

SorGor. 82/2022

August 15, 2022

Subject: Management Discussion and Analysis for Quarter 2/2022, ended 30 June 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 six-month period ended 30 June 2022 which has the detail as the followings.

Significant events in Quarter 2/2022

With 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 30 June 2022 has not included assets and liabilities of SEIC. The consolidated statement of comprehensive income for the six-month period ended 30 June 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.

Industry Overview

Life Insurance Industry

Thailand's life insurance industry reported total first year premium written of Baht 65,684 million for the period from January – May 2022 which has decreased by 3% YoY. Southeast Life Insurance PCL (“SELIC”) gained 3.11% market share for the first year premium written and ranked No.10 in life insurance industry as of May 2022.

(Source: Thai Life Assurance Association)

Non-Life Insurance Industry

Overall, the total direct premium written for Thailand's non-life insurance industry for January – May 2022 was Baht 112,276 million which has grown by 3.2% YoY. The key growth drivers were an increase in Motor insurance. Indara Insurance PCL (“INSURE”) and 0.8% market share of direct premium written and ranked No 28 in non-life insurance industry compared to rank No 42 from Y2021.

(Source: Insurance Premium Rating Bureau, Thai General Insurance Association)

Automotive Industry

Number of new car sales for 1H2022 (January – June 2022) was 427,399 cars which increased by 14.5% YoY. The growth was derived from lockdown lifting and reopen entry for tourists and foreign investors travelling to Thailand which would support recovery of economic activities to normal situation and also improve Thai Industrial Sentiment Index and Consumer Confidence Index. Number of new car production for 1H2022 was 870,109 cars which slightly increased by 3.02% YOY. Number of export car for 1H2022 was 449,644 cars, decreased by 5.04% YOY due to shortage of auto parts and semi-conductor which caused pressure in new car manufacturing and delay deliverable. Moreover expected high inflation and Baht depreciation for the 2H2022 would tricker higher manufacturing cost and of course put pressure on both new car production and buyer purchasing power. The Federation of Thai Industries forecasted new car production for the year 2022 to reduce to 1.7 million cars from 1.8 million cars in 2021.

Operating leased car outlook in 1H2022 was slightly recovery according to stable demand in new car lease for both private and government sectors. The price competition was still on going and had an impact on profitability of Industry leader's profitability. However, Southeast Capital Company Limited ("SECAP") had emphasized on cost management and maintain appropriated profitable level. SECAP continued to maintain No.1 rank in car leasing market, with total of 22,243 leased cars at the end of Q2/2022.

Used car market in 1H2022 was expected to increase by 6% YOY, benefit from shortage of auto parts and semi-conductor in new car market and higher demand on personal car due to COVID-19 situation. Moreover, used car operators shifted to both online/offline selling and enhance the better services i.e. car quality guarantee and after sales service. Used car price index had shifted to 111 as of June 2022 improved from 105 at year end 2021. Used car selling was expected to grow around 3%-5% or 600k-700k cars sold in 2022. Bank repossessed car selling through auction was in downward trend resulting from a lot of measures to remedy non-performing debts as such reduce the number of used cars to the market in 2022. SECAP focused on sale channel management, encouraged selling through retail channel both online/offline more than Fleet and Auction and to balance sale channel proportion for appropriate profitability and inventory handling.

(Source: The Federation of Thai Industries "FTI", Used car index - Bank of Thailand, Kasikorn Research Center and Bangkok post released date 25 July 2022)

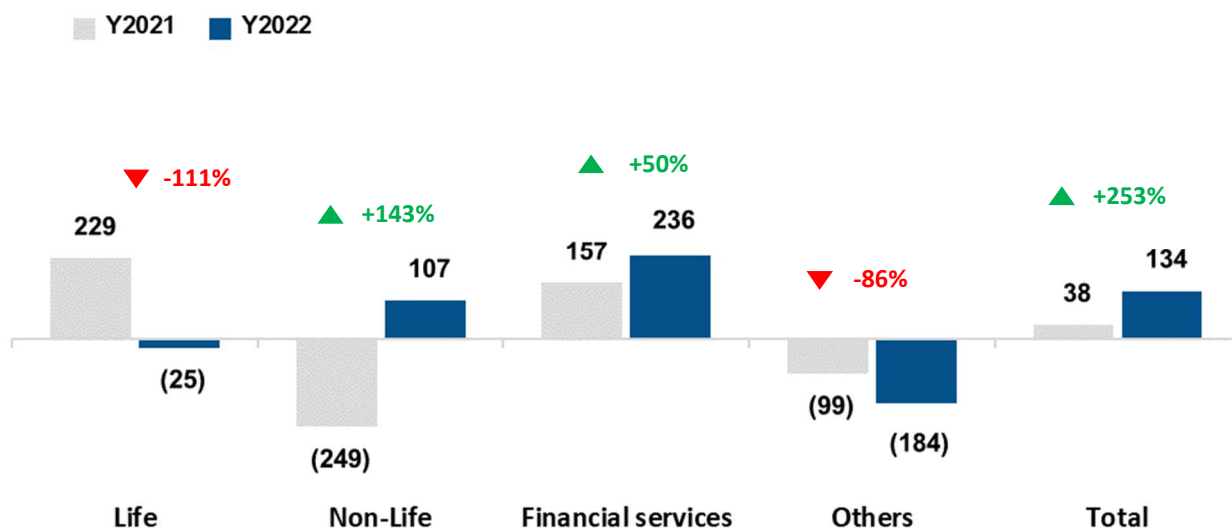
Financial Performance for Quarter 2/2022

