

Management Discussion and Analysis

For the first quarter ended May 31, 2025

AEON Thana Sinsap (Thailand) Public Company Limited ("the Company") has submitted the consolidated audited the fiscal year financial results ended May 31, 2025 which were audited by Deloitte Touche Tohmatsu Jaiyos Audit Company Limited. The operating performance is summarized as follows.

Overview

According to data from the Bank of Thailand and the National Economic and Social Development Council (NESDC), Thailand's economy expanded by 3.1% in the first quarter of 2025, following a 3.3% growth in the previous quarter. The main supporting factor is the accelerated export in this quarter to avoid the impact of the US import tariff policy that will take effect from July 9, 2025 onwards, which may significantly affect Thailand's GDP growth in 2025. Moreover, private consumption growth slowed to 2.6%, while private investment contracted by 0.9%, reflecting heightened economic uncertainty. The headline inflation rate averaged 1.1%, and unemployment rate remained low at 0.88%. Nonetheless, elevated household debt levels and trade protectionist measures imposed by key trading partners remain significant risks to the momentum of Thailand's economic recovery going forward.

Financial Highlights	2025	2024	%Y-Y
(Unit: Million Baht)	May 31	May 31	
Financial Performance			
Total Revenues	5,393	5,507	(2.1%)
Total Expenses	4,381	4,836	(9.4%)
Net Profit Attributable to the Owner of Parent			
to the Owner of Parent	772	524	47.2%
Asset Quality			
2025	2025	%YTD	
May 31	Feb 28		
Accounts Receivable	88,870	88,948	(0.1%)
NPL	5.1%	5.2%	-
Allowance to Accounts Receivable			
	8.2%	8.0%	-
Highlights Ratios			
2025	2025	%YTD	
May 31	Feb 28		
D/E (Times)	2.3	2.4	-
BVPS (Baht)	106.78	104.20	-
ROE	12.0%	11.3%	-
ROA	3.3%	3.1%	-

Milestones & Developments in 1Q25 (March 1-May 31, 2025)

- In May 2025, the Company participated in the debt mediation program held as part of MONEY EXPO 2025, organized by the Legal Execution Department during 15-18 May, 2025 at IMPACT Muang Thong Thani. The Company provided consultations and engaged in debt negotiation with customers to help them agree on repayment terms that aligned with their financial capabilities, thereby easing their debt burden. Since participating in the program in January 2024, the Company has provided assistance to over 1,200 customers.

Summary of Consolidated Financial Results

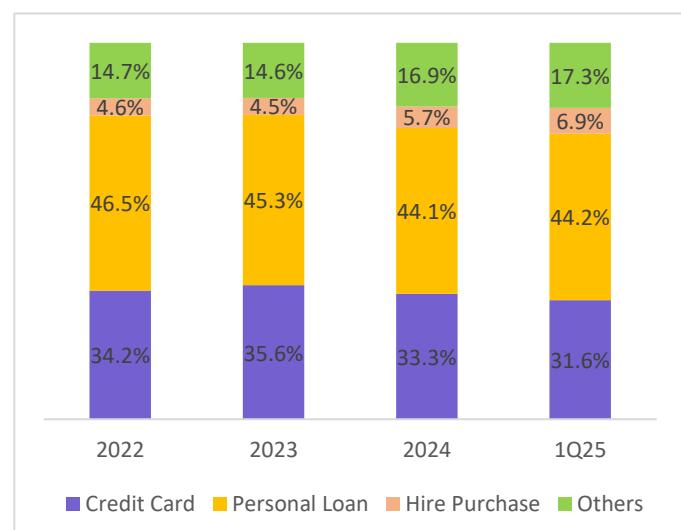
1. Profit and Loss

Profit and Loss Statement Unit : Million Baht	Consolidated			Separate		
	1Q2025	1Q2024	%YoY	1Q2025	1Q2024	%YoY
Credit card income	1,706	1,898	(10.2%)	1,657	1,852	(10.5%)
Loan income	2,385	2,475	(3.6%)	2,295	2,409	(4.8%)
Hire-purchase income	371	283	31.2%	109	81	34.6%
Other income	931	851	9.5%	867	883	(1.8%)
Total Revenues	5,393	5,507	(2.1%)	4,928	5,226	(5.7%)
Operating and admin. expenses	2,073	2,187	(5.2%)	1,855	2,000	(7.2%)
Expected credit loss	1,766	2,089	(15.4%)	1,654	1,992	(17.0%)
Finance costs	537	558	(3.9%)	495	531	(6.8%)
Other expenses	5	2	185.9%	5	2	193%
Total Expenses	4,381	4,836	(9.4%)	4,009	4,524	(11.4%)
Profit before tax income	1,012	672	50.7%	919	702	30.9%
Income tax expenses	204	132	54.2%	176	111	58.3%
Net profit Attribute to Owner of the Parent	772	524	47.2%	743	591	25.8%
Earnings Per Share (Baht per share)	3.09	2.10	47.1%	2.97	2.36	25.8%

