



ÆON CREDIT SERVICE

Q4FYE2022 Results Update

5 April 2022



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ÆON CREDIT SERVICE

FINANCIAL OVERVIEW





Executive Summary



Improving performance despite challenging landscape

Challenges		Actions Taken		Results
Slower loan growth and lower business activities amid lockdown and supply chain disruption	➡	<ul style="list-style-type: none">Reignited various sales and marketing campaigns upon reopening of economy.Gradually lifted credit criteria back to pre-COVID level.Collaboration activities with AEON Group.	➡	<ul style="list-style-type: none">Receivables rebounded in Q4FYE2022 by +2.6% QoQ.Transaction & Financing volume grew by +12.8% YoY.Stronger earnings with PBT +62.1% and PAT +56.2% YoY.
Delay of digitalisation project	➡	<ul style="list-style-type: none">Sped up digitalisation progress.Completed core system migration.Development of Super App with distinctive and value-added features to remain competitive and relevant.	➡	<ul style="list-style-type: none">On track to complete digitalisation project (end-to-end digital on-boarding) in FYE2023.Development of Super App is on-going.
Emergence of new competitors	➡	<ul style="list-style-type: none">Accelerating digital on-boarding process.Ventured into insurance broker business via acquisition of Insurepro to offer more products to customers.Applied Digital bank license.	➡	<ul style="list-style-type: none">Higher earnings contribution from insurance segment.Future potential from digital bank segment.



Financial Highlights

Record high profitability backed by strong asset quality



	FYE21	FYE22	YoY (%)
Revenue	RM1,561.7M	RM1,524.9M	-2.4%
PAT	RM233.9M	RM365.4M	+56.2%
ROE	13.8%	19.2%	+5.4%



Transaction & Financing Volume	RM4.2B	RM4.8B	+12.8%
Gross Financing Receivables	RM10.1B	RM9.9B	-2.2%
Loan Loss Coverage Ratio	339%	289%	-50%
Non-Performing Loan (NPL)	2.46%	2.66%	+0.2%



Net Credit Cost (NCC)	3.74%	1.47%	-2.3%
Capital Adequacy Ratio (CAR)	24.0%	26.8%	+2.8%



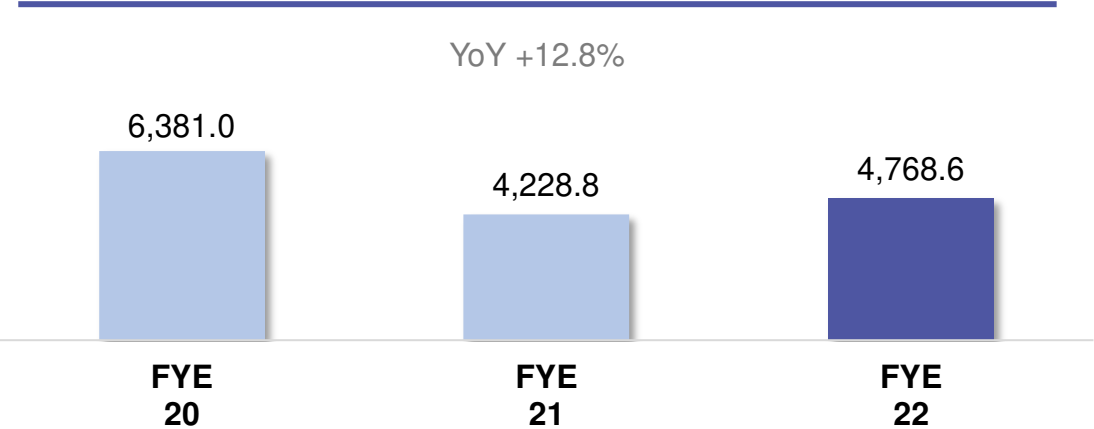
Income Statement – FYE22



Outstanding earnings growth amid bumpy year, elevated by prudent approach in assessing financing portfolios

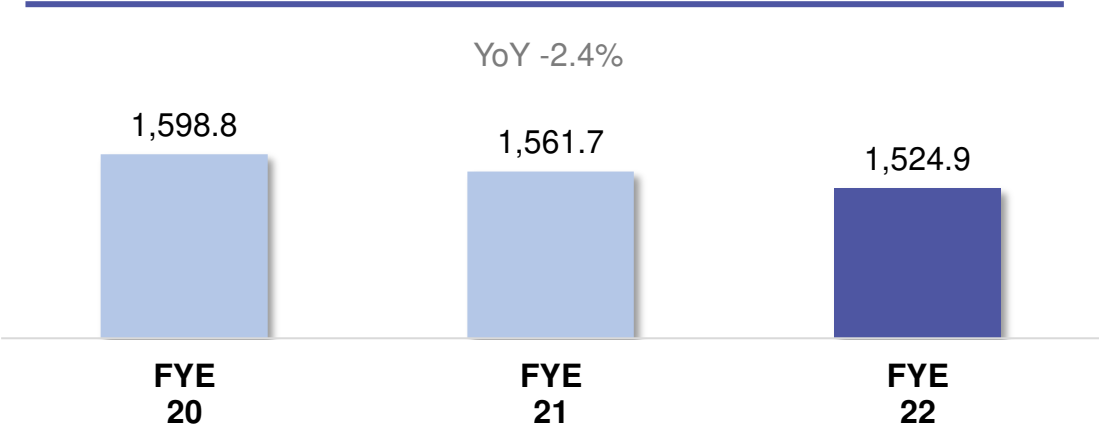
Total Transaction & Financing Volume (RM mil)

YoY +12.8%



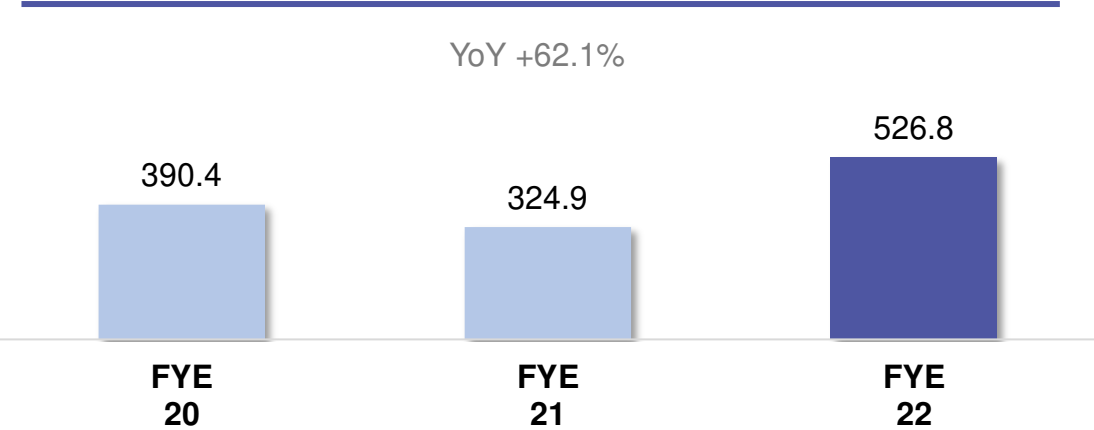
Revenue (RM mil)

YoY -2.4%



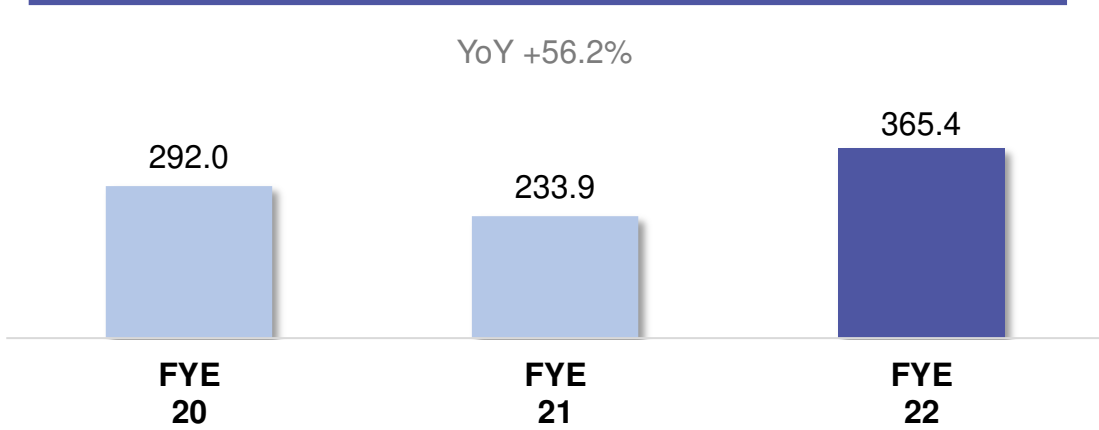
Profit Before Tax (RM mil)

