QUESTIONS BY MINORITY SHAREHOLDERS WATCH GROUP AND REPLIES

QUESTION 1

Affin Axelerate 2028 (AX28) strategy is driven by five key focus areas below, forming the foundation for transforming the bank into a stronger, more customer-centric, and sustainable financial institution (page 96 of IAR2025):

- ***Private banking business to support T20***
- ***New digital core***
- ***Greater presence in Sarawak***
- ***Becoming capital efficient to unlock ROE***
- ***Bigger ESG game***

QUESTION 1 (cont'd)

With the emergence of the Sarawak state government as the largest shareholder of Affin Bank with a 31.25% stake, what are the competitive edges this provides to Affin Bank compared to others when tapping into the various underpenetrated industries?

Additionally, what are the expected changes to the Bank’s source and growth of deposits following the entry of the Sarawak state government as a major shareholder?

Subsequently, how will these changes shape the CASA ratio and loan growth?

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AFFIN'S REPLY TO QUESTION 1

The Bank's main strategy is defined in the AX28 Transformation plan. This plan has been presented and endorsed by Sarawak Government. Implementation of the plan now rests with Management.

AX28 Key Financial Targets :

Key Financial Measures	2020 Actual	2024 Actual	2028 Target	CAGR (2024 – 2028)
Profit Before Tax (BAU)	RM387 mil	RM749 mil	RM1.8 bil	37%
CASA Ratio	22%	30%	35%	4.1%
Total Assets	RM69 bil	RM112 bil	RM180 bil	9.9%
Total Loans/ Financing	RM46 bil	RM72 bil	RM116 bil	15%
Total Deposits	RM50 bil	RM75 bil	RM123 bil	15%
Total Customer Base	1 mil	1.6 mil	3 mil	32%

QUESTION 2 (a)

Affin Bank's cost-to-income ratio (CIR) continued to be elevated at 76.9% (FY2023: 71.6%). "Efficiency x5" is one of the five Strategic Thrusts (STs) under the AX28. The Bank has set an ambitious CIR target of <53% by 2028.

Meanwhile, Affin Bank plans to expand its branch network from 130 in 2024 to 150 by 2025 and possibly to 180 by 2028, focusing on expansion in Penang, Johor, Sabah and Sarawak.

While the expansion will lead to stronger loan and fee income growth in the longer term, CIR may remain elevated due to higher operating expenses to be incurred upfront.

QUESTION 2 (a) (cont'd)

(a) Given the current high CIR of 76.9%, what concrete initiatives are being implemented under the "Efficiency x5" ST to bring it below 53% by FY2028?

AFFIN'S REPLY TO QUESTION 2 (a)

- **The Group will emphasis more on revenue generation (loan growth, Investment Banking and Stockbroking businesses) moving forward, with the focus on fee-based income, CASA push, NIM expansion and regional attack model as well as capture market share to drive the topline growth.**

AFFIN’S REPLY TO QUESTION 2 (a) (cont'd)

- **Technology and digital investment remain central to our growth strategy – The Group will continue to enhance customer experience and operational efficiency by strengthening our digital capabilities, such as Mobile Internet Banking, AFFINMAX, Digital Core, advanced credit card management system and Big Data Analytic. These efforts will ultimately drive operational efficiency and elevate the customer experience.**

- **The Group will continuously adopt its strategic cost management initiatives (i.e. ACE-5 Strategy) to improve the Group CIR. This initiative aims to streamline operations, optimize resource allocation, and drive efficiency across all divisions within the Group.**

OPERATIONAL & FINANCIAL MATTERS

QUESTION 2 (b)

(b) How feasible is the targeted CIR of <53% by 2028, considering the cost pressures from planned branch expansions and continued investment in digital initiatives?

AFFIN'S REPLY TO QUESTION 2 (b)

Our primary strategy is to scale up our businesses through assets growth. We need to acquire market share and expand our CASA with target CASA growth of between 10% - 12% per annum by 2028.

Key Financial Measures	2020 Actual	2024 Actual	2028 Target	CAGR (2024 – 2028)
CASA Ratio	22%	30%	35%	4.1%
Total Assets	RM69 bil	RM112 bil	RM180 bil	9.9%

AFFIN’S REPLY TO QUESTION 2 (b) (cont'd)

In addition, we are also enhancing digital capabilities through robotic process automation in order to improve our service delivery and customers’ experience.

With cheaper source of funding and digital enhancement, this will result in lowering our CIR over the next few years.

QUESTION 2 (c)

(c) Given the rising trend in digital banking, what is the rationale behind expanding the physical branch network rather than optimising or digitising existing operations to improve efficiency?

AFFIN'S REPLY TO QUESTION 2 (c)

- **In 2022, we had launched A1addin online deposit which achieved 4,000 customers and RM180K in deposits. We noted high incidents of mule accounts and fraudulent accounts in online deposits. This is insufficient to support our AX28 aspirations.**

AFFIN'S REPLY TO QUESTION 2 (c) (cont'd)

- BNM has further issued a guidelines on physical verification to be performed at branches given high incidences of online scams and frauds.

