



AEON CREDIT SERVICE (M) BERHAD

24th Annual General Meeting

23 June 2021





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Agenda

- Financial Overview
- Strategy / Moving Forward
- Sustainability & CSR Activities
- Responses to Questions from Minority Shareholders Watch Group (MSWG)



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Financial Overview





Key Highlights

Challenging operating environment in 1H, sustaining with healthy asset quality and business activities recovery

Total Transaction & Financing Volume

RM4,228.8 million
-33.7% YoY

Revenue

RM1,561.7 million
-2.3% YoY

Profit After Tax

RM233.9 million
-19.9% YoY

Challenging Operating Landscape

Movement restrictions & lockdowns

Closure of branch network

Suspension of merchants operations

Economic uncertainties

Credit risk exposure



COVID-19 Countermeasures and Actions

Financial Assistance



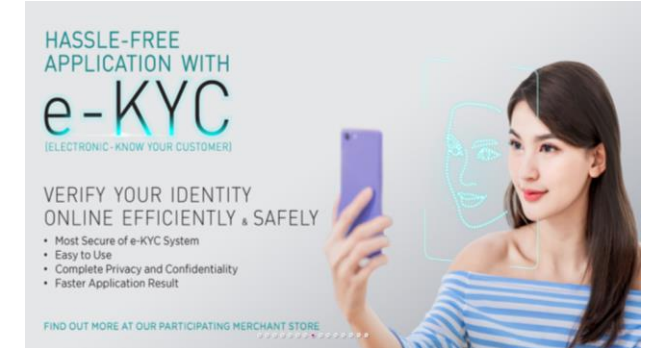
Payment Holidays	883k customers enjoyed 2-months loan moratorium
AEON Relief Programme	96% customers enrollment, 3-24 months loan rescheduling
Refinancing & Restructuring	Reschedule monthly repayment amount
Balance conversion "BC19"	Up to 36 months for outstanding loan rescheduling

Employees' Safety & Wellbeing



- Technology infrastructure to support work from home arrangements
- Split operations / employees to work at different sites
- Installation of acrylic panels nationwide for workplace distancing
- Face mask/lunch/mobile data subsidies
- Adoption of virtual meeting & communication
- Regular sanitisation at office / branches

Accelerating Digitalisation



- Transform physical and conventional processing to online via digitalisation
- B2C2B transformation for direct customer touchpoint (100% web application)
- Digital solution: E-KYC for quicker processing from 1 day to 15min
- AEON Wallet apps feature enhancement



COVID-19 Countermeasures and Actions

Cost efficiency improved due to prudent cost management

(RM mil)	Q4 FYE21	Q4 FYE20	YoY	12M FYE21	12M FYE20	YoY
Total Operating Income	453.2	454.9	-0.4%	1,707.0	1,744.7	-2.2%
Total Impairment Loss	65.1	87.8	-25.8%	508.4	450.3	+13.0%
Personnel Expenses	58.6	65.1	-10.0%	198.0	250.1	-20.8%
Advertisement & Promotion	8.4	32.5	-74.2%	45.9	99.5	-53.9%
Other Operating Expenses	83.7	64.1	+30.6%	271.9	229.1	+18.6%
Total Operating Expenses	215.8	249.5	-13.5%	1,024.2	1,029.0	-0.5%

Cost Saving Initiatives

Personnel Expenses

- Hiring freeze

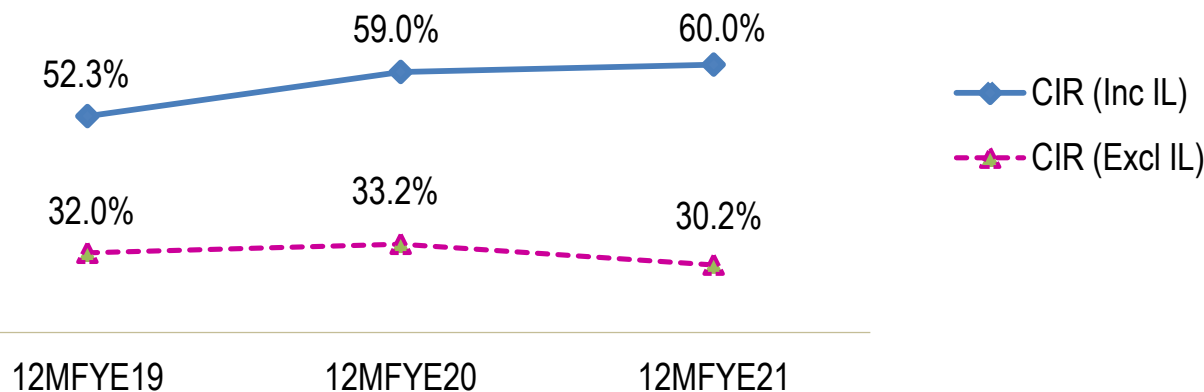
Promotion Expenses

- Lower marketing activities

Operation Efficiency

- Promote paperless operation
- E-training/meeting reduces travelling cost
- RPA (E-Hakmilik & stamping), man hour savings of 40%

Cost-to-Income Ratio (CIR)