YoY +62.1%



Profit After Tax (RM mil)

YoY +56.2%

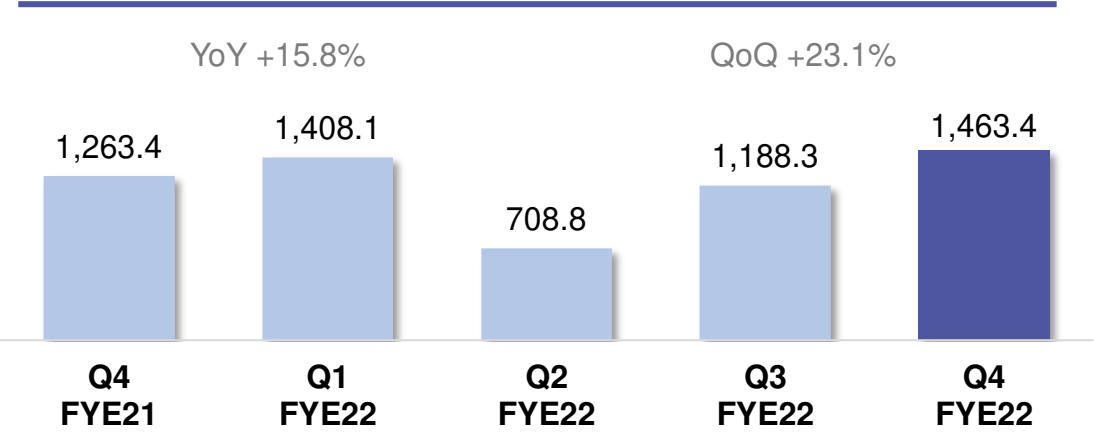


Income Statement – Q4FYE22

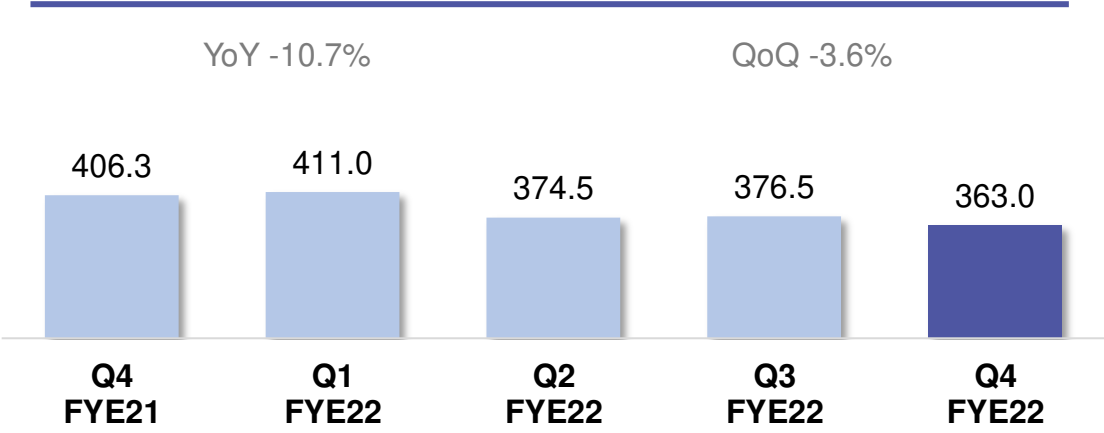


Transaction & Financing Volume grew, while Q4 earnings was impacted by higher impairment loss

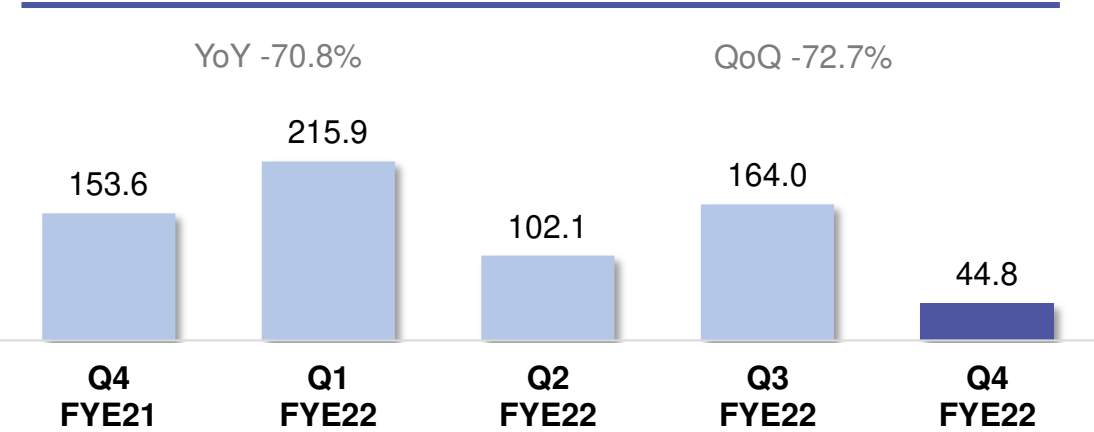
Total Transaction & Financing Volume (RM mil)



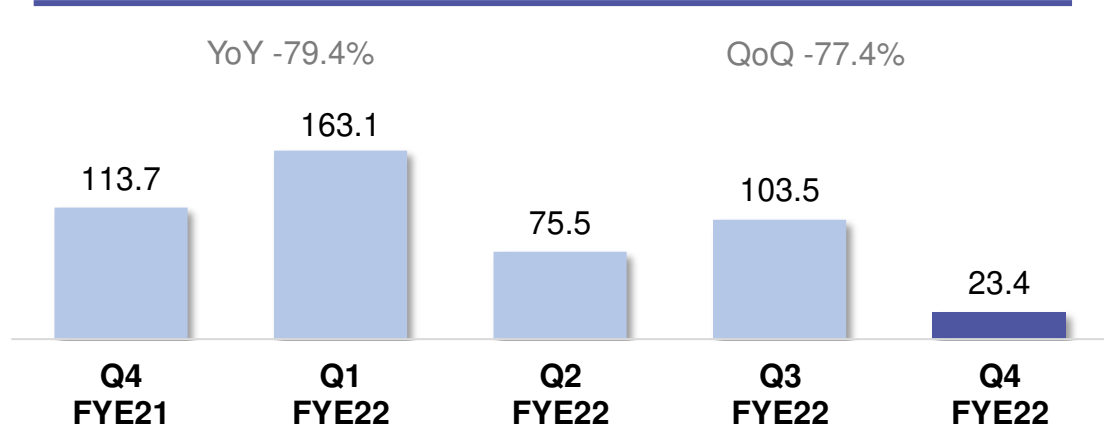
Revenue (RM mil)



Profit Before Tax (RM mil)



Profit After Tax (RM mil)



