

## Management Discussion and Analysis for the 3<sup>rd</sup> Quarter 2021

### Ended November 30, 2021

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the consolidated reviewed the 3<sup>rd</sup> quarter financial statements as of November 30, 2021 which were reviewed by Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The operating performance is summarized are as follows.

#### Overview

According to the Bank of Thailand and Office of the National Economic and Social Development Board data, the Thai economy in the third quarter of 2021 contracted by 0.3% (y-y) compared with a 7.6% growth in the previous quarter, as a result of private consumption and public investment showed contraction while export of goods, private investment and government expenditure expansion. In addition, the Thai economy in the third quarter was still affected by the prolonged COVID-19 outbreak and the uncertainty of the epidemic situation of the new Omicron strain of COVID-19. In order that, the unemployment rate at 2.25% in the third quarter of 2021 increased from the previous quarter and a higher level of household debt.

The company performance of the third quarter of 2021, the Company has total sales increase 10% q-q. As a result of relaxing the lockdown measures, increasing of new spending and launched new products to be in line with digital strategy plan. In addition, the Company has been approved a Digital lending license and launched Digital personal loans in November 2021.

Since, the Bank of Thailand has relaxed debt assistance from BOT increasing credit line from 1.5 to 2 times for customers’ income below 30K baht/month, the Company has launched marketing campaigns and increased credit line to support new spending during the high season the fourth quarter of this year such as AEON Shop Plus.

As of November 30, 2021, the Company has total cards as below;

Number of AEONTS Cards and Networks	February 28, 2021	November 30, 2021
Number of Credit Cards (million cards)	2.95	3.05
Number of Member Cards (million cards)	6.24	6.31
Branches	103 สาขา	100 สาขา
Bangkok	29%	30%
Province	71%	70%
ATMs (machine)	411	401
Affiliated Dealers	6,463	6,381

For overseas business in Cambodia, Myanmar and Laos, there are active customers more than 128,614 with representing 5% of total customers.

## Summary of Consolidated Financial Results

### 1. Operating Results

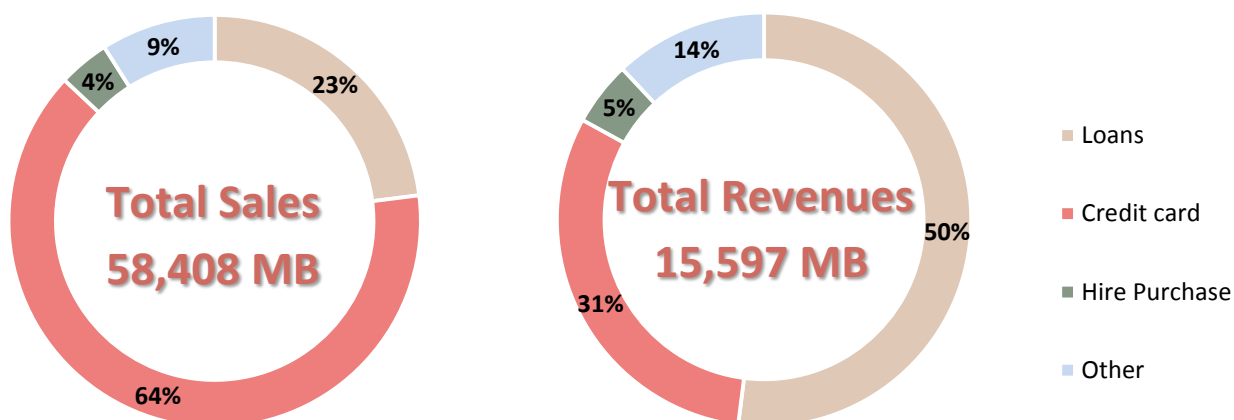
Profit and Loss Statement (Consolidated)	3Q/20	2Q/21	3Q/21	%QoQ	%YoY	9M20	9M21	%YoY
Unit : Million Baht								
Credit card income	1,529	1,594	1,676	5%	10%	4,888	4,820	-1%
Loan income	2,616	2,586	2,597	0.4%	-1%	8,596	7,796	-9%
Hire-purchase income	249	258	274	6%	10%	738	805	9%
Other income	864	906	664	-27%	-23%	2,075	2,177	5%
<b>Total Revenues</b>	<b>5,257</b>	<b>5,344</b>	<b>5,211</b>	<b>-2%</b>	<b>-1%</b>	<b>16,297</b>	<b>15,597</b>	<b>-4%</b>
Operating and administrative expenses	2,056	1,974	1,951	-1%	-5%	6,143	5,846	-5%
Expected credit loss	1,345	2,005	1,780	-11%	32%	5,327	5,011	-6%
Finance costs	515	448	425	-5%	-17%	1,628	1,327	-18%
Other expenses	8	6	1	-83%	-88%	45	8	-82%
<b>Total Expenses</b>	<b>3,924</b>	<b>4,433</b>	<b>4,157</b>	<b>-6%</b>	<b>6%</b>	<b>13,141</b>	<b>12,192</b>	<b>-7%</b>
Profit before tax income	1,333	911	1,055	16%	-21%	3,156	3,405	8%
Income tax expenses	297	194	219	13%	-26%	736	768	4%
<b>Net profit for the period</b>	<b>1,009</b>	<b>678</b>	<b>815</b>	<b>20%</b>	<b>-19%</b>	<b>2,506</b>	<b>2,643</b>	<b>5%</b>
Earnings Per Share (Baht per share)	4.04	2.71	3.26	20%	-19%	10.02	10.57	5%

