



**AFFIN**

**50<sup>TH</sup> ANNUAL GENERAL MEETING**



**22 APRIL 2026**

**QUESTIONS BY  
MINORITY SHAREHOLDERS  
WATCH GROUP (MSWG)  
AND OUR REPLIES**



## OPERATIONAL & FINANCIAL MATTERS

### QUESTION 1

In early FY2025, Affin Bank set its sights to achieve a return on equity (ROE) of 8%, as an intermediate milestone towards its longer-term goal of 12% ROE by 2028 under the AX28 five-year strategic plan. However, the Bank significantly underperformed this target, delivering an ROE of only 4.54% in FY2025, which is way below its own guidance and industry peers.

Affin Bank's persistently low ROE below 5% in recent years (FY2024: 4.49%, FY2023: 3.62%, FY2022: 11.49%, FY2021: 5.42%) remains a key concern among analysts and investors. It seems the Bank has set an ambitious target that is extremely challenging to achieve.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 1 (a) (cont...)**

*(Note: FY2022 ROE was 11.49%, lifted by one-off gain from the sale of its 63% stake in Affin Hwang Asset Management (AHAM) to CVC Capital Partners for RM1.42 billion.)*

a) Is the 12% ROE target by 2028 realistic and achievable, particularly in light of the current operating environment, market competition, and its recent performance trajectory?

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (a)**

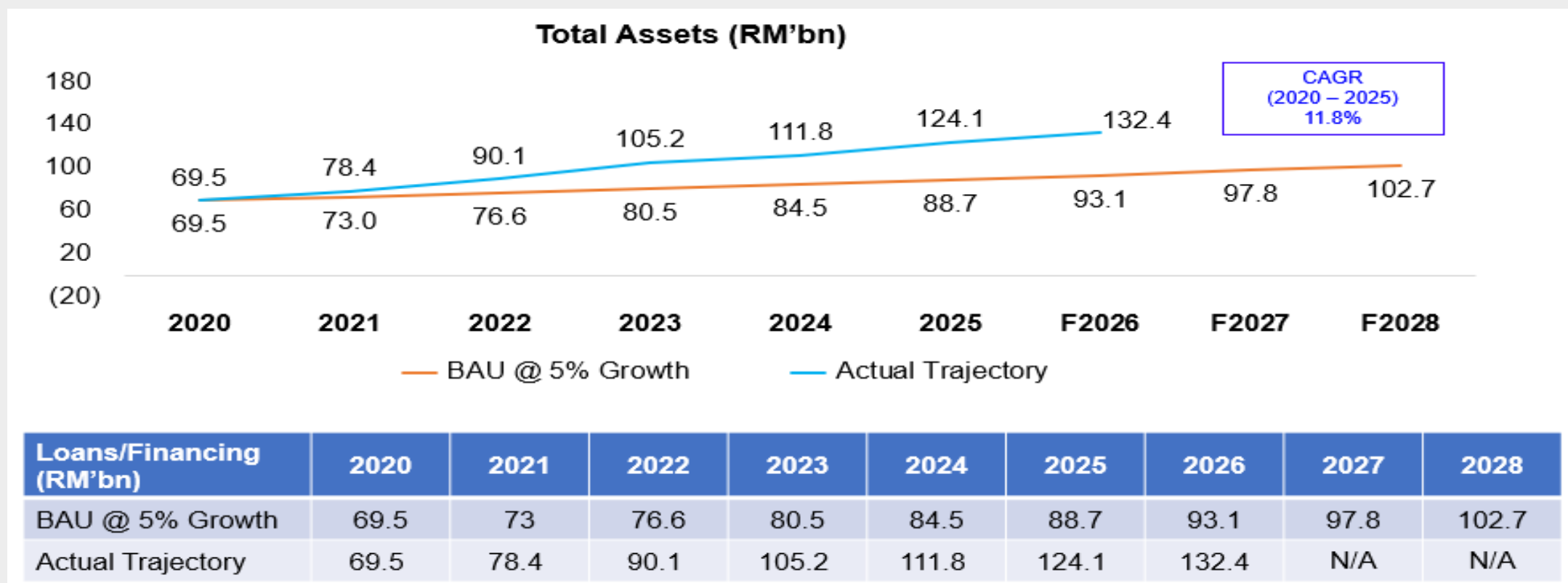
The Group's 12% ROE target under AX28 was established under "blue skies" scenario, intended to set a long-term aspiration and ambition.

Although the Group remains some distance from the AX28 end state, the Group's performance has remained resilient and broadly above a pure BAU outcome of 5% year-on-year PBT growth, despite a significantly more challenging operating environment. This can be seen in the following charts:

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 1 (a) (cont...)

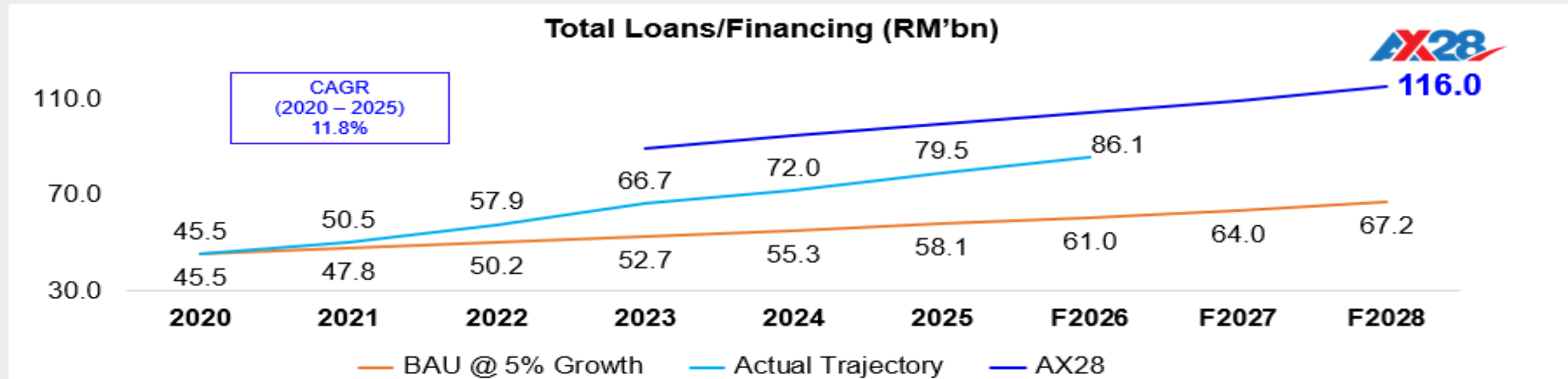
#### Total Asset



## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 1 (a) (cont...)

