



SorGor. 004/2023

28 February 2023

Subject: Management Discussion and Analysis for the year ended 31 December 2022

To: President
The Stock Exchange of Thailand

Thai Group Holdings Public Company Limited has reported the financial performance and submitted the financial statements for the year ended 31 December 2022 which has the detail as the followings.

Industry Overview

Life Insurance Industry

Thailand's life insurance industry reported total first year premium written of Baht 150,469 million for the period from January – November 2022 which has decreased by 2% YoY. Southeast Life Insurance PCL (“SELIC”) has first year premium written of Baht 5,775 million which decreased by 23% YoY. SELIC had 3.84% market share for the first year premium written and ranked No.10 in life insurance industry as of November 2022. (Source: Thai Life Assurance Association)

Non-Life Insurance Industry

Overall, the total direct premium written for Thailand's non-life insurance industry for the year 2022 was Baht 275,505 million which has increased by 3.6% YoY. The key growth drivers were an increase in Motor insurance. Indara Insurance PCL (“INSURE”) had 1.3% market share of direct premium written and ranked No 24 in non-life insurance industry compared to rank No 43 in Y2021. (Source: Insurance Premium Rating Bureau, Thai General Insurance Association)

Automotive Industry

The operating leased car market had still been in high competition with the growth of 120% YoY. The key growth driver was the change in business model from purchase to rent company cars for both Government and Corporate sectors in order to minimize financial burden on funding car purchase and maintenance cost. Southeast Capital Company Limited (“SECAP”) continued to rank No. 1 in car leasing market with total of 22,428 leased cars at the end of 2022.

Used car market was still expanding during economic recession. Main factors that supported the higher used car prices were online distribution channel, car quality, decreasing of new car supply and also bank's policy to increase used car loan portfolio. Household purchasing power had been affected by inflation especially pressuring ability to buy new car but on the contrary supporting ability to buy used cars.

Management Discussion and Analysis For Year 2022

CARSOME, E-commerce platform for used car sales, forecasted that used car on-line market would continue to grow significantly in next year especially for customers based in up-country areas who choose to buy used car through on-line channel 100%. More than 70% of used cars were reserved immediately after posting on web-site. Customers made decision from viewing posted photos showing 360 degree of targeted cars together with car assessment reports only.

(Source: Department of Business Development, Kasikorn Research Center)

Financial Performance for Year 2022					
Unit: Million Baht		Jan - Dec 2022	Jan - Dec 2021	%Change YoY	
1	Total Revenue	19,848	33,639	▼	-41.0%
2	Net premium earned and Commission & brokerage income	12,822	19,579	▼	-34.5%
3	Income from operating lease, hire-purchase and finance lease	5,191	4,705	▲	10.3%
4	Net Investment income	1,740	1,701	▲	2.3%
5	Gain on financial instrument	5	401	▼	-98.8%
6	Gain on sell of investment in subsidiary	-	7,100	▼	-100.0%
7	Other income	90	153	▼	-41.2%
8	Total Expenses	(19,425)	(37,221)	▼	-47.8%
9	Underwriting expenses	(11,933)	(30,570)	▼	-61.0%
10	Direct rental costs	(3,983)	(3,616)	▲	10.1%
11	Operating expenses	(2,546)	(2,576)	▼	-1.2%
12	Loss on financial instrument	(439)	(24)	▲	1729.2%
13	Finance costs	(524)	(435)	▲	20.5%
14	Profit (loss) before income tax expense	423	(3,582)	▲	111.8%
15	Tax income (expense)	98	222	▼	-55.9%
16	Profit (loss) non-operating item	521	(3,360)	▲	115.5%
17	Difference on de-consolidation, net	1,230	-	▲	100.0%
18	Net Profit (loss)	1,751	(3,360)	▲	152.1%
19	Investment income ratio	8.8%	6.4%	*	
20	Operating expense ratio	12.8%	9.7%	*	
21	Net Profit Margin	2.6%	-10.0%		
22	Basic earnings (loss) per share	1.97	(4.34)		

