



AEON CREDIT SERVICE

Investor Relation Engagement

20 November 2023



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ABOUT AEON CREDIT

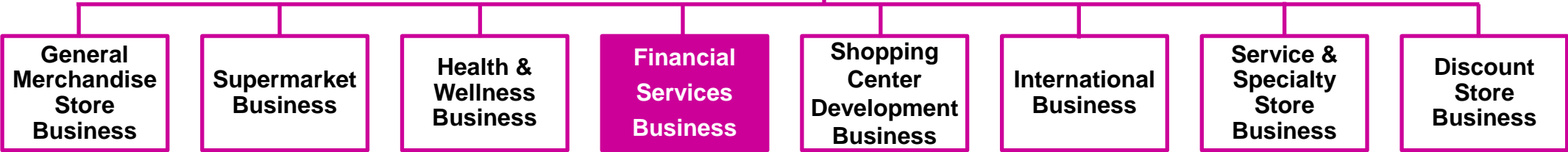




CORPORATE STRUCTURE



AEON CO., Ltd., Japan



AEON Financial Service Co., Ltd. (AFSJ)

61.5%



AEON Credit Service (M) Berhad (ACSM)

100.0%



AEON Insurance Brokers (M) Sdn Bhd

- ❖ Incorporated on 6 Dec 1996
- ❖ Listed on the main market of Bursa Malaysia Securities Berhad on 12 Dec 2007
- ❖ Acquired 100% equity interest in AEON Insurance Brokers (M) Sdn Bhd on 30 Sep 2021
- ❖ Target to complete capital injection in ACS Digital Berhad by 15 December 2023 to undertake the digital Islamic bank business



63 branches and service centres nationwide



> 3,000 employees



BUSINESS OVERVIEW

More than 5.4 million members; Receiving 2 mil+ applications yearly



Easy Payment

Vehicle Financing

Personal Financing

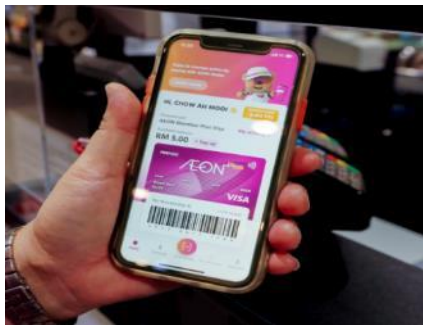
Objective Financing

Settlement

Insurance Broker

Credit Card, AMP & AEON Wallet

AEON Insurance Brokers



➤ 212k Credit Card members

➤ 2.5 mil AMP Card members

➤ 2.0 mil AEON Wallet sign ups

➤ 8.1k Merchant outlets

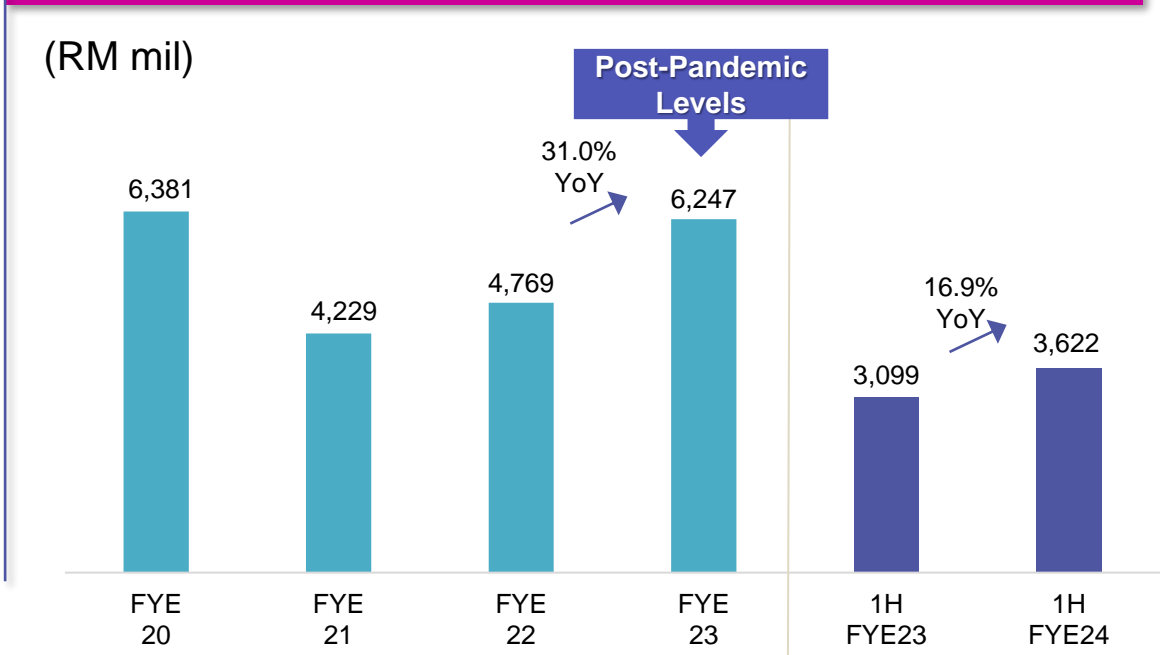
➤ 2.7 mil Express members

FINANCIAL HIGHLIGHTS



Easy payment and Personal Financing volume increases YoY driven by double digit growth in loan application

