



# **AEON CREDIT SERVICE**

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## **23<sup>rd</sup> Annual General Meeting**

24 June 2020

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# Presentation Outline

1. Financial Overview
2. Operational Overview
3. Responses to Questions from Minority Shareholders Watch Group (MSWG)
4. Responses to Shareholders' Questions



# **ÆON CREDIT SERVICE**

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## Financial Overview

# Key Highlights

AEON Credit Service's FYE2020 recorded with **new highs** for  
Gross Financing Receivables of RM10.4 billion

Total Transaction &  
Financing Volume  
**RM6.4 billion**  
**+22.7% YoY**

Revenue  
**RM1.60 billion**  
**+17.1% YoY**

Profit After Tax  
**RM292 million**  
**-17.6% YoY**

Gross Financing  
Receivables  
**RM10.4 billion**  
**+19.6% YoY**

ROE  
**18%**

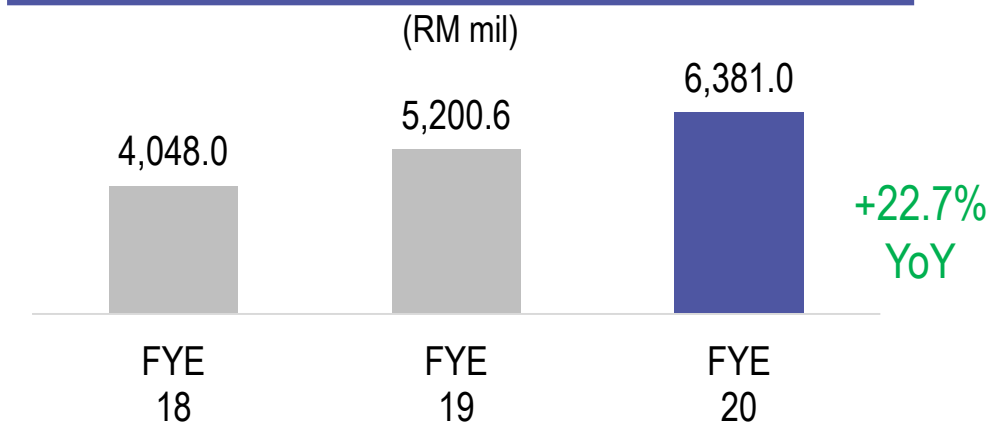
NPL  
**1.92%**

We continue create value and grow by focusing to support our customers

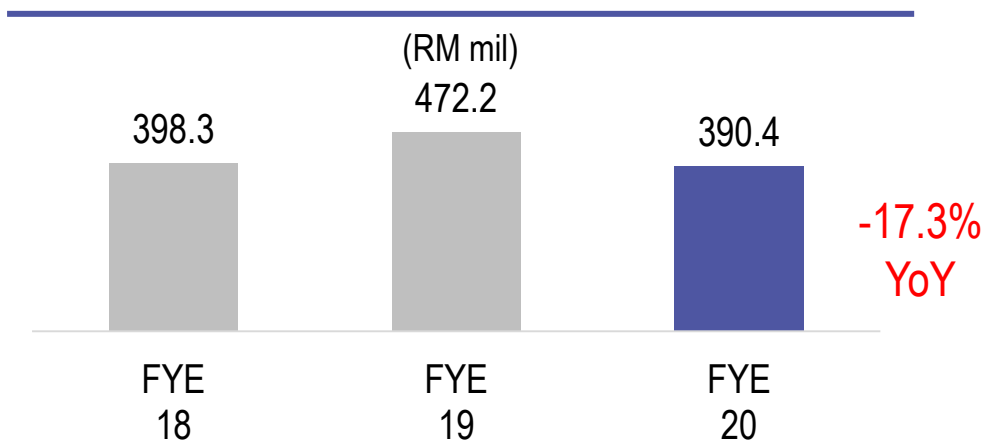
# Income Statement

Robust sales growth from key products – Vehicle Financing & Credit Card

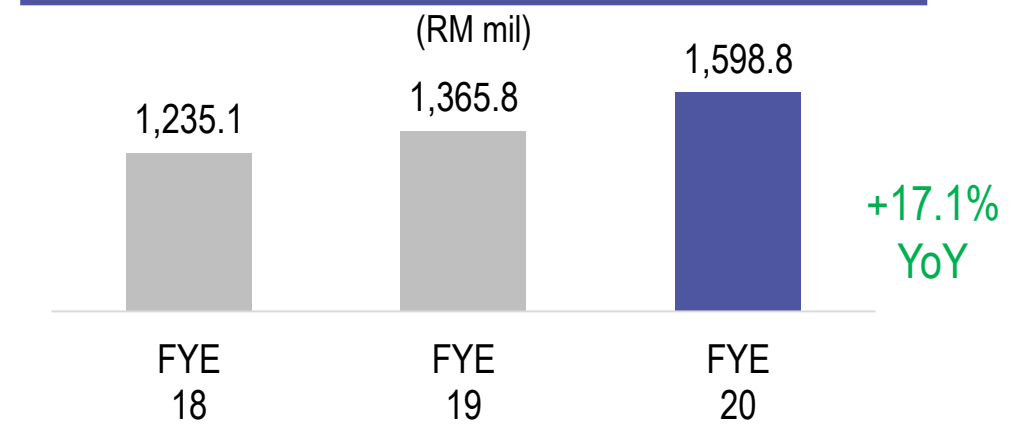
## Total Transaction & Financing Volume



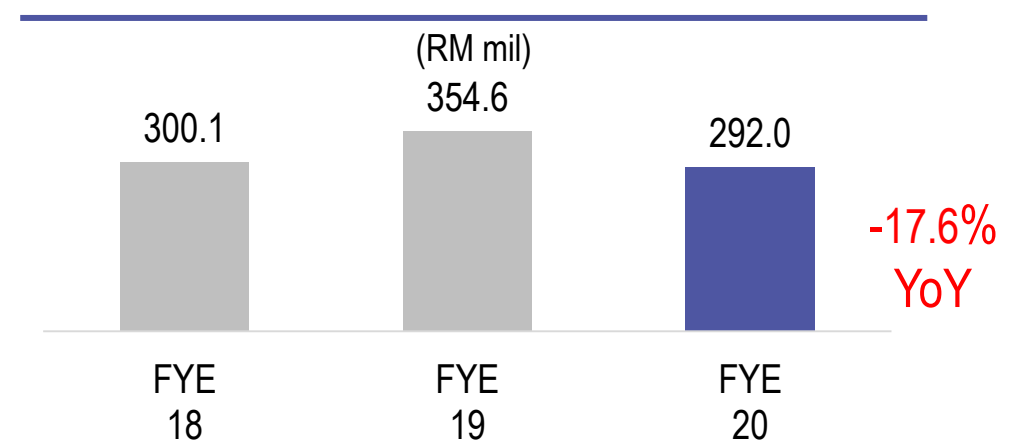
## PBT



## Revenue



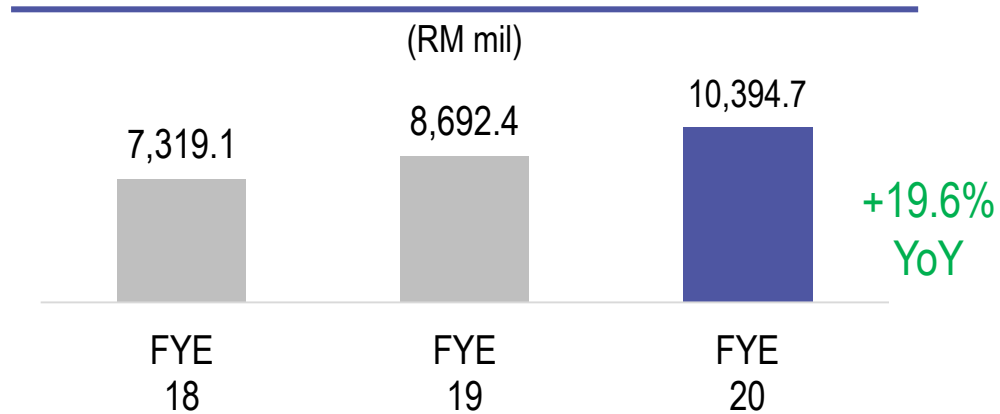
## PAT



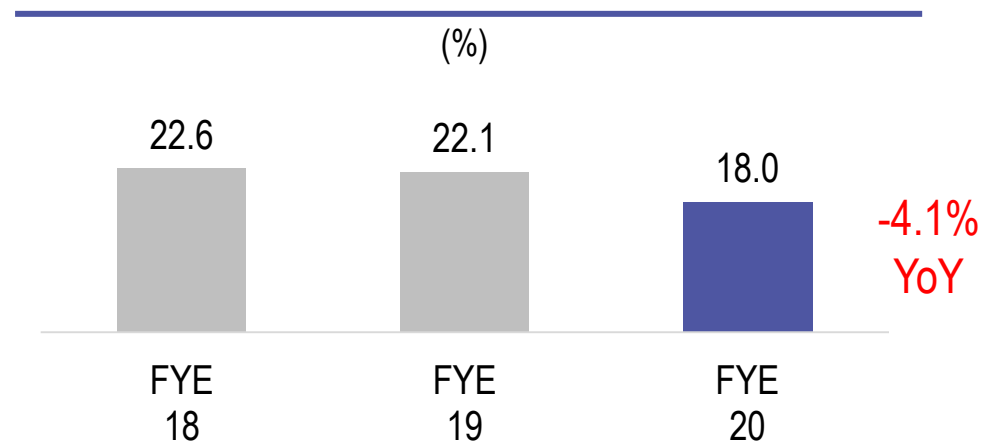
# Balance Sheet

Receivables marked with new highs; Lower Capital Adequacy Ratio (“CAR”) due to redemption of Perpetual Notes / Sukuk

