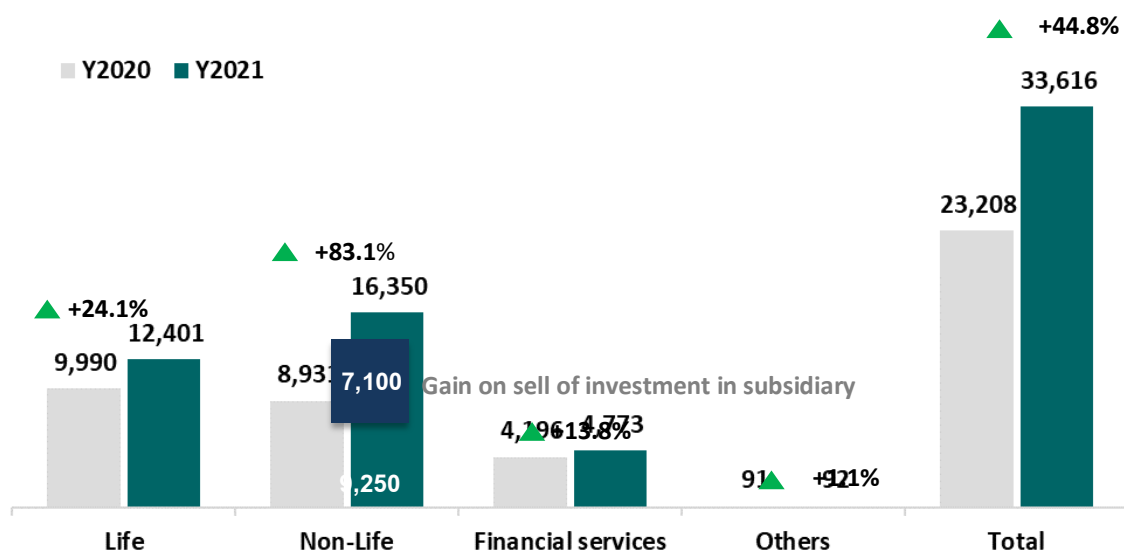
Life insurance business had net profit of Baht 665 million, slightly decrease from the previous year from investment income. Life insurance business continued to expand life premiums written and had improved its market share of new life insurance premiums written to rank No 7 in the industry. Policy persistency was running at the rate better than industry and also with more efficient control over acquisition cost and operating expenses.

Financial service business had net profit of Baht 640 million, increase by Baht 309 million due to increase in profit from sales of operating lease assets by Baht 224 million. Excellence management of sales of used cars from expired operating lease contract even though the market was continuously affected by COVID. Lower cost of fund by Baht 97 million following market interest rate reduction and with closely monitoring of operating expenses.

Total Revenue

Total revenue for the year 2021 was Baht 33,616 million, increased by Baht 10,408 million or 44.8%. The revenue breakdown by segment was as follows:

Figure 3: Revenue by Segment



- **Revenue from Life insurance business** was Baht 12,401 million, increased by Baht 2,411 million or 24.1% YoY. First year premium was Baht 8,024 million, increase by Baht 3,004 million with First year premium growth rate at 59.8%. Net earned premium increased by Baht 2,481 million or 31.0% YoY mainly from single premium through Banca channel.
- **Revenue from Non-Life insurance** included net earned premium, investment income and other income total Baht 9,250 million and gain on sell of investment on a subsidiary by amounting to Baht 7,100 million. The increase in net earned premium was from personal accident and health premium on COVID-19 and other health product and increase in company's retention on residential fire policy.