TOTAL TRANSACTION & FINANCING VOLUME



- ❖ Steadily growing through healthy business expansion despite volatile economic condition in past years
- ❖ FYE23 recorded YoY growth of 31.0% underpinned by Vehicle Financing and Personal Financing

1HFYE24

- ❖ **Transaction and Financing Volume** grew by 16.9% YoY to RM3.6 bil, mainly contributed by growth in Personal Financing Volume and Credit Card Transactions
- ❖ Auto Financing volume grew by 39.0% YoY attributed to the scheme revision with car age extension coupled with an improvement in sales claimed ratio

FYE24 Focus

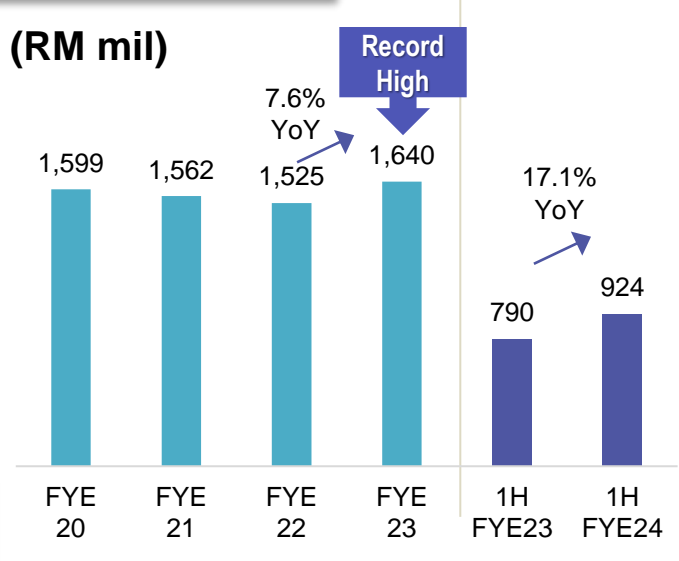
- ❖ Strengthen collaboration with AEON Group and streamline credit card features to drive cards in circulation
- ❖ Focus on completing digitalization processes and adapting with external scoring model to drive sales and expand our membership
- ❖ Enhance asset quality by strengthen the merchant management framework and launch the external scoring model, ie Gailabo to drive motorcycle financing growth

FINANCIAL HIGHLIGHTS (cont'd)



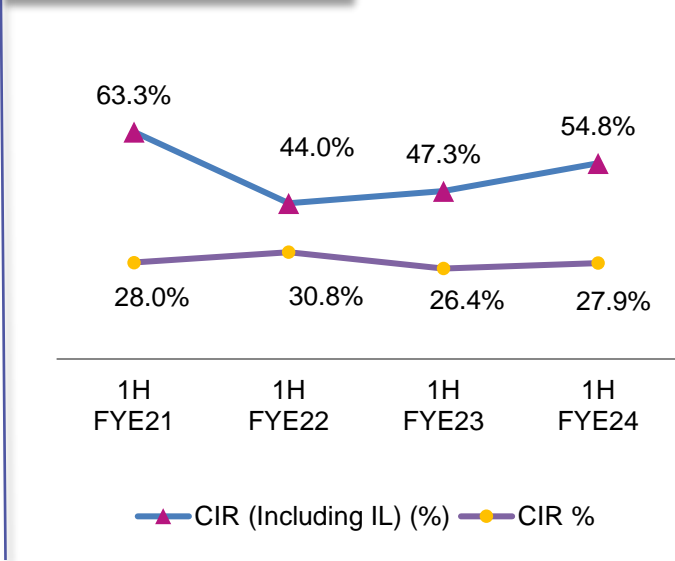
Continual Revenue growth underpinned by growth in transaction and financing volume

REVENUE



Revenue for 1HFYE24 grew by 17.1% YoY to RM924 mil attributable to higher interest income and fee income in line with the growth in transaction and financing volume

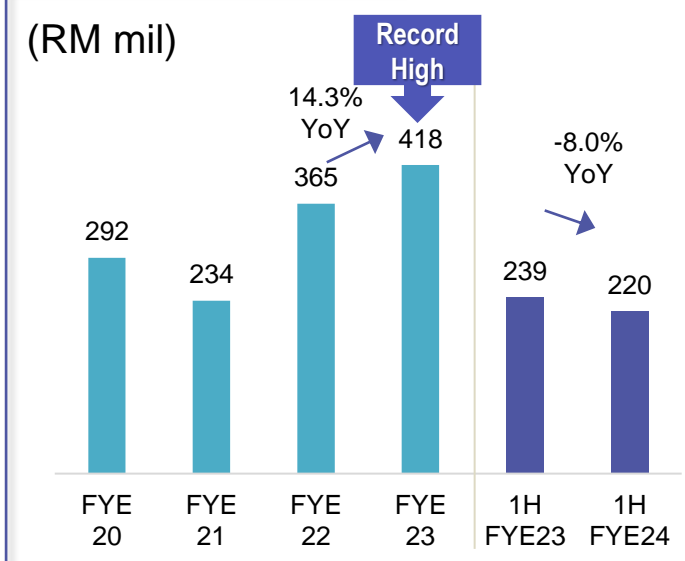
CIR Trend



Cost to income ratio (CIR) stood at 27.9% compared to 26.4% in 1HFYE23

Higher CIR contributed by higher total operating expenses mainly from personnel expenses and other operating expenses, partly in line with higher sales and revenue generated relevant cost

