



SorGor. 089/2022

November 10, 2022

Subject: Management Discussion and Analysis for Quarter 3/2022, ended 30 September 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 nine-month period ended 30 September 2022 which has the detail as the followings.

Management Discussion and Analysis For Quarter 3/2022

Financial Performance for Quarter 3/2022

<i>Unit: Million Baht</i>		Jul - Sep 2022	Jul - Sep 2021	%Change YoY
1	Total Revenue	4,973	13,821	▼ -64.0%
2	Net premium earned and Commission & brokerage income	3,264	5,042	▼ -35.3%
3	Income from operating lease, hire-purchase and finance lease	1,228	1,103	▲ 11.3%
4	Net Investment income	458	444	▲ 3.2%
5	Gain on financial instrument	20	99	▼ -79.8%
6	Gain on sell of investment in subsidiary	-	7,100	▼ -100.0%
7	Other income	3	33	▼ -90.9%
8	Total Expenses	(4,981)	(15,129)	▼ -67.1%
9	Underwriting expenses	(3,399)	(13,476)	▼ -74.8%
10	Direct rental costs	(899)	(873)	▲ 3.0%
11	Operating expenses	(444)	(597)	▼ -25.6%
12	Loss on financial instrument	(96)	(75)	▲ 28.0%
13	Finance costs	(143)	(108)	▲ 32.4%
14	Profit (loss) before income tax expense	(8)	(1,308)	▲ 99.4%
15	Tax income (expense)	46	758	▼ -93.9%
16	Net Profit (loss)	38	(550)	▲ 106.9%
16	Investment income ratio	9.2%	6.6% *	
17	Operating expense ratio	8.9%	8.9% *	
18	Net Profit Margin	0.8%	-4.0%	
19	Basic earnings (loss) per share	0.05	(0.88)	

* Remark: The ratios are calculated from total revenue excluding gain on sell of investment in subsidiary.

Management Discussion and Analysis

For Quarter 3/2022

Total Revenue

Total revenue for Q3/2022 was Baht 4,973 million, reduced from same period last year by Baht 8,848 million or 64%. The revenue breakdown by segment was as follows:

- **Revenue from Life insurance business** was Baht 3,104 million, increased by Baht 25 million or 1%, mainly from net investment income Baht 40 million.
- **Revenue from Non-Life insurance** was Baht 730 million, decreased by Baht 1,343 million or 65% resulting from the transfer of property and accident & health insurance policies to other insurance companies outside TGH group. Additionally, company reduced insurance retention on motor business.
- **Revenue from Financial services business** was Baht 1,252 million, increased by Baht 120 million or 11% from gain on sales of used cars. The average selling price was higher comparing to same period last year as company sold through retail/direct channel.

Total Expenses

Total expenses for Q3/2022 was Baht 4,981 million, decreased by Baht 10,148 million or 67% which had detail as follows:

- **Underwriting expenses** was Baht 3,399 million, decreased by Baht 10,077 million or 75%.
 - Life insurance business's underwriting expenses increased by 149 million from net insurance claim expense.
 - Non-life insurance business's underwriting expenses dropped by Baht 10,231 million from reducing in net insurance claim expense especially from Covid insurance policy and also decreasing in acquisition cost on Property and Accident & Health insurance businesses according to lower gross premium written.
- **Direct rental cost** was Baht 899 million, increased by Baht 26 million or 3% mainly from cost of sales of operating lease cars.
- **Operating expenses** was Baht 444 million, decreased by Baht 153 million or 26% mainly from staff relating cost of Non-life insurance business.
- **Finance cost** was Baht 143 million, increased by Baht 35 million or 32% according to higher borrowing balances and market interest rate.

Profit (Loss)

The performance for quarter 3/2022 was as follows;

- **Life insurance business** had loss before income tax expense of Baht 5 million, profit dropped by Baht 136 million comparing to same quarter last year which had profit of Baht 131 million. This was because loss from change in fair value of investment and derivative instrument due to increasing of market interest rate and also from higher net insurance claim expense.
- **Non-Life insurance business** had profit of Baht 39 million while quarter 3/2021 had loss of Baht 9,018 million which resulted from loss of Covid policy. In 2022, company had higher reinsurance shares on motor insurance business which resulted in increasing of reinsurance commission income. Additionally, Motor claim expense was reduced and there was no large claim incurred of Property insurance in quarter 3/2022.
- **Financial service business** had profit of Baht 27 million, higher by Baht 33 million from increase in gain on 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.