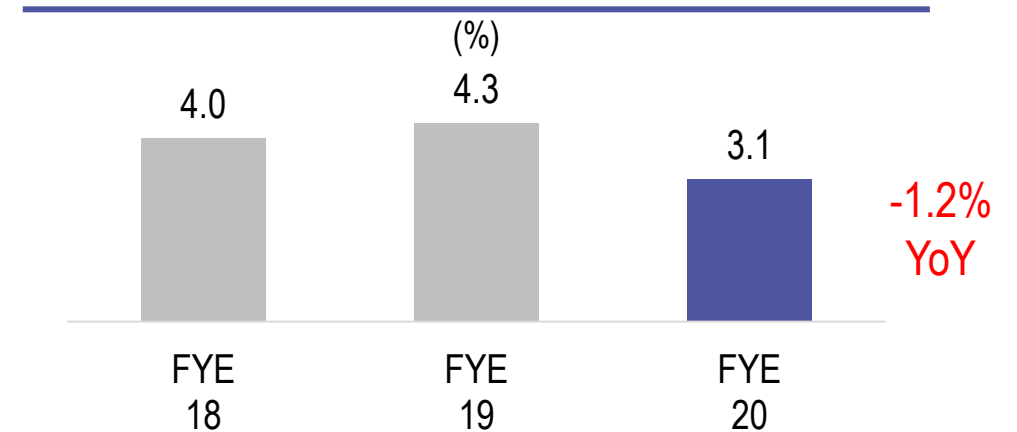
## Gross Financing Receivables



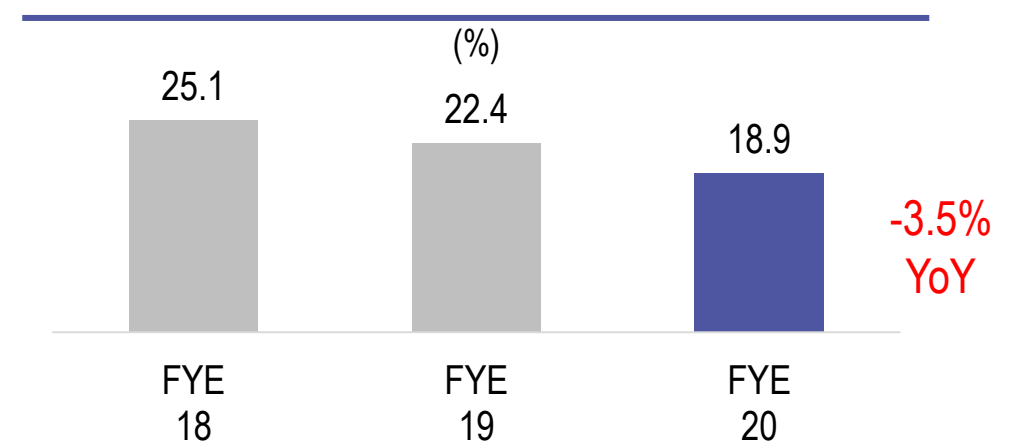
## ROE



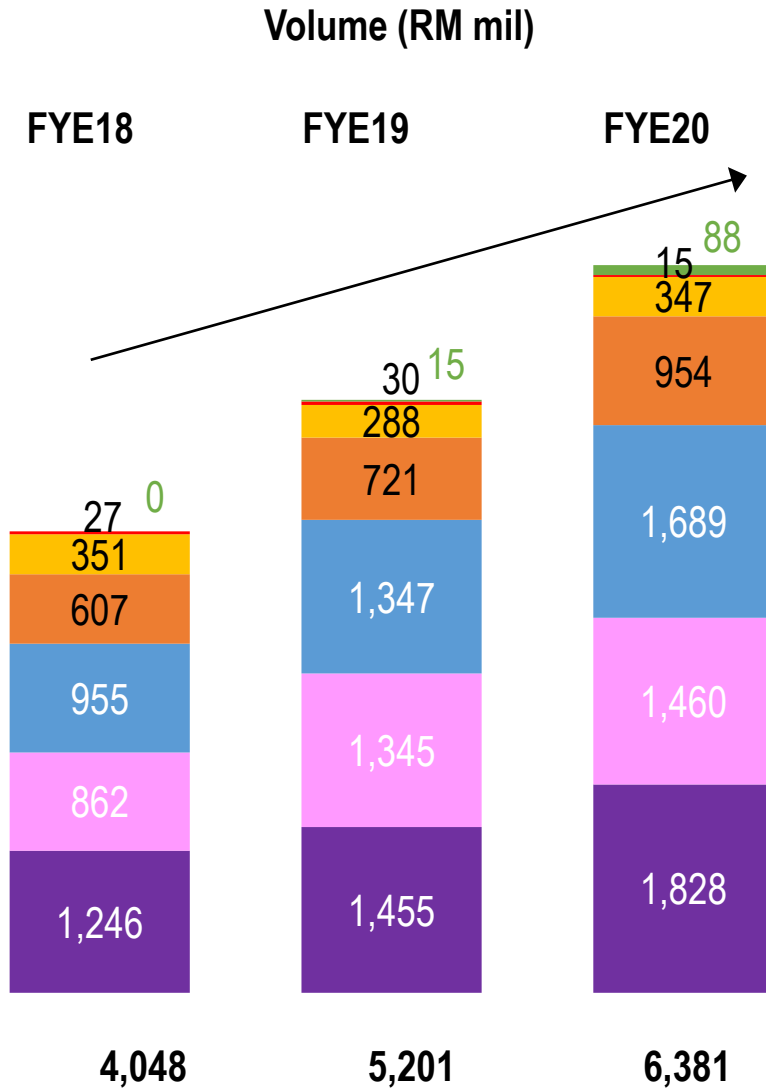
## ROA



## CAR



# Total Transaction & Financing Volume

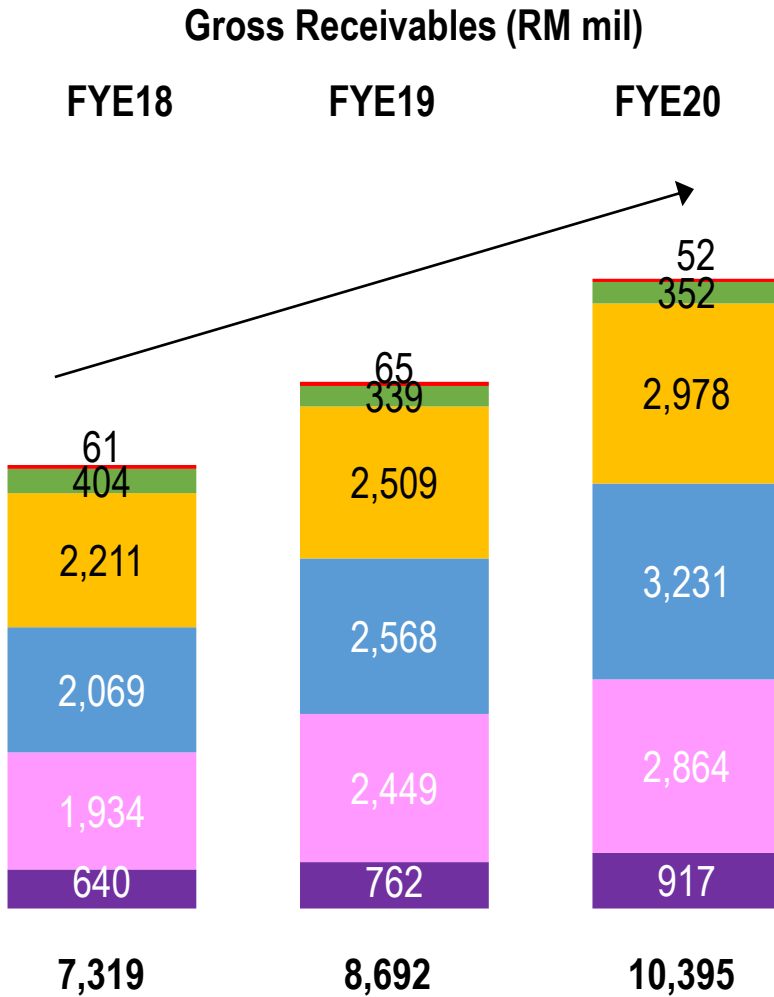


- ❖ 22.7% YoY increase in total volume
- ❖ Targeting right customers with right products

Products	YoY (%)
Credit Card	+25.6
Personal Financing	+8.6
Motorcycle Financing	+25.4
Auto Financing	+32.3
Objective Financing	+20.5
SME Financing	-49.2
E-money	+486.7
<b>Total</b>	<b>+22.7</b>

