



AEON CREDIT SERVICE

Q2 / 1H FYE23 Financial Results

29 September 2022



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FINANCIAL OVERVIEW



Financial Performance

Steady asset growth momentum

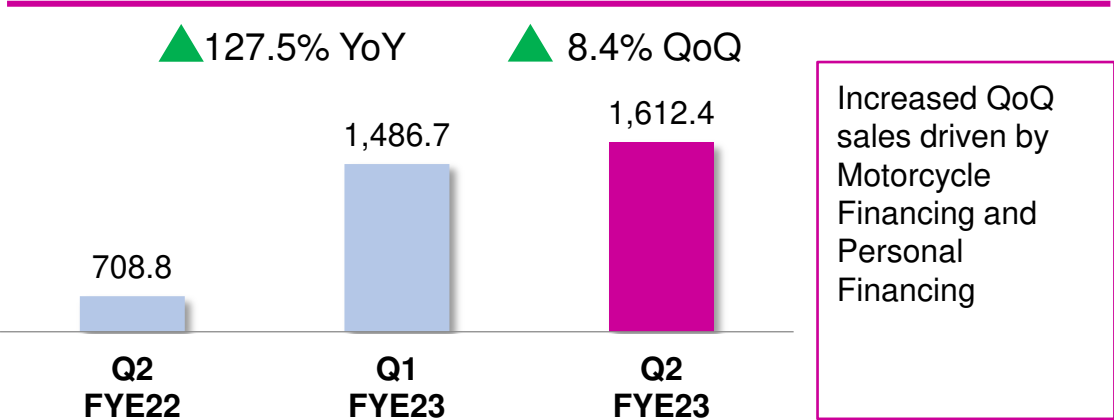


		1H FYE22	1H FYE23	YoY
 Profitability	Revenue	RM785.4M	RM789.7M	+0.5%
	PAT	RM238.6M	RM238.7M	+0.1%
	ROE	26.0%	22.3%	-3.7%
 Asset Quality	Transaction & Financing Volume	RM2.1B	RM3.1B	+46.4%
	Gross Financing Receivables	RM9.6B	RM10.4B	+7.9%
	Loan Loss Coverage Ratio	343%	276%	-67%
	Non-Performing Loan (NPL)	2.24%	2.91%	+0.7%
	Net Credit Cost (NCC)	0.80%	1.75%	+1.0%
 Capital	Capital Adequacy Ratio (CAR)	27.0%	27.5%	+0.5%

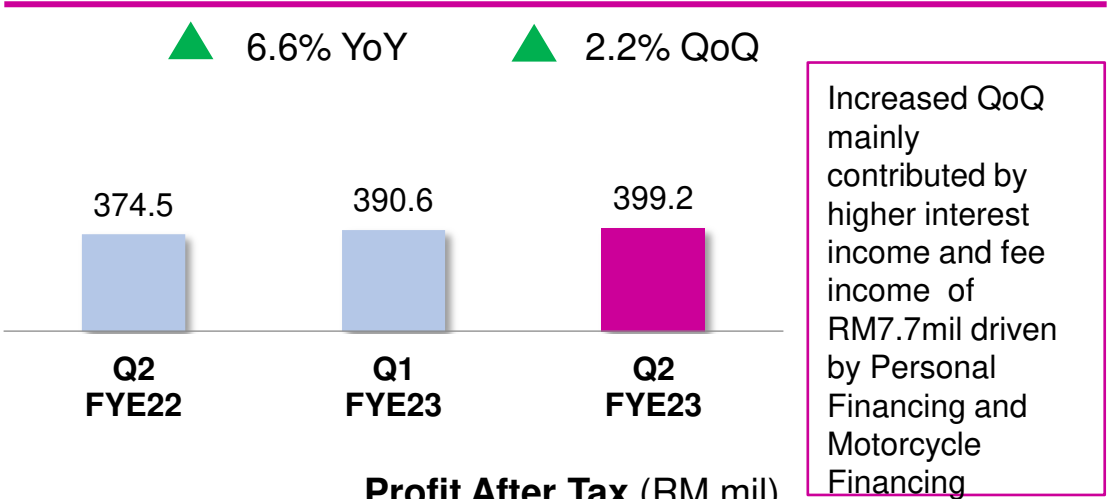
Income Statement

Continuance of revenue growth trajectory underpinned by robust sales growth

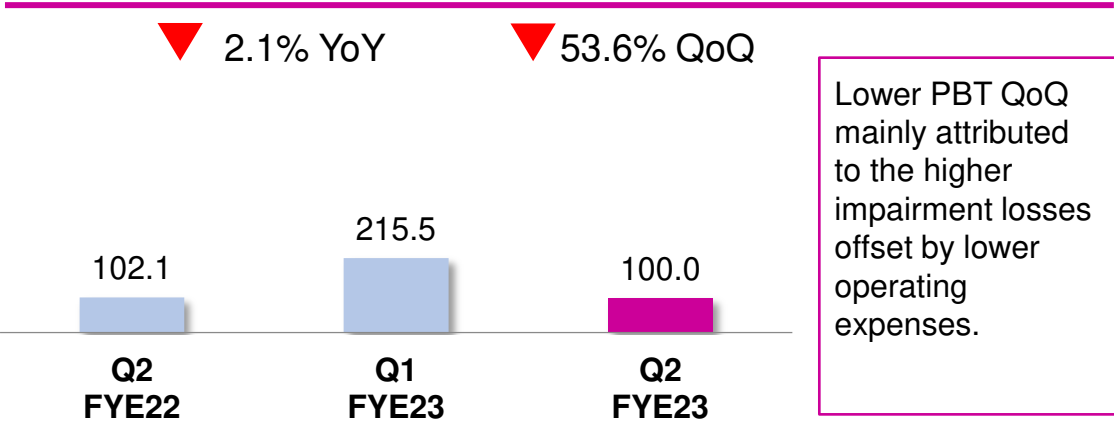
Total Transaction & Financing Volume (RM mil)



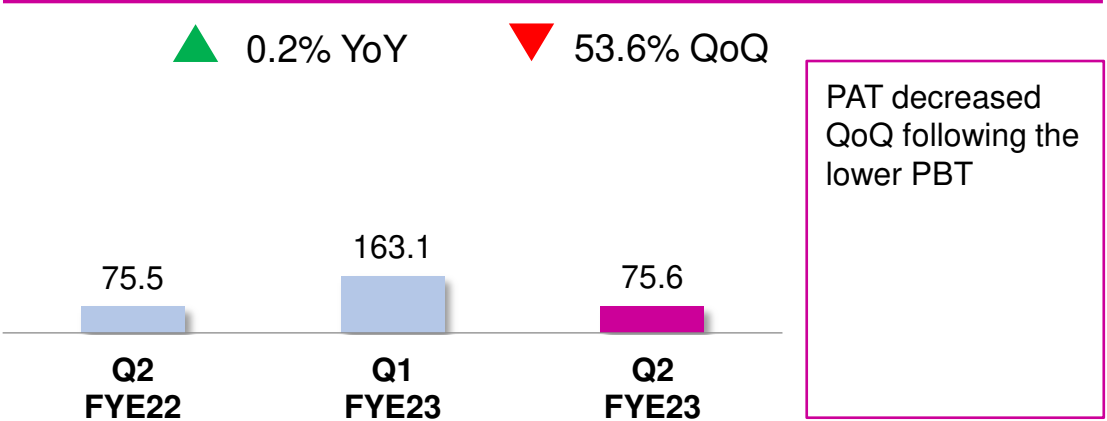
Revenue (RM mil)