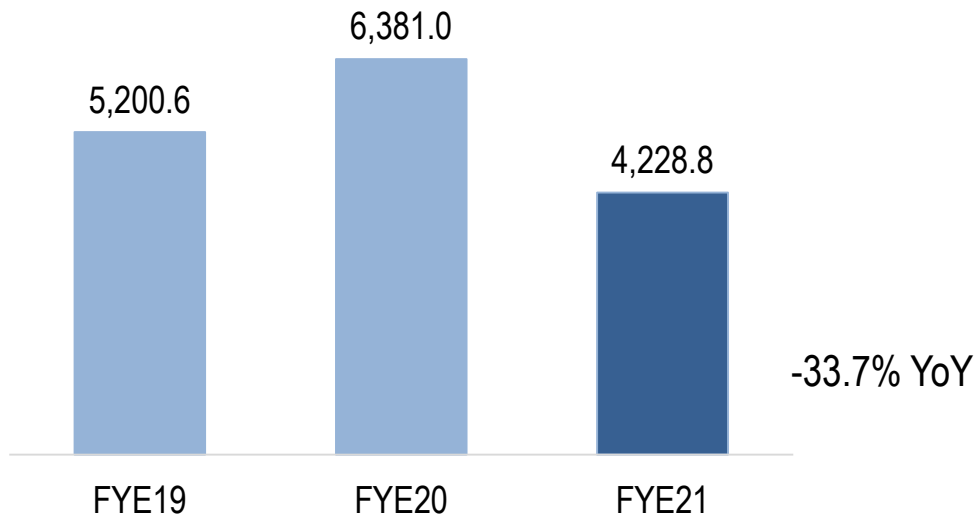


Income Statement – FYE21

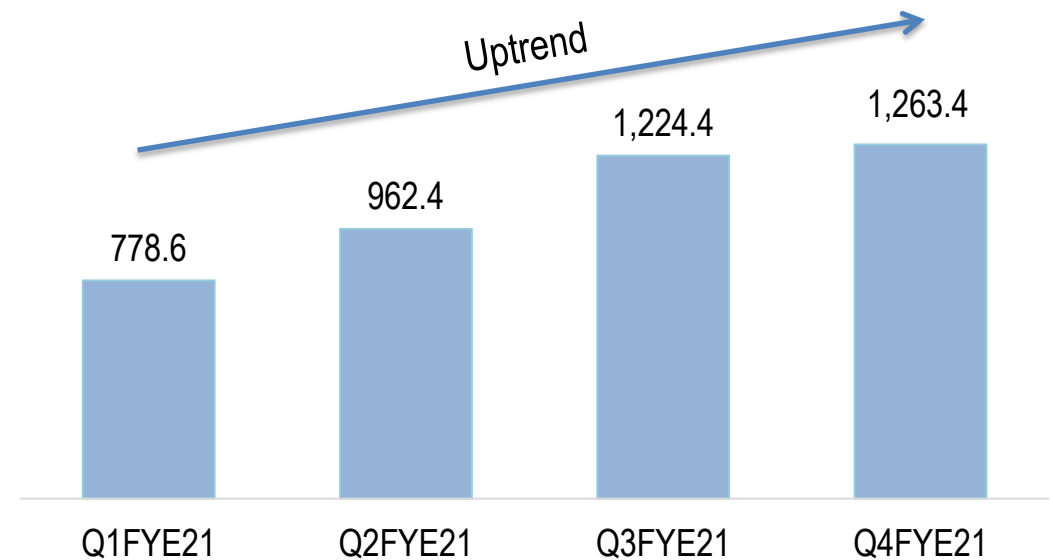
New sales acquired on moderate pace and gradually rejuvenating with 62% improvement seen from Q1 to Q4

Total Transaction & Financing Volume (RM mil)

