



AEON CREDIT SERVICE

Listing Board : Bursa Malaysia Securities Berhad, Main Market
Stock Name/ Code : AEONCR / 5139

Q3 / 9M FYE2021 Results Update

22 December 2020



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AEON CREDIT SERVICE

Key Highlights

Key Highlights



Embarking on Recovery Journey

Continuous support for existing customers needs and market demands with safety remains top priority



Advancing the IT Adoption

Transform physical and conventional processing to online with digitalisation for better efficiency



Looking Ahead with Long Term Growth Strategies

Focus on asset quality enhancement, prudent cost management by leveraging on established business fundamental and extensive customer reach under AEON Group



AEON CREDIT SERVICE

Financial Overview



Performance Highlights: 9M FYE21

Reflecting the macro environment impacts, holding key ratios in check

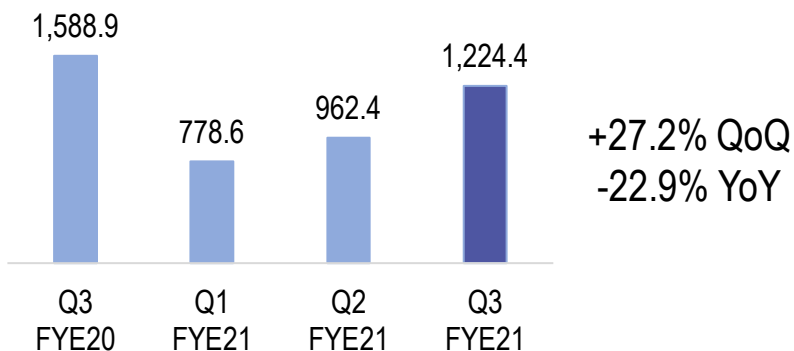
		9M FYE20	9M FYE21	YOY Change
Profitability	PAT	RM203.7M	RM120.2M	-41.0%
	ROE (annualised)	17.3 %	9.7%	-7.6%
Asset Quality	Transaction & Financing Volume	RM4.7B	RM3.0B	-37.4%
	Gross Financing Receivables	RM10.0B	RM10.2B	+1.9%
	Loan Loss Coverage Ratio	363%	318%	-45.0%
	Non-Performing Loan (NPL)	1.93%	2.88%	+0.95%
	Net Credit Cost (NCC)	3.91%	4.65%	+0.74%
Liquidity	Capital Adequacy Ratio (CAR)	20.2%	22.7%	+2.5%

Income Statement

Transaction & Financing Volume continued to show sign of recovery QoQ;
Revenue growth started to turn positive QoQ

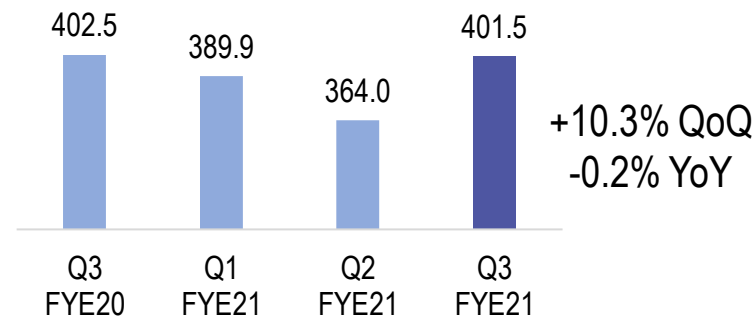
Total Transaction & Financing Volume (RM mil)

Emphasis on asset quality while prudently growing new sales



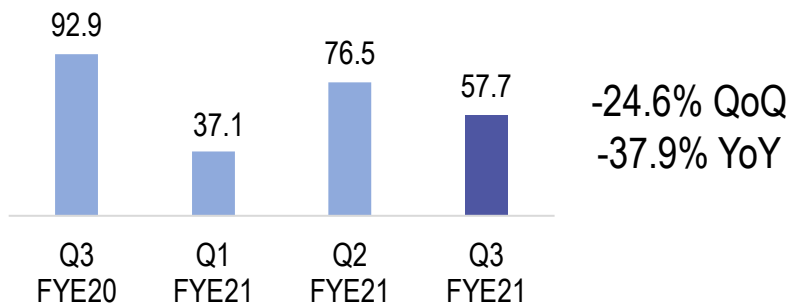
Revenue (RM mil)

Higher interest income in the absence of Day-One modification loss

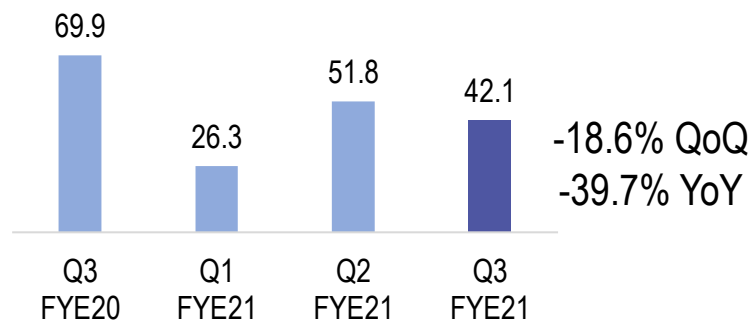


PBT (RM mil)

Higher impairment in view of economic impacts resulted from COVID-19 and extended CMCO



PAT (RM mil)