	<i>Unit: Million Baht</i>	Apr - Jun 2022	Apr - Jun 2021	%Change YoY
1	Total Revenue	4,562	7,719	▼ -40.9%
2	Net premium earned and Commission & brokerage income	2,721	5,949	▼ -54.3%
3	Income from operating lease, hire-purchase and finance lease	1,405	1,161	▲ 21.0%
4	Net Investment income	431	422	▲ 2.1%
5	Gain on fair value change of financial instrument	-	160	▼ -100.0%
6	Other income	5	27	▼ -81.5%
7	Total Expenses	(4,607)	(7,628)	▼ -39.6%
8	Underwriting expenses	(2,665)	(6,080)	▼ -56.2%
9	Direct rental costs	(1,128)	(884)	▲ 27.6%
10	Operating expenses	(551)	(538)	▲ 2.4%
11	Loss on fair value change of financial instrument	(138)	(14)	▲ 885.7%
12	Finance costs	(125)	(112)	▲ 11.6%
13	Profit (loss) before income tax expense	(45)	91	▼ -149.5%
14	Tax income (expense)	179	(53)	▲ 437.7%
15	Net Profit (loss)	134	38	▲ 252.6%
16	Investment income ratio	9.4%	5.5%	
17	Operating expense ratio	12.1%	7.0%	
18	Net Profit Margin	2.9%	0.5%	
19	Basic earnings (loss) per share	0.14	0.07	

Net Profit (Loss)

The breakdown of net profit (loss) by segments Q2/2022 was shown in the figures below.

Figure 1 : Net profit (loss) by segment



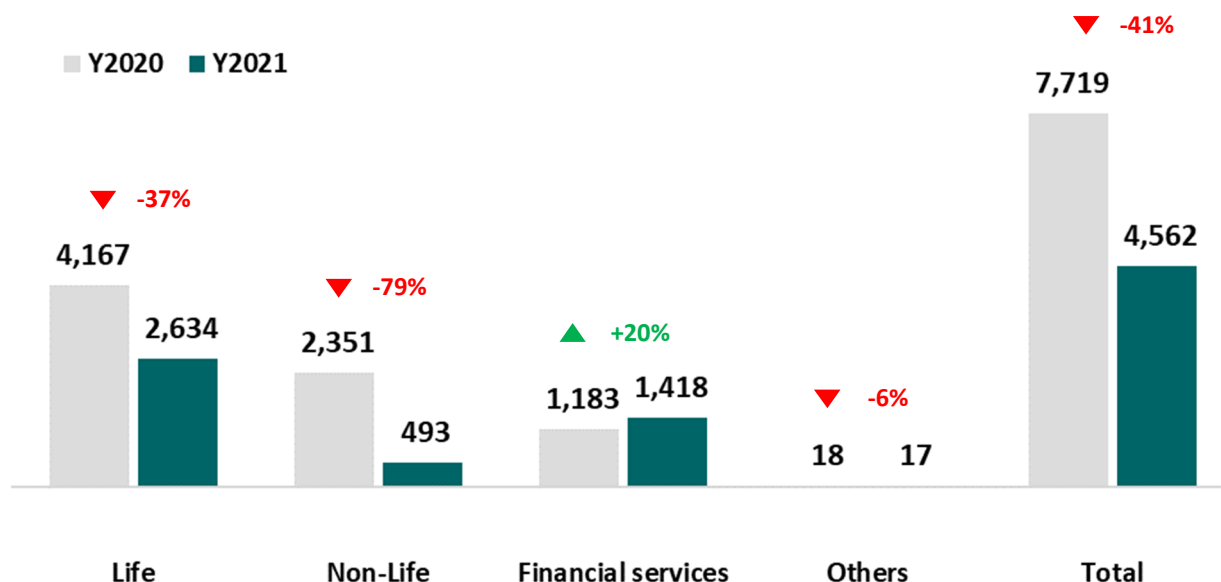
The operating performance for quarter 2/2022 were as follows;