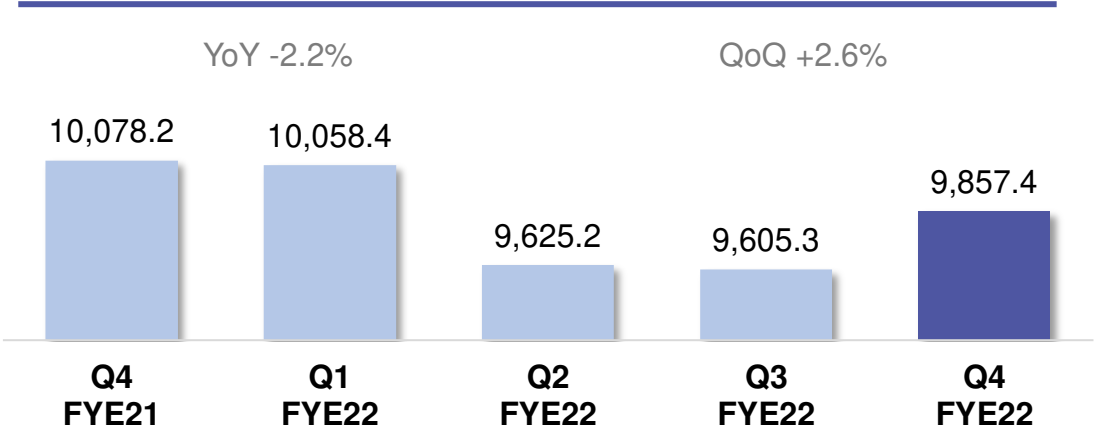
Shareholder Value & Capital Management

Strong capital position providing ample headroom for growth



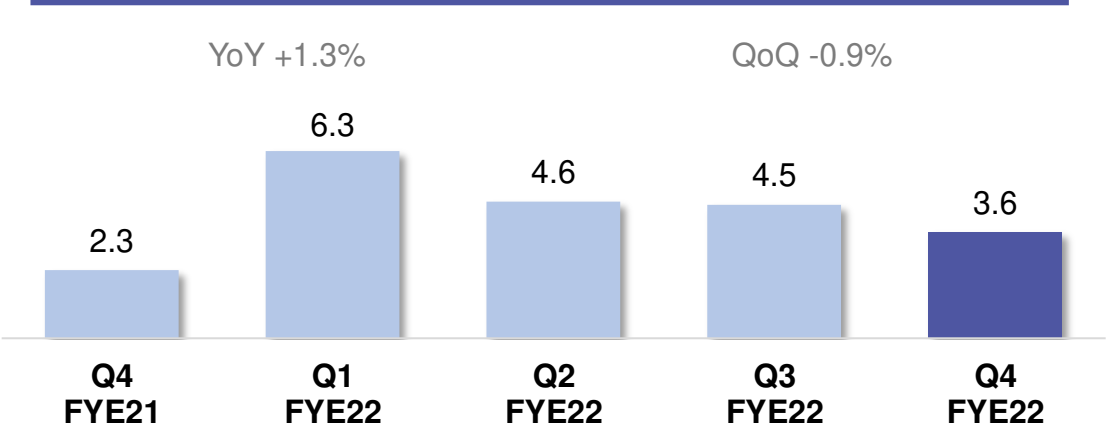
Gross Receivables (RM mil)

YoY -2.2% QoQ +2.6%



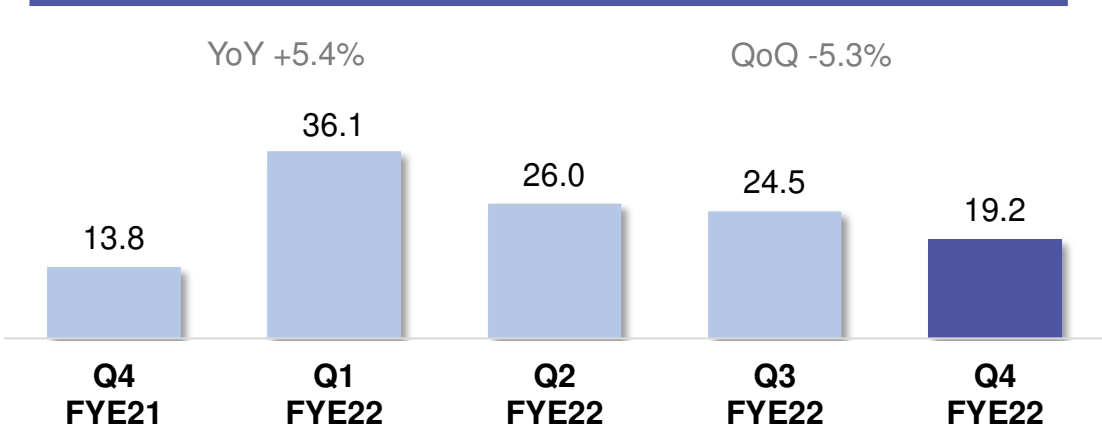
Return On Asset (%)

YoY +1.3% QoQ -0.9%



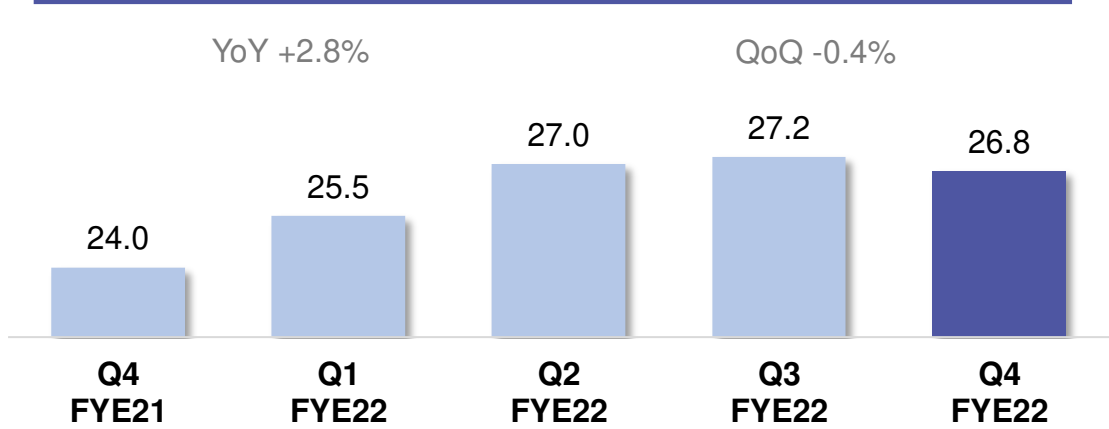
Return On Equity (%)

YoY +5.4% QoQ -5.3%



Capital Adequacy Ratio (%)

YoY +2.8% QoQ -0.4%

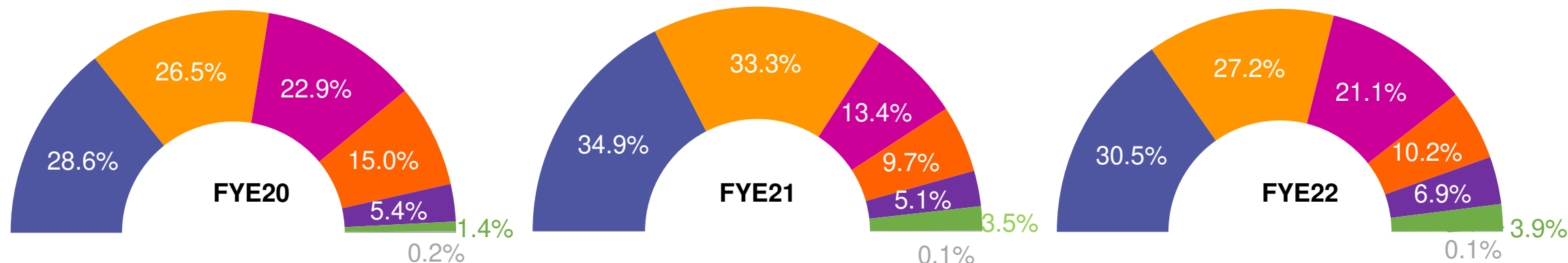




Total Transaction & Financing Volume – FYE22



Overall volume improved YoY; Motorcycle Financing affected by supply chain disruption



