

Management Discussion and Analysis

Fiscal year ended February 28, 2022

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the audited financial statements for the year ended February 28, 2022 which were audited 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 fiscal year 2021 expanded by 1.6% (y-y), recovering from a contraction of 6.2% from previous year, that because an increase of export and private consumption, as well as an expansion of government investment. In addition, the domestic tourism sector also improved due to the government continued relaxing disease prevention and control measures. However, Thailand still has a risk of a new wave of COVID-19 epidemic and a conflict of Russia-Ukraine in the early of March, 2022 that surged in oil prices and the global inflation.

The company performance of the fiscal year of 2021, the Company has total sales increase by 5% y-y. As a result of an increase of new spending volume and new products to be in line with digital strategy plan.

As of February 28, 2022, the Company had total cards as below;

Number of AEONTS Cards and Networks	February 28, 2021	February 28, 2022
Number of Credit Cards (million cards)	2.95	3.07
Number of Member Cards (million cards)	6.24	6.34
Branches	103 สาขา	101 สาขา
Bangkok	29%	30%
Province	71%	70%
ATMs (machine)	411	389
Affiliated Dealers	6,463	6,328

For overseas business in Cambodia, Myanmar and Laos, there are active customers more than 128,002 with representing 5% of total customers.

Summary of Consolidated Financial Results

1. Operating Results

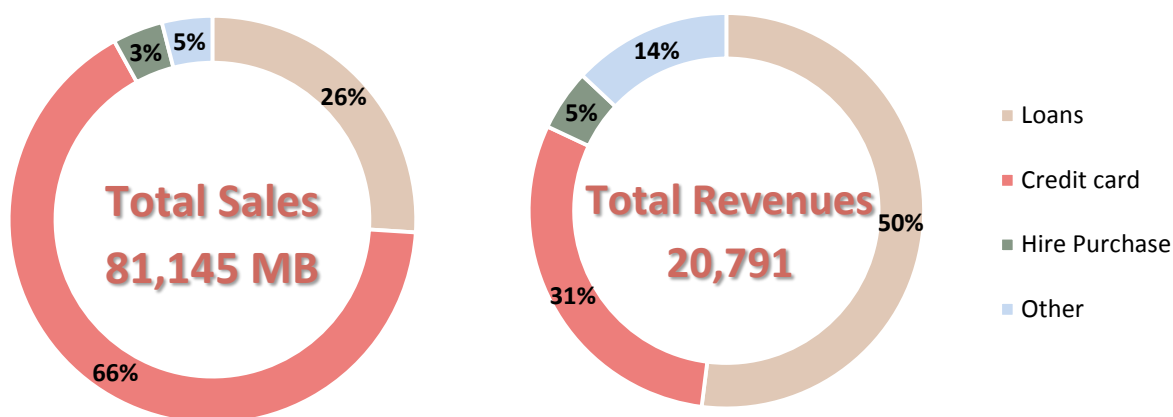
Profit and Loss Statement (Consolidated) Unit : Million Baht	Consolidated					Separate		
	4Q/21	%QoQ	FY20	FY21	%YoY	FY20	FY21	%YoY
Credit card income	1,642	-2%	6,451	6,462	0.2%	6,686	6,370	-5%
Loan income	2,572	-1%	11,121	10,368	-7%	10,636	10,209	-4%
Hire-purchase income	268	-2%	1,014	1,073	6%	307	309	1%
Other income	712	7%	2,715	2,888	6%	1,826	2,829	55%
Total Revenues	5,194	-0.3%	21,302	20,791	-2%	19,455	19,717	1%
Operating and administrative expenses	1,987	2%	8,303	7,832	-6%	7,176	7,029	-2%
Expected credit loss	1,619	-9%	6,210	6,629	7%	5,442	5,771	6%
Finance costs	418	-2%	2,096	1,745	-17%	2,111	1,826	-14%
Other expenses	3	200%	46	11	-76%	38	10	-74%
Total Expenses	4,026	-3%	16,655	16,218	-3%	14,767	14,636	-1%
Profit before tax income	1,169	11%	4,647	4,573	-2%	4,688	5,081	8%
Income tax expenses	231	5%	967	1,000	3%	877	947	8%
Net profit for the period	911	12%	3,690	3,553	-4%	3,811	4,133	8%
Earnings Per Share (Baht per share)	3.64	12%	14.76	14.21	-4%	15.24	16.53	8%

Revenues

In the fiscal year ended February 28, 2022, the total consolidated revenues were 20,791 million baht, decreasing of 510 million baht or 2% y-y. The decreased in revenues was a result of overseas operating result that were affected by the COVID-19 and politics in Myanmar as well as 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 fourth quarter of 2021, the Company's revenue were 5,194 million baht, decreasing of 17 million baht or 0.3% q-q but increase by 4% y-y due to reduction of debt collection fee 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.