In addition, the Company had gain on sell of investment in The Thai Insurance Public Company Limited amounting to Baht 7,100 million as per following details:

| Description | Amount (Million Baht) |
|--|-----------------------|
| Net loss from COVID-19 policy on TIC | (1,849) |
| Net loss from COVID-19 policy reinsured from SEIC | (6,330) |
| Net profit from other Non-COVID products | 379 |
| Net loss on TIC for the period from 1 Jan – 27 Sep 21 | (7,800) |
| Net asset on TIC as at 27 Sep 21 | (6,880) |
| Consideration from sales of investment on TIC | 220 |
| Gain on sell of investment on TIC | 7,100 |

- **Revenue from Financial services business** was Baht 4,773 million, increased by Baht 577 million or 13.8%. Sales of used cars from expired lease contracts grew by Baht 1,276 million due to an increase of

1,537 units in used car sold. The selling price had increased by 24.2% due to the higher proportion of distribution through retail channel and reduced proportion of auction.

Total Expenses

Total expenses for the year 2021 was Baht 37,194 million, increased by Baht 14,885 million or 66.7% which had detail as follows:

- **Underwriting expenses** was Baht 30,570 million, increased by Baht 14,389 million or 88.9%.
 - Life insurance business's underwriting expenses increased by 2,517 million mainly due to increase in insurance claim benefit payment amounting to Baht 5,184 million.
 - Non-life insurance business's underwriting expenses increased by Baht 11,873 million mainly derived from increase in net claim incurred of Baht 8,010 million and increase in unexpired risk reserve by Baht 3,412 million mainly from COVID-19 policy.

- **Direct rental cost** was Baht 3,616 million, increased by Baht 392 million or 12.2%.
 - Direct rental cost was increased by Baht 56 million or 2.6% mainly due to depreciation, tax expense, insurance expense and other direct expense from higher number of cars for operating lease.
 - Cost of sales of operating lease asset increased by Baht 336 million or 30.8% YoY mainly due to the higher number of cars sold.

Financial Position as of 31 December 2021

| <i>Unit: Million Baht</i> | | 31 Dec 2021 | 31 Dec 2020 | %Change YoY | |
|---------------------------|---|-------------|-------------|-------------|--------|
| 1 | Total Assets | 91,562 | 92,627 | ▼ | -1.1% |
| 2 | Investment assets (including Cash) | 61,553 | 62,671 | ▼ | -1.8% |
| 3 | Reinsurance assets and Premiums due & uncollected | 7,457 | 7,095 | ▲ | 5.1% |
| 4 | Operating lease assets | 11,770 | 11,990 | ▼ | -1.8% |
| 5 | Other assets | 10,782 | 10,871 | ▼ | -0.8% |
| 6 | Total Liabilities | 81,545 | 78,856 | ▲ | 3.4% |
| 7 | Insurance contract liabilities | 57,948 | 54,656 | ▲ | 6.0% |
| 8 | Borrowings | 16,021 | 17,033 | ▼ | -5.9% |
| 9 | Other liabilities | 7,576 | 7,167 | ▲ | 5.7% |
| 10 | Total Equity | 10,017 | 13,771 | ▼ | -27.3% |
| 11 | Share capital and premium | 25,745 | 25,745 | ▼ | 0.0% |
| 12 | Retained earnings | 4,136 | 7,198 | ▼ | -42.5% |
| 13 | Other components of equity | (19,864) | (19,172) | ▼ | -3.6% |

Assets

Total assets were Baht 91,562 million, decreased by Baht 1,065 million from prior year due to decrease in investment assets by Baht 1,118 million. Major assets more than 67% are investment assets.