# Total Financing Receivables

**Resilient expansion at 19.6% YoY**

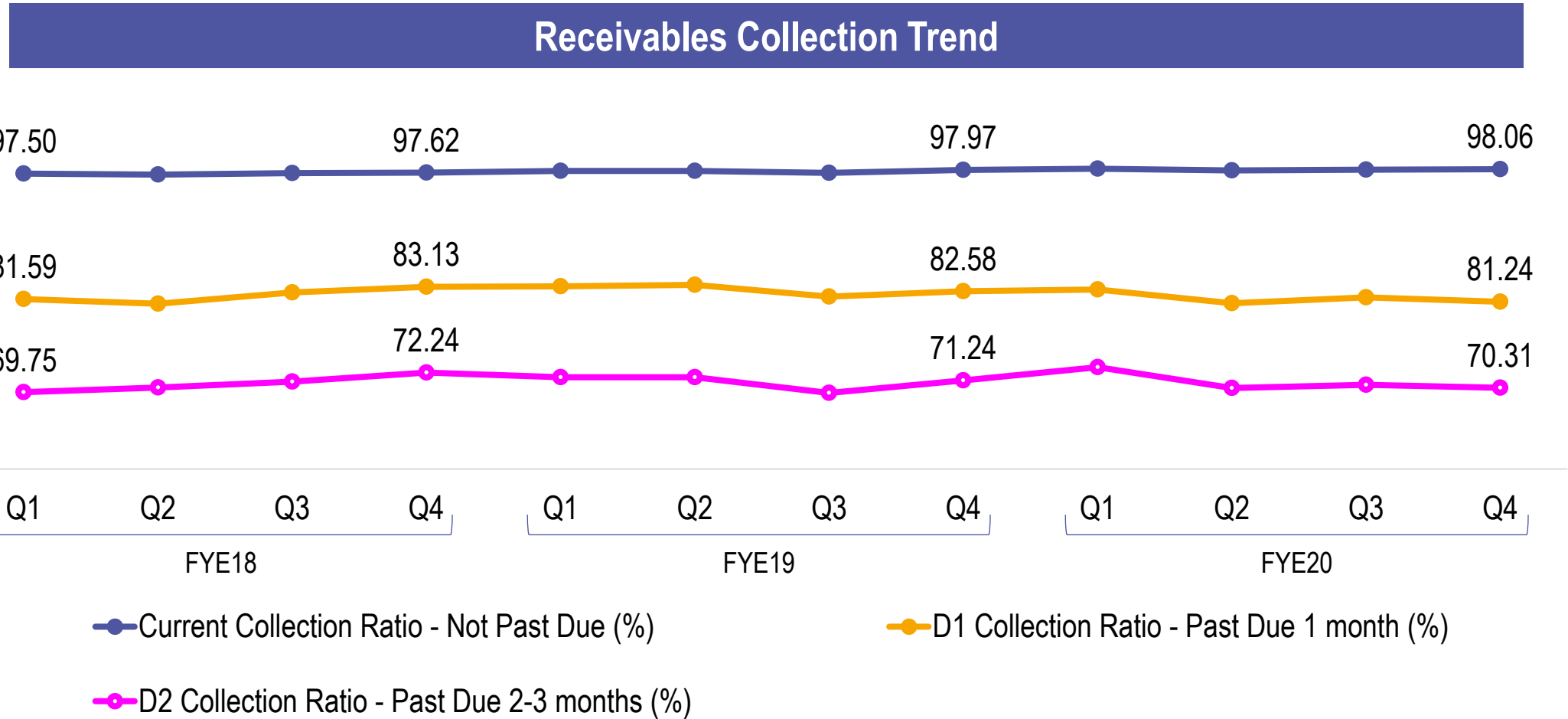


Receivables Movement (%)		YoY
	Credit card	+20.3
	Personal Financing	+17.0
	Motorcycle Financing	+25.8
	Auto Financing	+18.7
	Objective Financing	+3.9
	SME Financing	-19.6
<b>Total</b>		<b>+19.6</b>

Receivables Portfolio (%)		FYE20	YoY
	Credit card	8.8	+0.1
	Personal Financing	27.6	-0.6
	Motorcycle Financing	31.1	+1.5
	Auto Financing	28.6	-0.2
	Objective Financing	3.4	-0.5
	SME Financing	0.5	-0.2
<b>Total</b>		<b>100.0</b>	<b>-</b>

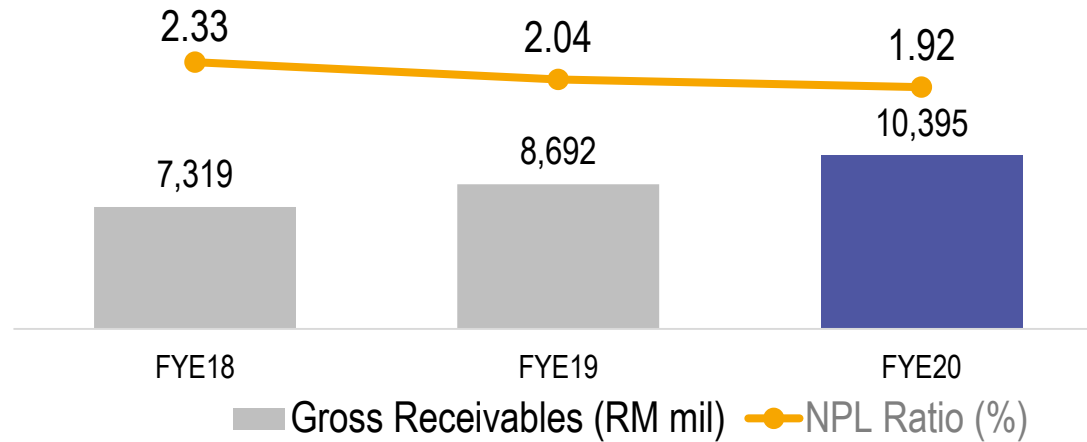
# Receivables Collection Performance

Manageable customer portfolio with stable collection trend across the categories of Current Collection, Delinquent (D) 1 and D2



