

# 48<sup>th</sup> Annual General Meeting

25 April 2024

**QUESTIONS BY  
MINORITY SHAREHOLDERS WATCH GROUP  
AND REPLIES**

**MSWG**



THE FUTURE OF BANKING



## Operational & Financial Matters

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

*It was reported that the Sarawak state government will soon raise its stake in Affin Bank to around 30% from 4.796%, overtaking the Armed Forces Fund Board (LTAT) as the banking group's largest shareholder.*

*(Source: Sarawak wants to raise stake in Affin Bank to around 30%, sources say, The Edge Malaysia, published on 31 January 2024)*

*(a) With the emergence of the Sarawak state government as a potential largest shareholder of Affin Bank, how will this shape the future of Affin Bank?*



### **AFFIN'S REPLY TO QUESTION 1 (a)**

LTAT has informed us that they are in discussions with the Sarawak State Financial Secretary for a possible transaction of additional shares in Affin Bank. This is a shareholder matter.

ABB will make the relevant announcement upon conclusion of the share sale transaction once the Bank receives the relevant notification from the shareholders.

Details of the opportunities on Sarawak were as presented by the President & Group Chief Executive Officer in the earlier presentation to the shareholders.

**QUESTION 1 (b)**

*Building a presence in Sarawak is one of the five key enablers for the Bank to achieve the 14 targets under the five-year Affin Axelerate 2028 (AX28) Transformation Plan (page 30 of Annual Report 2023).*

*What is the “underpenetrated banking market” that Affin Bank refers to, and how is the market competition in the respective segments? What is the market potential and commercial value of the said segment?*

**AFFIN’S REPLY TO QUESTION 1 (b)**

The Bank’s key focus to build our presence in Sarawak is as detailed in the earlier presentation by the President & Group Chief Executive Officer.

As a recap, the details are shown in the ensuing slides.



# Sarawak Opportunities



**Digital**



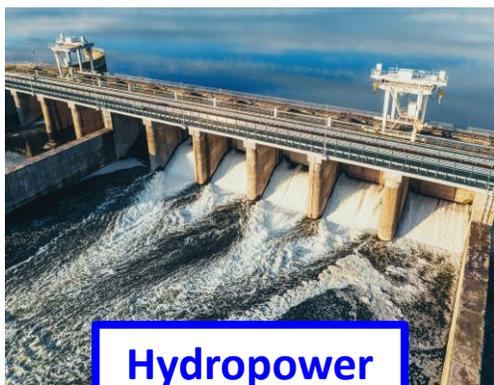
**Advanced Healthcare**



**Aviation Hub**



**Port**



**Hydropower**



**Hydrogen**



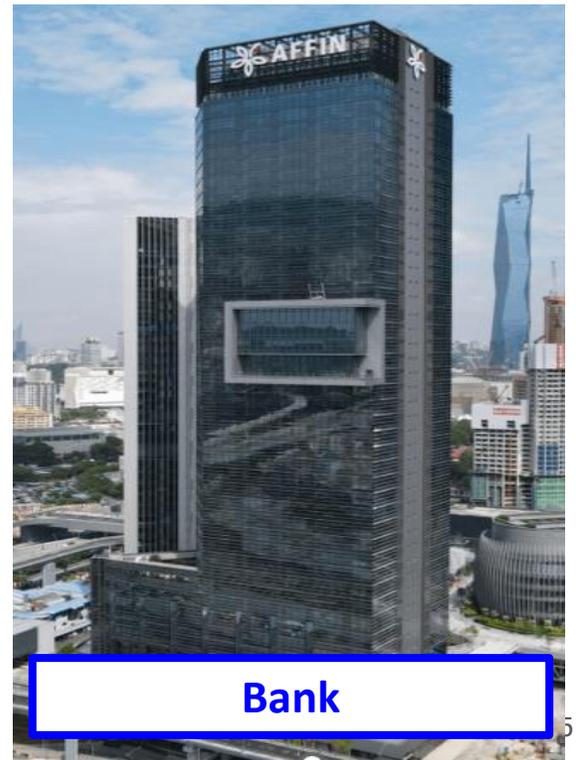
**Tourism**



**Education**



**Agriculture**



**Bank**



## Sarawak Opportunities

Industry	Sarawak Key Outcomes to be achieved	Estimated Revenues*
<b>Digital</b>	<ul style="list-style-type: none"><li>• 100% end to end digital government services</li><li>• 70% of SMEs to adopt digital platform</li></ul>	<b>RM10bn</b>
<b>Advanced Healthcare</b>	<ul style="list-style-type: none"><li>• Renowned US Medical Hospital investing in Kuching.</li><li>• Elevate healthcare tourism in Sarawak</li></ul>	<b>RM5bn</b>
<b>Aviation Hub</b>	<ul style="list-style-type: none"><li>• Establish aircraft maintenance, repair and overhaul (MRO) facilities in Miri to supplement the needs of aircraft repair on the Borneo Island and around the BIMP EAGA Region</li></ul>	<b>RM15bn</b>
<b>Port</b>	<ul style="list-style-type: none"><li>• 50% increase in port capacity</li><li>• 25% reduction in emission from ports operation</li><li>• Green infrastructure - sustainability practices in ports</li></ul>	<b>RM10bn</b>
<b>Hydropower</b>	<ul style="list-style-type: none"><li>• Hydropower plants can provide reliable, competitively tariffed and clean electricity to Sarawak, supporting domestic, commercial and industrial customers.</li></ul>	<b>RM3bn</b>