#### Total Loans

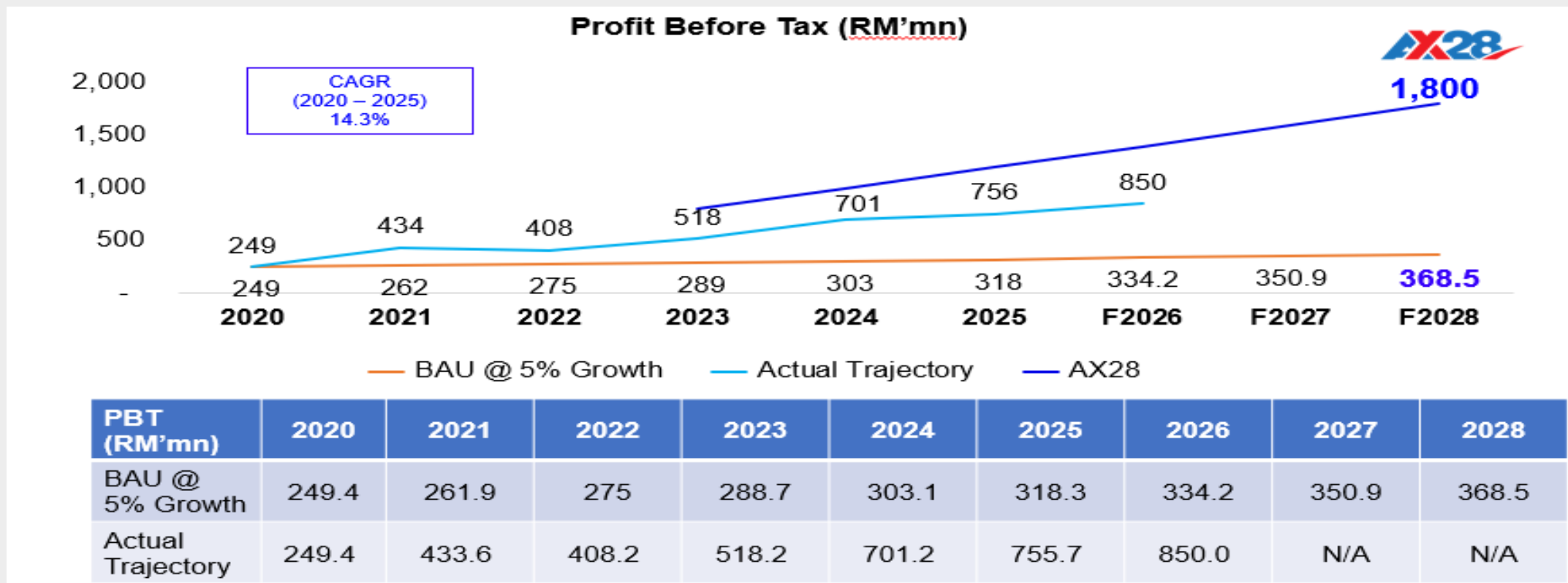


Loans/Financing (RM'bn)	2020	2021	2022	2023	2024	2025	2026	2027	2028
BAU @ 5% Growth	45.5	47.8	50.2	52.7	55.3	58.1	61.0	64.0	67.2
Actual Trajectory	45.5	50.5	57.9	66.7	72.0	79.5	86.1	N/A	N/A

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 1 (a) (cont...)

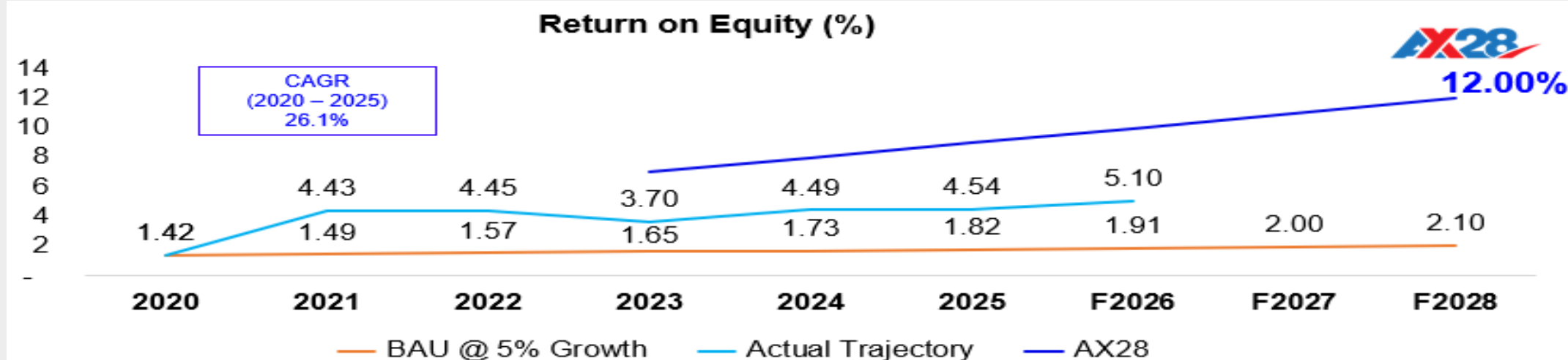
#### Profit Before Tax (PBT)



## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 1 (a) (cont...)

#### Return on Equity (ROE)



PBT (RM'Mn)	2020	2021	2022	2023	2024	2025	2026	2027	2028
BAU	1.42%	1.49%	1.57%	1.65%	1.73%	1.82%	1.91%	2.00%	2.10%
Actual Trajectory	1.42%	4.43%	4.45%	3.70%	4.49%	4.54%	5.10%	N/A	N/A

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (a) (cont...)**

Since the AX28 targets were established, the operating environment has changed materially with several external developments impacting the banking industry as a whole:

- Strengthening US Dollar and US Federal Reserve rate hikes (425bps in 2022 and 100bps in 2023), intensifying competition for deposits and structurally raising funding costs
- Prolonged geopolitical tensions, including the Russia-Ukraine conflict, contributing to global macroeconomic uncertainty
- US trade tariffs imposed in 2025, weighing on trade flows and business sentiment

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (a) (cont...)**

- Heightened geopolitical risks e.g. Iran/US war in 2026, including tensions in the Middle East, increasing market volatility and risk premia

These developments have structurally increased funding costs, intensified competition, and heightened earnings volatility across the industry. As a result, achieving the original 12% ROE aspiration within the initial timeframe has become more challenging, particularly given the Group's starting ROE base.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (a) (cont...)**

Notwithstanding these headwinds, the Group has continued to make meaningful progress in its transformation journey, as evidenced by external validation through:

- Unrivalled Customer Service offering with NPS score of +53
- Achieved first ever Moody's International Credit Rating A3 in the Group's 50-year history
- Innovative Digital Leadership Solutions e.g. AffinAlwaysX, AFFINMAX
- Sustainability related recognitions e.g. AA MSCI ESG Ratings, inclusion in the FTSE4Good Bursa Malaysia Index Series

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (a) (cont...)**

Importantly, Management remains focused on delivering a progressive and sustainable ROE uplift, underpinned by the following key levers already articulated under AX28:

- i. Quality balance sheet growth through targeted loan growth across corporates, commercials, SMEs and retail segments with emphasis on yield-accretive and risk-adjusted returns.
- ii. Sharpened customer segmentation strategy by focusing our customer coverage across the full customer lifecycle from young generations (FINTURA), mass banking, affluent (Avance), HNW (Invikta) and UHNW (Diventium).

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (a) (cont...)**

- iii. Scaling the deposit franchise to build a formidable CASA engine which would lower our cost of fund and improve NIM and enhance balance sheet resilience
- iv. Expansion of fee-based and non-interest income to reduce reliance on interest income in a volatile rate environment through:
- Expansion in wealth management businesses
  - Growth in brokerage and treasury / FX activities
  - Introduction of new asset management product offerings

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1(a) (cont...)**

- v. Process Efficiency to Minimise Operating Expense (OPEX) through
  - End-to-end process streamlining
  - Increased automation, AI adoption and Robotic Process Automation
  - Benefits realization from new and enhanced core systems
  
- vi. Recoveries from Impaired Loans & Risk Discipline
  - Strengthening credit risk assessment
  - Focus on higher-yield segments with lower default rates

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 1 (b)**

b) Has there been any reassessment or recalibration of milestones under the AX28 plan?

