



# DRIVING MOMENTUM

# ABOUT THIS REPORT

Moving beyond our metamorphosis to realise a new level of banking, our purpose during the financial year under review was to seize momentum to build resilience for a future of sustainable inclusive growth. The evolution of a creative, innovative, and sustainable AFFIN Group would enable us to provide significant value to our customers, employees, and shareholders. To facilitate this purpose, we encompass principles of good governance, responsible banking and value-based intermediation (VBI) in all that we do. Our focus to fortify the trust of our various stakeholders had succeeded in addressing issues that mattered to them. **As the curtain fell on AIM22, the AFFIN Group had demonstrated resilient leadership with exemplary service and innovative products that uphold our credo, 'always about you'.**

Our inclusive policies, impactful programmes, digitalised financial solutions, and purpose-driven shareholder returns have positively impacted our financial performance.

This annual report imparts authentic explanation of the AFFIN Group's performance during the financial year under review, the progress attained by the AIM22 strategy and a Sustainability Roadmap. The achievements presented herein represent our clarion call to accelerate momentum as we continue to create value for all our stakeholders.



## *Driving Momentum*

AFFIN Group's journey to be future-ready is gaining momentum, with our AIM22 strategic plan taking flight. Our vision has been redefined, our organisation restructured, our balance sheet reengineered, and our digital capabilities realised. This puts us in the driving seat as we push forward towards the next phase of growth.

Our focus for the year ahead will be driven by five strategic priorities that aim to provide unparalleled customer services and experiences. We remain steadfast in our commitment to achieving the desired outcomes within our business ecosystem, while integrating environmental, social, and governance (ESG) practices into our operations as part of our sustainability agenda.

As we strive to become a financial institution of the future, one that embraces innovation and technology to deliver unrivalled customer excellence in an ever-evolving business landscape, AFFIN Group's focus remains on delivering shared value and a sustainable future for all our stakeholders. Our momentum continues to accelerate and we are excited to see where it takes us next.

### **WE APPRECIATE YOUR FEEDBACK**

As part of our commitment to reporting that better serves our stakeholders' needs, we value your feedback and welcome comments to improve our future reports. We will attempt to provide further clarity to our disclosure topics where necessary. Please share your comments, suggestions and feedback via email to [ir@affinbank.com.my](mailto:ir@affinbank.com.my).

Our annual report can also be accessed on-line at:  <https://affin.listedcompany.com/ar.html>

## ➤ SCOPE AND BOUNDARY

This annual report covers AFFIN Group's financial and non-financial performance during the period 1<sup>st</sup> January to 31<sup>st</sup> December 2022.

This report is aimed at keeping our stakeholders in alignment with our mid to long-term achievements; key developments; market challenges and business solutions; programme initiatives; and the overall health of operations in 2022 in the various business segments where we operate. The report also presents forward-looking statements and interpretation on the initiatives and performance that we are planning for the year ahead.

Our Sustainability Statement has been prepared with care and forethought to provide stakeholders with a comprehensive and objective view of our economic, environmental, governance and social performance in a transparent and easy to understand manner.

The report was prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Malaysian Companies Act 2016. It also complies with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code of Corporate Governance 2017 issued by Securities Commission Malaysia. It is also guided by the FTSE4Good Bursa Malaysia Index's environment, social and governance (ESG) indicators and the United Nations Sustainable Development Goals (UNSDGs).

As part of the Group's strategy, we have prioritised several UNSDGs to ensure that our business is environmentally, economically and socially sustainable. These include SDG 8: decent work and economic growth; SDG 12: responsible consumption and production; SDG 13: climate action and SDG 17: partnerships for the goals.

The financial statements have been independently audited by PricewaterhouseCoopers PLT – whose unmodified report is available on pages 213 to 414. These statements provide in-depth and transparent disclosure of our financial performance. Unless indicated otherwise, all the data presented relates to the Group and our subsidiaries.

## ➤ INDEPENDENT COMBINED ASSURANCE STATEMENT

The Group employs a coordinated assurance model to assess and assure various aspects of the business operations, including elements of external reporting. These assurances are provided by management and the Board, internal audit and independent external service providers.

## ➤ FORWARD-LOOKING STATEMENTS

Forward-looking statements with regard to financial conditions and results of AFFIN Group's operations involves risks and uncertainties since they relate to events that may or may not occur in the future. These may include our future growth opportunities, priorities and strategies. They are based on expectations and projections that may be evolving and subject to change based on factors, operating environment and market conditions beyond our control. All forward-looking statements are not conclusive and have not been reviewed by the auditors.

## ➤ MATERIALITY

The preparation of this annual report is guided by matters that are material to the Group's target audiences. Material matters are identified, prioritised and validated via a three-step materiality assessment. This report focuses on those matters that we perceive as being most material to our capacity to create value and to deliver on our core purpose.

These material issues are reviewed each year during the course of the Board's strategic planning process.

## ➤ STATEMENT OF THE BOARD OF DIRECTORS OF AFFIN GROUP

The Board acknowledges its responsibility to ensure the integrity of the AFFIN Group Annual Report 2022. It is in the Board's opinion that the report addresses all issues that are material to the Group's ability to create value and presents fairly the Group's performance for financial year 2022.

Approved by the Board of Directors and signed on behalf of the Board.

**Dato' Agil Natt**  
Chairman

**Datuk Wan Razly Abdullah**  
President and Group Chief Executive Officer

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# 47<sup>th</sup>

### ANNUAL GENERAL MEETING

Broadcast Venue



Level 26, Auditorium,  
Menara AFFIN,  
Lingkaran TRX,  
Tun Razak Exchange,  
55188 Kuala Lumpur,  
Malaysia



Thursday, 25 May 2023



10.00 a.m.

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**OUR VISION**

To be the most creative financial company in Malaysia

- Creative in terms of innovation and technology
- Creative in terms of unrivalled customer service
- Create value for our shareholders, customers and our people



