

SorGor. 72/2022

May 13, 2022

Subject: Management Discussion and Analysis for Quarter 1/2022, ended 31 March 2022

To: President
The Stock Exchange of Thailand

Thai Group Holdings Public Company Limited has reported the financial performance and submitted Condensed interim financial statements for the three-month periods end 31 March 2022 which has the detail as the followings.

Significant events in Quarter 1/2022

With the effective from 16 March 2022, Thai Group Holdings Public Company Limited (“TGH”) had cessation of the control over Southeast Insurance Public Company Limited (“SEIC”) according to an order No. 3/2565 from Office of Insurance Commission (“OIC”) that instructed SEIC to temporary suspend its insurance business and also to seek prior approval for any company payment. On 1 April 2022, The Ministry of Finance has issued an order to revoke SEIC's non-life insurance business license and appointed The General Insurance Fund as a SEIC's liquidator. The registration of company’s dissolution with the Department of Business Development has been completed on 4 April 2022.

The consolidated statement of financial position of Thai Group Holdings Public Company Limited as at 31 March 2022 has not included assets and liabilities of SEIC. The consolidated statement of comprehensive income for the three-month periods ended 31 March 2022 included the operating performance of SEIC from 1 January 2022 to 16 March 2022 which was date that SEIC was ceased to be TGH’s subsidiary company.

Financial Performance for Quarter 1/2022

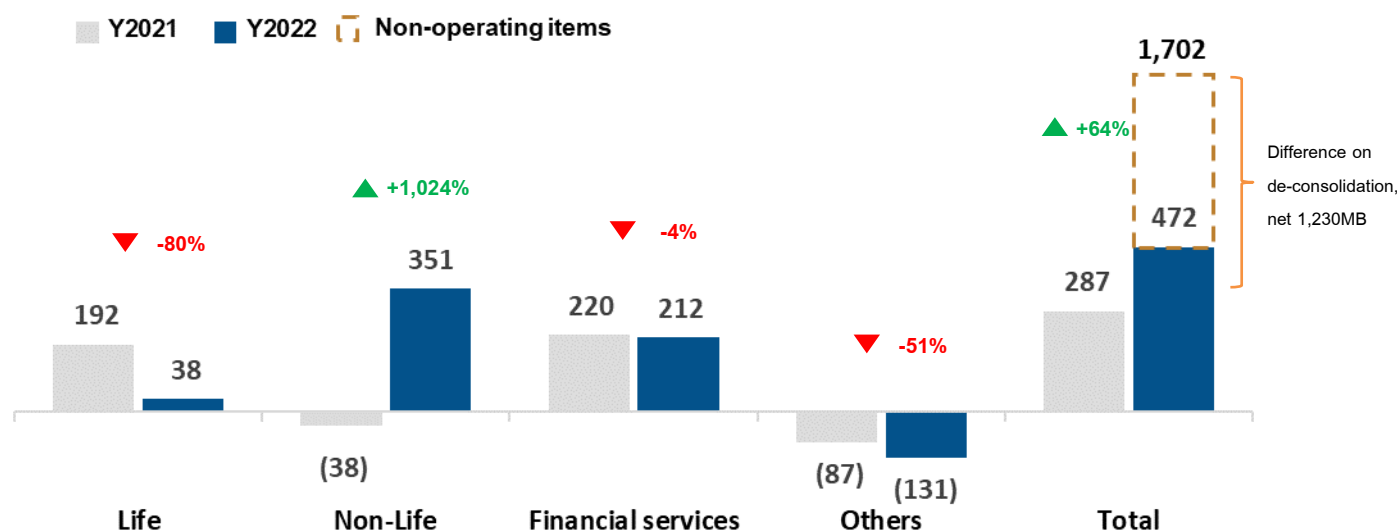
<i>Unit: Million Baht</i>		Jan - Mar 2022	Jan - Mar 2021	%Change QoQ
1	Total Revenue	4,655	5,779	▼ -19.4%
2	Net premium earned and Commission & brokerage income	2,956	4,084	▼ -27.6%
3	Income from operating lease, hire-purchase and finance lease	1,373	1,070	▲ 28.3%
4	Net Investment income	239	611	▼ -60.9%
5	Other income	87	14	▲ 521.4%
6	Total Expenses	(4,063)	(5,475)	▼ -25.8%
7	Underwriting expenses	(2,165)	(4,035)	▼ -46.3%
8	Direct rental costs	(1,044)	(736)	▲ 41.8%
9	Operating expenses	(746)	(598)	▲ 24.7%
10	Finance costs	(108)	(106)	▲ 1.9%
11	Profit before income tax expense and non-operating item	592	304	▲ 94.7%
12	Tax income (expense)	(120)	(17)	▲ 605.9%
13	Profit before non-operating item	472	287	▲ 64.5%
14	Difference on de-consolidation, net	1,230	-	▲ 100.0%
15	Net Profit	1,702	287	▲ 493.0%
1	Investment income ratio	5.1%	10.6%	
2	Operating expense ratio	16.0%	10.3%	
3	Net Profit Margin	10.1%	5.0%	
4	Basic earnings per share	0.63	0.39	