- Life insurance business** had decreased in net profit by Baht 254 million comparing to same quarter last year mainly from loss from fair value change of investment and derivative instrument due to unstable finance market and increasing trend of market interest rate. Gain from sale of debt instrument also decreased. Although, Life insurance premium written had decreased in this quarter, underwriting profit had no significant change.
- Non-Life insurance business** had net profit of Baht 107 million, higher than same quarter last year by Baht 356 million. The main reason was from higher reinsurance shares on motor insurance business to manage insurance risk of motor insurance policy transferred from SEIC which resulted in increasing of reinsurance commission income and decreasing of motor claim incurred. Additionally, there was no large claim incurred of Property insurance and also reducing in Accident & Health claim incurred comparing to Q2/2022.
- Financial service business** had net profit of Baht 236 million, higher than same quarter last year by Baht 79 million. This was from increase in gain from sale of used car due to mainly selling through retail channel and the used car's market price and market trend had been improved from last year and gain from fair value change of derivative instrument to mitigate interest rate risk on loan balance.

Total Revenue

Total revenue for Q2/2022 was Baht 4,562 million, reduced by Baht 3,157 million or 41%. The revenue breakdown by segment was as follows:

Figure 2 : Revenue by Segment



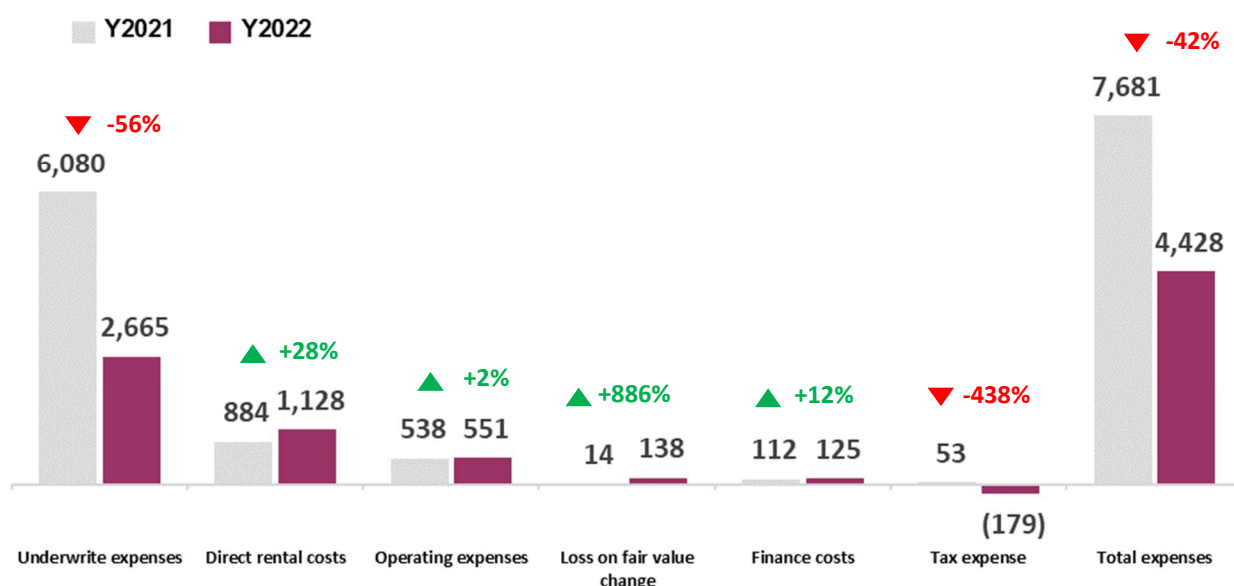
Revenue from Life insurance business was Baht 2,634 million, decreased by Baht 1,533 million or 37% QoQ. First year written premium was Baht 1,592 million, reduced by Baht 1,391 million. First year premium had negative growth by 47%, mainly from reduction in single premium selling through Banca channel. The amendment of the new product launch plan for single premium policy through Banca channel had been done in order to keep annual year-end targets.

- **Revenue from Non-Life insurance** was Baht 493 million, decreased by Baht 1,858 million or 79% mainly resulting from the transfer of property and accident & health insurance policies to other insurance companies outside TGH group. Additionally, new business of Motor insurance had slowdown and company reduced insurance retention of motor business.
- **Revenue from Financial services business** was Baht 1,418 million, increased by Baht 235 million or 20%. Sales of used cars from expired lease contracts grew by Baht 234 million due to an increase of 256 units in used car sold. The average selling price had increased by 28%

Total Expenses and Tax income (expense)

Total expenses for Q2/2022 was Baht 4,428 million, decreased by Baht 3,253 million or 42% which had detail as follows:

Figure 3 : Expenses by type



- Underwriting expenses** was Baht 2,665 million, decreased by Baht 3,415 million or 56%.
 - Life insurance business's underwriting expenses dropped by 1,420 million mainly from decreasing in long-term life reserve for new business and in-forced policies amounting to Baht 1,405 million which was align with premium written reduction.
 - Non-life insurance business's underwriting expenses dropped by Baht 1,996 million from reducing in claim incurred and other expenses of Property and Accident & Health insurance businesses. Claim incurred of Motor insurance business also decreased according to having higher reinsurance share this year.
- Direct rental cost** was Baht 1,128 million, increased by Baht 244 million or 28%.
 - Direct rental cost increased by Baht 38 million or 7% mainly from depreciation, maintenance cost and other direct expenses from higher number of rental car comparing to prior year.
 - Cost of sales of operating lease cars increased by Baht 206 million or 56% due to the higher number of cars sold.
- Operating expenses** was Baht 551 million, increased by Baht 13 million or 2% mainly from amortization expense of land leasehold right and consulting fee for TFRS17 project.
- Loss on fair value change of financial instrument** was Baht 138 million, increased by Baht 124 million mainly from decrease on fair value change of investment securities and derivatives.

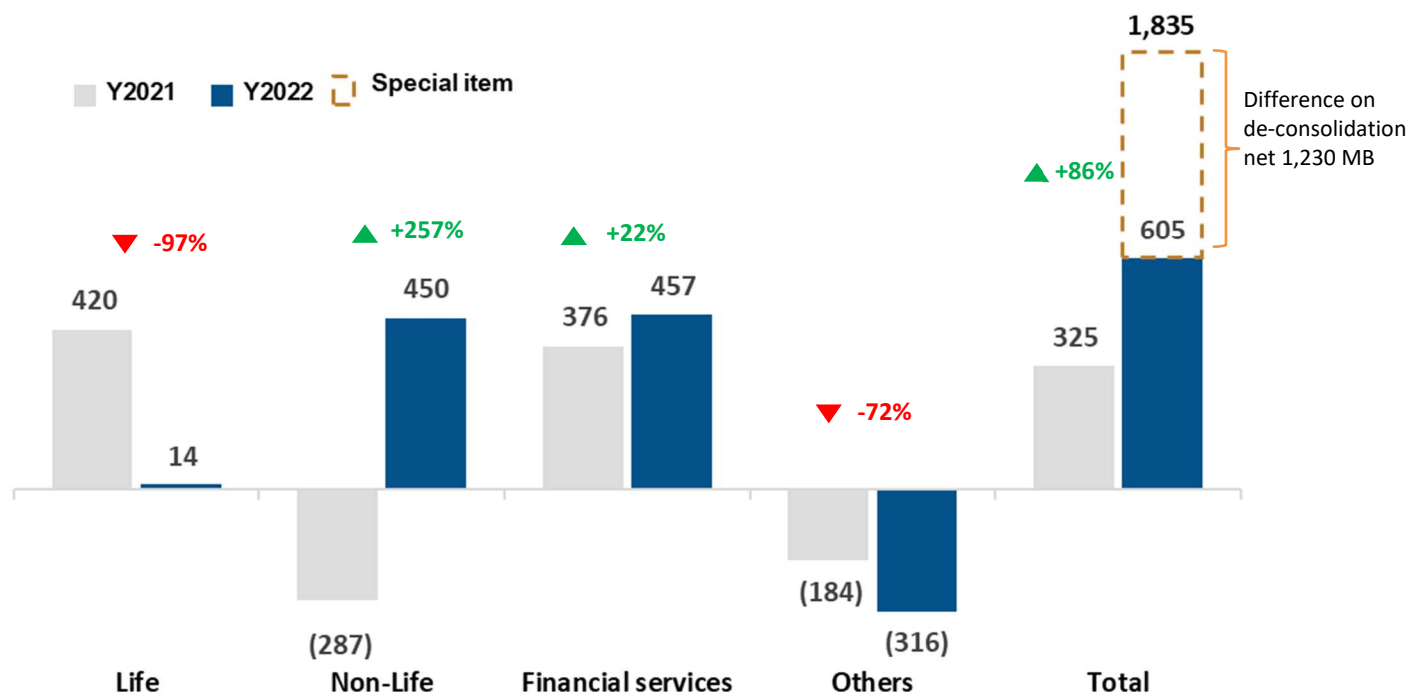
Financial Performance for 6 months period