PAT



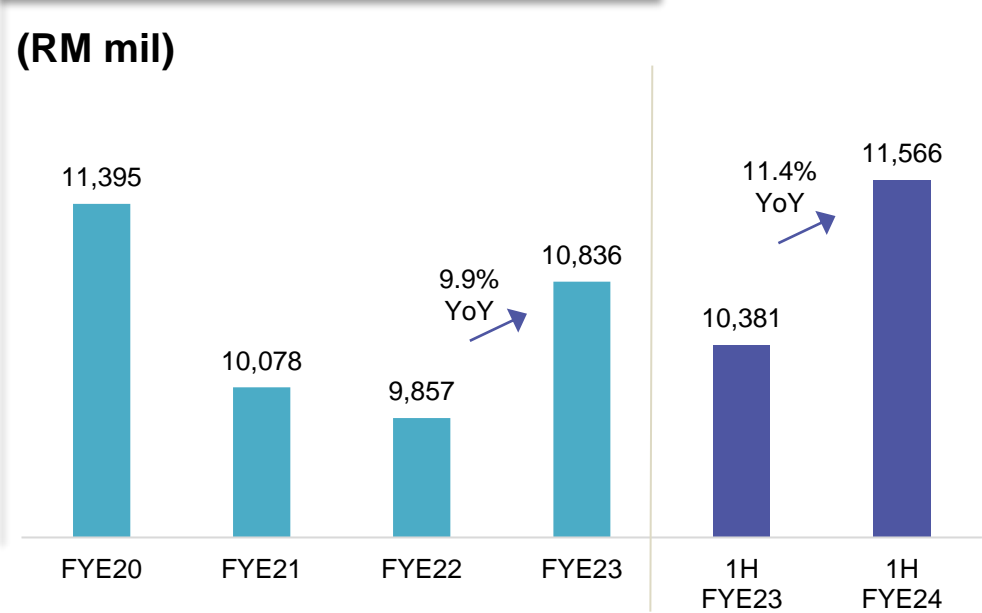
Profit after tax (PAT) for 1HFYE24 declined by -8.0% YoY to RM220 mil mainly due to the higher impairment losses on financing receivables by RM85.9 million

FINANCIAL HIGHLIGHTS (cont'd)

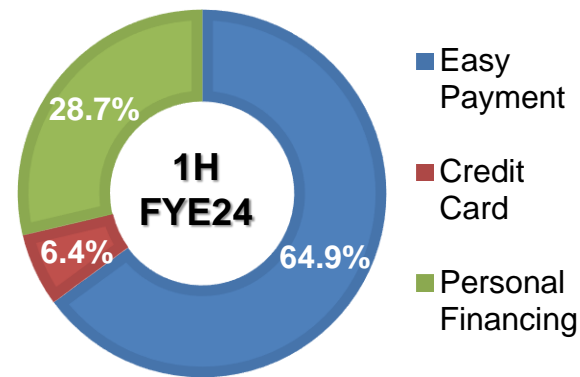


Loan growth momentum driven by merchant network expansion, branch and online channel

RECEIVABLES GROWTH



Receivables Portfolio Composition



1HFYE24

- ❖ Overall loan growth momentum driven by higher approval ratio coupled with higher good score customer applications, mainly contributed by Personal Financing
- ❖ Easy Payment contributed 64.9% of total portfolio. Motor Financing and Objective Financing growth were impacted by credit policies refinements for the young group with lower disposable income and higher downpayment requirement for new credit customers

FYE24 Focus

- ❖ Adapting AI credit scoring model and promote digital onboarding to enhance portfolio management and improve productivity
- ❖ Growth of Used Car Financing and Superbike Financing
- ❖ Continue focus on asset quality management towards achieving a sustained lower net credit charge off rate