### Revenues

For the first nine-months of 2021, the total consolidated revenues were 15,597 million baht, decreasing of 700 million baht or 4% y-y. The decreased income was a result of the Bank of Thailand cut the ceiling rates of interest rates on credit card from 18% to 16% per annum and personal loan from 28% to 25% per annum since August 1 last year. In the third quarter of 2021, the Company's revenues were 5,211 million baht, decreasing of 133 million baht, which was 2% q-q and 1% y-y due to reduction of fee or any expenses incurred from debt collection from 100 baht to 50 baht per round for debtor (one installment past-due), Notification of Debt Collection Supervisory Committee, which effective September 13, 2021 onward and there is no write off account receivables in this quarter.

However, our revenue from bad debt recovery for the first nine-months were 1,019 million baht grew by 15% y-y and for the third quarter of 381 million baht increased 21% y-y and 23% q-q respectively. Details of each business can be described as follows:

Sales and Revenues Structure for the first nine-months of 2021.



- Credit Card

For the first nine-months of 2021, credit card sales accounted for 64% of total turnovers with revenue of 4,820 million baht, a decrease of 68 million baht or 1% y-y. The decreased income was a result of decreasing of credit card spending during the lockdown measures and a reduction in interest rate for credit card by 2%, which effective in 1<sup>st</sup> August 2020. In the third quarter of 2021, credit card revenue was 1,676 million baht, an increase of 148 million baht, which was 10% y-y and 5% q-q, mainly resulted from open lockdown in September of 2021. For overseas business, AEON Specialized Bank (Cambodia) Plc had credit card revenue in the third quarter of 2021 of 87 million baht, grew by 13% y-y.

- Loans

For the first nine-months of 2021, loans shared 23% of total turnovers with the revenue of 7,796 million baht, a decrease of 800 million baht or 9% y-y. In the third quarter of 2021, loans revenue was 2,597 million baht, a decrease of 18 million baht or 1% y-y but increase 0.4% q-q, mainly from a reduction in interest rate ceiling for personal loan by 3% and lockdown measures. Moreover, loan income from AEON Specialized Bank (Cambodia) PLC of 202 million baht, decreasing by 15% y-y and AEON Microfinance (Myanmar) Company Limited of 30 million baht, decreasing by 89% y-y respectively due to COVID-19 lockdown and political turmoil. Therefore, AEON Microfinance (Myanmar) Co., Ltd has stopped new loan and cut the expenses as well as continued pursuing debt collection respectively.

However, the Company has been expanding more online service channels to customers and reduced the Company’s operation cost. As a result, the Cardless transactions and Promptpay currently accounted for 58% of total personal loan sales.

For customer expansion, in this quarter, the Company launched “Cardless Transfer via PromptPay” which is a service for transferring credit limit into PromptPay account that customers have linked with their ID card or mobile

phone number, which can be made through AEON THAI MOBILE Application. In order to expand the cash withdrawal channel and also increase the convenience for customers.