However, our revenue from bad debt recovery for the fiscal year 2021 were 1,423 million baht grew by 16% y-y and for the fourth quarter of 2021 were 404 million baht increased 6% q-q and 19% y-y respectively. Details of each business can be described as follows:

Sales and Revenues Structure for the fiscal year of 2021



- Credit Card

For the fiscal year 2021, credit card sales accounted for 66% of total turnovers with revenue of 6,462 million baht, an increase of 11 million baht or 0.2% y-y. For the fourth quarter of 2021, credit card revenue was 1,642 million baht, an increase of 79 million baht or 5% y-y. For credit card customers expanded by 4% y-y and the Company launched “AEON Wellness Platinum Card” in the fourth quarter of 2021. A card fits into lifestyle of health together with exclusively privileges up to 15% discount at participated Hospitals and Pharmacy. For overseas business, AEON Specialized Bank (Cambodia) Plc had credit card revenue in the fiscal year of 2021 of 120 million baht, grew by 13% y-y.

- Loans

For the fiscal year 2021, loans shared 26% of total turnovers with the revenue of 10,368 million baht, a decrease of 754 million baht or 7% y-y mainly from a reduction in interest rate ceiling for personal loan by 3%. In the fourth quarter of 2021, loans revenue was 2,572 million baht, an increase of 47 million baht or 2% y-y. Moreover, loan income from AEON Specialized Bank (Cambodia) PLC of 262 million baht, dropped by 17% y-y and AEON Microfinance (Myanmar) Company Limited of 31 million baht, decreasing by 90% y-y due to impact of COVID-19 situation and political turmoil. Therefore, AEON Microfinance (Myanmar) Co., Ltd has downsized business and 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 currently accounted for 78% of total personal loan sales.

- Hire Purchase

For the fiscal year of 2021, motorcycle and used car hire purchase in Thailand and electrical appliances, mobile phones in overseas business, with the revenues of 1,073 million baht, increasing by 59 million baht or 6% y-y mainly from recovery of the hire purchase both in domestic and overseas business. In addition, hire purchase income from AEON Specialized Bank (Cambodia) Plc was 914 million baht, increasing by 0.4% y-y and AEON Leasing Service (Lao) Company Limited of 113 million baht, which was at the same level as last year.

- Others

For the fiscal year of 2021, other incomes were 2,888 million baht or 14% of total revenues, showing an increase of 174 million baht or 6% y-y. Other revenues consist of bad debt recovery, which was 1,423 million baht or 7% of total revenues, gain on sales of written-off receivables was 320 million baht, collection service income was 210 million baht, Commission income was 682 million baht, and others of 254 million baht respectively. Other revenues was mainly from the continued growth of bad debt recovery that increased by 16% y-y caused by the increased of expedite the legal process.

Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. For the fiscal year of 2021, the Company had total consolidated expenses of 16,218 million baht, a decrease of 437 million baht or 3% y-y. For the fourth quarter of 2021, the consolidated expenses were 4,026 million baht, an increase of 512 million baht or 15% y-y but decrease of 3% q-q. Details of expenses are shown as follows:

- Operating and Administrative Expenses and other expenses

For the fiscal year of 2021, the consolidated operating and administrative expense and other expenses were 7,844 million baht, decreasing by 6% y-y. The decrease in operating and administrative expense was mainly from the reduction of personal expense 3%, transportation expense 30% and marketing expense 14% as well as a decrease in space of property expenses 11% compared with the last year. For the fourth quarter of 2021, the consolidated operating and administrative expenses were 1,987 million baht, a decrease of 173 million baht or 8% y-y but increase by 2% q-q. However, the Company still maintained effective operating cost control with cost to income ratio at 38% of total revenues. Considering the Company's separate financial statement, the operating and administrative expenses as a percentage of revenues was 36% in the fiscal year of 2021.

- Expected Credit Loss

The consolidated expected credit loss in the fiscal year of 2021 amounted to 6,629 million baht, increasing by 7% y-y. For the fourth quarter of 2021, the Company recorded expected credit loss of 1,619 million baht, increasing by 83% y-y but decrease by 9% q-q due mainly to new sales in the fourth quarter of 2021 increase 17% y-y and 14% q-q. Net credit cost was at 5.8% reduced from 6.0% in the third quarter of 2021.

- Finance Cost

The Company recorded consolidated finance cost in the fiscal year of 2021 of 1,745 million baht, decreasing by 17% y-y. For the fourth quarter of 2021, the finance cost was 418 million baht, decreasing by 11% y-y and 2% q-q, which the portion of finance cost in the fourth quarter of 2021 was 8% of total revenues. The average funding cost in the fourth quarter of 2021 was at 2.41% decreased from 2.57% last year.