Figure 4: Total Assets as of 31 December 2021 by type

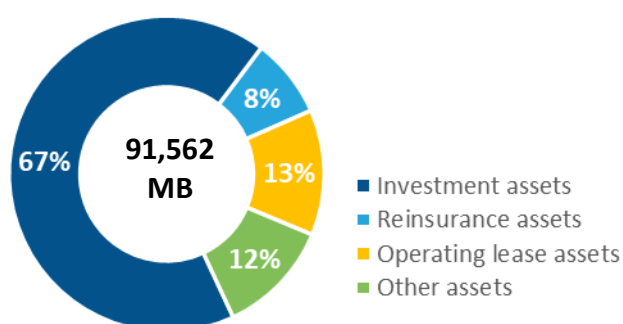
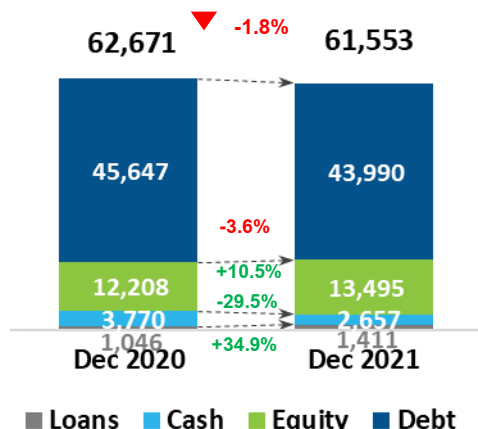


Figure 5: Investment Assets



The investment assets decreased by Baht 1,118 million, from Baht 62,671 million to Baht 61,553 million, or decreased by 1.8%. The debt and equity instruments were still be the major assets. During the period, there was sales of debt securities to generate the cash flow for maturity benefits payment of life policies. Fair value of debt securities decreased due to increase in LT Government bond yield. In addition, more short-term investment to prepare for cash flow to support COVID-19 claim payment. Loans (Financial services business) increased from expansion of discounting check lending.

Liabilities

Total Liabilities were Baht 81,545 million, primarily comprising insurance contract liabilities and borrowings which represented 71% and 20% of the total liabilities respectively.

Total liabilities increased by Baht 2,689 million or 3.4% compared to the year ended 2020 mainly due to the following:

- The insurance contract liabilities increased by Baht 3,292 million compared to previous year, from Baht 54,656 million to Baht 57,948 million mainly arising from Non-life’s premium reserve correlating to premium written growth and increase in claims outstanding. Life policy reserve has slightly increased.

Figure 6: Total Liabilities as of 31 December 2021 by type

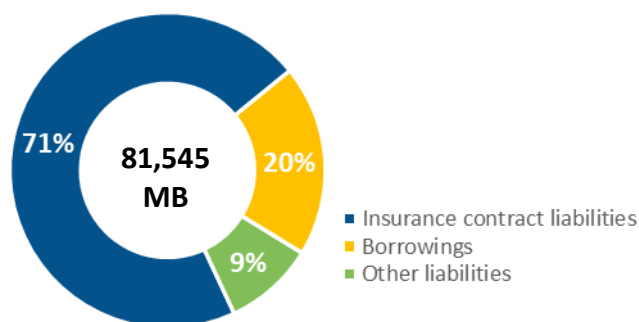
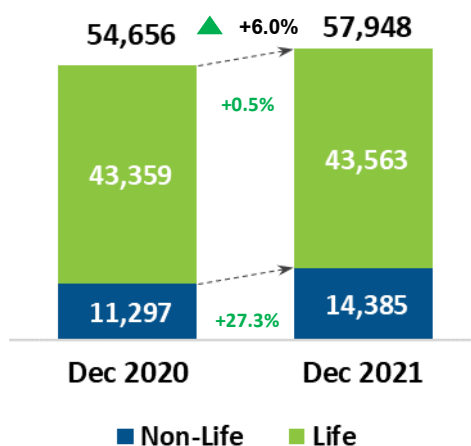