### **RESPONSE QUESTION 1(b)**

The Management is looking into a clearer glide path to distinguish between aspirational and baseline targets for ROE. The revised target will be announced in conjunction with the 2<sup>nd</sup> quarter 2026 results.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 1 (c)**

c) What are the key structural constraints that are holding back ROE expansion?

### **RESPONSE QUESTION 1(c)**

The Group's ROE has been constrained by several structural factors, particularly on the funding, margin and investment fronts.

#### 1. Structural Funding and CASA Constraints

One of the key constraints has been the ability to scale low cost deposits (CASA) in a prolonged high interest rate environment. The strengthening of the US Dollar and cumulative US Federal Reserve rate hikes of approximately 375 basis points have intensified competition for deposits across the region.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (c) (cont...)**

This has had two structural implications:

- Domestically, competition for MYR deposits has increased as banks competed more aggressively on pricing; and
- Regionally, the Group's MYR deposit franchise also competes indirectly with USD deposit offerings by foreign banks, including those based in Singapore, which became more attractive during periods of USD strength.

As a result, industry wide reliance on higher cost funding increased, constraining the pace of CASA growth and placing pressure on margins.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (c) (cont...)**

Under AX28, the Group has articulated a long term CASA ambition of 35% by 2028, with an interim objective of moving sustainably above 30%. While this ambition remains intact, CASA levels have fluctuated between approximately 25% and 29% during the 1<sup>st</sup> quarter of 2026, reflecting the challenging rate and competitive environment. As the CASA engine scales, this is expected to progressively lower cost of funds and support margin recovery.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (c) (cont...)**

#### 2. Margin Compression from a Higher Funding Base

The elevated reliance on higher cost deposits has structurally compressed Net Interest Margin, limiting near term ROE uplift despite loan growth. This margin pressure is not unique to the Group, but has been observed across the banking sector during the tightening cycle.

ROE improvement, therefore, is dependent not only on asset growth, but also on normalisation of funding conditions and successful execution of CASA focused initiatives.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (c) (cont...)**

#### 3. Upfront Technology and Transformation Investments

A further structural constraint has been the front loaded investment in digital and technology transformation over recent years. The Group has invested materially to:

- Modernise core banking systems,
- Enhance digital channels and customer experience, and
- Strengthen technology resilience and risk controls.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (c) (cont...)**

While these investments are essential for long term competitiveness, their financial benefits materialise progressively rather than immediately, temporarily weighing on ROE in the transition phase. Importantly, these investments have now established a stronger operating foundation, positioning the Group to scale revenue, improve productivity and deliver sustainable ROE uplift over time.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 1 (d)**

d) What specific capital optimization strategies is the Bank considering to address the low ROE? Please outline the strategies considered.

### **RESPONSE QUESTION 1 (d)**

- i. Scaling the business assets through targeted loan growth and acquisition new customers segments to improve earnings scale and capital productivity
- ii. Strengthen CASA engine, driven by initiatives such as payroll acquisition, capturing HNW and UHNW segments.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 1 (c) (cont...)**

- iii. Accelerating fee based income such as wealth management, brokerage, treasury and asset management, which generate ROE uplift without meaningful capital charges
- iv. The Group continues its progression towards IRB accreditation (with expected capital uplift of at least 2% in 4-5 years). Based on estimate, dividend to the tune of RM800 million could be paid after the Basel III-IRB status by 2030 (estimated 0.5% - 1% ROE uplift)
- v. Prioritise on High margin business such as personal financing, wealth management, investment banking to improve returns on both capital and equity

## OPERATIONAL & FINANCIAL MATTERS

### QUESTION 1

e) In addition, please state the Bank's headline KPIs for FY2026.

### RESPONSE QUESTION 1(e)

Headline KPIs	FY2026 Targets
PBT	RM 850mil
ROE	5.0%
NIM	1.55%
CIR	67.0%
Loan Growth	10.0%
CASA Ratio	30.00%
GIL	1.8%
LLC	70% – 80%
ESG Financing	18%

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2**

In November 2025, Affin Bank announced a proposed acquisition of Pheim Asset Management Sdn Bhd (Pheim AM) for RM50 million in cash. The transaction is pending regulatory approval and is expected to be completed in Q2FY2026.

This development follows the Bank's earlier exit from asset management in July 2022, when it divested its 63% stake in AHAM to CVC for RM1.42 billion. The Bank realised a gain of RM1.27 billion from the transaction (page 99, AR2022).

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2 (cont...)**

Back in 2022, AHAM was a leading asset manager locally with RM81 billion in AUM. The business contributed an average of 16% to Affin Bank's net profit over the three preceding years.

The stated rationale for the disposal was to sharpen focus on core banking operations, redeploy capital efficiently, and support growth targets under the A25 Plan, including achieving RM90 billion in loans, advances, and financing (LAF) by end-2025.

Nonetheless, the Bank's ROE has not recovered to above 5% since the disposal. Besides, the current LAF is RM78.55 billion as of FY2025.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2 (a)**

a) How does the Board evaluate the outcomes of the divestment relative to its original objectives, both financially and strategically?

### **RESPONSE QUESTION 2 (a)**

The divestment of the Group's 63% stake in AHAM was approved by the shareholders at the EGM held on 25 May 2022.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 2 (a) (cont...)**

The divestment enabled the Group to return cash to shareholders in the form of dividends totaling RM677.1 million in 2022. The gains from the divestment have also supported the expansion of our loan book, which grew from RM51.4 billion in FY2021 to RM79.5 billion in FY2025 (CAGR: 11.5%). In addition, the capital uplift from the divestment enabled the Group to invest in enhanced IT systems and infrastructure, strengthening our technological capabilities and operational resilience.

The acquisition of Pheim represents an opportunity for us to re-enter the asset management and capture the rising demand in Malaysia's fund management industry. The chart below illustrates the purchase consideration and key factors considered.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (a) (cont...)

**Purchase Consideration  
RM50m**

**Premium  
RM24.4m  
@48.8%**

**Net assets  
RM25.6m  
FY24  
@ 51.2%**

What we get from PHEIM AM	
PHEIM Asset Management	Conventional AM License
PHEIM Islamic Asset Management	Islamic AM license
PHEIM Unit Trust	Unit Trust Sales License (IUTA)
Going Concern Business	Preservation of Shareholder Value
Award winning track record (28 years)	28 Years
Competent Management Team	50 years experience combined
System all set up	Instant Plug and Play

What we get from PHEIM AM	RM m
Share Capital	5.0
Cash at Bank	20.6
<b>Total</b>	<b>25.6</b>



## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2 (b)**

b) To what extent has the redeployment of capital from the disposal translated into the anticipated growth in core banking activities, including loan expansion and profitability?