- In 2023, AFFIN improved its Net Promoter Score (NPS) from +27 (2019) to +69, being the highest NPS score ever, ranking third (3rd) in the industry. This milestone was primarily driven by our improved service level at branch network.

- Branch expansion is a key driver for acquiring deposits growth. This strategic location will center its attention on a substantial customer base, particularly targeting high-net-worth individuals and burgeoning areas with growing SME businesses (economic zones).

AFFIN’S REPLY TO QUESTION 2 (c) (cont'd)

- Physical touchpoint build trust and deepen relationships with customers by truly understanding their needs which align with our Strategic Objective (i.e. Unrivalled Customer Service).

- This is demonstrated by the 18.3% YoY increase in CASA as at FY2024, hitting a record of 30.4% CASA ratio. This initiative need to be coupled with fly-over digital strategies including mobile app, internet banking, new treasury system, advanced credit card system, loan operating system (LOS), CRM360, digital core, e-wallet and many more.

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QUESTION 3

There was a substantial decline in Affin Bank's loan loss coverage (LLC) ratio to 83.65% in FY2024 from 116.86% in FY2023, well below the banking industry's average of 129%. At the same time, the Bank recorded a slight uptick in gross impaired loan (GIL) ratio to 1.94%. Both ratios suggest signs of deterioration of Affin Bank's asset quality.

Is there any urgency to strengthen impairment provisions in response to this trend? How much of the impaired loans, advances, and financing by percentage were from collateralised loans? Additionally, what is the outlook for asset quality moving forward?

AFFIN'S REPLY TO QUESTION 3

Gross Impaired Loan (GIL) Ratio: Affin Bank's GIL ratio stood at 1.94% in FY2024, slightly up from 1.90% in FY2023. The Bank aims to maintain the GIL ratio below 2%, reflecting a cautious but stable outlook for asset quality.

Loan Loss Coverage (LLC) ratio decreased from 116.86% in FY2023 to 83.65% in FY2024. This is a P&L ratio.

Despite the decline, Affin Bank remains comfortable with its current levels of LLC, indicating confidence in its ability to manage impaired loans. The drop in LLC was primarily due to the settlement of a few problematic stage 2 accounts and recoveries from impaired loans.

AFFIN'S REPLY TO QUESTION 3 (cont'd)

Our Loan Loss Reserves (LLR) ratio is healthy, reported at 117.49%. This is our Balance Sheet ratio for capital buffers against impaired loans, at a more than 100% coverage.

The outlook for Affin Bank's asset quality is projected to be 1.70% in 2025, however the Bank remain cautious of external economic factors. The Bank will continue to monitor asset quality closely and stress testing of capital buffers to ensure the Bank has sufficient capital buffers given any stress economic environment. Efforts to tighten underwriting standard and aggressive collection strategies are being implemented to cushion potential asset quality deterioration.

QUESTION 1

For FY2024, Affin Bank managed to achieve a total reduction of 7,024.23 tonnes of CO2e, representing a 38.3% reduction of operational emissions (Scope 1 and 2) against the 2022 baseline.

However, the reduction is largely due to the procurement of Renewable Energy Certificates (RECs) amounting to 6.683 million kWh, which resulted in a significant reduction of GHG emissions by 5,172.32 tCO2e, equivalent to 28.2% of the Group baseline GHG emissions for Scope 1 and 2.

QUESTION 1 (cont'd)

The use of RECs in offsetting carbon emissions is debatable, as companies may still consume the same amount of fossil-based electricity without making meaningful operational changes, i.e., energy efficiency or the adoption of renewable energy.

What is the Group’s stance and view on the purchase of RECs to offset carbon emissions?

Would the Group consider phasing out the use of RECs to instead intensify the decarbonisation of operations for long-term and sustainable reduction in carbon emissions?

AFFIN'S REPLY TO QUESTION 1

At the moment, our path towards decarbonization is two-pronged:

1. **Installing solar panels in most of our fully-owned branches where feasible (12 branches have been installed with solar panels, with an additional 16 planned by the end of 2025).**

2. **Subscribing to the TNB Green Electricity Tariff (GET) Program for our HQ at Menara Affin, TRX.**

The Group views the purchase of Renewable Energy Certificates (RECs) through TNB Green Electricity Tariff (GET) Program as part of our key strategy to transition from fossil fuel energy to green energy.

AFFIN’S REPLY TO QUESTION 1 (cont'd)

In the future, we intend to continue participating in the TNB GET and other green energy programs offered by electricity providers for the rest of our branch network to transition towards renewable energy and further reduce our emissions.

QUESTION 1

Following the shake-up at Affin Bank's shareholding level with the emergence of the Sarawak state government, what changes are expected to be seen in the Bank's board composition and structure? Has the Sarawak state government approached the Board to discuss these matters?

AFFIN'S REPLY TO QUESTION 1

Sarawak State has nominated two board members pending regulatory approval. We adhere to the highest standards of corporate governance. Connected parties are required to abstain from any decision making and exit the meeting during deliberations, as defined in our Board Charter.


THANK YOU