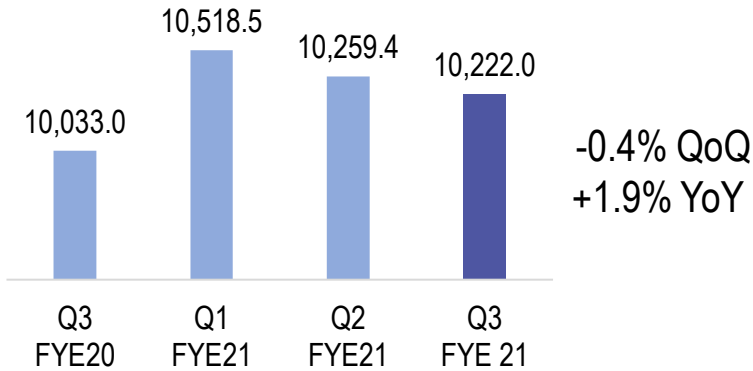




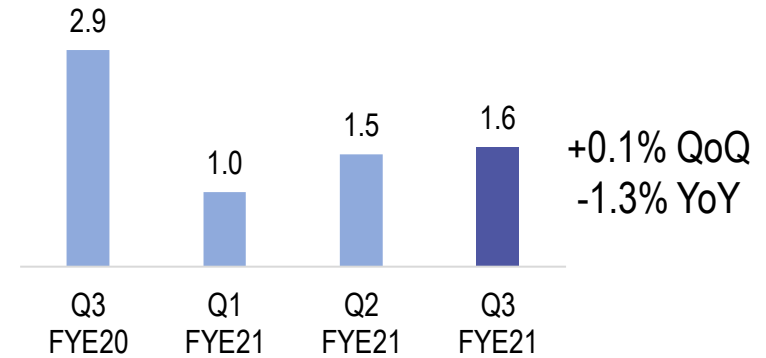
Shareholder Value & Capital Management

ROA & ROE improved marginally QoQ; CAR remains healthy

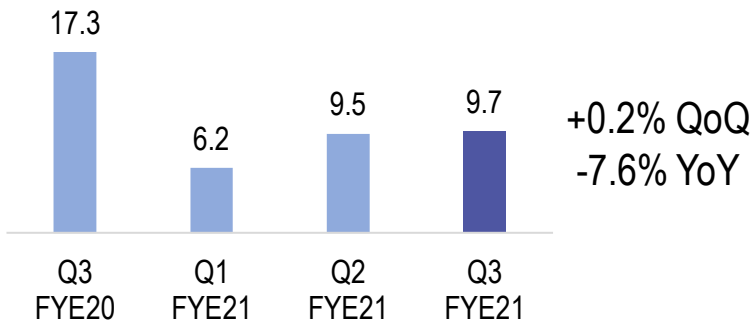
Gross Receivables (RM mil)



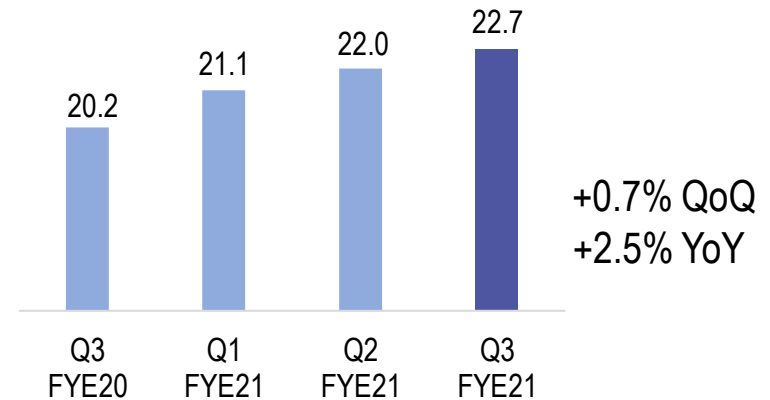
ROA (%)



ROE (%)



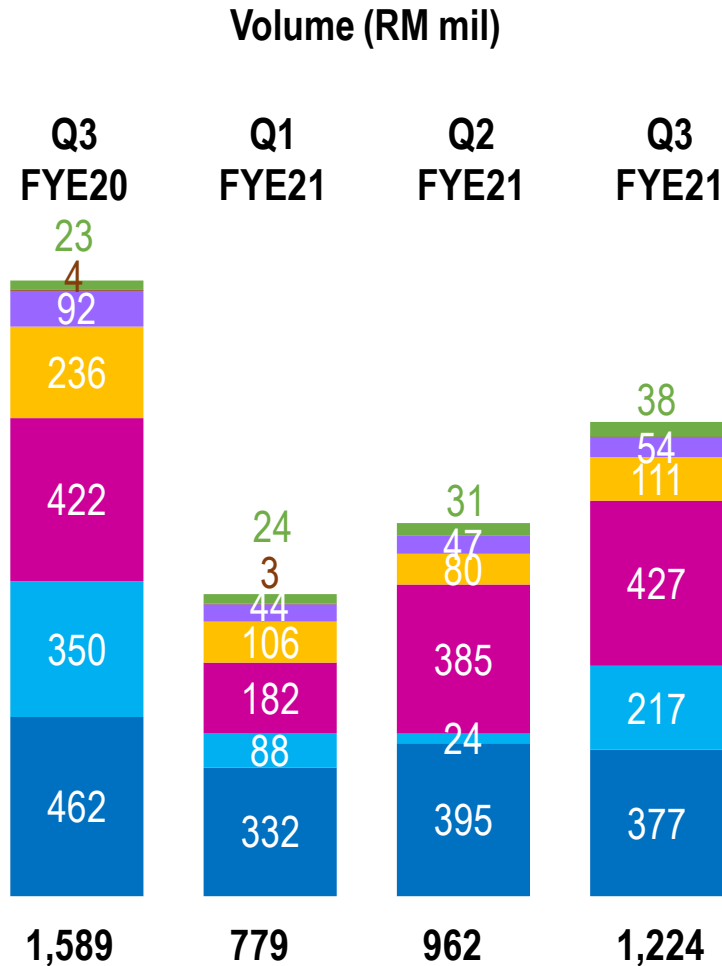
CAR (%)





Total Transaction & Financing Volume

Personal Financing led the growth significantly by 813.9% as branches resume marketing activities

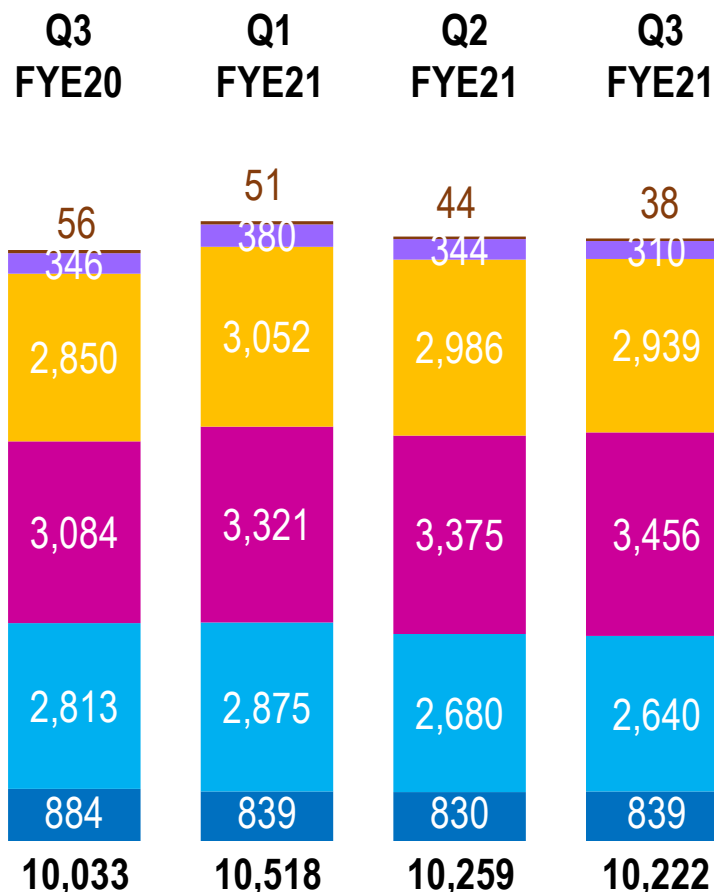


Products (%)	QoQ	YoY
Credit Card	-4.5	-18.4
Personal Financing	+813.9	-37.9
Motorcycle Financing	+11.1	+1.1
Auto Financing	+37.4	-53.2
Objective Financing	+13.0	-41.5
SME Financing	-	-89.0
E-money	+22.6	+70.2
Total	+27.2	-22.9