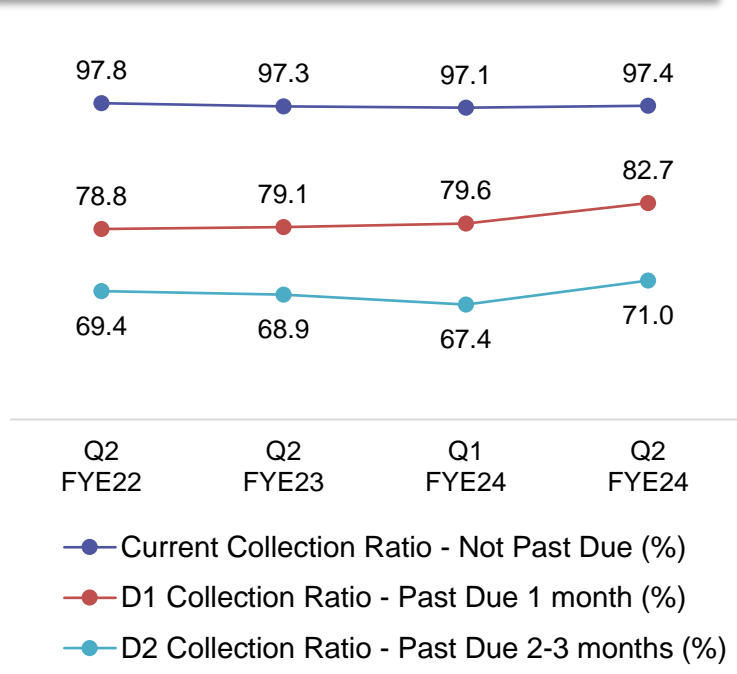
- ❖ Receivable growth slow down in FYE21-23 affected by COVID19 pandemic related restrictions, recovered in second half year 2023 through effective marketing campaigns and growth of Personal Financing and Vehicle Financing

ASSET QUALITY

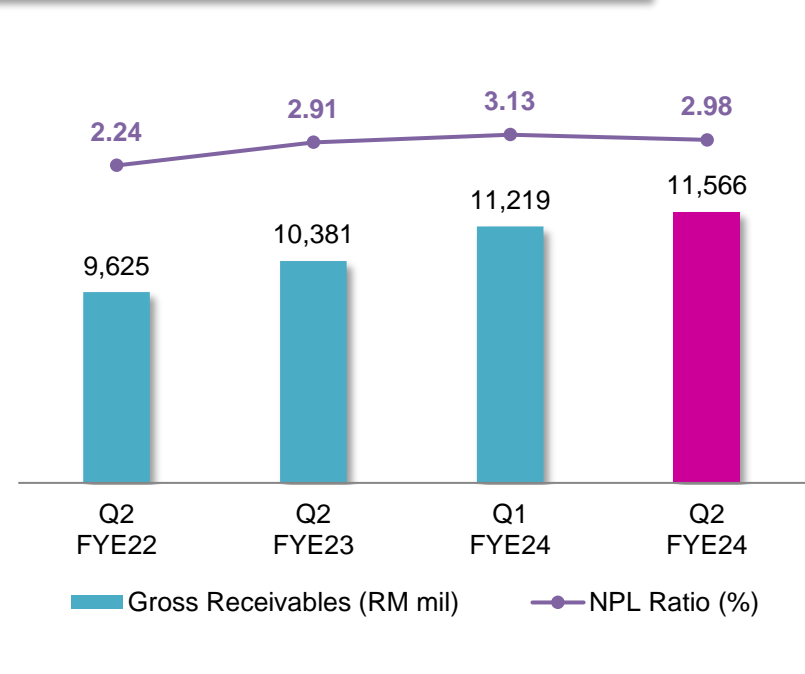


Maintain balance approach of sales expansion and prudent credit management

RECEIVABLES COLLECTION



NON-PERFORMING LOAN



FYE24 Focus

- ❖ Adopt risk-based collection strategy, focusing on high-risk customers to improve collection strategy and productivity
- ❖ Strengthen merchant management framework and focus on completing digitalization processes with AI scoring to acquire good score customers
- ❖ Continue focus on asset quality management towards achieving a sustained lower net credit charge off rate

