

Management Discussion and Analysis

For the 1st Quarter 2023 ended May 31, 2023

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the consolidated reviewed the 1Q/2023 financial statements as of May 31, 2023 which were reviewed by Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The operating performance is summarized as follows.

Overview

According to the Bank of Thailand and Office of the National Economic and Social Development Board data. Thailand’s economy in the first quarter of 2023 expanded by 2.7% y-y, accelerating from 1.4% y-y growth in the previous quarter attributed to continual expansion of public and private investments and private consumption expenditures in relating to the growth in tourism. However, the exports of goods and services have declined the second quarter in consecutive reflecting the economic slowdown in the trading partner countries. Although, Thailand’s economic outlook in 2023 is expected to expand between 2.7-3.7% mainly due to the tourism recovery and private consumptions. In additions, the inflation rate decelerated to 3.9% in this quarter from 5.8% last quarter and the unemployment rate in 1Q/2023 continues to reduce to 1.05% from the previous quarter. However, substance economic challenges are remained such as global economic recession as a result of policy interest rate increment, high household debt level increasing from 86.3% to 90.6% in the first quarter of 2023 and political stability after the election, which might delay the government’s budget approval for 2024.

For the 1Q/2023, the Company has total new sales increased by 5% 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 2023, online credit card spending shared 21% of total credit card spending.

As of May 31, 2023, the Company had business distributions and number of customers as below;

Number of AEONTS Cards, Networks and Merchandise Partners	May 31, 2022	Feb 28, 2023	May 31, 2023
Number of Credit Cards (million cards)	3.15	2.96	3.30
Number of Member Cards (million cards)	6.37	6.51	6.53
Branches	103 branches	104 branches	104 branches
Bangkok	30%	31%	30%
Province	70%	69%	70%
ATMs (machine)	309	146	142
Affiliated Dealers	6,192	5,846	5,618