Management Discussion and Analysis For Quarter 3/2022

Financial Performance for 9 months period

<i>Unit: Million Baht</i>		Jan - Sep 2022	Jan - Sep 2021	%Change YoY
1	Total Revenue	14,359	27,248	▼ -47.3%
2	Net premium earned and Commission & brokerage income	8,941	15,076	▼ -40.7%
3	Income from operating lease, hire-purchase and finance lease	4,006	3,334	▲ 20.2%
4	Net Investment income	1,308	1,295	▲ 1.0%
5	Gain on financial instrument	8	369	▼ -97.8%
6	Gain on sell of investment in subsidiary	-	7,100	▼ -100.0%
7	Other income	96	74	▲ 29.7%
8	Total Expenses	(13,819)	(28,160)	▼ -50.9%
9	Underwriting expenses	(8,229)	(23,591)	▼ -65.1%
10	Direct rental costs	(3,081)	(2,494)	▲ 23.5%
11	Operating expenses	(1,740)	(1,733)	▲ 0.4%
12	Loss on financial instrument	(392)	(16)	▲ 2350.0%
13	Finance costs	(377)	(326)	▲ 15.6%
14	Profit (loss) before income tax expense	540	(912)	▲ 159.2%
15	Tax income (expense)	104	688	▼ -84.9%
16	Profit (loss) non-operating item	644	(224)	▲ 387.5%
17	Difference on de-consolidation, net	1,230	-	▲ 100.0%
18	Net Profit (loss)	1,874	(224)	▲ 936.6%
19	Investment income ratio	9.1%	6.4%	*
20	Operating expense ratio	12.1%	8.6%	*
21	Net Profit Margin	4.5%	-0.8%	
22	Basic earnings (loss) per share	2.13	(0.37)	

* Remark: The ratios are calculated from total revenue excluding gain on sell of investment in subsidiary.

Management Discussion and Analysis

For Quarter 3/2022

Total Revenue

Total revenue for the nine-month period 2022 was Baht 14,359 million, reduced by Baht 5,789 million or 29% which was calculated from total revenue 2021 of Baht 20,148 million which excluded gain on sell of investment in subsidiary of 7,100 million. Total revenue breakdown by segment was as follows:

- **Revenue from Life insurance business** was Baht 7,554 million, decreased by Baht 2,165 million or 22%. First year written premium was Baht 4,361 million, decreased by Baht 2,225 million. First year premium had negative growth rate of 35%. Life insurance business was 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 therefore company had higher premium written in Q2 and Q3/2022.
- **Revenue from Non-Life insurance** was Baht 3,043 million, decreased by Baht 3,736 million or 55%, resulting from the transfer of property and accident & health insurance policies to other insurance companies. The new business of Motor insurance dropped and company decreased insurance retention on Motor business.
- **Revenue from Financial services business** was Baht 4,069 million, increased by Baht 650 million or 19%. Sales of used cars from expired lease contracts grew by Baht 630 million due to higher number of used car sold. The average selling price increased by 35% according to selling through retail/direct channel.

Total Expenses

Total expenses for the nine-month period was Baht 13,819 million, decreased by Baht 14,341 million or 51% which had detail as follows:

- **Underwriting expenses** was Baht 8,229 million, decreased by Baht 15,362 million or 65%.
 - Life insurance business's underwriting expenses dropped by 1,812 million mainly from decreasing in long-term life reserve for new business and in-forced policies which was align with premium written reduction.
 - Non-life insurance business's underwriting expenses dropped by Baht 13,557 million as there was large claim expense from Covid policy last year. In 2022, there was no reported large loss on Property business, acquisition cost has dropped by Baht 1,520 million according to lower non-life premium written and claim incurred on motor business also decreased according to lower retention.
- **Direct rental cost** was Baht 3,081 million, increased by Baht 581 million or 24%.
 - Direct rental cost increased by Baht 32 million or 2% 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 539 million or 860% due to the higher number of used cars sold.
- **Loss on fair value change of financial instrument** was Baht 391 million, increased by Baht 375 million mainly from decrease on fair value change of investment securities and derivatives.
- **Finance cost** was Baht 377 million, increased by Baht 51 million or 16% according to higher borrowing balances and market interest rate.