Figure 7: Insurance contract liabilities



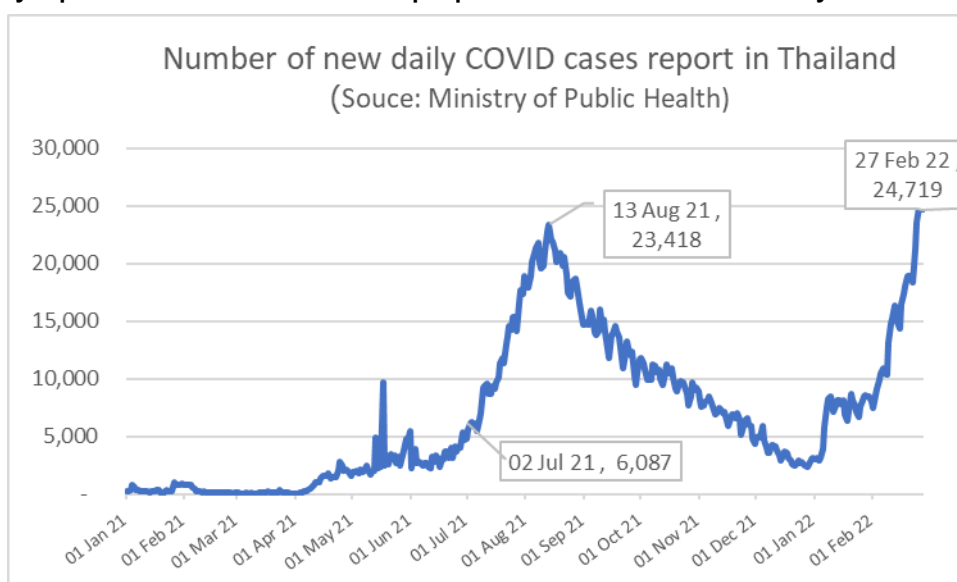
Equity

Total Equity was Baht 10,017 million, decreased by Baht 3,754 million mainly due to an increase in loss on fair value change of investments total Baht 633 million and interim dividend payment for 2020 on 5 February 2021 amounting to Baht 451 million of. (Dividend per share was 0.60 Baht per share).

Events after the reporting period

The COVID mutation into the Omicron has resulted in the total number of COVID infections significantly increase to more than 25,000 new cases as of 26 February 2022 which was higher than the highest number of reported cases previously reported on 13 August 2021.

Figure 8 : Daily report of the number of infected people in Thailand from the Ministry of Health



Significant events

| | |
|-----------------|---|
| 25 January 2022 | <p>The Board of Directors of TGH approved the non-life insurance business discontinuation of SEIC, due to certain key considerations that discontinuation of non-life insurance business would ensure the best benefits all relevant stakeholders as follows:</p> <ol style="list-style-type: none"> 1. SEIC had remaining net assets more than by Baht 1,800 million as of January 1, 2022, which can be used to pay out insurance premiums and claim to the insureds including payment to all other stakeholders without any payment to the shareholders of SEIC or major shareholder. 2. There will be no burden on the regulators and the General Insurance Fund if the payouts under the insurance policies are well managed. 3. The policyholder will continue to be covered if the policies are transferred to other insurance companies. |
|-----------------|---|

| | |
|---------------------|---|
| | <p>4. Those business partners will be fully paid the service fees owed to them if SEIC has assets over liabilities.</p> <p>5. Employees will be carefully handled in accordance with the business suspension plan to be approved by the OIC.</p> <p><i>(Details of this information as disclosed to the Stock Exchange of Thailand on January 26, 2022)</i></p> |
| 31 January 2022 | OIC informed the results of the discontinuation of the non-life insurance business request and set the criteria, methods, conditions, and timing for SEIC to comply completely as required by law before the consideration of permission to discontinue the non-life insurance business. SEIC must manage and transfer all non-life insurance policies obligations. |
| 1 – 7 February 2022 | SEIC has announced to return full amount of insurance premiums to the policyholders who are insured for COVID-19 infection. There were more than 350,000 policyholders expressing their intention to refund the premium. |
| 23 February 2022 | SEIC has started to transfer all types of insurance policies except COVID-19 infection policy to insurers under approved list from the OIC. |

Please be informed accordingly

Sincerely yours,

- Mr. Chotiphat Bijananda -

(Mr. Chotiphat Bijananda)
Chairman of the Executive Board