- Hire Purchase

For the first nine-months of 2021, motorcycle and used car hire purchase in Thailand and electrical appliances, mobile phones in overseas business, with the revenues of 805 million baht, increasing by 67 million baht or 9% y-y. In the third quarter of 2021, the Company had hire purchase revenue of 274 million baht, increasing by 25 million baht or 10% y-y. In addition, in the third quarter of 2021 from AEON Specialized Bank (Cambodia) Plc of 481 million baht, increasing by 10% y-y and AEON Leasing Service (Lao) Company Limited of 85 million baht, which was at the same level as last year.

- Others

For the first nine-months of 2021, other incomes were 2,177 million baht or 14% of total revenues, showing an increase of 101 million baht or 5% y-y, mainly consist of bad debt recovery was 1,019 million baht, gain on sales of written-off receivables were 320 million baht, collection service income was 156 million baht, commission income was 499 million baht and others of 183 million baht. The increasing of other revenues was mainly from the continued growth of bad debt recovery that increased by 15% y-y caused by the increased of expedite the legal process.

In the third quarter of 2021, other incomes were 664 million baht, decreased by 23% y-y. In addition, the Company has no income from gain on sales of written off account receivables in this quarter.

## Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. In the first nine-months of 2021, the Company had total consolidated expenses of 12,192 million baht, a decrease of 950 million baht or 7% y-y. For the third quarter of 2021, the consolidated expenses were 4,157 million baht, an increasing of 233 million baht or 6% y-y but decrease 6% q-q. Details of expenses are shown as follows:

- Operating and Administrative Expenses

In the first nine-months of 2021, the consolidated operating and administrative expense were 5,854 million baht, decreasing by 308 million baht or 5% y-y. The decrease in operating and administrative expense was mainly from the Company's plan to adjust the Back Office Operation through the Shared Service Center and improve debt collection system. As a result, personal expense can be reduced continuously. In addition, the government lockdown measures have reduced marketing activities, transportation expense and rental and property expenses. For the third quarter of 2021, the consolidated operating and administrative expenses were 1,951 million baht, decreasing by 105 million baht or 5% y-y and 1% q-q. However, the

Company still maintained effective operating cost control with cost to income ratio at 37% of total revenues. Considering the Company's separate financial statement, the operating and administrative expenses as a percentage of revenues represented 35% in the third quarter and the first nine-months of 2021.

- Expected Credit Loss

The consolidated expected credit loss in the first nine-months of 2021 amounted to 5,011 million baht, decreasing by 6% y-y. For the third quarter of 2021, the Company recorded expected credit loss of 1,780 million baht, increasing by 32% y-y but reduced 11% q-q due to new sales in the third quarter of 2021 increased 11% q-q after relaxing lockdown measures. In addition, the Company maintains management overlay in the amount of 1,378 million baht for a hedge with probable forward looking macroeconomics factors and the new wave of COVID-19 pandemic.

- Finance Cost

The Company recorded consolidated finance cost in the first nine-months of 2021 of 1,327 million baht, decreasing by 18% y-y. For the third quarter of 2021, the finance cost was 425 million baht, decreasing by 17% y-y and 5% q-q, which the portion of finance cost in the third quarter was 8% of total revenues. The average funding cost in the third quarter of 2021 was at 2.46% decreased from 2.76% last year.

### **Net Profit**

For the first nine-months of 2021, consolidated operating income was reported at 3,405 million baht, an increase of 249 million baht or 8% y-y. The Company recorded net profit of 2,643 million baht, an increase of 136 million baht or 5% y-y, and earning per share was 10.57 baht due to the Company is focusing on marketing through online channels as a result of reducing cost of personal, rental and property expenses as mentioned above. For the third quarter of 2021, the Company had consolidated operating income of 1,055 million baht, a decrease of 278 million baht or 21% y-y due to there is no income from gain on sales of written off account receivables. The Company reported net profit attributed to owners of the parent of 815 million baht, a decrease of 194 million baht or 19% y-y but increasing 20% q-q as a result of decreasing of expected credit loss 11% q-q and the Company earning per share of 3<sup>rd</sup> quarter was 3.26 baht.