Revenues

For the first quarter of 2025, the Company reported total revenues of 5,393 million baht, decreased from the previous year by 2.1% due to a decrease in credit card income by 10.2% and a decrease in personal loan income by 3.6% from the same quarter of the previous year. However, the revenue from hire purchase continuously increased 31.2% year-on-year from the strategy to improve payment solutions with more variety to meet customer convenience, and from expanding cooperation with used car dealers. Other income increased 9.5% year on year, mainly driven by the bad debt recovery which increased 7.8% year-on-year and insurance brokerage fee income which increased 16.2% year-on-year. The Company continues to focus on expanding its proportion of other incomes, particularly fee-based income, to strengthen its financial stability on a sustainable basis.

Revenue Structure



Credit Card

In the first quarter of 2025, the Company generated credit card revenue of 1,706 million baht, representing a decrease of 10.2% from the same quarter of the previous year, in line with industry trends which its accounts receivable reduced 3.4% from the previous year (comparing the growth rate as of April 2025). The credit card revenue accounted for 31.6% of total revenues. The decline in credit card revenue was attributable to several factors: the reduction of private consumption, the increase in the minimum payment rate from 5% to 8%, and the implementation of debt restructuring programs that converted revolving credit card debt into long-term installment loans to improve customer liquidity. Nevertheless, the Company continues to carry out marketing activities to expand its credit card customer base.

Personal Loan

In this quarter, the Company recorded personal loan revenue of 2,385 million baht, a decrease of 3.6% from the first quarter of last year, in line with the overall industry, personal loan under supervision (excluding title loan) decreased by 5.4% year-on-year (comparing the growth rate as of April 2025). The decline in outstanding loan balance, especially in the unsecured loans, namely the "Your cash" and "Happy Loan" products, was affected by consumer behavior that delayed debt amid high household debt level. It also resulted from the Company's policy to carefully consider loan approvals in order to maintain the portfolio quality amidst the economic situation that has not fully recovered. However, the Company is considering a policy to gradually expand the personal loan portfolio under supervision, focusing on quality customers such as regular employees, civil servants and government officials, and inactive customers with good debt repayment history, and expanding access to new customers through digital channels. The company is also closely monitoring macroeconomic policies and government consumption stimulus measures to plan for loan growth in the second half of the year if consumer income continuously recovers. Personal loan income accounts for 44.2% of total revenues.

Hire Purchase

The Company recorded high purchase revenue of 371 million baht in the first quarter of fiscal year 2025, representing an increase of 31.2% from the first quarter of the previous year. The Company expanded its collaboration with used car dealers and accelerated the loan approval process, resulting in continued growth in loan disbursements in this segment. During this quarter, title loans also continued to grow gradually and steadily. Hire purchase income accounts for 6.9% of total revenues.

Others

In the first quarter of 2025, the Company recorded other incomes of 931 million baht, consisting of bad debt recovery income of 567 million baht, accounting for 60.8% of total other income and representing an increase of 7.8% from the same period of the last year. This reflects the effectiveness of debt collection, legal enforcement, and participation in the debt mediation programs organized continuously by the Legal Execution Department. In addition, the Company generated insurance brokerage income of 184 million baht, increased 16.2% year-on-year, accounting for 19.7% of total other income. 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 the first quarter of 2025, the Company had total consolidated expenses of 4,381 million baht. Details of expenses are as follows:

Operating and Administrative Expenses

The consolidated operating and administrative expense which includes director and management remuneration expense in the first quarter of 2025 were 2,073 million baht, reducing 5.2% year-on-year, from the reduction of marketing and administration expenses to support marketing expenses for sales promotion that may increase in the second half of the year when the economic situation is more suitable. The Cost-to-Income Ratio reduced to 38.4% in the consolidated financial statement and 37.7% in the separate financial statements.

Expected Credit Loss (ECL)

In the first quarter 2025, the ECL expense totaled 1,766 million baht, reducing by 15.4% year-on-year, for the 5th consecutive quarters, reflecting the quality of the company's assets and the efficiency of debt collection, which have improved sequentially, including the participation in measures to help Persistent Debt (PD) debtors to be able to restructure their debts before they become bad debts and the participation in the You Fight, We Help project of the Bank of Thailand.

Finance Cost

The Company recorded consolidated finance cost in the first quarter 2025 of 537 million baht, in which decreased by 3.9% year on year as new lending decreased in line with the slowing economy. 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 first quarter was 3.15%, slightly increased from 3.07% of the fiscal year 2024 since the funding cost of loan roll over is higher than 3 years ago.

Net Profit

In the first quarter of 2025 ended May 31, 2025 financial results, the consolidated profit attributable to the owners of the parent was reported at 722 million baht, and earning per share was 3.09 baht, increased by 47.1% from the same quarter of last year. The consolidated profit attributable to the owners of the parent consisted of the domestic subsidiaries and overseas subsidiaries net profits totaled 67.5 million baht, representing 8.8% of consolidated financial statements.