**OUR MISSION**

**Products & Services**

To become an innovative organisation with unrivalled customer service

**People**

Our commitment and passion touches the hearts and minds of everyone in our world

**Value**

To always create value for our shareholders, customers and our people

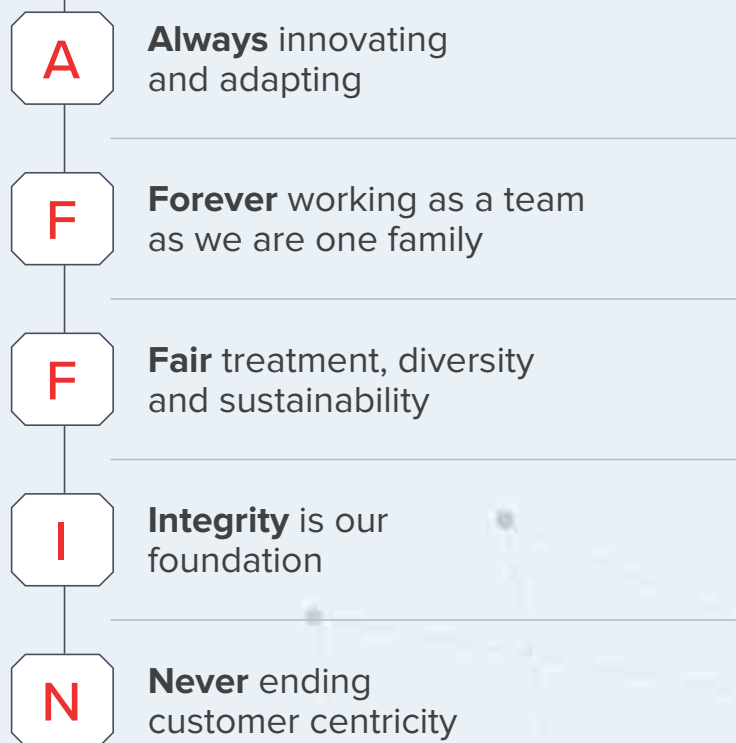
# WHO WE ARE

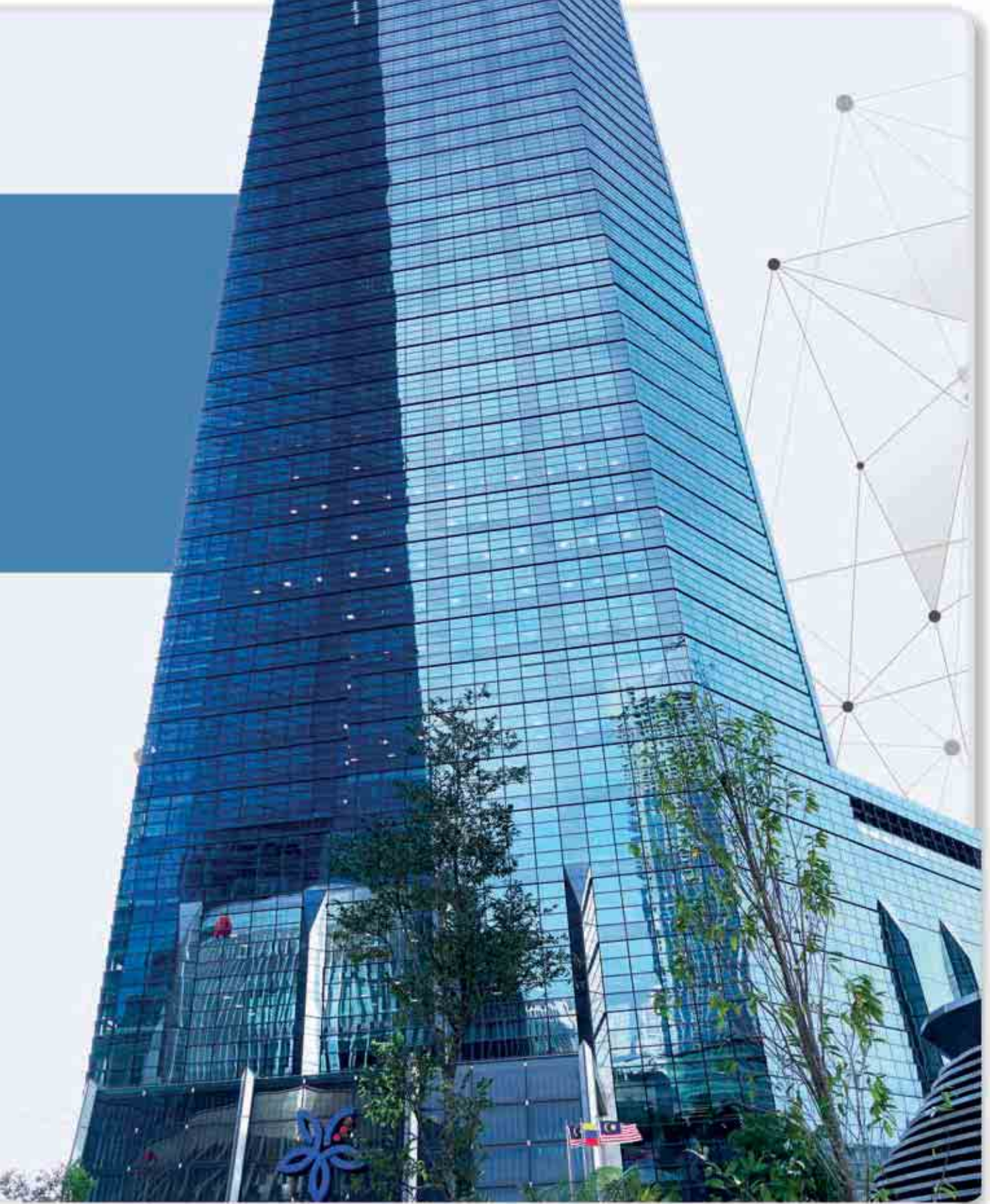
Affin Bank Berhad is a commercial bank and the financial holding company of Affin Islamic Bank Berhad, Affin Hwang Investment Bank Berhad and Affin Moneybrokers Sdn Bhd.

Generali Life Insurance Malaysia Berhad (*formerly known as AXA Affin Life Insurance Berhad*) and Generali Insurance Malaysia Berhad (*formerly known as AXA Affin General Insurance Berhad*) are the associate companies of Affin Bank Berhad.

AFFIN BANK provides a suite of financial products and services that is catered to both retail and corporate customers. The target business segments are categorised under key business units such as Group Community Banking, Group Enterprise Banking, Group Corporate Banking and Group Treasury.

**CORE VALUES**





# OUR STRATEGY SNAPSHOT



## Achievements

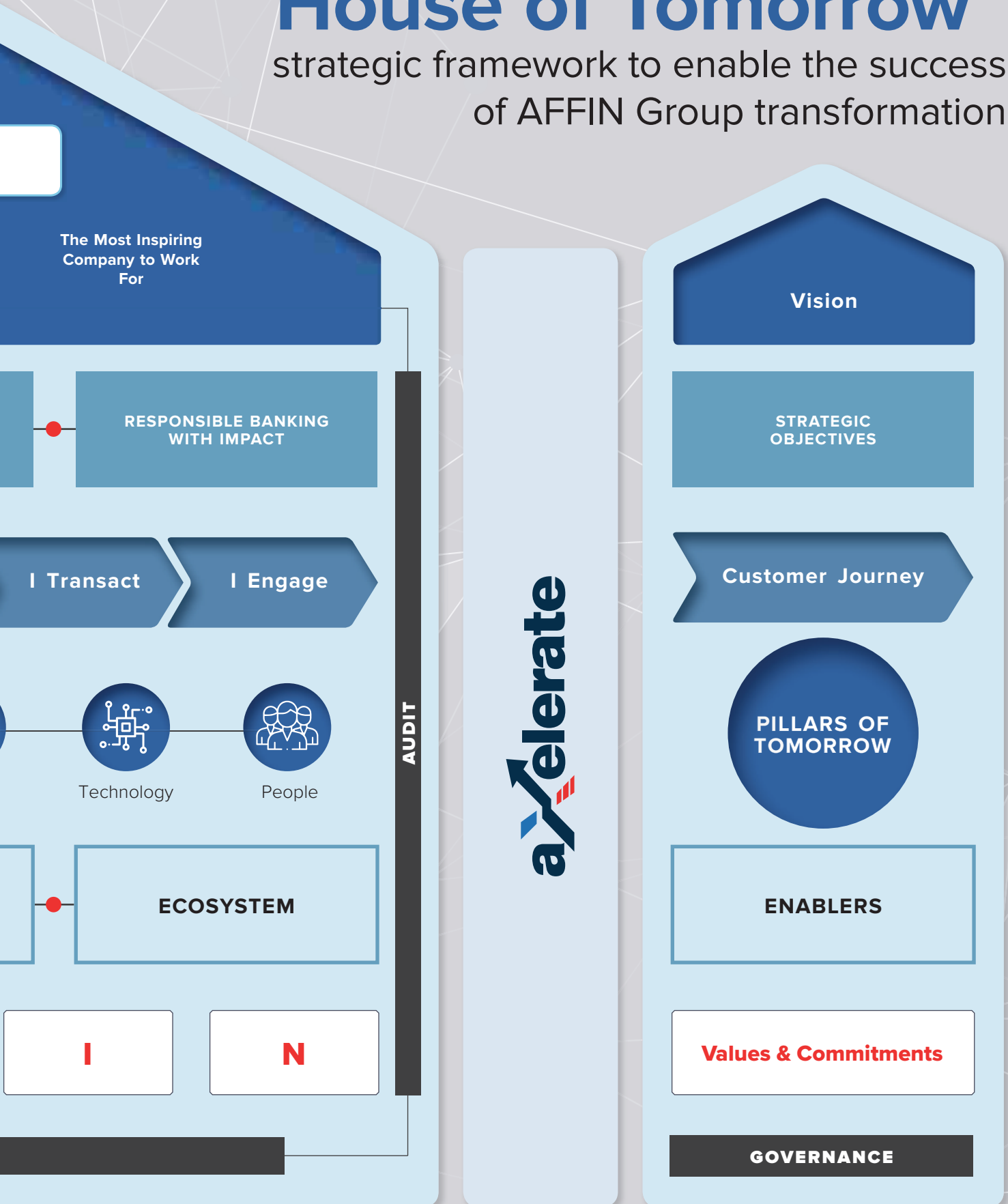
- ▶ Launched A1addin – eFD/eTD-i Promote Rate Module
- ▶ AffinMax Digital Payroll @ AFFIN BANK
- ▶ Opening of New AFC Branch | Bandar Baru Bangi, Sibu and Sandakan
- ▶ Launched A1addinbiz
- ▶ Rollout of Digital Imaging System (DIS)
- ▶ New Branch Opening | Kota SAS, Presint 15 Putrajaya, Balakong, Desa Park City and Kuantan Hub
- ▶ New Invikta Centre | Kemaman, Wisma Pelaut, Permas Jaya, SS2 Petaling Jaya, Desa Park City
- ▶ ADS Rollout Nationwide
- ▶ CRM 360 (Phase 2) Roll Out
- ▶ Launched Affin Mobile Branch
- ▶ Treasury FX Digital System roll out
- ▶ Rollout of AffinMax Phase 3
- ▶ Implementation of Cross – Sell Framework
- ▶ Opening of New Flagship Branch | KL Main Branch @ TRX
- ▶ Rollout of Islamic Variable Rate Financing Product (Auto Finance)
- ▶ Rollout of Straight-Through Process (Personal Financing Business)
- ▶ Rollout of Pricing Automation in LOS Production (Mortgage)
- ▶ Introduced various key Banca products
- ▶ Launched AFFIN Solar Financing-i and AFFIN BizSolar/-i Financing
- ▶ Introduction of Dinar Gold under AFFIN Emas Account-i
- ▶ AFFIN UKM Alumni Debit Card