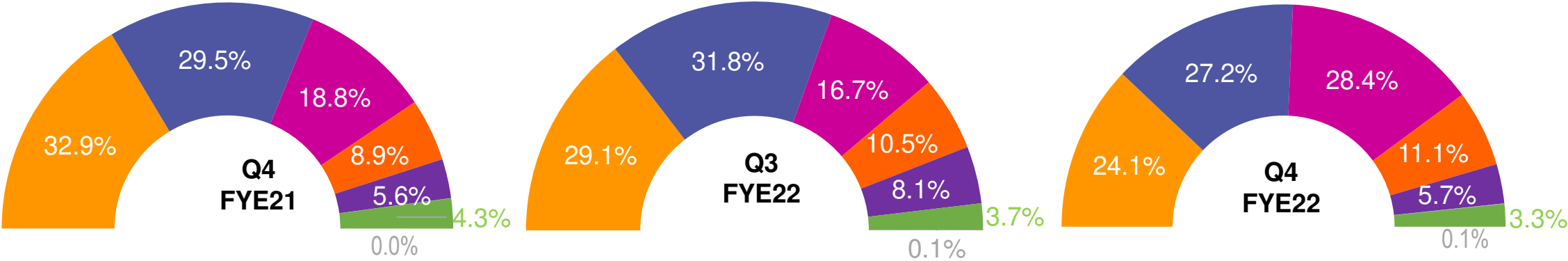
Volume (RM mil)	FYE20	FYE21	FYE22	YoY
Credit Card	1,828	1,476	1,457	-1.4%
Motorcycle Financing	1,689	1,409	1,298	-7.8%
Personal Financing	1,460	567	1,008	77.8%
Auto Financing	954	409	487	18.9%
Objective Financing	347	216	329	51.9%
E-money	88	148	186	26.0%
SME Financing	15	4	4	21.8%
Total	6,381	4,229	4,769	12.8%



Total Transaction & Financing Volume – Q4FYE22



Gradually grew QoQ for the past consecutive 3 quarters underpinned by opening of economic activities and intensive marketing activities



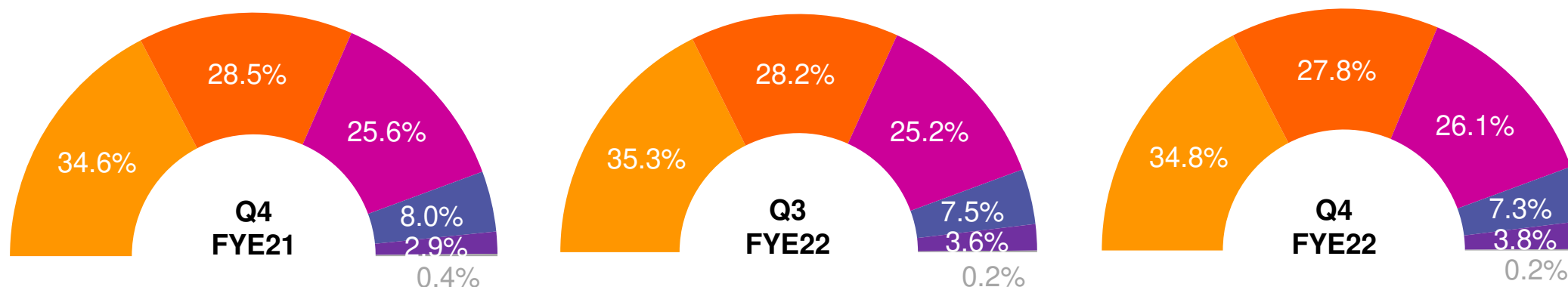
Volume (RM mil)	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ	YoY
Motorcycle Financing	415	458	142	346	353	2.2%	-14.7%
Credit Card	373	381	299	378	398	5.1%	6.7%
Personal Financing	237	295	99	198	416	109.8%	75.1%
Auto Financing	113	139	59	125	163	30.6%	45.1%
Objective Financing	71	79	70	96	84	-12.3%	17.8%
E-money	54	54	40	44	48	9.0%	-11.3%
SME Financing	-	2	0.4	1	1	-27.6%	101.8%
Total	1,263	1,408	709	1,188	1,463	23.1%	15.8%



Total Financing Receivables



Receivables growth momentum picked up in Q4FYE22; Motorcycle, Auto and Personal Financing remain as top 3 contributors



Volume (RM mil)	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ	YoY
Motorcycle Financing	3,492	3,578	3,389	3,389	3,435	1.3%	-1.6%
Auto Financing	2,870	2,840	2,748	2,713	2,738	0.9%	-4.6%
Personal Financing	2,580	2,557	2,450	2,420	2,574	6.4%	-0.2%
Credit Card	810	756	707	720	722	0.3%	-10.9%
Objective Financing	294	300	308	342	370	8.1%	25.9%
SME Financing	32	27	23	21	18	-14.0%	-44.4%
Total	10,078	10,058	9,625	9,605	9,857	2.6%	-2.2%



Q4FYE22 Negative Pointers



Steadily manoeuvring from unanticipated headwinds

Dec 2021	Jan 2022	Feb 2022
Staff Productivity	50% of Dec 2021	50% of Jan 2022
Flood impact Affected customers livelihood and having difficulties in making loan repayments, payment holiday offered to targeted customers.	Cessation of Government aid Weaker consumer spending but expected to be boosted by the special aid and EPF withdrawal scheme (Apr).	Shorter working days in February 2022 Shorter working days and Chinese New Year holidays fell on first week of February. Missing of 29 th - 31 st salary days, will benefit March collection.
Regional Impact Lower staff productivity of Central and East Coast Regions due to flood and road closure.	Emergence of Covid-19 variant Spike of Covid-19 infections brought on by Omicron variant dragged employee productivity.	
Counter Measure		
Outsourcing D2 collections to external collection agency.		
Maximise staff productivity to cater salary payout week.		



External Internal

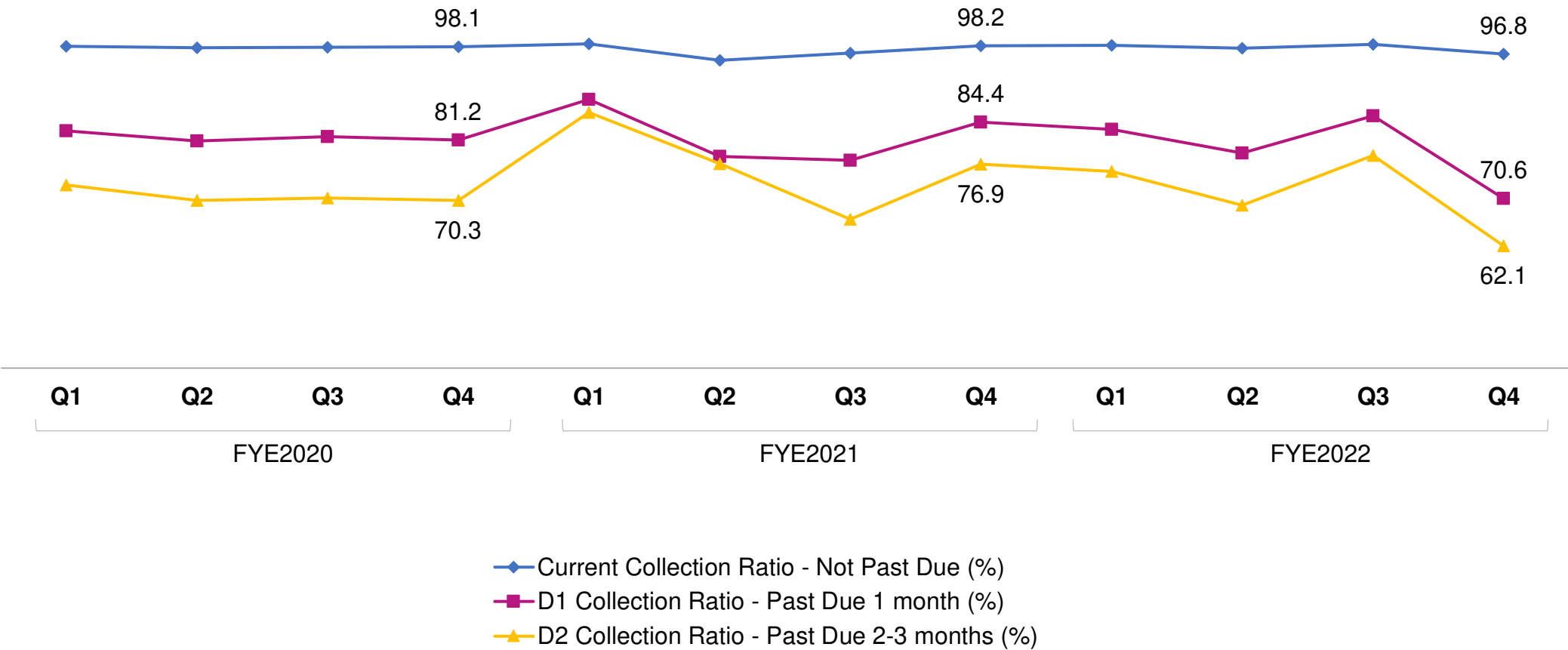


Receivables Collection



Weaker collection performance overwhelmed by turbulent external factors; normalisation expected in line with recovery in disposable income and improved market sentiment