## Sarawak Opportunities (Cont'd)

Industry	Sarawak Key Outcomes to be achieved	Estimated Revenues*
<b>Education</b>	<ul style="list-style-type: none"><li>• &lt;1.2% employment rate</li><li>• Science enrolment of ~40% by 2025</li><li>• The initiatives include Strategic partnership with industries and stakeholders: Human capital development Council &amp; Sarawak workforce information system, to address disparity in quality education via Yayasan Sarawak International School and upgrade/rebuild schools and provide access to basic</li></ul>	<b>RM700mn</b>
<b>Hydrogen</b>	<ul style="list-style-type: none"><li>• Attract investments for hydrogen production and value chain</li><li>• Establish hydrogen refuelling station network</li><li>• Hydrogen to power Automated Rapid Transit (ART)</li></ul>	<b>RM5.8bn</b>
<b>Agriculture</b>	<ul style="list-style-type: none"><li>• Huge potential from Palm Oil</li></ul>	<b>&gt;RM50bn</b>
<b>Bank</b>	<ul style="list-style-type: none"><li>• More mega-infrastructure projects in pipeline (e.g. The North Coastal Highway project)</li></ul>	<b>RM6.1bn</b>
<b>Total</b>		<b>RM105.6bn</b>



## Operational & Financial Matters

### **QUESTION 2**

*On page 25 of AR2023, the Bank said it recorded a 62% decrease in PBT in FY2023 to RM518.3 million from RM1.38 billion earlier, after accounting for the one-off gain of RM1.1 billion from the divestment of Affin Hwang Asset Management (AHAM) in the previous reporting period. If the gains from the divestment are excluded, the year-on-year drop would be 28%.*

*How did the RM518.3 million PBT record in FY2023 represent a decline of 28% since the PBT recorded in FY2022 was RM235.24 million (page 257, Income Statements, AR2023)?*



## Operational & Financial Matters

### AFFIN'S REPLY TO QUESTION 2

The statement on the 28% year on year PBT decline is excluding the gains arising from the AHAM transaction and one-off provisions. The reconciliation from the 2023 reported PBT to our new normalised PBT is shown in the table below:

#### Income Statement – Normalised PBT

	2022	2023	Y-o-Y
	RM million	RM million	%
PBT reported	1,376.8	518.30	(62)
<b>Add back Extraordinary Adjustments</b>			
- ECL overlay and Goodwill	467.8	-	
- Expenses - divestment advisory cost	17.0	-	
<b>Less Extraordinary Gains</b>			
- AHAM Divestment Gains	(1,058.1)	-	
<b>PBT (without gains)</b>	<b>803.5</b>	<b>518.3</b>	<b>(35)</b>
Excluding AHAM Earnings for the year	(83.0)	-	
<b>PBT normalised without AHAM and one-off</b>	<b>720.5</b>	<b>518.3</b>	<b>(28)</b>



### QUESTION 3

*Under the AX28, Affin Bank announced several financial targets such as profit before tax (PBT) of RM1.8 billion (FY2023: RM518 million), CASA ratio of 35% (FY2023: 26.7%), return on equity (ROE) of 12% (FY2023: 3.62%), a cost-to-income ratio (CIR) of below 53% (FY2023: 71.57%), and gross impaired loan ratio of 1.5% (FY2023: 1.9%).*

*The Bank is required to post an annual improvement of between 15% and 40% to achieve these goals (page 30 of AR2023).*

*(a) As of FY2023, Affin Bank's CIR remained elevated at 71.57%, being 9% higher than 62.55% in the previous year (excl. one-off gain from the divestment of Affin Hwang Asset Management in the year).*

*Notably, FY2023's CIR was the highest among its peers despite measures such as the 5 Affin Cost Efficiency. Strategy to contain operating costs and expenses previously.*

*(i) What would it take for Affin Bank to achieve the mid-term CIR target of 56% by FY2025 and subsequently to below 53% by FY2028?*



### AFFIN'S REPLY TO QUESTION 3 (a) (i)

To achieve the targeted cost to income ratios, AFFIN is undertaking among others, the following measures and initiatives:

- Focus on **improving productivity** to increase the revenue per headcount through:
  - ✓ increased cross selling
  - ✓ enhancing fee-based income
  - ✓ focus on the key revenue drivers in Community, Enterprise & Corporate Banking.
- At the same time, we continue with our cost strategies for **cost control**.

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

*(ii) What is the projected growth rate required to grow the income and contain operating expenses for the Bank to keep the CIR at bay?*

### **AFFIN'S REPLY TO QUESTION 3 (a) (ii)**

Income is required to grow by more than 20% to support the current cost structure. There are targets and action plans to drive such income growth.

For 2023 performance, the higher CIR was mainly due to lower NII as a result of NIM compression, depicted below:

	2022	2023	%	Diff (YoY)
<b>Total</b>				
NII*	1,639.1	1,256.4	(23.34)	(382.7)
NOII*	415.5	729.4	75.54	313.9
Revenue	2,054.6	1,985.8	(3.34)	(68.8)
Overhead	1,316.7	1,421.2	7.93	104.5
CIR	64%	72%	8	7%

\*Including Income from Islamic Banking Business <sup>12</sup>



## Operational & Financial Matters

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

*(iii) The measures and strategies introduced in the past seem muted to optimise the operating costs, what else could the Bank do to lower operating costs?*

### **AFFIN'S REPLY TO QUESTION 3 (a) (iii)**

The Bank has several key action plans to continue on its journey to manage cost, amongst others are:

- Improved automation and reduction of redundancies to improve overall productivity.
- Stricter measures to ensure return on investments cross the internal hurdle rates.
- Strict hiring practices.



