



Management Discussion and Analysis

For the Third Quarter and the 9-month period of 2024 ended November 30, 2024

AEON Thana Sinsap (Thailand) Public Company Limited (“the Company”) has submitted the consolidated audited the third quarter and 9-month period of the year 2024 financial statements ended November 30, 2024 which were audited by Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The operating performance is summarized as follows.

Overview

According to the Bank of Thailand (BOT) and the National Economic and Social Development Board (NESDB), Thailand’s economy expanded by 3.0% in the third quarter of 2024, marking an acceleration from 2.3% growth recorded in the previous quarter. The growth in Thailand’s economy in 3Q/2024 was supported by the allocation and disbursement of the government’s budget and continued expansion in the export sector. Additionally, industrial production resumed growth leading to further expansion. As a result, NESDB has revised its 2024 growth forecast to a range of 2.3%-2.8%. Key supporting factors include the ongoing recovery of the tourism sector, private consumption, and both public consumption and investment. The headline inflation rate is 0.6%, while the unemployment rate for the 3Q/2024 stood at 1.02%. Despite these positive trends, the K-shape recovery has led to a continued rise in household debt, reaching 89.6% of GDP in the second quarter of 2024. This continues to pressure the growth of personal loans, particularly unsecured loans offered by both commercial banks and non-bank financial institutions, as well as the outstanding credit card balances, despite an increase in credit card spending. Nonetheless, macroeconomic factors and government stimulus measures remain influential, particularly the policy to increase the minimum wage, which is projected to benefit over 3.7 million employees beginning January 1, 2025. This policy is expected to exert a positive influence on the Company’s operations in subsequent periods.

Financial Highlights	3Q23	3Q24	%Y-Y
	Nov 23	Nov 24	
Financial Performance			
Total Revenues	5,405	5,526	2.2%
Total Expenses	4,524	4,591	1.5%
Net Profit Attributable to the Owner of Parent	706	789	11.7%
Asset Quality			
Accounts Receivable	93,894	89,771	(4.4%)
NPL	6.2%	5.9%	-
Allowance to Accounts Receivable	10.1%	8.9%	-
Highlights Ratios			
D/E (Times)	2.9	2.6	-
BVPS (Baht)	94.8	100.5	-
ROE	12.6%	13.2%	-
ROA	3.0%	3.5%	-

Milestones & Developments in 3Q24

- In November 2024, the Company launched the “AEON PRiMO Digital Credit Card,” our second digital credit care, targeting the younger generation who prefer online shopping via platforms such as Lazada, Shopee, Foodpanda, GrabFood, Agoda, Booking.com, and Hotels.com. The key feature of the digital credit card is its secure identity verification system, ensuring confidence, convenience and speed for online credit card transactions.

Summary of Consolidated Financial Results

1. Profit and Loss

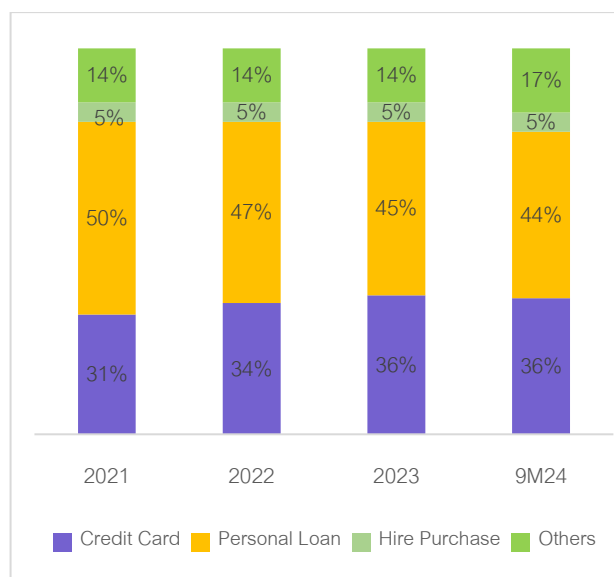
Profit and Loss Statement Unit : Million Baht	Consolidated						Separate		
	3Q23	3Q24	%YoY	9M23	9M24	%YoY	9M23	9M24	%YoY
Credit card income	1,989	1,794	(9.8%)	5,908	5,612	(5.0%)	5,786	5,472	(5.4%)
Loan income	2,411	2,455	1.8%	7,500	7,383	(1.6%)	7,410	7,097	(4.2%)
Hire-purchase income	249	322	28.9%	737	916	24.2%	191	261	37.0%
Other income	755	955	26.5%	2,395	2,836	18.4%	2,341	2,699	15.3%
Total Revenues	5,405	5,526	2.2%	16,541	16,747	1.2%	15,727	15,529	(1.3%)
Operating and admin. expenses	2,114	2,187	3.5%	6,212	6,506	4.7%	5,652	5,865	3.8%
Expected credit loss	1,899	1,802	(5.1%)	5,942	5,877	(1.1%)	5,781	5,571	(3.6%)
Finance costs	511	600	17.4%	1,612	1,716	6.5%	1,621	1,557	(4.0%)
Other expenses	(0.01)	2.3	-	6	4	-	6	291	-
Total Expenses	4,524	4,591	1.5%	13,773	14,103	2.4%	13,060	13,284	1.7%
Profit before tax income	881	935	6.1%	2,768	2,645	(4.4%)	2,667	2,245	(15.8%)
Income tax expenses	171	114	(33.3%)	550	453	(17.6%)	477	394	(17.6%)
Net profit Attribute to Owner of the Parent	706	789	11.7%	2,165	2,135	(1.4%)	2,189	1,852	(15.4%)
Earnings Per Share (Baht per share)	2.82	3.15	11.7%	8.66	8.54	(1.4%)	8.76	7.41	(15.4%)

