

Management Discussion and Analysis

For the 1st Quarter 2022 ended May 31, 2022

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the consolidated reviewed the 1st quarter financial statements as of May 31, 2022 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 first quarter of 2022 expanded by 2.2% (y-y), accelerating from 1.8% growth in the previous year due to continue an increase of export and private consumption, as well as an expansion of private investment. In addition, there were supporting factors from domestic demand from the recovery of the tourism sector and the return of foreign tourists. However, economic expansion remains at risk from the impact of higher cost of living on households and headline inflation tends to rise mainly form energy prices. Therefore, the unemployment rate at 1.53% in the first quarter of 2022 dropped from the previous year and household debt tends to increase due to rising prices of consumer goods.

The Company performance of the first quarter of 2022, the Company has total new sales increased by 41% y-y, mainly due to the continual increase in credit card spending through online channels and marketing with business partners. In the first quarter of 2022, online credit card spending shared 18% of total spending

As of May 31, 2022, the Company had total cards as below;

Number of AEONTS Cards and Networks	May 31, 2021	May 31, 2022
Number of Credit Cards (million cards)	2.98	3.15
Number of Member Cards (million cards)	6.27	6.37
Branches	102 branches	103 branches
Bangkok	29%	30%
Province	71%	70%
ATMs (machine)	407	309
Affiliated Dealers	6,260	6,192

Summary of Consolidated Financial Results

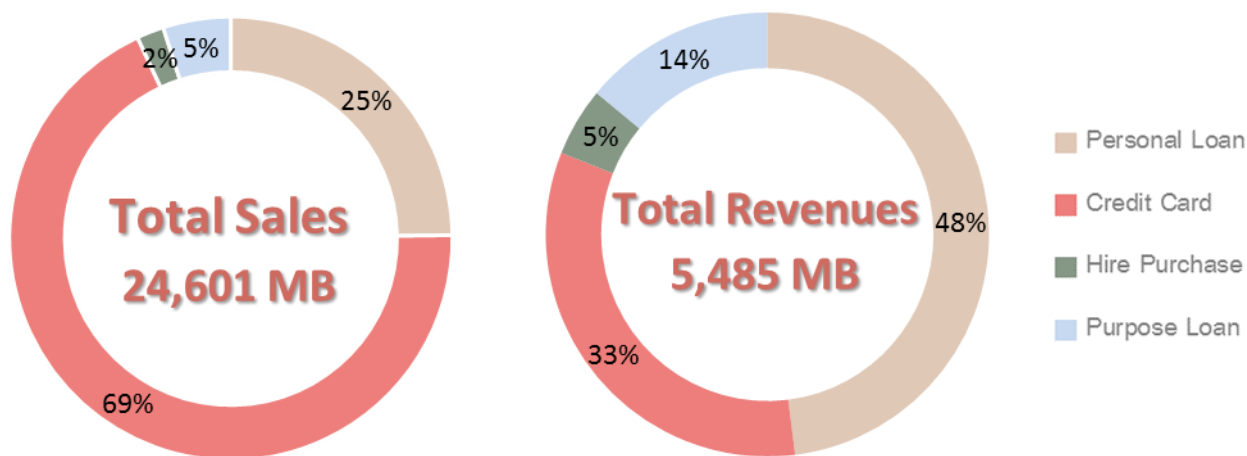
1. Operating Results

Profit and Loss Statement (Consolidated) Unit : Million Baht	Consolidated					Separate		
	1Q/21	4Q/21	1Q/22	%QoQ	%YoY	1Q/21	1Q/22	%YoY
Credit card income	1,550	1,642	1,810	10%	17%	1,549	1,773	14%
Loan income	2,612	2,572	2,628	2%	1%	2,551	2,603	2%
Hire-purchase income	273	268	267	-0.3%	-2%	84	65	-23%
Other income	607	712	780	10%	29%	690	857	24%
Total Revenues	5,041	5,194	5,485	6%	9%	4,874	5,297	9%
Operating and administrative expenses	1,921	1,987	2,033	2%	6%	1,732	1,853	7%
Expected credit loss	1,226	1,619	1,563	-3%	28%	872	1,530	75%
Finance costs	453	418	437	5%	-4%	471	458	-3%
Other expenses	2	3	2	-33%	0%	1	2	100%
Total Expenses	3,602	4,026	4,035	0.2%	12%	3,076	3,844	25%
Profit before tax income	1,439	1,169	1,450	24%	1%	1,797	1,454	-19%
Income tax expenses	355	231	291	26%	-18%	317	259	-18%
Net profit for the period	1,149	911	1,115	22%	-3%	1,480	1,194	-19%
Earnings Per Share (Baht per share)	4.60	3.64	4.46	23%	-3%	5.92	4.78	-19%