Profit Before Tax (RM mil)



Profit After Tax (RM mil)

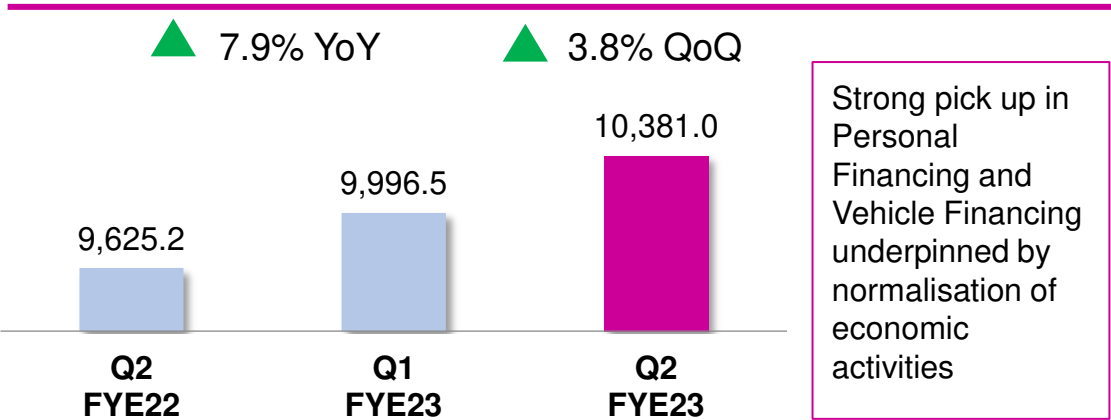


Shareholder Value & Capital Management

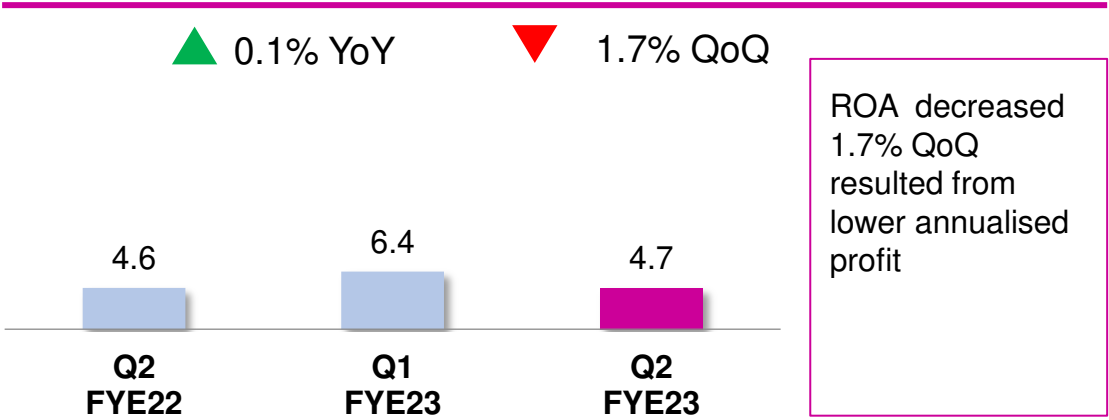
Supported by healthy financing receivables growth



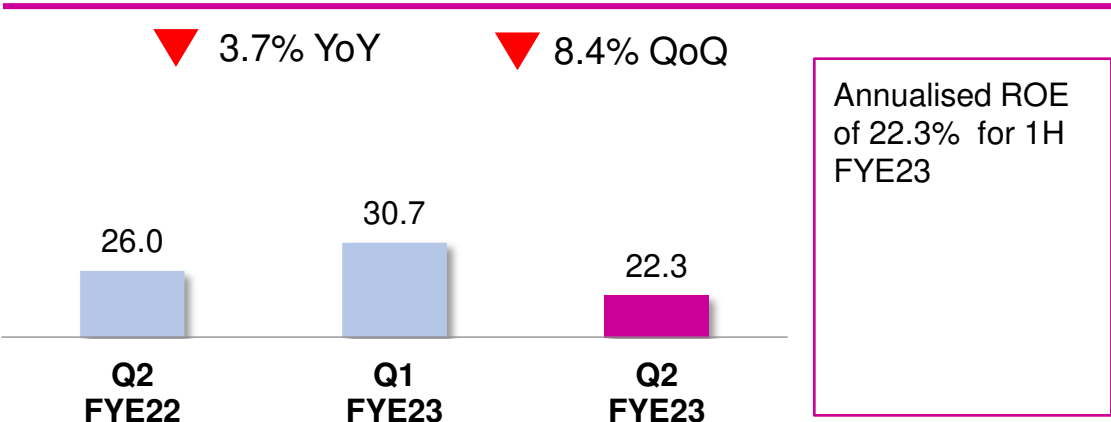
Gross Receivables (RM mil)



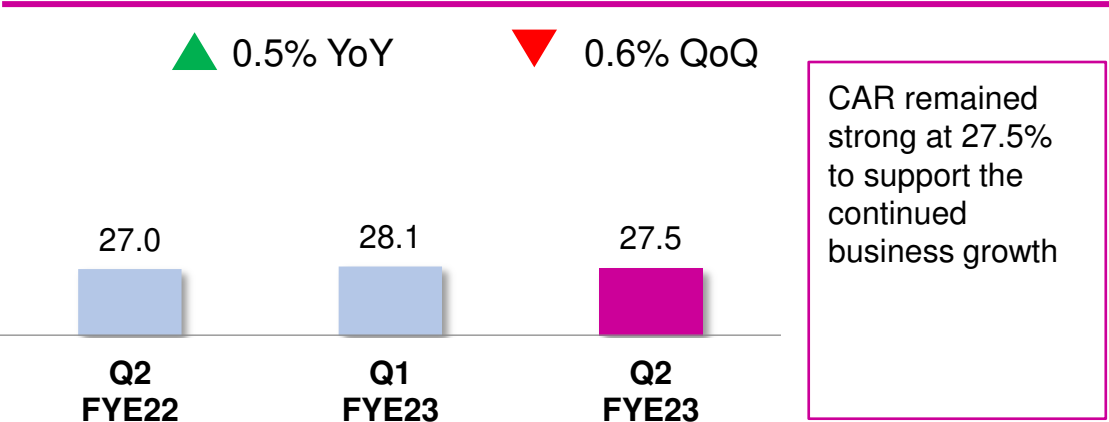
Return On Asset (%)