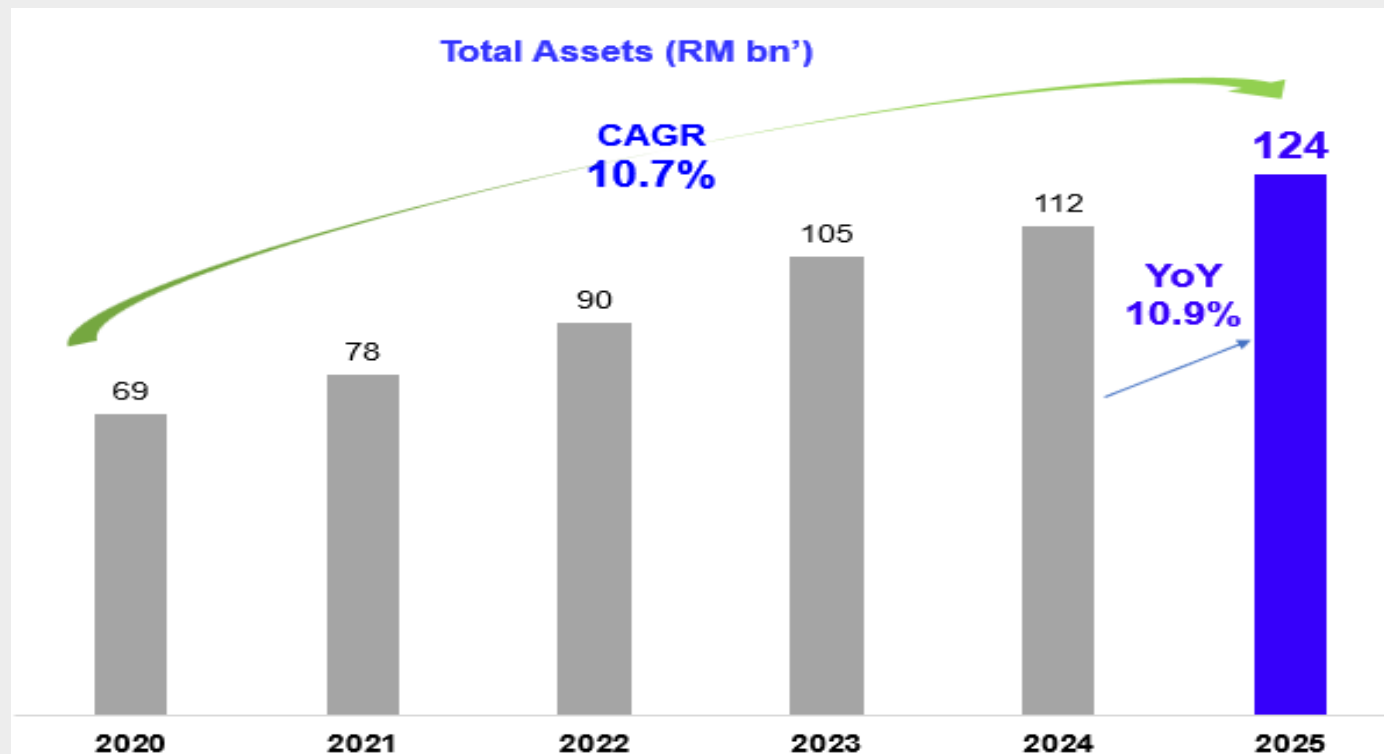
### **RESPONSE QUESTION 2 (b)**

Our loan book has expanded from RM51.4 billion in FY2021 to RM79.5 billion in FY2025, mainly coming from the Community Banking business which grew by RM22.2 billion or 75%. This is translated to a CAGR of 11.5%.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (b) (cont...)

#### Total Assets

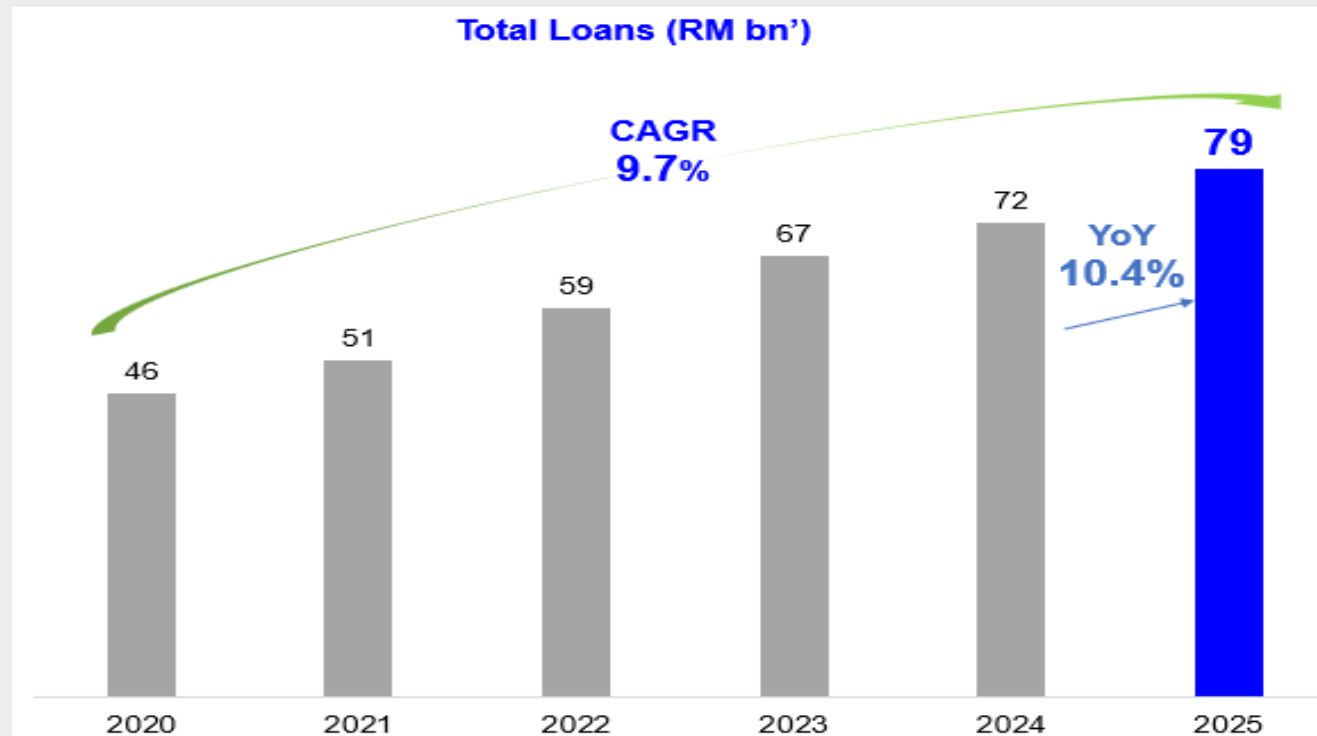


- Total assets registered a robust CAGR growth of 10.7%, reflecting the successful onboarding of new clients across multiple segments.
- This increase underscores new client names joining the portfolio, contributing positively to the overall balance sheet expansion and reinforcing the Group's asset growth momentum

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (b) (cont...)