# “House of Tomorrow”

strategic framework to enable the success of AFFIN Group transformation



# OUR INVESTMENT CASE

## • 2022 PERFORMANCE SNAPSHOT

### BUSINESS HIGHLIGHTS



Highest dividend of RM677 million declared to reward our shareholders for their support and loyalty

Inclusion of two global indexes, namely **MSCI** and **FTSE** for the first time since listing



RAM Ratings has upgraded our rating from AA<sub>3</sub> negative to AA<sub>3</sub> stable in November



New Joint Venture Partner with **Generali** – becoming Malaysia's second largest General Insurance provider



Brand Finance reported that AFFIN BANK has emerged as the **fastest growing brand** in Malaysia with a brand value of USD232 million (+45% year on year)



Affin Islamic Bank Berhad was a **significant contributor** to our Group, PBT (exclude one-off) recorded an increase of 52.8% or **RM131.3 million**, due to strong financing growth at 15.3% for FY2022

### FINANCIAL HIGHLIGHTS

Revenue

**RM 3,297 million** +47.1%

2021: RM2,241 million

Net Interest Margin

**2.01%** +0.04%

2021: 1.97%

Net Interest Income

**RM 1,023 million** +13.7%

2021: RM900 million

SUSTAINABILITY HIGHLIGHTS

Profit Before Taxation

RM **1,377** million +95.6%

2021:  
RM704 million

Earnings Per Share

**54.4** sen +117.6%

2021:  
25.0 sen

Gross Loan

RM **59.3** billion +15.4%

2021:  
RM51.4 billion



**52 Hours** total of staff volunteer time were attained



In 2022, **4.5%** of sustainable financing went beyond the 4% threshold goal



Investments worth **RM11.5 million** was made in staff upskilling training



**94 Hours** have been allocated for staff upskilling training



**1200 trees** were planted as a part of our commitment



A donation of more than **RM0.9** million was allocated to CSR projects



Relocation of the corporate headquarters to a building with a **Green Building Index (GBI)** certification and close proximity to a public transit hub

## OUR INVESTMENT CASE

# AWARDS & RECOGNITION

## AFFIN BANK BERHAD

- 1 Winner: Outstanding Digital CX For Financial Inclusion 2022 by Digital CX Awards Singapore  
Entry: SME Colony mobile app
- 2 Financial Inclusion Initiative of the Year 2022 – Malaysia by Asian Banking & Finance Retail Banking Awards Singapore  
Entry: SME Colony mobile app
- 3 Most Innovative New SME Product of the Year – Malaysia 2022 by International Finance Awards UK  
Entry: AFFINWRKFZ
- 4 Best Bank for Digital Solutions, Malaysia 2022 by Asiamoney Awards  
Entry: SME Colony mobile app
- 5 Cloud-Banking Category by Malaysia Technology Excellence Awards 2022  
Entry: AffinNexus (Lead management system)
- 6 Mobile-Banking Category by Malaysia Technology Excellence Awards 2022  
Entry: A1addin (Digital Bank)
- 7 Digital Transformation of the Year – Malaysia by Asian Banking and Finance Awards 2022  
Entry: Robotics Process Automation (RPA)
- 8 Website of the Year – Malaysia by Asian Banking and Finance Awards 2022  
Entry: AffinAlways Website
- 9 Best Outbound Contact Centre (Inhouse Outbound) – Gold Award by Contact Centre Association of Malaysia (CCAM)  
Entry: AFFIN BANK Contact Centre (Virtual Banking)
- 10 Deals of 2022: Best Mergers & Acquisitions – AFFIN BANK's divestment of AHAM (The Edge)
- 11 "The Highest Purchase Volume Growth" from MasterCard International (32% YoY Growth vs industry 12% YoY)
- 12 CHT Excellence Award 2022 – First Financial Institution to offer automated SDB
- 13 Human Resource & Personal Development Leadership Branding Awards 2022 by The BrandLaureate



## AFFIN HWANG INVESTMENT BERHAD

1

### Bursa Excellence Awards 2022

- Champion for Best Market Maker (Exchange-Traded Fund)
- 1<sup>st</sup> runner-up Malaysia's Broker Ranking
- 1<sup>st</sup> runner-up Best Institutional Equities Participating Organisation (Investment Bank)
- 2<sup>nd</sup> runner up Best Overall Equities Participating Organisation

2

### Islamic Finance Awards 2022

- Best New Sukuk as the Lead Manager for Bank Simpanan Nasional (BSN)'s RM 750 million Triple Tranche Wakala Sukuk



## INDICES REPRESENTATION



Constituent of the

**FTSE Bursa Malaysia  
Mid 70 Index**

**MSCI**   
MSCI Global  
Small Cap Index

## CREDIT RATINGS

Rating Agency	Rating Classification	Rating Accorded	Outlook
<b>AFFIN BANK BERHAD</b>			
RAM Rating Services Berhad	i. Financial Institution Ratings: <ul style="list-style-type: none"> <li>Long term Financial Institution Rating</li> <li>Short term Financial Institution Rating</li> </ul>	AA <sub>3</sub> P1	Stable
	ii. RM6 bil Senior and Subordinated Medium-Term Notes Programme (2017/2117): <ul style="list-style-type: none"> <li>RM6 bil Senior Notes Programme*</li> <li>RM6 bil Subordinated Medium-Term Notes Programme*</li> </ul>	AA <sub>3</sub> A <sub>1</sub>	
	iii. RM3 bil Additional Tier-1 Capital Securities Programme (2018/2118)	A <sub>3</sub>	
* Subject to a combined limit of RM6 bil.			
<b>AFFIN ISLAMIC BANK BERHAD</b>			
RAM Rating Services Berhad	i. Financial Institution Ratings: <ul style="list-style-type: none"> <li>Long term Financial Institution Rating</li> <li>Short term Financial Institution Rating</li> </ul>	AA <sub>3</sub> P1	Stable
	ii. RM5 bil Islamic Medium Term Notes Programme (2018/2118): <ul style="list-style-type: none"> <li>RM5 bil Senior Sukuk Murabahah Programme^</li> <li>RM5 bil Tier-2 Sukuk Murabahah Programme^</li> <li>RM5 bil Additional Tier-1 Capital Sukuk Wakalah Programme^</li> </ul>	AA <sub>3</sub> A <sub>1</sub> A <sub>3</sub>	
^ Subject to a combined limit of RM5 bil.			
<b>AFFIN HWANG INVESTMENT BANK BERHAD</b>			
RAM Rating Services Berhad	i. Financial Institution Ratings: <ul style="list-style-type: none"> <li>Long term Financial Institution Rating</li> <li>Short term Financial Institution Rating</li> </ul>	AA <sub>3</sub> P1	Stable

## OUR STRATEGIC ALLIANCES



A member of UEM Group



# OUR MARKET SHARE AND RANKING

MARKET RANKING		
<p>✓ THE BEST MERGERS &amp; ACQUISITIONS OF 2022</p> <p><b>No. 1</b></p>	<p>✓ LOAN GROWTH</p> <p><b>No. 1</b></p>	<p>✓ DEPOSIT GROWTH</p> <p><b>No. 2</b></p>
<p>✓ CET 1</p> <p><b>No. 3</b></p>	<p>✓ LOAN LOSS RESERVE</p> <p><b>No. 3</b></p>	<p>✓ AUTO FINANCE</p> <p><b>No. 5</b></p>

## MARKET DIFFERENTIATION

### Mobile Financial Centres

Our mobile financial centres will be providing non-counter services to customers such as ATM/CDM, the opening of bank accounts, loan and credit card applications being on the go will gives us the flexibility to offer our services to underserved or unserved markets in selected areas. The aim of having mobile financial centres is to provide everyone access to our products. Given that we are mobile, AFFIN will be able to create new relationships with customers such as: startups; SMEs that have insufficient collateral; SMEs in high-growth sectors; the lower income segments; self-employed individuals; first-time borrowers; fresh graduates; and retirees. Our customers will benefit from being able to access our services in a convenient location that also saves them the time it takes to get to a physical AFFIN branch. This is a more inclusive way of banking and presents us as one of the more innovative banks in Malaysia.