Return On Equity (%)

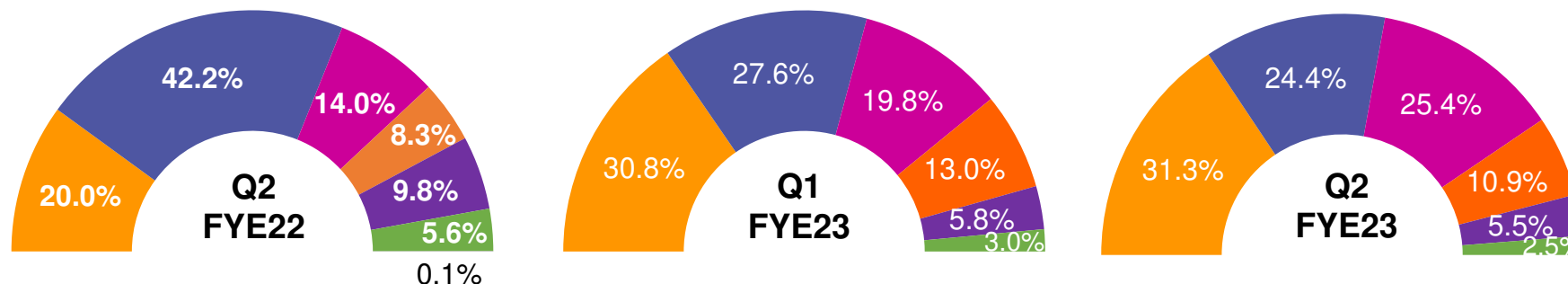


Capital Adequacy Ratio (%)



Total Transaction & Financing Volume

Marked increase in Total volume of 8.4% QoQ with strong pick up by Personal Financing Group

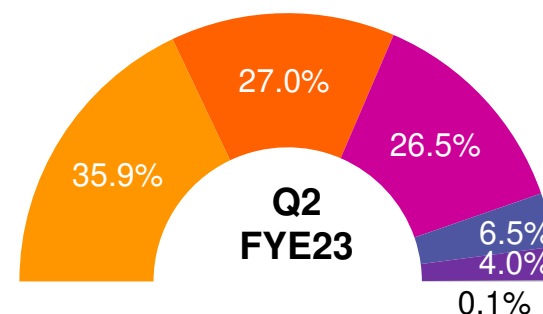
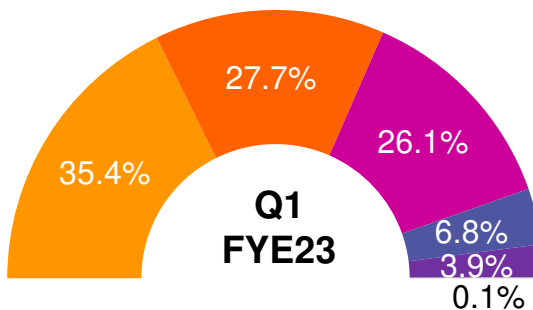
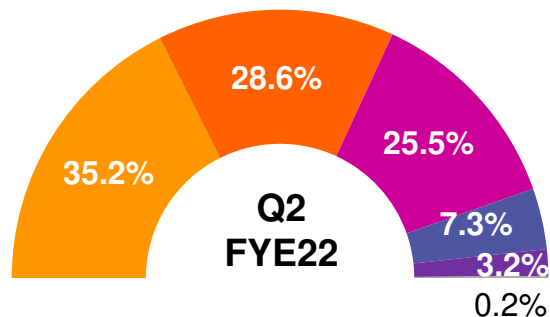








	Volume (RM mil)	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ	YoY	2 nd half year initiatives: <ul style="list-style-type: none"> Expand direct sales team nationwide to drive credit card recruitment and strengthen AEON Group collaboration Enhance card features and promote ready cash to drive credit card sales. Privilege card for Hawkers & Petty Trades target live in Q3 Pre-assessment scheme to improve all Easy Payment products lived in end Sep'22 Launch of pre-approval program to drive Objective Financing
	Motorcycle Financing	142	458	504	10.1%	255.9%	
	Auto Financing	59	194	175	-9.8%	196.4%	
	Vehicle Financing Group	201	652	679	4.2%	238.4%	
	Credit Card	299	410	394	-3.9%	31.8%	
	E-money	40	44	41	-7.6%	2.2%	
	Payment Business Group	339	454	435	-4.2%	28.3%	
	Personal Financing	99	295	409	38.8%	313.4%	
	Objective Financing	70	86	89	3.1%	27.1%	
	SME Financing	0.4	-	0.3	-	-37.5%	
	Personal Financing Group	169	381	498	30.8%	194.5%	
	Total	709	1,487	1,612	8.4%	127.5%	

Total Gross Financing Receivables



Improving QoQ for Key Segments; Personal Financing Group & Vehicle Financing Group



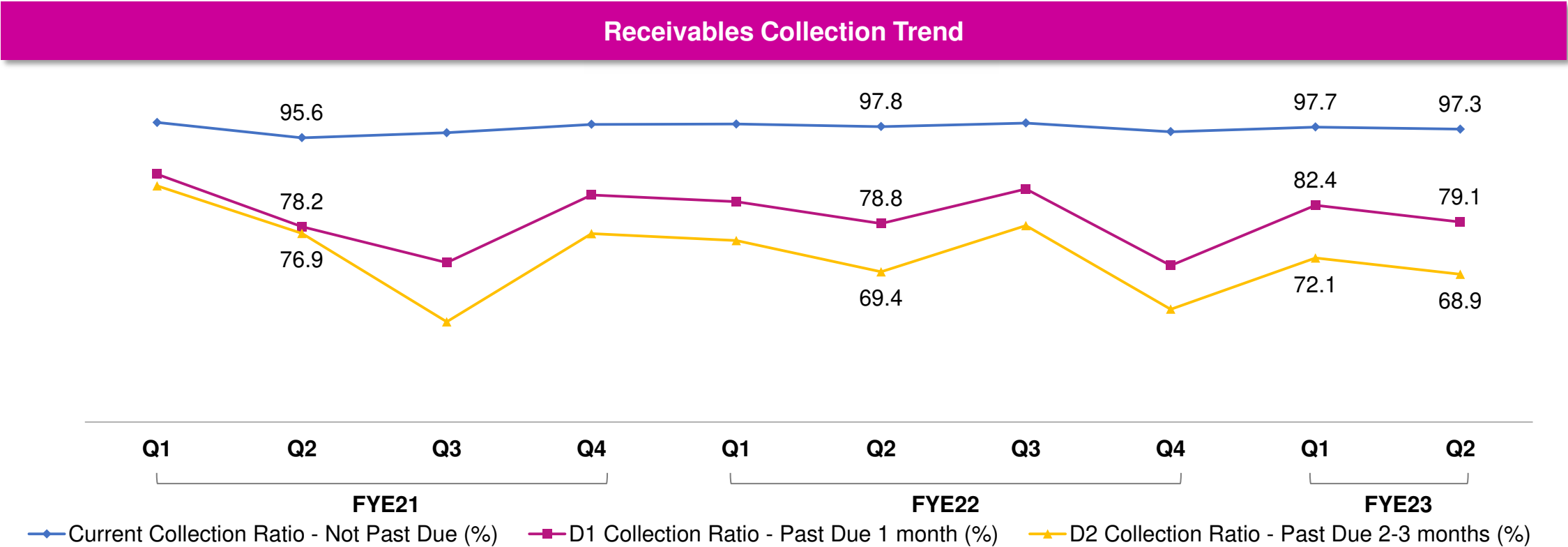
	Volume (RM mil)	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ	YoY	
	Motorcycle Financing	3,389	3,537	3,723	5.3%	9.9%	Marginally increased by 3.8% QoQ to RM10.38bil • Merchant incentives campaigns to increase asset quality for good score customers • Progressively advertisement awareness post EPF withdrawal scheme to drive Personal Financing application • End-to-end digitalisation on boarding process for Easy Payment target live in Q3 to drive receivable growth
	Auto Financing	2,748	2,774	2,807	1.2%	2.1%	
	Vehicle Financing Group	6,137	6,311	6,530	3.5%	6.4%	
	Credit Card	707	676	675	-0.2%	-4.5%	
	Personal Financing	2,450	2,605	2,746	5.4%	12.1%	
	Objective Financing	308	391	419	7.1%	36.0%	
	SME Financing	23	14	11	-21.1%	-51.6%	
	Personal Financing Group	2,781	3,010	3,176	5.5%	14.2%	
	Total	9,625	9,997	10,381	3.8%	7.9%	