Total Financing Receivables

Receivables registered +1.9% YoY under the challenging environment

Gross Receivables (RM mil)



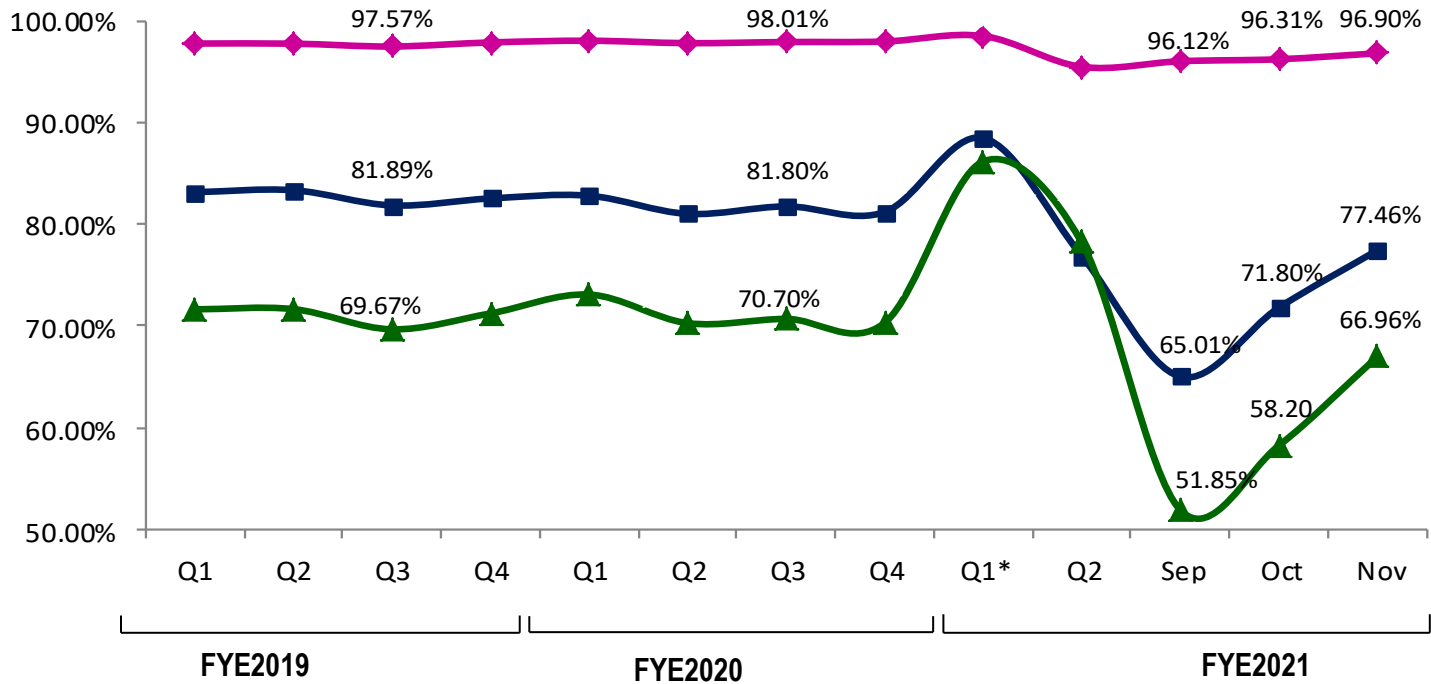
Receivables Movement (%)	QoQ	YoY
Credit card	+1.1	-5.0
Personal Financing	-1.5	-6.2
Motorcycle Financing	+2.4	+12.1
Auto Financing	-1.6	+3.1
Objective Financing	-9.9	-10.4
SME Financing	-13.3	-32.5
Total	-0.4	+1.9

Receivables Breakdown (%)	Q3 FYE21	YoY
Credit card	8.2	-0.7
Personal Financing	25.8	-1.9
Motorcycle Financing	33.8	+2.2
Auto Financing	28.8	+0.7
Objective Financing	3.0	-0.1
SME Financing	0.4	-0.2
Total	100.0	-

