



AEON CREDIT SERVICE

Q1 FYE24 Financial Results

10 July 2023

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FINANCIAL REVIEW

Q1 FYE24 Key Highlights

Resilient performance supported by sustained financing growth momentum



	QoQ Key Highlights	Our Initiatives
Profitability	<ul style="list-style-type: none">Revenue grew 4.6% QoQ to RM452.7 mil attributable to higher interest income and fee income in line with the growth in transaction and financing volumeProfit before tax improved marginally QoQ to RM131.9 mil contributed by higher revenue coupled with lower operating expenses; however, this is offset by higher allowance for impairment losses	<ul style="list-style-type: none">Focus on completion of digitalisation processes and AI credit scoring model to drive sales and member expansion;Established direct sales team and strengthen AEON Group collaboration to drive credit cards in circulation; andAdopted Visa analytic tool to drive cross selling activities
Financing	<ul style="list-style-type: none">Gross Receivables increased by 3.5% QoQ to RM11.2 bil driven by Personal Financing (5.2%) and Vehicle Financing Business (2.7%)	<ul style="list-style-type: none">Integrating with AI based credit scoring model to enhance portfolio management and improve auto approval ratio; andMerchant partnership program to acquire good score customers
Asset Quality	<ul style="list-style-type: none">Non-Performing Loan rose to 3.13%, partly attributable to the expiry of financial assistance; younger customers and those with lower disposal income group were among the contributors	<ul style="list-style-type: none">Refining credit policies on younger customers with lower disposable income group and increase down payment requirement for new to credit customers; andAdopted AI risk-based calling model in March to improve collection strategy and productivity

Financial Performance

Sales growth boosted by domestic demand and marketing strategies



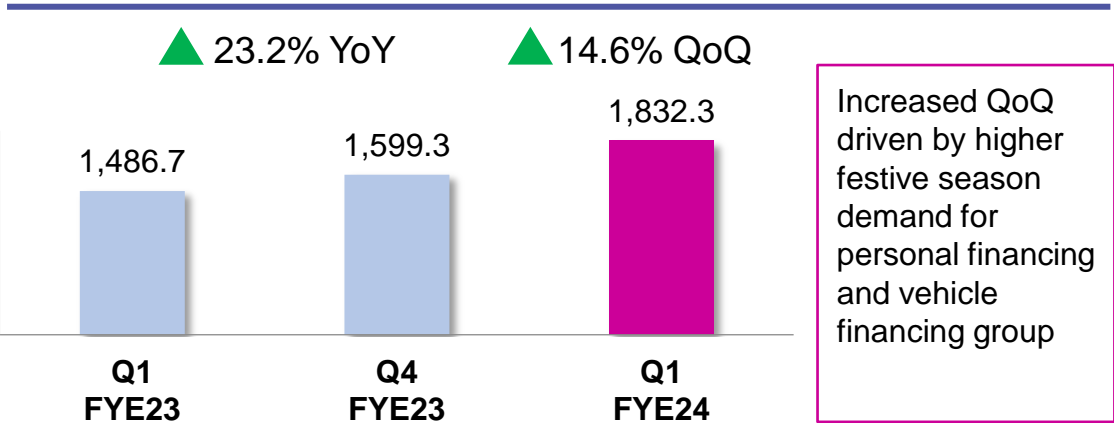
		3M FYE23	3M FYE24	YoY	Commentary
Profitability	Revenue	RM390.6M	RM452.7M	15.9%	• Contributed by higher interest income of RM56.5 mil and higher fee income of RM5.6 mil
	PBT	RM215.5M	RM131.9M	-38.8%	• Lower YoY in both PBT and PAT mainly due to higher impairment losses of RM152.54 mil as there was a RM80 mil impairment loss reversal in Q1 LY which the Group benefitted from one-off EPF withdrawal in Apr'22 as well as higher personal expenses
	PAT	RM163.1M	RM99.4M	-39.1%	
	ROE	30.7%	16.3%	-14.4%	
Asset Quality	Transaction & Financing Volume	RM1,486.7M	RM1,832.3M	23.2%	• Grew across all products, Personal financing grew 67.2% YoY
	Gross Financing Receivables	RM10.00B	RM11.22B	12.2%	• Robust growth in financing underpinned by personal financing and vehicle financing group
	Loan Loss Coverage Ratio	281%	227%	-54%	
	Non-Performing Loan (NPL)	2.53%	3.13%	0.6%	• Higher NPL and NCC recorded attributed from the increase in delinquencies of young aged with low disposable income group
	Net Credit Cost (NCC)	-0.72%	3.87%	4.59%	
Capital	Capital Adequacy Ratio (CAR)	28.1%	27.1%	-1.0%	• Remains strong for future growth

Income Statement

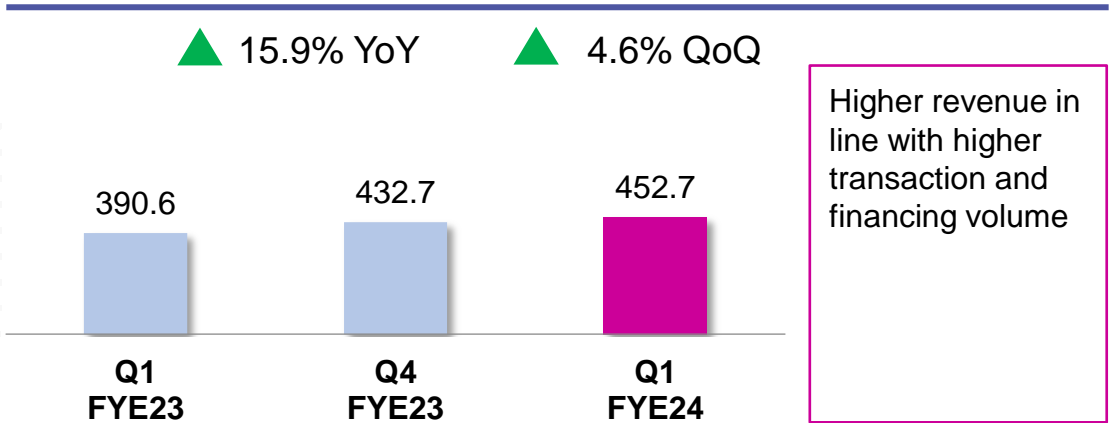
Sales and revenue growth driven by festive season demand