## 2. Financial Status

Statement of Financial Position	February 28, 2021	November 30, 2021	Change
Unit : Million Baht		(TFRS 9)	%YoY
Accounts Receivable	87,433	89,546	2%
Total Assets	87,389	89,350	2%
Total Borrowing	62,710	66,069	-7%
Total Liabilities	70,009	70,297	0.4%
Total Equities	17,380	19,053	10%
ROE	19.5%	19.7%	1%
ROA	4.0%	3.9%	-2.5%
D/E Ratio	4.0	4.0	0%

### Total Assets

As of November 30, 2021, consolidated total assets were 89,350 million baht, an increase of 1,961 million baht or 2% from 87,389 million baht as of February 28, 2021 due to new sale in domestic increase by 10%. The main assets were attributed to the portfolio of net account receivables which shared 88% of total assets.

#### - Accounts Receivable

The Company has gross accounts receivable of 89,546 million baht as of November 30, 2021, increased by 2% from as of February 28, 2021. The decrease was attributed mainly from the reducing of spending caused by the COVID-19 pandemic. This can be categorized by business type as follows: credit card receivable of 37,780 million baht, increasing by 5% at the end of previous year; loans receivable of 45,601 million baht, increasing by 1% at the end of previous year; hire purchase receivable of 6,066 million baht, increasing by 4% at the end of previous year and others receivable of 99 million baht, decreasing by 40% at the end of previous year respectively.

#### - Allowance for expected credit loss

As of November 30, 2021, the Company provided allowance for doubtful accounts of 11,021 million baht or 12.3% of total accounts receivable, comparing to that of 11,593 million baht or 13.3% of total accounts receivable at the end of previous fiscal year. The delinquent account receivables for 3 months and up was 4.4% in the third quarter decreasing from 5.2% in the end of last year. For default receivables in credit risk (NPL Stage 3) was 4.8% decreasing from 5.8% at the end of previous year and decreasing from 5.2% in the previous quarter, mainly from caution on new loan under the new wave of COVID-19 situation. In the end of third quarter of 2021, the consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 255% increased from 230% from fiscal year of 2020 and increased from 243% from last quarter.

## Liabilities

The consolidated liabilities of the Company as of November 30, 2021 totaling 70,297 million baht, an increase of 288 million baht or 0.4% from 70,009 million baht at the end of fiscal year 2020. There were both short-term and long-term borrowings totally 66,069 million baht, increasing by 5% from the end of last year. The portion of long-term borrowings was 36,032 million baht or represented 55% of total borrowings. To manage risk that might occur from the fluctuation in currency. The Company has entered cross currency interest rate swap contracts to hedge its debt. In addition, the Company has unused unsecured revolving credit facilities 8,190 million baht and 3,000 million baht unused committed facilities with various financial institutions which is enough to drive the Company's operation. The Company also has the debentures totaling 4,881 million baht that will mature within 12 months, which the Company can issue new debentures or use a working capital to repay as scheduled.

## Shareholders' Equity

As of November 30, 2021, total shareholders' equity amounted to 19,053 million baht, an increase of 1,673 million baht or 10% from the end of fiscal year 2020. Book value as of November 30, 2021 was 74.8 baht per share, increased from that of 68.2 baht per share as of February 28, 2021.

Debt to Equity ratio as of November 30, 2021 was at 3.7 times decreased from 4.0 times at the end of 2020. Return on Equity (ROE) and Return on Asset (ROA) for nine-months period of 2021 are 19.7% and 4.0%, respectively.

<b>Key Financial Ratio</b>	<b>3Q20</b>	<b>3Q21</b>	<b>9M20</b>	<b>9M21</b>
Net Profit Margin (%)	19%	17%	15%	17%
Interest Coverage ratio (Times)	3.6	3.2	3.0	3.6
Allowance for Expected Credit Loss/ Total Receivables (%)	13.4%	12.3%	13.4%	12.3%
NPL Coverage Ratio (%)	296%	255%	296%	255%
Cost to Income (%)	39.1%	37.4%	37.7%	37.5%
Book Value per Share (Baht)	62.6	74.8	62.6	74.8
EPS (Baht)	4.04	3.26	10.02	10.57