AMANAH Leasing

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Management Discussion and Analysis

For Quarter 2, 2023 End of June 30th, 2023

Management Discussion and Analysis

1. **Overall**

In Q2 2023, the company generated the new lending of 512 MB, a small decline of 3 MB from the previous quarter. As for the first half of this year, the company generated the total new lending of 1,027 MB. This figure was higher than the first half of the previous year by 32 MB. (The new lending for the first half of the previous year was 995 MB.) Consequently, the total new lending of this year was already 43% of the target 2003 new lending of 2,400 MB.

A Graph Illustrated the Quarterly New Lending between Q1 2021 and Q2 2023

The graph above illustrated the quarterly new lending from Q1 2021 to Q2 2023. The graph demonstrated that the company's new lending had been at a minimum of 500 MB in every quarter starting in Q4 2021, since the relaxation of covid-19 controlling measures. In Q4 2022, the company's new lending was at the highest of 591 MB. Recently, in Q2 2023, the company's new lending was 512 MB. The factor that made the company's new lending for the first half of this year was slightly below 50% of 2,400 MB the year target was that the company had assigned all the branches to spare the time to contact the overdue customers to do debt restructuring. The company believed that the company would still be able to achieve the lending-target this year by speeding-up the new lending in the second half of the year.

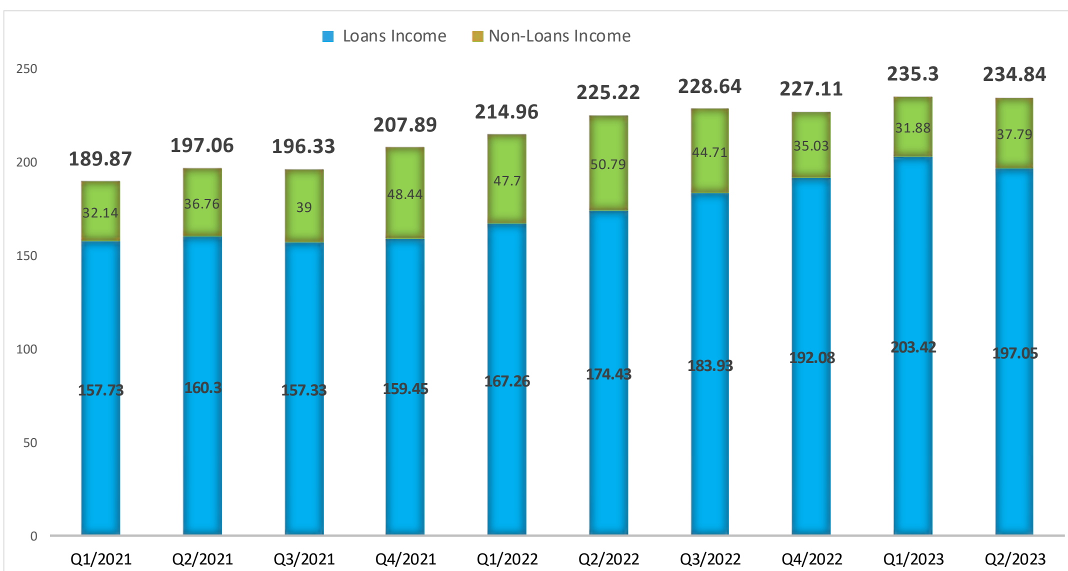
As for the loan quality, at the end of Q2 2023, the company's Non Performing Finance (NPF) was still below 4%. The Q2 2023's NPF stood at 3.99%.

As for the operating result, in Q2 2023, the company produced the net profit of 33.93 MB, 9.37 MB, 21.64%, lower than the net profit of the previous quarter. The lower net profit in Q2 2023 resulted from the higher expected credit loss expense. The Q2 2023's expected credit loss expense increased by 11.54

MB, 19.02% higher. This resulted from more over-due customers had fallen from stage 1 (0-1 overdue) to stage 2 (2-3 overdue), causing the company to incurred more expected credit loss expense. However, the company could still manage to keep the NPF below 4%. To control the quality of loan portfolio and minimize the expected credit loss expense, the company had implemented these measures.