### Triple-Banking

➤ Creating group synergy through triple banking model.

➤ Increased distribution network and brand awareness as a united front.

➤ Focused on products such as Stock Broking, Share Margin Financing, Credit Cards, CASA, Auto Loan, Mortgage and Wealth Management.

#### Branch:

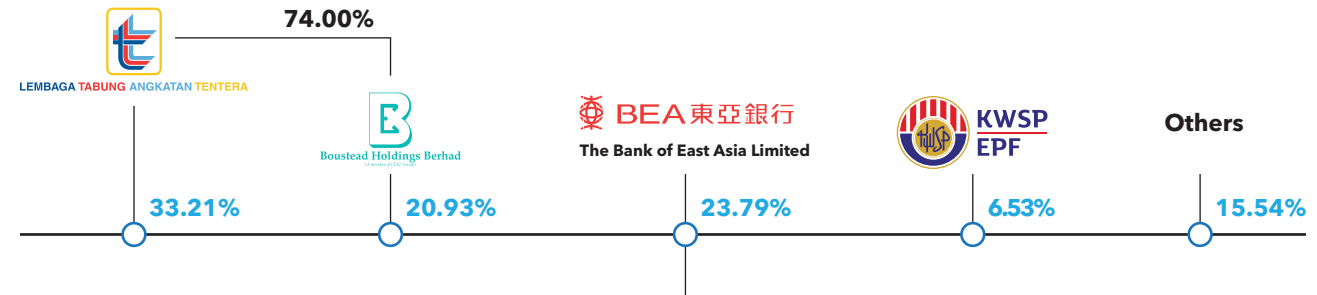
- Taman Midah, Kuala Lumpur
- Bandar Bukit Tinggi, Klang
- Chulan Tower, Kuala Lumpur
- Lu Yang Commercial Center, Kota Kinabalu, Sabah



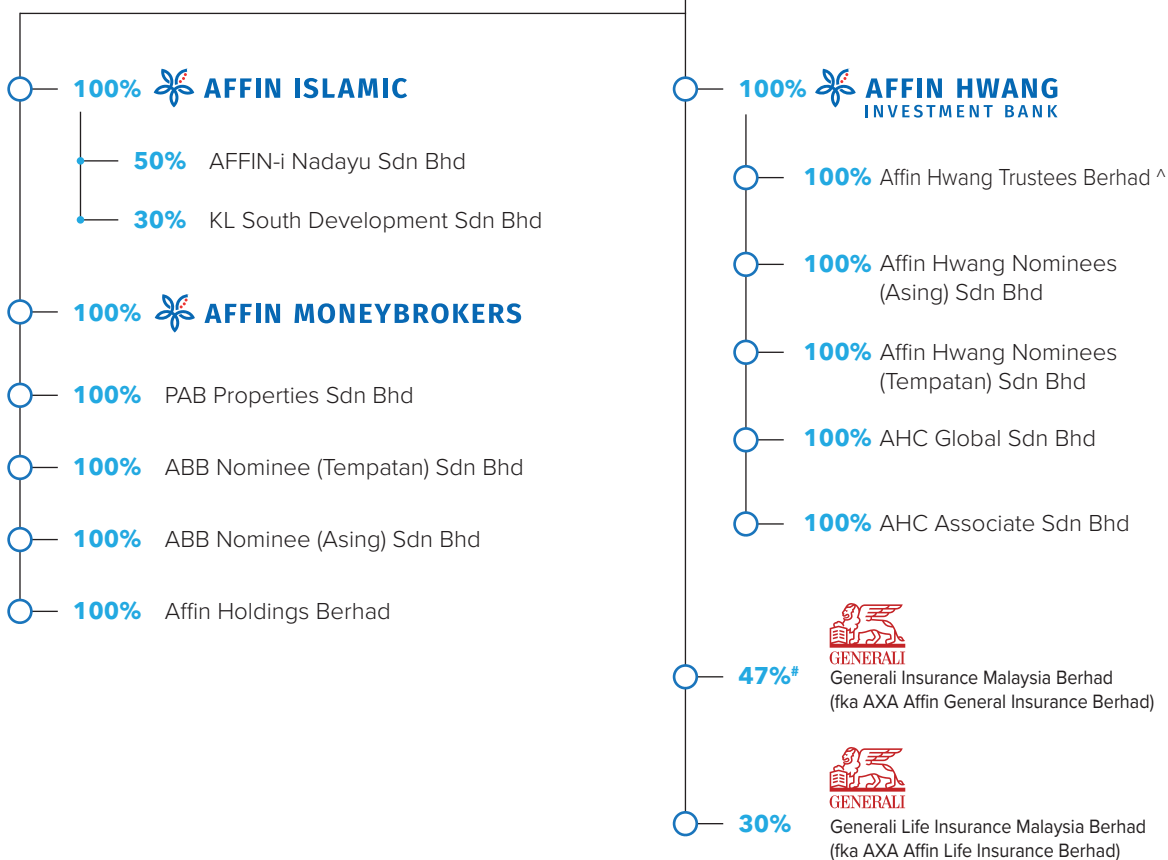


# GROUP CORPORATE STRUCTURE

as at 31 March 2023



## AFFIN BANK



**Notes:**

- The companies reflected above are operating subsidiaries and associates.
- The full list of companies under the Affin Bank Group is set out in Notes 17 to 19 to the Financial Statements on page 284 to 289 in the Financial Statements section of this Annual Report.

^ Held by the following companies with direct shareholdings of 20% each

- Affin Hwang Investment Bank Berhad
- Affin Hwang Nominees (Tempatan) Sdn Bhd
- Affin Hwang Nominees (Asing) Sdn Bhd
- AHC Associates Sdn Bhd
- AHC Global Sdn Bhd

# Pursuant to the merger between Generali Insurance Malaysia Berhad (fka AXA Affin General Insurance Berhad) and MPI Generali Insurans Berhad which was completed on 1 April 2023, the shareholdings has reduced to 30%.

# WHAT WE DO: CORE BUSINESSES

Affin Bank Berhad is the holding company and listed entity for AFFIN GROUP.

 <p><b>Group Community Banking</b></p>	 <p><b>Group Corporate Banking</b></p>	 <p><b>Group Enterprise Banking</b></p>	 <p><b>Group Treasury</b></p>
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Provides conventional and Shariah financial solutions for individuals and families. We support the community through our various offerings, namely debit/credit cards, mortgages, hire purchase and personal financing, ASB financing, wealth management and bancassurance/bancatakaful through our network of branches, call centres and digital platforms.

Supports mid-sized and large corporations from various economic sectors and industries, with a deep focus on building strong customer relationships and cross-selling a wide range of products and services which include loans and financing, trade finance, cash management and deposits, insurance/takaful and treasury.

Focuses on businesses from start-ups to enterprises and provides a comprehensive suite of financial solutions ranging from financing, transactional, protection and advisory & support. Products offered include working capital and Capex financing, trade facilities, deposit facilities, remittances, payments and business protection plans.

Offers a wide range of foreign exchange and money market products and services to cater to a broad range of corporate and institutional customers ranging from large multinationals, small and medium-sized companies as well as individuals. Our activities cover sales, trading, liquidity management and syndication. We offer our customers risk coverage and customised solutions from the simplest to the most complex products (derivatives) and for all kinds of financial assets/products – generally fixed income, interest rates, foreign exchange and money market for both the Conventional and Islamic segments.

