

## Management Discussion and Analysis

### For the 3<sup>rd</sup> Quarter 2023 ended November 30, 2023

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has already submitted the consolidated reviewed the 3Q/2023 financial statements as of November 30, 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 (NESDB) data. Thailand’s economy in the third quarter of 2023 expanded by 1.5%, decelerating from 1.8% in the second quarter of 2023 (%YoY) as a result of a slowdown in public investment and public consumption due to the delay of government’s budget allocation, although the exports improved from the previous quarter continuously. Hence, the NESDB has cut down its growth forecast for the Thai economy in 2023 to the range of 2.5% which is lower than the earlier expectation, in which the supporting factors still being the continuous recovery of the tourism sector, the private consumption and the private investment, while the headline inflation rate averaged of only 0.5%. The unemployment rate in 3Q/2023 was slightly reduced down to 0.99% from the previous quarter. However, substance macroeconomic challenge is remained as the level of household debt (seasonal adjusted) continued to increase from 90.7% in the 1Q/2023 of 2023 to 90.9 in 2Q/2023.

For the 3Q/2023, the Company has total new sales and credit card spending increased by 5% y-y, mainly due to the continual increase in credit card spending and marketing with business partners. However, in regards to the current economic situation which is in an improved trend but the risks to asset quality remained in concerns. The Company therefore remains cautious in expanding high-risk loans.

As of November 30, 2023, the Company had business distributions as below;

Number of Networks and Merchandise Partners	Feb 28, 2023	Aug 31, 2023	Nov 30, 2023
Branches	104 branches	104 branches	102 branches
Bangkok	31%	30%	29%
Province	69%	70%	71%
ATMs (machine)	146	141	137
Affiliated Dealers	5,846	5,646	5,524