Receivables Collection



Slow collection activities overwhelmed by turbulent external factors



Overall collection result marginal lower in Q2FYE23 compared to Q1FYE23 attributed by

- System disruption and slowness in Q2 resulted lower staff productivity
- Service line contributed higher unpaid share
- Moped customer with lower credit score generated lowest collection performance

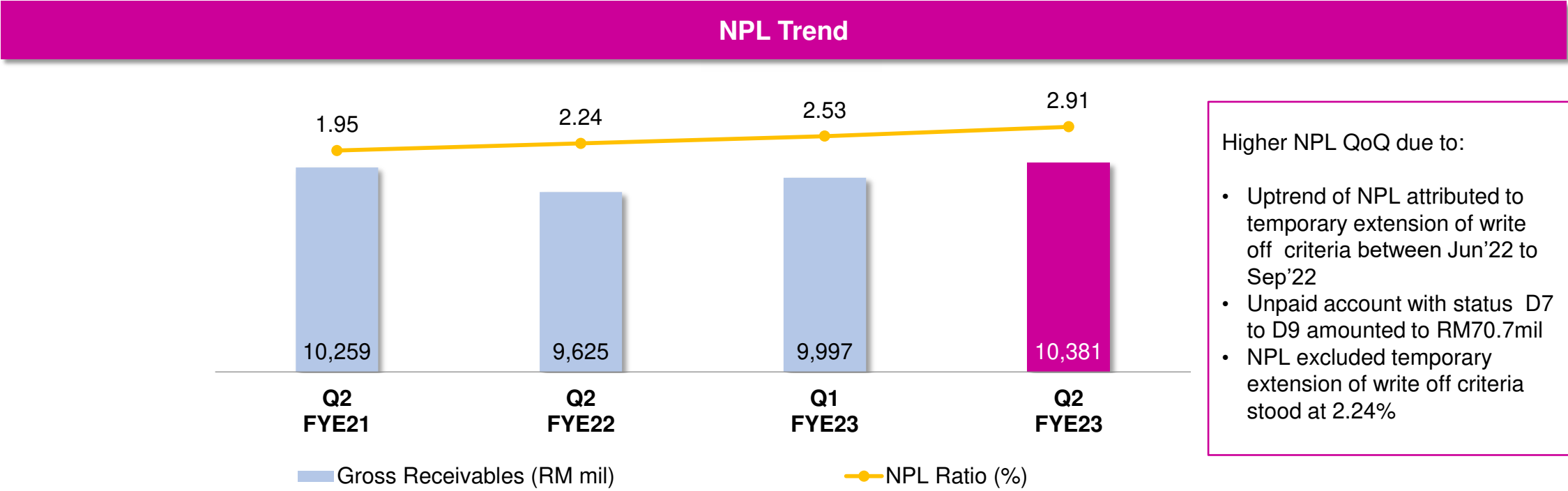
Action for Q3:

- Refine credit policy - to decline applicants with gross pay of RM1,000 lower score customers and increase down payment for Auto Financing
- Merchant incentive scheme to improve good quality customers
- Promote shorten tenure financing such as Ready cash scheme
- Promote fast & instant financing scheme



Non-Performing Loan (NPL)

Continuous prudent approach on asset quality



(RM mil)	Q2 FYE21	Q2 FYE22	Q1 FYE23	Q2 FYE23
Receivables	10,259	9,625	9,997	10,381
Balance D3+	200	215	253	302
NPL (%)	1.95	2.24	2.53	2.91

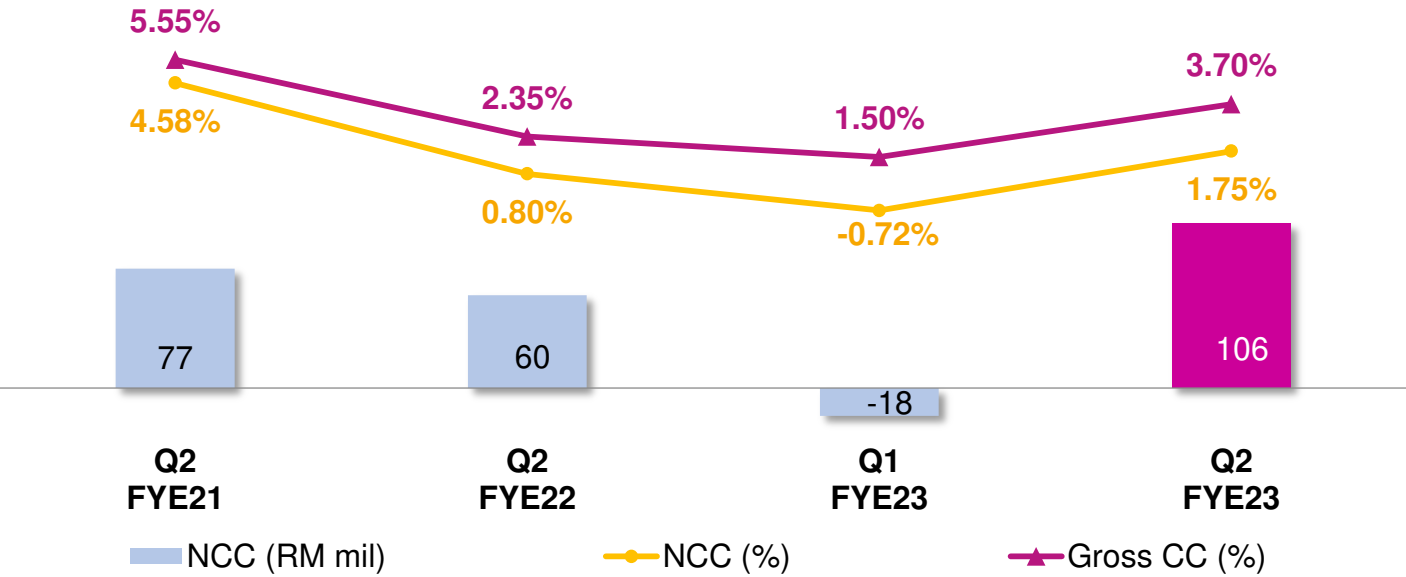


Net Credit Cost (NCC)



