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Management Discussion and Analysis (MD&A)

Quarterly Ending September 30, 2023



Subject Management Discussion and Analysis for the Three and Nine-month Period Ended September 30, 2023

To Managing Director
The Stock Exchange of Thailand

Heng Leasing and Capital Public Company Limited ("the Company") would like to present its financial performance for the Nine-month Period Ended September 30, 2023 with an executive summary as follows:

- As of September 30, 2023, the Company has 852 branches, increased by 174 branches, or equivalent to 25.7%, from December 31, 2022.
- Loan portfolio (Gross) as of September 30, 2023 is Baht 14,567.1 million, increased by Baht 2,547.0 million, or equivalent to 21.2%, from December 31, 2022.
- Net profit for the Nine-month Period Ended September 30, 2023 is Baht 262.7 million or equivalent to net profit margin of 12.6%.
- Credit cost ratio as of September 30, 2023 is 2.9% (as of December 31, 2022: 1.9%).
- Debt to Equity Ratio (D/E) as of September 30, 2023 is 1.8 time (as of December 31, 2022: 1.3 time).

Company's performance

As to the operating performance for the Three-month Period Ended September 30, 2023, the Company has a total net profit of Baht 81.2 million, decreased from the same period of the previous year by Baht 16.2 million or equivalent to 16.6%.

As to the operating performance for the Nine-month Period Ended September 30, 2023, the Company has a total net profit of Baht 262.7 million, increased from the same period of the previous year by Baht 9.2 million or equivalent to 3.6%.

Unit : Million Baht

Income Statement For the Three-month Period Ended September 30,	2023	2022	Change	
			Amount	%
Revenues				
Hire purchase interest income	203.1	238.1	(35.0)	(14.7)
Loan interest income	467.1	245.8	221.3	90.0
Fee and service income	67.6	63.5	4.1	6.5
Other income	14.8	14.3	0.5	3.5
Total revenues	752.6	561.7	190.9	34.0
Service and administrative expenses	324.4	264.9	59.5	22.5
Profit from operating activities	428.2	296.8	131.4	44.3
Expected credit losses	116.7	90.0	26.7	29.7
Loss on impairment and disposal of assets	90.9	26.9	64.0	237.9
Profit before finance cost and income tax expenses	220.6	179.9	40.7	22.6
Finance cost	119.1	58.2	60.9	104.6
Profit before income tax expenses	101.5	121.7	(20.2)	(16.6)
Income tax expenses	20.3	24.3	(4.0)	(16.5)
Profit for the period	81.2	97.4	(16.2)	(16.6)
Basic earnings per share (Baht per share)	0.02	0.03		

1. Total revenue for the Three-month Period Ended September 30, 2023 is Baht 752.6 million, increased from the same period of the previous year by Baht 190.9 million or equivalent to 34.0%.

2. Service and administrative expenses for the Three-month Period Ended September 30, 2023 is Baht 324.4 million, increased from the same period of the previous year by Baht 59.5 million or equivalent 22.5%, mainly caused by an increase of employee expenses from the expansion of branches and staff.

3. Expected credit loss for the Three-month Period Ended September 30, 2023 is Baht 116.7 million, increased from the same period of the previous year by Baht 26.7 million or equivalent to 29.7%.

4. Loss on impairment and disposal of assets for the Three-month Period Ended September 30, 2023 is Baht 90.9 million, increased from the same period of the previous year by Baht 64.0 million or equivalent to 237.9%.

5. Finance cost for the Three-month Period Ended September 30, 2023 is Baht 119.1 million, increased from the same period of the previous year by Baht 60.9 million or equivalent to 104.6%.

6. Net profit for the Three-month Period Ended September 30, 2023 is Baht 81.2 million, decreased from the same period of the previous year by Baht 16.2 million or equivalent to 16.6%.

Unit : Million Baht

Income Statement For the Nine-month Period Ended September 30,	2023	2022	Change	
			Amount	%
Revenues				
Hire purchase interest income	680.7	668.2	12.5	1.9
Loan interest income	1,171.2	664.4	506.8	76.3
Fee and service income	195.8	142.3	53.5	37.6
Other income	40.0	38.4	1.6	4.2
Total revenues	2,087.7	1,513.3	574.4	38.0
Service and administrative expenses	948.3	731.2	217.1	29.7
Profit from operating activities	1,139.4	782.1	357.3	45.7
Expected credit losses	319.0	264.4	54.6	20.7
Loss on impairment and disposal of assets	185.6	51.1	134.5	263.2
Profit before finance cost and income tax expenses	634.8	466.6	168.2	36.0
Finance cost	306.5	149.8	156.7	104.6
Profit before income tax expenses	328.3	316.8	11.5	3.6
Income tax expenses	65.6	63.3	2.3	3.6
Profit for the period	262.7	253.5	9.2	3.6
Basic earnings per share (Baht per share)	0.07	0.07		

1. Total revenue for the Nine-month Period Ended September 30, 2023 is Baht 2,087.7 million, increased from the same period of the previous year by Baht 574.4 million or equivalent to 38.0%.