1) Actively and continuously perform debt restructuring focusing on the stage-2 customers. In Q2 2023, about 500 customers was restructured. The company targeted to restructure 2,500-3,000 overdue customers in total. This measure aimed improving the re-pay ability of the customers, in complying with the policy of the Bank of Thailand (BOT).
2) Revise the KPI used for the internal debt collection personals including the outsource agencies aiming at improving the debt collection performance.
3) Assign all the company's branches to carefully screen the customers before sending-in the loan application and also assign NPFs as additional KPIs for branches.
4) Implement a policy of reducing overdue customers through forcing both internal and outsourced collectors to collect all the overdue payments or at least more than one overdue payments from all of the overdue-customers.

The company believes that all of these measures would help to convert of the stage-2 customers (2-3 overdue) in-to stage-1 (0-1 overdue) customers and reduce the company's expected credit loss expense.



As for the revenue from lending, in Q2 2023, the company's revenue from lending decreased by 6.37 MB, 3.13% decrease, due to the written-off of some NPF customers. The written-off resulted to a decrease in revenue from lending by about 9 MB. However, the written-off of the NPF customers was only a specific event. The company expected to generate new lending at a minimum of 500 MB quarterly. This would result in the increase in revenue from lending in the future quarters.

2. Operating Result and Profitability

2.1 The company's Operating Result Ending 30th June 2023

Unit: Million baht

Continuing operations:	Q2/2023	Q1/2023	Q2/2022	QoQ	YoY	six-month / 2023		six-month / 2022		YoY	
						amount	%	amount	%	+ / -	%
Income from hire-purchase contracts	140,777	169,560	174,432	-16.97%	-19.29%	310,337	66.01%	341,695	77.76%	(31,357)	-9.18%
Income from loans	56,276	33,859	0	66.21%		90,136	19.17%	0	0.00%	90,136	
Income from inventory finance receivabl	737	845	603	-12.83%	22.12%	1,582	0.34%	1,193	0.27%	389	32.59%
Fee and service income	8,037	9,005	21,900	-10.75%	-63.30%	17,042	3.62%	38,899	8.85%	(21,857)	-56.19%
Other income	29,008	22,028	28,280	31.68%	2.57%	51,036	10.86%	57,614	13.11%	(6,578)	-11.42%
Total income	234,835	235,298	225,215	-0.20%	4.27%	470,133	100.00%	439,401	100.00%	30,732	6.99%
Selling expenses	1,056	1,377	1,185	-23.27%	-10.87%	2,433	0.52%	2,185	0.50%	247	11.32%
Administrative expenses	90,454	84,724	83,305	6.76%	8.58%	175,178	37.26%	170,226	38.74%	4,953	2.91%
Expected credit losses (Bad debt and doubtful accounts)	72,227	60,683	31,281	19.02%	130.90%	132,910	28.27%	53,727	12.23%	79,183	147.38%
Impairment loss and loss on sales of properties foreclosed	1,162	11,211	(356)	-89.64%	n.m.	12,373	2.63%	(3,953)	-0.90%	16,326	n.m.
Finance costs	27,725	23,460	18,069	18.18%	53.44%	51,185	10.89%	35,129	7.99%	16,056	45.71%
Total expenses	192,624	181,455	133,484	6.16%	44.30%	374,079	79.57%	257,314	58.56%	116,765	45.38%
Profit(loss) before income tax expenses	42,211	53,843	91,731	-21.60%	-53.98%	96,054	20.43%	182,087	41.44%	(86,033)	-47.25%
Income tax (expenses)	8,281	10,541	10,930	-21.44%	-24.24%	18,822	4.00%	26,526	6.04%	(7,704)	-29.04%
Profit (loss) for the period	33,930	43,302	80,801	-21.64%	-58.01%	77,232	16.43%	155,561	35.40%	(78,330)	-50.35%

Q2 2023' Operating Result compared to Q2 2022's Operating Result (YoY)