Higher NCC QoQ driven by higher impairment loss and lower bad debt recovered

NCC Trend



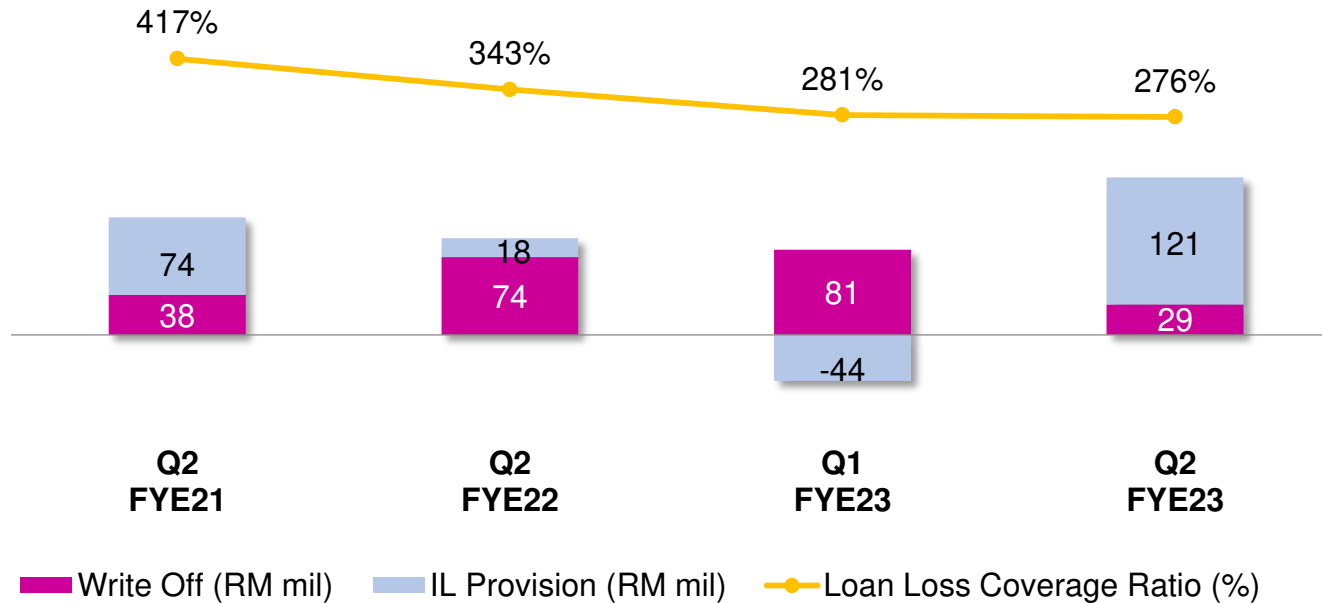
Higher annualised NCC attributed to:

- Year to date impact due to change in ECL ratio
- Higher year to date receivables movement of RM523.6mil attributed to higher new sales impairment loss provision of RM50.2mil

(RM mil)	Q2 FYE21	Q2 FYE22	Q1 FYE23	Q2 FYE23
Total Impairment Loss (IL)	112	92	37	150
(-) Bad Debt Recovered	35	32	55	44
NCC	77	60	-18	106

Impairment Loss (IL) Analysis

Higher IL QoQ attributed by higher existing delinquent receivables & lower write back on management overlay



Higher Expected Credit Loss (ECL) provision QoQ mainly due to:

- Current and delinquent account IL movement of RM81.4mil and new sales IL of RM29.0mil
- Additional management overlay provision of RM11.1mil

(RM mil)	Q2 FYE21	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ RM mil	QoQ
Write Off	38	74	81	29	-52	-65.0%
IL Provision	74	18	-44	121	165	-374.5%
Total IL	112	92	37	150	113	302.3%



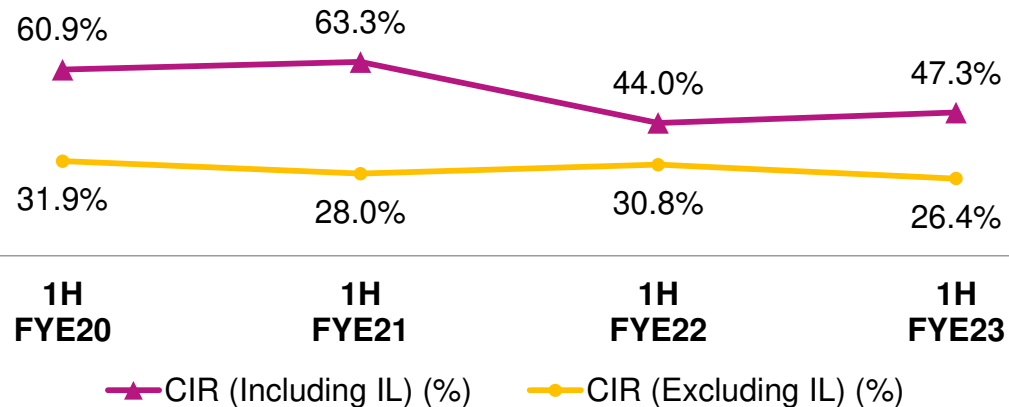
Cost-to-Income Ratio (CIR)

Operational efficiency (excluded IL) improved QoQ and YoY due to prudent cost management



RM mil	Q2 FYE22	Q2 FYE23	YoY	1H FYE22	1H FYE23	YoY
Total Operating Income	413.0	447.0	8.2%	873.2	896.3	2.6%
Personnel Expenses	54.2	52.5	-3.1%	109.6	95.7	-12.7%
Advertisement & Promotion	10.5	5.8	-44.5%	21.3	14.2	-33.5%
Other Operating Expenses	68.8	59.8	-13.1%	138.0	127.2	-7.8%
Operating Expenses	133.5	118.1	-11.5%	268.9	237.1	-11.8%
Total Impairment Loss	92.3	150.0	62.5%	115.5	187.2	62.1%
Total Operating Expenses	225.8	268.1	18.8%	384.4	424.3	10.4%