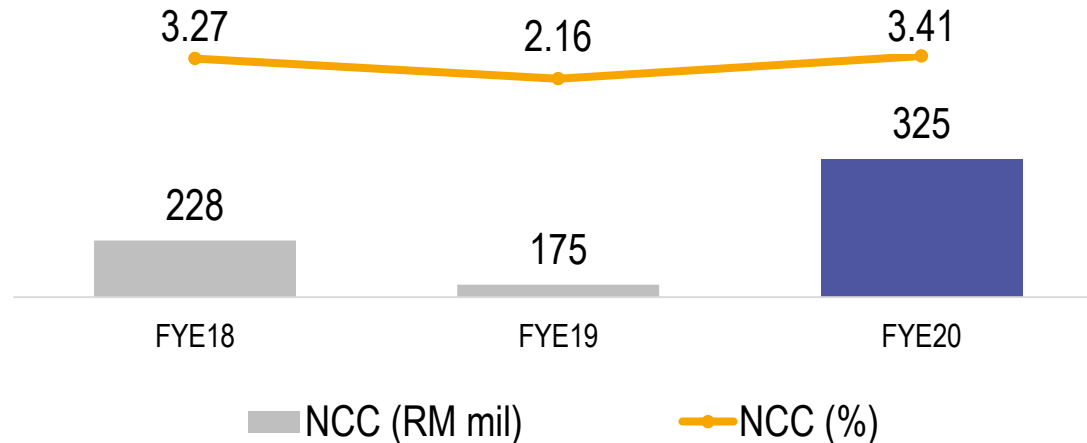
# Non-Performing Loans (NPL) / Net Credit Cost (NCC)

**NPL - Proven asset quality management – receivables up, NPL down**



(RM mil)	FYE18	FYE19	FYE20	YoY %
Receivables	7,319	8,692	10,395	+19.6
Balance D3+	171	177	200	+13.0
NPL (%)	2.33	2.04	1.92	-0.12

**NCC - Higher impairment loss in FYE 20 due to higher provision requirement under MFRS9**



(RM mil)	FYE18	FYE19	FYE20	YoY %
Impairment Loss	337	309	450	+45.6
(-) Bad Debt Recovered	109	134	124	-7.5
NCC	228	175	325	+85.7

# Dividend

Remain in the range of 30% payout ratio

Dividend	FYE18 RM	FYE19 RM	FYE20 RM
<b>Interim dividend (cent)</b>	<b>21.13</b>	<b>22.25</b>	<b>22.25</b>
Payout amount (RM'000)	52,225	55,784	56,426
<b>Final dividend (cent)*</b>	<b>20.00</b>	<b>22.35</b>	<b>14.00*</b>
Payout amount (RM'000)*	49,937	56,075	35,507
<b>Total dividend (cent)</b>	<b>41.13</b>	<b>44.60</b>	<b>36.25</b>
Total payout amount (RM'000)	102,162	111,859	91,933
Dividend Payout Ratio (%)	34.0	31.5	<b>31.5</b>