Revenues

For the 3Q/2024 the Company reported total revenues of 5,526 million baht, reduced from the previous quarter, because there is no sales of the written off accounts receivable, but increased year on year by 2.2%. The revenue from hire purchase increased 28.9% and other income increased 26.5%, mainly driven by the gain on sale of investment in AEON Microfinance (Myanmar) Co., Ltd. to AEON Financial Service Co.,Ltd. (Japan) (AFS), while the bad debt recovery which increased 13.7% year on year.

The Company plans to focus more on expanding fee-based income. This strategy aims to diversify revenue by leveraging its resources across various financial products and services.

Revenue Structure



Credit Card

In Q3/2024, the Company's credit card revenue was 1,794 million baht, a decrease of 9.8% from the previous year, accounting for 36% of total revenues due to contraction of credit card receivable from the change of minimum payment from 5% increasing to 8%, and a higher number of customers paying in full compared to last year. Since the beginning of the fiscal year, the Company has focused on reactivating dormant credit card accounts to boost spending and sustain asset quality. It has also targeted new segments, such as young online shoppers, by introducing high secure digital credit cards aligned with its sustainable development plan. This quarter, the Company launched a new credit card namely AEON PRiMO Digital Credit Card.

Loan

The income from loans in the consolidated financial statements reported 2,455 million baht for the 3Q/2024, which increased by 1.8% from last year, and reported 7,383 million baht for the 9M/2024 reducing 1.6% year on year aligned with the reduction of personal loan receivable which reflecting more cautious lending practices to align with the current economic conditions. Moreover, the Company has expanded its service channels through the online platform, which is more convenient for customers, allowing AEON card members to conduct cash loan transactions through various channels. Therefore, cash withdrawals without using a card (Cardless Withdrawal) accounted for over 99% of the total personal loan sales. The income from loans has 44% proportion of total revenue.

Hire Purchase

The Company's incomes from hire purchase in 3Q/2024 reported 322 million baht, increased 28.9% from last year. The growth resulted from the boost of promotions and marketing activities, enabling the Company to gain various and higher-potential clients and further strengthen its market position.

The Company has started offering hire purchase loans for environmentally friendly products, such as electric motorcycles and solar cells. However, in 3Q/2024, the title loans maintained its gradual growth.

Others

In 3Q/2024, other incomes were 955 million baht. It comprised of bad debt recovery income 532 million baht, accounting of 56% of other income which increased 13.7% from last year, indicating a better efficiency in debt collection, expediting cases, and participating in the debt mediation project of the Legal Execution Department continuously. Moreover, the insurance broker business booked the income of 160 million baht, accounting of 17% of other incomes and having gain on sale of investment in a subsidiary amount 94 million baht. However, there is no income from the gain on sale of written-off in this quarter.