* Remark gain on sell of investment in subsidiary was not included in financial ratio

Management Discussion and Analysis

For Year 2022

Total Revenue

Total revenue for the year 2022 was Baht 19,848 million, decreased from last year by Baht 13,791 million or 41%. The revenue breakdown by segment was as follows:

- **Revenue from Life insurance business** was Baht 10,962 million, decreased by Baht 1,499 million or 12% from last year. First year written premium was Baht 6,411 million, reduced by 21%, mainly from reduction in single premium selling through Banca channel whereas expansion of Group Life business. Interest and dividend income has increased comparing to prior year but decreasing in gain on sell of investment.
- **Revenue from Non-Life insurance** was Baht 4,057 million, decreased by Baht 5,087 million or 56% from last year resulting from the transfer of property and accident & health insurance policies to other insurance companies. The new business of Motor insurance decreased while reinsurance commission on Motor business increased according to higher reinsurance cession.
- **Revenue from Financial services business** was Baht 5,285 million, increased by Baht 491 million or 10% from last year. Sales of used cars from expired lease contracts grew by Baht 435 million due to average selling price had increased by 32% as company sold through retail channel more than auction channel.

Total Expenses

Total expenses for the year 2022 was Baht 19,425 million, decreased by Baht 17,796 million or 48% which had detail as follows:

- **Underwriting expenses** was Baht 11,933 million, decreased by Baht 18,637 million or 61%.
 - Life insurance business's underwriting expenses dropped by 1,061 million from decreasing in policy benefit and claim payment of Baht 1,048 million.
 - Non-life insurance business's underwriting expenses dropped by Baht 17,588 million from reduction in claims incurred of Baht 11,807 million, especially Accident & Health business. There was no reported large loss on Property business. Acquisition cost decreased according to non-life premium reduction. Additionally, claim incurred of Motor business also decreased according to lower retention.
- **Direct rental cost** was Baht 3,983 million, increased by Baht 367 million or 10%.
 - Cost of sales of operating lease cars increased by Baht 360 million or 26% which was align with revenue on selling used cars increasing.
 - Direct rental cost increased by Baht 7 million which had no significant changed.
- **Operating expenses** was Baht 2,546 million which had no significant changed from prior year.
- **Loss on financial instrument** was Baht 439 million, increased by Baht 415 million mainly from unrealized loss on fair value change of investment and derivatives instrument.
- **Finance costs** was Baht 524 million, increase by Baht 89 million or 20% mainly from increasing in interest rate and loan principal amount.

Net Profit (Loss)

Net profit before tax of 2022 was Baht 423 million, increased from last year by Baht 4,005 million or 112%. The detail was shown as below.

- **Life insurance business** had net loss before tax of Baht 118 million, decreased by Baht 780 million from last year. This was mainly due to reduction in gain on sell of investment by Baht 250 million and increase in unrealized loss on fair value change of investment and derivative instrument by Baht 373 million as a result of SET INDEX fluctuation from the beginning of 2022 and increased in market interest rate. Net loss before tax of 2022 was derived from accounting record of unrealized loss on fair value change of investment and derivative instrument of Baht 225 million and the record of gain on sell of investment of Baht 102 million through other comprehensive income and not through profit & loss statement.
- **Non-Life insurance business** had net profit before tax of Baht 597 million for 2022 while had net loss before tax of Baht 11,424 million for 2021 from loss from COVID-19 insurance policy. In 2022, reinsurance commission income increased which resulted from higher reinsurance share on motor business as to manage insurance risk of motor policies. In addition, there was no reported of major property claims.
- **Financial service business** had net profit before tax of Baht 175 million, increased from last year by Baht 97 million. This was from higher profit margin on sale of used car through retail channel and the used car's market price and market trend improved from last year. Moreover, there was increase in unrealized gain on the change in value of derivative from the hedging of interest rate on borrowing.