Yearly Movement



Quarterly Movement

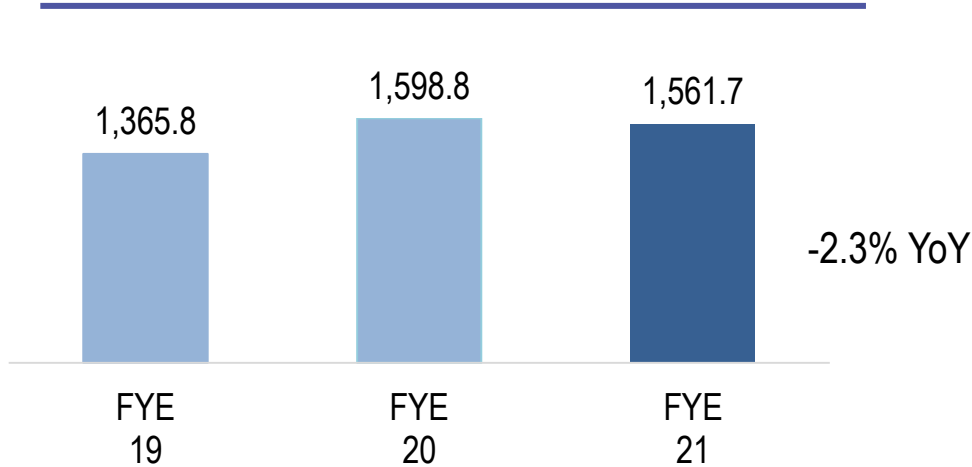




Income Statement – FYE21

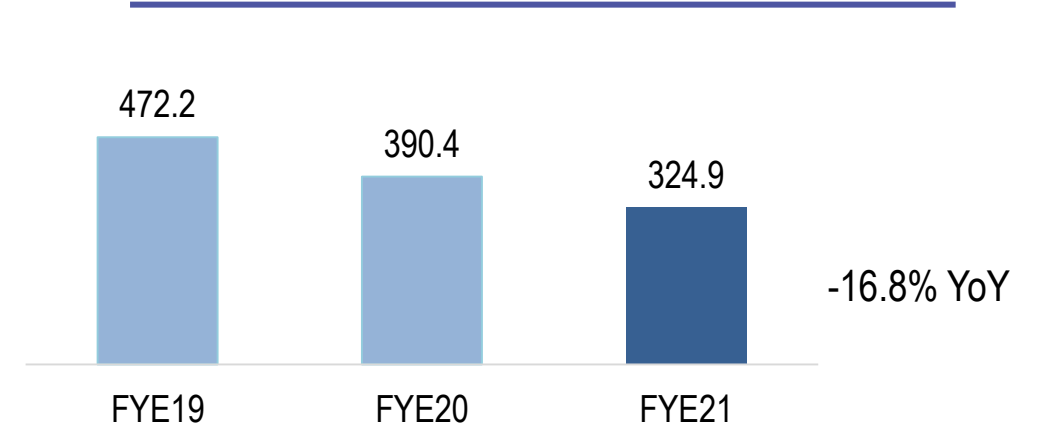
Agile actions focused on asset quality, cost discipline and business recovery activities

Revenue (RM mil)



(RM mil)	Q1 FYE21	Q2 FYE21	Q3 FYE21	Q4 FYE21	FYE21	FYE20	YoY (%)
Total Revenue	389.9	364.0	401.5	406.3	1,561.7	1,598.8	-2.3%
Other Operating Income	17.1	41.7	39.6	46.9	145.3	145.9	-0.4%
Total Operating Income	407.0	405.7	441.1	453.2	1,707.0	1,744.7	-2.2%

Profit Before Tax (RM mil)



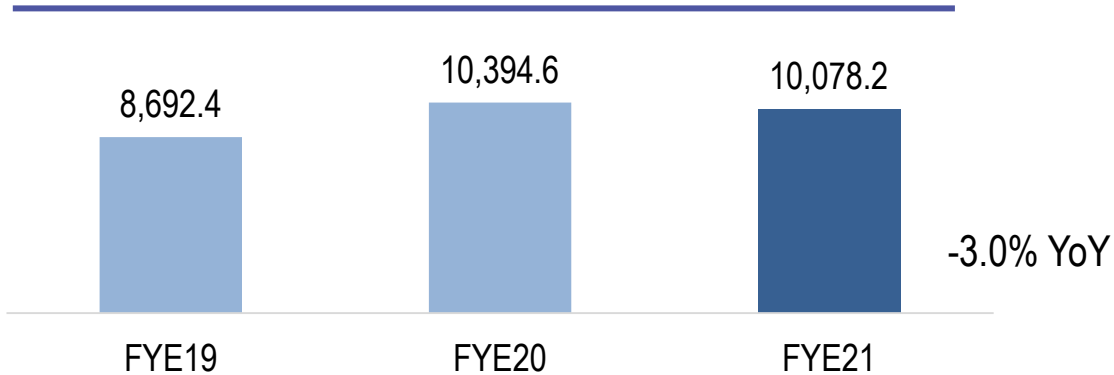
(RM mil)	Q1 FYE21	Q2 FYE21	Q3 FYE21	Q4 FYE21	FYE21	FYE20	YoY (%)
Total Income	407.0	405.7	441.1	453.2	1,707.0	1,744.7	-2.2%
Operating Expenses	369.9	329.2	383.4	299.6	1,382.1	1,354.3	-2.1%
Profit Before Tax	37.1	76.5	57.7	153.6	324.9	390.4	-16.8%