Expenses

The Company's expenses mainly consist of operating and administrative expenses, expected credit loss, and finance cost. In 3Q/2024, the Company had total consolidated expenses of 4,591 million baht. Details of expenses are shown as follows:

Operating and Administrative Expenses

The consolidated operating and administrative expense which including director and management remuneration expense in 3Q/2024 were 2,187 million baht. As a result, the Cost-to-Income Ratio for 9M/2024 became 38.8%. However, the Company will be able to manage its efficiency in operating and administrative expenses well through the Digitalization process in the future. The separate financial statements has cost-to-income ratio at 37.8%.

Expected Credit Loss (ECL)

The ECL expense totaled 1,802 million baht, continuously reduced 9.3% from last quarter and reduced 5.1% from last year due to better GDP since the first quarter 2024 onwards, which resulting in better debt collection performance, as well as the Bank of Thailand's extension of relief measures, which allow a reduced minimum payment rate of 8% on credit cards for an additional year as well as the debt restructuring measures for Persistent Debt (PD) customers.

Finance Cost

The Company recorded consolidated finance cost in 3Q/2024 of 600 million baht, in which increased by 17.4% year on year from higher current portion of debts which due to roll over this year which reflecting the higher policy interest rate. However, the Company has an appropriate capital management to optimize the efficiency of funding cost, along with liquidity management. The average funding cost for the 9-month period of the year 2024 ended November 30, 2024 was 3.07%, increased from 2.99% at the end of last year.

Net Profit

In 3Q/2024 and 9-month period of the year 2024 ended November 30, 2024 financial results, the consolidated profit attributable to the owners of the parent for the period was reported at 789 million baht, increased by 11.7% from last year and earning per share was 3.15 baht from the growth in revenues. Moreover, the domestic subsidiaries and overseas subsidiaries generated revenues and net profits totaled 1,934 million baht and 215 million baht, respectively.

However, the subsidiary in Myanmar has suspended loan disbursement to new customers starting from February 24, 2024, due to the impact of the political turmoil in Myanmar. In addition, the Board of Directors passed a resolution on November 8, 2024 to sell the shares of AEON Microfinance (Myanmar) Co., Ltd. to AEON Financial Service Co., LTD (Japan) (the parent company) for a total amount of 187 million baht at book value.

2. Balance Sheet

Statement of Financial Position	February 29, 2024	November 30, 2024	Change
Unit : Million Baht			%YTD
Accounts Receivable	91,305	89,771	(1.7%)
Total Assets	92,499	92,548	0.1%
Total Borrowing	62,515	60,535	(3.2%)
Total Liabilities	67,437	66,497	(1.4%)
Equity Attributable to Owners of the Parent	24,472	25,133	2.7%
ROE (attributable to owners of the parent)	13.8%	13.2%	-
ROA	3.5%	3.5%	-
D/E Ratio	2.7	2.6	-

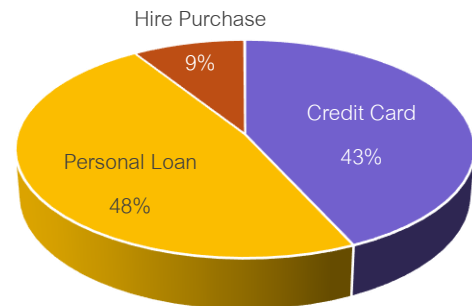
Total Assets

As of November 30, 2024, the consolidated total assets were 92,548 million baht, stable from total assets as of February 29, 2024. The main assets were attributed to the portfolio of net accounts receivable which shared 88.4% of total assets.

Accounts Receivable

The Company had accounts receivable of 89,771 million baht as of November 30, 2024, reduced 1.7% from the end last year as of February 29, 2024. The credit card receivables reported 38,468 million baht, decreased of 6.5% from the previous fiscal year-end, in the similar manner to the contraction of credit card market. The Company continued to focus on low-risk, high-spending credit card customers with strong repayment capacity. The personal loan receivables of 43,069 million baht remained stable, due to more customers participating in debt restructuring loan program. Besides, the hire purchase receivable reported 8,171 million baht, increasing by 23% from end of last year and other receivables 63 million baht.