### **QUESTION 3**

*(b) Under the AX28, the Bank aspires to groom the private banking business further.*

*(i) The measures and strategies introduced in the past seem muted to optimise the operating costs, what else could the Bank do to lower operating costs?*

### **AFFIN'S REPLY TO QUESTION 3 (b) (i)**

Under AX28, our strategy is to grow the wealth management business by tapping the Ultra High Net Worth segment through the Private Banking business.

Our strategy for that business includes upskilling our sales team to be Universal Relationship Managers (URM), offering hyper-personalised and unique products & solutions to its customers.

The Private Banking model will be sharing the same premises as the Affin Invikta lounges. Hence, there will not be any material increase in costs for this new business.

### AFFIN'S REPLY TO QUESTION 3 (b) (i) – part 2

We intend to replicate the success of our AFFIN Invikta Segment by scaling it even further with our Private Banking customers.

	2020	2021	2022	2023
Invikta Customers	0	6,000	12,000	24,000
Deposit AUM (RM'b)	0	13.3	17.3	19.4
Investment AUM (RM'b)	0	0.5	0.4	1.1
<b>Total AUM (RM'b)</b>	<b>0</b>	<b>13.8</b>	<b>17.7</b>	<b>20.5</b>



### **QUESTION 3 (Cont'd)**

*(ii) Premier banking solution AFFIN INVIKTA was introduced in 2021 to tap into the affluent segment. What is the value proposition of AFFIN INVIKTA? What is the market reception towards the product? How competitive are its offerings against other premier banking solutions by banking peers?*



## Operational & Financial Matters

### **AFFIN'S REPLY TO QUESTION 3 (b) (ii)**

AFFIN INVIKTA offers a host of exclusive privileges and benefits for the High Net Worth Segment such as:

- Dedicated Relationship Managers (RMs) to provide personalised financial solutions and services to its customers.
- Regular market insights for customers to make informed financial decisions for their investments.

The Bank is committed to providing an elevated premier banking experience, offering convenience, privileges, security, and safety as well as rewards to its clientele.

The market has responded well to Affin Invikta as can be seen in the comparative table in the following slide.

## AFFIN'S REPLY TO QUESTION 3 (b) (ii) – part 2

	Bank A	Bank B	Bank C	AFFIN
AUM	RM95b	RM210b	RM46b	RM20b
Customers	150,000	300,000	102,000	24,000
R. Managers	200	300	150	55
Centers	43	72	19	18
AUM per Customer	RM633,000	RM700,000	RM450,000	RM645,000
AUM per RM	RM475mil	RM700mil	RM307mil	RM364mil
AUM per Centre	RM2.8b	RM2.9b	RM2.4b	RM1.1b

*AUM defined as deposits + investments*

*Data is as at Dec'23. Competitor data from market intelligence.*



### **QUESTION 3**

*(c) Also included in AX28 is the maximisation of capital efficiency and the improvement of ROE. Affin Bank's ROE of 3.6% was relatively low compared to other banking peers of high single digit. That said, the ROE target of 8% by FY2025 and 12% by FY2028 seems an uphill task for the Bank.*

*Please explain the basis and assumptions for deriving the ROE targets. How does the Group achieve the targets?*



### **AFFIN'S REPLY TO QUESTION 3 (c)**

- The ROE targets are aspirational and there are key strategies and many action plans that have been baked into the AX28 Plan to provide AFFIN with the foundation to reach those aspirational targets.
- The ROE targets are driven by the income and PAT targets that are derived from the bank's overall plan to increase productivity of its staff force and bring stronger revenues to the banking group.
- The drivers for the growth numbers will come from the loans/financing growth, improvement of the CASA position as well as growing the fee income through more efficient and effective cross selling initiatives.



# AX28 Plan - Key Financial Targets



## 2023 Target

<b>PBT</b>	<b>RM0.5b</b>
<b>NIM</b>	<b>1.4%</b>
<b>CASA</b>	<b>27%</b>
<b>ROE</b>	<b>4%</b>
<b>CIR</b>	<b>72%</b>
<b>GIL</b>	<b>1.9%</b>

## 2028 Target

<b>PBT</b>	<b>RM1.8b</b>
<b>NIM</b>	<b>2.3%</b>
<b>CASA</b>	<b>35%</b>
<b>ROE</b>	<b>12%</b>
<b>CIR</b>	<b>&lt;53%</b>
<b>GIL</b>	<b>1.5%</b>



## AX28 Plan – Key Financial Targets

Key Financial Measures	2023 Actual	2025 Target (Revised)	2028 Target	CAGR (2024 – 2028)
Profit Before Tax	RM518 mil	RM1.2 bil	RM1.8 bil	37%
Return on Equity	4%	8%	12%	32%
Total Loans/ Financing	RM 67 bil	RM 81 bil	RM 116 bil	15%
Total Deposits	RM 71 bil	RM 86 bil	RM 123 bil	15%
Total Customer Base	1 mil	2 mil	3 mil	32%



### **QUESTION 4**

*Affin Bank previously guided net interest margin (NIM) expansion to 2.1% in FY2023 (Reply letter to MSWG dated 24 May 2023). Instead, its NIM declined sharply to 1.42% compared to 2.01% in FY2022.*

*On the back of a lower NIM were higher interest expenses of RM1.87 billion (FY2022: RM1.03 billion), primarily led by an increase in interest paid to customer deposits (page 337, Note 35 – Interest Expense, AR2023). Correspondingly, the total deposits expanded to RM70.8 billion from RM65 billion a year ago (page 328, Note 22 – Deposits from customers, AR2023).*

*These numbers reflected stiff competition for deposits among banks, driving up the cost of borrowing and narrowing the NIM.*

*What could the Bank do to alleviate the high cost of funds? Does the Bank expect intense competition for deposits to persist in FY2024? What is the guidance on NIM this year?*



### AFFIN'S REPLY TO QUESTION 4

- As long as the US Federal Reserve maintains the high interest rates and the gap between the Malaysian OPR rate and the US interest rates remain wide, it is expected to put pressure on funding costs.