Revenues

In the first quarter of 2022 ended May 31, 2022, the total consolidated revenues were 5,485 million baht, showing an increase of 443 or 9% y-y. This was mainly increased in credit card income by 17%, in line with the higher of credit card spending and cash advance in this quarter and other incomes in bad debt recovery increased by 17% y-y. As of May 31, 2022, the Company has active customers more than 2.6 million IDS, mainly from Bangkok 30%, and in up-country 70%. For overseas business in Cambodia, Myanmar and Laos, they have active customers more than 118,000 customers representing 5% of active customers of the Company. Details of each business can be described as follows:

Sales and Revenues Structure for the first quarter of 2022



- Credit Card

In the first quarter of 2022, credit card turnover accounted for 69% of total turnovers with revenue of 1,810 million baht, an increase of 260 million baht or 17% y-y. As a result of the relaxation of various measures, recovery of the tourism sector and also credit card spending increased by 18% y-y. For overseas business, AEON Specialized Bank (Cambodia) Plc had credit card revenue in the first quarter of 2022 of 37 million baht, grew by 28% y-y.

- Loans

In the first quarter of 2022, loans shared 25% of total turnovers with the revenue of 2,628 million baht, an increase of 17 million baht or 1% y-y and 48% of total revenues. Moreover, loan income from AEON Specialized Bank (Cambodia) PLC of 57 million baht, dropped by 21% y-y and AEON Microfinance (Myanmar) Company Limited of 1 million baht, decreasing by 97% y-y due to the impact of the political turmoil in Myanmar as a result of temporarily suspended new loans to customers since February 1, 2021. However, AEON Microfinance (Myanmar) Company Limited has resumed providing new loans to existing customers starting January 22, 2022. The subsidiary has continuously reduced operation costs and continued pursuing debt collection accordingly.

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 91% of total personal loan sales.

- Hire Purchase

For the first quarter of 2022, motorcycle and used car hire purchase in Thailand and electrical appliances, mobile phones in overseas business, with the revenues of 267 million baht, decreased by 6 million baht or 2% y-y. In addition, hire purchase income from AEON Specialized Bank (Cambodia) Plc was 172 million baht, increased by 8% y-y and AEON Leasing Service (Lao) Company Limited of 29 million baht, increased by 4% y-y.

- Others

For the first quarter of 2022, other incomes were 780 million baht or 14% of total revenues, showing an increase of 173 million baht or 29% y-y. Other revenues consist of bad debt recovery, which was 385 million baht or 7% of total revenues, gain on sales of written-off receivables was 105 million baht, collection service income was 56 million baht, insurance broker business income was 179 million baht, and others of 54 million baht respectively. Other revenues was mainly from the continued growth of bad debt recovery that increased by 17% y-y caused by the increased of expedite the legal process and insurance broker business income grew by 19% y-y due to high operation through AEON THAI MOBILE Application and Big C counter.

Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. For the first quarter of 2022, the Company had total consolidated expenses of 4,035 million baht, an increase of 433 million baht or 12% y-y. Details of expenses are shown as follows:

- Operating and Administrative Expenses and other expenses

For the first quarter of 2022, the consolidated operating and administrative expense and other expenses were 2,035 million baht, increased by 112 million baht or 6% y-y due to increase of advertising expense 55% y-y. 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 was 35%.