Asset Growth  
**22.76%**

Income Growth  
**26.50%**

Asset Growth  
**-0.08%**

Income Growth  
**19.23%**

Asset Growth  
**12.52%**

Income Growth  
**13.57%**

Asset Growth  
**42.29%**

Income Growth  
**14.54%**

## OUR SUBSIDIARIES

### Affin Islamic Bank Berhad

➤ Affin Islamic Bank Berhad is the Group's full-fledged Islamic bank that offers products and services to small and medium enterprises, institutional, corporate and retail customers based on the applicable Shariah contract and with the endorsement of the Shariah Committee. We have been at the forefront of introducing innovative and Shariah compliant products which adopt a variety of Shariah concepts ranging from Musyarakah Mutanaqisah, Mudarabah, Istisna', Ijarah, Murabahah and so forth.

➤ Asset Growth  
**22.55%**

➤ Income Growth  
**25.20%**

### Affin Hwang Investment Bank Berhad

➤ Affin Hwang Investment Bank Berhad (AHIBB) is a leading investment bank in Malaysia, which currently is at the top spot in Bursa ranking in stockbroking businesses. We serve the full spectrum of corporates, investment institutions, retail, high net worth individuals and capital market counterparties. Our comprehensive suite of products and solutions cover investment banking, securities, asset management and trustee services.

➤ Asset Growth  
**-8.09%**

➤ Income Growth\*  
**-25.34%**

Note: \*continuing operations

### Affin Moneybrokers Sdn Bhd

➤ Affin Moneybrokers Sdn Bhd (AMB) is an international money broker engaged in wholesale foreign exchange and money market broking service in the country. As an international money broker, AMB has business relationship with international money broking companies to act as an agent for transactions that involve foreign financial institutions.

➤ Asset Growth  
**5.48%**

➤ Income Growth  
**5.19%**

## OUR ASSOCIATES

### Generali Life Insurance Malaysia Berhad *(formerly known as AXA Affin Life Insurance Berhad)*

➤ Generali Asia N.V. and Affin Bank Berhad has completed the share sale transaction of a majority stake in AXA Affin joint ventures in Malaysia on 30<sup>th</sup> August 2022. Subsequent to the above mentioned exercise, AXA Affin Life Insurance Berhad had been rebranded under the name Generali Life Insurance Malaysia Berhad (GLIMB), emerging life insurer in Malaysia focusing on serving customers with a range of protection, medical, savings and legacy planning products.

➤ Asset Growth  
**1.98%**

➤ Income Growth  
**-9.88%**

### Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad)*

➤ Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad)* (AAGI) is one of the fastest-growing general insurance companies in Malaysia and a leader in medical and health insurance. Our comprehensive offerings range from medical & health, travel & home, savings & life protection, and travel & personal accident protection solutions to individuals and businesses.

➤ Asset Growth  
**-2.88%**

➤ Income Growth  
**3.99%**

# OUR PRODUCTS & SERVICES

## PERSONAL

- ⦿ **Deposits**
  - Savings
  - Current
  - Fixed Deposit (FD) / Term Deposit-i (TD-i)
  - Foreign Currency
- ⦿ **Cards**
  - Products
    - Debit Cards
    - Prepaid Card
    - Credit Cards
  - Cards Plans
- ⦿ **Loans & Financing**
  - Auto
  - Home
  - Business Premise
  - Personal Consumption
  - Personal
  - Education
- ⦿ **Protection**
  - Protect My Life
  - Protect My Health
  - Protect My Family
  - Protect My Home
  - Protect My Vehicle
  - Protect My Travel
- ⦿ **Investment**
  - Unit Trust
  - Gold
  - Share Trading

## CORPORATE

- ⦿ **Deposits**
  - Conventional Deposits
  - Islamic Deposits
- ⦿ **Loans & Financing**
  - Working Capital
  - Capital Expenditure
  - Corporate Hire Purchase
- ⦿ **Trade Facilities**
  - Import
  - Export
  - Other Services
    - Financial Supply Chain (FSC)
    - Bank Guarantee (BG)
- ⦿ **Cash Management solutions**
  - AFFINMAX

## SME

- ⊙ **Deposits**
  - Current Accounts
  - Fixed
  - Investment Account
- ⊙ **Loans & Financing**
  - AFFIN Loans & Financing
  - Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Guarantee Schemes
  - Bank Negara Malaysia (BNM) Funds
  - Green Financing
  - Special Program
- ⊙ **Trade Facilities**
  - Import
  - Export
  - Other Services
    - Financial Supply Chain (FSC)
    - Bank Guarantee (BG)
- ⊙ **Protection**
  - Business Financing Protection
  - General Protection
  - Life Protection
- ⊙ **Digital Solutions**
- ⊙ **All-in-One-Solutions**

## DIGITAL BANK

- ⊙ **A1addin**
  - Personal
    - A1addin
  - Business
    - A1addinbiz

## PROFESSIONAL

- ⊙ **AFFIN AVANCE**

## PREMIER

- ⊙ **AFFIN INVIKTA**

## SST & BANK SERVICES

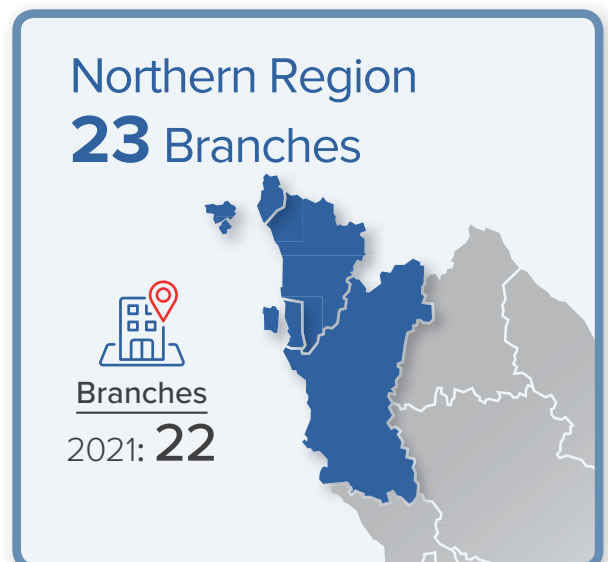
- ⊙ **Self-Service Terminal**
- ⊙ **Over-The-Counter Services**
- ⊙ **Online Banking**
- ⊙ **AffinQBOOKING**
- ⊙ **Financial Assistance**
  - Reschedule Payment Program (RPP)
  - Rescheduling and restructuring (R&R)
  - AFFIN Natural Disaster Relief Program (FAIR-NDRP)

## AFFIN HWANG INVESTMENT BANK BERHAD


- ⊙ **Investment Banking**
- ⊙ **Securities**
- ⊙ **Trustee**
- ⊙ **Treasury & Markets**



# OUR PRESENCE





  
Workforce  
(ABB + AIBB + AHIBB)  
**>5,300**

  
Workforce  
(Region and Branches)  
**>1,132**

  
**116**  
Branches

  
Total Customers  
**>0.95** million

**583**  
Total of Self-Service  
Terminals  
Nationwide

**288**  
Automated  
Teller Machines

**159**  
Cash Recycler  
Machines

**9**  
Coin Deposit  
Machines

**26**  
Cash Deposit  
Machines

**101**  
Cheque Deposit  
Machines



Scan the QR code for the details of our BRANCH NETWORK or log on to [www.affinalways.com](http://www.affinalways.com)

# KEY MILESTONES 2018-2023



## YEAR 2018

### January 2018

- Signing of MOU for AFFIN Education Financing-i partnership between Affin Islamic Bank and Management and Science University

### February 2018

- Listing of AFFIN BANK in place of Affin Holdings Berhad on the main board of Bursa Malaysia
- Signing of MOU for large scale solar project between Affin Islamic Bank and Gading Kencana Development Sdn Bhd

### March 2018

- Launch of AFFIN DNA – Big Six as identity for AFFIN bankers
- Launch of new call centre in Kelana Jaya

### April 2018

- Launch of first online medical card by AXA Affin Life Insurance
- Launch of first credit card-i by Affin Islamic Bank

