



No. ASN.012/2024

February 21, 2024

Subject Management's discussion and analysis on 2023 performance

To President

The Stock Exchange of Thailand

For 2023 results, ASN Broker Plc. and our subsidiaries ("the Company") recorded total revenues of THB 161.20 million, growing by 6.1% from THB 151.97 million in the previous year, with a net profit of THB 1.98 million, which plunged 61.7% from THB 5.17 million a year ago.

- Summary of operating results for the year ended December 31, 2023

	2022		2023		Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Total revenues	151.97	100.0%	161.20	100.0%	9.23	6.1%
Operating income	146.69	96.5%	155.20	96.3%	8.51	5.8%
Less: Cost and expenses of services	70.84	46.6%	71.82	44.6%	0.98	1.4%
Gross profit	75.85	51.7%	83.38	53.7%	7.53	9.9%
Other revenues ^{1/}	5.28	3.5%	6.00	3.7%	0.72	13.6%
Less: Administrative expenses	65.65	43.2%	65.79	40.8%	0.14	0.2%
Profit from operating activities	15.48	10.2%	23.59	14.6%	8.11	52.4%
Less: Finance cost	12.29	8.1%	12.27	7.6%	(0.02)	-0.2%
Reversal of expected credit losses/Expected credit losses	(3.50)	-2.3%	4.89	3.0%	8.39	239.7%
Less: Income tax expenses	1.52	1.0%	4.45	2.8%	2.93	192.8%
Net profit	5.17	3.4%	1.98	1.2%	(3.19)	-61.7%

^{1/} Other revenues consisted of income from policy cancellation fees, interest income, service income from lending business, etc.

บริษัท เอเอสเอ็น โบรกเกอร์ จำกัด (มหาชน)

388 อาคารไอบีเอ็ม ชั้น 16 บี ถนนพหลโยธิน แขวงสามเสนใน เขตพญาไท กรุงเทพมหานคร 10400 โทรศัพท์ 0-2494-8377
388 IBM Tower, 16th Floor, Zone B, Phaholyothin Rd., Samsennai, Phayathai, Bangkok 10400 Tel. 0-2494-8377
www.asnbroker.co.th



Analysis of operating results

Revenues

The Company recorded total revenues of THB 161.20 million in 2023, increasing by 6.1% from THB 151.97 million in the preceding year. The revenues, classified by core business lines, are as follows:

	2022		2023		Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
1. Insurance broker business						
- Non-life insurance broker	82.18	54.1%	76.34	47.4%	(5.84)	-7.1%
- Life insurance broker	2.78	1.8%	1.87	1.2%	(0.91)	-32.7%
2. Lending business						
- Investment in peer to peer lending platform	1.63	1.1%	0.10	0.1%	(1.53)	-93.9%
- Personal loan	55.26	36.4%	72.24	44.8%	16.98	30.7%
3. Peer to peer lending platform service business	4.84	3.2%	4.65	2.9%	(0.19)	-3.9%
Other revenues ^{1/}	5.28	3.5%	6.00	3.7%	0.72	13.6%
Total	151.97	100.0%	161.20	100.0%	9.23	6.1%

^{1/} Other revenues consisted of income from policy cancellation fees, interest income, service income from lending business, etc.

1. Insurance broker business

- Non-life insurance broker

The Company recorded income from non-life insurance broker business of THB 76.34 million in 2023, dropping by 7.1% from THB 82.18 million in 2022 due to a decline in total sales of 6.7% year-on-year. Classified by sales channels, telemarketing went down by 6.2% and online sales through OOHOO and ASN Prompt platforms dropped by 0.5% year-on-year. This was mainly ascribed to a decrease in number of telemarketing staffs and the fact that the online channel still cannot reach a broad audience. As such, we have adjusted our recruitment strategy in parallel with development of employee skills and knowledge. As for our online channel, we have focused on increasing the awareness of our brand identity.

- Life insurance broker

Income from life insurance broker business in 2023 accounted for THB 1.87 million, plummeting by 32.7% from THB 2.78 million in 2022. This resulted chiefly from the cessation of sales of first-year life insurance since Q3/2019 due to a drop in yields on competitive products.

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2. Lending business

- Investment in peer to peer lending platform

From the investment in the peer to peer lending business through Daingern.com platform, the Company generated interest income of THB 0.10 million in 2023, plunging by 93.9% from THB 1.63 million in 2022 due to the Company having ceased the investment in the Daingern.com platform service since August 2019. After the issuance of the Bank of Thailand's Notification Re: Determination of Rules, Procedures, and Conditions for Electronic System or Network for Operation of the Peer-to-Peer Lending Business, the Company has since been unable to make the investment through Daingern.com platform.