CIR Trend



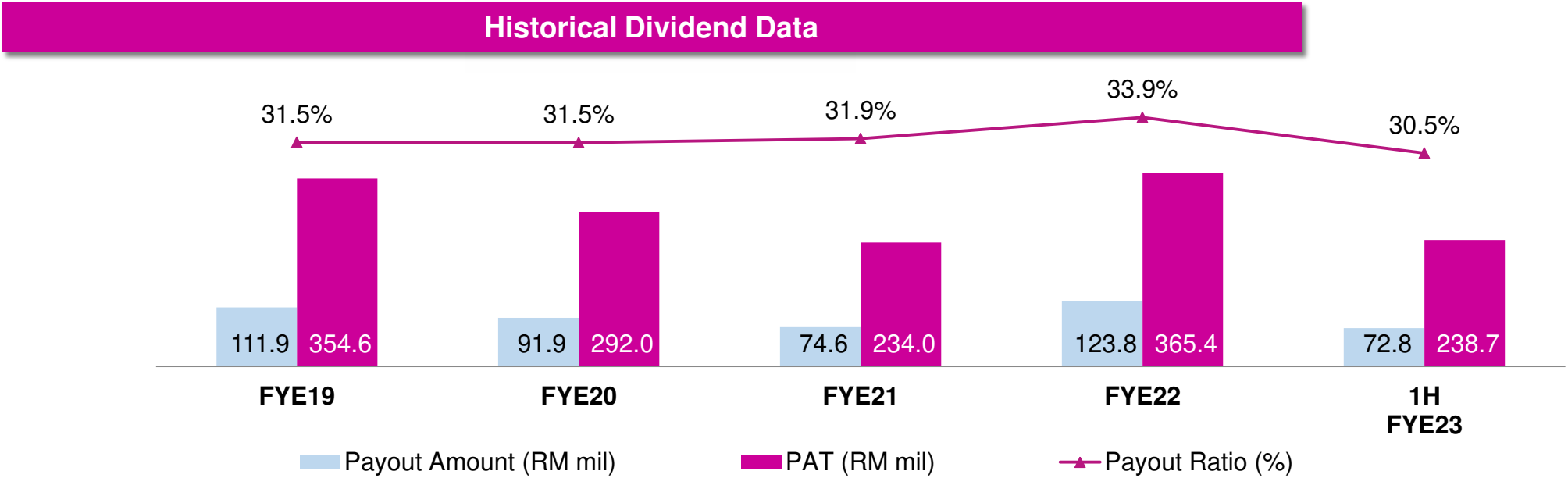
Total Operating Expenses for 1HFYE23 increased by RM39.9mil to RM424.3mil mainly due to higher impairment losses on financing receivables mitigated by overall lower operating expenses of RM31.8mil

Cost to income ratio excluding IL stood low at 26.4% compared to 30.8% in 1HFYE22

Dividend



Declared interim dividend of 28.50 sen for FYE2023, translating into dividend payout of 30.5%



Sen	FYE19	FYE20	FYE21	FYE22	1H FYE23
Interim	22.25	22.25	9.20	28.50	28.50
Final	22.35	14.00	20.00	15.00	-
Special	-	-	-	*5.00	-
Total	44.60	36.25	29.20	48.50	28.50

Note: *Declared special dividend in line with AEON Credit’s 25th Anniversary celebration



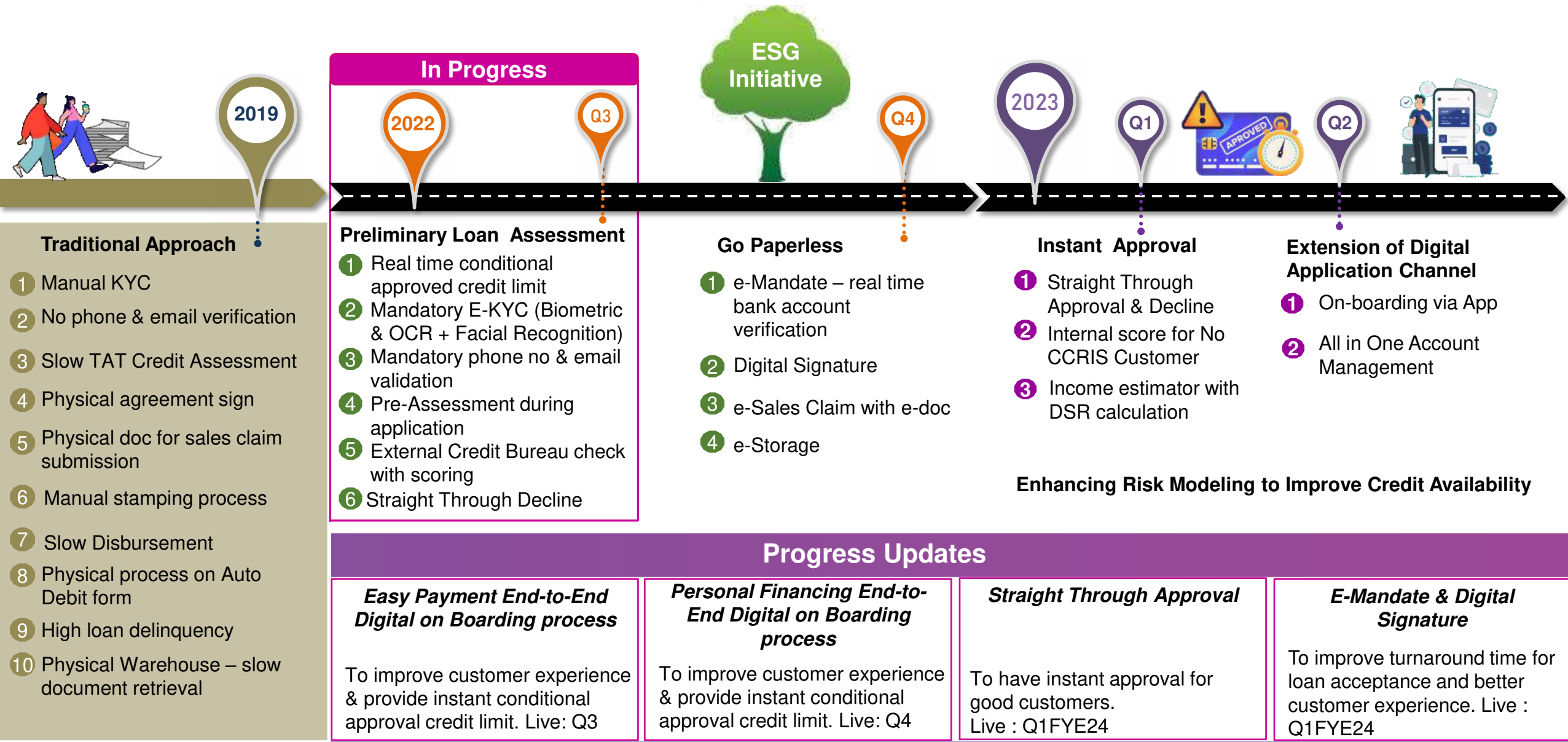
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KEY STRATEGIES and OPERATIONAL UPDATES