In Q2 2023, the company generated a net profit of 33.93 MB, 46.87 MB decrease from the same period of the previous year (Q2 2022), 58.01% decrease. (The company's net profit of Q2 2022 was 80.80 MB.) The major factors that caused the decrease in net profit were the increase in some of the expenses. 1) The expected credit loss expense increased from 31.28 MB in Q2 2022 to 72.23 MB in Q2 2023, 40.95 MB, 130.90% increase, resulting from the economic condition and the change in behavior of customers due to the effectiveness of the market conduct measure. The market conduct measure resulted in the reduction of the collection fee that the company could charge from the late payment customers. The reduction of fee charged resulted to a change in behavior of the customers. Customers tended to become less punctual in making payment due to the lower charge. 2) The funding cost increased by 9.66 MB, 53.44% increase (from 18.07 MB to 27.73 MB), resulting from the 0.25% higher financial cost charged by the financial institutions. The borrowing from financial institution also increased. Meanwhile, the company's total revenue had increased by 9.62 MB, 4.27% increase, resulted mainly from the growth of lending portfolio. The revenue from lending increased 22.61 MB, 12.97% increase (from 174.43 MB to 197.05 MB). The revenue from fee and services decreased 13.86 MB, 63.30% decrease (from 21.90 MB to 8.04 MB). This decrease resulted from the decrease in revenue from collection fee, and some other fees and services due to the shift from high-purchase to auto-title lending.

Q2 2033's Operating Result Compared to Q1 2023's Operating result (QoQ)

The company's total revenue decreased from 235.30 MB in Q2 2023 to 234.84 MB in Q2 2023, 0.46 MB. 0.20% decrease. This resulted from the decrease in revenue from lending of 6.37MB, 3.13% decrease. The reason for this decrease resulted from the written-off of some NPF customers, causing a reversal of revenue from lending by about 9 MB. However, the mention written-off was only the specific event. The revenue from fees and services decreased by 10.75% from the previous quarter (from 9.01 MB to 8.04 MB).

As for the total expense, in Q2 2023, the company's total expense increased by 6.16% compared to the previous quarter's (from 181.46 MB to 192.62 MB). The major increase resulted from the increase in the expected credit loss expense, administrative expense, and funding cost expense. The expected credit loss expense increased 11.55 MB (from 60.68 MB to 72.23 MB), 19.02% increase. This increase resulted from the change in customers' behavior due to the market conduct measure, causing more of the stage-1 customers (0-1 overdue) to fall into stage-2 customers (2-3 overdue). The fall forced the company to incur more expected credit loss expense. The administrative expense increased 5.73 MB (from 84.72 MB to 90.45 MB), 6.76% increase. This increase resulted from the increase in legal and collection expenses. The funding cost increased by 4.27 MB, 18.18% increase (from 23.46 to 27.73 MB). This increase resulted from the 0.25% increase in funding cost charged by the financial institutions. The company's borrowing from financial institutions also increased.