\* Subject to the approval of shareholders during AGM

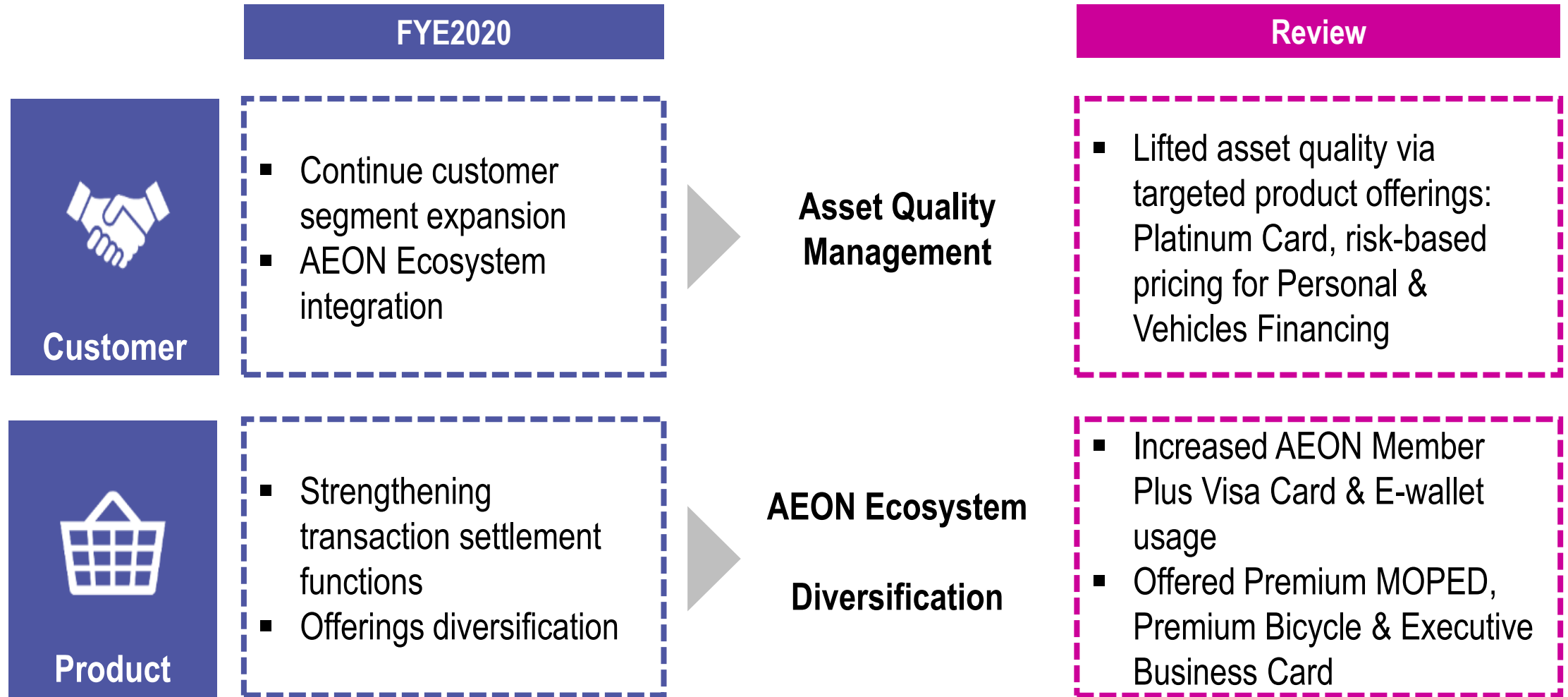


# **AEON CREDIT SERVICE**

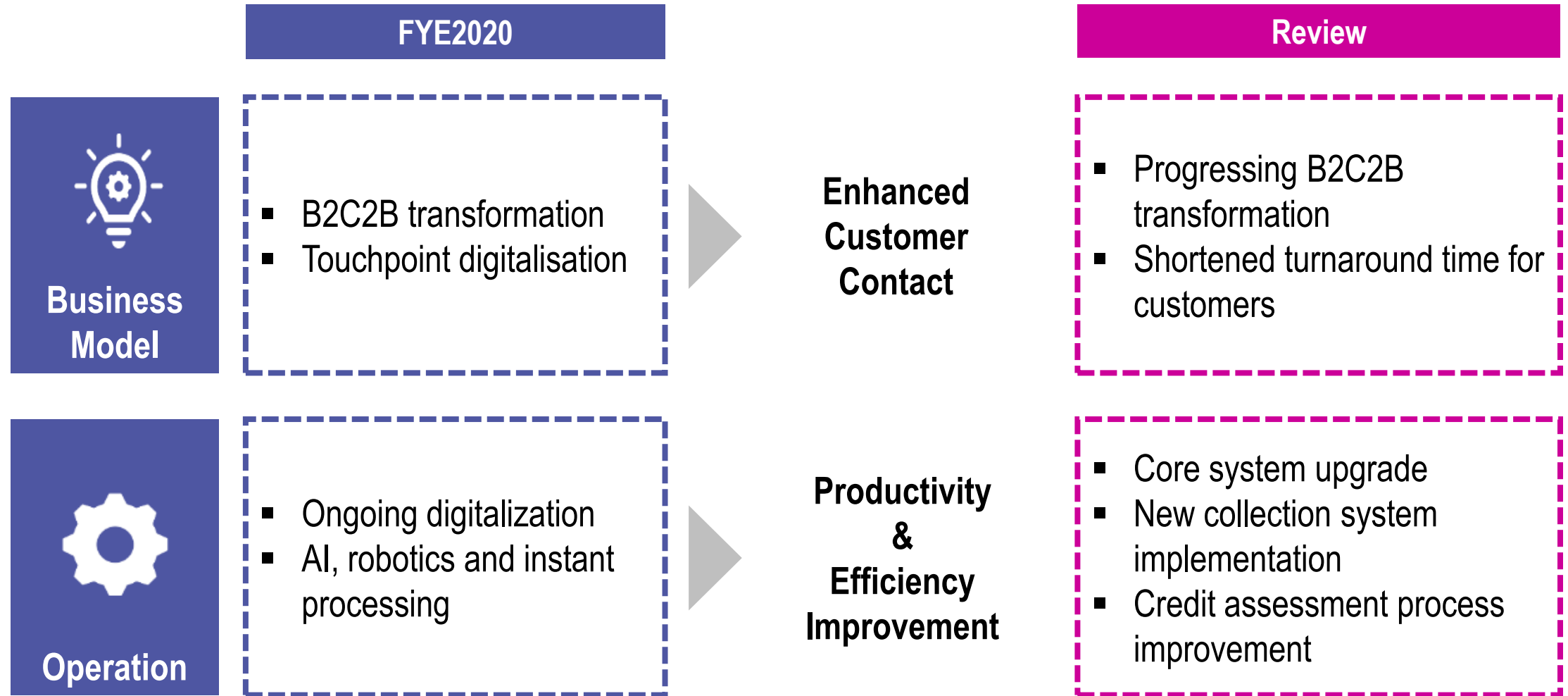
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## Operational Overview

# FYE2020 Review



# FYE2020 Review



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# Thank You

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# **AEON CREDIT SERVICE**

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## Responses to Questions from Minority Shareholders Watch Group (MSWG)

# Questions from MSWG

## Strategy & Financial Matters

### Question 1 – Business Segments performance

AEONCR recorded a 22.7% growth in total transaction and financing (T&F) volume in FY20 across all segments. Some of the strongest growing segments were Auto Financing (32.2%), Credit Card (25.6%), Motorcycle Financing (25.4%), and Objective Financing (20.5%)

*(Source: AEONCR's Q4/12M FYE20 Results Update dated 9 April 2020).*

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
1 (a)	How will the business segments above perform in FY21, amid the prolonged COVID-19 pandemic and cautious consumer spending?	<p>The recent COVID-19 pandemic and the MCO has disrupted our operations nationwide to some extent and had also affected our customers and business partners. Loan applications from customers resumed during CMCO and RMCO.</p> <p>For FYE2021, the Company will continue to support its targetted customer needs while setting a solid foundation for revenue resilience and growth opportunity post COVID-19 without compromising portfolio quality.</p>

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
1 (b)	Almost all products of AEONCR recorded year-on-year gain in T&F volume in FY20 except the SME Financing segment which posted a 49.2% decline to RM15 million from RM30 million in FY19. Given the insignificant contribution of the segment, what is AEONCR's plan for the division?	<p>The SME Financing segment of AEONCR is focussed on supporting the growth opportunities of our business partners and customers.</p> <p>The Company has always been taking a prudent approach on the SME Financing business model, which differs from the Company's established consumer financing business model to avoid underwriting bigger ticket risk.</p> <p>The SME Financing segment shall remain an insignificant contributor to the T&amp;F volume of the Company.</p>