* 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 1: Net profit (loss) by segment



TGH group reported net profit of Baht 1,702 million, resulting from normal operating profit of Baht 472 million which was higher than same quarter last year by Baht 185 million or by 64%. There was non-operating item from difference on de-consolidation of subsidiary net of loss for the period from non-going business by Baht 1,230 million. The detail was as below.

Non-Operating Items

Unit : Million Baht

Net loss for the period of SEIC (1 Jan - 16 Mar 2022)		
1	Total revenues	275
2	Total expenses	13,026
3	Loss for the period	(12,752)
Assets and Liabilities of SEIC as of 16 Mar 2022		
4	Total assets	1,554
5	Total liabilities	15,536
6	Net liabilities on de-consolidation	13,982
7	Differences on de-consolidation, net	1,230

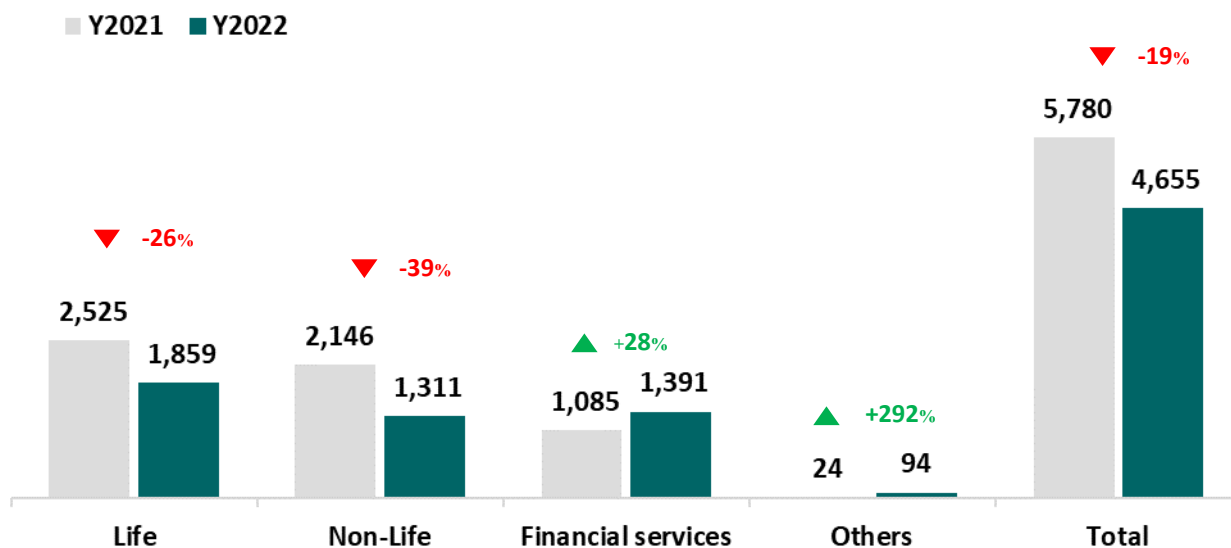
The operating performance of other businesses were as follows;