#### Total Loans

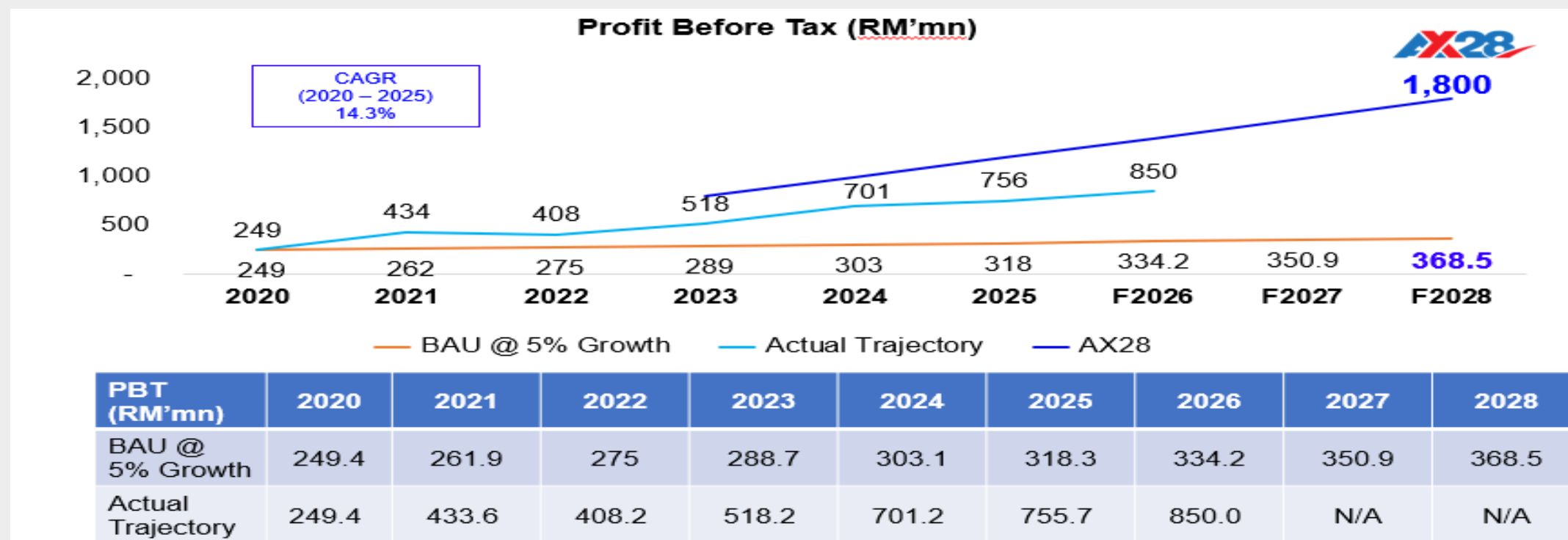


- Total Loans FY2025 grew 10.4% YoY with more new clients name onboarded.
- This growth reflects the continued effectiveness of our business acquisition strategies and relationship management initiatives, resulting in a larger and more diversified loan portfolio.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (b) (cont...)

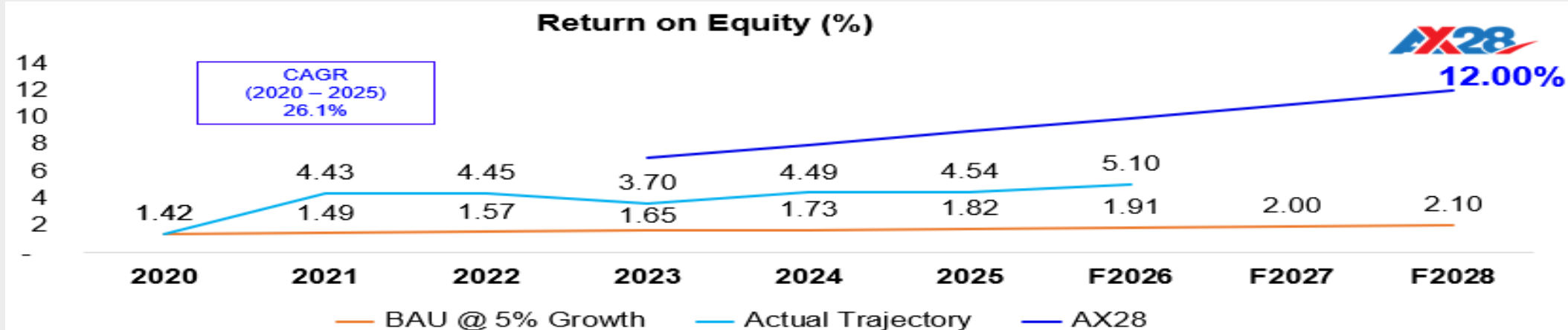
#### Profit Before Tax (PBT)



## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (b) (cont...)

#### Return on Equity (ROE)



PBT (RM'Mn)	2020	2021	2022	2023	2024	2025	2026	2027	2028
BAU	1.42%	1.49%	1.57%	1.65%	1.73%	1.82%	1.91%	2.00%	2.10%
Actual Trajectory	1.42%	4.43%	4.45%	3.70%	4.49%	4.54%	5.10%	N/A	N/A

## OPERATIONAL & FINANCIAL MATTERS

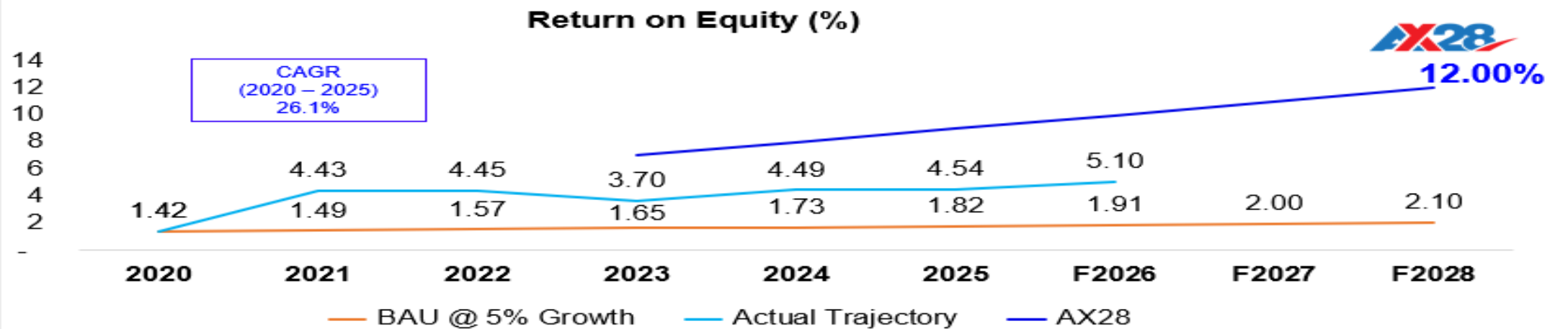
### **QUESTION 2 (c)**

c) Given that the Group's ROE has consistently remained below 5% since the disposal, how does management assess overall shareholder value creation during this period?