## Summary of Consolidated Financial Results

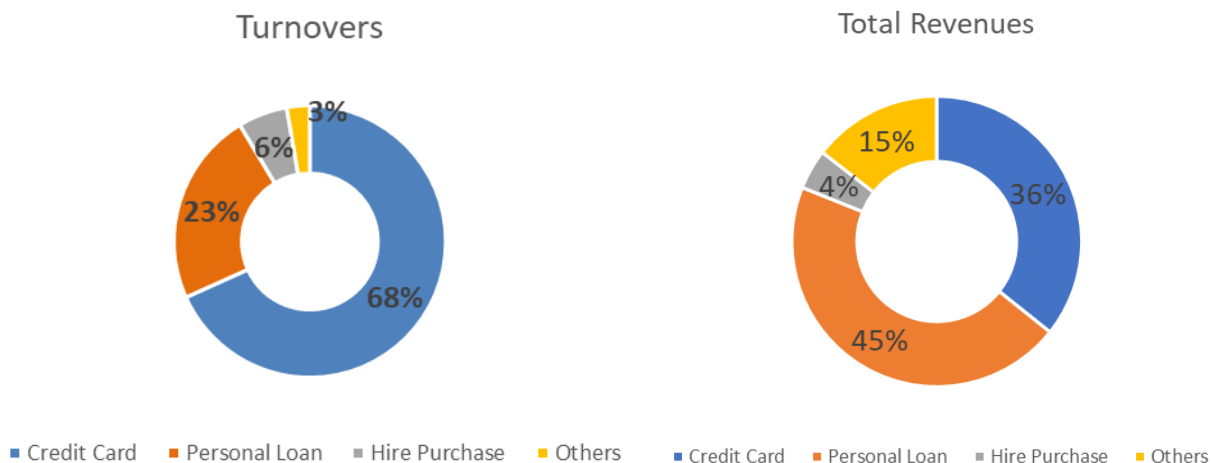
### 1. Operating Results

Profit and Loss Statement Unit : Million Baht	Consolidated					
	2Q/23	3Q/23	%LQ	9M/22	9M/23	%LY
Credit card income	1,968	1,989	1%	5,648	5,908	5%
Loan income	2,554	2,411	(6%)	7,847	7,500	(4%)
Hire-purchase income	248	249	0.4%	774	737	(5%)
Other income	907	755	(17%)	2,511	2,395	(5%)
<b>Total Revenues</b>	<b>5,676</b>	<b>5,405</b>	<b>(5%)</b>	<b>16,780</b>	<b>16,541</b>	<b>(1%)</b>
Operating and administrative expenses	2,070	2,114	2%	6,057	6,212	3%
Expected credit loss	1,949	1,899	(3%)	5,298	5,942	12%
Finance costs	574	511	(11%)	1,381	1,612	17%
Other expenses	1	(0.1)	(110%)	2	6	148%
<b>Total Expenses</b>	<b>4,594</b>	<b>4,524</b>	<b>(2%)</b>	<b>12,739</b>	<b>13,773</b>	<b>8%</b>
Profit before tax income	1,082	881	(19%)	4,401	2,768	(31%)
Income tax expenses	218	171	(22%)	815	550	(33%)
<b>Net profit for the period</b>	<b>842</b>	<b>706</b>	<b>(16%)</b>	<b>3,122</b>	<b>2,165</b>	<b>(31%)</b>
Earnings Per Share (Baht per share)	3.37	2.82	(16%)	12.49	8.66	(31%)

#### Revenues

For the 3Q/2023 and 9M/2023 financial results, the total consolidated revenues were 5,405 million baht and 16,541 million baht respectively, the total revenues for the 3Q/2023 reduced 5% from last quarter, because there is no sale of written-off receivables in this quarter. However, in comparison of the 9M/2023's revenue to the same period last year, the revenue from credit card increased 5%, in line with continued growth in card spending. However, although the overall economic growth rate of the country has a better outlook, it is lower than the situation prior to the Covid-19 pandemic, especially the export sector, although it has a better outlook in the third quarter. In additions, 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 9M/2023



### - Credit Card

For 9M/2023 financial results, credit card turnover accounted 68% of total turnovers with the 3Q/2023 credit card revenue reported 1,989 million baht, making the 9M/2023 credit card revenue increased to 5,908 million baht or 5% from the 9M/2022 and accounting of 36% of total revenues, as a result of an increase shopping spending such as payment such as shopping with partner traders, hypermarkets, hotel bookings platforms in regards to the recovery of the tourism sector and hospitals.

### - Loans

For 9M/2023 financial results, loans turnovers shared 23% of total turnovers, while the income from loans in the consolidated financial statements amount 2,411 million baht for the 3Q/2023 and amount 7,500 million baht for the 9M/2023, which reduced by 4% from the 9M/2022. The income from loans has 38% proportion of total revenues.

However, the Company has expanded its service channels through the online platform, which is more convenient for customers and also reduces the Company's operating costs, allowing AEON card members to conduct cash loan transactions through various channels. Therefore, cash withdrawals without using a card (Cardless Withdrawal) accounted over 97% of the total personal loan sales as a result of success digitalization for the Company's sustainability development.

### - Hire Purchase

For the 9M/2023 financial results, motorcycle and used car hire purchase in Thailand and electrical appliances, mobile phones and others in overseas business turnovers was 6% of total turnovers, resulted in the Company's incomes from hire purchase in the 3Q/2023 amounted 249 million baht, stable from the previous quarter and in the 9M/2023, the hire purchase income amounted 737 million baht and, increased 5% from the same period last year.

In addition, the Company has directions and policies for sustainable development and well aware of the ESG impacts. Hence, in the second quarter of fiscal year 2023, the Company has initiated hire purchase loans for products that reducing environmental impact, such as electric motorcycles, which receiving good feedbacks from customers since their consumption behavior has changed to place more importance to products that are environmentally friendly. The Company also has plans to expand to other products in the future.

- Others

For the 3Q/2023 and 9M/2023 financial results, other incomes were 755 million baht and 2,395 million baht respectively. It comprised of an increase in bad debt recovery income to 1,360 million baht or an increase of 13% from the same period last year and increased of 4% from the previous quarter, indicating a better efficiency in debt collection continuously. However, in the 3Q/2023, there was no income from the gain on sale of written-off receivables.

### **Expenses**

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss and finance cost. For the 3Q/2023 and 9M/2023 financial results, the Company had total consolidated expenses of 4,524 million baht and 13,733 million baht respectively. Details of expenses are shown as follows:

- Operating and Administrative Expenses and other expenses

The consolidated operating and administrative expense which including director and management remuneration expense for the 3Q/2023 were 2,114 million baht, and for the 9M/2023 was 6,212 million, As a result, the expense to income ratio (Cost-to-Income Ratio) this quarter increased to 39.1% from 36.5% in the previous quarter, due to the deceleration of revenues. However, the Company can maintain its operating and administrative expenses well through the Digitalization process, resulting in the 9M/2023's Cost-to-Income Ratio maintained at 37.6% as expected. The operating and administrative expenses accounted for 47% of total expenses.

