




ÆON CREDIT SERVICE



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.



Questions from MSWG

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?	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.



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>



Questions from MSWG

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>



Questions from MSWG

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