

Management Discussion and Analysis

for Quarter 2 year 2021 Ended June 30, 2021



Management Discussion and Analysis

1. Overview

The third round of Covid 19 pandemic situation had been intensified and expanded rapidly since the Q2 of 2021, resulting in the tightening measures by the government. Despite the partial lock-down, not like fully lockdown done in Q2 2020, the measure did interrupt the economy which seemed to have improved earlier. It was unavoidable that businesses all received the impacts. Despite our policy of no lending in Bangkok and some provinces in metropolitan areas, the company had to take special caution in approving the new lending, resulting in the lower than expected lending in the Q2 2021. As for the collection side, the performance had been as usual. The NPF was still in line as expected. Upon this, the company still offered debt restructuring for the customers who needed help.

As for the new lending of first half of 2021, the company had already approved 602 MB of new lending, 65 MB higher compared to the new lending of the first half of 2020, 12% higher. (The new lending of the first half of 2020 was 537 MB.) Compared to 2019, the new lending of 2021 was quite close to the new lending of first half of 2019. (The first half of 2019's new lending was 607 MB.) The company still aimed at generating the new lending of 1,600 MB, approximately the same as 2019's, with the expectation that the Covid 19 situation could be controlled, less severe than the present. As for the NPF, the company NPF's stood at 3.49 %, 0.43 % lower than the previous quarter (The NPF of Q1 2021 was 3.92%), resulting from the speedy collection activities, debt restructuring program, and active assets seizure activity.

AS for the operating result of Q2 2021, the company's net profit was still a new high figure since the implementation of the new business plan. The net profit of Q2 2021 was 80.59 MB, 1.28 MB higher than the previous quarter, 1.61% higher. Compared to the same quarter of the previous year, the profit of Q2 2021 was higher by 15.04 MB, 22.94% higher. Considered the first 6 months of this year (Jan-June 2021), the company generated a net profit of 159.90 MB, 21.91 MB higher than the same period of the previous year, 15.88% higher. The factors that contributed to the increase in the net profit were as follows,

- 1) The revenue from hire-purchase had increase continuously, despite some downward adjustment in revenue from the new lower IRR due to the debt suspension program conducted in Q2 2020.
- 2) The expected credit loss (reserve for possible loan loss) in Q2 2021 was 15.75 MB, lower by 2 MB compared to the previous quarter.
- 3) The loss from sales of assets foreclosed was lower by 2 MB compared to the previous quarter, 37% lower.

2. Operating result and profitability

2.1 The company's operating result ending 30 June 2021.

(unit: Thousand Baht)

| Continuing operations: | Q2/2021 | Q1/2021 | Q2/2020 | QoQ | YoY | six-month / 2021 | | six-month / 2020 | | YoY | |
|---|----------------|----------------|----------------|---------------|---------------|------------------|----------------|------------------|----------------|-----------------|----------------|
| | | | | | | amount | % | amount | % | + / - | % |
| Income from hire-purchase contracts | 160,300 | 157,734 | 152,331 | 1.63% | 5.23% | 318,034 | 82.20% | 314,555 | 81.94% | 3,479 | 1.11% |
| Income from inventory finance receivables | 1,096 | 980 | 605 | 11.80% | 81.19% | 2,076 | 0.54% | 1,616 | 0.42% | 460 | 28.44% |
| Fee and service income | 9,134 | 8,663 | 6,500 | 5.44% | 40.52% | 17,797 | 4.60% | 19,634 | 5.11% | (1,837) | -9.36% |
| Other income | 26,527 | 22,488 | 17,622 | 17.96% | 50.53% | 49,015 | 12.67% | 48,087 | 12.53% | 928 | 1.93% |
| Total income | 197,057 | 189,865 | 177,058 | 3.79% | 11.30% | 386,922 | 100.00% | 383,892 | 100.00% | 3,030 | 0.79% |
| Selling expenses | 497 | 533 | 359 | -6.73% | 38.60% | 1,030 | 0.27% | 1,430 | 0.37% | (400) | -27.98% |
| Administrative expenses | 63,781 | 65,207 | 58,847 | -2.19% | 8.38% | 128,988 | 33.34% | 127,496 | 33.21% | 1,492 | 1.17% |
| Expected credit losses (Bad debt and doubtful accounts) | 15,748 | 17,739 | 3,976 | -11.22% | 296.08% | 33,487 | 8.65% | 42,546 | 11.08% | (9,059) | -21.29% |
| Impairment loss and loss on sales of properties foreclosed | 3,300 | 5,255 | 12,212 | -37.20% | -72.98% | 8,555 | 2.21% | 21,332 | 5.56% | (12,777) | -59.90% |
| Finance costs | 18,790 | 19,100 | 21,178 | -1.63% | -11.28% | 37,890 | 9.79% | 41,917 | 10.92% | (4,027) | -9.61% |
| Total expenses | 102,116 | 107,834 | 96,572 | -5.30% | 5.74% | 209,950 | 54.26% | 234,721 | 61.14% | (24,771) | -10.55% |
| Profit (loss) before income tax expenses | 94,941 | 82,031 | 80,486 | 15.74% | 17.96% | 176,972 | 45.74% | 149,171 | 38.86% | 27,801 | 18.64% |
| Income tax (expenses) | 14,356 | 2,721 | 14,938 | 427.60% | -3.90% | 17,077 | 4.41% | 11,184 | 2.91% | 5,893 | 52.69% |
| Profit (loss) for the period | 80,585 | 79,310 | 65,548 | 1.61% | 22.94% | 159,895 | 41.32% | 137,987 | 35.94% | 21,908 | 15.88% |