- Expected Credit Loss

The consolidated expected credit loss in 9M/2023 amounted 5,942 million baht, remained higher in comparison to the same period in the previous year. However, for the 3Q/2023, the expected credit loss was reported 1,899 million baht, reduced continuously by 3% from the previous quarter by from the ability to control the quality of assets in Stage 3 and better debt collection performance.

- Finance Cost

The Company recorded consolidated finance cost in the 3Q/2023 of 511 million baht, reduced by 11% from last quarter in relating to the reduction of interest-bearing loans and in the 9M/2023, the financial cost reported 1,612 million baht, in which increased by 17% from the last year, with the 9M/2023 average funding cost 2.97%, increasing from 2.64% at the end of last year, due to the announcement of the Monetary Policy Committee (MPC) to increase the policy interest rate from 0.50% in 2022 to 2.50 as of November 2023.

### **Net Profit**

In 9M/2023 financial results, the consolidated profit attributable to the owners of the parent for the period was reported at 2,165 million baht, and earning per share was 8.66 Baht. And the profit attributable to the owners for the parent for the 3Q/2023 was 706 million baht, reducing 16% from the previous quarter, which equivalent to the earning per share of 2.82 baht. Moreover, the overseas subsidiaries in Cambodia, Myanmar and Laos generated revenues and net profits for 9M/2023 ended 30 September 2023, totaled 5,883 million baht and 160 million baht respectively, in which the net profit growth is 272% from the same period of previous year.

## 2. Financial Status

Statement of Financial Position	February 28, 2023	November 30, 2023	Change
Unit : Million Baht			%YTD
Accounts Receivable	93,937	93,894	(0.05%)
Total Assets	95,207	94,333	(0.9%)
Total Borrowing	66,139	64,883	(2%)
Total Liabilities	71,859	70,014	(3%)
Equity Attributable to Owners of the Parent	22,821	23,705	4%
ROE (attributable to owners of the parent)	17.9%	12.4%	-
ROA	4.1%	3.0%	-
D/E Ratio	3.1	2.9	-

### Total Assets

As of November 30, 2023, consolidated total assets were 94,333 million baht, stable from 95,207 million baht as of February 28, 2023. The main assets were attributed to the portfolio of net account receivables which shared 99.5% of total assets.

- Account Receivables

The Company has account receivables of 93,894 million baht as of November 30, 2023, maintained from February 28, 2023 due to the conservative approach in lending policy although the credit card sales continued to grow. The account receivables are consisting credit card receivable of 43,496 million baht, stable from end of last year; loan receivable of 43,975 million baht, decreased by 2% from end of last year; hire purchase receivable of 6,343 million baht, increasing by 15% from end of last year and others receivable of 81 million baht increased by 10% from end of last year.

- Allowance for expected credit loss

As of November 30, 2023, the Company provided allowance for doubtful accounts of 9,488 million baht, where the default receivables in credit risk (NPL Stage 3) in accordance to TFRS9 was 6.23% slightly increasing from 6.18% last quarter although the default receivables in credit risk (Stage 3) is stable from the previous quarter, however, due to the contraction of total account receivables, as a result, the NPL ratio still has not decreased immediately. The consolidated coverage ratio of allowance for expected credit loss to NPL (NPL Coverage ratio) was at 162%, decreased from 174% from the last quarter but being at appropriate level.

## Liabilities

The consolidated liabilities of the Company as of November 30, 2023 totaling 70,014 million baht, a decrease of 3% from as of February 28, 2023. There were both short-term and long-term borrowings totaled 64,883 million baht, decreasing by 2% from the end of last year. The portion of long-term borrowings was 42,142 million baht or represented 65% of total borrowings. However, in order to manage risk that might occur from the fluctuation in foreign currencies, the Company has entered cross currency interest rate swap contracts to fully hedge its debt.

### Debentures, Solvency and Liquidity Management

As of November 30, 2023, the Company has outstanding long-term debentures, representing unsubordinated and unsecured debentures, amount 8,562 million baht, reduced from the outstanding of 9,580 million baht as of February 28, 2023, with the interest rate ranged between 0.65%-3.18% (debenture details can be referred to the Financial Statement's notes). However, the Company can maintain financial ratios and other requirements according to the conditions as specified in the agreement and does not have any debentures maturity due within 12 months. As of November 30, 2023, the interest bearing debt to equity ratio is 2.52 times, while the interest coverage ratio is 2.72 times.