Receivables Collection Trend



*Q1 FYE21: collection ratio with payment holidays (actual collection ratio)

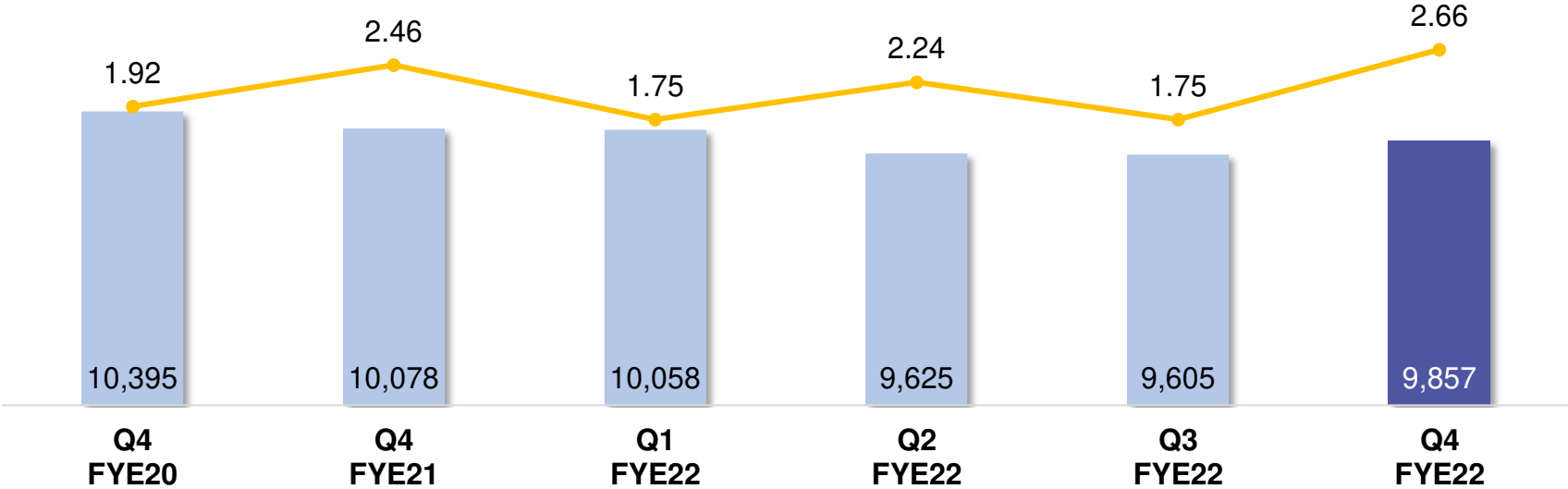


Non-Performing Loan (NPL)

Higher NPL attributed to lower collection activities



NPL Trend



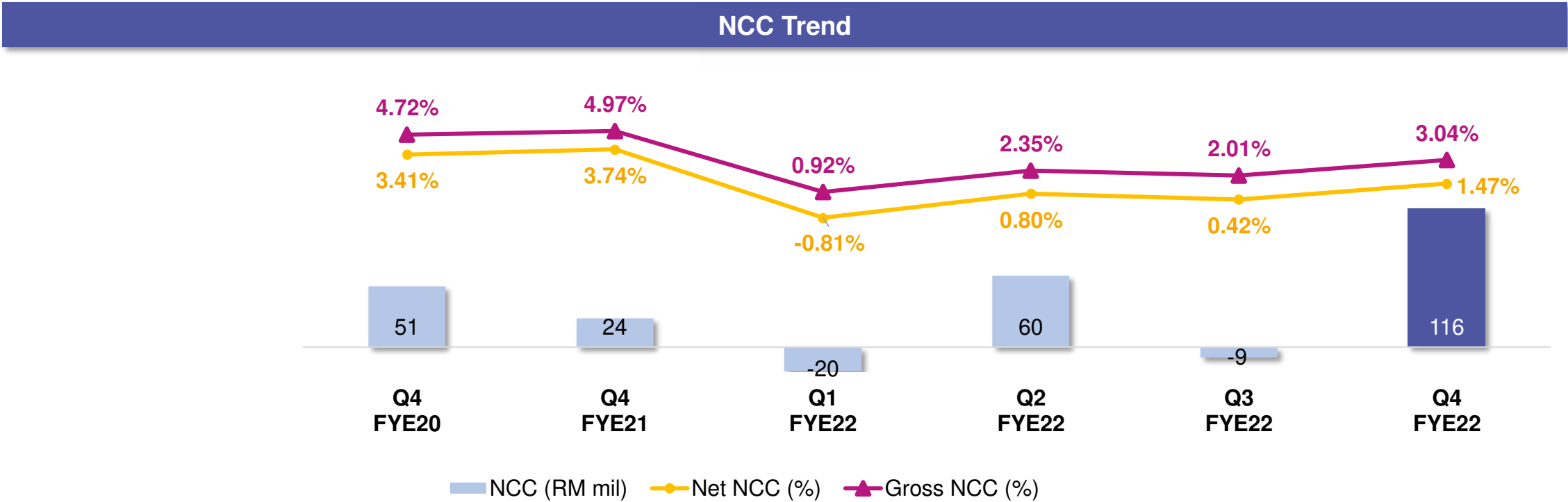
	Gross Receivables (RM mil)			NPL Ratio (%)		
(RM mil)	Q4 FYE20	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22
Receivables	10,395	10,078	10,058	9,625	9,605	9,857
Balance D3+	200	248	176	215	168	262
NPL (%)	1.92	2.46	1.75	2.24	1.75	2.66



Net Credit Cost (NCC)



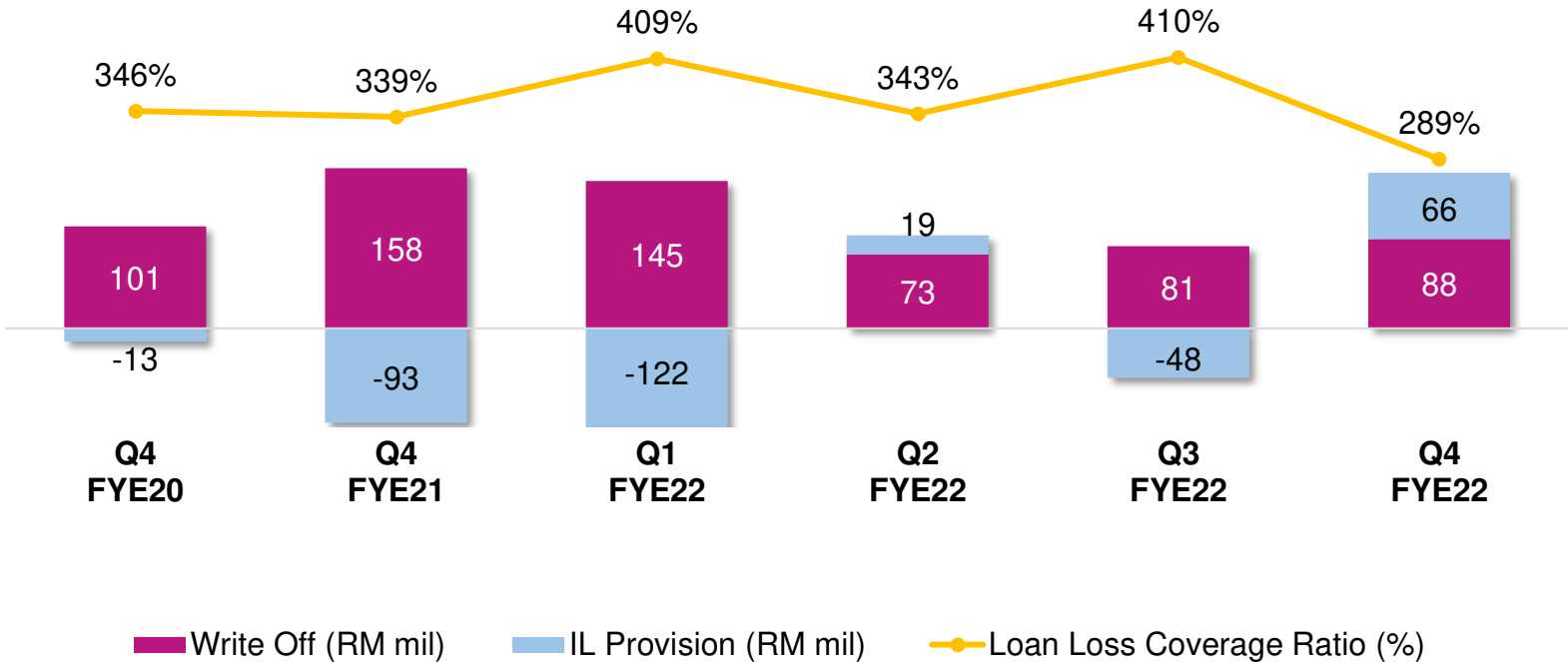
Higher NCC QoQ attributable to higher impairment loss and lower bad debt recovered