Receivables Collection

Customer repayment behaviour changed post MCO; showed positive recovery

Receivables Collection Trend

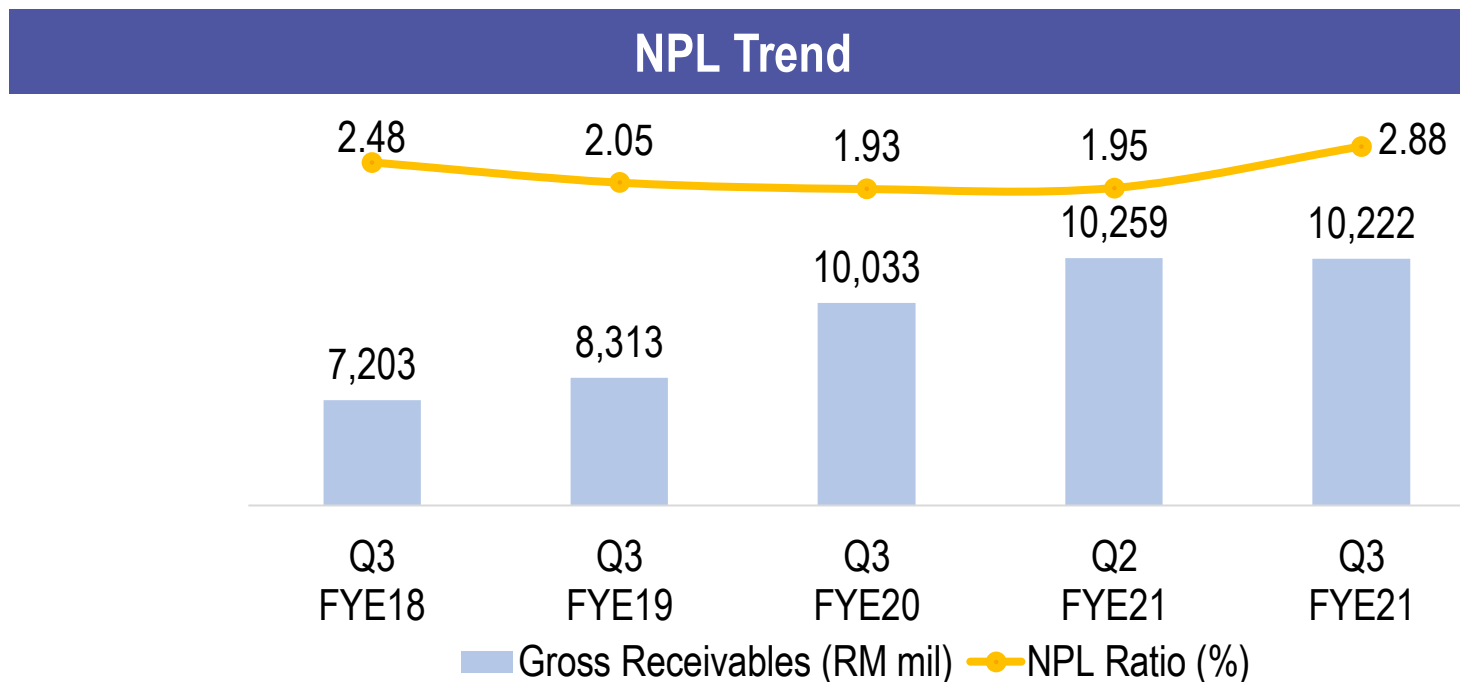


◆	Current Collection Ratio - Not past due (%)
■	D1 Collection Ratio - Past due 1 month (5)
▲	D2 Collection Ratio - Past due 2 to 3 months (%)

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

Non-Performing Loans (NPL)

Resulted from temporary change in written off criteria; asset quality strategies have been in place to keep the trend at manageable level

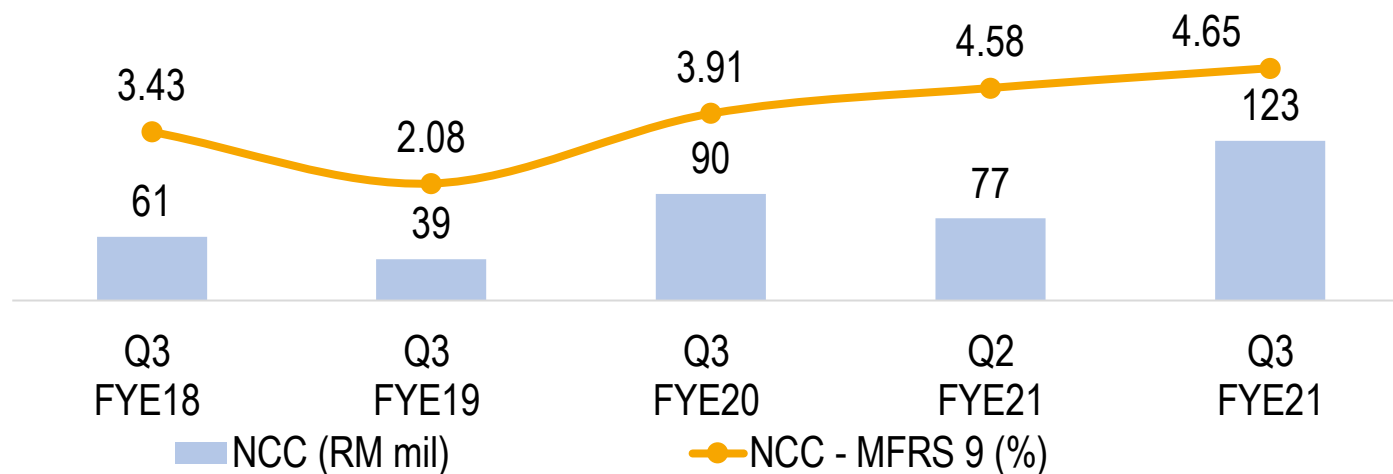


(RM mil)	Q3 FYE18	Q3 FYE19	Q3 FYE20	Q2 FYE21	Q3 FYE21
Receivables	7,203	8,313	10,033	10,259	10,222
Balance D3+	179	170	194	200	294
NPL (%)	2.48	2.05	1.93	1.95	2.88

Net Credit Cost (NCC)

Higher impairment loss (IL) and bad debt recovered which reflecting the repayment condition in Q3