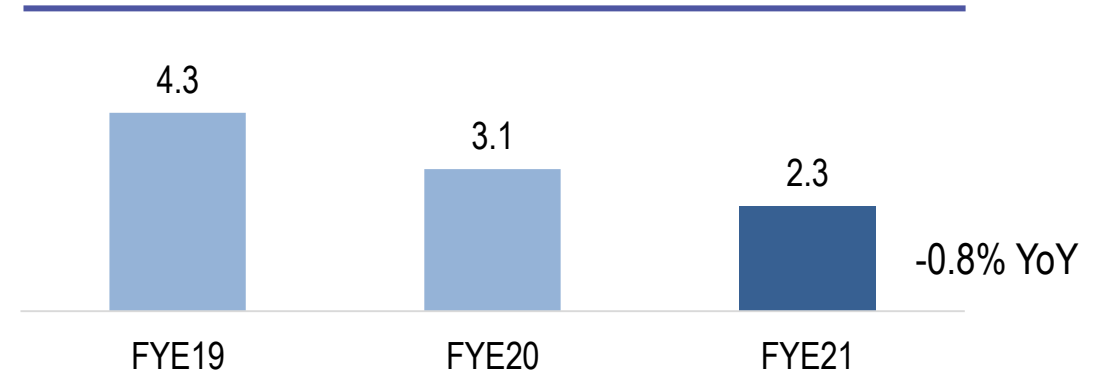
Shareholder Value & Capital Management

Strong capital position provides ample headroom for growth

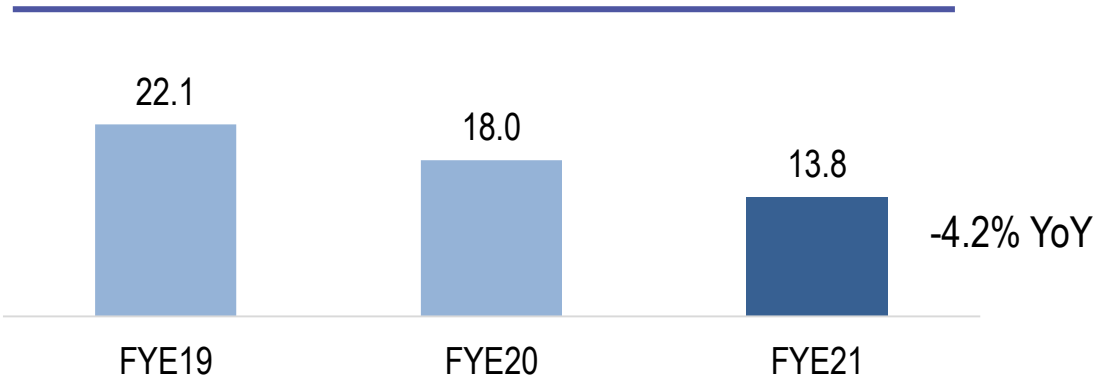
Gross Financing Receivables (RM mil)



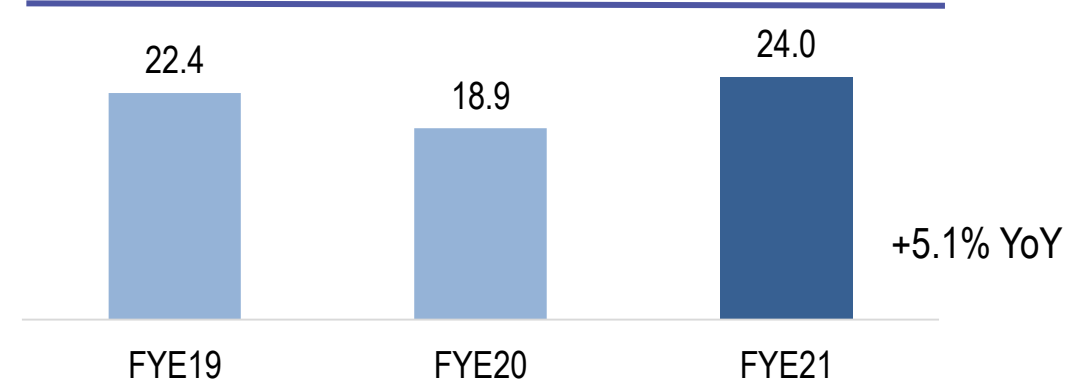
ROA (%)



ROE (%)



CAR (%)

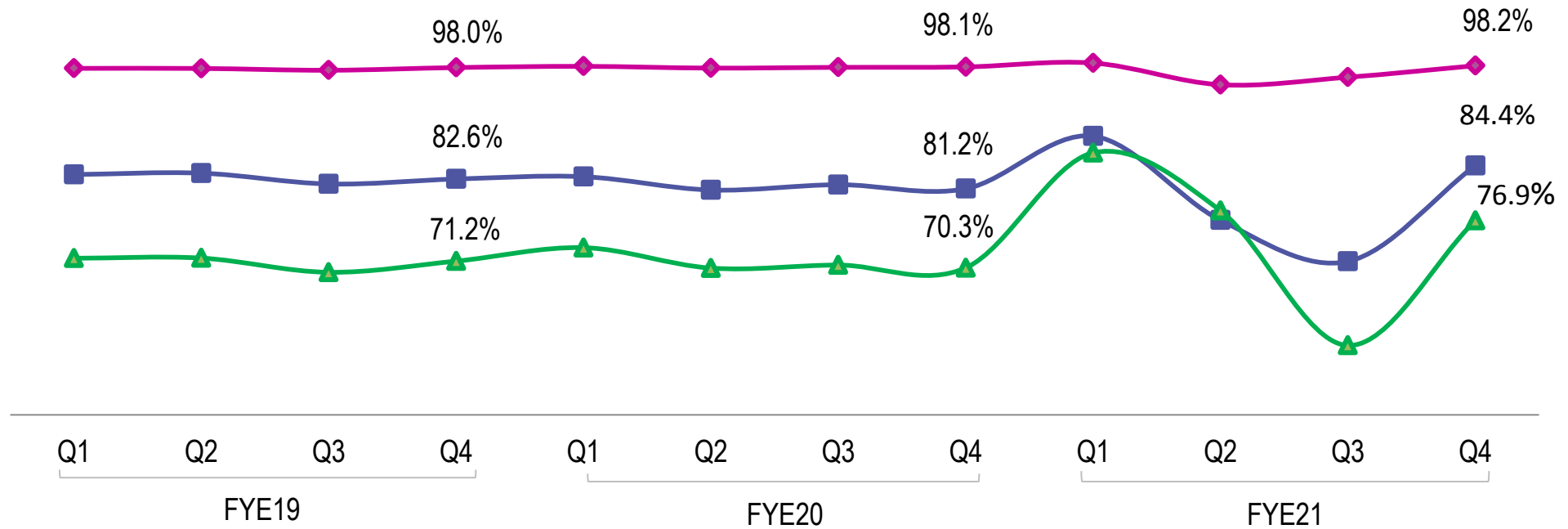




Receivables Collection Performance

Successful in stabilised the collection ratio as supported by effective collection strategies and improved asset quality