(RM mil)	Q4 FYE20	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22
Total Impairment Loss (IL)	88	65	23	92	33	154
(-) Bad Debt Recovered	37	41	43	32	42	38
NCC	51	24	-20	60	-9	116

Impairment Loss (IL) Analysis

Higher IL QoQ due to lower collections and higher management overlay



Higher Expected Credit Loss (ECL) provision:

Specific provision from ECL model of RM24.2 mil due to higher existing delinquent receivable (D1-D6) movement.

Management overlay of RM42.1 mil attributed to lower collection productivity as well as seasonal factor.

(RM mil)	Q4 FYE20	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ RM mil	QoQ %
Write Off	101	158	145	73	81	88	7	9%
IL Provision	-13	-93	-122	19	-48	66	114	238%
Total IL	88	65	23	92	33	154	121	367%



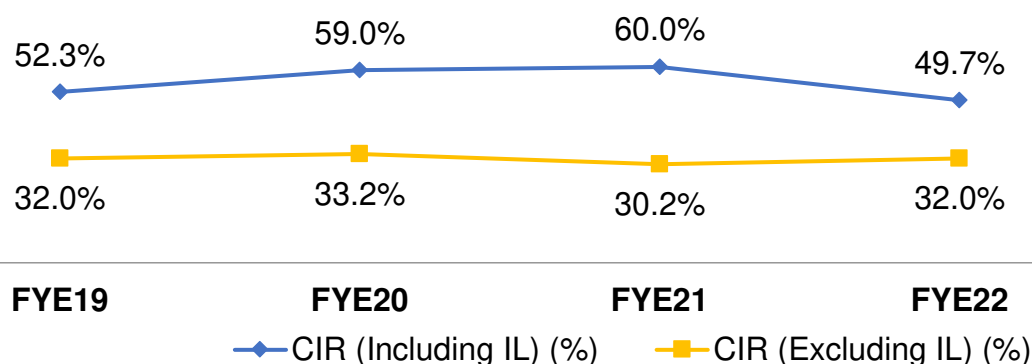
Cost-to-Income Ratio (CIR)

Higher FYE22 operating expenses attributed to higher personnel cost



RM mil	Q4 FYE21	Q4 FYE22	YoY	FYE21	FYE22	YoY
Total Operating Income	453.2	406.1	-10.4%	1,707.0	1,706.2	0.0%
Personnel Expenses	58.6	63.9	9.2%	198.0	226.8	14.6%
Advertisement & Promotion	8.4	7.3	-12.8%	45.9	43.9	-4.2%
Other Operating Expenses	83.7	56.3	-32.7%	271.9	274.5	1.0%
Operating Expenses	150.7	127.5	-15.4%	515.8	545.2	5.7%
Total Impairment Loss	65.1	154.7	137.5%	508.4	303.3	-40.3%
Total Operating Expenses	215.8	282.2	30.8%	1,024.2	848.5	-17.1%

CIR Trend



FYE22 operating income maintained at RM1.7 billion. The lower interest income of RM32.4 million was compensated by higher bad debts recovery of RM31.1 million.

Higher operation expenses in FYE22 mainly attributed to higher personnel expenses by RM29.0 million from bonus provision.

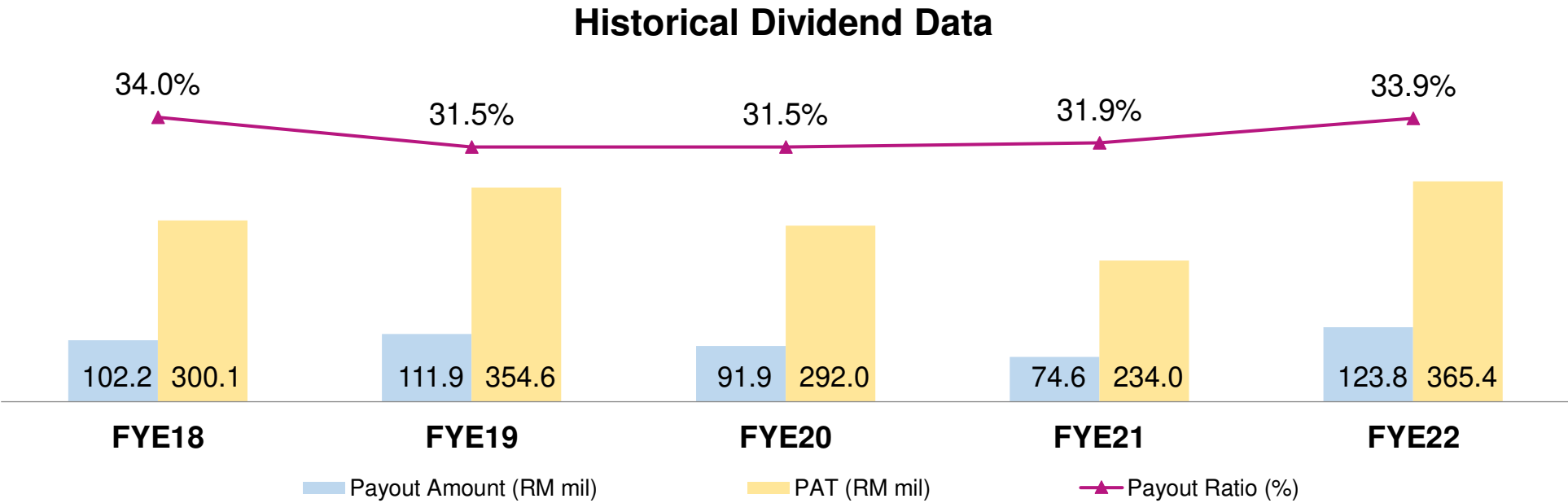
Dividend



Consistently paying out >30% of PAT to our valued shareholders

Announcement Date
5 Apr 2022

Entitlement Date
1 July 2022



Sen	FYE18	FYE19	FYE20	FYE21	FYE22
Interim	21.13	22.25	22.25	9.20	28.50
Final	20.00	22.35	14.00	20.00	15.00
Special	-	-	-	-	*5.00
Total	41.13	44.60	36.25	29.20	48.50

**Declared special dividend in line with AEON Credit’s 25th Anniversary celebration
Both final and special dividends are subject to the approval of shareholders at the forthcoming Annual General Meeting*

Sustainability Activities - Q4 2022

Social welfare and corporate social responsibility activities





ÆON CREDIT SERVICE

BUSINESS & OPERATIONAL STRATEGY



Sustainable and resilient economic outlook ahead; BNM projected 2022 GDP growth of 5.3% – 6.3%

Full upliftment of containment measures

Lead to increase in business activities and address inventory shortage concerns.



- Reduce unclaimed sales (Motor Financing, Auto Financing and Objective Financing) and increase earnings visibility.
- Higher demand for financing in line with economy boom and business expansion.

Improvement in labour market conditions and new minimum wage

Induce recovery in disposable income and spur consumer spending.



- Better loan repayment capability that will improve our collection performance.
- Revival of retail and consumer sector, boosted by stronger purchasing power.