- **Life insurance business** had decrease in net profit by Baht 154 million comparing to same quarter last year mainly from reduction in investment income. Although, Life insurance premium written has decreased in this quarter, underwriting profit had no significant change.
- **Non-Life insurance business** had net profit of Baht 351 million, higher than prior year period by Baht 389 million. The main reason was from increase in reinsurance commission income which resulted from higher reinsurance share on motor insurance business to manage insurance risk from motor insurance policy transferred from SEIC. This reinsurance commission income will be adjusted at end of the year subject to actual loss ratio as per the rate indicated in the reinsurance agreement.
- **Financial service business** net profit slightly decreased from same quarter prior year due to higher maintenance expense of replacement cars and increase in staff expenses to support the lending business expansion.

Total Revenue

Total revenue for Q12022 was Baht 4,655 million, reduced by Baht 1,125 million or 19%. The revenue breakdown by segment was as follows:

Figure 2: Revenue by Segment



- **Revenue from Life insurance business** was Baht 1,859 million, decreased by Baht 666 million or 26%. First year written premium was Baht 954 million, decreased by Baht 664 million. First year premium growth rate declined by 41%. Life insurance business had been impacted from SEIC’s business cessation which resulted in decreasing in single premium written through Banca channel during beginning of this quarter. However, the situation has improved and getting better gradually.
- **Revenue from Non-Life insurance** was Baht 1,311 million, decreased by Baht 835 million or 39% mainly from non-life written premium reduction resulting from SEIC business cessation and the transfer of property and accident & health insurance policies to other insurance companies outside TGH group. new

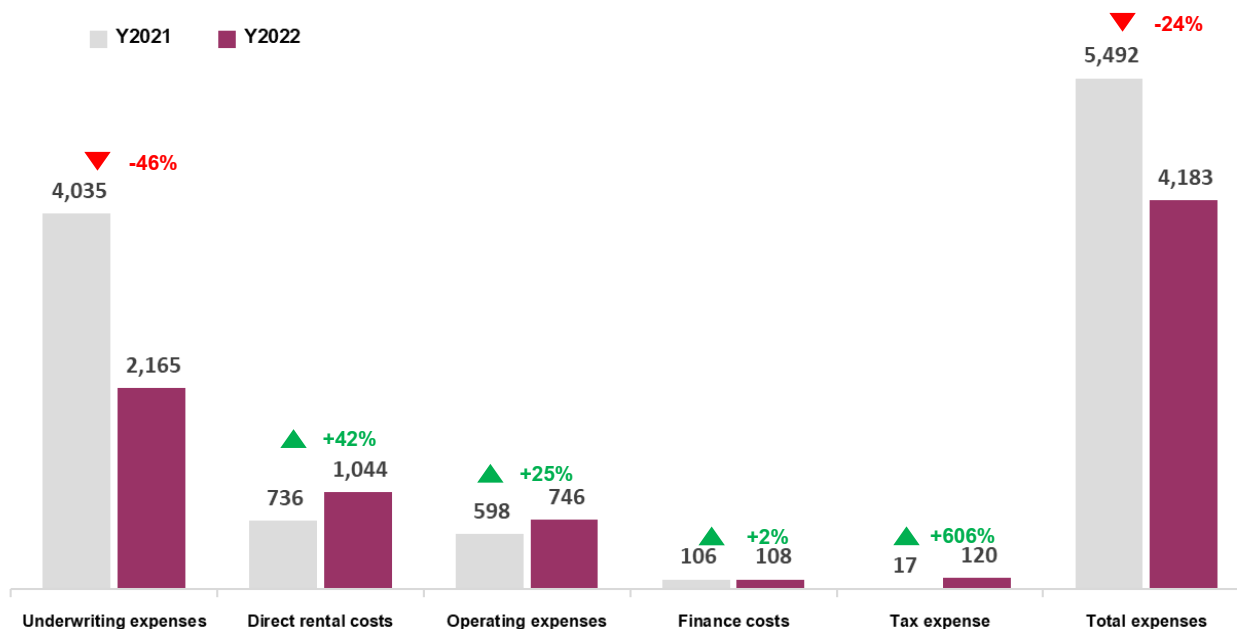
Motor insurance business slowdown on new business due to the focus on management of transferred policy data in order to maintain continuous service to customer effectively.