Net Profit

For the fiscal year of 2021, consolidated operating income was reported at 4,574 million baht, a decrease of 73 million baht or 2% y-y. The Company recorded net profit of 3,553 million baht, a decrease of 137 million baht or 4% y-y, earning per share was 14.21 baht due to net loss from Company's subsidiary in Myanmar of 348 million baht. For separate net profit of 4,133 million baht increased by 8% y-y respectively.

For the fourth quarter of 2021, the Company had consolidated operating income of 1,169 million baht, a decrease of 323 million baht or 22% y-y but increase by 11% q-q. The Company reported net profit attributed to owners of the parent of 911 million baht, a decrease of 273 million baht or 23% y-y but increase by 12% q-q due mainly from continued growth of bad debt recovery increase by 6% q-q and expected credit loss decrease by 9% q-q. The Company earning per share of the fourth quarter was 3.64 baht.

2. Financial Status

Statement of Financial Position	February 28, 2021	February 28, 2022	Change
Unit : Million Baht		(TFRS 9)	%YoY
Accounts Receivable	87,433	91,028	4%
Total Assets	87,389	90,469	4%
Total Borrowing	62,710	65,418	4%
Total Liabilities	70,009	70,205	0.2%
Total Equities	17,380	20,264	17%
ROE	19.5%	19.2%	-2%
ROA	4.0%	4.0%	0%
D/E Ratio	4.0	3.5	-13%

Total Assets

As of February 28, 2022, consolidated total assets were 90,469 million baht, an increase of 3,081 million baht or 4% from 87,389 million baht as of February 28, 2021 due to new sales in domestic increase by 5% y-y. The main assets were attributed to the portfolio of net account receivables which shared 88% of total assets.

- Accounts Receivable

The Company has accounts receivable of 91,028 million baht as of February 28, 2022, increased by 4% from as of February 28, 2021 due to increase of number of credit cards and spending and relaxing disease prevention of COVID-19. This can be categorized by business type as follows: credit card receivable of 39,324 million baht, increasing by 9% y-y; loans receivable of 45,695 million baht, increased by 1% y-y; hire purchase receivable of 5,891 million baht, increasing by 1% y-y and others receivable of 117 million baht decreased by 29% from last year accordingly.

- Allowance for expected credit loss

As of February 28, 2022, the Company provided allowance for doubtful accounts of 10,951 million baht or 12% of total accounts receivable, decreasing from 11,593 million baht or 13% of total accounts receivable at the end of previous fiscal year. The delinquent account receivables for 3 months and up was 4.5% in the fourth quarter decreasing from 5.2% in the end of last year. For default receivables in credit risk (NPL Stage 3) was 4.9% decreasing from 5.8% at the end of previous year as a result from caution on new loan and customer's relief measures from COVID-19 situation. In the end of fourth quarter of 2021, the consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 247% increased from 230% from fiscal year of 2020 but decreased from 255% from last quarter.

However, the Company has set management overlay for hedging risk of the economic factor, inflation and constantly rising oil price in the amount of 1.3 billion baht and also set aside for upcoming ended BOT relief measure.

Liabilities

The consolidated liabilities of the Company as of February 28, 2022 totaling 70,205 million baht, a decrease of 197 million baht or 0.3% from 70,009 million baht at the end of previous year. There were both short-term and long-term borrowings totally 65,418 million baht, increasing by 4% from the end of last year. The portion of long-term borrowings was 35,357 million baht or represented 54% 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 7,870 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 3,800 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 February 28, 2022, total shareholders' equity amounted to 20,264 million baht, an increase of 2,884 million baht or 17% from the end of fiscal year 2020, Book value as of February 28, 2022 was 79.6 baht per share, increased from that of 68.2 baht per share as of February 28, 2021.

Debt to Equity ratio as of February 28, 2022 was at 3.5 times decreased from 4.0 times at the end of 2020. Return on Equity (ROE) and Return on Asset (ROA) for the fiscal year of 2021 are 19.2% and 4.0%, respectively.

Key Financial Ratio	3Q21	4Q21		FY20	FY21
Net Profit Margin (%)	17.0%	17.5%		17.3%	17.1%
Interest Coverage ratio (Times)	3.2	3.7		3.2	3.6
Allowance for Expected Credit Loss/ Total Receivables (%)	12.3%	12.0%		13.3%	12.0%
NPL Coverage Ratio (%)	255%	247%		230%	247%
Cost to Income (%)	37.4%	38.2%		39.0%	37.7%
Book Value per Share (Baht)	74.8	79.6		68.2	79.6
EPS (Baht)	3.26	3.64		14.76	14.21