Federal Funds Rate (FFR)	BNM Overnight Policy Rate (OPR)	Differential
<b>5.50%</b>	<b>3.00%</b>	<b>2.50%</b>



## Operational & Financial Matters

### **AFFIN'S REPLY TO QUESTION 4**

Our long-term strategies under our AX28 Plan are as follows:

- ✓ Bigger CASA composition from 26% to 35% in 2028 to lower our funding costs
  - ✓ To expand our NIM by growing our higher margin businesses ie. Credit cards, SME Lending, Personal financing
  - ✓ To expand our product suite into private banking
  - ✓ Enhance our digital banking experiences
  - ✓ Growing our customer base from 1 million currently to 3 million in 2028
- 
- The NIM guidance for 2024 is 1.6%



# Top Position Stockbroking and Moving Up The League Tables in Equity and Debt

## Stockbroking (Annual Ranking)

	Ranking	
	FY2022	FY2023
AFFIN HWANG INVESTMENT BANK	2	1
kenanga	1	2
Maybank	3	3
RHB	5	4
RHB	6	5
UBS	4	6
AmInvestment Bank	8	7
J.P.Morgan	7	8
HongLeong	10	9
KAF	15	10

## DCM League Table

	Ranking	
	FY2022	FY2023
CIMB	2	1
Maybank	1	2
RHB	3	3
AmInvestment Bank	4	4
AFFIN HWANG INVESTMENT BANK	8	5
UOB	7	6
BANK ISLAM	10	7
HSBC	9	8
HongLeong	5	9
OCBC	11	10

Source : Bursa Malaysia, Bloomberg

 Driving Our Award-Winning Enterprise Banking Offerings for SMEs



**Increasing  
SME Banking  
Recognition**

A testament to our  
unwavering  
commitment to  
excellence in SME  
banking



**AFFINWRKFZ**

**AFFIN GEM**

**SME COLONY**  
By  AFFIN

**SMEngage**  
By  AFFIN





## Operational & Financial Matters

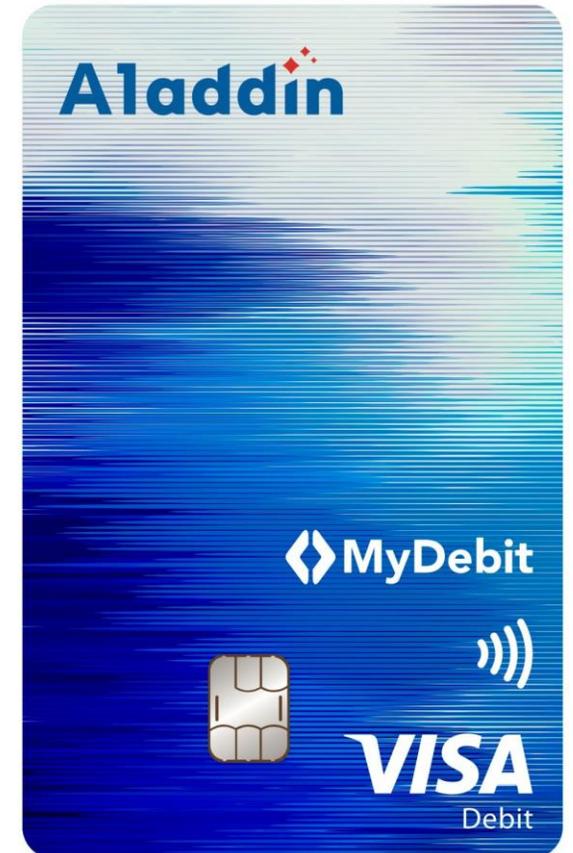
### **QUESTION 5**

*AffinAlways was introduced in October 2023 to replace A1addin, which was launched in November 2021 as a new digital banking proposition to cater to the digital-savvy generation.*

*(a) What happened to A1addin, resulting in the discontinuation of service in less than two years? What was the users' feedback regarding the application?*

### **AFFIN'S REPLY TO QUESTION 5 (a)**

- A1addin has been enhanced and migrated into our superior AffinAlways mobile app.
- A1addin customers are now able to use the new A1addin debit card.
- We received positive feedback from customers for its User Experience and Interface.
- We are suspending A1addin e-KYC due to high level of scamming and frauds. Customers can continue to onboard A1addin through the Bank's branch network.





### **QUESTION 5**

*AffinAlways was introduced in October 2023 to replace A1addin, which was launched in November 2021 as a new digital banking proposition to cater to the digital-savvy generation.*

*(b) How many users registered for A1addin, and how many were active users before the discontinuation?*

### **AFFIN'S REPLY TO QUESTION 5 (b)**

- This is our proposition for the young and digital-savvy segment.
- Today we have over 5k registered users for A1addin.