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (c)

#### Return on Equity (ROE)



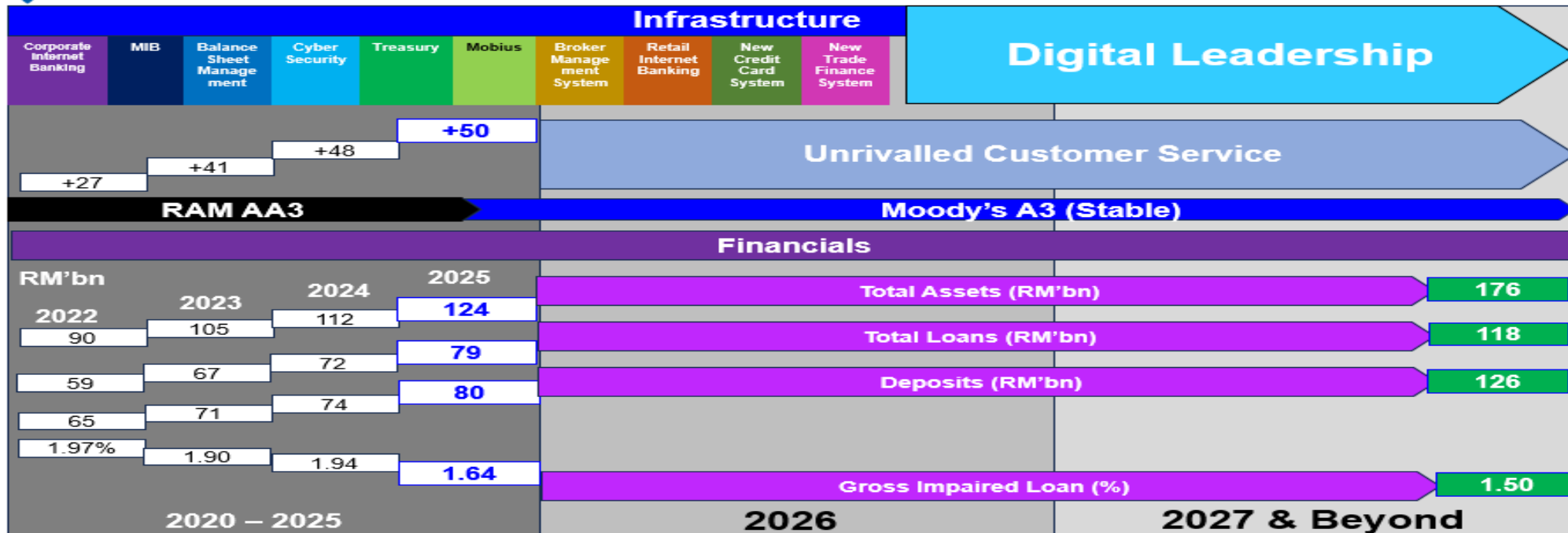
PBT (RM'Mn)	2020	2021	2022	2023	2024	2025	2026	2027	2028
BAU	1.42%	1.49%	1.57%	1.65%	1.73%	1.82%	1.91%	2.00%	2.10%
Actual Trajectory	1.42%	4.43%	4.45%	3.70%	4.49%	4.54%	5.10%	N/A	N/A

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (c) (cont...)

### AFFIN's Value Creation

#### The Evolution of AFFIN in Value Creation



## OPERATIONAL & FINANCIAL MATTERS

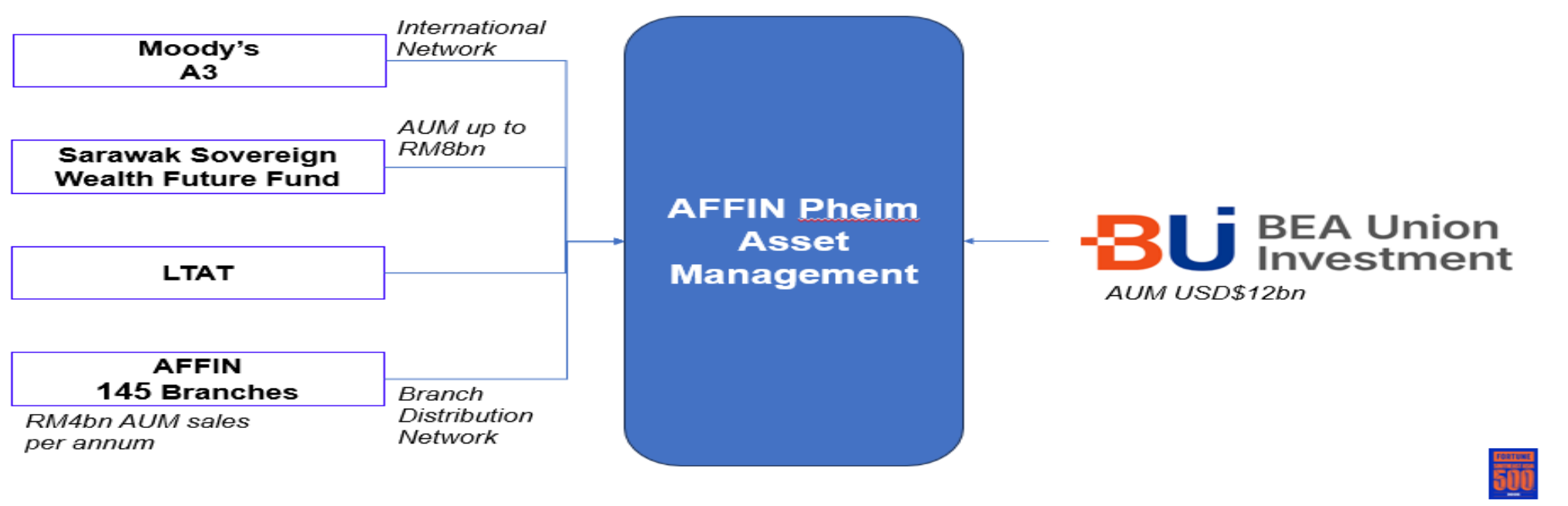
### **QUESTION 2 (d)**

d) In light of the planned re-entry into asset management, how does the Bank reconcile this move with its earlier decision to exit a larger and more established platform?

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (d)

The acquisition represents an opportunity for us to re-enter the asset management space and capitalize on the Bank's distribution network and customer base, as illustrated below.



## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2 (e)**

e) What made Pheim AM an attractive acquisition target at this juncture? Were alternative strategies, such as organic build-out, considered?

### **RESPONSE QUESTION 2 (e)**

- Pheim AM has a long and established track record
- It has deep expertise especially in equity investing
- We are confident that we are able to scale the business with our experience in fixed income and our network of customers
- We have considered the time to market required to build such expertise and track record

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2 (f)**

f) What were the key considerations and areas of focus discussed at the Board level when evaluating this transaction? Were there any material concerns or differing views raised during deliberations, and how were these addressed?

### **RESPONSE QUESTION 2 (f)**

The only contention was the speed and time to scale. The business is complementary to the Group's existing business and the products are highly demanded by the Group's existing customers.

All the Board members were supportive of the proposal to acquire Pheim Asset Management.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 2 (g)**

g) How does the Bank assess the expected financial and strategic returns from this acquisition over the short, medium and long-term horizon? Additionally, what key factors or capabilities are necessary to replicate the success of AHAM in Pheim AM?

### **RESPONSE QUESTION 2 (g)**

This business is complementary to our banking business, namely the wealth segment (Invikta, Diventium). Our core business, commercial banking and investment banking businesses remain.

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 2 (g) (cont...)**

AHAM Capital and Pheim AM are not directly comparable, given differences in their business models, market positioning, investment strategies, scale, and strategic objectives. For Pheim AM, we see the opportunity to further enhance and scale the existing business by leveraging our established fixed income expertise and strong distribution network.

Success will be dependent on achieving the targeted AUM growth through strategic collaborations and the introduction of new fund offerings, and effective cross-selling across all channels.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 2 (g) (cont...)

	Pheim	AHAM
% shareholding	100%	63%
AUM (RM'mn)	832	80,000
Use of the Bank's distribution network	Entire 145 branches Leveraging the Bank's credit standing Moody's A3 rating network	Negligible
Use of source of funds available within the Group	Yes	No

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 3 (a)**

In FY2025, Affin Bank accelerated its expansion into East Malaysia, particularly through the establishment of corporate offices and branches in Sabah and Sarawak, alongside closer collaboration with the Sarawak State Government.

a) What tangible competitive advantages and benefits has the Bank derived from its strategic alignment with the Sarawak State Government?