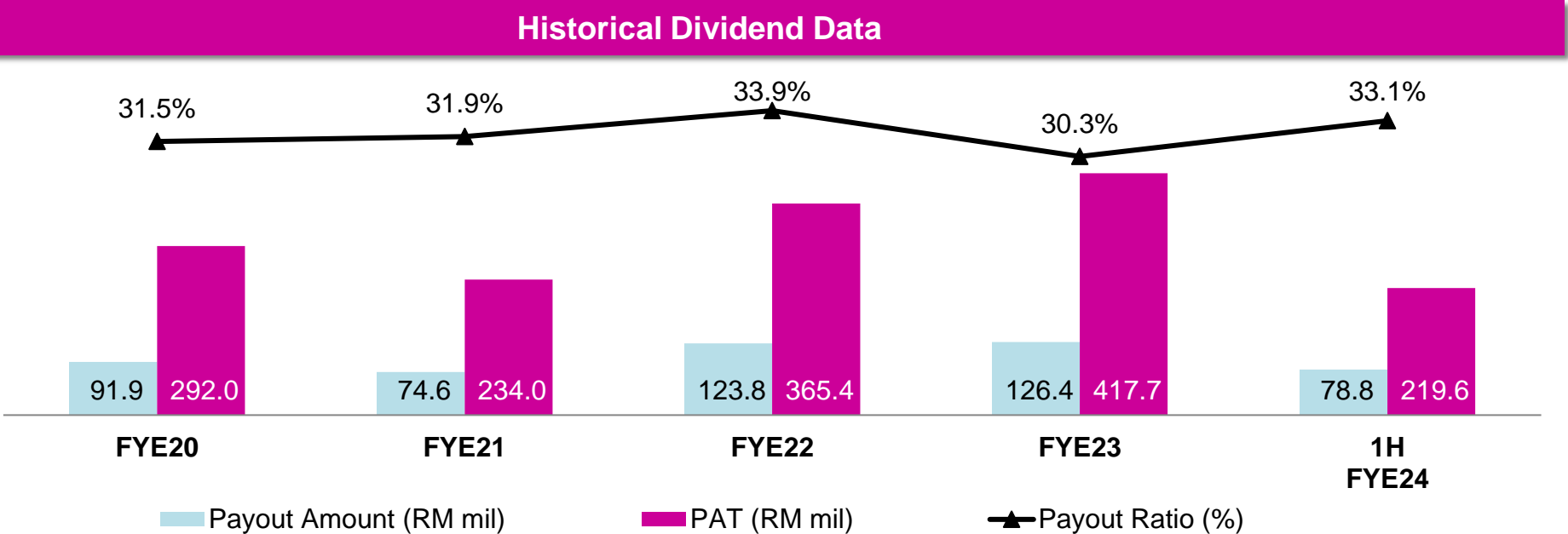
Asset quality improve QoQ

- ❖ Launching of risk-based collection strategy in Mar'23
- ❖ Asset quality improve QoQ contributed by Objective Financing and Motorcycle Financing collection performance improvement
- ❖ Early outsourcing of delinquent account to external collection agencies

Dividend



Declared interim dividend of 28.50 sen for FYE24, translating into dividend payout ratio of 33.1%



Sen	FYE20	FYE21	FYE22	FYE23	1H FYE24
Interim	22.25	9.20	28.50	28.50	28.50
Final	14.00	20.00	15.00	21.00	-
Special	-	-	*5.00	-	-
Total	36.25	29.20	48.50	49.50	28.50