Receivables Collection Trend



◆	Current Collection Ratio – Not past due (%)
■	D1 Collection Ratio – Past due 1 month (%)
▲	D2 Collection Ratio – Past due 2 to 3 months (%)

*Q1 FYE2021 : collection ratio with payment holidays (actual collection ratio)

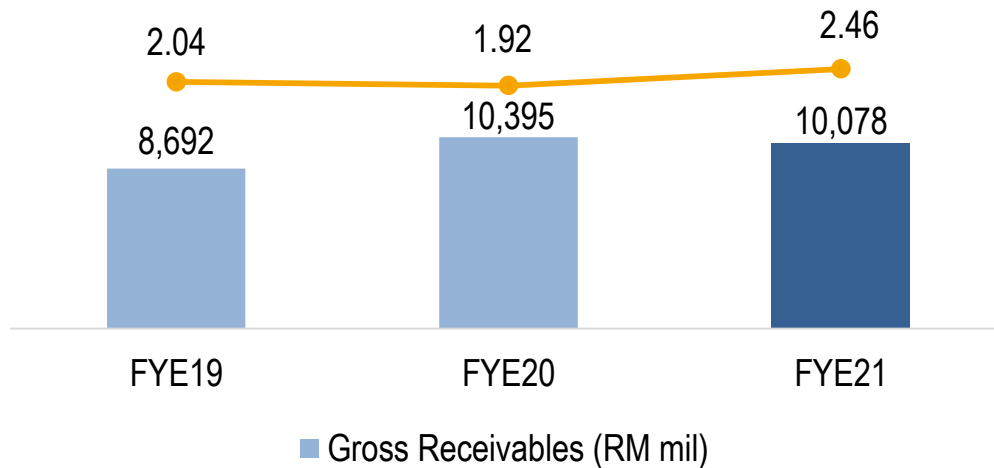


Non-Performing Loans (NPL)

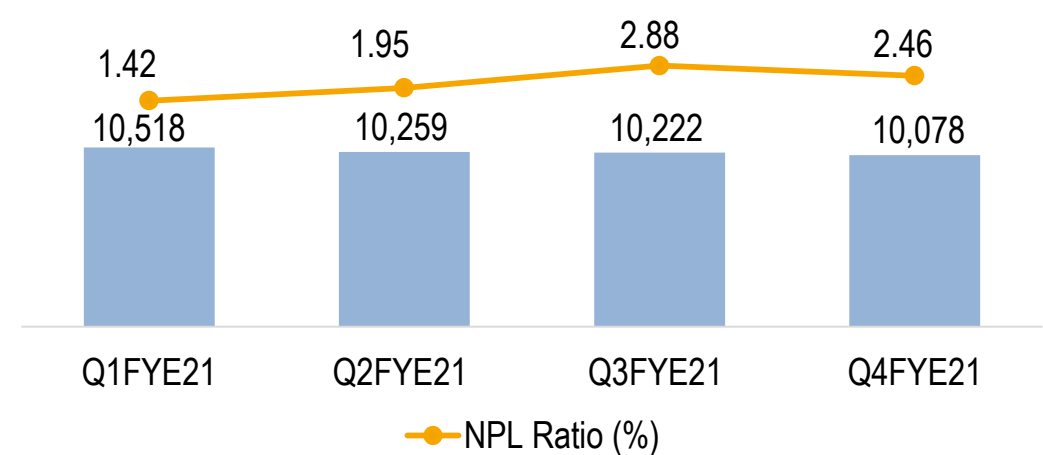
Asset quality strategies have been in place to minimise NPL

NPL Trend

Yearly Movement



Quarterly Movement



(RM mil)	FYE19	FYE20	FYE21
Receivables	8,692	10,395	10,078
Balance D3+	177	200	248
NPL (%)	2.04	1.92	2.46

	Q1FYE21	Q2FYE21	Q3FYE21	Q4FYE21
Receivables	10,518	10,259	10,222	10,078
Balance D3+	150	200	294	248
NPL (%)	1.42	1.95	2.88	2.46

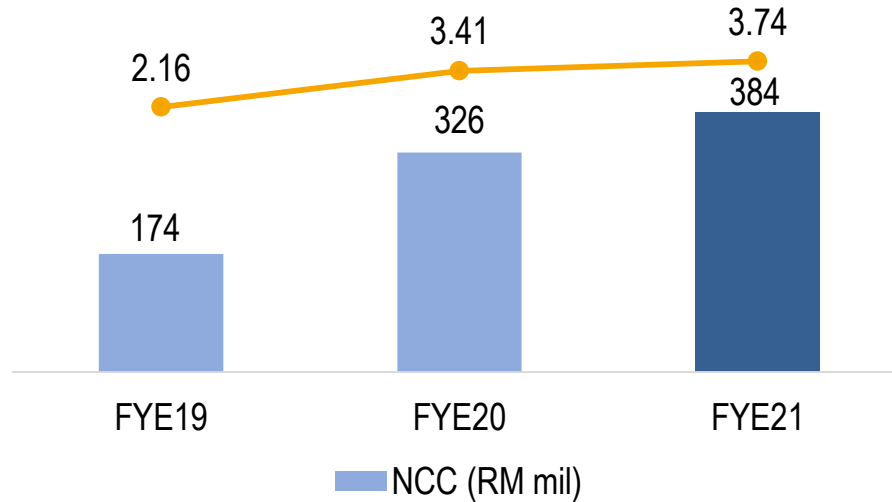


Net Credit Cost (NCC)