## OPERATIONAL & FINANCIAL MATTERS

### **RESPONSE QUESTION 3 (a)**

All Sarawak GLCs have been instructed to open current account with Affin.

#### **i. Enhanced Market & Institutional Access**

Closer engagement with Sarawak's public-sector and state-linked ecosystem has improved the Bank's ability to participate in suitable financing and banking opportunities aligned with state development priorities.

#### **ii. Stronger Franchise Presence in East Malaysia**

Expansion of offices and branches, supported by local collaboration, has strengthened AFFIN Bank's brand visibility, client access, and execution capability in Sabah and Sarawak.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 3 (a) (cont...)

#### **iii. Alignment with Long-Term Economic Development Agenda**

The partnership positions the Bank as a long-term financial partner supporting Sarawak's Post-COVID-19 Development Strategy 2030, subject to commercial and risk considerations.

#### **iv. Platform for Sustainable and ESG-Related Financing**

Sarawak's focus on renewable energy and sustainable infrastructure provides opportunities for the Bank to selectively grow its ESG-related financing portfolio.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 3 (b)**

b) What specific sectors does the Bank see opportunities in? How will the Bank position itself to capture these?

### **RESPONSE QUESTION 3 (b)**

#### **i. Public Sector & State-Linked Entities**

The Bank will leverage its institutional connectivity and understanding of Sarawak's development agenda to provide suitable financing, cash management, and advisory solutions within prudent risk parameters.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 3 (b) (cont...)

#### ii. **Infrastructure & Utilities**

AFFIN Bank will selectively support infrastructure, utilities, and energy-related projects by applying disciplined project evaluation, structured financing expertise, and long-term partnership considerations.

#### iii. **SMEs & Entrepreneurship Ecosystem**

The Bank will position itself as a financial partner to SMEs by offering access to working capital, trade finance, and digital banking solutions aligned with local economic development needs.

## OPERATIONAL & FINANCIAL MATTERS

### RESPONSE QUESTION 3 (b) (cont...)

#### **iv. Sustainable & Renewable Energy**

Opportunities in renewable energy and sustainability-linked sectors will be pursued through ESG-aligned financing solutions that meet the Bank's credit, return, and sustainability criteria.

#### **v. Retail & Consumer Banking Expansion in East Malaysia**

The Bank will strengthen its retail presence through branch expansion, digital offerings, and targeted product solutions to deepen customer penetration in Sabah and Sarawak.

## OPERATIONAL & FINANCIAL MATTERS

### **QUESTION 3 (c)**

c) How has the expansion into Sarawak and broader East Malaysia contributed to loan book growth across key segments, including community banking, SME financing, and corporate lending? What were the sectors or industries driving momentum in the region?

### **RESPONSE QUESTION 3 (c)**

	<b>Sarawak</b>	<b>Sabah</b>
<b>Loan book</b>	RM3.8 billion	RM2.9 billion
<b>Loan growth (YoY)</b>	17.3%	10.3%
<b>GIL</b>	0.4%	0.5%

## OPERATIONAL & FINANCIAL MATTERS

### QUESTION 3 (d)

d) Additionally, how different are the asset quality and margins, particularly given the different economic dynamics and risk profiles between West and East Malaysia?

### RESPONSE QUESTION 3 (d)

	West Malaysia	East Malaysia
Loan book	RM72.8 billion	RM6.7 billion
Loan growth (YoY)	22.2%	58.4%
GIL	1.8%	0.4%
NIM	1.9%	2.4%

## SUSTAINABILITY MATTERS

### **QUESTION 1 (a)**

For FY20245, Affin Bank's sustainable financing portfolio grew significantly to RM12.06 billion, up from RM7.63 billion previously. In turn, the proportion of sustainable finance to the overall loan book increased to 15.19% from 10.56% previously (pages 81 & 82 of IR2025).

a) What specific strategies and initiatives were implemented that drove this strong growth in sustainable financing?

## SUSTAINABILITY MATTERS

### **RESPONSE QUESTION 1 (a)**

- i. Portfolio exposure to climate supporting and environmentally beneficial activities increased, including solar farm projects, hydro rejuvenation initiatives, data centre projects utilising green energy, manufacturing facilities for solar components, waste and recycling projects, palm oil biomass initiatives, and infrastructure projects focused on riverbank strengthening.
- ii. Sustainable financing is prioritised under AFFIN's Sustainability Framework and AX28 strategy, supporting the Bank's role in facilitating customers' transition towards more sustainable and lower carbon activities.
- iii. Internal guidelines and tracking processes were strengthened to consistently identify and monitor sustainable financing, ensuring better alignment with climate and sustainability objectives.

## SUSTAINABILITY MATTERS

### **RESPONSE QUESTION 1 (a) (cont...)**

- iv. AFFIN expanded sustainable financing solutions, including EV financing and solar financing bundled with home financing, to support lower emission choices.
- v. The Bank continued to support government backed programmes for start ups and women entrepreneurs, reinforcing its commitment to sustainable, inclusive, and equitable enterprise growth.
- vi. Internal competencies were strengthened through targeted upskilling initiatives, with a particular focus on climate risk management and the structuring of sustainable financing solutions.

## SUSTAINABILITY MATTERS

### **QUESTION 1 (b)**

b) To what extent was the growth driven by new origination versus reclassification of existing loans into sustainable categories?

### **RESPONSE QUESTION 1(b)**

The growth in AFFIN's sustainable financing assets was driven primarily by enhancements and additional facilities extended to existing customers , as well as new origination from new-to-bank customers.

Enhancements to existing customer facilities accounted for 65% of the overall growth, while new-to-bank customers contributed the remaining 35%. No reclassification of existing loans contributed to this increase.

## SUSTAINABILITY MATTERS

### **QUESTION 1 (c)**

c) Which sectors or segments contributed most significantly to the increase?

### **RESPONSE QUESTION 1 (c)**

Retail segment continues to be the dominant contributor, representing about 72% of the total sustainable financing portfolio growth.

This growth underscores the Bank's strategic emphasis on retail led sustainable financing, supported by increasing customer uptake of eligible sustainable products and financing solutions.

## SUSTAINABILITY MATTERS

### **QUESTION 1 (d)**

d) In addition, what is the breakdown of sustainable financing growth by sector and customer segment (corporate, SME, retail)?

### **RESPONSE QUESTION 1 (d)**

<b>Sustainable Finance by Business Segment</b>	<b>FY2025</b>
	<b>% of contribution</b>
<b>Corporate Banking Division (CBD)</b>	15.20
<b>Enterprise Banking Division (EBD)</b>	12.51
<b>Community Banking Division (CMBD)</b>	72.29

**RESPONSE QUESTION 1(d) (cont...)**

Sustainable financing growth was recorded across the corporate, SME, and retail customer segments, reflecting contributions from all key business divisions within the Group.

SME related sustainable financing is reported under the Enterprise Banking Division (EBD), while corporate financing is driven by the Corporate Banking Division (CBD). Contributions from retail and individual customers are primarily channelled through the Community Banking Division (CMBD).

The table above presents the distribution of sustainable financing by customer segment, highlighting broad-based participation across the portfolio, consistent with the Group's Sustainability Framework and AX28 strategy.