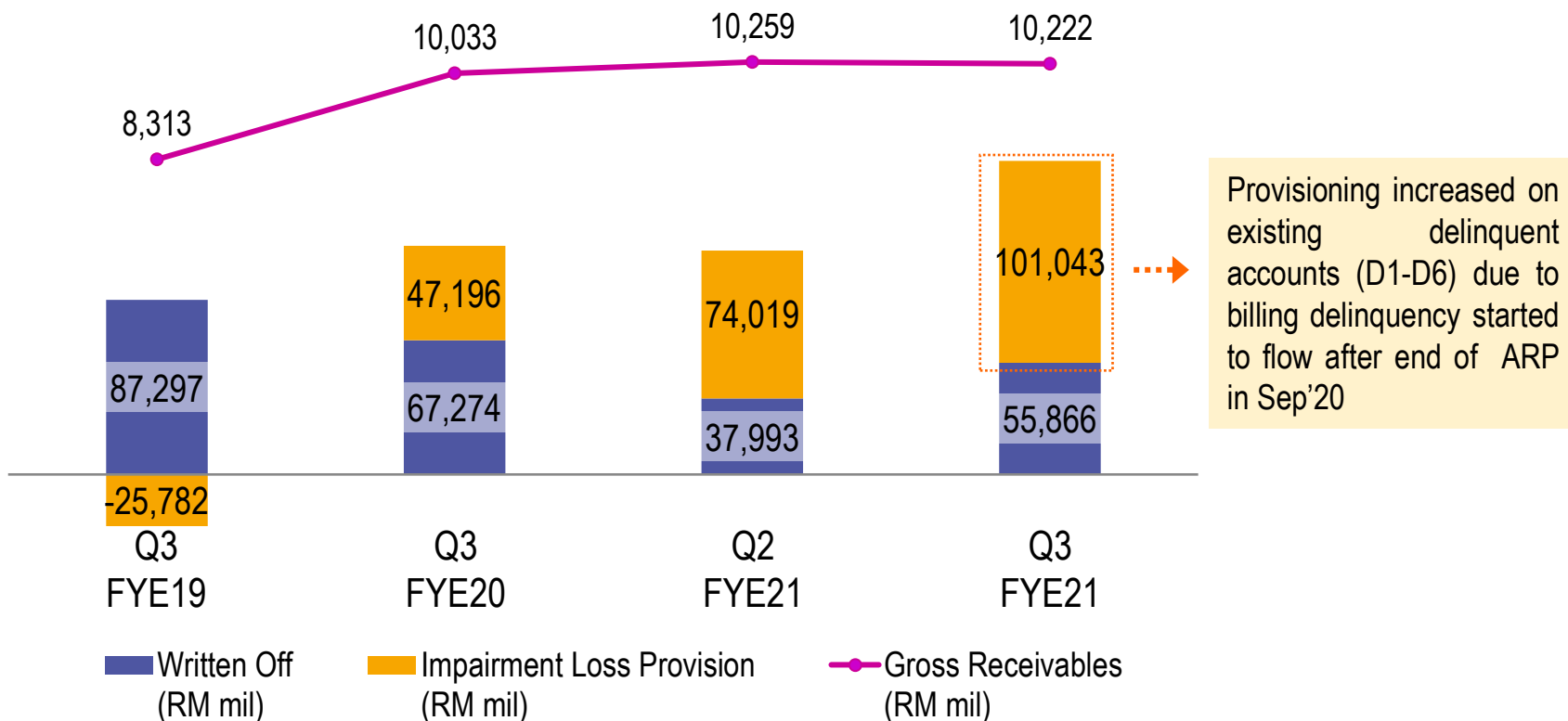
NCC Trend



(RM mil)	Q3 FYE18	Q3 FYE19	Q3 FYE20	Q2 FYE21	Q3 FYE21
Total IL	87	62	114	112	157
(-) Bad Debt Recovered	26	23	24	35	34
NCC	61	39	90	77	123

Impairment Loss (IL) Analysis

Higher impairment loss due to end of AEON Relief Programme (ARP)



(RM mil)	Q3 FYE19	Q3 FYE20	Q2 FYE21	Q3 FYE21	Changes QoQ	
					(RM mil)	(%)
Total IL	61,515	114,470	112,012	156,909	44,897	40%

IL Analysis

Increased provisioning on existing delinquent accounts

No	Breakdown of IL	Q3	Q3	YoY	9M	9M	YoY
		FYE20	FYE21		FYE20	FYE21	
		RM'000		%	RM'000		%
1	Written off	67,274	55,866	-16.9	245,862	199,051	-19.0
2	IL provision from new sales	53,131	24,343	-54.2	153,570	55,525	-63.8
3	Movement of delinquent / repayment	-5,935	133,437	-2348.3	-36,932	111,156	-4.0
4	Pre-emptive provision	-	-56,737	-	-	77,557	-
IL provision		47,196	101,043	+114.1	116,638	244,238	+109.4
Total IL		114,470	156,909	+37.1	362,500	443,289	+22.2
Financing receivables RM'000		10,033,048	10,222,004	+1.9			

1. Lower bad debts written off lower attributed to temporary revision in write-off criteria by extending the write off delinquency from D6 to D9 with effect from Jul'20 to Nov'20.
2. IL provision from new sales lower driven by lower new sales.
3. Higher IL on delinquent accounts due to end of ARP and reduced repayment capability
4. Increased IL YoY on management overlay and Covid-19 related provisions.

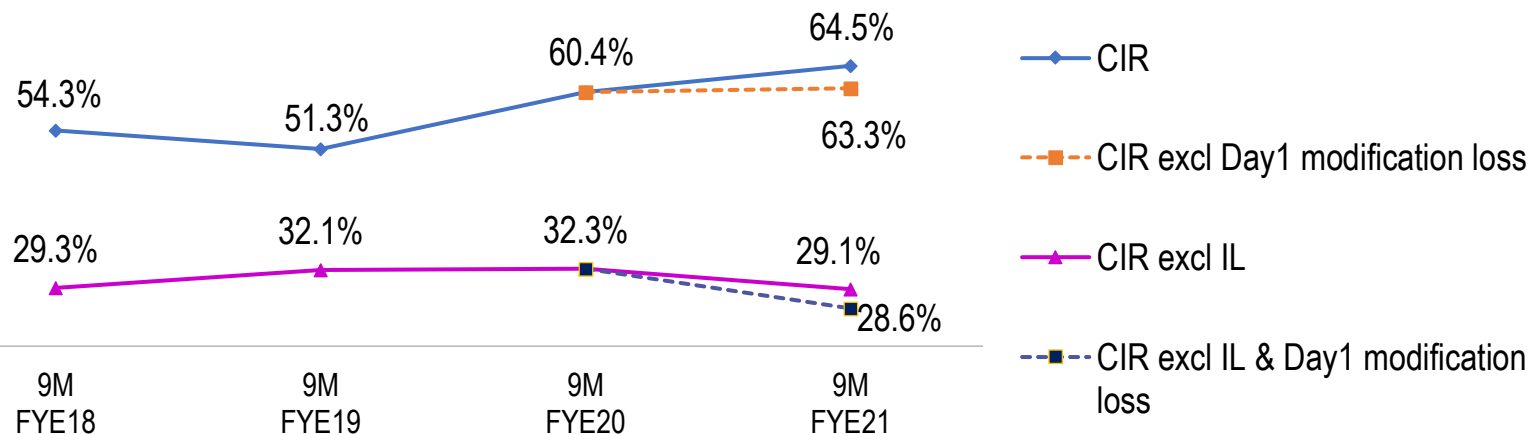
Cost-to-Income Ratio

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

(RM mil)	Q3 FYE20	Q3 FYE21	YoY	9M FYE20	9M FYE21	YoY
Total Operating Income	433.6	441.1	+1.7%	1,289.8	1,253.7	-2.8%
Total Impairment Loss	114.5	156.9	+37.1%	362.5	443.3	+22.2%
Personnel Expenses	66.3	55.4	-16.4%	185.0	139.4	-24.6%
Advertisement & Promotion	17.9	12.4	-30.6%	66.9	37.5	-44.0%
Other Operating Expenses	59.3	69.5	+16.7%	165.1	188.1	+14.0%
Total Operating Expenses	258.0	294.2	14.0%	779.5	808.3	3.7%

Total operating expenses increased by RM36.2mil (14.0% Q3 YoY) and RM28.9mil (3.7% 9M YoY) due to higher Impairment Loss. This was however mitigated by the lower personal expenses and advertisement & promotion cost.