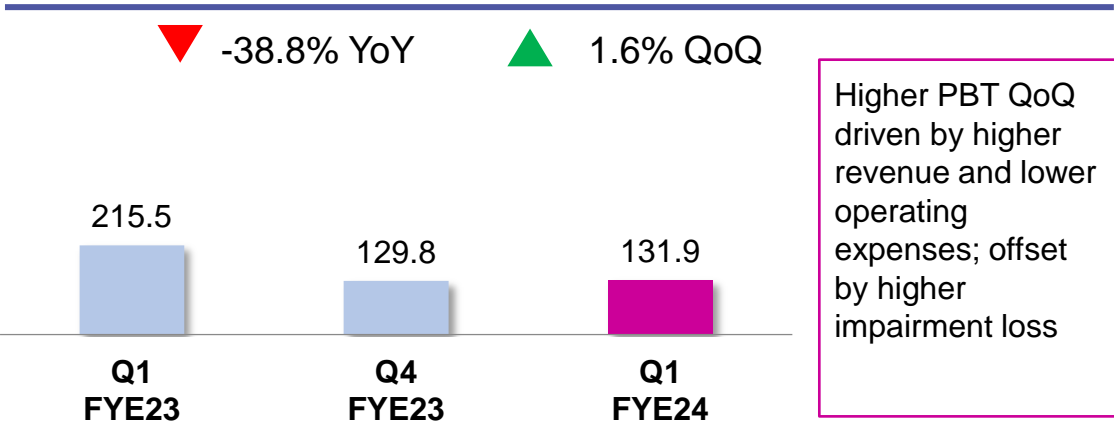
Total Transaction & Financing Volume (RM mil)



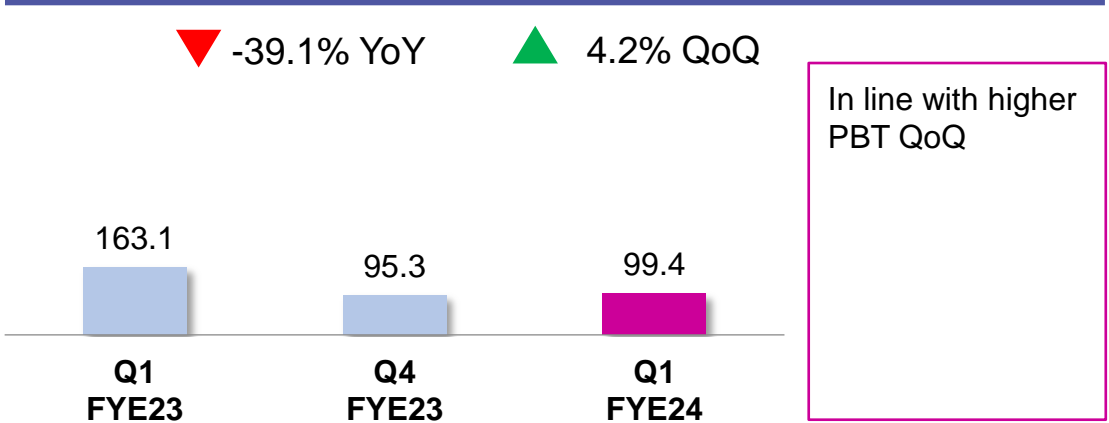
Revenue (RM mil)



Profit Before Tax (RM mil)



Profit After Tax (RM mil)

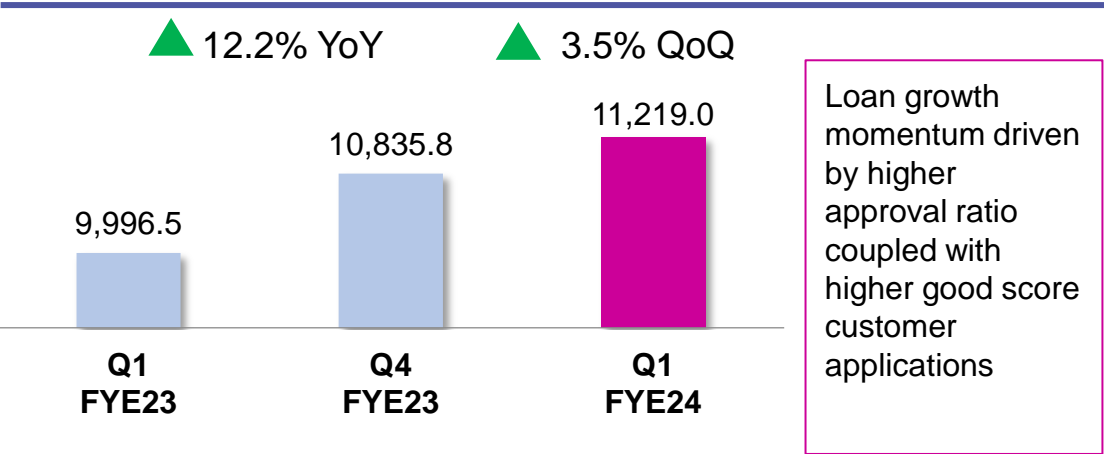


Shareholder Value & Capital Management

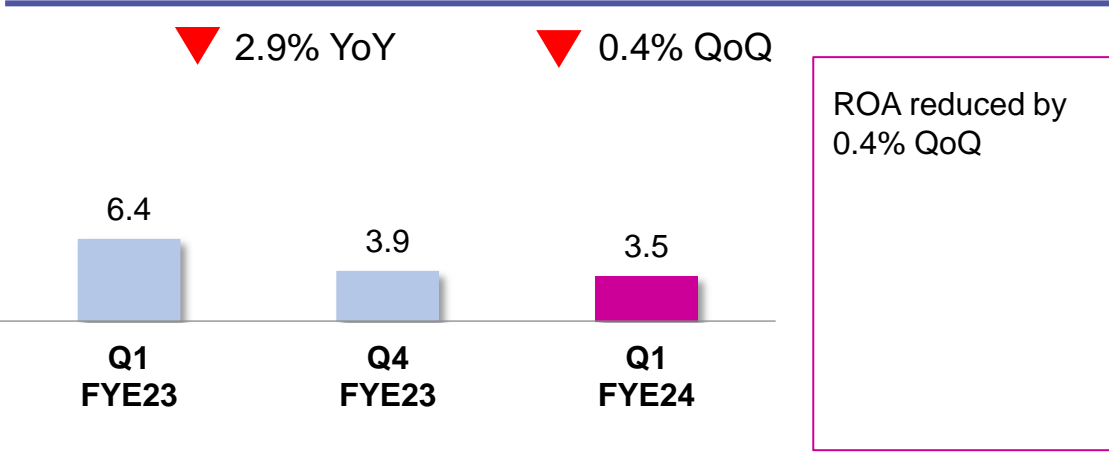
Maintaining strong CAR ratio of 27.1% for future growth