In addition, the Company has unused unsecured revolving credit facilities of 8,100 million baht, 3,000 million baht unused committed facilities with various financial institutions and cash and cash equivalent 3,159 million baht, which is sufficient for the Company's operation and debt payment.

### Credit Ratings

The Company has received credit ratings and have them reviewed annually by accredited credit rating agencies such as Japan Credit Rating Agency and Fitch Rating. The credit rating details as of November 30, 2023 are as follows:

Credit Rating Agency	Credit Ratings
Fitch Ratings	A-/Stable
Japan Credit Rating Agency	A/Stable

## Shareholders' Equity

As of November 30, 2023, total equity attributable to owners of the parent amounted to 23,705 million baht, an increase of 883 million baht or 4% from the end of fiscal year 2022, Book value (attributable to the owners of the parent) as of November 30, 2023 was 94.8 baht per share, increased from that of 91.3 baht per share as of February 28, 2023.

Debt to Equity ratio as of November 30, 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 9M/2023 are 12.4% and 3.0%, respectively.

<b>Key Financial Ratio Ended 30 November</b>	<b>3Q/22</b>	<b>3Q/23</b>	<b>9M/22</b>	<b>9M/23</b>
Net Profit Margin (%)	19.0%	13.1%	18.6%	13.1%
Debt-to-Equity ratio (Times)	3.3	2.9	3.3	2.9
Cost to Income (%)	35.0%	39.1%	36.1%	37.6%
EPS (Baht)	4.42	2.82	12.49	8.66

<b>Key Financial Ratio</b>	<b>30 November, 2022</b>	<b>28 February, 2023</b>	<b>30 November, 2023</b>
Allowance for Expected Credit Loss/ Total Receivables (%)	11.0%	10.8%	10.1%
NPL Coverage Ratio (%)	196%	190%	162%
Book Value per Share (attributable to owners of the parent) (Baht)	87.0	91.3	94.8

## Sustainability Development

The Company operates the business with awareness of environmental, social and governance and bring the Sustainable Development Goals; SDGs as the part of organization driven continuously to respond client and all stakeholders needs and to consecutively operate the business under the challenging situation.

### Environmental

The Company has joined as a member in Greenhouse Gas Reduction workforce in Aeon Financial Services Group, Japan, in which established goals and short-term and long-term action plans to reduce greenhouse gas emissions to Zero CO<sub>2</sub> Society as follows;

- 35% reduction within the year 2030
- Zero CO<sub>2</sub> by the year 2050

The Company has implemented environmental development through strategic plans. Digitalization Roadmap since 2017 and implementation of resource management in business operations, which are;

1. Reducing the use of paper and plastic;
2. Waste management; and
3. Management of electrical energy, water, and energy.

## Social

The Company conducts business in accordance to human rights principles, based on its philosophy which places importance to peace, human beings and society, which aims to conduct business with responsibility to both customers; via the development of financial products and services regularly to enhance the financial service accessibility and the use of financial services with safety and fairness, and employees; via our Human Resources Management policy to treat employees equally through recruiting, providing a safe working environment and good occupational healthy environment, performance appraisal, layoffs and retirement processes.

In addition, the Company also supports various social projects through AEON Thailand Foundation with the following objectives:

1. Promote and support forest conservation;
2. Promote education, including granting scholarships and/or donations to students and/or schools;
3. Develop Thai society and promote and support general public interest;
4. Conduct or cooperate with other charitable organizations. for public benefit; and
5. Do not engage in any political activities.

## Governance

The Company is aware of the industry risks, therefore, we place importance to technology development and management as well as financial innovations in response to customer's needs by focusing on providing personal loan services responsibly and customer satisfaction. In addition, the Company develops corporate governance and risk management continuously to maintain credibility and trust of all stakeholders. Besides operating under the supervision of the SEC/SET, Bank of Thailand, related laws and regulations, the Company also complies ISO world-class standards to control various operational processes to ensure that the Company conducts business with transparency and fairness for stakeholders' confidence.

Details of governance performance results in detail can be viewed in the Sustainability Report and 56-1 One Report, Section 2, Corporate Governance and environmental, social and economic performance in detail can be viewed in the Sustainability Report and Report 56-1 One Report, topic: Driving Business for Sustainability.