Summary of Consolidated Financial Results

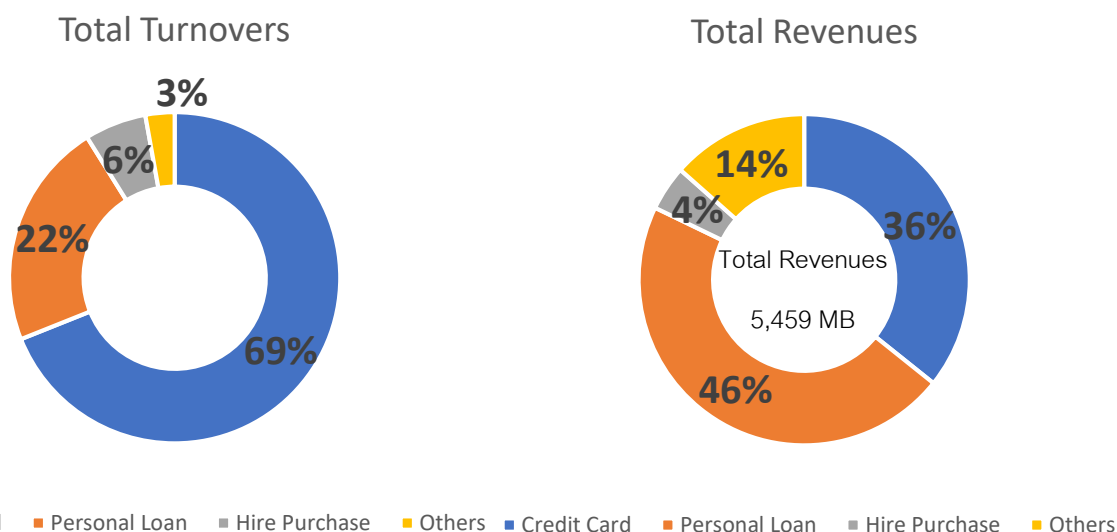
1. Operating Results

Profit and Loss Statement Unit : Million Baht	Consolidated					Separated		
	1Q/22	4Q/22	1Q/23	%QoQ	%YoY	1Q/22	1Q/23	%YoY
Credit card income	1,810	1,994	1,951	(2%)	8%	1,773	1,910	8%
Loan income	2,628	2,538	2,534	0.1%	(4%)	2,603	2,512	(3%)
Hire-purchase income	267	255	240	(6%)	(10%)	65	61	(6%)
Other income	780	766	734	(4%)	(6%)	857	765	(11%)
Total Revenues	5,485	5,553	5,459	(2%)	(0.5%)	5,297	5,248	(1%)
Operating and administrative expenses	2,033	2,060	2,029	(2%)	(0.2%)	1,853	1,856	0.2%
Expected credit loss	1,563	1,965	2,094	7%	34%	1,530	2,044	34%
Finance costs	437	523	527	1%	21%	458	541	18%
Other expenses	2	96	5	(95%)	150%	2	5	150%
Total Expenses	4,035	4,644	4,654	0.2%	15%	3,844	4,446	16%
Profit before tax income	1,450	909	805	(12%)	(45%)	1,454	802	(45%)
Income tax expenses	291	180	161	(11%)	(45%)	259	132	(49%)
Net profit for the period	1,115	692	617	(11%)	(45%)	1,194	670	(44%)
Earnings Per Share (Baht per share)	4.46	2.77	2.47	(11%)	(45%)	4.78	2.68	(44%)

Revenues

For the 1Q/2023 financial results, the total consolidated revenues were 5,459 million baht, stable compared to the same quarter of the previous year. The increase in revenues was attributed to an 8% increase in credit card revenue, in line with continued growth in card spending in this quarter, whereas revenue from other products decreased y-y and q-q. However, although the overall economic growth rate of the country has a better outlook, there are risks from the slow recovery of some business sectors, including the export sector that continued to decline due to the economic slowdown in Thailand's major trading partners. This may affect the ability to pay of customers in the industrial sector. While the household debt rate remained high, the Company, therefore, implemented a more stringent credit lending policy in this quarter and focus on specific customer groups to reduce the risk of asset quality by being conservative in personal loans and hire purchase.

Sales and Revenues Structure for the 1Q/2023



- Credit Card

For 1Q/2023 financial results, credit card turnover accounted 69% of total turnovers with revenue of 1,951 million baht, an increase of 141 million baht or 8% from the same quarter of the previous year and accounting of 36% of total revenues, as a result of an increase shopping spending such as payment for online shopping on partner online shopping platforms, online food delivery platforms and hotel bookings platforms in regards to the relaxation of various measures and recovery of the tourism sector. For overseas business, AEON Specialized Bank (Cambodia) Plc had credit card revenue in the first quarter of 2023 of 41 million baht, grew by 11% from the same period last year.

- Loans

For 1Q/2023 financial results, loans turnovers shared 22% of total turnovers, while the income from loans in the consolidated financial statements amount 2,534 million baht, reduced by 94 million baht, or 4% from the same quarter of previous year. The income from loans has 46% proportion of total revenues.

However, the Company has been expanding more online service channels to customers and reduced the Company's operation cost. As a result, the cardless withdrawal transactions currently accounting 97% of total personal loan sales.

- Hire Purchase

For the 1Q/2023 financial results, motorcycle and used car hire purchase in Thailand and electrical appliances, mobile phones and others in overseas business resulted in the Company's incomes from hire purchase amount 240 million baht, decreased by 27 million baht or 10% from the same quarter last year.

- Others

For the 1Q/2023 financial results, other incomes were 734 million baht or 14% of total revenues, decreasing of 46 million baht or 6% from the same quarter in previous year. Other revenues consist of bad debt recovery, which was 441 million baht or 8% of total revenues, collection service income was 55 million baht, insurance broker business income was 170 million baht, and others of 68 million baht respectively. The reduction of other incomes in comparison to the same period last year was a result of no write-off transaction in this quarter.

Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. For the 1Q/2023 financial results, the Company had total consolidated expenses of 4,654 million baht, an increase of 619 million baht or 15% from the same quarter last year. Details of expenses are shown as follows:

- Operating and Administrative Expenses and other expenses

For the 1Q/2023 financial results, the consolidated operating and administrative expense which including director and management remuneration expense were 2,029 million baht, stable from the same quarter last year because the Company can control effective operating and administrative expenses well in accordance to the Digitalization plan, which reducing some operating and administrative expenses. The operating and administrative expenses to total revenue was 37%.

- Expected Credit Loss

The consolidated expected credit loss in 1Q/2023 amounted 2,094 million baht, increased by 530 million baht or 34% from the same period last year and 7% from the previous quarter due to the ending of moratorium program for customers impacted by Covid-19 since December 2021. The default receivables in credit risk (Stage 3) ratio stood at 5.9% of consolidated financial statements and 5.7% of separated financial statements.