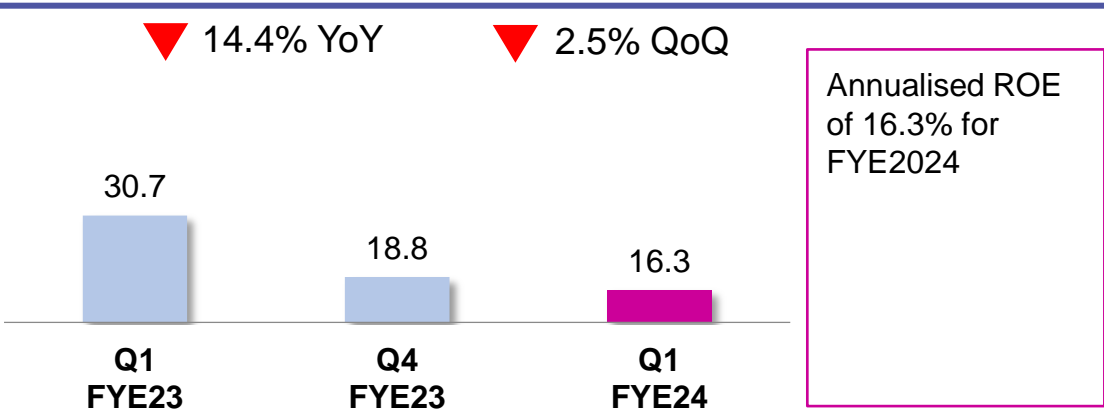
Gross Receivables (RM mil)



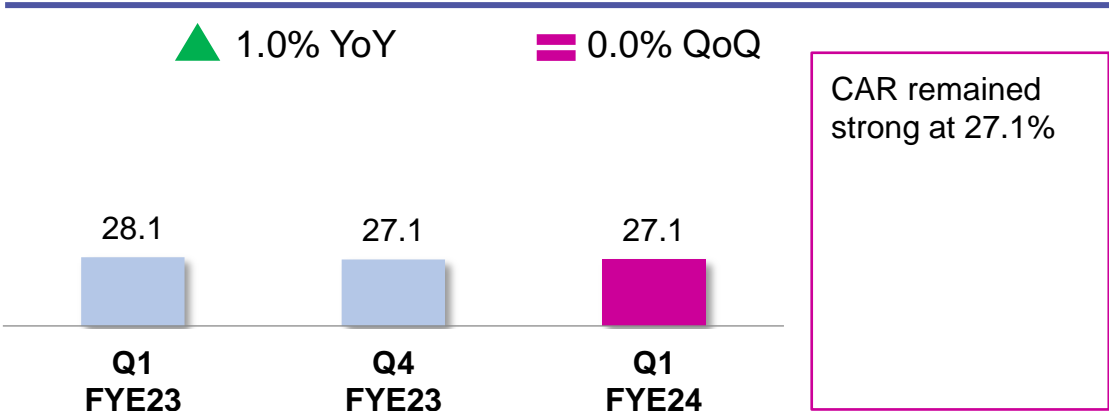
Return On Asset (%)



Return On Equity (%)

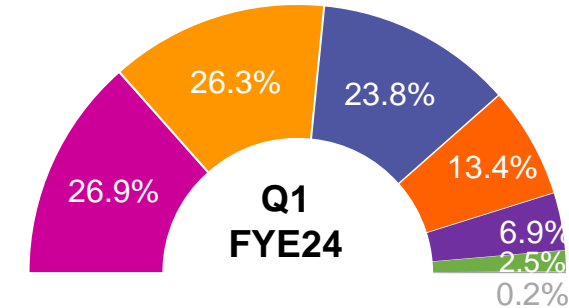
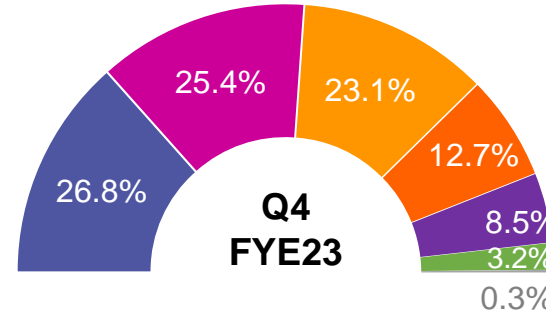
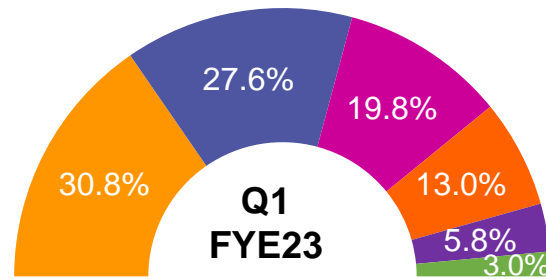


Capital Adequacy Ratio (%)



Total Transaction & Financing Volume

Vehicle Financing and Personal Financing supported by double digit growth in loan application

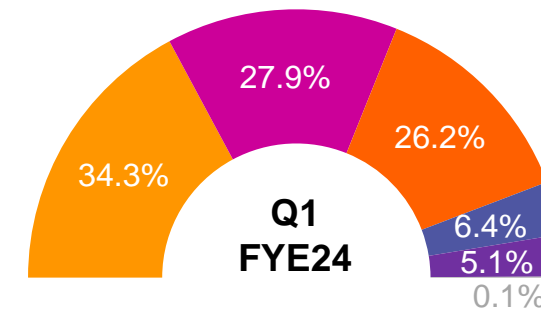
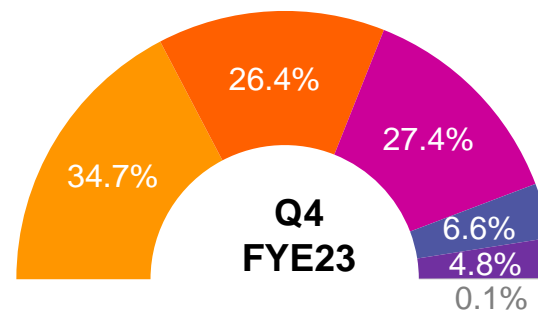
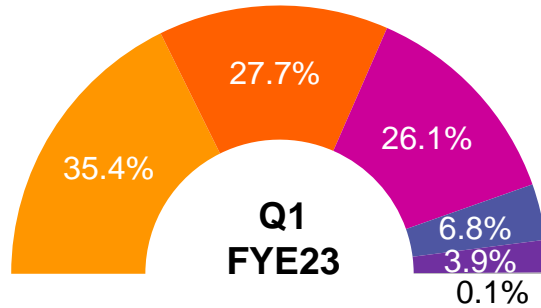