## **QUESTION 5**

*AffinAlways was introduced in October 2023 to replace A1addin, which was launched in November 2021 as a new digital banking proposition to cater to the digital-savvy generation.*

*(c) How different was the proposition of AffinAlways compared to A1addin?*

## **AFFIN'S REPLY TO QUESTION 5 (c)**

- A1addin has digital account opening via eKYC and Duitnow QR but unable to view other AFFIN Bank Accounts (Credit Card, Hire Purchase and Loans).
- A1addin on AffinAlways platform has debit cards features, and able to view AFFIN Bank Accounts and investments and in the future will have Duitnow QR feature.



### **QUESTION 5**

*AffinAlways was introduced in October 2023 to replace A1addin, which was launched in November 2021 as a new digital banking proposition to cater to the digital-savvy generation.*

*(d) How much did the Bank invest in developing A1addin? Have the investments been impaired or written off from the book?*

### **AFFIN'S REPLY TO QUESTION 5 (d)**

- A1addin remains a key proposition for the young and digital-savvy segment.
- The investment for A1addin is approximately RM30 million.
- The amount has been depreciated over the past few years.



### **QUESTION 6**

*The auditors' remuneration included regulatory-related fees, which amounted to RM854,000 compared to RM216,000 in FY2022 (page 340 of AR2023). The above fees comprised a review of the liquidity coverage ratio (LCR), amounting to RM627,000 (page 513 of AR2023).*

*There was no disclosure of the breakdown of regulatory-related fees in FY2022.*

*What were the concerns that led to the decision to review the ratio? What were the aspects that the auditors reviewed concerning the ratio? Was the review recurring in nature?*

## AFFIN'S REPLY TO QUESTION 6

	2023 RM'000	2022 RM'000
<b><u>Audit related services</u></b>		
- Statutory Audit	2,333	2,179
- Limited Review	210	199
- Review of Liquidity Coverage Ratio	627	-
- SORMIC	17	17
<b>Total Audit Service</b>	<b>3,187</b>	<b>2,395</b>
<b><u>Non-Audit related services</u></b>		
- Tax Services and other related	166	156
- Agreed-upon procedures	64	-
- Treasury Training	25	-
- Review of Long-term Incentive Plan (LTIP)	-	297
<b>Total non-Audit Service</b>	<b>255</b>	<b>453</b>
<b>Total</b>	<b>3,442</b>	<b>2,848</b>

\* In relation to the fees of RM627,000 for the review of the Liquidity Coverage Ratio undertaken by the auditors, it was an industry wide review requested by the regulator to assess the level of compliance to the regulatory standards. This will not be a recurring review.



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

*Affin Bank is adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As of FY2023, the Bank has partially integrated the TCFD recommendations into its sustainability disclosures (page 243, Sustainability Statement, AR2023).*

*(a) The Bank intends to conduct a detailed analysis of climate-related risks and opportunities. How is the progress to-date?*

## **AFFIN'S REPLY TO QUESTION 1 (a)**

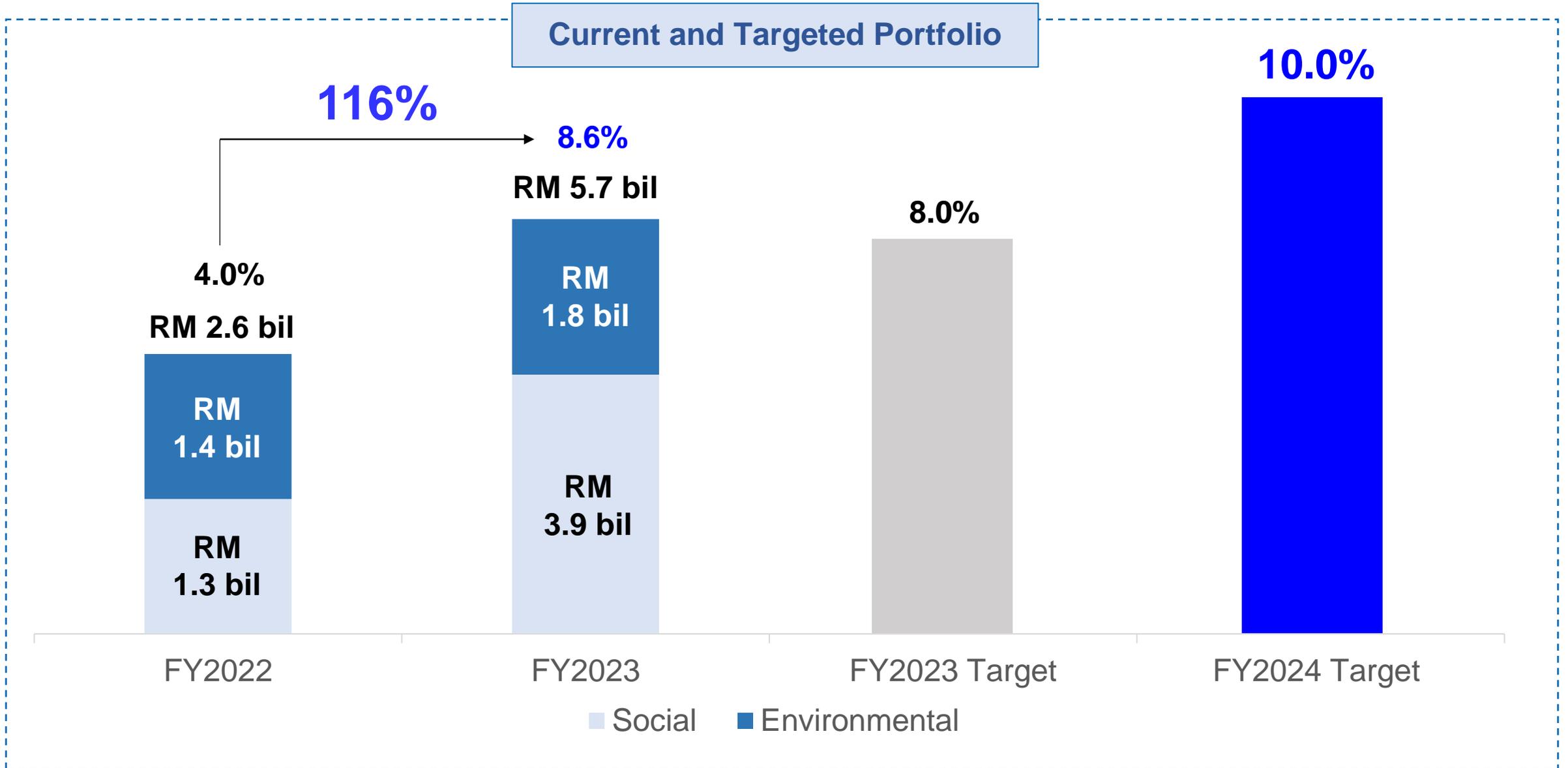
We have established Sustainability Framework in 2023 that operates based on four key principles, ensuring that all our actions align with our sustainability commitments which include the following:

- a) Commit to increase Sustainable Financing to 25% by 2028
- b) Achieve 30% of operational emissions (Scope 1 & Scope 2) by 2030 and Net Zero Carbon by 2050
- c) Commit to improving the livelihood of the society through impactful CSR activities.

The risks assessment for the above strategy includes climate scenario analysis and stress testing, targeted to be completed by end of 2024.



# Sustainable Financing – Progress Update



## **QUESTION 1 (b)**

*(b) Main Market listed issuers must disclose their climate-related disclosure aligned with the recommendation of TCFD on or after the financial year 31 December 2025. Please indicate your overall readiness to adopt the standard on time.*

## **AFFIN'S REPLY TO QUESTION 1 (b)**

- The Group has adopted the TCFD framework recommendations in its Sustainability Statement FY2023, ensuring compliance with overall recommendations. It also disclosed 7 out of 11 metrics after completing climate-related risks and opportunities assessments.

2023	2024
7 Out of 11 Initiatives	11 Out of 11 Initiatives

- Our plan to meet the 11 TCFD recommended disclosures is as follows:



## Corporate Governance Matters

### **QUESTION 1**

*Affin Bank President and Group CEO (PGCEO) Datuk Wan Razly Abdullah Wan Ali received a total remuneration of RM7.45 million in FY2023 (FY2022: RM5.75 million), comprising of salaries, bonuses, EPF, other employee benefits and benefit-in-kind.*

*What is the breakdown of his remuneration based on fixed and variable elements? As for variable remuneration, please provide the breakdown of deferred and non-deferred categories.*



# Corporate Governance Matters

## AFFIN'S REPLY TO QUESTION 1

The remuneration of the PGCEO comprises fixed and variable components, as outlined in the following table:

Details	2023 RM '000	%	2022 RM '000	%
Fixed Pay (Salaries, EPF, other employee benefits, benefits-in-kind)	3,735	50%	3,658	64%
Variable Pay (Cash bonus)	3,713	50%	2,094	36%
<b>Total Remuneration</b>	<b>7,448</b>		<b>5,752</b>	

Breakdown for deferred and non-deferred	RM '000	%
Non-deferred Cash Bonus	2,785	75%
Deferred Cash Bonus	928	25%
<b>Total</b>	<b>3,713</b>	