Reopening of international borders

Increase footfall and foreign spending.



- Stimulate tourism, retail and F&B sector that will boost credit card and easy payment sales.
- Regional recovery in all aspects, particularly in Southern Region Office (stronger spending power from Singapore).

FYE2023 Sales Growth Strategy

Capturing more sales and market share



Credit Card

- Strengthen collaboration with AEON Retail and card features.
- Cross selling to Easy payment customer
- Focus on younger generation and M40 penetration



Easy Payment

- Enhance merchant management and increase merchant base via collaboration and incentive reward scheme
- Utilising external credit assessment to grant instant approval and improve take up rate
- Leverage on e-commerce platforms to increase sales channels



Personal Financing

- Transfer into digital platform for customer's convenience with the on-board processes
- New scheme development with lower interest rate and bigger ticket size to capture M40 market

Insurance

- To expand the telemarketing channel to monetize the large ACSM retail customer base



E-Money

- To increase wallet features such as e-KYC for AMP, top up process, payment collection & distribution channel
- Offer AEON Member Plus (AMP) card to Express cardholder



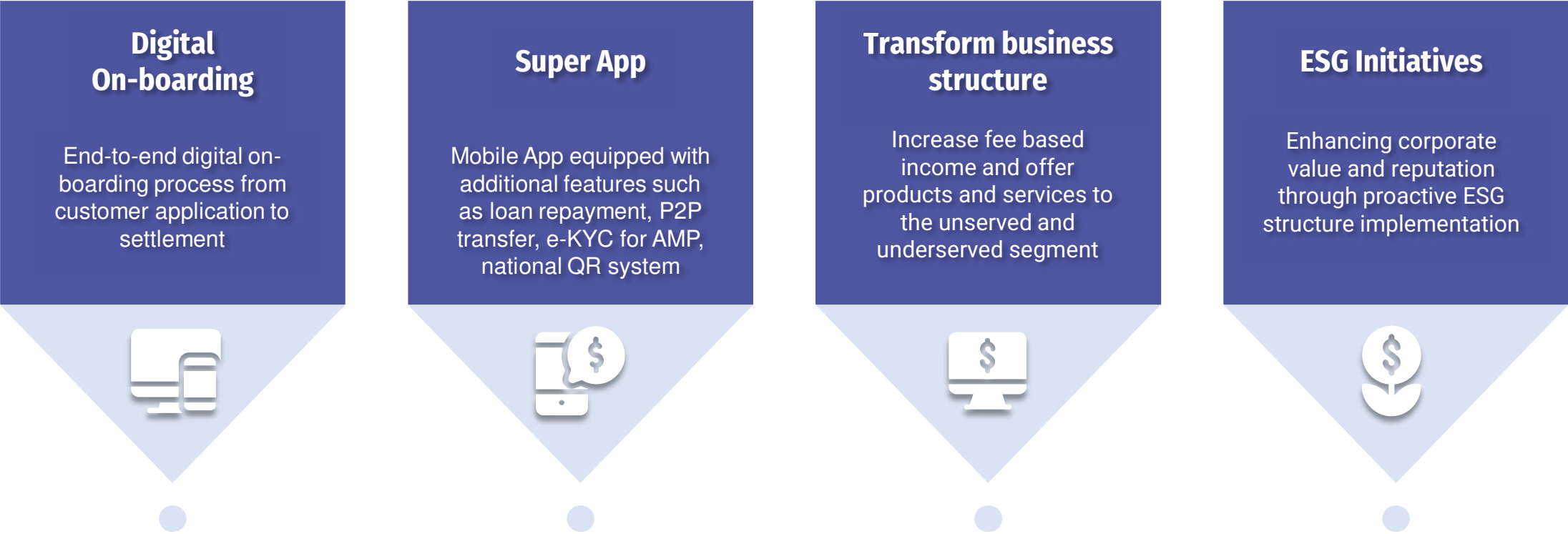
Strategic rollout of sales and marketing campaigns upon reopening of economy



FYE2023 Roadmap



To become a leading fintech company that offers greater efficiency and convenience to our customers



Loan Growth > 10%	Cost-to-Income < 60%	Dividend Payout Ratio > 30% of PAT	ROE > 15%
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AEON Living Zone

A transcendent experience for all our customers within our ecosystem



AEON loyalty program x Finance service app

- Express member app with AEON point / shopping information
- Revolving loan / pre-approved credit / card application via app
- Combine with E-wallet / Complete the member base integration

AEON member status by Point + ACSM use

- AEON status upgrade by point accumulation + Finance service usage
- Cross sell promotion of Finance service to AEON shopper
- Promote the usage by showing upgrade condition in the App

Cross-sell & living zone expansion

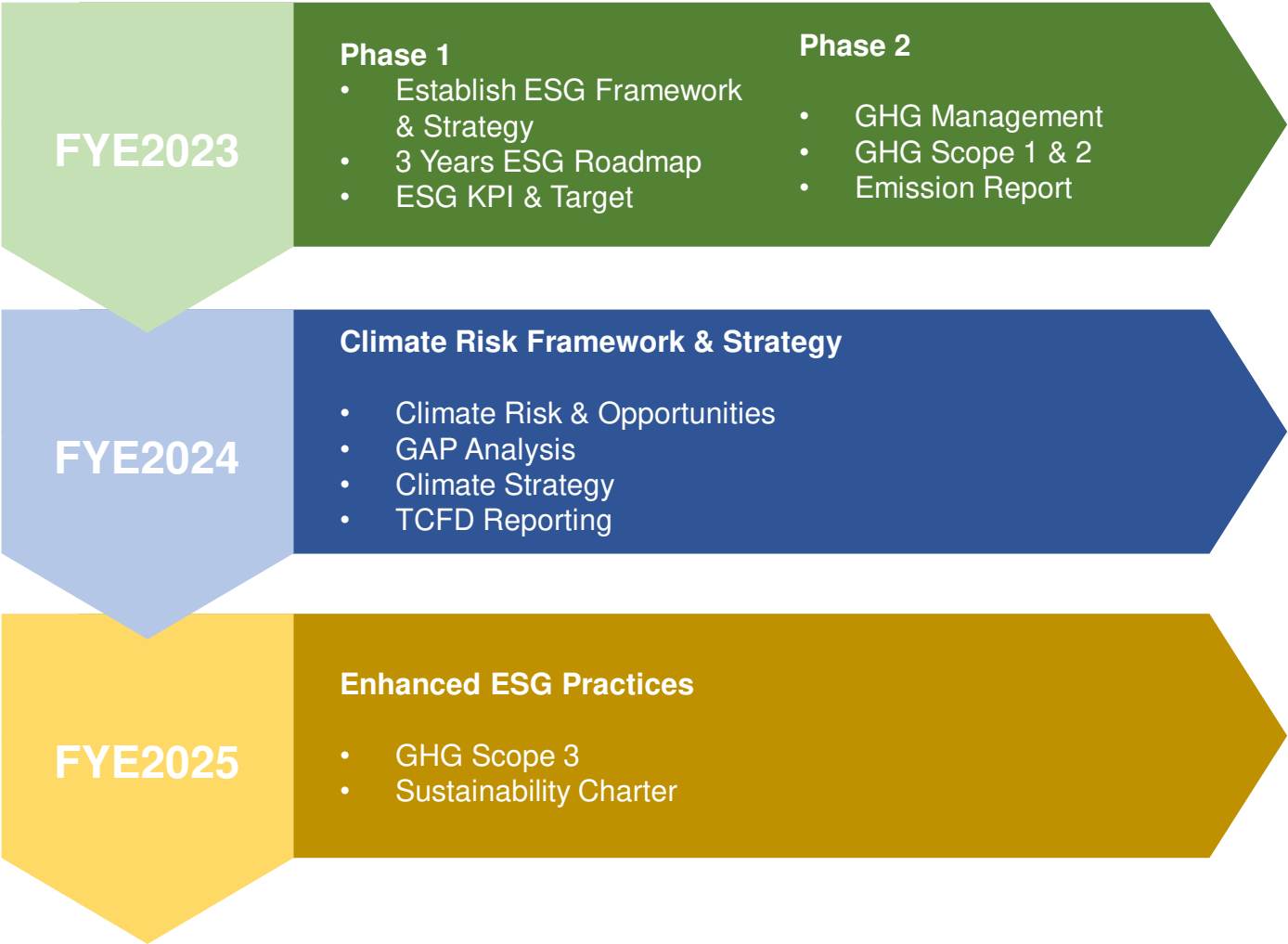
- Sharing member data and lead customer to AEON
- Data analysis project with AEON / Collaboration with AI company
- Member ID standardization and data integration among the group
- AEON living zone expansion with Alliance Companies