Volume (RM mil)	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY
Motorcycle Financing	458	369	481	30.4%	5.0%
Auto Financing	194	203	245	20.6%	26.2%
Vehicle Financing Group	652	572	726	26.9%	11.4%
Credit Card	410	429	436	1.6%	6.3%
E-money	44	52	46	-10.3%	6.3%
Payment Business Group	454	481	482	0.3%	6.3%
Personal Financing	295	406	493	21.3%	67.2%
Objective Financing	86	135	127	-6.5%	47.3%
SME Financing	-	5	4	-7.0%	0%
Personal Financing Group	381	546	624	14.2%	63.8%
Total	1,487	1,599	1,832	14.6%	23.2%

- Motorcycle Financing increased 30.4% QoQ boosted by festive season demand and merchant incentive program
- Auto Financing volume grew by 20.6% QoQ attributed to the scheme revision with better profit rate and car age extension
- Personal Financing grew by 21.3% QoQ driven by higher approval ratio and higher application count attributed to Raya reward campaigns

Total Gross Financing Receivables

Growth trajectory maintained; Personal Financing grew by 5.2%



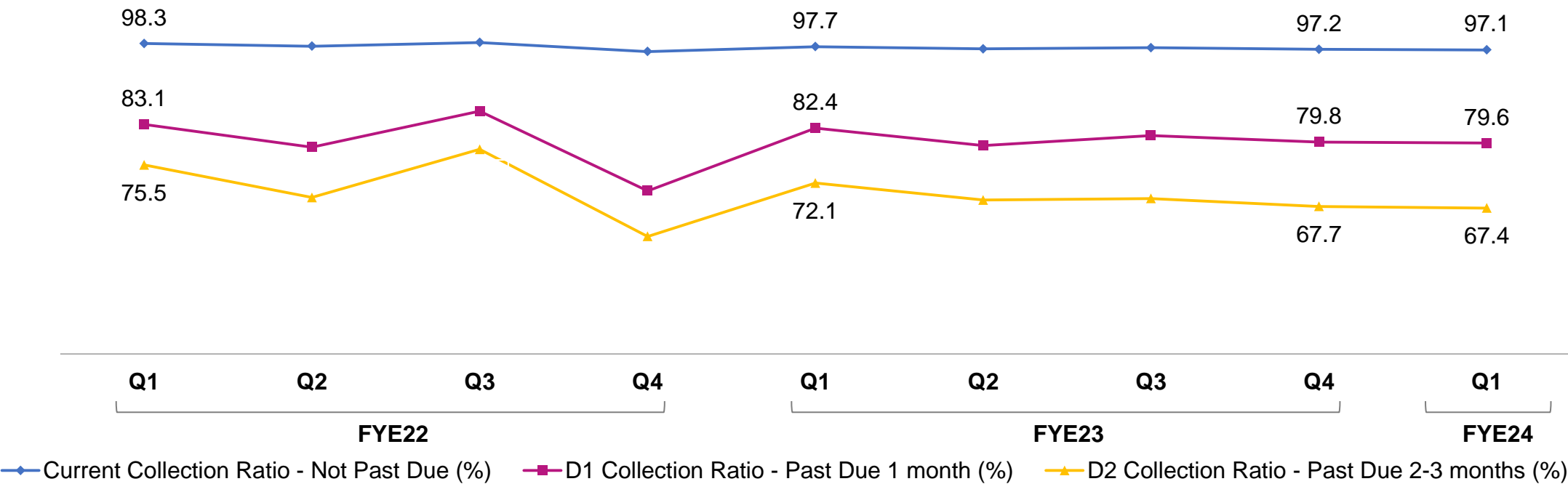
	Volume (RM mil)	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY	
Motorcycle Financing		3,537	3,754	3,850	2.6%	8.9%	<p>Increased QoQ to RM11.2 bil</p> <ul style="list-style-type: none"> Create continuous awareness of digital on boarding platform for Easy Payment and Personal financing to drive take up rate Streamline credit card features and expand online aggregator to drive card in circulation Integrate with AI based credit scoring model to enhance portfolio management and improve productivity
Auto Financing		2,774	2,858	2,942	2.9%	6.0%	
Vehicle Financing Group		6,311	6,612	6,792	2.7%	7.6%	
Credit Card		676	718	720	0.2%	6.4%	
Personal Financing		2,605	2,971	3,126	5.2%	20.0%	
Objective Financing		391	523	567	8.4%	45.1%	
SME Financing		14	12	14	18.7%	0.0%	
Personal Financing Group		3,010	3,506	3,707	5.8%	23.2%	
Total		9,997	10,836	11,219	3.5%	12.2%	

Receivables Collection

Maintain balanced approach of sales expansion and prudent credit management



Receivables Collection Trend



Asset quality remained healthy:

- ❑ Launched of risk-based collection strategy in Mar'23 for Personal Financing, focusing on high risk customers
- ❑ Credit policies refinement on younger customers with lower disposable income group for Vehicle Financing Group and Objective Financing

Actions for Q2FYE24:

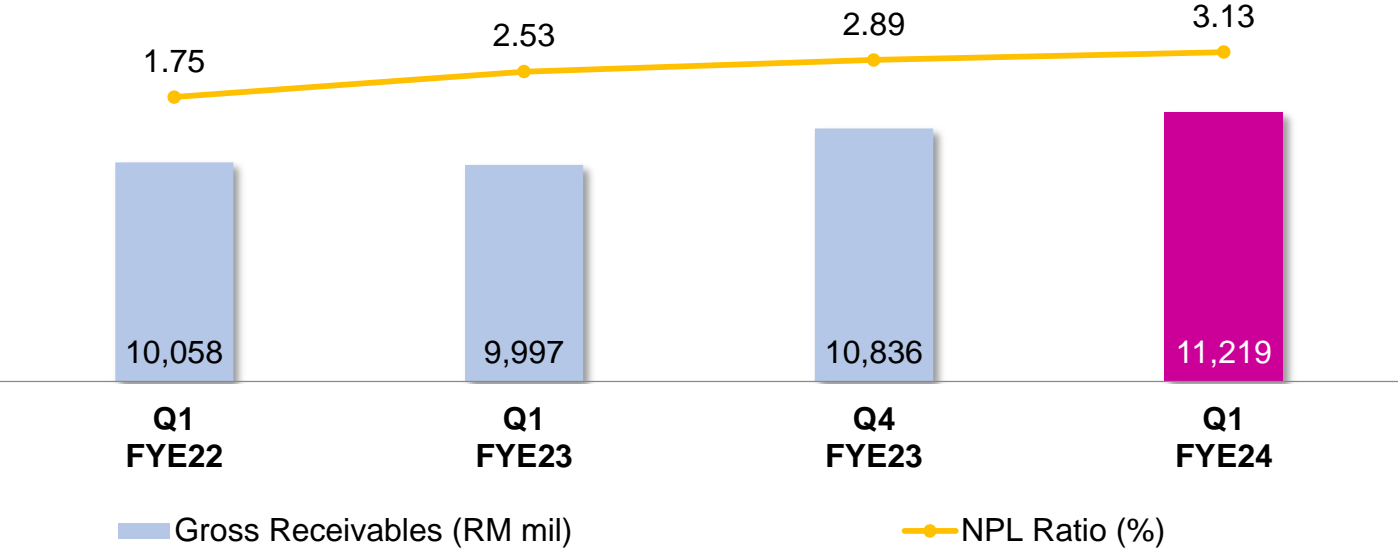
- ❑ Expand risk-based collection strategy to Easy Payment Financing
- ❑ Early outsourcing of delinquent account to external collection agencies
- ❑ Higher down payment for new credit group customer
- ❑ Strengthen merchant management framework

Non-Performing Loan (NPL)

Strengthen risk-based approach collection strategy to optimise collection performance



NPL Trend



- QoQ Balance D3+ increased contributed by Motorcycle Financing and Objective Financing especially on young aged with low income customer group
- Adopted AI for risk based collection strategy and to roll out AI credit scoring in Q3
- Early outsourcing on uncontactable customers to external collection agencies
- Reviewed credit policy on Motorcycle financing

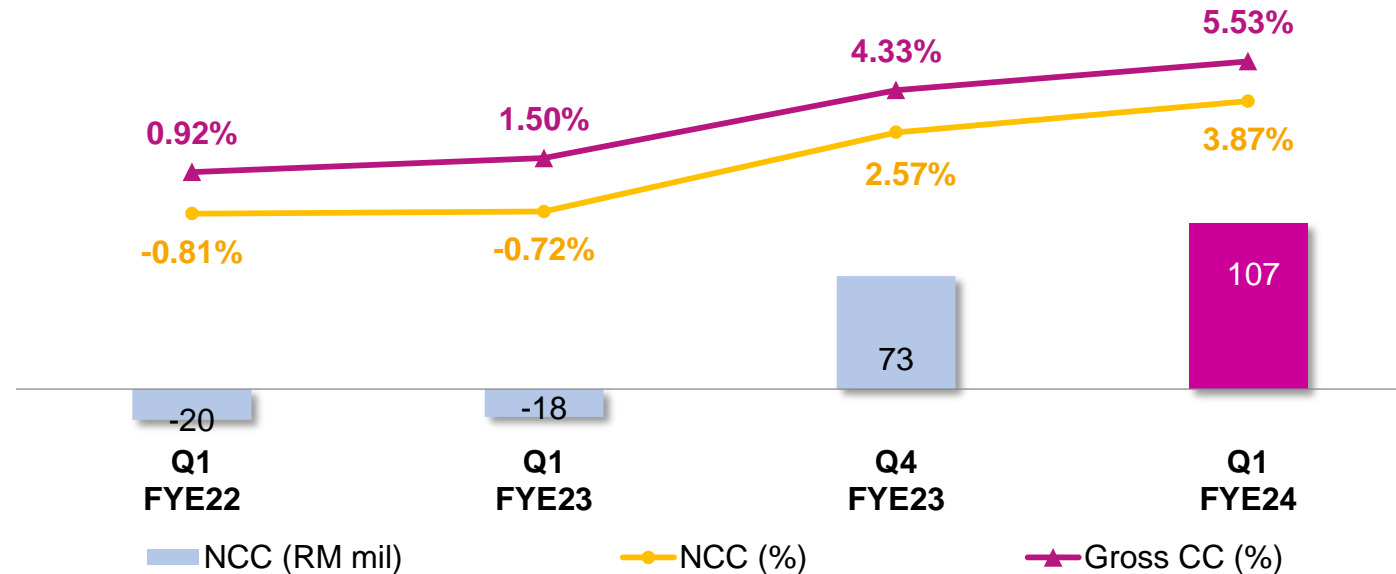
(RM mil)	Q1 FYE22	Q1 FYE23	Q4 FYE23	Q1 FYE23
Receivables	10,058	9,997	10,836	11,219
Balance D3+	176	253	313	351
NPL (%)	1.75	2.53	2.89	3.13

Net Credit Cost (NCC)

Continuous prudent approach on provisioning



NCC Trend



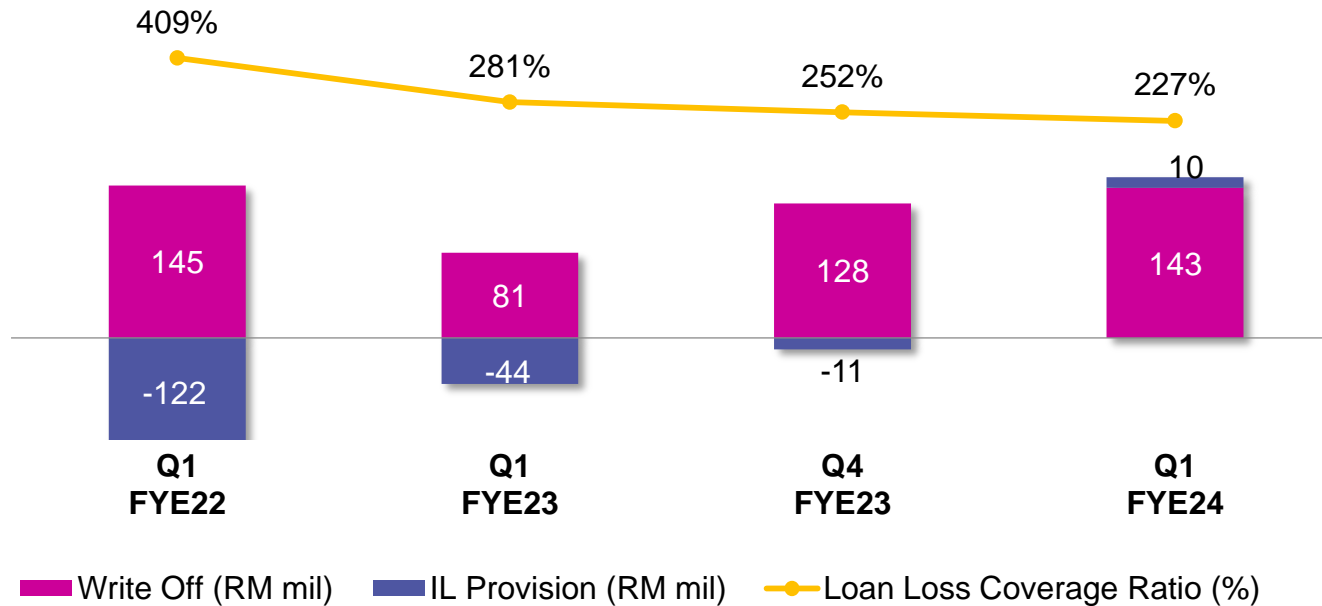
Higher annualised NCC:

- Higher impairment loss provision on new sales of RM30 mil contributed by increase demand during festive seasons
- Higher written-off attributed to higher receivables growth
- Lower IL in Q1 FYE23 as we benefitted from one-off EPF withdrawal which improved the collections and recoveries from bad debts

(RM mil)	Q1 FYE22	Q1 FYE23	Q4 FYE23	Q1 FYE24
Total Impairment Loss (IL)	23	37	117	153
(-) Bad Debt Recovered	43	55	44	46
NCC	-20	-18	73	107

Impairment Loss (IL) Analysis

Higher IL attributed to higher delinquent receivables and bad debt written off



Expected Credit Loss (ECL) provision attributed by:

- Higher IL due to higher ECL provision on new sales
- Higher bad debt written off by 11.4% attributed from young aged with lower disposable income group
- Lower IL in Q1 FYE23 due to RM80 mil impairment loss reversal attributable by EPF withdrawal in Apr'22

(RM mil)	Q1 FYE22	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ RM mil	QoQ
Write Off	145	81	128	143	15	11.4%
IL Provision	-122	-44	-11	10	21	179.7%
Total IL	23	37	117	153	36	30.8%

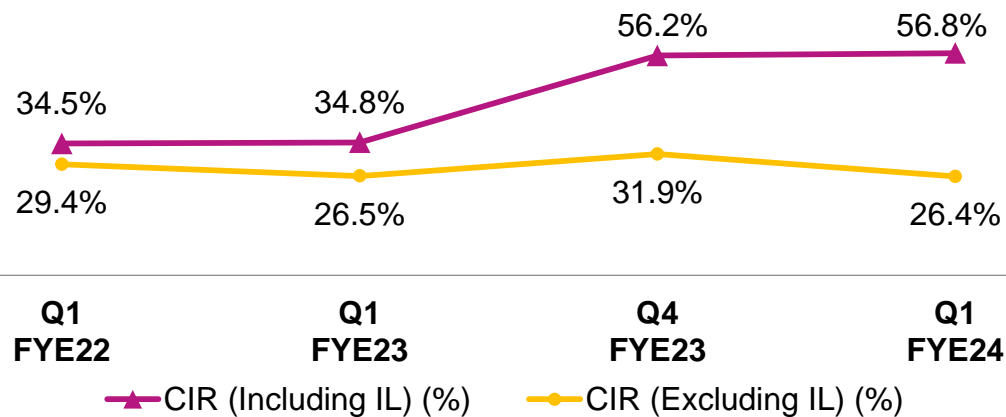
Cost-to-Income Ratio (CIR)

Operational efficiency (excluding IL) improved QoQ due to prudent cost management



RM mil	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY
Total Operating Income	449.3	481.2	501.9	4.3%	11.7%
Personnel Expenses	43.1	67.4	53.0	-21.4%	22.8%
Advertisement & Promotion	8.3	8.3	9.7	16.1%	16.1%
Other Operating Expenses	67.5	77.8	70.1	-10.0%	3.8%
Operating Expenses	118.9	153.5	132.8	-13.6%	11.5%
Total Impairment Loss	37.3	117.2	152.5	30.2%	309.2%
Total Operating Expenses	156.2	270.7	285.3	5.4%	82.6%

CIR Trend



Quarterly result

- Operating Income increased by 4.3% to RM501.9 mil contributed by higher revenue with higher receivables recorded
- Lower operating expenses attributed to reversal of over-provision of personnel cost
- Cost to income ratio excluding IL improved to 26.4% compared to 31.9% in Q4FYE23

KEY STRATEGIES AND MOVING FORWARD

FYE2024 Indicators

Continual delivery of sustainable returns to shareholders



	Indicators FYE24	Actual Q1 FYE24	Remark
Loan Growth	±10%	12.2%	<ul style="list-style-type: none"> Driven by high application count for Personal Financing and Vehicle Group Financing attributed to strategic marketing campaigns and strong demand
Cost-to-Income	< 57%	56.8%	<ul style="list-style-type: none"> Increased revenue from loan growth and higher fee income attributed to higher transactions volume Discipline cost management
ROE	±15%	16.3%	<ul style="list-style-type: none"> Annualised ROE of 16.3% underpinned by higher profitability
Dividend Payout Ratio	> 30% of PAT	-	<ul style="list-style-type: none"> No dividend was proposed or declared during the quarter

Growth Drivers

Expand customer base; drive receivable growth, supported by **revitalised branches**, expanded sales force and **digital platforms**

Personal Financing, Vehicle Financing and Credit card, remain as key focus to drive loan growth

Accelerate automation to improve our decision-making, maintain **credit discipline** and enhance **asset quality**

Maintain strong **operation expense discipline** whilst **continue to invest in marketing, IT and digital infrastructures** to drive acquisitions

Key Strategies for 2023 – 2026

4 Key Pillars of focuses to drive financial inclusion and sustainable growth

1 Receivables Growth

- Strengthen card acquisition framework to drive card in circulation growth
- Penetrate new customer segment via digital on-boarding

2 Enhance Customer Experience

- Complete digital on-boarding process to achieve 24 hours loan disbursement
- Innovate the new AEON mobile app
- Consolidate all AEON members onto ONE platform

3 Employee Development

- Talent development & acquisition
- New working environment transformation
- Accelerate IT organisation transformation

4 ESG & Sustainability

- Responsible corporate citizen by contribute to local community
- Embed sustainability initiatives into business model