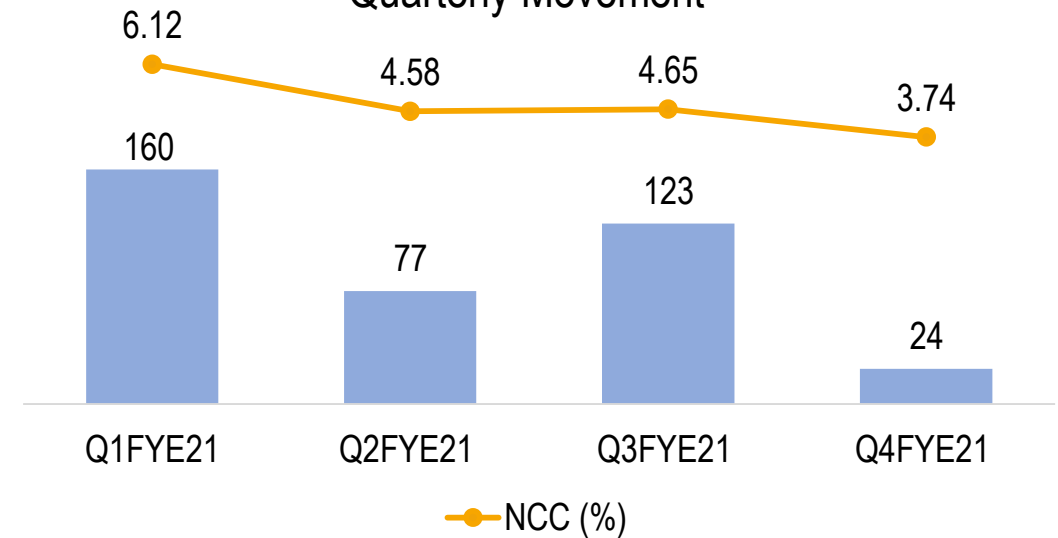
Significant improvement in NCC from Q1's 6.12% to 3.74% in Q4FYE21 as a result of impairment loss reversal benefited from better delinquency movement

NCC Trend

Yearly Movement



Quarterly Movement



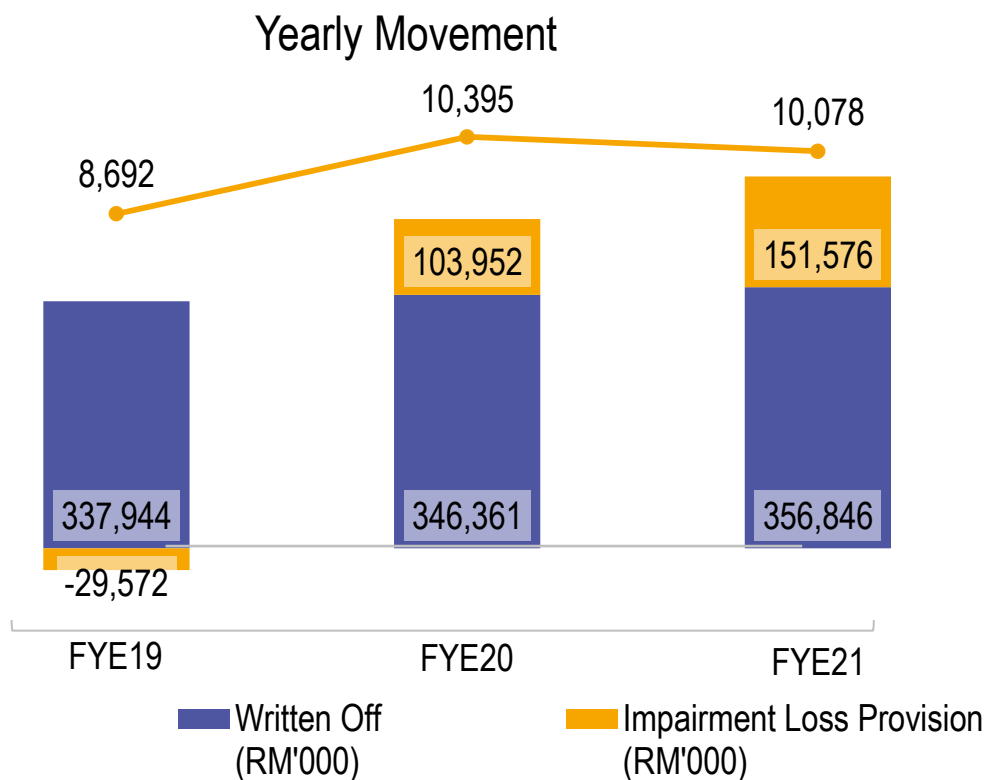
(RM mil)	FYE19	FYE20	FYE21
Impairment Loss	308	450	508
(-) Bad Debt recovered	134	124	124
NCC	174	326	384