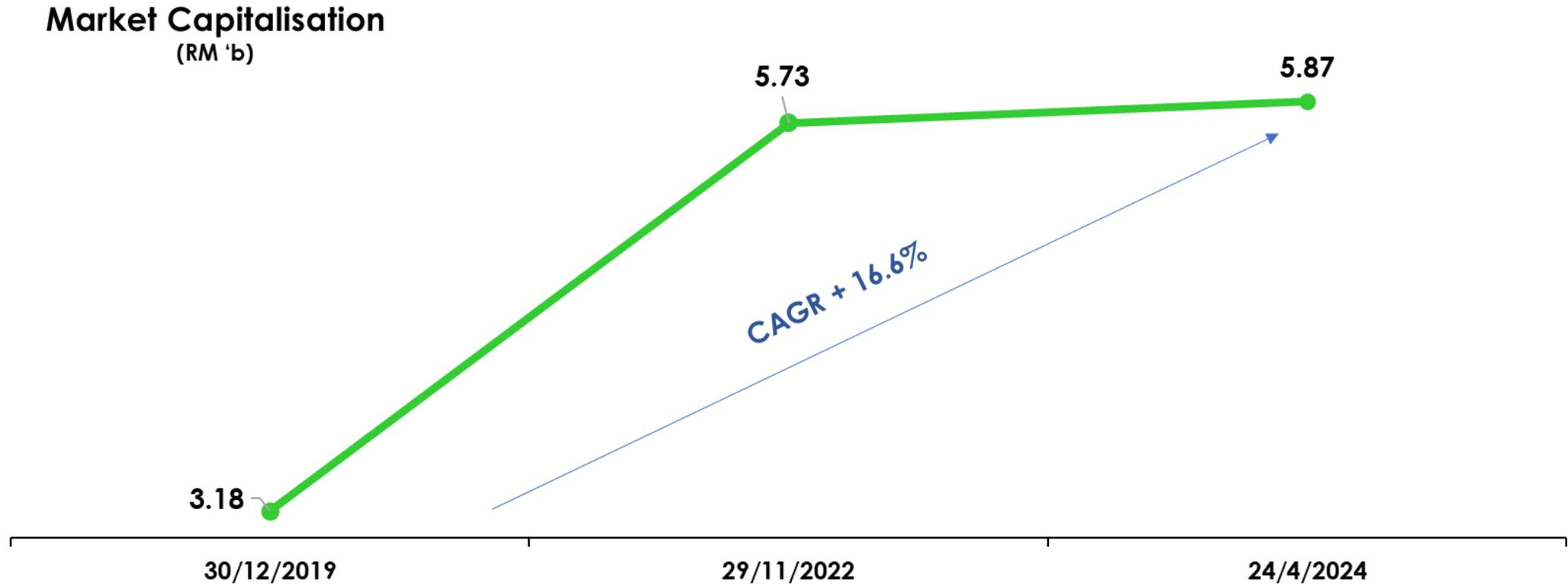
- The target compensation mix for Affin Group's PGCEO consists of a 50:50 ratio of fixed and variable pay.
- This ratio is designed to provide a competitive advantage in the market and align with the Group's pay-for-performance approach. It focuses on driving the Group to achieve short-term and long-term objectives while enhancing shareholder value.
- The transformation plan of AIM22, A25 & AX28 Plan is driven by the PGCEO without external consultants. He is the pivotal contributor, architect and key driver of the metamorphosis plan of the Bank which is proven by the AIM22 success.
- The Board has decided not to award a cash bonus to the PGCEO for the FY2023, aligning with the Bank's performance. This decision will be reported in the 2024 annual report.



# Corporate Governance Matters

## AFFIN'S REPLY TO QUESTION 1 (Cont'd)

- Under the leadership of the PGCEO, Affin's market capitalization has experienced substantial growth, reaching **RM5.87b as of 24 April 2024**. This achievement underscores the confidence in Affin's transformation journey.





### **QUESTION 2**

*A total of 15.59 million shares with a fair value of RM1.806 per share were granted under the Share Grant Scheme (SGS) in FY2023 (page 429, Note 58 – Long Term Incentive Plan, AR2023).*

- (a) What was the breakdown of the shares granted between different categories of employees, e.g., PGCEO, key senior management officers and other eligible employees?*
  
- (b) How many recipients were granted shares under SGS in FY2023? Please provide a range of the number of SGS shares granted to a single employee.*

## AFFIN'S REPLY TO QUESTION 2(a) & 2(b)

a) The breakdown of the share granted between different categories of employees are displayed as per table outlined below:

Employee Category	No of HC	Total Allocation (Share Unit)	Range Allocation (Share Unit)	Average Allocation (Share Unit)	% of Allocation vs Grand Total
PGCEO	1	1,020,000	1,020,000	1,020,000	7%
Sr Mgmt (GMC & SMC)	20	5,355,400	83,700 - 600,000	267,770	34%
Other Material Risk Taker/Talent	100	9,216,300	35,200 - 263,900	92,163	59%
<b>Grand Total</b>	<b>121</b>	<b>15,591,700</b>	<b>35,200 - 1,020,000</b>	<b>128,857</b>	<b>100%</b>

b) There were a total of **121 employees** who were granted shares under SGS in FY2023. The range of the number of SGS shares granted based on on-target performance is **35,200 – 1,020,000 shares**.



## Corporate Governance Matters

### **QUESTION 3**

*The Company's Corporate Governance Report 2023 (page 27), Practice 4.4 states that performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.*

*The Bank has adopted the Practice. However, the explanation of the application of the Practice is brief.*

*(a) What material sustainability risks and opportunities were incorporated in the performance evaluation of the Board and senior management?*



### **AFFIN'S REPLY TO QUESTION 3 (a)**

#### **FOR THE BOARD**

ESG risks and opportunities have been included in the Board Effectiveness Evaluation (BEE). The areas that were assessed, among others, are as follows:-

- Effectiveness of the Board in taking into account environmental, social and governance (ESG) as well as sustainability considerations, risks and opportunities during the review and oversight of the development and implementation of the Bank's strategies, business plans, major plans of action and risk management.
- Effectiveness of the Board in ensuring the Company's ESG strategies, priorities and targets as well as performance against these targets.



### **AFFIN'S REPLY TO QUESTION 3 (a) (Cont'd)**

#### **FOR THE SENIOR MANAGEMENT**

ESG risks and opportunities have been included in the Senior Management's performance evaluation. The areas among others include:-

- Strengthening the implementation of Climate Risk Management and Scenario Analysis (CRMSA) in compliance with Bank Negara Malaysia (BNM) guidelines;
- Opportunity growth in Sustainable Financing segment from 8.61% in 2023 to 15% in 2025;
- Enhancing talent development in Sustainability-based knowledge and skills set; and
- Enhancing the overall organizational culture in the area of ESG practices i.e., recycling & energy saving.