The operating result of Q2 2021 compared to Q2 2020 (YoY)

The company's generated a net profit of 80.59 MB in Q2 2021, 15.04 MB, 22.94% higher than the same period of the previous year. The factor contributed to the growth in net profit were from: the increase in revenue from hire-purchase, which increased by 7.97 MB, 5.23% increase (increase from 152.33 MB to 160.30 MB); the increase in revenue from fees and services (mostly from registration service) and insurance brokerage fees, which increased by 2.63 MB, 40.52% increase (increase from 6.50 MB to 9.13 MB); the increase in other income (mostly from the recovery of judicial debt), which increased by 8.91 MB, 50.53% increase (increase from 17.62 MB to 26.53 MB).

As for the total expenses, the company's total expenses had increased by 5.55 MB, 5.74% increase. The major increase was the increase in reserve for loan loss (expected credit loss), 11.77 MB, 296.08% increase. The reverse for loan loss for this quarter was considered to be normal, despite the amount was higher than the Q2 2020's. The reserve for loan loss of Q2 2020 was unusually low due to the debt repayment suspension program conducted during Q2 2020, resulting to the overdue payment of all the accounts under the program to be frozen. The reserve for loan loss of Q2 2020 was 3.98 MB which was unusually low comparing to other normal periods. The administrative expenses, mostly, the personal expense, increased by 4.93 MB, 8.38% increase. The decreased expense was the impairment loss and loss on sales of properties foreclosed which had decreased by 8.91 MB, 72.98% decrease, resulting from the improvement of used car prices in the auction market. The financial cost decreased by 2.39 MB, 21.28% decrease, resulting from the utilization of soft loan from the Government Saving Bank.

The operating result of Q2 2021 compared to Q1 2021 (QoQ)

The company's total revenue had increased from 189.87 MB in Q1 2021 to 197.06 MB in Q2 2021, 7.19 MB, 3.79% increase. The major increase was the increase in revenue from hire-purchase, 2.57 MB, 1.63 % increase. The other revenue had increased by 4.04 MB, 17.96% increase, mostly was from the collection of judicial debt.

As for the total expenses, the company's total expenses had decreased by 5.30%, comparing to the previous quarter (from 107.83 MB to 102.12 MB). The major decrease resulted from the

decrease in reserve for loan loss (expected credit loss) which had decreased by 1.99 MB, 11.22% decrease. The impairment loss and loss on sales of properties foreclosed had decreased by 1,96 MB, 37.20% decrease, resulting from the improvement of prices of used car in the auction market.