Accounts Receivable Segmentation



Allowance for expected credit loss

As of November 30, 2024, the Company provided allowance for doubtful accounts of 8,004 million baht. The NPL Stage 3 was 5.9%, slightly increased from last quarter, in relation to the reduction of accounts receivable and increasing of restructured loan. However, the SM Stage 2 amount 2,529 million baht, or 2.8% of outstanding loans, continues to gradually decline. The NPL coverage ratio stands at 152%, reflecting an appropriate level. However, the allowance for ECL to accounts receivables is at 8.9%, covering both SM Stage 2 and NPL Stage 3.

Liabilities

The consolidated liabilities of the Company as of November 30, 2024 totaled 66,497 million baht, a decrease of 1.4% from end of last year. There were both short-term and long-term interest-bearing debt totaled 60,535 million baht, decreasing by 3.2% from the end of last year. The portion of long-term interest-bearing debt was 27,542 million baht or represented 45% 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, 2024, the Company has outstanding long-term debentures, representing unsubordinated and unsecured debentures, amount 6,885 million baht, reduced from 8,453 million baht from as of February 29, 2024, with the interest rate ranged between 0.65%-3.18% (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 has debentures maturity due within 12 months amounted to 3,572 million baht.

In addition, the Company has unused credit facilities of 10,890 million baht and committed credit facilities of 3,000 million baht with various financial institutions and cash equivalent 3,950 million baht, which is sufficient for the Company's operation and debt payment. The DSCR ratio of 0.22 declined compared to the previous fiscal year due to a higher amount of bank loan and bond maturities this year than in the previous year.

Credit Ratings

The Company has received credit ratings and have reviewed annually by accredited credit rating agencies such as Fitch Rating and Japan Credit Rating Agency. For ESG, the Company has been recognized by MSCI ESG Rating per followings.

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

Shareholders' Equity

As of November 30, 2024, total equity attributable to owners of the parent amounted to 25,133 million baht, increasing 2.7% from as of February 29, 2024, Book value (attributable to the owners of the parent) as of November 30, 2024 was 100.53 baht per share, increased from 97.90 baht per share as of February 29, 2024.

The Company has conducted transactions with related parties, with the details as follows;

1. Aeon Financial Services Co.,Ltd. support a loan guarantee to AEON Specialized Bank (Cambodia) Plc and AEON Leasing Service (Lao) Company Limited which are a subsidiaries of the company.
2. The use of Business Administration Agreement and Royalty Fee agreements.
3. The sale of Aeon Microfinance (Myanmar) Company Limited to Aeon Financial Services Co.,Ltd.

*For more details, please refer to the news announcements on the Stock Exchange's website.

Key Financial Ratios

Key Financial Ratio	FY2022	FY2023	9M2024
Book Value per Share (attributable to owners of the parent) (Baht)	91.30	97.90	100.53
EPS (Baht)	15.26	13.04	8.54
EBIT margin (%)	30.7%	28.8%	26.0%
D/E (times)	3.1	2.7	2.6
DSCR (times)	0.46	0.33	0.22
ROA (%)	4.1%	3.5%	3.5%
ROE (%)	17.9%	13.8%	13.2%
Allowance for doubtful account to total receivables (%)	10.8%	9.1%	8.9%
Coverage Ratio (%)	190%	183%	152%
NPL (%)	5.7%	5.0%	5.9%
Stage 2 Ratio	3.8%	3.3%	2.8%

3. Sustainability Development

The AFS Group recognises the importance of driving business growth in parallel with sustainable social development. AFS Group prioritise participation in environmental conversation initiatives and activities that enhance societal well-being. Furthermore, to elevate the Group's position as an integral part of the infrastructure that plays a vital role in society, both in Japan and internationally, we are committed to integrating economic and social value through sustainability-focused management.

AEON Thana Sinsap (Thailand) Public Company Limited, a local subsidiary of AEON Financial Service Co., Ltd., aligns its sustainability practices with the overarching principles of the AFS Group. The Company has appointed both a dedicated sustainability working group and a formal sustainability committee.

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. Moreover, the Company has been upgraded to rating A in ESG by MSCI ESG Rating.

Environmental

The Company places a significant emphasis on cultivating a sustainable relationship between society and the environment through the implementation of an Environmental Management System (ISO14001) across the entire organization. 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 CO2 Society as follows;

- 35% reduction within the year 2030
- Zero CO2 by the year 2040

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 fuel 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, employee development, 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. Moreover, the Company received the "Very Good" rating in CGR assessment by Thailand's IOD.

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.