- Finance Cost

The Company recorded consolidated finance cost in the 1Q/2023 of 527 million baht, increased by 21% from the same period last year, in which the portion of finance cost in the first quarter of 2023 was 10% of total revenues. The average funding cost in the first quarter of 2023 was at 2.92% due to the gradual increasing of the policy interest rate from 0.50% in 2022 to 1.75 as of May 2023.

Net Profit

In 1Q/2023 financial results, the consolidated profit for the period was reported at 805 million baht, a decrease of 645 million baht or 45% y-y. The Company recorded net profit attributable to the owners of the parent of 617 million baht, a decrease of 498 million baht or 45 % y-y and decreased by 11% q-q, earning per share was 2.47 baht.

2. Financial Status

Statement of Financial Position	February 28, 2023	May 31, 2023	Change
Unit : Million Baht			%YTD
Accounts Receivable	93,937	93,798	(0.1%)
Total Assets	95,207	94,317	(1%)
Total Borrowing	66,055	64,082	(3%)
Total Liabilities	71,859	70,425	(2%)
Equity Attributable to Owners of the Parent	22,821	23,348	2%
ROE (attributable to owners of the parent)	17.9%	10.7%	(40%)
ROA	4.1%	2.6%	(37%)
D/E Ratio	3.1	2.9	(6%)

Total Assets

As of May 31, 2023, consolidated total assets were 94,317 million baht, decreasing 1% from 95,207 million baht as of February 28, 2023 due to the reduction in personal loan receivable by 517 million baht or 1% from end of last fiscal year. The main assets were attributed to the portfolio of net account receivables which shared 99% of total assets.

- Account Receivables

The Company has account receivables of 93,798 million baht as of May 31, 2023, slightly decreased from February 28, 2023 due to the conservative approach in lending policy although the credit card receivable continued to grow. The account receivables are consisting credit card receivable of 43,649 million baht, increasing by 0.4% from end of last year; loan receivable of 44,361 million baht, decreased by 1% from end of last year; hire purchase receivable of 5,712 million baht, increasing by 4% from end of last year and others receivable of 76 million baht increased by 4% from end of last year.

- Allowance for expected credit loss

As of May 31, 2023, the Company provided allowance for doubtful accounts of 10,199 million baht, where the default receivables in credit risk (NPL Stage 3) in accordance to TFRS9 was 5.9% increasing from 5.7% at the end of last year and 5.3% in the same quarter last year. The consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 184%, decreased from 190% from fiscal year of 2022 and 219% from the same quarter previous year due to positive outlook of macroeconomic factors.

Liabilities

The consolidated liabilities of the Company as of May 31, 2023 totaling 70,425 million baht, a decrease of 1,434 million baht or 2% from 71,859 million baht as of February 28, 2023. There were both short-term and long-term borrowings totally 64,082 million baht, decreasing by 3% from the end of last year. The portion of long-term borrowings was 46,654 million baht or represented 73% of total borrowings. To manage risk that might occur from the fluctuation in foreign currencies. The Company has entered cross currency interest rate swap contracts to hedge its debt. In addition, the Company has unused unsecured revolving credit facilities 12,530 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 does not have debentures that will mature within 12 months.

Shareholders' Equity

As of May 31, 2023, total equity attributable to owners of the parent amounted to 23,348 million baht, an increase of 527 million baht or 2% from the end of fiscal year 2022, Book value (attributable to the owners of the parent) as of May 31, 2023 was 93.4 baht per share, increased from that of 91.3 baht per share as of February 28, 2023.

Debt to Equity ratio as of May 31, 2023 was at 2.9 times decreased from 3.1 times as of February 28, 2023. Return on Equity (attributable to the owners of the parent) (ROE) and Return on Asset (ROA) for the first quarter of 2023 are 2.6% and 10.7%, respectively.

Key Financial Ratio	1Q22	4Q22	1Q23
Net Profit Margin (%)	20.3%	12.5%	11.3%
Debt-to-Equity ratio (Times)	3.3	3.1	2.9
Cost to Income (%)	37.1%	37.1%	37.2%
EPS (Baht)	4.46	2.77	2.47

Key Financial Ratio	31 May, 22	28 February, 23	31 May, 23
Allowance for Expected Credit Loss/ Total Receivables (%)	11.6%	10.8%	10.9%
NPL Coverage Ratio (%)	219%	190%	184%
Book Value per Share (attributable to owners of the parent) (Baht)	85.2	91.3	93.4