- Personal loan

The Company recorded interest income of THB 72.24 million in 2023, a surge of 30.7% from THB 55.26 million in 2022 thanks partly to growth in loan extension in the first nine months of the year and partly to a high rate of interest income recognition during the initial period of the loan agreement according to the effective interest calculation method. Despite the Notification Prescribing the Hire-Purchase of Car and Motorcycle Business as a Contract-Controlled Business B.E. 2565, with an interest rate ceiling of 15% p.a. which is not lower than the industry normal interest, we have adjusted the strategy to control our hire-purchase financing portfolio in a bid to mitigate risk of bad debts that may arise in the future. Growth in ASN Finance business is illustrated in Figure 1 below:

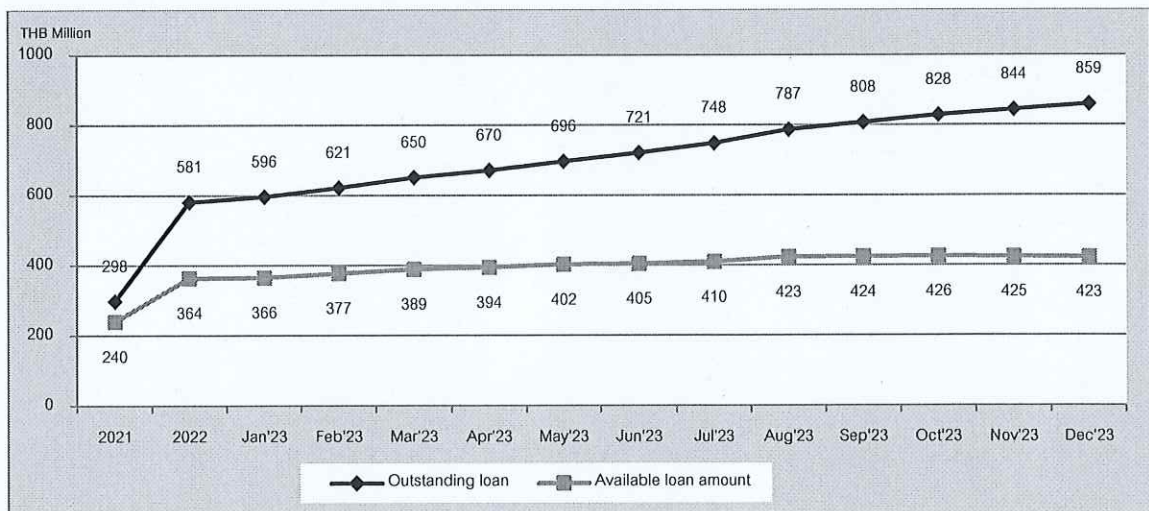


Figure 1: Growth in ASN Finance Business

Albeit such loan growth, we still adopt a stringent measure for loan repayment monitoring. As at the end of 2023, our NPLs stood at 4.65%.

Our operation through branch network launched in Q2/2023 onwards aims to increase our service channels and enhance our brand awareness among customers, in addition to the online channel. As at year-end 2023, the ratio of our outstanding loans receivable, classified by service channels, were as follows:

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Channel	%
Online	95.8
Branch	4.2

3. Peer to peer lending platform service business

The Company brought in revenues from the peer to peer lending platform service in the amount of THB 4.65 million in 2023, decreasing slightly by 3.9% from THB 4.84 million in 2022, which mainly resulted from the following factors:

- The Company ceased the peer to peer lending service on Daingern.com platform in January 27, 2020 to gear up for participation in testing of the electronic system or network service provision in the Bank of Thailand's regulatory sandbox, thereby causing a decrease in service income in the amount of THB 2.47 million. Lending amount remaining available for this service is THB 0.69 million. Loan repayment is expected to be completely received by 2024.
- The Company commenced the testing of such service provision in the regulatory sandbox on March 1, 2022, leading total service income to increase by THB 2.28 million.

The peer to peer lending platform service performance before and during testing in the regulatory sandbox is as shown in the below table:

	Before Testing in Regulatory Sandbox*	Testing in Regulatory Sandbox**
Outstanding loan provided	727.20	115.34
Available loan amount	0.69	84.74
NPL	-	1.02%

* Earlier service was ceased on January 27, 2020 before participation in the regulatory sandbox.

** Service testing in the regulatory sandbox commenced on March 1, 2022.

- Other revenues

Other revenues totaled THB 6.00 million in 2023, rising by 13.6% from THB 5.28 million in the previous year, which was chiefly attributed to fee and service income from personal loan business, income from policy cancellation fees, and bad debts recovered from personal loan business, helped by more efficient management of such debt collection.

Cost and expenses

- From the reclassification of financial items to align with our operation in the financial statements for 2023 and 2022, cost and expenses of services relatively rose by 1.4% from THB 70.84 million in 2022 to THB 71.82 million in 2023, based on the following factors:
 1. Personal loan business saw loan growth in the first nine months of the year and commenced operation through branch network, leading to higher cost of employees to support customer service.
 2. Non-life insurance broker business incurred lower cost of services in line with non-life insurance sales,

3. Peer to peer lending platform service business recorded lower cost of services in 2023. Despite an increase in this service provision, we could more efficiently manage the service cost.
- From the reclassification of financial items to align with our operation in the financial statements for 2023 and 2022, administrative expenses accordingly went up by 0.2% from THB 65.65 million in 2022 to THB 65.79 million in 2023, with an increase in write-off of bad debts in personal loan business. However, we could still properly control other administrative expenses such as employee-related expenses.
 - Finance cost amounted to THB 12.27 million in 2023, a decrease of 0.2% from THB 12.29 million in 2022 resulting from loans from connected persons of THB 200 million, which will become due by 2024.
 - Expected credit losses (reversal) accounted for THB 4.89 million in 2023, jumping by 239.7% from reversal of ECL of THB 3.50 million. This was ascribed to an increase in accounts receivable in the personal loan business in line with growth in loan extension in 2023 and as of end-2022. We have made an ECL assessment by using our accounts receivable data in the calculation instead of data from businesses in the same industry.