### May 2018

- Approval of the shareholders on the proposed establishment of a dividend reinvestment plan by AFFIN BANK

### July 2018

- Launch of Merchante Trade Insure, the 1<sup>st</sup> insurance protection that pays claims through remittances
- Signing of MOU for AFFIN Education Financing-i partnership between Affin Islamic Bank and SEGI university

### August 2018

- Launch of first innovation branch in Malaysia at MyTown shopping centre

### September 2018

- Signing of MOU with Small & Medium Enterprises Association (SAMENTA), Penang
- Issuance of Letter of Award to IJM Construction Sdn Bhd for the construction and completion of works at the proposed 47-storey office building at Tun Razak Exchange (TRX)

### October 2018

- Signing of MOU with PMB Investment Berhad to distribute, promote and market Islamic trust funds
- Launch of AFFIN Emas-i, a new shariah compliant product by Affin Islamic Bank

### December 2018

- Launch of AFFIN Visa Business Platinum credit card and credit card-i for business owners and SME sectors

## YEAR 2019

### February 2019

- MOU signing ceremony between Wallet2U EzPay and AFFIN BANK

### April 2019

- MOU between Affin Islamic Bank and Malaysian Aviation Training Academy on AFFIN Education Financing-i

### July 2019

- Launch of AFFIN Visa Signature credit card and Affinpay

### August 2019

- Launch of Malaysia's 1<sup>st</sup> telematics commercial vehicle insurance & financing by AXA Affin General Insurance
- Signing of MOU on AFFIN Education Financing-i with Royal College of Surgeons, Ireland and University College Dublin

### October 2019

- Signing of MOU for AFFIN Education Financing-i appointment agreement between Affin Islamic Bank and University Malaya
- Launch of AXA e-medic family plan by AXA Affin Life Insurance

### November 2019

- Launch of the country's first Tradeplus Leveraged and Inverse Exchange Traded Fund by Affin Hwang Asset Management





## YEAR 2020

### June 2020

- Launch of AFFIN DUO, a dual credit card for millennials

### July 2020

- AIM22 metamorphosis plan was launched for year 2020 to 2022



### November 2020

- Launch of AFFIN AVANCE™ with unique benefits for tech-savvy, on-the-go professionals
- Launch of Affin's new logo and tagline – 'always about you'

### December 2020

- Digital launch of AFFINMAX, AFFIN360 & AFFINWRKFZ, a new corporate banking platform for SME and corporate clients

## YEAR 2021

### February 2021

- Launch of the first end-to-end sales portal by AXA Affin Life Insurance which provides all-in-one solutions for sale process, essential for non-face-to-face digitalisation during the pandemic

### March 2021

- Launch of new High-Net Worth segment AFFIN INVIKTA™
- Refreshed Affin Core Values & Commitments

### April 2021

- Opening of the 111<sup>th</sup> branch, a new Café-concept branch at UiTM, Puncak Alam, in collaboration with TeaLive

### May 2021

- Affin Hwang Investment Bank is the first financial institution in Malaysia selected by Capital Markets Malaysia to be the preferred Investment Bank for their ELEVATE programme

### June 2021

- Signing of implementation agreement between AFFIN BANK, AXA Asia and Generali Asia N.V.
- Affin Hwang Investment Bank launched 'eInvest Go'; a fully online and seamless account opening service for prospective clients who are interested to trade and invest in more than 900 stocks listed on Bursa Malaysia

### June 2021

- Announcement on proposed disposal of 21% equity interest in AXA Affin Life Insurance, proposed disposal of approximately 2.95% equity interest in AXA Affin General Insurance and proposed acquisition by AXA Affin General Insurance of certain assets and liabilities of MPI Generali Insurans Bhd via a business transfer to AXA Affin General Insurance

### October 2021

- Launch of new AFFIN Merchantrade Multi-currency Prepaid Card with an E-wallet

### November 2021

- Launch of A1addin, a new digital banking proposition
- Launch of first-in-market pandemic cover by AXA Affin General Insurance for overseas trips up to RM350,000
- Introduced a new biometric login method for AFFINMAX

### December 2021

- Launch of new AFFIN DUO+ card



## KEY MILESTONES 2018-2023



### YEAR 2022

#### January 2022

- Announcement on proposed divestment of 63% of the equity interest in Affin Hwang Asset Management Berhad by Affin Hwang Investment Bank Berhad

#### February 2022

- Affin Bank Berhad and Affin Islamic Bank Berhad exchanged a MOU on the establishment of 'Kompleks At-Tijarah AFFIN-UiTM' with Universiti Teknologi MARA to provide entrepreneurship opportunities to its students and local communities

#### May 2022

- AFFIN x MYTHEO Launching Ceremony, first marketing collaboration with GAX MD SDN BHD (MYTHEO), an innovative robo-advisor licensed by Securities Commission Malaysia; an algorithm-driven and automated discretionary investment portfolio management services powered by Artificial Intelligence (AI) technology.
- Launched AFFIN Solar Financing-i, a sustainable and personal financing plan for its retail customers to purchase and install Solar Photovoltaic System at residential and non-residential properties.



#### July 2022

- Announcement on completion divestment of 63% of the equity interest in Affin Hwang Asset Management Berhad by Affin Hwang Investment Bank Berhad. Following the completion of the divestment, AHAM shall cease to be a subsidiary of Affin Hwang Investment Bank Berhad.
- The Launch of AFFIN Aspira a start-up banking proposition which provides comprehensive all-in-one solutions from transactional, financing, protection, advisory and support to support the aspiration of Malaysian start-up companies.
- The Launch of BizDana/BizDana-i Start-Up Financing Scheme between AFFIN and Credit Guarantee Corporation Malaysia Berhad (CGC).
- AFFIN BANK proposed establishment of a long-term incentive plan in the form of an employees Share Grant Scheme

#### August 2022

- Announcement on completion of disposal of 21.00% equity interest in General Life Insurance Malaysia Berhad (formerly known as AXA Affin Life Insurance Berhad); disposal of approximately 2.95% equity interest in Generali Insurance Malaysia Berhad (formerly known as AXA Affin General Insurance Berhad) (AAGI).
- The Official Launch of AFFIN Mobile Financial Centre



**September 2022**

- Official Opening of AFFIN Balakong branch
- Official Launch of AFFIN Merchantrade Prepaid Card, enhanced E-Wallet in collaboration with Merchantrade Asia



**November 2022**

- Affin Bank Berhad and Affin Islamic Bank Berhad had entered into a tripartite collaboration with Malaysia Department of Insolvency (MDI) and Berry Pay (M) Sdn. Bhd. (BerryPay) launched the first and only new e-insolvency mobile application (app). The mobile app would allow the public and businesses to do bankruptcy searches, companies and insolvent individuals could perform monthly repayment/payment to MDI and make a petitioner 'pempetisyen' deposit via the app.
- Official Launch of AFFIN UKM Alumni Co-Brand Credit & Debit Cards.
- Introduced Dinar Gold under AFFIN Emas Account-i in November 2022.

**YEAR 2023**

**January 2023**

- Bancatakaful service arrangement between Affin Islamic Bank Berhad, a wholly-owned subsidiary of Affin Bank Berhad and Syarikat Takaful Malaysia Keluarga Berhad and its subsidiary, Syarikat Takaful Malaysia Am Berhad



**April 2023**

- Head Offices of Affin Bank Berhad and Affin Islamic Bank Berhad official relocation to our new own building at TRX.
- Announcement on completion of acquisition by AAGI of certain assets and liabilities of MPI Generali Insurans Berhad via a business transfer to AAGI.
- Pursuant to the merger between Generali Insurance Malaysia Berhad (formerly known as AAGI) and MPI Generali Insurans Berhad which was completed on 1 April 2023, the shareholdings has reduced to 30%.



# CHAIRMAN'S

## Letter to Shareholders

### DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors, I am privileged to present to you the AFFIN Group's performance report for the financial year ended 31<sup>st</sup> December 2022.

This being my fourth year as Chairman, I am heartened by the inspiring growth recorded by the Group these past years and the impetus gained as a result of the transition to the endemic phase post COVID-19 as Malaysia's economy continues to build on the momentum of economic recovery. I am delighted that our commitment to the AIM22 strategic plan delivered remarkable results, especially in this financial year under review. These were achieved through our energised vision and our focus on digitalisation as well as sustainability – with emphasis on environmental; social and governance goals - that steered the Group to greater levels of success.