2. Service and administrative expenses for the Nine-month Period Ended September 30, 2023 is Baht 948.3 million, increased from the same period of the previous year by Baht 217.1 million or equivalent to 29.7% due to an increase of employee expenses from the expansion of branches and staff.

3. Expected credit loss for the Nine-month Period Ended September 30, 2023 is Baht 319.0 million, increased from the same period of the previous year by Baht 54.6 million or equivalent to 20.7%.

4. Loss on impairment and disposal of assets for the Nine-month Period Ended September 30, 2023 is Baht 185.6 million, increased from the same period of the previous year by Baht 134.5 million or equivalent to 263.2%.

5. Finance cost for the Nine-month Period Ended September 30, 2023 is Baht 306.5 million, increased from the same period of the previous year by Baht 156.7 million or equivalent to 104.6%.

6. Net profit for the Nine-month Period Ended September 30, 2023 is Baht 262.7 million, increased from the same period of the previous year by 9.2 Million Baht, or 3.6%.

Company's Financial Position

Unit : Million Baht

Statements of financial position As of	September 30, 2023	December 31, 2022	Change	
			Amount	%
Current assets	4,290.0	3,775.9	514.1	13.6
Non-current assets	10,612.7	8,487.7	2,125.0	25.0
Total assets	14,902.7	12,263.6	2,639.1	21.5
Current liabilities	4,490.3	3,427.1	1,063.2	31.0
Non-current liabilities	5,159.1	3,592.2	1,566.9	43.6
Total liabilities	9,649.4	7,019.3	2,630.1	37.5
Total shareholders' equity	5,253.3	5,244.3	9.0	0.2
Total liabilities and shareholders' equity	14,902.7	12,263.6	2,639.1	21.5

1. Total Assets

- As of September 30, 2023, the Company has total assets of Baht 14,902.7 million, increased from the end of the previous year by Baht 2,639.1 million or equivalent to 21.5%, mainly due to the increase of loan portfolio.

2. Total Liabilities

- As of September 30, 2023, the Company has total liabilities of Baht 9,649.4 million, increased from the end of the previous year by Baht 2,630.1 million or equivalent to 37.5%, mainly due to the increase of funding.

3. Total Equities

- Total Equities as of September 30, 2023 is Baht 5,253.3 million, increased from the end of the previous year by Baht 9.0 million or equivalent to 0.2% which is a net of net profit for the period and dividend payment from 2022 operating result.

Sustainable Development and Corporate Governance

The Company operates on a sustainable basis that balances business growth with social well-being and the environment including the importance of good corporate governance. The Company has appointed the Corporate Governance and Sustainable Development Committee to demonstrate our commitment to disclosing important information to stakeholders accurately, completely, and transparently. The Company has added Sustainable Development and Corporate Governance contents as a part of the quarterly Management Discussion and Analysis. For quarter 3/2023, the Company made significant progress as follows:

E: Environment

The Company focuses on the efficient use of resources and systematic waste management. The Company has started the campaign to reduce the use of electricity. Campaign to reduce water use and help check for broken plumbing equipment. Campaign to reduce pollution from car traveling including waste separation for effective waste management. The Company received an evaluation of the Green Office Project for the year 2023 from the Ministry of Natural Resources and Environment at a very good level.



S: Social

The Company has provided financial knowledge to people in the community through the project to promote financial knowledge and also has published through online channels in the program "Heng Ruay Pang" via YouTube and Facebook of the Company.

G: Governance

The Company focuses on the importance of good corporate governance. The Company operated following the Personal Data Protection Act. and the Anti-Money Laundering Act, B.E. 2542 (1999) and the Counter-Terrorism and Proliferation of Weapon of Mass Destruction Financing Act, B.E.2559 (2016) to update the policy and operation process including educating employees for knowledge and updated a guideline for working and serving customers equitably.