

Management Discussion and Analysis
Fiscal year ended February 28, 2023

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the audited financial statements for the year ended February 28, 2023 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 4Q/2022 expanded by 1.4% y-y, slower than the expansion of 4.6% y-y in the previous quarter from the contraction of the industrial sector that reduced the production of industrial products due to higher production costs, a lower domestic demand and lower demands from trading partners in relevant to their economic slowdown, despite the acceleration in agricultural production and service and tourism industries, resulting in GDP in 2022 being 2.6%, lower than expectation. However, the economic expansion is still subjected to the rising cost of living, in which the inflation rate in 4Q/2022 reached 5.8%, the household debt ratio is considered high amid the increasing trend of interest burden but having a tendency to decline as the GDP is expanding. Moreover, the number of unemployed in the 4Q/2022 amounted 4.62 hundred thousand people, or an unemployment rate of 1.2%, remained stable from the previous quarter. Although the numbers indicated a better direction comparing to the previous year, but the current unemployment rate has not yet returned to the pre-Covid-19 level.

The company performance of the fiscal year of 2022, the Company has total sales (turnover) increase by 23.4% y-y, with the focus on credit card business, as a result of new product launching in accordance to the Digitalization roadmap and marketing strategies such as AEON 30th Years Anniversary campaign, AEON ROP World Mastercard campaign and acquisition of new customers, driving the loan portfolio to reach 93,937 million baht, 3.2% growth y-y.

As of February 28, 2023, the Company had total cards and distribution networks as below;

Number of AEONTS Cards and Networks	February 28, 2022	February 28, 2023
Number of Credit Cards (million cards)	3.07	2.96
Number of Member Cards (million cards)	6.34	6.51
Branches	101 branches	104 branches
Bangkok	30%	30%
Province	70%	70%
ATMs (machine)	389	146
Affiliated Dealers	6,328	5,846

Summary of Consolidated Financial Results

1. Operating Results

Profit and Loss Statement Unit : Million Baht	Consolidated					Separated		
	4Q/22	%QoQ	FY21	FY22	%YoY	FY21	FY22	%YoY
Credit card income	1,994	1.7%	6,462	7,642	18.2%	6,370	7,488	17.6%
Loan income	2,538	-1.9%	10,368	10,385	0.2%	10,209	10,274	0.6%
Hire-purchase income	255	0.4%	1,073	1,029	-4.1%	309	246	-20.4%
Other income	766	-24.6%	2,888	3,277	13.5%	2,829	3,108	9.9%
Total Revenues	5,553	-4.6%	20,791	22,332	7.4%	19,717	21,116	7.1%
Operating and administrative expenses	2,060	1.0%	7,832	8,117	3.6%	7,029	7,387	5.1%
Expected credit loss	1,965	4.3%	6,629	7,263	9.6%	5,771	7,070	22.5%
Finance costs	523	10.0%	1,745	1,904	9.1%	1,826	1,970	7.9%
Other expenses	96	3,086%	11	98	784%	10	96	860%
Total Expenses	4,644	5.6%	16,218	17,382	7.2%	14,636	16,524	12.9%
Profit before tax income	909	5.8%	4,573	4,950	8.2%	5,081	4,591	-9.6%
Income tax expenses	180	-36.0%	1,000	996	-0.4%	947	881	-7.0%
Net profit for the period	692	-37.1%	3,553	3,815	7.4%	4,133	3,711	-10.2%
Earnings Per Share (Baht per share)	2.77	-37.3%	14.21	15.26	7.4%	16.53	14.84	-10.2%