Analysis of the statements of financial position and cash flow

	As at Dec 31, 2022		As at Dec 31, 2023		Increase	
	THB Million	%	THB Million	%	THB Million	%
Total assets	568.82	100%	557.69	100%	-11.13	-2%
Total liabilities	271.97	48%	263.86	47%	-8.11	-3%
Shareholders' equity	296.85	52%	293.83	53%	-3.02	-1%

The Company recorded total assets of THB 557.69 million, which diminished by THB 11.13 million from THB 568.82 million as at the end of 2022. This resulted mainly from (1) a decrease in cash and cash equivalents, which were used for additional lending in the personal loan business of THB 63.93 million and for setting aside additional reserves for ECL of THB 5.70 million; (2) a decrease in the peer to peer lending transactions of THB 3.46 million; and (3) a decrease in improvements of rented buildings and right-of-use assets of THB 2.16 million and THB 2.71 million respectively, largely resulting from normal depreciation.

The Company recorded total liabilities of THB 263.86 million, dropping by THB 8.11 million from THB 271.97 million as at the end of 2022. This stemmed from (1) receipt of payments from the peer to peer lending platform service before testing in the regulatory sandbox as a trustee in the amount of THB 4.50 million; (2) a decrease in insurance premium payables of THB 1.04 million in line with the drop in sales of non-life insurance; and (3) a decrease in lease liabilities of THB 3.18 million as a result of rent payment under the agreement.

The Company had total shareholders' equity of THB 293.83 million, decreasing by THB 3.02 million from THB 296.85 million at the end of 2022 due to dividend payment of THB 5 million, with a net profit earned in 2023 of THB 1.98 million.

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For 2023, our cash and cash equivalents-net decreased by THB 55.95 million from THB 83.75 million at year-end 2022 to THB 27.80 million, which can be broken down by activities as follows:

Cash flow from operating activities was THB -29.34 million, falling by THB 50.69 million from the previous year with respect to accounts receivable in the personal loan business, as working capital in business operation and loans from connected persons had been completely used according to the objectives.

Cash flow from investing activities amounted to THB -5.02 million, down by THB 4.70 million from THB 9.72 million in the previous year. This was because, in 2022, there were improvements of rented buildings used for business operation and investment in software system for customer service, and in 2023, further investment was made in software system development of THB 4.57 million to support continuous customer service offering.

Cash flow from financing activities stood at THB -21.60 million, dropping by THB 9.78 million from THB 31.37 million in the previous year due to dividend payment of THB 5.00 million, which decreased by THB 10.00 million from 2022.

Future Trend

For 2024, we plan to expand our service provision through branch network so as to reach a wider target audience, while always adhering to lending quality control and debt monitoring to mitigate risk of bad debts that may arise in the future.

Our branch expansion scheme will impact non-life insurance broker business in a way that will unlock the opportunity of client base expansion. We have implemented data management for efficient data-driven analysis and products offering and continued with our online marketing through our website.

The Bank of Thailand (BOT) has issued the Notification on Responsible Lending, which was published in the Royal Gazette on December 27, 2023 and came into force on January 1, 2024, aiming to encourage responsible and fair market conduct for consumer protection. The Notification has only a slight impact on the Company since we have already embraced market conduct rules. However, we may have to carefully identify the impact in rendering assistance in debt restructuring to our customers and also to keep abreast of the market situation for further policy making.

Furthermore, Daingern.com Co., Ltd. increased its registered capital from THB 20 million to THB 35 million. As at the end of 2023, it had a paid-up registered capital of THB 28 million, with an unpaid balance of THB 7 million which will be fully paid by 2024. As regards our participation in the BOT's regulatory sandbox, in 2023, we successfully developed the technology for e-Signature, e-Document, and e-Consent to ensure fast and convenient service offering to our customers. Also, we are looking to develop other technologies, such as e-KYC, to support more service offering.

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388 IBM Tower, 16th Floor, Zone B, Phaholyothin Rd., Samsennai, Phayathai, Bangkok 10400 Tel. 0-2494-8377
www.asnbroker.co.th



Please be informed accordingly.

Yours sincerely,

- *Thawatchai Lertrungruang* -

Mr. Thawatchai Lertrungruang

Chief Executive Officer

บริษัท เอเอสเอ็น โบรกเกอร์ จำกัด (มหาชน)

388 อาคารไอบีเอ็ม ชั้น 16 บี ถนนพหลโยธิน แขวงสามเสนใน เขตพญาไท กรุงเทพมหานคร 10400 โทรศัพท์ 0-2494-8377
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