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

KEY STRATEGIES AND MOVING FORWARD





FYE2024 INDICATORS

Continual delivery of sustainable returns to shareholders

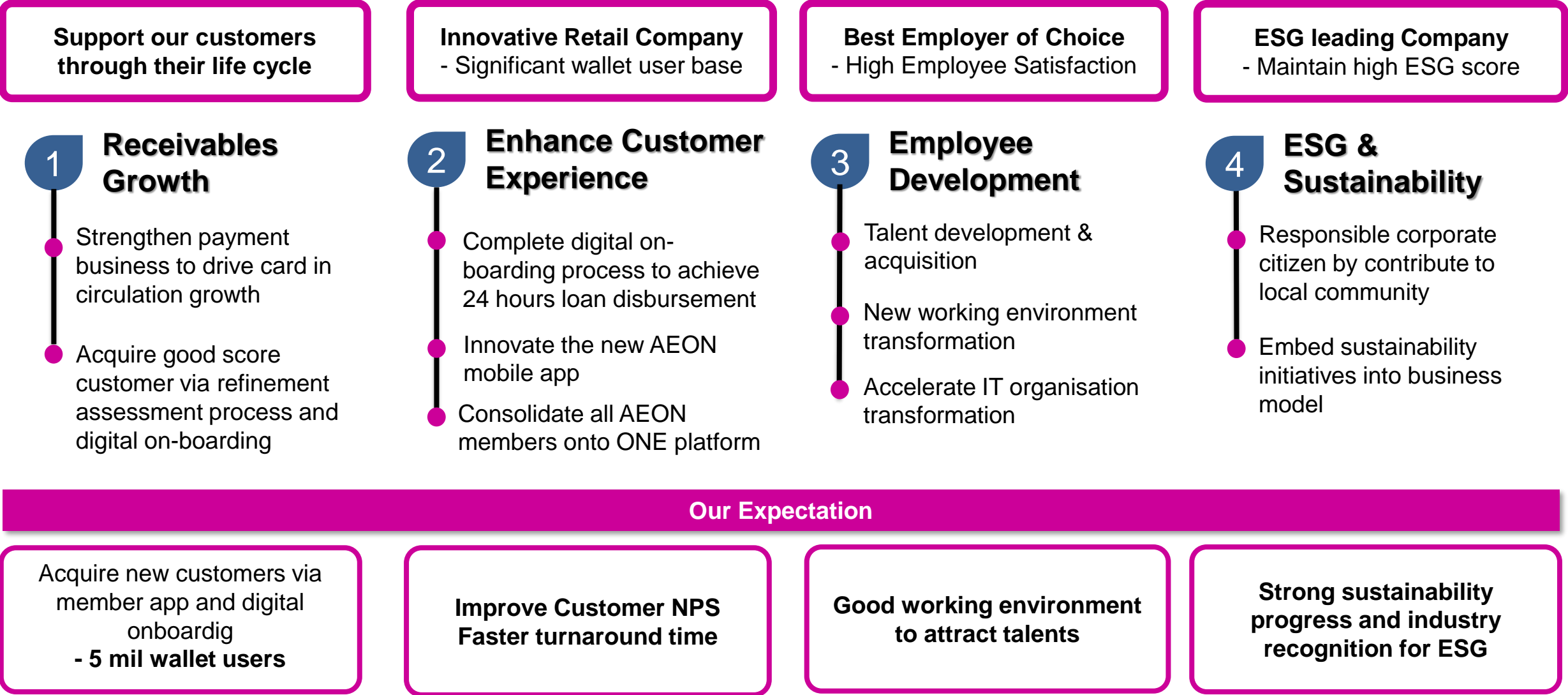


	Indicators FYE24	Actual 1H FYE24	Remark
Loan Growth	±10%	➤ 11.4%	<ul style="list-style-type: none">Driven by high application count coupled with higher approval ratio, attributed to strategic marketing campaigns and higher pre-assessment application
Cost-to-Income (include IL)	< 57%	➤ 54.8%	<ul style="list-style-type: none">Increased revenue from loan growth and transaction volumeDiscipline cost management
ROE	±15%	➤ 17.8%	<ul style="list-style-type: none">Annualised on first half year result
Dividend Payout Ratio	> 30% of PAT	➤ 33.1%	<ul style="list-style-type: none">Declared Interim Dividend of 28.50 sen

OUR MID TERM ASPIRATIONS



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



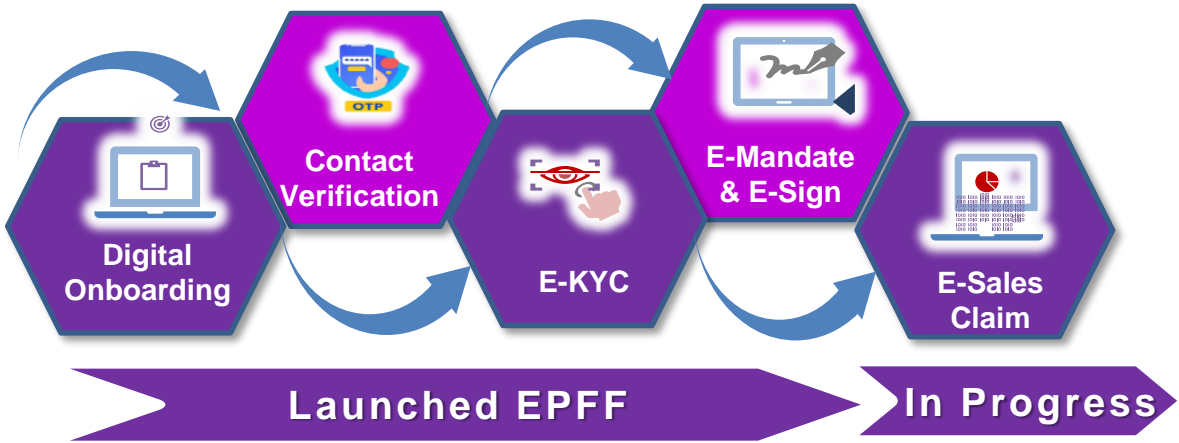


RECEIVABLES GROWTH



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

End-to-End Digital Onboarding



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

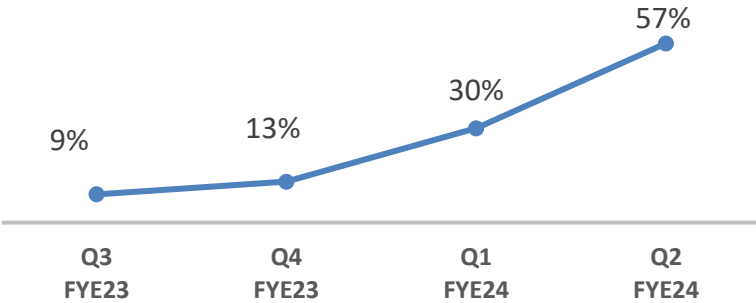
➤ Easy payment digital onboarding with **instant conditional approval live in Sep'22** and **Personal Financing live in May'23**

➤ Personal Financing grew by 6.1% QoQ driver by higher online application and better approval ratio benefitted from introduction of pre-assessment

➤ E-Mandate live in Sep'23 and E-signature live in Oct'23

Pre-assessment

➤ Achieved **57% pre-assessment applications in Q2 FYE24**; higher approval ratio recorded for application via pre-assessment solution



2. Enrichment of Credit Card Business via rebranding and card features revamp revision

Credit Card Features Revamp



Streamline card features

- AEON Retail collaboration and intensify cross selling activities
- Improve service level with new branch / service counter concept
- Target card in circulation to increase by 20% YoY

Rebranding

- Launch new card features in Oct'23 to acquire AEON Shoppers through attractive rewards and benefits, making AEON credit card a “Must Have Card” in AEON Store
- Set up 10 direct sales team