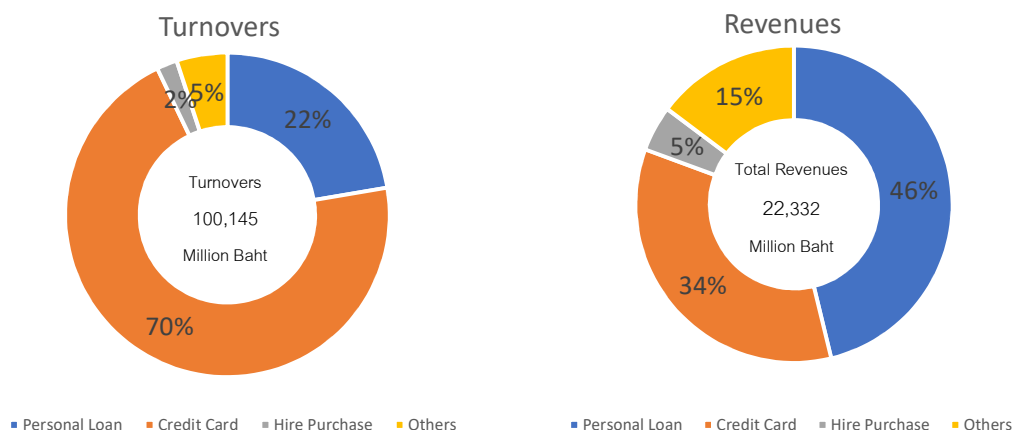
Revenues

In the fiscal year ended February 28, 2023, the total consolidated revenues were 22,332 million baht, increasing of 1,541 million baht or 7.4% y-y. In 4Q/2022, the Company's revenues were 5,553 million baht, decreasing of 266 million baht or decreasing 4.6% q-q. The increased in revenues was a result of growth in revenue of the Company's core businesses, especially the credit card income which having 18.2% growth y-y. Hence, the growth of revenue, especially credit cards, was mainly derived from marketing activities to stimulate credit card spending and acquisition of new credit card customers.

In addition, our consolidated revenue from Personal Loan were 10,385 million baht, stable from previous year and consolidated hire-purchase income were 1,029 million baht, reduced by 44 million baht or decreasing 4.1% y-y due to selective approach in credit judgement amid remaining high risky economic factors in this year.

However, the Company has other income for fiscal year 2022 amounted 3,277 million baht, 13.5% growth y-y. Details of each business can be described as follows:

Sales and Revenues Structure for the fiscal year 2022



- Credit Card

For the fiscal year 2022, credit card sales accounted for 70% of total turnovers with revenue of 7,642 million baht, an increase of 1,180 million baht or 18.2% y-y. Although, for the fourth quarter of 2022, credit card revenue was 1,994 million baht, an increase of 21.4% y-y and 1.73% q-q. For overseas business, AEON Specialized Bank (Cambodia) Plc had credit card revenue in the fiscal year of 2022 of 154 million baht, grew by 27.9% y-y.

- Loans

For the fiscal year 2022, loans shared 22% of total turnovers with the revenue of 10,385 million baht, accounting of 46% of total revenues, stable from previous year. In the fourth quarter of 2022, loans revenue was 2,538 million baht, stable from the same quarter of last year and decreasing 1.9% q-q. Moreover, loan income from AEON Specialized Bank (Cambodia) PLC of 217 million baht, dropped by 17.2% y-y.

- Hire Purchase

For the fiscal year of 2022, motorcycle and used car hire purchase in Thailand and electrical appliances, mobile phones in overseas business, with the revenues of 1,029 million baht, decreasing by 44 million baht or 4.1% y-y. In addition, hire purchase income from AEON Specialized Bank (Cambodia) Plc was 681 million baht, increasing by 4.4% y-y and AEON Leasing Service (Lao) Company Limited of 102 million baht, decreased 9.6% y-y.

- Other Incomes

For the fiscal year of 2022, other incomes were 3,277 million baht, accounting of 14.7% of total revenue, showing an increase of 389 million baht or 13.5% y-y. Other revenues consist of bad debt recovery, which was 1,696 million baht, 19.2% growth y-y, gain on sales of written-off receivables was 405 million baht, 26.5% growth y-y, collection service income was 226 million baht, 7.7% growth y-y, insurance brokerage commission income was 689 million baht, stable from the previous year, and others of 262 million baht respectively. The growth of

other incomes revenue was contributed mainly from the continued growth of bad debt recovery and gain on sale of written-off receivables.

For the fourth quarter 2022, other income revenues were 766 million baht, and it did not have income from bad debt recovery.

Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. For the fiscal year of 2022, the Company had total consolidated expenses of 17,382 million baht, an increase of 1,164 million baht or 7.2% y-y. For the fourth quarter of 2022, the consolidated expenses were 4,644 million baht, increasing 5.6% q-q. Details of expenses are shown as follows:

- Operating and Administrative Expenses and other expenses

For the fiscal year of 2022, the consolidated operating and administrative expense and other expenses were 8,117 million baht, increasing by 285 million baht or 3.6% y-y. The increase in operating and administrative expense was mainly from the increasing of marketing expense compared with the last year. For the fourth quarter of 2022, the consolidated operating and administrative expenses were 2,060 million baht, an increase of 1.0% q-q. However, the Company still maintained effective operating cost control with cost to income ratio at 36.4% of total revenues, reduced from 37.7% of previous year significantly. Considering the Company's separate financial statement, the operating and administrative expenses as a percentage of revenues was 35.0% in the fiscal year of 2022.

- Expected Credit

The consolidated expected credit loss in the fiscal year of 2022 amounted to 7,263 million baht, increasing by 9.6% y-y.