Q1FYE21	Q2FYE21	Q3FYE21	Q4FYE21
174	112	157	65
14	35	34	41
160	77	123	24

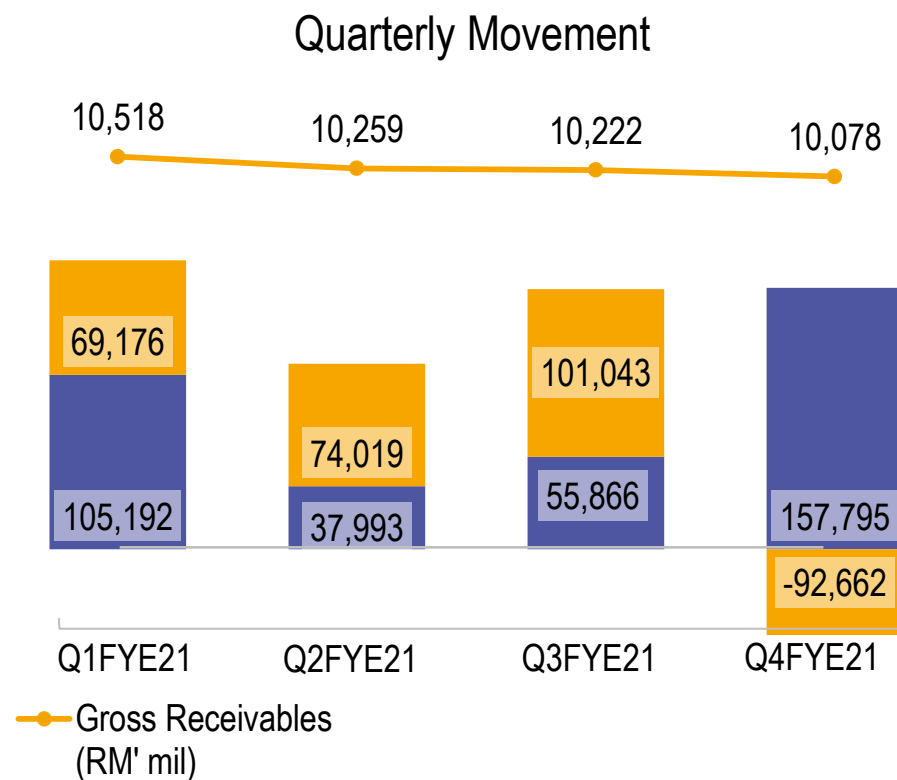


Impairment Loss (IL) Analysis

Well-governed IL against the backdrop of unprecedented macroeconomic uncertainty



(RM'000)	FYE19	FYE20	FYE21
Written Off	337,944	346,361	356,845
IL Provision	(29,572)	103,952	151,577
Total IL	308,372	450,313	508,422



	Q1FYE21	Q2FYE21	Q3FYE21	Q4FYE21
Written Off	105,192	37,993	55,866	157,795
IL Provision	69,176	74,019	101,043	(92,662)
Total IL	174,368	112,012	156,909	65,133



Dividend

Consistent dividend payout ratio of above 30%

Dividend	FYE19 RM	FYE20 RM	FYE21 RM
Interim dividend (cent)	22.25	22.25	9.20
Payout amount (RM'000)	55,784	56,426	23,488
Final dividend (cent)	22.35	14.00	20.00 *
Payout amount (RM'000)	56,075	35,511	51,062 *
Total dividend (cent)	44.60	36.25	29.20
Total payout amount (RM'000)	111,859	91,937	74,550
Dividend Payout Ratio (%)	31.5	31.5	31.9

* Subject to the approval of shareholders during AGM



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Strategy / Moving Forward





Strategy (2021-2025)

AEON Credit's Strategy (2021-2025)



Our Objectives:

Excellence Customer & User Experience

Cost Structure & Process Automation

Business Expansion & Receivables Growth

Diversify Product Range & New Income Source

Talent Development & Sustainability



Business model transformation by digital shift

E-Application



100%
new sales application

Reduce face to face
contact

E-KYC



15 min
processing time

Excellence customer
experience

Digitalise customer's touchpoint



New feature
AEON Wallet

1 Million
AEON Wallet downloads

E-Signature



Self-onboarding platform

One stop service &
communication



Sales & Receivables Growth Strategy

Achieve sustainable balance between asset growth and receivables collection

FYE21

Reinforced a **solid asset quality base**



Analysis AEON customer database (AI)



Review assessment criteria



Effective collection efforts, lower NPL



Cost structure review, lower NCC

FYE22

Steadily driving towards **healthy business expansion**

Strategy 1: Focusing on Receivables Growth

- ✓ Speed up AEON database cross selling
- ✓ Create new demand through channel expansion
- ✓ Balance between business growth and funding cost

Strategy 2: Targeting the right customers

- ✓ Understand customer needs and customise strategies
- ✓ Enhance customer experiences
- ✓ Analysis on market segment and revise the assessment criteria

Strategy 3: Offering the right products

- ✓ Fulfil customer needs and demands at different life stages/ age groups
- ✓ Diversify product range and increase fee base income
- ✓ Enhance customer loyalty and retention

- ✓ Optimise data analytics
- ✓ Diversify offerings
- ✓ Enlarge market share
- ✓ Enhance value chain
- ✓ Better earnings potential

Tapping on the potential of data analytics for region-customer-product matching



Regionalisation

Localized Guideline

- Identify potential market segment
- Prioritize Easy Payment business & identify potential Easy Payment merchant