	Indicators FYE2023	Actual Q2FYE23	Remark
Loan Growth	> 10%	7.9%	<ul style="list-style-type: none"> Higher loan growth driven by higher demand and application of financing in the market Accelerate products roll outs on digital platform to increase market penetration
Cost-to-Income	< 60%	47.3%	<ul style="list-style-type: none"> Driven by higher operating income and lower total operating expenses partially offset by higher credit cost
Dividend Payout Ratio	> 30% of PAT	30.5%	<ul style="list-style-type: none"> Declared Interim dividend of 28.50 sen
ROE	> 15%	22.3%	<ul style="list-style-type: none"> Annualised on first half year result

Digitizing The Customers Journey on Product Onboarding



New AEON App Road Map

Target to complete by Feb 2024

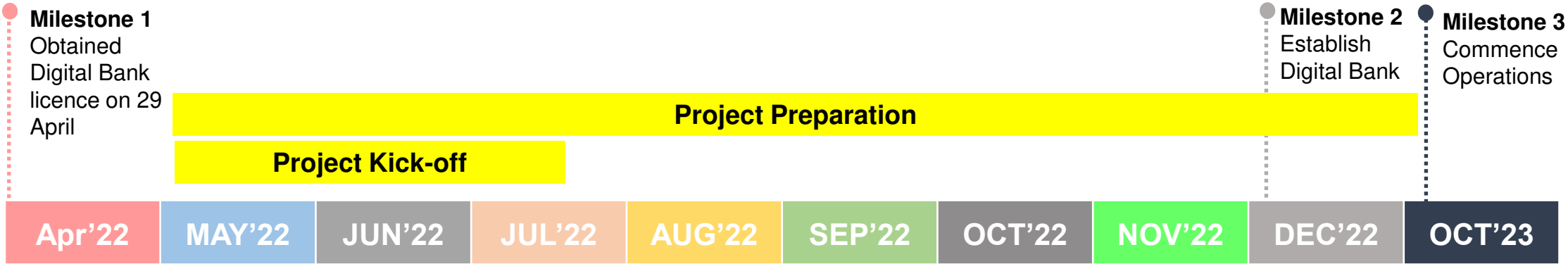


Note: P1 = Phase 1 , P2 = Phase 2, P3 = Phase 3

DIGITAL BANK TIMELINE FOR FYE2022-2023



Launch within 24 months from 8 April 2022



Financial Effects to AEON Credit for the Joint Venture

- (i) AEON Credit proposes to subscribe for 45% equity interest in the JVC equivalent to cash RM90 million for 90 million shares
- (ii) Earnings and earnings per share (EPS) - not expected to have any material impact on the earning and EPS of AEON Credit for FYE 2023

Joint Venture Consortium (JVC)

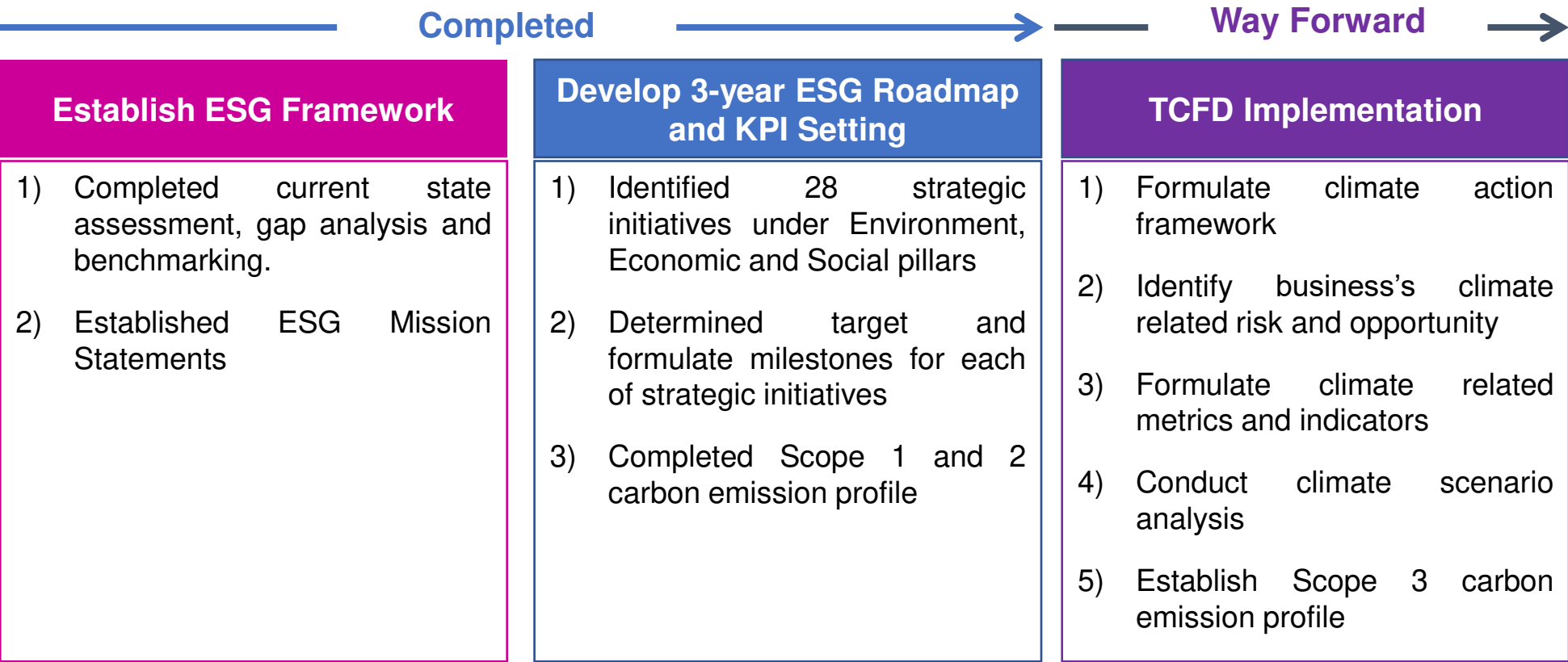
- (i) During the foundational phase, the JVC shall:-
 - (a) Operate within an asset limit of RM3.0 billion;
 - (b) Maintain at all times a minimum capital funds of RM100 million unimpaired by losses

Sustainability Implementation

Management Sustainability Committee formed in Nov 2021 to further strengthen and oversee the matters relating to sustainability within the Group.

We appointed Sustainability consultant to assist AEON Credit to expedite sustainability implementations.