- **Revenue from Financial services business** was Baht 1,391 million, increased by Baht 306 million or 28%. Sales of used cars from expired lease contracts grew by Baht 649 million due to an increase of 537 units in used car sold. The average selling price had increased by 27.9% because selling through retail channel was higher than auction channel.

Total Expenses

Total expenses was Baht 4,183 million, decreased by Baht 1,309 million or 24% which had detail as follows:

Figure 3: Expenses by type



- **Underwriting expenses** was Baht 2,165 million, decreased by Baht 1,870 million or 46%.
 - Life insurance business’s underwriting expenses dropped by 541 million mainly from decreasing in long-term life reserve for new business and in-forced policies amounting to Baht 550 million which was align with premium written reduction.
 - Non-life insurance business’s underwriting expenses drop by Baht 1,329 million from claim incurred of Baht 634 million and the policy acquisition dropped according to non-life premium reduction.
- **Direct rental cost** was Baht 1,044 million, increased by Baht 308 million or 42%.
 - Direct rental cost increased by Baht 3 million or 1% mainly from depreciation, tax expense, insurance premium expense and other direct expenses from higher number of rental car comparing to Q12021.
 - Cost of sales of operating lease cars increased by Baht 304 million or 137% due to the higher number of cars sold.

Operating expenses was Baht 746 million, increased by Baht 148 million or 25% mainly from staff expense, consulting fee for IFRS17 project and amortization expense of land leasehold right.

Financial Position as of 31 March 2022

<i>Unit: Million Baht</i>		31 Mar 2022	31 Dec 2021	%Change YoY	
1	Total Assets	85,626	91,562	▼	-6.5%
2	Investment assets (including Cash)	55,403	61,553	▼	-10.0%
3	Reinsurance assets and Premiums due & uncollected	7,191	7,457	▼	-3.6%
4	Operating lease assets	11,770	11,990	▼	-1.8%
5	Other assets	11,262	10,562	▲	6.6%
6	Total Liabilities	75,137	81,545	▼	-7.9%
7	Insurance contract liabilities	50,112	57,948	▼	-13.5%
8	Borrowings	17,874	16,021	▲	11.6%
9	Other liabilities	7,151	7,576	▼	-5.6%
10	Total Equity	10,489	10,017	▲	4.7%
11	Share capital and premium	25,745	25,745	▼	0.0%
12	Retained earnings	7,177	4,136	▲	73.5%
13	Other components of equity	(22,433)	(19,864)	▼	-12.9%

Assets

Total assets were Baht 85,626 million, decreased by Baht 5,936 million from prior year due to decrease in investment assets by Baht 6,150 million. Major assets more than 65% are investment assets.

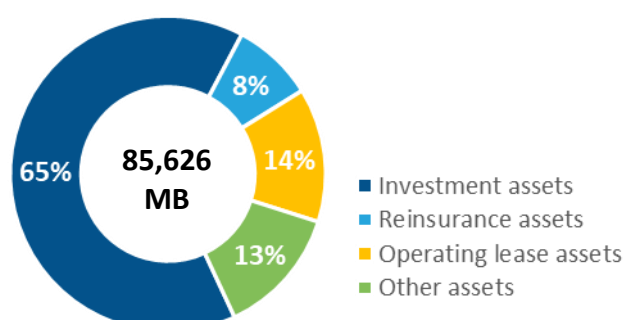
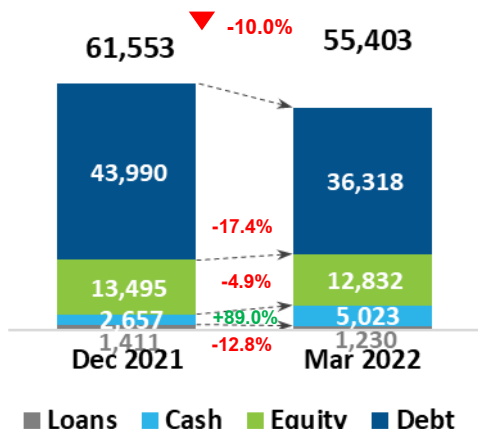
Figure 4: Total Assets as of 31 March 2022 by type