New branch and Recruitment Counter concept



IOI branch opening



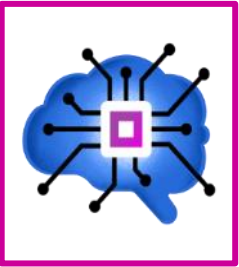
New credit card Recruitment Counter

3. Redefined assessment process to improve accuracy and productivity

Implement AI Scoring Model



Implement AI-based scoring model



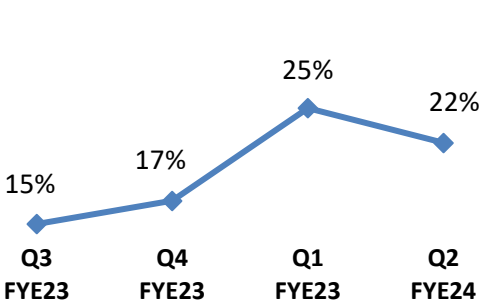
LOS 3.0 enhancement

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

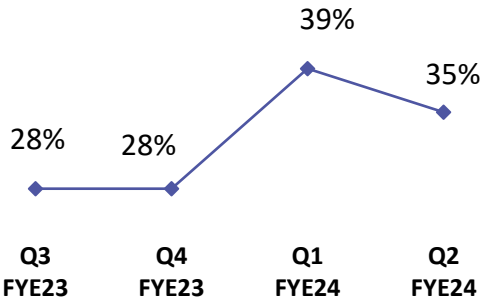
- Loan Origination System (LOS) 3.0 live in Oct'23
- Automatic judgment process stood at 34% as at Aug'23

Approval Ratio Turnaround time

15 minutes turnaround time > 20%



1 hour turnaround time exceeds 30%





RECEIVABLES GROWTH



4. Enhanced efficiency and productivity through 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 Easy Payment and Personal Financing
- Extension of repossession operations to weekend and review incentives scheme to **improve collection recovery**
- Early **outsourcing** of delinquent and uncontactable customer accounts to collection agencies

Productivity

▲ 10% QoQ

Current account billing per head

▲ 100%

Skip call for good paymasters expanded to EPPF

▲ 5% YoY

Bad debt recovered

EHNANCE CUSTOMER EXPERIENCE

Improve user experience through one stop financing app



AEON Group Membership



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

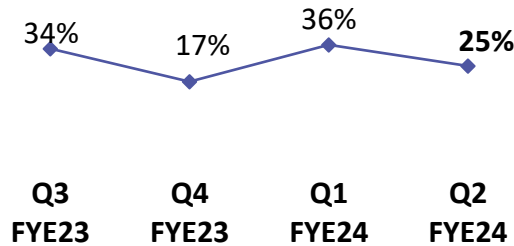
2.50 million Users

Upgraded AEON Wallet usability and improved user experience



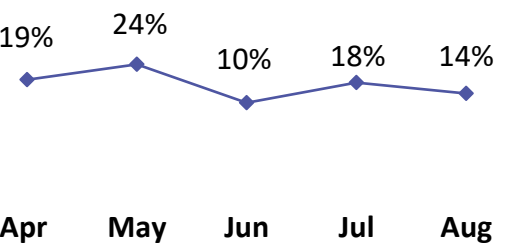
Wallet Sign UP

> 100k new sign up in Q2 FYE24

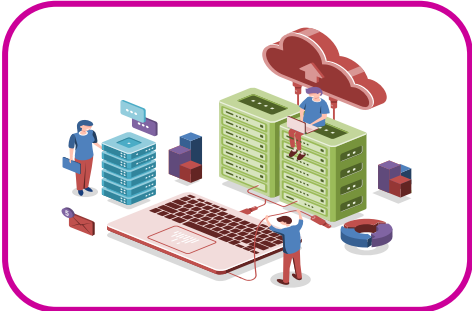


Repayment Transaction

▲ Transaction increased by 14% MoM



Employee Development



- Invested in Microsoft 365 to modernize working platform
- Launch of HR mobile app
- Invest in cloud shifting and migration for changing business needs

- High employee satisfaction (ES) Company
- Transform new working environment
- Talent development & acquisition
- Accelerate IT organisation transformation

Employee Development



▲ **51%**
(vs. FYE23: 20,821)
Training hours

▼ **1.9%**
(vs. FYE23: 10.2%)
Attrition Rate

▼ **4.0%**
(vs. FYE23: 81%)
E-NPS

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

To create culture and awareness to employee for energy saving

CO₂

Economy

Green and Social Financing

Electric Motorcycle and Scooter Financing

Launch in Oct 23

Hawkers and Petty Traders Financing

In progress

Social

Education and CSR Investment

Digital Literacy

Community Investment

Contributed RM1mil Malaysian AEON Foundation (MAF) for CSR activities

Governance

Taskforce on Climate-related Financial Disclosure (TCFD)

Appointed ESG consultant to facilitate the development of TCFD implementation roadmap and the assessment of climate risk