<i>Unit: Million Baht</i>		Jan - Jun 2022	Jan - Jun 2021	%Change YoY
1	Total Revenue	9,398	13,499	▼ -30.4%
2	Net premium earned and Commission & brokerage income	5,677	10,033	▼ -43.4%
3	Income from operating lease, hire-purchase and finance lease	2,778	2,231	▲ 24.5%
4	Net Investment income	851	851	▼ 0.0%
5	Gain on fair value change of financial instrument	-	342	▼ -100.0%
6	Other income	92	42	▲ 119.0%
7	Total Expenses	(8,851)	(13,104)	▼ -32.5%
8	Underwriting expenses	(4,829)	(10,115)	▼ -52.3%
9	Direct rental costs	(2,181)	(1,620)	▲ 34.6%
10	Operating expenses	(1,299)	(1,137)	▲ 14.2%
11	Loss on fair value change of financial instrument	(309)	(14)	▲ 2107.1%
12	Finance costs	(233)	(218)	▲ 6.9%
13	Profit before income tax expense and non-operating item	547	395	▲ 38.5%
14	Tax income (expense)	58	(70)	▲ 182.9%
15	Profit before non-operating item	605	325	▲ 86.2%
16	Difference on de-consolidation, net	1,230	-	▲ 100.0%
17	Net Profit (loss)	1,835	325	▲ 464.6%
18	Investment income ratio	9.1%	6.3%	
19	Operating expense ratio	13.8%	8.4%	
20	Net Profit Margin	6.4%	2.4%	
21	Basic earnings (loss) per share	2.08	0.46	

Net Profit (Loss)

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

Figure 4 : Net profit (loss) by segment



TGH group had net profit of Baht 1,835 million, resulting from normal operating profit of Baht 605 million which was higher than last year by Baht 280 million or 46%. There was non-operating item, difference on de-consolidation, net Baht 1,230 million (The detail of de-consolidation was reported in Q1 2022).

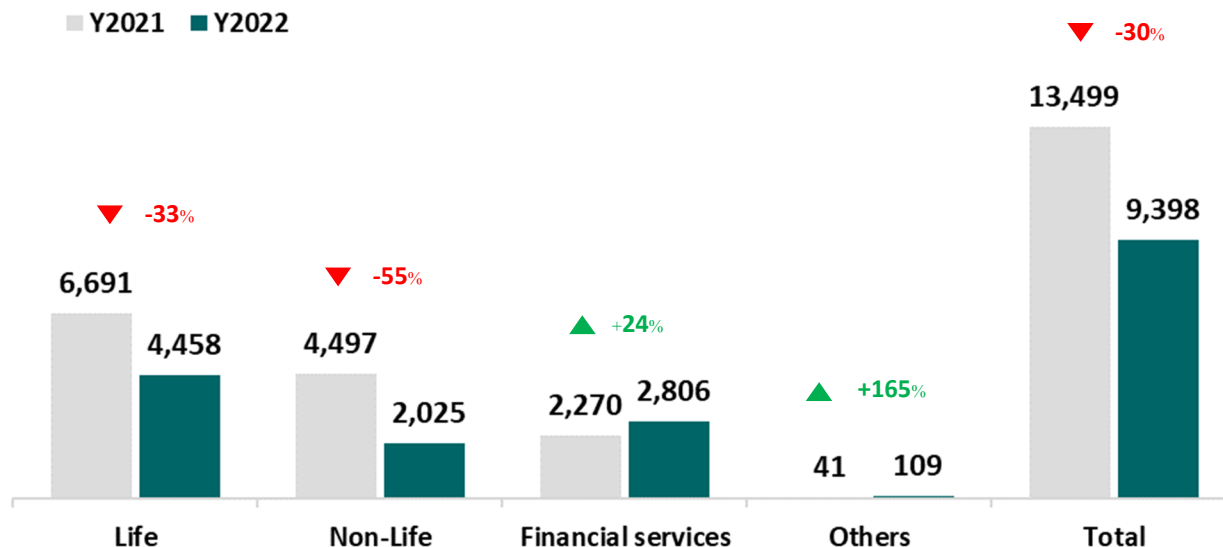
The operating performance of normal businesses Baht 605 million were as follows;

- **Life insurance business** had decreased in net profit by Baht 406 million comparing to prior year mainly from loss from fair value change of investment and derivative instrument due to unstable finance market and increasing trend of market interest rate and also reduction in gain on sale of debt instrument. Although, Life insurance premium written has decreased, underwriting profit had no significant change.
- **Non-Life insurance business** had net profit of Baht 450 million, higher than prior year by Baht 737 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 of 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. Moreover, there was no large loss from Property insurance and Accident & Health insurance business has lower claim incurred comparing to last year.
- **Financial service business** had net profit Baht 457 million, higher than prior year period by Baht 81 million. This was from sale of used car increased which mainly selling through retail channel and the used car's market price and market trend had improve from last year and from gain in fair value change of derivative instrument to mitigate interest rate risk on loan balance.