- Finance Cost

In 2022, the results of the Monetary Policy Committee (MPC) meeting resolved to raise the policy interest rate by 0.25% per, total 4 times in roll, resulting in the increment of policy rate of 1.00%, to 1.50% per year. As at the end of fiscal year 2022, despite the gradual increase in the policy interest rate to cope with the pressure from the high inflation rate in the country, the Company was still able to effectively manage its financial costs. The Company recorded consolidated finance cost in the fiscal year of 2022 of 1,904 million baht, increasing by 9.1% y-y, the average funding cost is 2.64%. For the fourth quarter of 2022, the finance cost was 523 million baht, increasing by 10.0% q-q.

Net Profit

For the fiscal year of 2022, consolidated operating income was reported at 3,815 million baht, an increase 262 million baht or 7.4% y-y or earning per share of 15.26 baht due to the growth of loan portfolio specially the credit card business. Moreover, the operating cost has been managed with higher efficiency.

2. Financial Status

Statement of Financial Position	28 February 2021	28 February 2022	%YoY
Unit : Million Baht			
Accounts Receivable	91,028	93,937	3.2
Total Assets	90,469	95,207	5.2
Total Borrowing	65,418	66,055	1.0
Total Liabilities	70,205	71,859	2.4
Equity Attributed to Owners of the Parent	19,889	22,821	14.7
ROE	19.2%	17.9%	-
ROA	4.0%	4.1%	-
D/E Ratio	3.5	3.1	-

Remark: ROE = Profit (Loss) Attributable to Owners of the Parent/Equity Attributed to Owners of the Parent

Total Assets

As of February 28, 2023, consolidated total assets were 95,207 million baht, an increase of 4,738 million baht or 5.2% from last year. The majority of assets is loan portfolio account receivable, which accounting of 88.0% of total assets.

- Account Receivable

As of 28 February, 2023, the Company has accounts receivable of 93,937 million baht, increased by 3.2% from last year, in which consisting of domestic loan book amounted 88,861 million baht, 4.0% growth y-y, which can be classified by loan types as; number of credit cards receivable 43,474 million baht, 10.6% y-y; loans receivable of 44,878 million baht, decreased by 1.8% y-y; hire purchase receivable of 5,511 million baht, decreasing by 6.5% y-y and others receivable of 73 million baht decreased by 37.6% from last year respectively.

- Allowance for expected credit loss

As of February 28, 2023, the Company provided allowance for doubtful accounts of 10,125 million baht or 10.8% of total accounts receivable, decreasing from 10,951 million baht or 12.0% of total accounts receivable at the end of previous fiscal year due to the business is returning to normal situation. The consolidated delinquent account receivables for 3 months and up was 5.5%. For default receivables in credit risk (NPL Stage 3) was 5.7%. The separated delinquent account receivables for 3 months and up was 5.2% and the default receivables in credit risk (NPL Stage 3) was 5.4%. As at 28 February, 2023, the consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 190%.

Liabilities

The consolidated liabilities of the Company as of February 28, 2023 totaling 71,859 million baht, an increase of 1,654 million baht or 2.4% y-y from 70,205 million baht at the end of previous fiscal year. There were both short-term and long-term borrowings totally 66,055 million baht, increasing by 1.0% from the end of last year. The portion of long-term borrowings was 48,733 million baht or represented 74% of total borrowings, increased/decreased from

the previous year to manage risk that might occur from the fluctuation in interest rate. However, for the risk of 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 12,370 million baht and 3,000 million baht unused committed facilities with various financial institutions which is sufficient to support the Company's operation and business expansion. The Company also does not have the debentures that will mature within 12 months. The company's credit rating by Fitch Rating remains at A-(tha)/Stable Outlook.

Shareholders' Equity

As of February 28, 2023, total shareholders' equity attributed to owners of the parent amounted to 22,821 million baht, an increase of 2,932 million baht or 14.7% y-y, Book value as of February 28, 2023 was 91.3 baht per share, increased from 79.6 baht per share as of February 28, 2022.

Debt to Equity ratio as of February 28, 2023 was at 3.1 times, continued decreasing from 3.5 times of previous year. Return on Equity (ROE) and Return on Asset (ROA) for the fiscal year of 2022 are 17.9% and 4.1%, respectively.

Key Financial Ratio	4Q/2021	4Q/2022	FY2021	FY2022
Net Profit Margin (%)	17.5%	12.5%	17.1%	17.1%
Interest Coverage Ratio (Times)	3.8	3.1	3.5	3.1
Cost to Income (%)	38.3%	37.1%	37.7%	36.4%
EPS (Baht)	3.64	1.72	14.21	15.26

Key Financial Ratio	As of 28 February 2022	As of 28 February 2023
Allowance for Expected Credit Loss/Total Receivables (%)	12.0%	10.8%
NPL Coverage Ratio (%)	247%	190%
Book Value per Share (Baht)	79.6	91.3