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

ESG Achievement to-date:-

Upgraded to AA by MSCI ESG Ratings

MSCI ESG RATINGS

AA

CCCBBBBBBA

RATING ACTION DATE: July 27, 2023

LAST REPORT UPDATE: July 27, 2023

ESG Rating history

AAA

AA

A

BBB

BB

B

CCC

Dec-18Dec-19Dec-20Oct-22Jul-23

CORPORATE EXERCISE



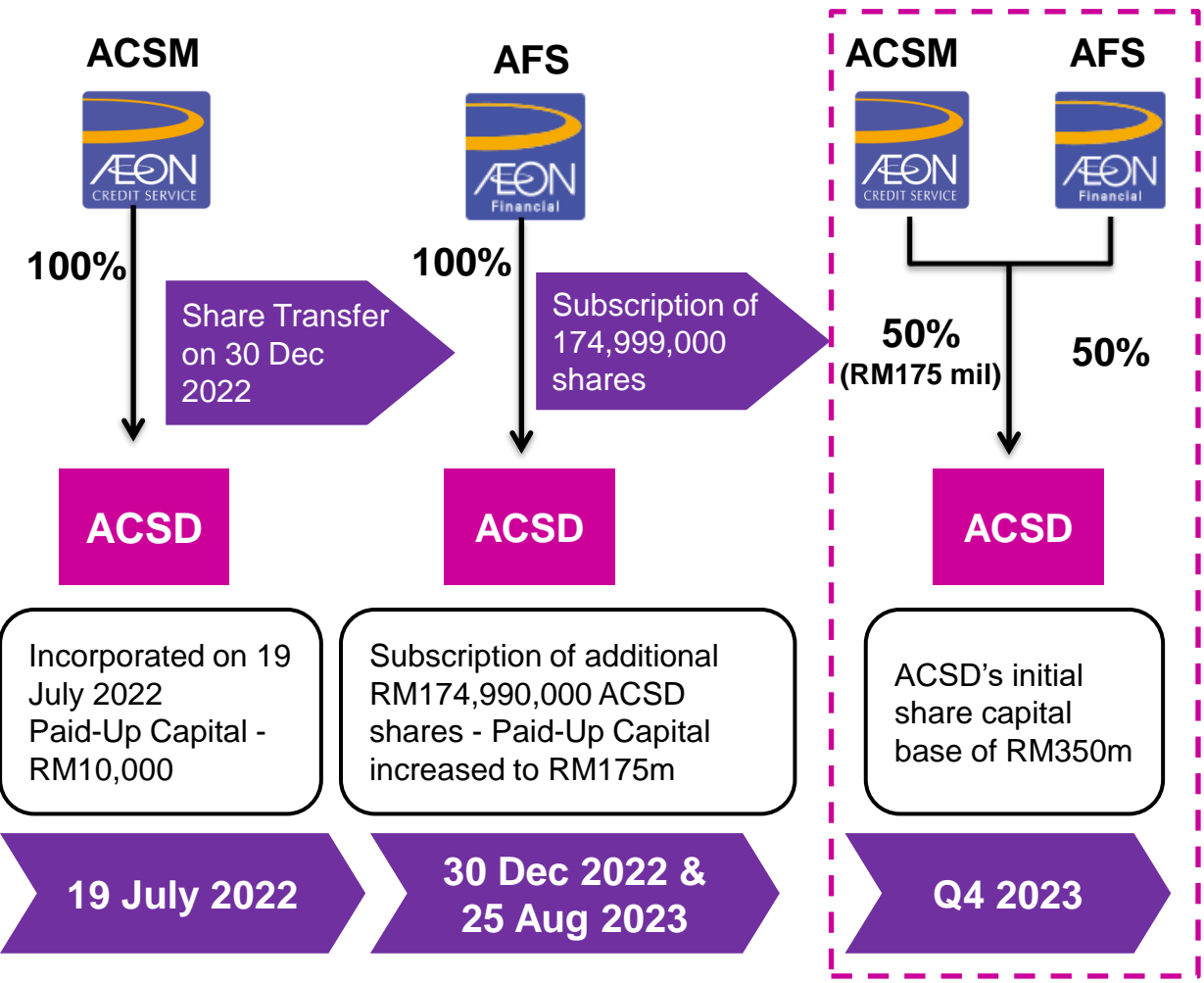


PROPOSED JOINT VENTURE STRUCTURE AND CAPITAL INJECTION



To undertake the business of a Digital Islamic Bank

Shareholding Structure



Capital Injection

- Total estimated capital injection of RM550 million for up to 5 years from commencement of the Digital Bank**
- ❖ Capital injection via subscription shares in ACSD
 - ❖ To complete subscription of RM175 million ACSD shares each by Q4 2023 (prior to complying with equity condition below)
 - ❖ Eventual equity structure in ACSD will be AEON Credit (35%), AFS (35%) and *the Malaysian shareholder(s)* (30%)

Effects to AEON Credit

- ❖ AEON Credit proposes to subscribe for 50% equity interest in ACSD equivalent to cash RM175 million which will be fully funded from internally generated funds
- ❖ ACSD will be recognized as an associated company of AEON Credit

JOINT VENTURE OPPORTUNITIES

AEON Credit X Digital Bank Benefits



- ▶ Activating AEON Living Zone
- ▶ Expand Customer Lifetime Value (CLTV)
- ▶ Enhancing Resources & Technology
- ▶ Increasing Competitive Edge



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