Total Revenue

Total revenue for the six-month period was Baht 9,398 million, reduced by Baht 4,101 million or 30%. The revenue breakdown by segment was as follows:

Figure 5 : Revenue by Segment

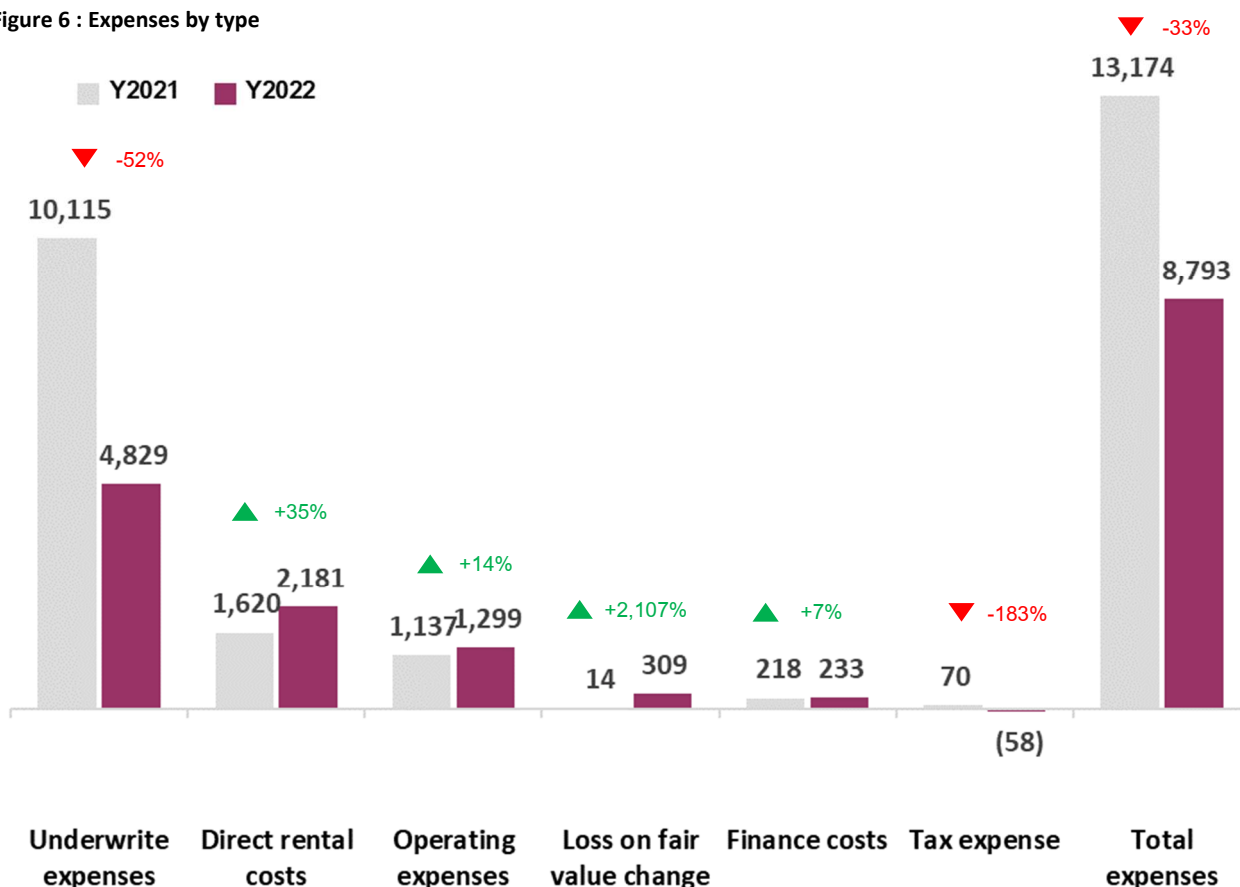


- **Revenue from Life insurance business** was Baht 4,458 million, decreased by Baht 2,233 million or 33%. First year written premium was Baht 2,546 million, decreased by Baht 2,055 million. First year premium had negative growth rate by 45%. Life insurance business had been impacted from SEIC’s business cessation which resulted in decreasing in single premium written through Banca channel during Q1/2022. However, the situation has improved and getting better gradually. In Q2/2022, Company had adjusted the new product launch plan for this Banca channel in order to meet the annual targets.
- **Revenue from Non-Life insurance** was Baht 2,025 million, decreased by Baht 2,472 million or 55%, resulting from the transfer of property and accident & health insurance policies to other insurance companies. The new business of Motor insurance had slowdown and decreased insurance retention of Motor business.
- **Revenue from Financial services business** was Baht 2,806 million, increased by Baht 536 million or 24%. Sales of used cars from expired lease contracts grew by Baht 537 million due to an increase of 793 units in used car sold. The average selling price had increased by 28% due to selling through retail channel more than auction channel.

Total Expenses and Tax income (expense)

Total expenses for the six-month period was Baht 8,793 million, decreased by Baht 4,381 million or 33% which had detail as follows:

Figure 6 : Expenses by type



- **Underwriting expenses** was Baht 4,829 million, decreased by Baht 5,286 million or 52%.