Financial Position as of 31 December 2022

<i>Unit: Million Baht</i>		31 Dec 2022	31 Dec 2021	%Change YoY	
1	Total Assets	84,151	91,562	▼	-8.1%
2	Investment assets (including Cash)	54,622	61,553	▼	-11.3%
3	Reinsurance assets and Premiums due & uncollected	6,038	7,457	▼	-19.0%
4	Operating lease assets	12,680	11,770	▲	7.7%
5	Other assets	10,811	10,782	▲	0.3%
6	Total Liabilities	74,531	81,545	▼	-8.6%
7	Insurance contract liabilities	50,198	57,948	▼	-13.4%
8	Borrowings	18,575	16,021	▲	15.9%
9	Other liabilities	5,758	7,576	▼	-24.0%
10	Total Equity	9,620	10,017	▼	-4.0%
11	Share capital and premium	25,745	25,745	▼	0.0%
12	Retained earnings	7,190	4,136	▲	73.8%
13	Other components of equity	(23,315)	(19,864)	▼	-17.4%

Assets

Total assets were Baht 84,151 million, decreased by Baht 7,411 million or 8.1% due to reduce in investment assets by Baht 6,931 million. Major assets more than 65% are investment assets.

Figure 1 : Total Assets as of 31 December 2022 by type

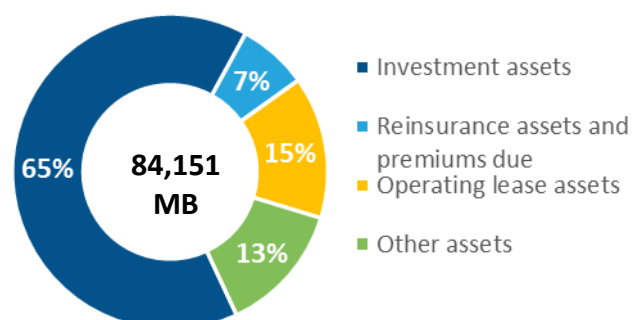
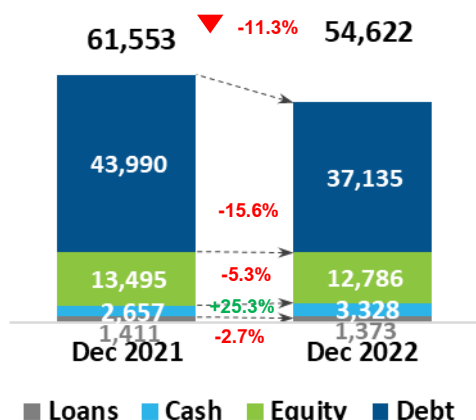


Figure 2 : Investment Assets



The investment assets decreased by Baht 6,931 million, from Baht 61,553 million to Baht 54,622 million, or decreased by 11.3%, mostly from non-life insurance business. There were COVID-19 claim payment, transfer insurance policies to other insurance companies and also payment of maturity benefits and policy surrender of life insurance business.

The debt and equity instruments were still be the major investment assets. Fair value of Government bonds and debentures decreased due to higher market yields from increasing in market interest rate.

Liabilities

Total Liabilities were Baht 74,531 million, primarily comprising insurance contract liabilities and borrowings which represented 67% and 25% of the total liabilities respectively.

Total liabilities decreased by Baht 7,014 million or 8.6% mainly due to the followings:

- The non-life insurance liabilities decreased by Baht 7,888 million from Baht 14,385 million to Baht 6,497 million mainly from transfer the Property and Accident & Health insurance policies to other companies.
- The life insurance liabilities increased by Baht 138 million from additional life reserve on new business and in force policy but offsetting with surrender and maturity payment.