Cost-to-Income Ratio (CIR)



Taxation: Appeal Status Update

No	Item	Remark	Status
i.	Filed a Notice of Appeal (Form Q) on 5 Jan 2018 to Special Commissioners of Income Tax (SCIT)	<ul style="list-style-type: none"> The Company had filed a notice of appeal to dispute the additional assessments 	<ul style="list-style-type: none"> To date, hearing date has yet to be fixed.
ii.	Judicial Review – Leave application (<i>Seek permission to commence judicial review</i>)	<ul style="list-style-type: none"> Kuala Lumpur High Court (KLHC) dismissed the application on 5 Mar 2018 The Company filed the Notice of Appeal on 5 Mar 2018 at Court of Appeal 	<ul style="list-style-type: none"> The hearing at Court of Appeal against the KLHC decision to dismiss leave for judicial review was fixed on 9 Oct 2019 had been vacated. To date, hearing date has yet to be fixed.
iii.	Judicial Review – Stay application (<i>Asking court to suspend DGIR’s decision</i>)	<ul style="list-style-type: none"> Kuala Lumpur High Court dismissed the application on 8 May 2018 The Company filed a Notice of Motion on 8 May 2018 at Court of Appeal 	<ul style="list-style-type: none"> On 5 Apr 2019, the Court of Appeal did not grant the Company’s appeal against the High Court’s decision of 8 May 2018. The Company will proceed with its appeal to the Court of Appeal on leave for judicial review.
iv.	Writ & Statement of Claim filed by the Government of Malaysia through the IRB (relating to notices of additional assessment YAs 2010-2016 dated 12 Dec 2017).	<ul style="list-style-type: none"> The Company had filed a stay application and certification of urgency to suspend civil recovery proceedings filed by Government. 	<ul style="list-style-type: none"> On 2 Dec 2019, Shah Alam High Court had granted a stay of proceedings against the civil recovery suit commenced by the Government of Malaysia against the Company. The case management at High Court is fixed on 19 Jan 2021.



AEON CREDIT SERVICE

Operational Updates

COVID-19: Initiatives amid CMCO

Priority: **Employees' Safety and Welfare**

To protect employees from infection risk and providing a safe working environment

Covid-19 Initiatives



Installation of acrylic panels to keep the workplace distancing



Mass Covid-19 Swab Test through appointed medical panels



Establishing the culture of virtual meeting and e-learning



Daily normal sanitation and weekly disinfection all branches

Mobile data and meal subsidies for employees

WFH arrangements for backend employees

Daily self-health declaration and mass COVID-19 swab test



COVID-19: Initiatives amid CMCO (cont'd)

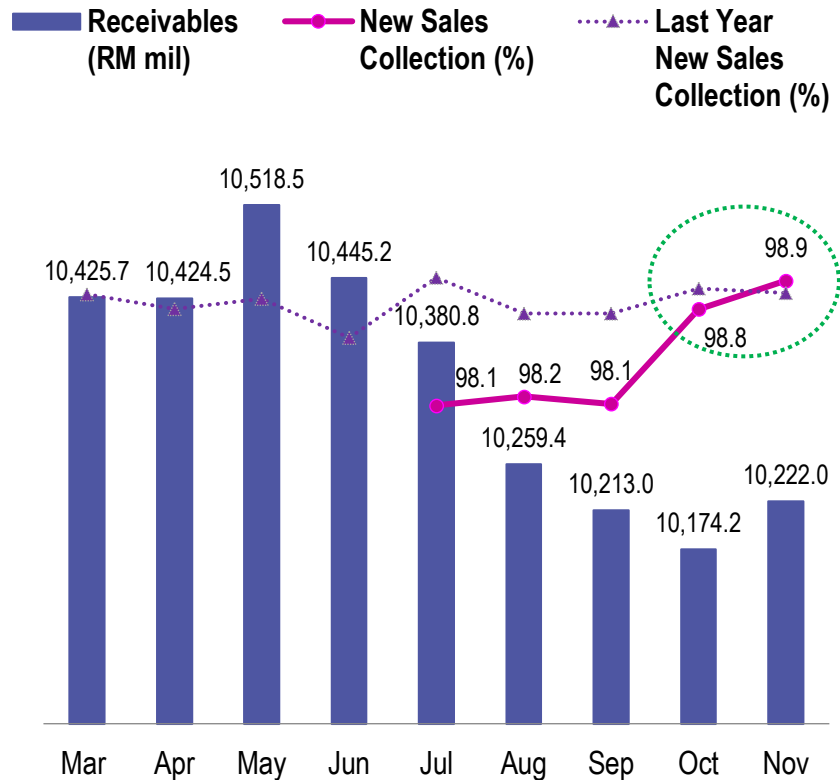
Continuous support for our Customers
 Actively engaging with customers to understand their financial needs;
 Taking care of their safety at our branches/ service centres

Financial Assistance Programme	Description	Offering Period	Type of Financing	Targeted Delinquency Stage	Customer Participation Rate
Loan deferment	2 months of loan moratorium	Apr-May 2020	Product & Personal Financing	D0-D2	Auto
AEON Relief Programme (ARP)	3-24 months for outstanding loan rescheduling	Jun-Sep 2020	Product & Personal Financing	D0-D2	97% of customers enrolled or self-pay
Balance conversion "BC19"	Up to 36 months for outstanding loan rescheduling	Apr -Jan 2021	Credit Card	Account not met minimum monthly repayment consecutively for 3 months	Bank Negara Requirement, 0.04% of total credit card receivables
AEON Financing Assistance Programme	Reschedule monthly repayment amount	Effective Dec 2020	Product & Personal Financing	D0-D1	
Restructuring	Reschedule monthly repayment amount	Effective Dec 2020	Product & Personal Financing	D2-D3+	

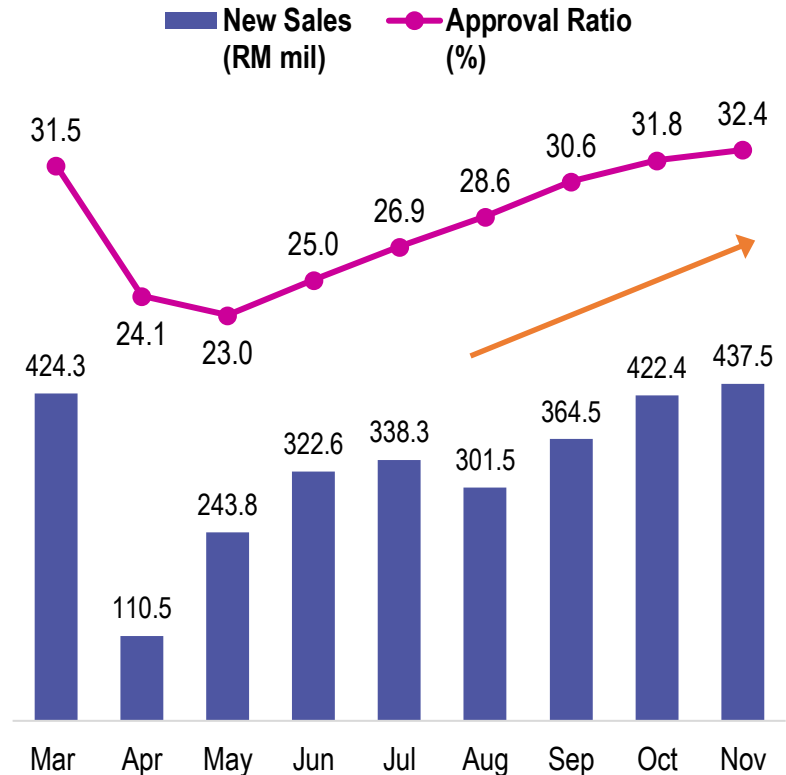
Business Recovery

Ensure **asset quality** is in control while expanding new sales steadily on our recovery path towards **sustainable growth**