Figure 5: Investment Assets



The investment assets decreased by Baht 6,150 million, from Baht 61,553 million to Baht 55,403 million, or decreased by 10.0%, mostly from non-life insurance business. There were COVID-19 claim payment, transfer insurance policies to other insurance companies due to SEIC business cessation and also maturity benefits and policy surrender value payment of life policies in early of Q12022.

The debt and equity instruments were still be the major assets. Fair value of debt securities and debenture were decreased due to higher yields from the market in order to cope with inflation.

Liabilities

Total Liabilities were Baht 75,137 million, primarily comprising insurance contract liabilities and borrowings which represented 67% and 24% of the total liabilities respectively.

Total liabilities decreased by Baht 6,408 million or 7.9% compared to the year ended 2021 mainly due to the following:

- The insurance contract liabilities decreased by Baht 7,836 million compared to previous year, from Baht 57,948 million to Baht 50,112 million mainly from transfer of SEIC’s insurance policies.

Figure 6: Total Liabilities as of 31 March 2022 by type

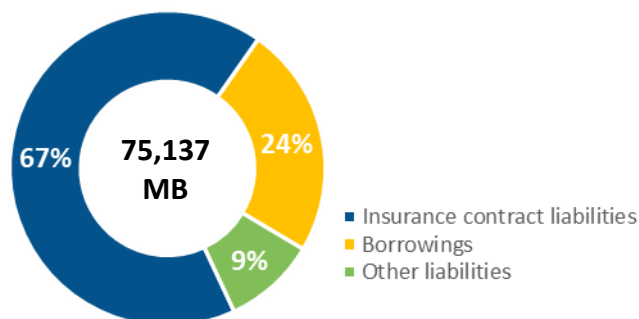
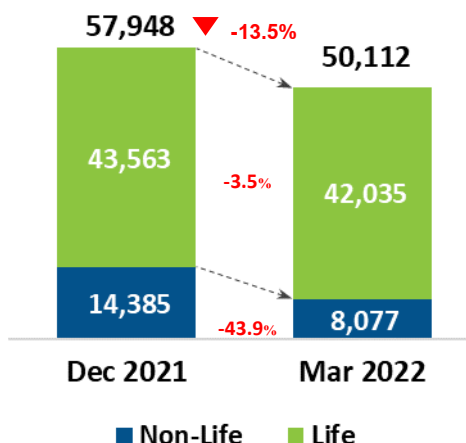


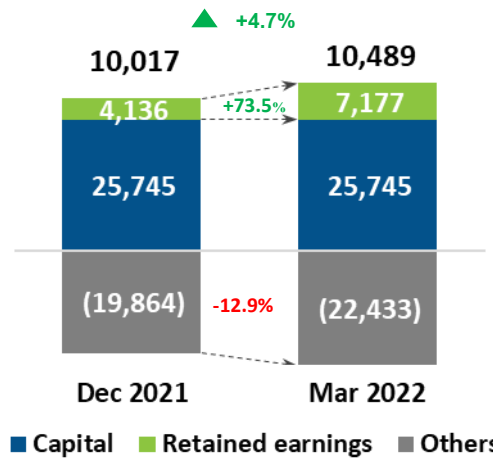
Figure 7: Insurance contract liabilities



Equity

Total Equity were Baht 10,489 million, increased by Baht 472 million or 4.7% from net profit from BAU operation. Moreover, there was transfer of Land & Building’s revaluation surplus to RE due to SEIC ceased to be TGH’s subsidiary.

Figure 8: Total Equity as of 31 March 2022 by type



Please be informed accordingly

Sincerely yours,

- Mr. Chotiphat Bijananda -
(Mr. Chotiphat Bijananda)
Chairman of the Executive Board