## SUSTAINABILITY MATTERS

### **QUESTION 1 (e)**

e) What are the risk-return characteristics of these sustainable loans compared to the broader portfolio?

### **RESPONSE QUESTION 1 (e)**

- i. AFFIN's sustainable loans generally perform in a similar way to the Bank's other loans, in terms of risk and returns, as they follow the same lending standards and credit assessment practices.
- ii. These loans are assessed, approved, and priced using the Bank's existing credit frameworks, policies, and governance processes, consistent with the broader portfolio.

## SUSTAINABILITY MATTERS

### **RESPONSE QUESTION 1 (e) (cont...)**

- iii. Credit decisions are based on core fundamentals such as customer creditworthiness, cash flows, collateral, and sector risk, rather than sustainability classification alone.
- iv. Where applicable, targeted incentives (for example, preferential rates for electric vehicle financing) are offered under specific campaigns to support sustainability goals, while remaining within the Bank's risk appetite.
- v. Overall, sustainable financing is grown in a disciplined manner, without compromising credit quality or returns, and remains aligned with AFFIN's prudent risk management and commercial objectives.

## GOVERNANCE MATTERS

### **QUESTION 1 (a)**

In FY2025, President and Group CEO of Affin Bank, Datuk Wan Razly Abdullah Wan Ali received total remuneration of RM6.28 million, representing a 91.46% increase from RM3.28 million in FY2024 (page 487 of IR2025). The increase was largely attributed to a RM2.46 million (FY2024: nil) bonus awarded during the year.

a) What was the outcome of the performance evaluation conducted by the Group Board Nomination and Remuneration Committee on Datuk Wan Razly for FY2025?

## GOVERNANCE MATTERS

### RESPONSE QUESTION 1 (a)

- A holistic performance assessment was conducted, taking into account the achievement of KPIs, demonstration of leadership competencies, and adherence to the Group's core values.
- Following deliberation by the GBNRC and the Affin Bank Board, the PGCEO was accorded an overall performance rating of “**Meets Expectations**” for FY2025. The assessment covered financial performance, balance sheet strength, and progress on strategic and transformation initiatives.
- The PGCEO's key achievements were presented to the Board and are also reflected in the analyst presentation materials.

## GOVERNANCE MATTERS

### **QUESTION 1 (b)**

b) What specific KPIs and metrics were used to assess the CEO's performance? Please provide the KPIs and metrics adopted.

### **RESPONSE QUESTION 1 (b)**

- The Bank's Performance Management Framework is designed to provide a holistic and balanced assessment which comprises of:
  1. "What" - Achievement of Key Performance Indicators (KPIs)

## GOVERNANCE MATTERS

### RESPONSE QUESTION 1 (b) (cont...)

The KPIs were crafted in alignment with Balanced Scorecard Concept covering the following components:

Financial	Profit Before Tax (PBT) Cost-to Income Ratio (CIR), Asset Quality, Return on Equity (ROE), Sustainable ESG Financing, Loan/Financing Growth, and CASA Growth
Customer	Net Promoter Score (NPS)
Internal process	Strategic Initiatives in line with AX28's implementation
Learning & Growth	Employee Productivity, Employee Engagement Score, Succession Planning, Talent Development

## GOVERNANCE MATTERS

### **RESPONSE QUESTION 1 (b) (cont...)**

2. “How” – Demonstration of Leadership Competencies since performance is not solely driven by outcomes, but also by the manner in which those outcomes are delivered.

The leadership competencies were assessed in line with the following components:

- Strategic Thinking & Change Management
- Inspirational Leadership
- Decision Making
- Innovation & Problem Solving (Managing Complexity)
- Build to Grow
- Collaboration & Coaching

## GOVERNANCE MATTERS

### **QUESTION 1 (c)**

c) How did he perform against these predefined targets, particularly given that certain financial metrics, especially ROE is falling behind other banking peers?

### **RESPONSE QUESTION 1 (c)**

- When the PGCEO commenced the transformation journey, the Group's ROE stood at 2.44%. This improved to 4.54% in FY2025, representing a CAGR of 13.2%.
- While ROE remains below peer benchmarks, the improvement reflects steady progress during the transformation phase. Ongoing investments and strategic initiatives are expected to support stronger and more sustainable returns over the medium to long term.

## GOVERNANCE MATTERS

### **QUESTION 1 (d)**

d) What was the breakdown of the RM2.46 million bonus between cash and equity-based compensation? What was the fair value of these shares on the grant date?

### **RESPONSE QUESTION 1 (d)**

- The RM2.46 million performance bonus was structured into two tranches:
  - 75% in cash (RM1.845 million)
  - 25% as deferred compensation (RM0.615 million), in line with BNM Corporate Governance guidelines.

## GOVERNANCE MATTERS

### RESPONSE QUESTION 1 (d) (cont...)

- The PGCEO opted to reinvest the cash portion in the form of Affin shares.
- For clarity, the PGCEO did **not** receive any grants under the Share Grant Scheme (Long-Term Incentive Plan), as he is not yet eligible under the LTIP framework.

## GOVERNANCE MATTERS

### **QUESTION 1 (e)**

e) What are the vesting conditions attached to the share grants upon the vesting date in 2028?

### **RESPONSE QUESTION 1 (e)**

The vesting condition is subject to the following performance metrics based on Stretched Target; whereby, the vesting % may vary depending on the actual achievements:

- Profit Before Tax (PBT) of RM1.3B
- Return on Equity (ROE) of 7.0%
- Relative Total Shareholder Return (TSR) of Affin = relative index

## GOVERNANCE MATTERS

### **QUESTION 1 (f) (i)**

f) Referring to Resolution 13, the Board is seeking shareholders' approval to allocate up to 2.03 million (AGM 2025: 1.59 million) shares under the share grant scheme to Datuk Wan Razly. A total of 779,000 shares were awarded to Datuk Wan Razly in FY2025 (page 576, IR2025).

i) Given that the actual number of shares granted in FY2025 was significantly below the previously approved threshold, what is the rationale for seeking a higher allocation limit this year?

## GOVERNANCE MATTERS

### **RESPONSE QUESTION 1 (f) (i)**

- The higher proposed allocation reflects:
  - An increase in the PGCEO's base salary compared to the prior year; and
  - A lower year-end share price as at 31 December 2025 compared to 31 December 2024.
- The Share Grant Scheme is designed to incentivise sustained performance, support retention, and promote long-term alignment with shareholder interests.

## GOVERNANCE MATTERS

### **RESPONSE QUESTION 1 (f) (i) (cont...)**

- Performance will be assessed over a three-year performance period against clearly defined metrics.
- Vesting outcomes are determined using a performance scale, reflecting whether performance is below expectations, meets expectations, or exceeds targets.

## GOVERNANCE MATTERS

### QUESTION 1 (f) (ii)

ii) How was the proposed allocation of up to 2.03 million shares determined?

### RESPONSE QUESTION 1 (f) (ii)

- The proposed maximum allocation was derived based on a cap of **200% of the PGCEO's annual base salary**, translated into share numbers using the share price as at 31 December 2025.
- The allocation represents a maximum potential award. Actual vesting is subject to performance outcomes, with lower vesting for underperformance and higher vesting for superior performance.



**AFFIN**

**50<sup>TH</sup> ANNUAL GENERAL MEETING**



**22 APRIL 2026**

**THANK YOU**

