



AEON CREDIT SERVICE

25TH ANNUAL GENERAL MEETING

29 JUNE 2022

Responses to Questions from Minority Shareholders Watch Group (MSWG)

via letter dated 20 June 2022





Questions from MSWG

Operational & Financial Matters

Question 1

With rising inflationary pressure, imminent further rate hike and looming recession (as predicted by some economists and business executives), it is feared that consumer consumption would be affected.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
1 (a)	With the challenging macroeconomic outlook, does AEONCR expect a slowdown in credit demand across all its financing segments?	The Group is seeing an increase in the demand in consumer financing since the re-opening of the economy in Quarter 4 2021. We are cautiously optimistic that the financing and transaction volume will gradually be improved to pre-pandemic levels.
(b)	Have the recent global developments changed AEONCR's outlook on the Malaysian economy?	With the recovery of the Malaysian economy to be continuously driven by domestic demand, barring unforeseen circumstances, the Group expects to be able to maintain its financial performance by putting in place the appropriate measures for financial year ending 28 February 2023.



Operational & Financial Matters

Question 2

A consortium comprising AEONCR, AEON Financial Service Co., Ltd. and MoneyLion Inc. has successfully obtained approval from the Minister of Finance and Bank Negara Malaysia (BNM) for an Islamic digital banking licence on 29 April 2022.

AEONCR and AEON Financial Service each hold 45% equity interest in the proposed digital bank (the Bank), with the remaining 10% equity to be held by MoneyLion.

Following this, the successful applicants will undergo a period of operational readiness that will be validated by BNM through an audit before they can commence operations. This process may take between 12 to 24 months.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
2 (a)	When does the Group expect to launch the digital banking services to the public, considering the time required for operational readiness and BNM's audit?	The Group targets the launching of digital banking services in Malaysia in the first quarter of year 2024, subject to operational readiness review by BNM.
(b)	Operators of digital bank are widely expected to incur near to medium term losses. Upon operation of the Bank, when does the Group expect the Bank to break even and start generating profit?	The Bank targets to achieve break-even within 5 years from the commencement of operations.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
2 (c)	What are the unserved or underserved population that the Bank is targeting to tap into?	<p>Target unserved / underserved segments of the Bank are:</p> <ul style="list-style-type: none">i. Customer segments facing challenges in obtaining financial services due to their risk profile, etc. (e.g. lower income segments, first time borrowers, self-employed individuals, start-ups, gig workers)ii. Customer segments with low level of financial literacyiii. Customer segments that are physically or geographically difficult to reach or be served through traditional means. <p>The Bank would be able to provide cost effective and personalised services to targeted customers by utilising effective digital technology solutions.</p>



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
2 (d)	<p>AEONCR's strong clientele base and wide access to local population via retail outlets are some of the key strengths of the proposed digital bank compared to other applicants.</p> <p>Can the Bank legally tap AEONCR's large pool of customer data/base?</p>	<p>The Bank and AEONCR may enter into synergistic partnerships which will be beneficial to customers.</p> <p>Cross selling of banking products to AEONCR customers is subject to consent obtained from the customers for marketing/promotion of products offered by strategic business partners and affiliated companies. Interested customers would also be required to apply for the relevant banking products.</p> <p>Both AEONCR and the Bank shall adhere to regulations on personal data protection and information secrecy, as applicable.</p>



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
2 (e)	<p>During the foundational phase, a licensed digital bank shall maintain at all times a minimum amount of capital funds of RM100 million, and a capital fund size of RM300 million upon the end of foundational phase.</p> <p>How will AEONCR fund this capital requirement? Does AEONCR see the need to raise fund via equity?</p>	<p>AEONCR expects to fund its portion of capital contribution to the Bank (based on its equity participation ratio) at various stages during the foundational phase from the Company's internally generated funds.</p> <p>The investment in the Bank does not have material impact on the ability of AEONCR to meet its capital adequacy ratio requirements.</p>



Operational & Financial Matters

Question 3

AEONCR had acquired Insurepro Sdn Bhd, an insurance broker in September 2021 to expand its income base, diversify its business model and offer more comprehensive insurance services.

Ultimately, AEONCR plans to further expand into the insurance market by transforming Insurepro into an insurtech company.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
3 (a)	What is the prospect and opportunities available for AEONCR to make such a move into the digital insurance space? What is the expected growth rate shareholders can expect from this new venture?	AEONCR has 4.7 million customer base from AEON Member Plus Card, AEON Express Members and Credit Card holders. This provides an excellent opportunity for AEONCR to serve its customers with the introduction of comprehensive insurance solutions such as online micro insurance with simple plans at affordable premiums.



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
3 (b)	<p>Based on the information available on Insurepro's website (www.insurepro.com.my), currently the insurance broker has zero presence online.</p> <p>What is the expected investment required to transform Insurepro into an insurtech company that can offer insurance and protection schemes direct to customers online?</p>	<p>Total budgeted investment for the insurance broker core system and online portal amounted to RM4.0 million for 5 years.</p>



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
3 (c)	<p>Based on the information on its website, it seems Insurepro is focusing on offering specialised and professional insurance consultancy services to corporate clients.</p> <p>Whereas AEONCR focuses on providing financing needs to Malaysian consumers.</p> <p>How would AEONCR restructure Insurepro to align it with AEONCR's objective of transforming Insurepro into an insurtech company with strong online presence?</p>	<p>Insurepro will acquire a new broker core system and establish a digital insurance platform to transform the back-end and sales processes to better serve the individual target segments.</p> <p>In addition, Insurepro is also focusing on sourcing of the right digital marketing and IT talents and align its Insurtech direction.</p>



Questions from MSWG

Operational & Financial Matters

No.	Question	Answer
3 (d)	<p>Currently, income from insurance just makes up less than 5% of AEONCR's total income.</p> <p>What is the Board / Management's expectation on this new business in terms of financial contribution moving forwards?</p>	<p>We shall continue to expand our insurance broker business opportunities within the AEON Ecosystem and support the underserved customer segments.</p> <p>The insurance business segment will remain an insignificant contributor to the Group's Profit After Tax in FYE2023, but we will continue to work on increasing the contribution level.</p>



AEON CREDIT SERVICE

Thank you