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
1 (c)	Is there a rise in loan application and approval for the Personal Financing products especially among the B40 and M40 segments since the financial distress among Malaysians is exacerbated by loss of income during Movement Control Order (MCO) and Conditional MCO period?	Movement restrictions have resulted in the drop in applications during this period. However, there is an increase in customer application counts for PF during CMCO.

# Questions from MSWG

## Strategy & Financial Matters

### Question 2 – COVID-19 counteractions

AEONCR has offered several measures to help customers affected by COVID-19, including a two-month loan deferment measure from 1 April to 31 May, and the option to convert outstanding credit card balances into term loans for up to 36 months.

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
2 (a)	What is the take-up rate of the loan deferment and conversion measures among eligible cardholders and eligible borrowers in Objective, Personal, Motorcycle and Auto Financing segments?	<p>Since April 2020, about 3,500 eligible cardholders have converted their credit card balances to 36-monthly installment plan.</p> <p>For our Objective Financing, Personal Financing, Motorcycle and Auto Financing segments, accounts which are not in arrears of 90 days as at 1 April 2020 are automatically eligible for the two-months loan deferment.</p>

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
2 (b)	What is the size of the total deferred and converted loans to AEONCR's total receivables?	<p>For Easy Payment portfolio, total loan deferment amount is about 4.8% of the total receivables.</p> <p>For our credit card portfolio, about 2.6% of the customers have converted their outstanding balance to fixed installment plan as per BNM guideline.</p>

# Questions from MSWG

## Strategy & Financial Matters

### Question 3 – Asset Quality

Asset quality is expected to be negatively impacted by the pandemic and it is likely AEONCR will see a rise in the provision of expected credit losses (ECL) in FY21.