2. Balance Sheet

Statement of Financial Position	May 31, 2025	February 28, 2025	Change
			%YTD
Unit : Million Baht			
Accounts Receivable	88,870	88,948	(0.1%)
Total Assets	92,245	91,464	0.9%
Total Borrowing	58,254	58,921	(1.1%)
Total Liabilities	64,512	64,410	0.2%
Equity Attributable to Owners of the Parent	26,695	26,051	2.5%
ROE (attributable to owners of the parent)	12.0%	11.3%	-
ROA	3.3%	3.1%	-
D/E Ratio	2.3 times	2.4 times	-

Total Assets

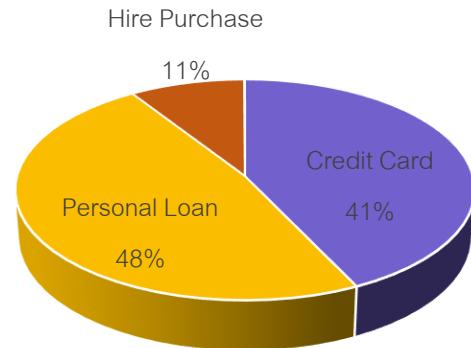
As of May 31, 2025, the consolidated total assets were 92,245 million baht, stable from total assets as of February 28, 2025.

The main assets were attributed to the portfolio of net accounts receivable which shared 88.42% of total assets.

Accounts Receivable

The Company had accounts receivable of 88,870 million baht as of May 31, 2025, maintained from the end of last year as of February 28, 2025. The credit card receivables reported 36,703 million baht, decreased of 1.5% 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 42,461 million baht remained stable, due to more customers participating in debt restructuring loan program transferred to Personal Loan customers. Besides, the hire purchase receivable reported 9,643 million baht, increasing by 6.4% from end of last year.

Accounts Receivable Segmentation



Allowance for expected credit loss

As of May 31, 2025, the Company provided allowance for doubtful accounts of 7,308 million baht. The NPL Stage 3 was 5.1%, gradually declined from the beginning of the year and continued declining from last year due to more efficient debt collection. Although the number of restructured loans increased as a result of participating in the BOT's responsible lending measures to support PD borrowers and the "You Fight, We Help" program, SM Stage 2 represented 2.6% of total outstanding loans and continued to decline. The NPL coverage ratio stood at 162%, which remains at an appropriate level. The Company also strives to maintain an allowance for expected credit losses on accounts receivable that covers both SM Stage 2 and NPL Stage 3 accounts, with a ratio of 8.2%, which is considered sufficient to address any future uncertainties.

Liabilities

The consolidated liabilities of the Company as of May 31, 2025 totaled 64,512 million baht, maintained from end of last fiscal year. There was interest-bearing debt totaled 58,254 million baht, decreasing by 1.1% from the end of last fiscal year. The portion of long-term interest-bearing debt was 35,943 million baht or represented 62% 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 May 31, 2025, the Company has outstanding long-term debentures, representing unsubordinated and unsecured debentures, amount 5,689 million baht, including those with maturity due within 1 year amounting to 4,090, reduced from 5,770 million baht from as of February 28, 2025, 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 specified in the agreement.

In addition, the Company has unused credit facilities of 9,270 million baht and committed credit facilities of 3,000 million baht with various financial institutions and cash equivalent 4,538 million baht, which is sufficient for the Company's operation and debt payment. The DSCR ratio stood at 0.33 times.

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 May 31, 2025, total equity attributable to owners of the parent amounted to 26,695 million baht, increasing 2.5% from as of February 28, 2025, Book value (attributable to the owners of the parent) as of May 31, 2025 was 106.78 baht per share, increased from 104.20 baht per share as of February 28, 2025.

Key Financial Ratios

Key Financial Ratio	1Q2025	FY2024	FY2023
Book Value per Share (attributable to owners of the parent) (Baht)	106.78	104.20	97.89
EPS (Baht)	3.09	11.44	13.04
EBIT margin (%)	28.7%	27.6%	28.8%
D/E (times)	2.3	2.4	2.7
DSCR (times)	0.33	0.27	0.33
ROA (%)	3.3%	3.1%	3.5%
ROE (%)	12.0%	11.3%	13.8%
Allowance for doubtful account to total receivables (%)	8.2%	8.0%	9.1%
Coverage Ratio (%)	162%	154%	183%
NPL (%)	5.1%	5.2%	5.0%
Stage 2 Ratio	2.6%	2.7%	3.3%

3. Sustainability Development

The AFS Group recognizes the importance of driving business growth in parallel with sustainable social development. AFS Group prioritise participation in environmental conservation 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, with the goal to reduce GHG emission by 30% within the year 2034.

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.

In addition, the Company has successfully completed the verification of its 2024 greenhouse gas emissions by an external verifier, reaffirming its strong commitment to environmental management.

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.