The followings are the key milestones achieved and way forward:-



ESG Achievement to-date:-

Rated A by MSCI ESG Ratings

Constituent of the FTSE4Good Bursa Malaysia Index with 4-star ESG Grading Band

Top 100 Companies For Corporate Governance Disclosure

Note: TCFD = Task Force on Climate Financial Relate Disclosure

Corporate Social Responsibility – Q2 FYE23



Corporate social responsibility activities with local community

Malaysia AEON Foundation Mesra Aidiladha Donation at 4 Locations



Nationwide Coastal Cleanup at 6 Locations (in-conjunction with World Ocean Day)



AMP Privilege Card Handover by Prime Minister to 10 Pilot Cardholders



Blood Donation Drive with Sarawak General Hospital and Hospital Tengku Ampuan Afzan



AEON Credit Supports Ministry of Domestic Trade and Consumer Affairs Kuala Lumpur Consumer Fun Ride



River Cleaning at Taman Rimba Templer with Selayang Municipal Council





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APPENDIX



Performance Highlights



(RM mil)	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ	YoY	1H FYE22	1H FYE23	YoY
Total Transaction & Financing Volume	708.8	1,486.7	1,612.4	8.4%	127.5%	2,116.9	3,099.1	46.4%
Credit Card	299.1	410.0	394.3	-3.9%	31.8%	679.9	804.3	18.3%
Easy Payment Financing	270.8	737.6	767.9	4.1%	183.5%	948.8	1,505.5	58.7%
Personal Financing	99.1	295.0	409.5	38.8%	313.4%	394.0	704.5	78.8%
E-Money	39.8	44.1	40.7	-7.6%	2.2%	94.2	84.8	-9.9%

Total Income	413.0	449.3	447.0	-0.5%	8.2%	873.2	896.3	2.6%
Operating Expenses	-225.8	-156.2	-268.1	71.7%	18.8%	-384.4	-424.3	10.4%
Interest Expenses	-85.1	-77.6	-78.8	1.6%	-7.4%	-170.8	-156.4	-8.4%
Profit Before Tax	102.1	215.5	100.0	-53.6%	-2.1%	318.0	315.6	-0.8%
Income Tax	-26.6	-52.4	-24.4	-53.5%	-8.5%	-79.4	-76.9	-3.2%
Net Profit	75.5	163.1	75.6	-53.6%	0.2%	238.6	238.7	0.1%

Financial Summary



(RM mil)	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ	YoY
Credit Card	706.6	676.1	675.1	-0.2%	-4.5%
Card Purchase	688.5	656.9	652.6	-0.7%	-5.2%
Cash Advance	18.1	19.2	22.5	17.0%	24.1%
Personal Financing	2,450.0	2,604.7	2,745.9	5.4%	12.1%
Objective Financing	307.6	390.8	418.4	7.1%	36.0%
Motorcycle Financing	3,389.5	3,536.7	3,723.5	5.3%	9.9%
MOPED	2,637.4	2,769.6	2,941.8	6.2%	11.5%
Superbike	752.1	767.1	781.7	1.9%	3.9%
Auto Financing	2,748.2	2,773.9	2,806.8	1.2%	2.1%
SME Financing	23.3	14.3	11.3	-21.1%	-51.6%
Total Financing Receivables	9,625.2	9,996.5	10,381.0	3.8%	7.9%
Impairment Loss	-842.1	-712.0	-833.5	17.1%	12.9%
Other Assets	1,684.4	1,165.1	952.0	-18.3%	-39.8%
Total Assets	10,467.5	10,449.6	10,499.5	0.5%	0.3%
Total Liabilities	8,374.3	8,027.8	8,066.8	0.5%	-3.7%
Shareholders' Fund	2,093.2	2,421.8	2,432.7	0.5%	16.2%

Operating Income



(RM mil)	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ	YoY	1H FYE22	1H FYE23	YoY
Credit Card	30.6	35.3	36.2	2.2%	18.4%	64.5	71.6	11.1%
Personal Financing	103.0	102.8	106.9	4.0%	3.8%	217.5	209.7	-3.6%
Objective Financing	17.8	21.7	22.3	2.6%	25.1%	35.6	43.9	23.4%
Motorcycle Financing	139.4	144.6	148.6	2.8%	6.7%	296.3	293.2	-1.1%
Auto Financing	79.9	79.4	79.5	0.1%	-0.4%	164.4	158.9	-3.3%
SME Financing	0.4	0.3	0.2	-27.7%	-51.1%	0.9	0.5	-49.4%
E money	3.4	4.2	3.3	-20.4%	-5.4%	6.2	7.5	19.8%
Brokerage Fee*	-	2.3	2.2	-3.4%	-	-	4.4	100.0%
Total Revenue	374.5	390.6	399.2	2.2%	6.6%	785.4	789.7	0.5%
Other Operating Income	38.5	58.7	47.8	-18.6%	24.2%	87.8	106.6	21.4%
Total Operating Income	413.0	449.3	447.0	-0.5%	8.2%	873.2	896.3	2.6%

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

Total Expenses

(RM mil)	Q2 FYE22	Q1 FYE23	Q2 FYE23	QoQ	YoY	1H FYE22	1H FYE23	YoY
Impairment Loss on Receivables	92.3	37.3	150.0	302.3%	62.5%	115.5	187.2	62.1%
Personnel Expenses	54.2	43.1	52.5	21.7%	-3.1%	109.6	95.7	-12.7%
Advertisement & Promotion (A&P)	10.5	8.3	5.8	-30.1%	-44.5%	21.3	14.2	-33.5%
Other Operating Expenses	68.8	67.5	59.8	-11.3%	-13.1%	138.0	127.2	-7.8%
Operating Expenses	225.8	156.2	268.1	71.1%	18.8%	384.4	424.3	10.4%
Interest expenses	85.1	77.6	78.8	1.6%	-7.4%	170.8	156.4	-8.4%
Total Expenses	310.9	233.8	346.9	48.4%	11.6%	555.2	580.7	4.6%

	FYE20	FYE21	FYE22	Q1 FYE23	Q2 FYE23	1H FYE23
PBT (RM mil)	390.4	324.9	526.8	215.5	100.0	315.6
PAT (RM mil)	292.0	234.0	365.4	163.1	75.6	238.7

Weighted average no. of ordinary shares (mil)	255.3	255.3	255.3	255.3	255.3	255.3
Basic EPS (RM)*	1.07	0.88	1.39	2.5	1.9	1.9
NTA per share (RM)	6.1	6.6	7.8	8.7	8.7	8.7

ROE (%)*	18.0	13.8	19.2	30.7	22.3	22.3
ROA (%)*	3.1	2.3	3.6	6.4	4.7	4.7

Capital Adequacy Ratio (%)	18.9	24.0	26.8	28.1	27.5	27.5
Debt-to-Equity Ratio (x)	4.6	3.8	3.1	2.9	3.0	3.0

Share Price (RM)	13.8	11.7	14.7	14.6	14.1	14.1
PER (x)	12.9	13.3	10.6	5.7	7.6	7.6
Market Capitalisation (RM mil)	3,500	2,992	3,748	3,717	3,600	3,600

Note: *Computed based on annualised figures



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THANK YOU

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