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
3 (a)	Please comment on the possible increase in provision of ECL based on the Stage 1, 2, 3 assessment.	<p>The ECL provision is computed based on the three-stage approach which reflects the change in credit quality of the receivables in accordance to MFRS 9.</p> <p>We acknowledge that the COVID-19 pandemic will affect customer's delinquency status and hence ECL provisions is expected to increase accordingly. The Company has in place solid measures to ensure effective collections and recovery activities such as AEON Relief Programme to mitigate this potential risk.</p>

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
3 (b)	Based on the assessment done by AEONCR, how well-capitalized is the Company to absorb such potential impact?	<p>As at FYE2020, the capital adequacy ratio (“CAR”) of the Company stood at 18.87%. On 12 March 2020, the Company has issued a RM200 million subordinated sukuk which can be recognised as capital for the purpose of meeting the minimum CAR as set by BNM.</p> <p>We will continue to maintain sufficient buffers by tapping into equity and subordinated sukuk to support our business growth.</p>

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
3 (c)	Does AEONCR foresee a sharp rise in non-performing loans (NPL) which stood at 1.92% as at end of FY20?	<p>NPL remains relatively stable during MCO period mainly due to the loan deferment provided to our customers.</p> <p>As mentioned earlier, we will continue to focus on implementing effective collection and recovery strategies besides enhancing the new assets quality.</p>

# Questions from MSWG

## Strategy & Financial Matters

### Question 4 – NIM and M40

Considering the rate cuts by Bank Negara Malaysia (BNM) and the strategy to improve asset quality by expanding income from the M40 segment, the net interest margin (NIM) of AEONCR is likely to trend lower.

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
4 (a)	To what extent is the NIM expected to decline due to the above factors?	<p>The rate cuts by Bank Negara will benefit the Company in terms of lower funding cost.</p> <p>We do not foresee a significant decline in NIM based on our existing portfolios.</p>

# Questions from MSWG

## Strategy & Financial Matters

No.	Question	Answer
4 (b)	Has the strategy to grow the M40 segment, by introducing targeted products in FY20, managed to yield significant result?	<p>The Company has been continuously offering various products that cater to the middle income group (M40 customers segment).</p> <p>For FYE2020, total T&amp;F growth of 22.7% were supported by the following sales and promotional activities which were targetted at M40 customers:</p> <ul style="list-style-type: none"><li>• Launch of Executive Personal Financing scheme</li><li>• Premium MOPED financing</li><li>• Premium bicycle for Objective Financing</li><li>• New car and Japanese used car financing</li><li>• Platinum credit card</li></ul>

# Questions from MSWG

## Corporate Governance Matters

Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:

**Practice 11.2:** Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

**AEONCR's response:** Applied

**AEONCR's response:** In FYE2020, the Company has adopted the GRI\* framework for its Annual Report. The current year (FYE2020) shall be the transition period before the Company fully adopts Integrated Reporting in the next financial year (FYE2021).

# Questions from MSWG

## Corporate Governance Matters

No.	Question	Answer
1	<b>MSWG's comment:</b> AEONCR will only adopt Integrated Reporting in the next financial year which is FY21. Application of the Practice should be "Departure" along with the stating of the implementation timeline for Integrated Reporting in FY21 (on the Explanation for Departure).	<p>The Company has received the Board's approval to adopt Integrated Reporting based on the International Integrated Reporting Council (the IIRC) - Integrated Reporting Framework &lt;IR&gt;.</p> <p>It is an ongoing journey to improve quality of information disclosures to the stakeholders. The Company is undertaking staggered approach in its Integrated Reporting journey including implementing integrated thinking, which will lead to the issuance of the first Integrated Report in FYE2021.</p>



# AEON CREDIT SERVICE



## Head Office

Level 18, UOA Corporate Tower,  
Avenue 10, The Vertical,  
Bangsar South City,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur.

[www.aeoncredit.com.my](http://www.aeoncredit.com.my)

## Mr Lee Kit Seong

Chief Financial Officer

[leeks@aeoncredit.com.my](mailto:leeks@aeoncredit.com.my)

03-2772 9000

## Ms Lee Siew Tee

Head of Finance

[stlee@aeoncredit.com.my](mailto:stlee@aeoncredit.com.my)

03-2772 9000



## Investor Relations

[ir\\_info@aeoncredit.com.my](mailto:ir_info@aeoncredit.com.my)



+6 03 - 2772 9000

## Ms Esther Leong

Investor Relations Assistant Manager

[cleong@aeoncredit.com.my](mailto:cleong@aeoncredit.com.my)

03-2721 8035

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# Thank You

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# Thank You

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# **AEON CREDIT SERVICE**

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## **23<sup>rd</sup> Annual General Meeting**

24 June 2020

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## **Responses to Shareholders' Questions**

# Shareholders' Questions

## Settlement Business

### Product: Credit Card

No	Questions	Answers
1 (a)	Due to rising popularity of Islamic financing, will company issue Islamic type credit card which Maybank is doing now?	<ul style="list-style-type: none"><li>• Launched AEON Platinum Credit Card in year 2018.</li><li>• Focus on expanding customer base and accumulate better asset quality customers.</li><li>• Focus on promotion program to collaborate with e-commerce merchants.</li></ul>
(b)	Will company issue Visa Signature level credit card to capture higher income customer?	
(c)	Will company issue credit card which focus on online shopping benefit due to rising of e-commerce ?	