As we drew the curtains on the end of the pandemic whilst operating within a revitalised environment of the 'new normal' during the financial year ended 2022, the Group had exhibited its competency as an adept and efficient financial institution that had stood the test. Our notable performance contributed

to harness our long-term growth prospects as well as garner a buoyant financial position during this year under review.

The Malaysian economy's encouraging performance with strong GDP growth of 8.7% for 2022 has displayed recovery of business, consumer and investor confidence and is the highest annual growth recorded since 2000. The stronger GDP, contributed by robust domestic and external demand as well as improved labour market, had resulted in a recovery in private spending and investment.



**Dato' Agil Natt**  
Chairman

## CHAIRMAN'S LETTER TO SHAREHOLDERS

“ FOR 2022, THE GROUP PERFORMED OUTSTANDINGLY AND IT IS WITH GREAT PLEASURE I ANNOUNCE THAT OUR PROFITS BEFORE TAX INCREASED 95.6% YEAR ON YEAR TO RM1.4 BILLION. ”

This had exceeded the previous year's profit before tax of RM703.9 million. These remarkable results are a reflection of our able leadership, resoluteness to focus on strategies that deliver sustainable returns despite exigent challenges and resilience to industry headwinds. Our balance sheet remains firm and its management is augmented by a three-year campaign, beginning 2022, to develop new capabilities of asset-liability management within the Group by investing in comprehensive cutting-edge solutions in the market.

Affin Hwang Investment (AHIBB) recorded a higher profit before tax (PBT) of RM1.4 billion, a more than 100.0% increase year on year on the back of the sale of their Asset Management business. The strong growth from the Share Margin Financing business surpassed RM1.0 billion in 2022.

Affin Islamic Bank (AIBB) revenue recorded robust growth that was derived from net profit income that grew 26.1% to RM604.0 million powered by the growth of financing at 15.3% to RM26.3 billion. However, AIBB captured PBT at RM173.1 million for the year under review compared to RM248.5 million in 2021, a 30.4% decrease year on year due to AIBB have decided to be more prudent to take in additional provision of RM206.7 million.

During the financial year under review, Generali Life Insurance Malaysia Berhad (formerly known as AXA Affin Life Insurance Berhad) and Generali Insurance Malaysia Berhad (formerly known as AXA Affin General Insurance Berhad) transitioned from being a 51.0% joint venture (JV) and 49.9% associate to 30.0% and 47.0% associate companies of ABB in August 2022. This resulted in a lower share of PBT year on year. However, I am confident that with Generali as our new insurance partner we would be witnessing growth in this segment in the near future.

### AIM22 RECORDED SUCCESS



The AIM22 Transformation Plan that commenced in mid-2020 was our strategic plan to address our two- and half-year transformation journey where focus was directed through five strategic imperatives. These encompassed accelerating digital transformations, strengthening CASA, increasing productivity and efficiency, strengthening teamwork to build a high-performance culture and ROE focus for value creation. Underscored by these five pillars, a total of 45 initiatives were planned for execution. As at end 2022, 42 initiatives (representing 93%) were successfully completed as the curtains fell on AIM22.



➔ As at end 2022, 42 initiatives (representing 93%) were successfully completed as the curtains fell on AIM22.

### ADDRESSING THE CHALLENGING ENVIRONMENT

Among the challenges that the Group presently faces include growth of assets in the form of loans. Intense competition to build deposits had waged a war on deposit-taking within all the financial institutions. The strategies implemented would need to address how to improve the deposit base. Towards this, the AFFIN Group continually strives to remain competitive and provide unrivalled customer service in structuring our products and delivering our service. At the same time, we are focused on driving the growth in revenue and customer base, increasing our fee base income and improving customer value.

In response to challenges and mitigating crises, key to the bank's resilience has been our astute investment in technology and leveraging on technology capabilities to reduce costs and increase efficiency. We exercised caution when selecting corporate banking customers and preferred to concentrate on SMEs, housing loans and consumer banking. Significant achievement in responsible lending and sourcing of funds during the year under review delivered 4.5% of Sustainable Financing that exceeded the Group target of 4% and plans are underway to grow it further to 10% in 2025.



#### **TRX Soft Launch**

On 3 April 2023, the AFFIN Group held a soft opening ceremony at our new headquarters, Menara AFFIN situated at Tun Razak Exchange. The event was officiated by the Chairman of ABB, YBhg. Dato' Agil Natt, Chairman of AIBB, Tuan Hj Musa Abdul Malek, Chairman of AHIBB, YM Tunku Afwida Tunku A. Malek, President & Group CEO of ABB, Datuk Wan Razly Abdullah and CEO of AIBB, YBhg. Dato' Paduka Syed Mashafuddin.

**> We are developing the Climate Risk Management and Scenario Analysis (CRMSA) as prescribed by Bank Negara Malaysia to enhance resilience against climate-related risk and facilitate an orderly transition to a low-carbon economy.**

As a creative and innovative financial institution that embraces ESG principles, the Group is ready to face these challenges and adapt with the 'new normal'. Our flexibility to embrace and integrate new technologies provides us the competitive advantage over our peers. We are developing the Climate Risk Management and Scenario Analysis (CRMSA) as prescribed by Bank Negara Malaysia to enhance resilience against climate-related risk and facilitate an orderly transition to a low-carbon economy.

In our efforts to improve resiliency against ESG risks we classify all our transactions against ESG criteria as we become more aware of the impact of these risks. As a result, this drives the Group to be better prepared and ready for eventualities and improve in decision-making. The significant improvements in our ESG agenda include driving ESG integration as a dedicated function, adoption of the Climate Change and Principle-Based Taxonomy (CCPT) guidelines, engagement for the CRMSA, implementation of measures in Sustainable Financing, an appropriate sustainability governance structure and incorporating the ESG pillars in our A25 programme that is a development of the AIM22 strategic plan.

## **KEEPING AHEAD OF THE CURVE**

Digitalisation is changing the dynamics of banking worldwide. In Malaysia, the recent pandemic has caused an acceleration in the pace of digital adoption as customers expect greater digital accessibility and connectivity to transact in the comfort of their homes and offices. Bank Negara Malaysia's awarding of five digital bank licences is expected to stimulate financial innovation in the industry as a new digital banking model emerges in the financial market in the next one to two years.

Seizing momentum for inclusive growth, the Group is maintaining our successful AffinAlways internet banking platform and we have also augmented banking experience with A1addin - the first digital bank that supports both conventional and Islamic banking propositions that was launched in 2021. In March 2022, it expanded its footprint to the business segment via A1addinbiz. This has opened up more opportunities for various partnerships and foster good relationships between SMEs and the bank. I am confident that the development of a comprehensive digital banking ecosystem, such as A1addin and A1addinbiz, positions the Group to capture a larger market share in the nation's banking industry

## **DRIVING ESG INTEGRATION**

Social factors such as demographic changes and consumer behaviour are major influences in the banking sector. The increasing use of technology and social media has led to changes in consumer preferences and the way banking services are delivered. Digital banking, the Gig Economy, employees' preference to work from home (WFH) as well as a hybrid mode preference to work are some of the new challenges for banking services. Technology advances, including mobile Internet banking (MIB); artificial intelligence (AI) and blockchain have transformed the Malaysian banking landscape.

## **RESPONSIBLE BANKING**

Stakeholders' demand for and expectation of transparency and accountability in relation to ESG have heightened in recent times. Regulatory authorities are increasingly focused on the need for financial institutions to expedite changes in governance, risk management and disclosure to properly account for climate-related risks and build them into decision-making processes. The absence of standardised disclosures, lack of data access and comparability as well as a scarcity of expertise are among the challenges we are mindful of as we gravitate toward achieving our ESG goals.

## CHAIRMAN’S LETTER TO SHAREHOLDERS

### FINTECH

Emerging technologies combined with ever-changing customer expectations and preferences have driven financial institutions to re-imagine customer banking customer experience. The Group recognises Fintech as a substantial disruptor and we pursue various partnerships with relevant Fintech specialists to fast-track innovation, adoption and re-invent our financial services. We leverage on eKYC technology to offer online on-boarding service through our Aladdin digital bank. This has enabled our customers to open accounts digitally within just 10 minutes compared to the time-consuming method utilised previously.