## Corporate Governance Matters

### **QUESTION 3**

*The Company's Corporate Governance Report 2023 (page 27), Practice 4.4 states that performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.*

*The Bank has adopted the Practice. However, the explanation of the application of the Practice is brief.*

*(b) What was the weightage of sustainability-related KPIs (by percentage) vis-à-vis operational and financial metrics in the overall evaluation of the Board and senior management?*



## Corporate Governance Matters

### **AFFIN'S REPLY TO QUESTION 3 (b)**

#### **FOR THE BOARD**

20% (or 10 out of 50) of the questions of the BEE were related to sustainability.

#### **FOR THE SENIOR MANAGEMENT**

Depending on the functional role performed by the individual, the KPI weightages range between 2% to 12%.



## Corporate Governance Matters

### **QUESTION 3**

*The Company's Corporate Governance Report 2023 (page 27), Practice 4.4 states that performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.*

*The Bank has adopted the Practice. However, the explanation of the application of the Practice is brief.*

*(c) How did the Board and senior management perform in relation to these metrics?*



## Corporate Governance Matters

### AFFIN’S REPLY TO QUESTION 3 (c)

#### FOR THE BOARD

The outcome of the BEE in relation to sustainability-related matters were “satisfactory”. Further, the Board took cognisance of the growing importance of ESG and recognises that it needs to focus more efforts to meet stakeholders’ expectations. The Board anticipates that the ESG initiatives would be fully integrated into the Group’s business plan and risk management, with the support of the newly established Group Board Sustainability Committee.

#### FOR THE SENIOR MANAGEMENT

The outcome of the performance evaluation in relation to Sustainability-related KPI were “satisfactory”, as outlined in the following table:

No	Scope	Details
1	ESG Financing	<ul style="list-style-type: none"> <li>Grew overall ESG financing by 8.6%.</li> <li>Segment-wise, growth is observed across i.e. Islamic financing 9.7%, retail 8.6%, enterprises 57% and corporates 7%</li> </ul>
2	Risk Management	<ul style="list-style-type: none"> <li>Achieved 30% ESG-assessed for corporate segment portfolio to mitigate financing with high risk borrower;</li> <li>Risk portfolio review for enterprise segment with &lt;1% rated ‘High Risk’</li> <li>Completed all relevant initiatives planned under CRMSA</li> </ul>
3	Capacity Building	<ul style="list-style-type: none"> <li>Enrolment to CRMSA certification under AICB and selected public programs</li> <li>e-Learning module rollout to all employees</li> <li>Internal ESG awareness through Sustainability Digest &amp; Newsletter and ESG Talk Series.</li> </ul>



### **QUESTION 3**

*The Company's Corporate Governance Report 2023 (page 27), Practice 4.4 states that performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.*

*The Bank has adopted the Practice. However, the explanation of the application of the Practice is brief.*

*(d) Which area requires more focus and attention from the Board and management?*



## Corporate Governance Matters

### **AFFIN'S REPLY TO QUESTION 3 (d)**

#### **FOR THE SENIOR MANAGEMENT**

- Robust adoption of CRMSA to align with BNM guidelines
- Enhance capability and capacity through on-going development of expert knowledge and skill sets

#### **FOR THE BOARD**

- The Bank requires more expertise in matters related to sustainability/ESG.
- Adoption on the climate scenario analysis and stress testing, targeted to be completed by end of 2024
- The Bank's ESG journey is still at an early stage and more needs to be done in order to meet the stakeholders' expectations. With the newly set-up Group Board Sustainability Committee in November 2023, the discussions related to ESG are expected to be more in-depth and robust.



### **QUESTION 3**

*The Company's Corporate Governance Report 2023 (page 27), Practice 4.4 states that performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.*

*The Bank has adopted the Practice. However, the explanation of the application of the Practice is brief.*

*(e) Please note that Guidance 4.4 of the Malaysian Code of Corporate Governance further provides that the company's shareholders should also be informed of the evaluation outcomes and next steps.*



### **AFFIN'S REPLY TO QUESTION 3 (e)**

The BEE outcomes and the next course of actions are articulated on Pages 158 to 159 of the Annual Report 2023. The main highlights of the BEE 2023 results are as follows:

#### **Areas of Strength**

- **Board Dynamics & Culture** - Earned one of the highest ratings from the Board and Management for creating a suitable culture for the organisation to accomplish long-term strategy.
- **Board & Management Relationship** - The Board and Management have an effective and supportive working relationship. They can express their views, communicate their opinions, exchange their perspectives and engage in respectful dialogues. They can settle any disagreements or differences in opinion in a cordial manner.



### AFFIN'S REPLY TO QUESTION 3 (e) (Cont'd)

#### Considerations for Improvement

- **Agenda, Meetings, Information and Decision Making** - There have been improvements in the quality of information to the Board. However, the Board and Management continue to find areas for enhancement in terms of information that are being supplied to the Board. The Board would like to see relevant data that forecasts the future to build stakeholders' value. The Board appreciates that they can share their opinions and weigh different alternatives in making an informed decision.
- **Board Sustainability Matters** - The Board is committed to sustainability/ESG issues and recognises that it needs to focus more efforts to meet stakeholders' expectations. The Board anticipates that the ESG initiatives would be fully integrated into the Group's business plan and risk management, with the support of the newly established Group Board Sustainability Committee.



### **AFFIN'S REPLY TO QUESTION 3 (e) (Cont'd)**

The Board and GBNRC will work on development plans to address the areas of improvement based on their priorities, with the support from respective Board Committees. The BEE 2023 outcome will also be considered for the re-appointment of Directors and Board Committees' membership appointment, where applicable.



THANK YOU