Summary of the company's operating result in Q2 2021

In Q2 2021 the company produced a net profit of 80.59%, 1.28 MB, 1.61% increase from the previous quarter. Comparing to the net profit of the same quarter of last year, the net profit of Q2 2021 was higher by 15.04 MB, 22.94 % higher. Considering the net profit of the first 6 months (Jan-June 2021), the company's net profit was 159.90 MB, 15.88% higher than the same period of the last year. The factor that contributed to the continuation of growth in net profit was the increase in hire-purchase income, the active administration of debt collection, and the active management of asset foreclosed.

Financial Position

| Statements of financial position | Q2/2021 | Q1/2021 | QOQ | Q2/2020 | YOY |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| Cash and cash equivalents | 81.83 | 137.71 | -40.58% | 80.69 | 1.42% |
| Hire-purchase receivables | 3,329.34 | 3,353.40 | -0.72% | 3,272.24 | 1.74% |
| Inventory finance receivables | 27.30 | 35.56 | -23.24% | 10.08 | 170.83% |
| Properties and equipment | 26.03 | 26.47 | -1.67% | 27.43 | -5.10% |
| Properties foreclosed | 64.11 | 60.65 | 5.71% | 65.94 | -2.78% |
| Deferred tax assets | 39.79 | 47.51 | -16.24% | 39.68 | 0.29% |
| Others | 84.29 | 88.01 | -4.23% | 77.93 | 8.16% |
| Total assets | 3,652.69 | 3,749.31 | -2.58% | 3,573.99 | 2.20% |
| Short-term loan from major shareholder | 1,958.28 | 1,991.60 | -1.67% | 2,083.44 | -6.01% |
| Others | 115.75 | 130.43 | -11.26% | 94.38 | 22.64% |
| Total liabilities | 2,074.03 | 2,122.03 | -2.26% | 2,177.82 | -4.77% |
| Shareholders' equity | 1,578.66 | 1,627.29 | -2.99% | 1,396.17 | 13.07% |

| Financial Ratio | Q2/2021 | Q1/2021 | Q2/2020 |
|---------------------------------|---------|---------|---------|
| Liquidity Ratio (multiple) | 0.74 | 0.77 | 0.56 |
| Debt to Equity Ratio (multiple) | 1.31 | 1.30 | 0.76 |
| NPF (%) | 3.49% | 3.92% | 2.71% |

Financial position as at Q2 2021

At Q2 2021, the company's had the total assets of 3,652.69 MB, 96.62 MB, 2.58% decrease from the previous quarter. Comparing to the same quarter of last year, the total assets of the company had increased by 78.70 MB, 2.20% increase. The major decrease in total assets from the previous quarter resulted from the decrease in cash and cash equivalent balance which decreased by 55.88 MB, 40.58% decrease. This resulted from the reduction of cash holding to reduce the financial cost. The inventory finance portfolio had decreased by 8.26 MB, 23.24% decrease, resulting from the lower disbursement of loan by the customer. The hire-purchase portfolio had decreased by 24.06 MB, 0.72% decrease, partly as a result of more receivables were converted in to assets foreclosed. The assets foreclosed had increased by 3.46 MB, 5.71% increase, resulting from the more active automobile seizure.

As for the liabilities, in Q2 2021 the company had the total liabilities of 2,074.03 MB, 48.00 MB, 2.26 % decrease from the previous quarter. Comparing to the same quarter of the previous year, the total liabilities had decreased by 103.79 MB, 4.77% decrease. The major decrease in liability was the decrease in borrowing from financial institution. As at 30 June 2021, the loan from financial institution was 1,958.28 MB, consisting of short-term borrowing from the Islamic Bank of Thailand of 1,370 MB, long-term loan from the Islamic Bank of Thailand and the Government Saving Bank totaling of 588.28 MB.

As for the shareholder's equity, in Q2 2021 the company's shareholder's equity had decreased by 48.63 MB, 2.99% decrease, comparing to the previous quarter. This is due to the annual dividend payment during the Q2 2021. Comparing to the shareholder's equity of the same quarter of the previous year, the shareholder's equity as at Q2 2021 had increased by 182.49 MB, 13.07% increase. The company's debt to equity as at Q2 2021 was 1.3 times closed to the previous quarter, due to the increase in retained-earning and the reduction of borrowing in financing new lending.