 - Life insurance business's underwriting expenses dropped by 1,961 million mainly from decreasing in long-term life reserve for new business and in-forced policies amounting to Baht 1,955 million which was align with premium written reduction.
 - Non-life insurance business's underwriting expenses dropped by Baht 3,324 million from reduction in claims incurred of Baht 1,804 million, especially Accident & Health. There was no reported large loss on Property business. Acquisition cost has dropped by Baht 1,520 million according to non-life premium reduction of property and accident & health insurance policies. For Motor business, claim incurred also decreased according to lower self-retention.
- **Direct rental cost** was Baht 2,181 million, increased by Baht 561 million or 35%.

 - Direct rental cost increased by Baht 50 million or 5% mainly from depreciation, maintenance cost, car tax expense and other direct expenses from higher number of rental car comparing to last year.
 - Cost of sales of operating lease cars increased by Baht 511 million or 87% due to the higher number of cars sold.
- **Operating expenses** was Baht 1,299 million, increased by Baht 162 million or 14% mainly from personnel cost, amortization expense of land leasehold right and consulting fee for TFRS17 project.

- **Loss on fair value change of financial instrument** was Baht 309 million, increased by Baht 295 million mainly from decrease on fair value change of investment securities and derivatives.

Financial Position as of 30 June 2022

<i>Unit: Million Baht</i>		30 Jun 2022	31 Dec 2021	%Change	
1	Total Assets	82,868	91,562	▼	-9.5%
2	Investment assets (including Cash)	53,129	61,553	▼	-13.7%
3	Reinsurance assets and Premiums due & uncollected	6,176	7,457	▼	-17.2%
4	Operating lease assets	11,770	11,990	▼	-1.8%
5	Other assets	11,793	10,562	▲	11.7%
6	Total Liabilities	73,673	81,545	▼	-9.7%
7	Insurance contract liabilities	48,887	57,948	▼	-15.6%
8	Borrowings	18,417	16,021	▲	15.0%
9	Other liabilities	6,369	7,576	▼	-15.9%
10	Total Equity	9,195	10,017	▼	-8.2%
11	Share capital and premium	25,745	25,745	▼	0.0%
12	Retained earnings	7,340	4,136	▲	77.5%
13	Other components of equity	(23,890)	(19,864)	▼	-20.3%

Assets

Total assets were Baht 82,868 million, decreased by Baht 8,694 million due to reduced in investment assets by Baht 8,424 million. Major assets more than 64% are investment assets.

Figure 7 : Total Assets as of 30 June 2022 by type

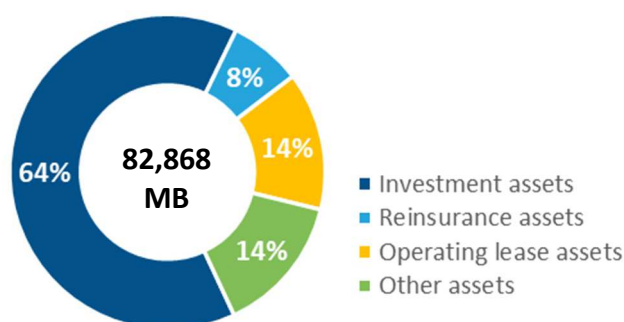
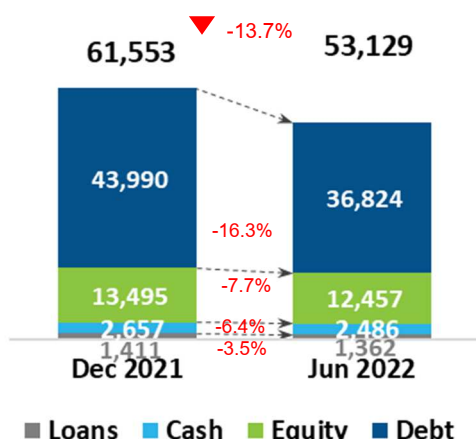


Figure 8 : Investment Assets



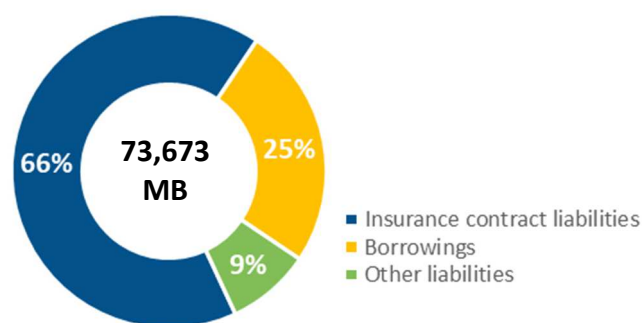
The investment assets decreased by Baht 8,424 million, from Baht 61,553 million to Baht 53,129 million, or decreased by 13.7%, mostly from non-life insurance business. There were COVID-19 claim payment, transfer insurance policies to other insurance companies and also maturity benefits and policy surrender payment of life insurance business.