Redefined Assessment Process

Automate decision making to improve judgment accuracy and productivity

Implement AI Scoring Model



Implement AI-based scoring model

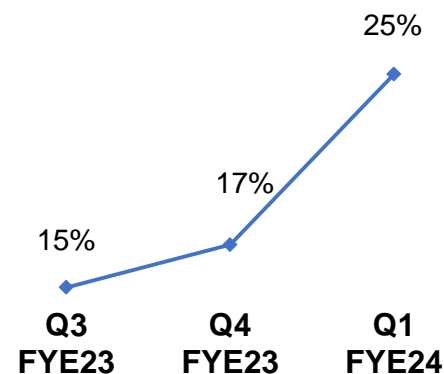
- Improve auto approval ratio from current 4% to 20%
- Reduce high-risk group customer from 30% to 20%
- Collaboration with AI company



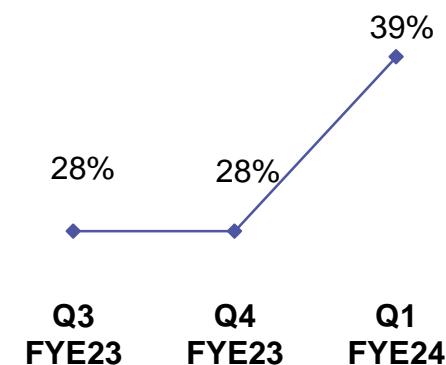
LOS 3.0 enhancement

- The overall approval turnaround time has shown improvement over the last two quarters
- Automatic Judgment process has increased from 30% in Q4FYE23 to 36% in Q1FYE24

**15 minutes
turnaround time
increased by 8% QoQ**



**1 hour turnaround
time increased by
11% QoQ**



Collection Management

Enhance efficiency and productivity through a New Collection System

Risk-Based Collection Approach



**Risk Based Collection
Score Card**



**Collection System
Enhancement**

- Implement new collection system with pooling function
- Prioritize treatment to higher risk customers
- Skip call for good paymasters

- Implemented **collection risk-based scorecard** model by categorising customers according to their scores and risk profiles for Personal Financing
- Extension of repossession operations to weekend and review incentives scheme to **improve collection recovery**
- Early **outsourcing** of delinquent account and uncontactable customer account to collection agencies
- Bad debt recovery increased from RM44 mil in Q4FYE24 to RM46 mil in Q1FYE24

Membership Expansion via AEON Living Zone

Establish common ID that connects all AEON points accounts to AEON Group Membership Platform

AEON Group Membership



Development of new financing service app to consolidate all AEON Group service into AEON Group Wallet

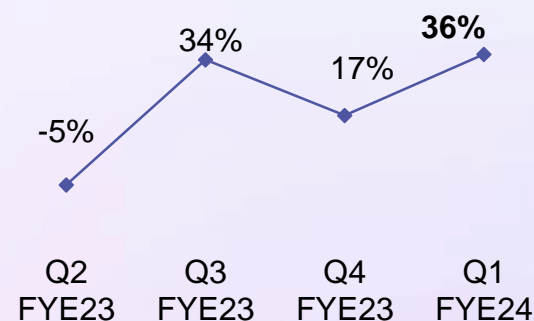


2.45 million

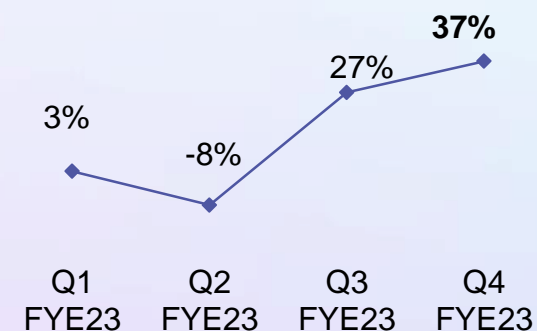
+109% vs. Q1FY23
new registration

Upgraded AEON Wallet usability and improved user experience

▲ New sign up increased by 102% YoY



▲ QR payment increased by 36% YoY

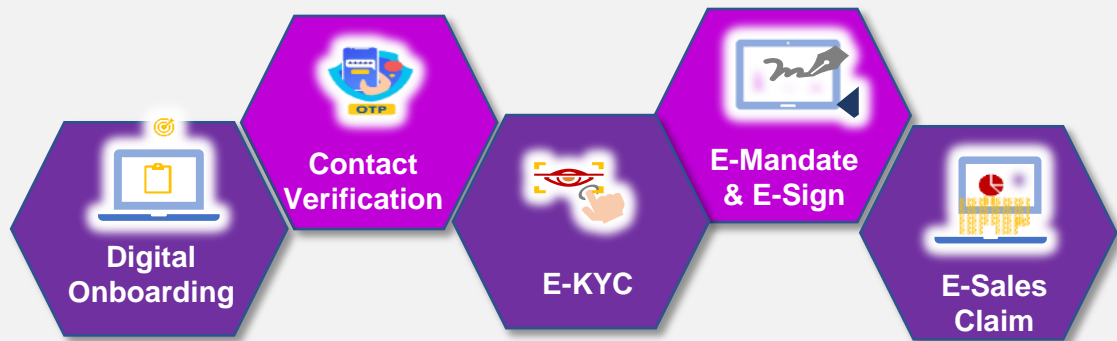


- Earn points and enjoy membership privileges in AEON Group & partners
- Finance Service App with digital onboarding feature
- Promote cross selling within the Group

Digital Onboarding

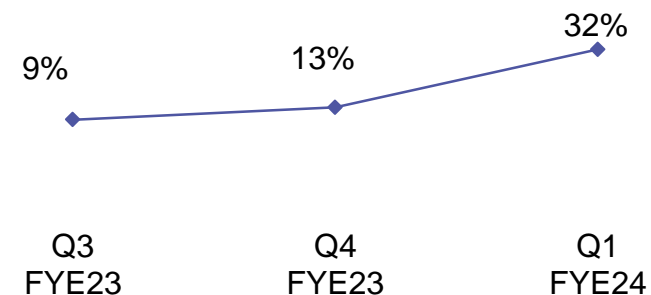
Driving sales and member growth via digital onboarding from application to disbursement within 1 day.