# Shareholders' Questions

## Settlement Business

### Product: Credit Card

No	Questions	Answers
1 (d)	AEONCR credit card which could be less favorable, owing to other cards have feature like cash back on weekend (Maybank American Express). What management will think, if those issued cards could gain more market shares?	<ul style="list-style-type: none"><li>• Constantly review our product features and rewards mechanism to create the differentiation against our competitors while ensuring we cater to the changes in the market.</li></ul>

# Shareholders' Questions

## Settlement Business

### Product: E-Money / E-Wallet

No	Questions	Answers
2 (a)	Due to strong competition in e-wallet market, what is the company strategy to increase the market share of Aeon wallet? What is the competitive advantage of Aeon Wallet over Boost, GrabPay and TNGO e-wallet?	<ul style="list-style-type: none"><li>• AEON Wallet is positioned as a retail loyalty e-wallet.</li><li>• Aim to provide convenience of financing services.</li><li>• Aim to offer pre-approval limit for our eligible existing product financing customers.</li></ul>

# Shareholders' Questions

## Settlement Business

### Product: E-Money / E-Wallet

No	Questions	Answers
2 (b)	In the last year AGM, CFO mentioned that e wallet cannot provide financing service like personnel loans, credit cards application without applying designated licenses from BNM. May I know how is the progression?	<ul style="list-style-type: none"><li>• Obtained relevant approvals from BNM to cross sell a wide range of financial services such as personal loan, credit card &amp; even insurance through AEON Wallet.</li><li>• Currently, implementation is under the pipe line.</li></ul>

# Shareholders' Questions

## Settlement Business

### Product: E-Money / E-Wallet

No	Questions	Answers
2 (c)	What is the strategies of AEONCR to engage more people into AEON Wallet and having routine usage?	<ul style="list-style-type: none"><li>• Focus in converting the existing AEON Members to the new AEON Member Plus Visa Card.</li><li>• Encourage higher downloads &amp; users into AEON Wallet.</li><li>• AEON Wallet generates part of the fee income from the routine usage.</li><li>• Customers database will enable us to up sell and cross sell our service / product, and offer digital marketing with AEON Group of companies.</li></ul>

# Shareholders' Questions

## Easy Payment and Personal Financing

No	Questions	Answers
3 (a)	Can I know how much is the percentage of market share for company's motorcycle financing?	<ul style="list-style-type: none"><li>Market share for MOPED currently is approximately 30%.</li></ul>
(b)	In last AGM, the company mentioned that consumer durable financing which is currently focus on home appliance will expand to more objective driven financing like healthcare, renovation and wedding. What is the current progress and what is the management target on it?	<ul style="list-style-type: none"><li>In FYE2020, the Company focus to expand into healthcare products such as bicycle, massage chair and other consumer items.</li></ul>

# Shareholders' Questions

## Easy Payment and Personal Financing

No	Questions	Answers
3 (c)	Due to competitive in personal loan industry, will company consider to launch same day approval and cash disbursement for application before certain time to attract more customer?	<ul style="list-style-type: none"><li>• The Company put in plan to improve turnaround time (TAT) for loan applications.</li><li>• Aim to improve TAT within 30 minutes.</li></ul>

# Shareholders' Questions

## Insurance Business

No	Questions	Answers
4	As I see from company website, Aeon Credit is selling insurance too. Can I know how much does this business contribute to company revenue and profit? And also what is the management target, goal and planning for it?	<ul style="list-style-type: none"><li>• Around 3% of total revenue of FYE2020 is contributed by the insurance business.</li><li>• The Company continues to expand the insurance products to meet customers' needs.</li></ul>

# Shareholders' Questions

## SME Business

No	Questions	Answers
5 (a)	Understand SME is the main force of Malaysia economy and SME financing only form a very small part in company's receivable portfolio, what is the management target, goal and planning on SME financing for FYE 2021 and 2022?	<ul style="list-style-type: none"> <li>• Focus on supporting the growth opportunities of our business partners and customers.</li> <li>• Taking a prudent approach on the SME Financing business model to avoid underwriting bigger ticket risk.</li> <li>• The SME Financing segment shall remain an insignificant contributor to the Transaction and Financing volume of the Company.</li> </ul>
(b)	In the last year AGM, the management stated that the SME financing will be embraced and in the learning curved phase. Would it be concentrated risk to single customer is defaulted?	

# Shareholders' Questions

## Operations

No	Questions	Answers
6 (a)	Understand the collection team is using a semi auto model to dial customer currently. What will be the next automation, AI and process robotic initiative to carry out?	We are focusing on digitalisation process to improve the operation efficiency, include robotic process.
(b)	Will company put making itself as one of the KLCI component stock as their long term goal?	AEONCR is in the list of FTSE Bursa Malaysia MID 70 Index and FTSE4Good Bursa Malaysia Index Constituents.
(c)	Would the company pursue the digital or virtual bank?	We are open to any opportunities and will continue to explore potential new business.

# Shareholders' Questions

## Funding / Interest

No	Questions	Answers
7 (a)	There are many tranches of sukuk bonds are subscribed by AEONCR. Would it cause the high cost of borrowing, owing to the uncertainty time could cause rising non performing loans.	<ul style="list-style-type: none"> <li>• ACSM's Sukuk is rated by RAM Rating Services Berhad (RAM).</li> <li>• The cost borrowing is fixed and based on the tenure issued.</li> <li>• To diversify or optimize the cost of borrowing, the Company tapped into debt capital market last year.</li> </ul>
(b)	May I know the average interest cost of borrowing and net interest margin? Would it further spike of cost of capital? How could AEONCR can able to tap the cheaper funding?	<ul style="list-style-type: none"> <li>• Our average interest rates ranging from 3.16% to 4.49%.</li> <li>• Average yield is 17.09%.</li> <li>• Continue to tap into banks borrowings and debt capital market to optimize the funding cost.</li> </ul>

# Shareholders' Questions

## Funding / Interest

No	Questions	Answers
7 (c)	Will recent cut in OPR rate benefits company in term of financing costs?	Yes, the rate cuts by Bank Negara Malaysia will benefit the Company in terms of funding cost.

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# Thank You

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# AEON CREDIT SERVICE



## Head Office

Level 18, UOA Corporate Tower,  
Avenue 10, The Vertical,  
Bangsar South City,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur.

[www.aeoncredit.com.my](http://www.aeoncredit.com.my)

## Mr Lee Kit Seong

Chief Financial Officer

[leeks@aeoncredit.com.my](mailto:leeks@aeoncredit.com.my)

03-2772 9000

## Ms Lee Siew Tee

Head of Finance

[stlee@aeoncredit.com.my](mailto:stlee@aeoncredit.com.my)

03-2772 9000



## Investor Relations

[ir\\_info@aeoncredit.com.my](mailto:ir_info@aeoncredit.com.my)



+6 03 - 2772 9000

## Ms Esther Leong

Investor Relations Assistant Manager

[cleong@aeoncredit.com.my](mailto:cleong@aeoncredit.com.my)

03-2721 8035

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# Thank You