Collection for new sale improved – reflecting the quality of new sales generated

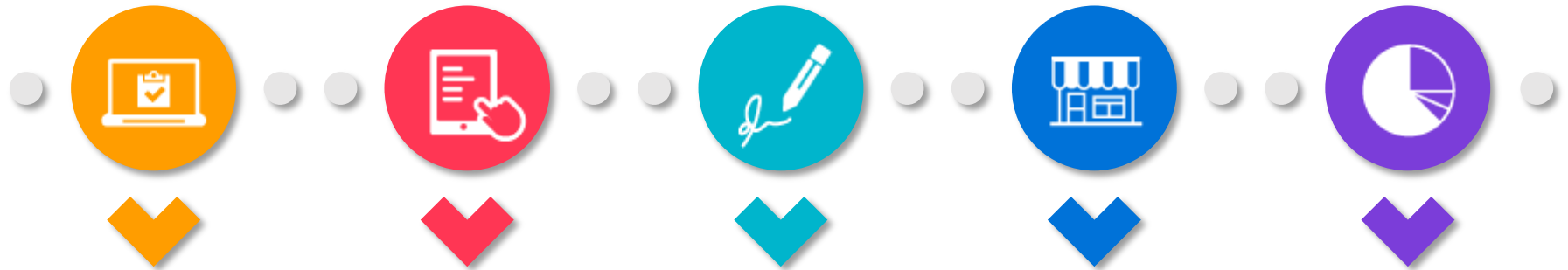


Sales increased as approval ratio recovered and branch marketing activities resumed



Digitalization

Accelerating digitalization and enhancing customer's touchpoint Transformation Roadmap



E-Application

- **E-Forms**
- **B2C2B** – direct customer touchpoint

E-KYC

- Launched E-KYC solution on Oct 2020.
- Digital applications for Product Financing
- Real time identity authentication
- Approval TAT within one hour

E-Signature

- Reduce the need for face-to-face contact
- In the midst of getting approvals from relevant authorities

E-Warehouse

- Adopting paperless
- To minimize physical storage

Data Warehouse

- Data analysis
- Credit Analysis
- Report Management

Digitalization (cont'd)

Promoting cashless transaction and relentlessly enhancing features on AEON E-wallet to encourage adoption and for better user experience

Common Platform For Loyalty Point Programme



AEON Member Plus Visa Card Holders
 ▲ Total 1.7 million as at Q3 FYE21

AEON CO Member Switch Over Programme

AEON CO Members	1.2 million
Signed up AMP	66.4%
Balance to convert	33.6%

Collaboration programme within the Group

- Corporate employee program
- Paying bill with AEON points
- Utilise E-Wallet for staff disbursement
- Offering staff loan

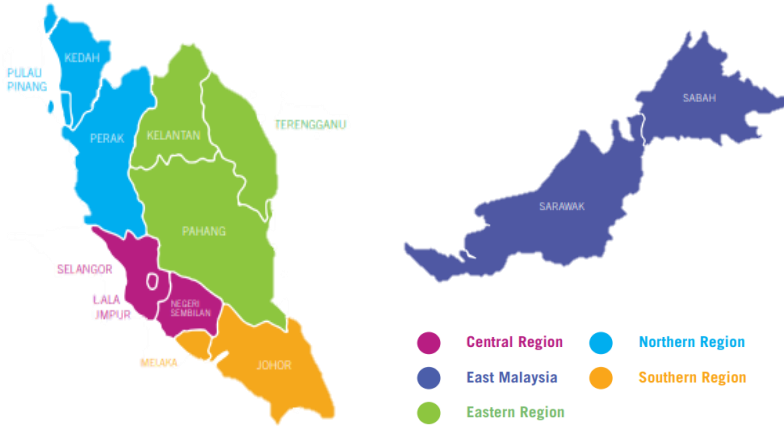


Database integration across AEON Group, optimizing the potential of data analytics for product offerings and cross selling

Settlement Business with AEON Group

AEON Group	RM' mil	YOY
Acquiring Sales	1,026.8	1289.4%
MDR (Fee Income)	7.1	1804.0%

Regionalisation



Localising marketing strategy **by states** to better facilitate the **business expansion at potential untapped markets** and customise the product offerings

Streamlining operation and reviewing performance constantly for **agile decision making and cost efficiency**

Regional telemarketing setup to reallocate resource in strategic hubs.

Operational Efficiency

Efficiency Improvement

- RPA automation
- ✓ E-Hakmilik
- ✓ Digital Franking system

Marketing Strategies

- Re-strategising marketing activities to online platform

Prioritising CAPEX Investment

- Optimise resources for key projects (Core Loan and Card system) to enhance efficiency

Branches Operation Efficiency

- Branch closures & CDM machine reduction gradually
- Shift to online payment

Key Takeaways & Prospects



Amid the uncertainties surrounding COVID-19 globally and domestically, the Malaysian **GDP improved with a slower contraction of 2.7% year-on-year for the third quarter of 2020 – a significant recovery** from the 17.1% contraction in the second quarter of 2020. The rebound was primarily driven by the recommencement of economic activities and business operations, together with the introduction of government stimulus packages worth RM305 billion.

Budget 2021 has also tabled a number of measures to **provide financial assistance, alleviate the rakyat's cost of living, generate and retain jobs**, etc. to revitalize the domestic market development. Better outlook for labour market with gradual recovery in business activities and buoyed by various initiatives rolling out by the government such as wage subsidy, short-term employment programme, as well as reskilling and upskilling programme, in addition to the reduction in EPF contribution and income tax will be the **key drivers to spur private consumption**.

We will continue to closely monitor and assess the inherent credit risk in its financing portfolio, with proactive attention focused on **enhancement of asset quality, prudent cost and cash management and improvement on financial and operational efficiencies** by leveraging on its **positive business fundamentals and extensive customer reach**.