The debt and equity instruments were still be the major assets. Fair value of Government bonds and debentures decreased due to higher market yields to manage inflation.

Liabilities

Total Liabilities were Baht 73,673 million, primarily comprising insurance contract liabilities and borrowings which represented 66% and 25% of the total liabilities respectively.

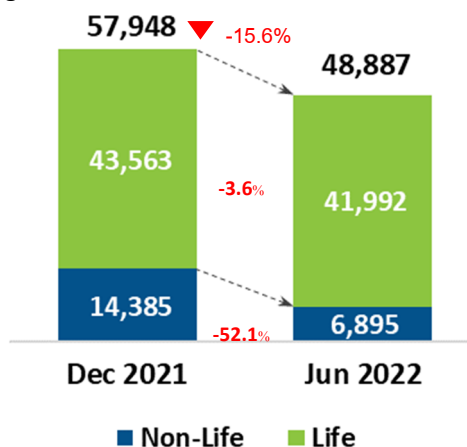
Figure 9: Total Liabilities as of 30 June 2022 by type



Total liabilities decreased by Baht 7,872 million or 9.7% compared to the year ended 2021 mainly due to the following:

- The non-life insurance liabilities decreased by Baht 9,061 million compared to year end 2021, from Baht 57,948 million to Baht 48,887 million mainly from transfer the Property and Accident & Health insurance policies to other companies.
- The life insurance liabilities decreased by Baht 1,571 million from surrender value and policy benefit payment meanwhile life insurance liability for new premium written slightly increase.

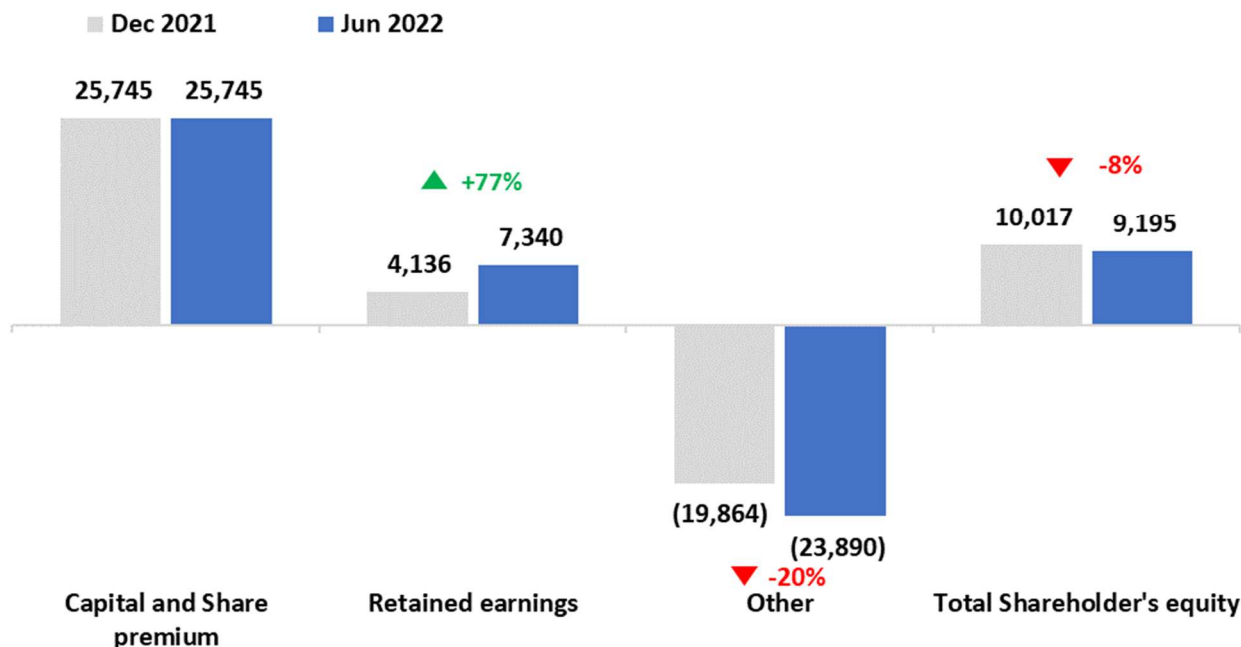
Figure 10 : Insurance contract liabilities



Equity

Total Equity were Baht 9,195 million, decreased by Baht 822 million or 8.2%, mainly from loss on change in fair value of investment, especially Gov bond & debentures according to higher market yield rate and also from net profit of periods Baht 1,835 million.

Figure 11 : Total Equity as of 30 June 2022 by type



Please be informed accordingly

Sincerely yours,

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