Branch Rationalization

- Revision of branch and Cash Deposit Machine strategy
- Enhance payment channels via merchant networks

Telemarketing Expansion

- Setup nationwide telemarketing center
- Upgrade call centre solution and streamline process

Regional Hub Concept

- Establish Centralised Regional Office Hubs
- Talent training and development



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Sustainability & CSR Activities





Sustainability & CSR Activities

Continuously supporting stakeholders



**AEON Credit Purple League
Junior Sponsorship Programme
(2019 - 2022)**



**Ampang Jaya Badminton Club Junior
Badminton Development Programme
(2018 - 2021)**



**Media Engagement
RTM Bicarawara**



Investor Relations Briefing



Employee Engagement



Business Partners Engagement



Sustainability & CSR Activities

Participation in Malaysian AEON Foundation - Charity Programmes



Donation to Medical Frontliners



Donation to Flood Victims in
Hulu Langat



Donation to Flood Victims in
Temerloh



Festive Contactless Donation
via AMP Card



AEON Rider Programme



Drinking Water Contribution
to Frontliners



Thank You



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Responses to Questions from Minority Shareholders Watch Group (MSWG)

via letter dated 16 June 2021



Questions from MSWG

Operational & Financial Matters

Question 1

For Easy Payment and Personal Financing business, AEONCR had revised the product strategy and tightened the credit policies for all product offerings in response to the imposition of MCO and market impediments.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
1 (a)	What are the aspects in credit policies that have been tightened?	During the financial year, the Company has revisited and reviewed various aspects of its credit policies that include, amongst others, revising debt service ratio, deploying targeted marketing and customer demographic segmentation strategies etc., all of which primarily focus on enhancing asset quality.
(b)	Will the revised product strategy and tightening credit policy affect AEONCR's financing growth in FY2022?	The Company is expecting to grow its financing assets in FY2022 by focusing on asset quality, product profitability, and enhancing customer experience and meeting their needs via digital transformation initiatives including the use of data analytics for credit analysis.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
1 (c)	Which are the business segments (e.g., personal, auto, motorcycle financing) that will drive financing growth in FY2022?	In FY2022, Personal Financing and Vehicle Financing will continue to drive financing growth via digital onboarding. In order to support the needs of our customers during MCO, the Company is also focusing on settlement business.



Operational & Financial Matters

Question 2

Upon the conclusion of the Moratorium Scheme to the retrenched workers and workers who suffer from pay cuts, AEONCR continued to offer Refinancing and Restructuring (R&R) scheme to customers who are still facing repayment difficulties (page 26 of Integrated Annual Report 2021).



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
2 (a)	What is the size of financing that falls under the R&R category compared to AEONCR's total financing?	<p>As at 28 February 2021, total R&R portfolio, comprising our Restructuring, AKPK and AEON Relief Programme receivables (ARP) was RM439.3 million, or 4.36% of AEONCR's gross financing receivables.</p> <p>Excluding ARP, R&R was 2.92% of the total financing.</p>
(b)	How do the R&R measures help affected borrowers?	<p>R&R enables our customers to improve their cash flow, maintain their delinquency status and to avoid potential default risks that will bear on them.</p>



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
2 (c)	Has there been an increase in default risk for the financing involved in the R&R scheme?	<p>Generally, we observed an improving trend in the repayment behavior of our customers who had enrolled for the R&R scheme.</p> <p>Overall collection ratio for both Easy Payment portfolio and Credit Card portfolio remained relatively stable during the year, at 98.2%.</p> <p>However, with the imposition of FMCO, we remain cautious in our credit risk management and will continue to closely monitor the performance of our credit portfolio and recovery activities.</p>



Operational & Financial Matters

Question 3

AEONCR had provided RM151.57 million allowance (FY2020: RM103.95 million) for impairment loss on financing receivables in FY2021.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
3	<p>What is the breakdown of the provision made in terms of pre-emptive provision for vulnerable borrowers impacted by COVID-19 pandemic and macroeconomic forecast?</p> <p>Is there a need for AEONCR to increase the size of provision in FY2022?</p>	<p>For FYE2021, the pre-emptive provision set aside for vulnerable borrowers impacted by the COVID-19 pandemic based on macroeconomic forecast factors was RM59.94 million.</p> <p>The Company is guided by the requirements of MFRS 9 in benchmarking its expected credit losses.</p> <p>We will continue to be prudent while ensuring the timely implementation of effective credit management and recovery activities to mitigate inherent and potential credit risks.</p>



Operational & Financial Matters

Question 4

AEONCR's non-performing loans ratio (NPL) increased 54 basis points to 2.46% as at the end of FY2021, from 1.92% in FY2020 (page 27 of IAR2021).



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
4 (a)	Will the significant increase in NPL ratio persist through FY2022?	<p>During FYE2021, the Company has revised its product strategy and tightened credit policies for all its product offerings to enhance asset quality.</p> <p>Barring any unforeseen circumstances, we are of the view that the NPL ratio shall remain relatively stable, supported by the growth in credit worthy financing receivables with the gradual economic recovery, that is premised on the successful outcome of pandemic containment measures and the pace of vaccination efforts.</p>



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
4 (b)	What is the optimal NPL ratio that AEONCR aims to achieve?	We will continue to focus on implementing effective credit management and recovery strategies besides enhancing our new asset quality to achieve a comfortable NPL ratio within the context of our business model.



Thank You