Figure 3 : Total Liabilities as of 31 December 2022 by type

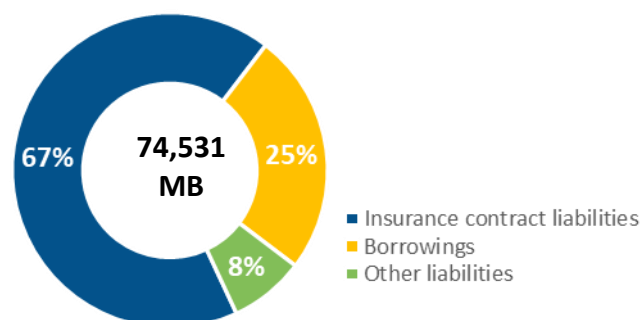
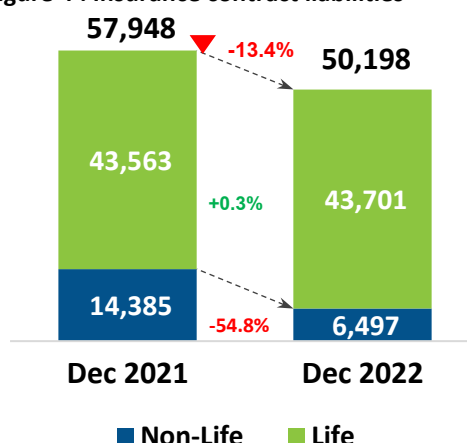


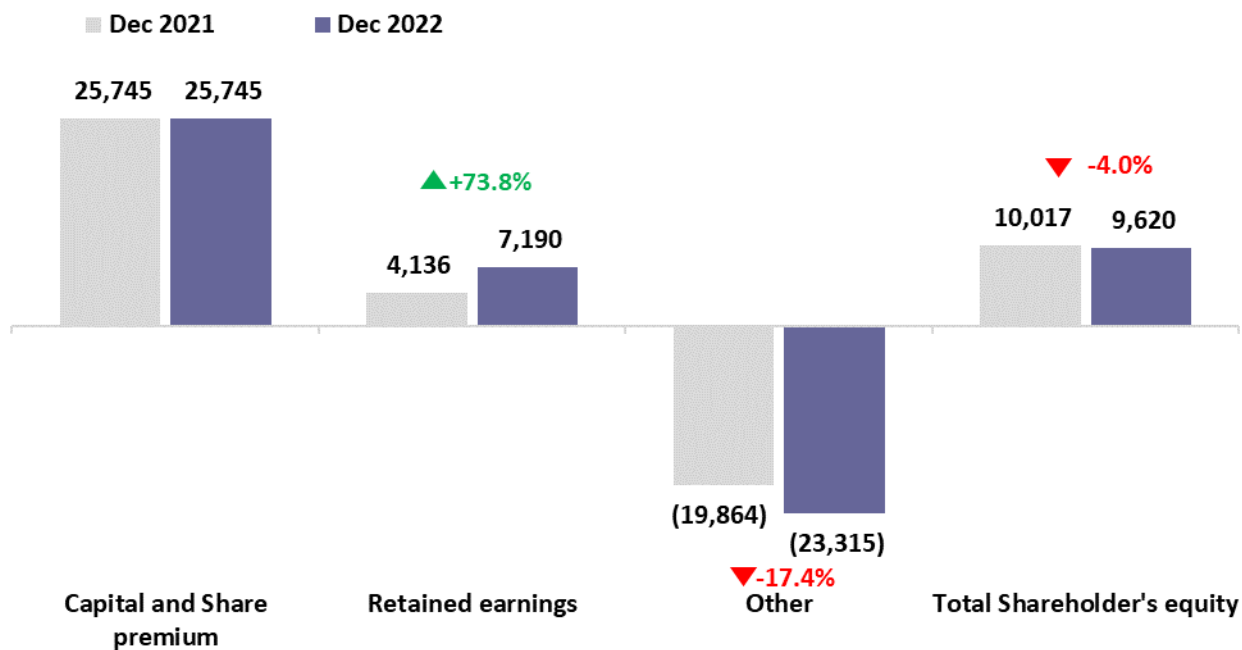
Figure 4 : Insurance contract liabilities



Equity

Total Equity were Baht 9,620 million, decreased by Baht 397 million or 4%, mainly from loss on change in fair value of investment Baht 1,959 million, especially Gov bond & debentures according to higher market yield rate and also from net profit of period Baht 1,751 million.

Figure 5 : Total Equity as of 31 December 2022 by type



Please be informed accordingly

Sincerely yours,

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