AEON CREDIT SERVICE

Appendices

Performance Highlights

(RM mil)	Q3 FYE20	Q1 FYE21	Q2 FYE21	Q3 FYE21	QoQ (%)	YoY (%)	9M FYE20	9M FYE21	YoY %
Total Transaction & Financing Volume	1,588.9	778.6	962.4	1,224.4	27.2%	-22.9%	4,735.4	2,965.4	-37.4%
Credit Card	461.8	331.8	394.7	376.9	-4.5%	-18.4%	1,333.8	1,103.3	-17.3%
Easy Payment Financing	754.8	334.4	512.6	591.9	15.5%	-21.6%	2,221.4	1,439.0	-35.2%
Personal Financing	349.8	88.3	23.8	217.3	813.9%	-37.9%	1,125.2	329.4	-70.7%
E-Money	22.5	24.1	31.3	38.3	22.6%	70.2%	55.0	93.7	70.3%
Total Income	433.6	407.0	405.7	441.1	8.70%	1.7%	1,289.8	1,253.7	-2.8%
Operating Expenses	(258.0)	(277.5)	(236.7)	(294.2)	24.3%	14.0%	(779.5)	(808.3)	3.7%
Interest Expenses	(82.7)	(92.4)	(92.5)	(89.2)	-3.6%	7.9%	(237.9)	(274.1)	15.3%
Profit Before Tax	92.9	37.1	76.5	57.7	-24.6%	-37.9%	272.4	171.3	-37.1%
Income Tax	(23.0)	(10.8)	(24.7)	(15.6)	-37.0%	-32.2%	(68.7)	(51.1)	-25.8%
Net Profit	69.9	26.3	51.8	42.1	-18.6%	-39.7%	203.7	120.2	-41.0%

Financial Summary

(RM mil)	Q3 FYE20	Q1 FYE21	Q2 FYE21	Q3 FYE21	QoQ (%)	YoY (%)
Credit Card	883.8	838.5	829.8	839.3	1.1%	-5.0%
Card Purchase	822.2	779.9	769.9	769.0	-0.1%	-6.5%
Cash Advance	61.6	58.6	59.9	70.3	17.4%	14.1%
Personal Financing	2,813.5	2,875.2	2,679.8	2,639.9	-1.5%	-6.2%
Objective Financing	346.3	380.1	344.5	310.4	-9.9%	-10.4%
Motorcycle Financing	3,083.5	3,321.3	3,375.4	3,455.1	2.4%	12.1%
MOPED	2,201.0	2,440.7	2,534.3	2,629.0	3.7%	19.4%
Superbike	882.5	880.6	841.1	826.1	-1.8%	-6.4%
Auto Financing	2,849.9	3,052.0	2,986.3	2,939.5	-1.6%	3.1%
SME Financing	56.0	51.4	43.6	37.8	-13.3%	-32.5%
Total Financing Receivables	10,033.0	10,518.5	10,259.4	10,222.0	-0.4%	1.9%
Impairment Loss	(703.2)	(759.7)	(833.7)	(934.8)	12.1%	32.9%
Other Assets	669.9	781.9	927.5	850.1	-8.3%	26.9%
Total Assets	9,999.7	10,540.7	10,353.2	10,137.3	-2.1%	1.4%
Total Liabilities	8,138.8	8,817.3	8,638.0	8,395.6	-2.8%	3.2%
Shareholders' Fund	1,860.9	1,723.4	1,715.2	1,741.7	1.5%	-6.4%

Operating Income

(RM mil)	Q3 FYE20	Q1 FYE21	Q2 FYE21	Q3 FYE21	QoQ (%)	YoY (%)	9M FYE20	9M FYE21	YoY (%)
Credit Card	33.2	34.1	35.1	38.2	8.8%	15.1%	96.7	107.4	11.1%
Personal Financing	130.5	119.3	100.7	113.6	12.8%	-13.0%	385.9	333.5	-13.6%
Objective Financing	20.8	19.6	19.6	16.9	-14.1%	-19.1%	64.3	56.1	-12.8%
Motorcycle Financing	131.2	124.4	127.4	145.6	14.3%	11.0%	382.7	397.4	3.8%
Auto Financing	85.6	85.9	78.2	84.8	8.5%	-0.9%	252.3	249.0	-1.3%
SME Financing	1.1	0.5	0.9	0.7	-14.9%	-32.4%	3.6	2.1	-42.3%
E money	-	1.4	2.1	1.7	-20.0%	41225.0%	-	9.8	98390.0%
Total Revenue	402.4	385.2	364.0	401.5	10.3%	-0.2%	1,185.5	1,155.3	-2.5%
Other Operating Income	31.2	21.8	41.7	39.6	-5.0%	27.1%	104.3	98.4	-5.6%
Total Operating Income	433.6	407.0	405.7	441.1	8.7%	1.7%	1,289.8	1,253.7	-2.8%

Total Expenses

(RM mil)	Q3 FYE20	Q1 FYE21	Q2 FYE21	Q3 FYE21	QoQ (%)	YoY (%)	9M FYE20	9M FYE21	YoY (%)
Total Impairment Loss	114.5	174.4	112.0	156.9	40.1%	37.1%	362.5	443.3	22.2%
Personnel Expenses	66.3	35.9	48.1	55.4	15.1%	-16.4%	185.0	139.4	-24.6%
Advertisement & Promotion (A&P)	17.9	12.2	12.9	12.4	-3.6%	-30.6%	66.9	37.5	-44.0%
Other Operating Expenses	59.3	55.0	63.7	69.5	9.1%	16.7%	165.1	188.1	14.0%
Operating Expenses	258.0	277.5	236.7	294.2	24.3%	14.0%	779.5	808.3	3.7%
Interest Expenses	82.7	92.4	92.5	89.2	-3.6%	7.9%	237.9	274.1	15.3%
Total Expenses	340.7	369.9	329.2	383.4	16.5%	12.5%	1,017.4	1,082.4	6.4%

Financial Indicators

(RM mil)	FYE18	FYE19	FYE20	9M FYE20	9M FYE21
PBT	398.3	472.2	390.4	272.4	171.3
PAT	300.1	354.6	292.0	203.7	120.2
Weighted average no. of ordinary shares (mil unit)	200.3	255.3	255.3	255.3	255.3
Basic EPS (RM)*	1.4	1.3	1.1	0.6	0.6
NTA per share (RM)	6.4	6.0	6.1	6.0	6.0
ROE (%)*	22.6	22.1	18.0	9.5	9.7
ROA (%)*	4.0	4.3	3.1	1.5	1.6
Capital ratio against receivables (%)	25.1	22.4	18.9	22.0	22.7
Debt-to-Equity Ratio (x)	3.0	3.4	4.6	4.5	4.3
Share Price (RM)	13.5	16.5	13.8	9.0	10.5
PER (x)	9.4	11.9	12.9	15.9	17.7
Market Capitalisation (mil)	3,344	4,149	3,500	2,293	2,671

* Computed based on annualised basis.



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Thank You