- Expected Credit Loss

The consolidated expected credit loss in the first quarter of 2022 amounted to 1,563 million baht, increased by 338 million baht or 28% y-y but dropped by 3% q-q. This result from increasing of written-off receivables as well as the Company has also set management overlay for a hedge with probable forward looking macroeconomics factors. Net credit cost was at 5.1% increased from 4.1% in the first quarter of 2021 but dropped from 5.8% in the last quarter.

- Finance Cost

The Company recorded consolidated finance cost in the first quarter of 2022 of 437 million baht, decreased by 4% y-y, which the portion of finance cost in the first quarter of 2022 was 8% of total revenues. The average funding cost in the first quarter of 2022 was at 2.48% decreased from 2.66% last year.

Net Profit

In the first quarter of 2022, consolidated operating income was reported at 1,450 million baht, an increase of 10 million baht or 1% y-y. The Company recorded net profit of 1,115 million baht, a decrease of 35 million baht or 3% y-y but increased by 22% q-q, earning per share was 4.46 baht.

2. Financial Status

Statement of Financial Position	February 28, 2022	May 31, 2022	Change
Unit : Million Baht			%YoY
Accounts Receivable	91,028	92,728	2%
Total Assets	90,469	93,092	3%
Total Borrowing	65,418	66,362	1%
Total Liabilities	70,205	71,379	2%
Total Equities	20,264	21,713	7%
ROE	19.2%	21.7%	13%
ROA	4.0%	4.9%	23%
D/E Ratio	3.5	3.3	-6%

Total Assets

As of May 31, 2022, consolidated total assets were 93,092 million baht, an increase of 2,623 million baht or 3% from 90,469 million baht as of February 28, 2022 due to new sales in domestic increase by 41% 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 92,728 million baht as of May 31, 2022, increased by 2% from as of February 28, 2022 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 40,807 million baht, increasing by 4% y-y; loans receivable of 46,194 million baht, increased by 1% y-y; hire purchase receivable of 5,641 million baht, decreasing by 4% y-y and others receivable of 86 million baht decreased by 27% from last year accordingly.

- Allowance for expected credit loss

As of May 31, 2022, the Company provided allowance for doubtful accounts of 10,772 million baht or 12% of total accounts receivable, decreasing from 10,951 million baht or 12% of total accounts receivable at the end of previous fiscal year. For default receivables in credit risk (NPL Stage 3) was 5.3% close to the last quarter which decreasing from 5.7% y-y. The consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 219% decreased from 247% from fiscal year of 2021 and 225% from the previous year.

Liabilities

The consolidated liabilities of the Company as of May 31, 2022 totaling 71,379 million baht, an increase of 1,174 million baht or 2% from 70,205 million baht at the end of previous year. There were both short-term and long-term borrowings totally 66,362 million baht, increasing by 1% from the end of last year. The portion of long-term borrowings was 38,857 million baht or represented 59% 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 11,340 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. In addition, the resolution of the Annual General Meeting of Shareholders for the year 2022 held on June 24, 2022 had approved the issuance and offering of debentures in the amount of not more than 10 billion baht.

Shareholders' Equity

As of May 31, 2022, total equity attributable to owners of the parent amounted to 21,294 million baht, an increase of 1,405 million baht or 7% from the end of fiscal year 2021, Book value as of May 31, 2022 was 85.2 baht per share, increased from that of 79.6 baht per share as of February 28, 2022.

Debt to Equity ratio as of May 31, 2022 was at 3.3 times decreased from 3.5 times at the end of 2021. Return on Equity (ROE) and Return on Asset (ROA) for the first quarter of 2022 are 21.7% and 4.9%, respectively.

Key Financial Ratio	1Q21	FY21	1Q22
Net Profit Margin (%)	22.8%	17.1%	20.3%
Interest Coverage ratio (Times)	4.2	3.6	4.3
Allowance for Expected Credit Loss/ Total Receivables (%)	12.8%	12.0%	11.6%
NPL Coverage Ratio (%)	225%	247%	219%
Cost to Income (%)	38.1%	37.7%	37.1%
Book Value per Share (Baht)	72.6	79.6	85.2
EPS (Baht)	4.60	14.21	4.46