Profit (Loss)

Management Discussion and Analysis For Quarter 3/2022

The performance for nine month period end September 2022 was detail as follows;

- **Life insurance business** had decreased in profit before tax expense by Baht 683 million comparing to prior year mainly from loss from change in fair value of investment and derivative instrument which derived from fluctuation of SET INDEX since beginning of this year and increased in market interest rate.
- **Non-Life insurance business** had profit before income tax expense of Baht 640 million while had loss of Baht 9,141 million last year, mainly from higher reinsurance commission income this year from higher reinsurance share on Motor business and large claim expense on Covid policy last year.
- **Financial service business** had profit before income tax expense of Baht 191 million, increased by Baht 73 million. This was from higher gain on sale of used car selling through retail/direct channel and the used car market was recovered from last year. Additionally, there was gain in fair value change of derivative instrument to mitigate interest rate risk on loan balance.

Management Discussion and Analysis For Quarter 3/2022

Financial Position as of 30 September 2022

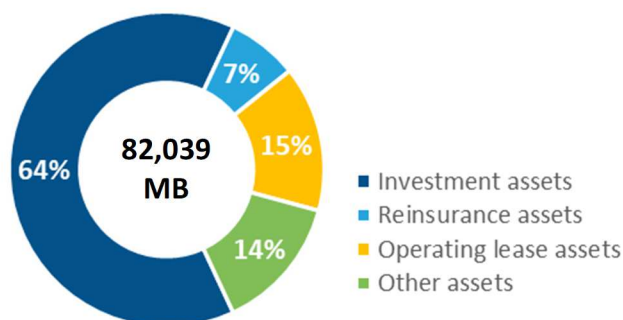
<i>Unit: Million Baht</i>		30 Sep 2022	31 Dec 2021	%Change YoY	
1	Total Assets	82,039	91,562	▼	-10.4%
2	Investment assets (including Cash)	52,444	61,553	▼	-14.8%
3	Reinsurance assets and Premiums due & uncollected	5,960	7,457	▼	-20.1%
4	Operating lease assets	12,271	11,770	▲	4.3%
5	Other assets	11,364	10,782	▲	5.4%
6	Total Liabilities	73,538	81,545	▼	-9.8%
7	Insurance contract liabilities	49,069	57,948	▼	-15.3%
8	Borrowings	18,004	16,021	▲	12.4%
9	Other liabilities	6,465	7,576	▼	-14.7%
10	Total Equity	8,501	10,017	▼	-15.1%
11	Share capital and premium	25,745	25,745	▼	0.0%
12	Retained earnings	7,369	4,136	▲	78.2%
13	Other components of equity	(24,613)	(19,864)	▼	-23.9%

Assets

Management Discussion and Analysis For Quarter 3/2022

Total assets were Baht 82,039 million, decreased by Baht 9,523 million due to reducing in investment assets by Baht 9,109 million which was represented 64% of total assets.

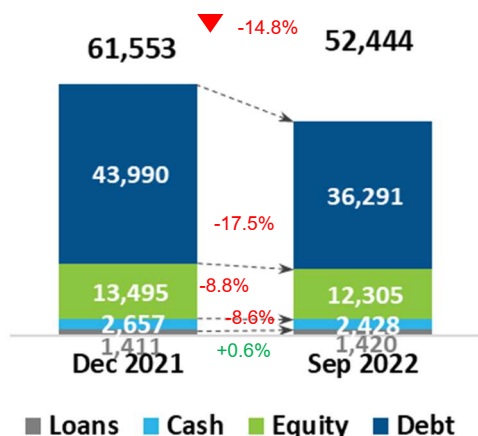
Figure 1 : Total Assets as of 30 September 2022 by type



The investment assets decreased by Baht 9,109 million, from Baht 61,553 million to Baht 52,444 million, or 14.8%, mostly from non-life insurance business. There was COVID-19 claim expense, 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 derived from change in market interest rate.

Figure 2 : Investment Assets



Liabilities

Total Liabilities were Baht 73,538 million, primarily comprising insurance contract liabilities and borrowings which represented 67% and 24% of the total liabilities respectively.

Total liabilities decreased by Baht 8,007 million or 9.8% mainly due to the following:

- The non-life insurance liabilities decreased by Baht 7,940 million compared to year end 2021, from Baht 14,385 million to Baht 6,445 million mainly from transfer the Property and Accident & Health insurance policies to other companies.
- The life insurance liabilities decreased by Baht 939 million from surrender payment and policy benefit payment.