End-to-End Digital Onboarding



- Provide instant approval to good score customer
- Expand digital application channels for self onboarding
- Improve productivity and turnaround time with 40% auto assessment

- Easy payment digital onboarding with **instant conditional approval live in Sep'22** and **Personal Financing live in May'23**
- Backed by e-KYC and external scoring model, eligible customer receives **credit line approval instantly**
- **Achieved 32% pre-assessment applications in Q1FYE24**



Digital Bank Timeline for FYE22–23

Launch within 24 months from April 2022



AEON Consortium (“AEON”)



**AEON Financial
Service Co., Ltd.**

**AEON Credit
Service (M)
Berhad**

Received MOF letter for Islamic Digital Bank
licence on **8 April 2022**



ACS Digital Berhad

People

- ☐ Hiring of Key Personnel completed
- ☐ Dynamic & talented tech team

System Development

- ☐ System development is on schedule
- ☐ System testing and integration on-track

Operational Readiness

- ☐ Progressing as planned
- ☐ Appointed External Independent Reviewer for Operational Readiness Review (ORR)

Sustainability Focus

Embed Sustainability in AEON Credit business

Sustainability Statement

Shaping our future in financial services through sound, innovative and sustainable ESG practices and initiatives

Environmental

**Carbon Emission Reduction
(Scope 1 & 2)**

*Target: 15% reduction by
FYE2024*



Economy

Green and Social Financing



**Electric Motorcycle and
Scooter Financing**



**Hawkers and Petty Traders
Financing**

Social

**Education and CSR
Investment**



Digital Literacy



Community Investment

Governance

**Taskforce on Climate-related
Financial Disclosure (TCFD)**

- To report climate-related financial information



Sustainability Activities – Q1 FYE24

Corporate Social Responsibility Activities with Local Community





AEON CREDIT SERVICE

APPENDIX

Performance Highlights

(RM mil)	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY
Total Transaction & Financing Volume	1,486.7	1,599.3	1,832.3	14.6%	23.2%
Credit Card	410.0	428.7	435.7	1.6%	6.3%
Easy Payment Financing	737.6	712.0	856.7	20.3%	16.1%
Personal Financing	295.0	406.4	493.1	21.3%	67.2%
E-Money	44.1	52.2	46.8	-10.3%	6.3%
Total Income	449.3	481.2	501.9	4.3%	11.7%
Operating Expenses	-156.2	-270.7	-285.3	5.4%	82.6%
Interest Expenses	-77.6	-80.7	-84.7	4.9%	9.2%
Profit Before Tax	215.5	129.8	131.9	1.6%	-38.8%
Income Tax	-52.4	-34.5	-32.5	-5.6%	-38.0%
Net Profit	163.1	95.3	99.4	4.2%	-39.1

Financial Summary

(RM mil)	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY
Credit Card	676.1	717.9	719.7	0.2%	6.4%
Card Purchase	656.9	690.6	692.2	0.2%	5.4%
Cash Advance	19.2	27.3	27.5	0.4%	42.7%
Personal Financing	2,604.7	2,970.9	3,126.5	5.2%	20.0%
Objective Financing	390.8	522.9	567.0	8.4%	45.1%
Motorcycle Financing	3,536.7	3,753.9	3,850.1	2.6%	8.9%
MOPED	2,769.6	2,975.6	3,061.9	2.9%	10.6%
Superbike	767.1	778.3	788.2	1.3%	2.8%
Auto Financing	2,773.9	2,858.2	2,941.4	2.7%	7.6%
SME Financing	14.3	12.0	14.3	18.7%	0.0%
Total Financing Receivables	9,996.5	10,835.8	11,219.0	3.5%	12.2%
Impairment Loss	-712.1	-787.2	-796.3	1.2%	11.8%
Other Assets	1,165.2	1,068.5	1,131.1	5.9%	2.9%
Total Assets	10,449.6	11,117.1	11,553.8	3.9%	10.6%
Total Liabilities	8,027.8	8,592.3	8,922.6	3.8%	11.1%
Shareholders' Fund	2,421.8	2,524.8	2,631.4	4.2%	8.7%

Operating Income

(RM mil)	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY
Credit Card	35.3	39.3	39.2	-0.1%	10.8%
Personal Financing	102.8	121.4	128.8	6.1%	25.3%
Objective Financing	21.7	28.2	32.0	13.5%	47.7%
Motorcycle Financing	144.6	154.0	160.3	4.1%	10.9%
Auto Financing	79.4	82.5	85.5	3.5%	7.6%
SME Financing	0.3	0.2	0.3	19.7%	-8.8%
E money	4.2	4.8	3.6	-25.0%	-13.0%
Brokerage Fee*	2.3	2.3	3.0	29.2%	30.8%
Total Revenue	390.6	432.7	452.7	4.6%	15.9%
Other Operating Income	58.7	48.5	49.2	1.4%	-16.2%
Total Operating Income	449.3	481.2	501.9	4.3%	11.7%

Note: *AEON Insurance Brokers (M) Sdn Bhd (Formerly known as Insurepro Sdn Bhd) becoming a wholly-owned subsidiary of AEON Credit since Oct 2021

Total Expenses

(RM mil)	Q1 FYE23	Q4 FYE23	Q1 FYE24	QoQ	YoY
Impairment Loss on Receivables	37.3	117.2	152.5	30.2%	309.2%
Personnel Expenses	43.1	67.4	53.0	-21.4%	22.8%
Advertisement & Promotion (A&P)	8.3	8.3	9.7	16.1%	16.1%
Other Operating Expenses	67.5	77.7	70.1	-10.0%	3.8%
Operating Expenses	156.2	270.6	285.3	5.4%	82.6%
Interest expenses	77.6	80.8	84.7	4.9%	9.2%
Total Expenses	233.8	351.4	370.0	5.3%	58.3%

Financial Indicators

	FYE21	FYE22	FYE23	Q1 FYE23	Q1 FYE24
PBT (RM mil)	324.9	526.8	547.0	215.5	131.9
PAT (RM mil)	234.0	365.4	417.7	163.1	99.4
Weighted average no. of ordinary shares (mil)	255.3	255.3	255.3	255.3	255.3
Basic EPS (RM)*	0.88	1.39	1.60	2.5	1.5
NTA per share (RM)	6.6	7.8	9.1	8.7	9.5
ROE (%)*	13.8	19.2	18.8	30.7	16.3
ROA (%)*	2.3	3.6	3.9	6.4	3.5
Capital Adequacy Ratio (%)	24.0	26.8	27.1	28.1	27.1
Debt-to-Equity Ratio (x)	3.8	3.1	3.0	2.9	3.03
Share Price (RM)	11.7	14.7	12.0	14.6	11.4
PER (x)	13.3	10.6	7.5	5.7	7.5
Market Capitalisation (RM mil)	2,992	3,748	3,064	3,717	2,911



AEON CREDIT SERVICE

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