ESG Roadmap



Reorganization of the Group's sustainability strategies & ESG framework



*GHG - Green House Gas

Awards & Recognitions



FTSE4Good

ESG Rating of 3.6



ASIAMONEY

Asia's Outstanding Companies Poll 2021 - Financial Sector



MSWG

Top 100 Companies For Corporate Governance Disclosure



ÆON CREDIT SERVICE

APPENDIX

Performance Highlights



(RM mil)	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ (%)	YoY (%)	FYE21	FYE22	YoY (%)
Total Transaction & Financing Volume	1,263.4	1,408.1	708.8	1,188.3	1,463.4	23.1%	15.8%	4,228.8	4,768.6	12.8%
Credit Card	372.9	380.8	299.1	378.4	397.9	5.1%	6.7%	1,476.3	1,456.2	-1.4%
Easy Payment Financing	598.8	677.9	270.8	567.6	601.6	6.0%	0.5%	2,037.7	2,118.1	3.9%
Personal Financing	237.4	295.0	99.1	198.1	415.8	109.8%	75.1%	566.8	1,007.8	77.8%
E-Money	54.3	54.4	39.8	44.2	48.1	9.0%	-11.3%	148.0	186.5	26.0%
Total Income	453.2	460.2	413.0	426.9	406.1	-4.9%	-10.4%	1,707.0	1,706.2	0.0%
Operating Expenses	-215.8	-158.7	-225.8	-181.9	-282.2	55.2%	30.8%	-1,024.2	-848.5	-17.1%
Interest Expenses	-83.8	-85.6	-85.1	-81.0	-79.1	-2.4%	-5.5%	-357.9	-330.9	-7.5%
Profit Before Tax	153.6	215.9	102.1	164.0	44.8	-72.7%	-70.8%	324.9	526.8	62.1%
Income Tax	-39.9	-52.8	-26.6	-60.5	-21.4	-64.7%	-46.4%	-91.0	-161.4	77.5%
Net Profit	113.7	163.1	75.5	103.5	23.4	-77.4%	-79.4%	233.9	365.4	56.2%

Financial Summary



(RM mil)	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ (%)	YoY (%)
Credit Card	810.1	755.7	706.7	720.0	722.0	0.3%	-10.9%
Card Purchase	727.5	658.7	688.6	701.2	701.6	0.1%	-3.6%
Cash Advance	82.6	97.0	18.1	18.8	20.4	8.7%	-75.3%
Personal Financing	2,580.0	2,556.7	2,450.0	2,419.8	2,574.7	6.4%	-0.2%
Objective Financing	293.8	299.8	307.6	342.2	370.0	8.1%	25.9%
Motorcycle Financing	3,491.6	3,578.1	3,389.4	3,389.6	3,434.7	1.3%	-1.6%
MOPED	2,695.1	2,791.3	2,637.3	2,629.2	2,680.5	2.0%	-0.5%
Superbike	796.5	786.8	752.1	760.4	754.2	-0.8%	-5.3%
Auto Financing	2,870.6	2,840.5	2,748.2	2,713.0	2,738.2	0.9%	-4.6%
SME Financing	32.1	27.6	23.3	20.7	17.8	-14.0%	-44.4%
Total Financing Receivables	10,078.2	10,058.4	9,625.2	9,605.3	9,857.4	2.6%	-2.2%
Impairment Loss	-842.1	-719.8	-738.4	-690.0	-756.3	9.6%	-10.2%
Other Assets	995.3	1,140.5	1,580.7	1,290.4	1,039.8	-19.4%	4.5%
Total Assets	10,231.4	10,479.1	10,467.5	10,205.7	10,140.9	-0.6%	-0.9%
Total Liabilities	8,338.2	8,411.0	8,374.3	8,057.2	7,939.6	-1.5%	-4.8%
Shareholders' Fund	1,893.2	2,068.1	2,093.2	2,148.5	2,201.3	2.5%	16.3%

Operating Income

(RM mil)	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ (%)	YoY (%)	FYE21	FYE22	YoY (%)
Credit Card	36.7	34.0	30.6	34.1	35.9	5.1%	-2.2%	144.1	134.4	-6.7%
Personal Financing	113.6	114.5	103.0	99.8	99.1	-0.7%	-12.8%	447.2	416.4	-6.9%
Objective Financing	16.9	17.8	17.8	18.7	17.5	-6.1%	3.9%	73.0	71.8	-1.5%
Motorcycle Financing	149.9	157.0	139.4	140.7	128.9	-8.4%	-14.1%	547.3	565.9	3.4%
Auto Financing	85.0	84.5	79.9	78.6	74.0	-5.8%	-13.0%	333.9	317.0	-5.1%
SME Financing	0.6	0.5	0.4	0.3	0.6	58.4%	-10.9%	2.7	1.8	-32.5%
E money	3.6	2.7	3.4	2.9	4.6	61.2%	29.7%	13.5	13.7	2.4%
Brokerage Fee*	-	-	-	1.4	2.4	69.0%	0.0%	-	3.9	-
Total Revenue	406.3	411.0	374.5	376.5	363.0	-3.6%	-10.7%	1,561.7	1,524.9	-2.4%
Other Operating Income	46.9	49.2	38.5	50.4	43.1	-14.5%	-7.9%	145.3	181.3	24.8%
Total Operating Income	453.2	460.2	413.0	426.9	406.1	-4.9%	-10.4%	1,707.0	1,706.2	0.0%

*Insurepro Sdn Bhd becoming a wholly-owned subsidiary of AEON Credit since Oct 2021.

Total Expenses



(RM mil)	Q4 FYE21	Q1 FYE22	Q2 FYE22	Q3 FYE22	Q4 FYE22	QoQ (%)	YoY (%)	FYE21	FYE22	YoY (%)
Impairment Loss on Receivables	65.1	23.3	92.3	33.1	154.7	367.4%	137.5%	508.4	303.3	-40.3%
Personnel Expenses	58.6	55.4	54.2	53.3	63.9	20.0%	9.2%	198.0	226.8	14.6%
Advertisement & Promotion (A&P)	8.4	10.8	10.5	15.3	7.3	-52.3%	-12.8%	45.9	43.9	-4.2%
Other Operating Expenses	83.8	69.2	68.8	80.2	56.3	-29.8%	-32.8%	271.9	274.5	1.0%
Operating Expenses	215.9	158.7	225.8	181.9	282.2	55.2%	30.8%	1,024.2	848.5	-17.1%
Interest expenses	83.7	85.6	85.1	81.0	79.1	-2.4%	-5.5%	357.9	330.9	-7.5%
Total Expenses	299.6	244.3	310.9	262.9	361.3	37.4%	20.6%	1,382.1	1,179.4	-14.7%

	FYE19	FYE20	FYE21	FYE22
PBT (RM mil)	472.2	390.4	324.9	526.8
PAT (RM mil)	354.6	292.0	234.0	365.4
Weighted average no. of ordinary shares (Mil)	255.3	255.3	255.3	255.3
Basic EPS (RM)*	1.34	1.07	0.88	1.39
NTA per share (RM)	6.0	6.1	6.6	7.8
ROE (%)*	22.1	18.0	13.8	19.2
ROA (%)*	4.3	3.1	2.3	3.6
Capital Adequacy Ratio (%)	22.4	18.9	24.0	26.8
Debt-to-Equity Ratio (x)	3.4	4.6	3.8	3.1
Share Price (RM)	16.5	13.8	11.7	14.7
PER (x)	11.9	12.9	13.3	10.6
Market Capitalisation (RM mil)	4,149	3,500	2,992	3,748

*Computed based on annualised figures.

THANK YOU!



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