Financial Positions

Unit: thousand baht

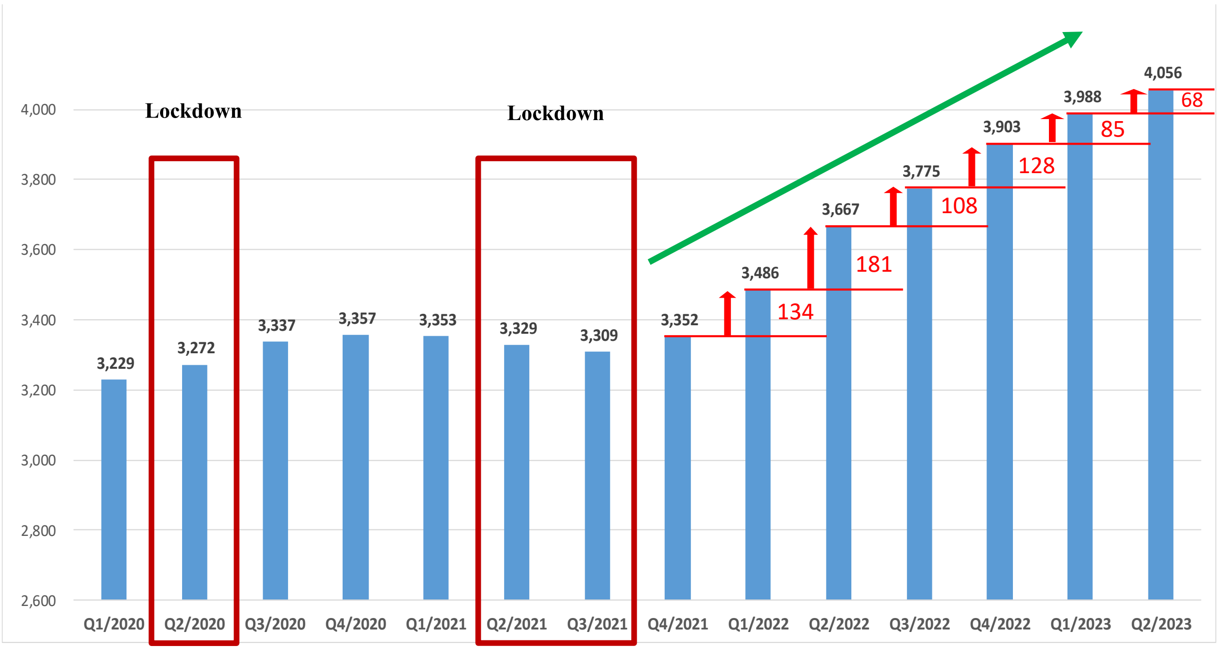
Statements of financial position	Q2/2023	Q1/2023	QOQ	Q2/2022	YOY
Cash and cash equivalents	75.79	58.57	29.40%	32.37	134.16%
Hire-purchase and Loan receivab	4,056.03	3,988.01	1.71%	3,667.13	10.61%
Inventory finance receivables	34.57	25.38	36.21%	12.84	169.14%
Properties and equipment	30.76	31.62	-2.72%	26.76	14.96%
Properties foreclosed	239.79	165.57	44.82%	99.85	140.16%
Deferred tax assets	56.03	55.25	1.42%	48.77	14.89%
Others	44.27	45.61	-2.94%	46.10	-3.97%
Total assets	4,537.23	4,370.00	3.83%	3,933.81	15.34%
Short-term loan from major sharel	2,694.79	2,329.02	15.70%	2,029.88	32.76%
Others	106.74	132.16	-19.23%	190.61	-44.00%
Total liabilities	2,801.53	2,461.18	13.83%	2,220.48	26.17%
Shareholders' equity	1,735.70	1,908.82	-9.07%	1,713.32	1.31%

Financial Ratio	Q2/2023	Q1/2023	Q2/2022
Liquidity Ratio (times)	0.46	0.51	0.46
Debt to Equity Ratio (times)	1.61	1.29	1.30
NPF (%)	3.99%	3.99%	3.69%

In Q2 2023, the company had the total asset of 4,537.23 MB, 167.23 MB, 3.83%, increase from the previous quarter. Compared to the Q2 2022, the company's total asset in Q2 2023 increased by 603.42 MB, 15.34% increase. In Q2 2023, the company's lending portfolio increased 68.02 MB, 1.71% increase from the previous quarter. The quarterly lending portfolio was illustrated in the graph below.

Graph Illustrated Lending Portfolio from Q1 2020 to Q2 2023

Unit: Million Baht



In Q2 2023, the company's property foreclosed increased 74.22 MB, 44.82%, from the previous quarter. The inventory finance receivable increased 9.19 MB, 36.21% from the previous quarter.

As for the company's liabilities, in Q2 2023, the company had the total liabilities of 2,801.53 MB, 340.35 MB, 13.83%, increase from the previous quarter. The major increase in total liabilities resulted from the increase in borrowing from financial institutions. At 30th June 2023, The borrowing from financial institutions was 2,694.79 MB, consisting of 2,329.23 of P/N from, and 44.14 MB term-loan from Islamic Bank of Thailand, and 321.42 MB. term-loan from the Government Saving Bank.

As for the shareholders' equity, in Q2 2023, the company had the shareholders' equity of 1,735.70 MB, decreased amount 173.12 MB. or 9.07% decrease from the previous quarter, resulting from the payment of cash dividend in May 2023. Compared to the same quarter of the previous year, the company's shareholder's equity increased by 22.38 MB, 1.31% increase. The increase resulted from the increased in retained-earning. The company's debt to equity ratio increased from 1.29 in Q2 2022 to 1.61 in Q2 2023.