Figure 3: Total Liabilities as of 30 June 2022 by type

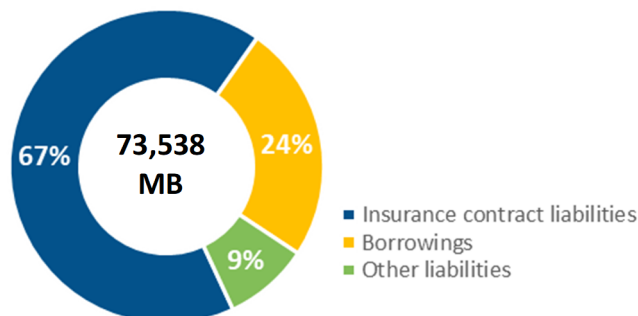
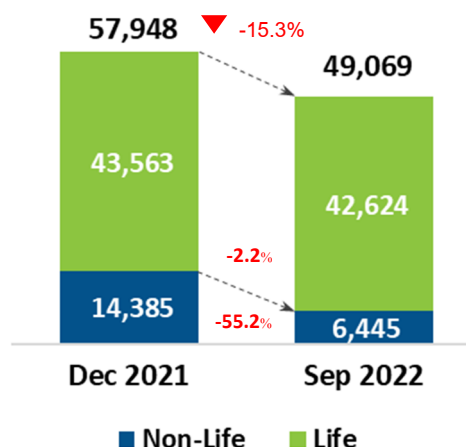


Figure 4 : Insurance contract liabilities

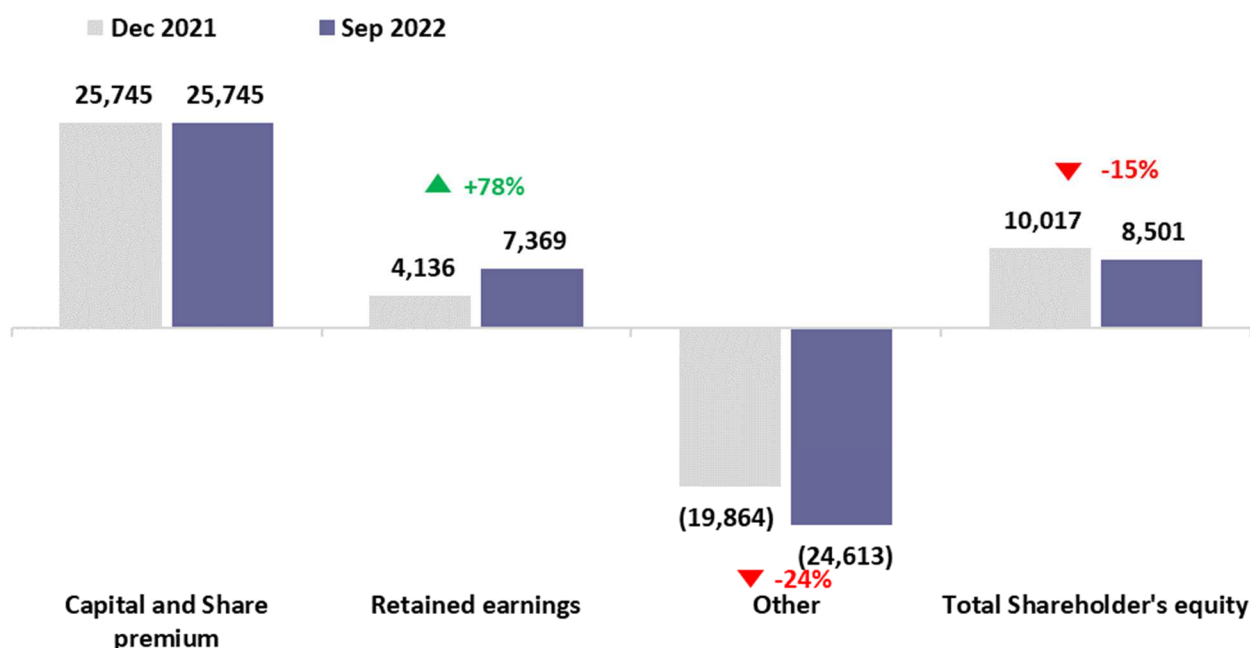


Equity

Management Discussion and Analysis For Quarter 3/2022

Total Equity were Baht 8,501 million, decreased by Baht 1,516 million or 15.1%, mainly from unrealized 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 1,874 million.

Figure 5 : Total Equity as of 30 September 2022 by type



Please be informed accordingly

Sincerely yours,

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