Leveraging on MDEC’s Islamic digital economy initiatives, we are in the midst of exploring initiatives with several of the Fintech companies within their programme. We are looking to expand our service offerings by providing bite-sized, on-demand insurance plans that are relevant to the customers’ needs utilising our digital platform.

As we seize the momentum for digital banking excellence, we will continue to identify potential Fintech companies as our strategic partners to expand our digital capabilities.



### GOVERNANCE

During 2022, the Group took several steps to strengthen its governance and risk management sustainability. The Group Credit Policy on Sustainable Financing is aimed at guiding the proliferation of sustainable financing/lending expectations. Initiatives include incorporating ESG considerations into the Group’s financing activities to mitigate risks and leverage on new business opportunities. In the area of governance, focus is given to monitoring of operations, productivity and enforcement of industry requirements that are issued from time to time.

ESG factors have become global imperatives, placing companies under increasing scrutiny. As a result of this heightened stakeholder focus the Board is confronted with new expectations. As such, the Board is committed to help companies build a resilient business and thrive from Going Green – so that businesses can benefit from an ecosystem of resources, sustainability-linked solutions and ESG sustainability to navigate their transition to Net Zero.

Board members with specialised skills that can help steer the Bank through current challenges such as enterprise-wide digital transformation, developing and implementing enterprise-wide talent strategies and leading organisational change are a welcome addition to the Board.

The Board continues its commitment to maintain diversity and inclusion in its composition. In this regard, the Board’s diversity ranges from various aspects namely gender, age, ethnicity, nationality, experience, skills and length of service. Currently, the Board’s gender composition is 70% male and 30% female.

### DIVIDEND

Single-tier dividend in respect of the financial year ended 31 December 2022 totalled RM500.4 million comprising interim dividend of RM100.2 million with the special dividend at RM400.2 million respectively. The total dividend per share amounted to 22.62 sen.

On 31 January 2023, the Board of Directors proposed a final dividend of RM176.7 million or 7.77 sen per share for 2022, bringing the total dividend to 30.39 sen per share.

This represents a total dividend pay-out of RM677.1 million or 56.3% of the Group’s net profit for 2022 based on the Bank’s issued share capital of 2,273,889,127 ordinary shares as at 31 December 2022.



→ The total dividend pay-out of **RM677.1 million**

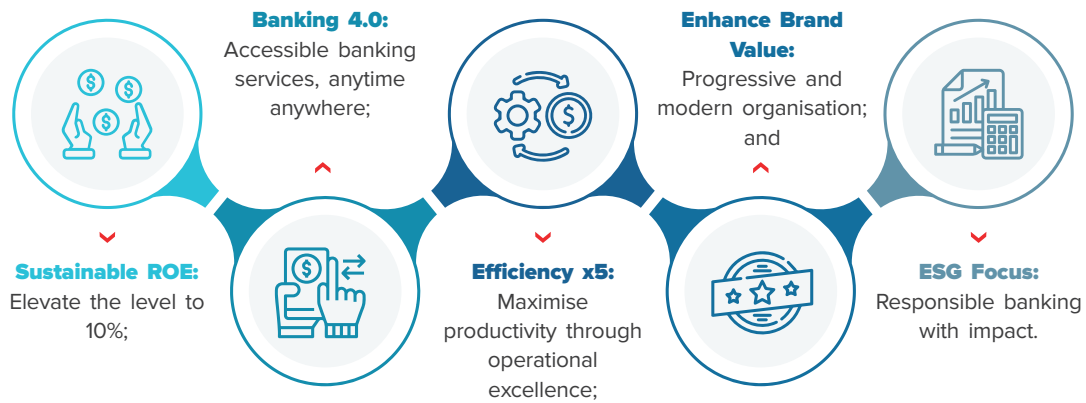
### LOOKING AHEAD

The easing of domestic financial conditions is expected due to prospects of a slowdown in US monetary policy tightening and positive investor risk sentiment. Global financial conditions eased amid continued expectations for smaller interest rate increases by the US Federal Reserve moving forward, as inflation showed tentative signs of slowing down. Additionally, China’s re-opening post COVID-19 and its expected positive spill-over to the global economy contribute to improved investors’ risk sentiment.

The success of the AIM22 strategy has delivered sustainable shareholder returns and created long-term value for all stakeholders. The Group will build on this momentum with its next three-year strategic plan, the AFFIN 2025 Plan (A25 Plan), which will focus on



the three main strategic objectives namely 1) Unrivalled Customer Service, 2) Digital Leadership, and 3) Responsible Banking with Impact. The goal is to continually focus on growing business segment-led strategy; in particular, Group Community Banking, Group Enterprise Banking, Islamic Banking, Group Treasury and AHIBB. For the Group to unlock its aspiration and achieve its targets, the A25 Plan framework was established and this strategic plan is steered by five (5) key Strategic Thrusts:



As for 2023, the Group has positioned itself effectively and set the RUN23 (Revolutionise Digital, Unrivalled Customer Services, Navigating Uncertainties 2023) chapter towards achieving the A25 aspirations. Key focus areas under RUN23 includes the following essential areas:

- 1) Maximising overall value creation and brand value proposition through branch transformation and expansion;
- 2) Enhancing and ramp-up technological infrastructure and digital capabilities;
- 3) Greater efforts on high margin businesses such as Credit Cards, Personal Financing, Share Margin Financing and High Net Worth segments;
- 4) Growing fee-based income such as Trade Finance, Cash Management, Foreign Exchange, Wealth Management, Bancassurance/Bancatakaful, Investment Banking & Advisory as well as Securities business;
- 5) Improving productivity and cost efficiency; and
- 6) Accelerating ESG agenda across the Group.

With strong fundamentals and a well-positioned strategy, the Group is committed to advancing its transformation journey to become a leading financial solution provider of the future by leveraging innovative technologies and features to deliver outstanding customer service and foster new business opportunities.

### A WORD OF THANKS

The Group's remarkable performance for the financial year 2022 was the result of all parties working together in cohesion to ensure continual success. I would like to extend my deep appreciation to my fellow directors on the various boards within the Group for their invaluable counsel and support as we strived toward achieving our outstanding success. The Board joins me in conveying our gratitude to Associate Professor Dr Said Bouheraoua and Datuk Noor Azian Shaari who retired as Director and Chairman for AIBB and AHIBB respectively.

It gives me great pleasure to welcome to the Group, Mohammad Ashraf bin Md Radzi who joined the ABB Board, Tunku Afwida binti Tunku A.Malek as Chairman for AHIBB and Dato' Paduka Syed Mashafuddin bin Syed Badarudin Jamalullail as CEO of AIBB.

On behalf of the Board, I would like to accord my heartfelt appreciation to our shareholders and customers for their continued trust and steadfast support. I offer our deep appreciation to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their most valued guidance and assistance. We are most gratified by the continued loyalty demonstrated by our business partners, our stakeholders and the immediate community where we serve.

Saving the best for last, my deep gratitude goes to our employees who performed remarkably with dedication; passion and professionalism, with special mention of our front-liners who continued to serve our customers selflessly, upholding our AFFIN values and vision, to be the most creative financial company in Malaysia. With the stewardship of a strong leadership team, I am confident that we are well-positioned to seize the momentum to build resilience for a future of sustainable inclusive growth.

A bouquet of thanks.

**DATO' AGIL NATT**

Chairman



**Datuk Wan Razly Abdullah**  
President & Group Chief Executive Officer,  
Affin Bank Berhad

Message from the

**PRESIDENT**

and Group Chief Executive Officer

Dear stakeholders,

As we bid farewell to the last remnants of the global pandemic, we reflect on the challenging year that was 2022. This year presented a range of difficulties, including heightened geopolitical tensions that led to a rapid rise in interest rates, aimed at addressing escalating inflation. These events caused concern for many mature and emerging economies, resulting in tectonic shifts in the global marketplace, from supply disruption, labour shortages, cost escalation, FOREX volatility to a high yield environment. However, these events also presented opportunities for AFFIN Group, with ‘Blue Ocean’ prospects where differentiation can open up new market space and create new demand.

During the year, we strengthened and grew our high-net-worth (HNW) business that has developed to become a significant contributor to the Group with an AUM of RM15 billion. This is testament that our customers value our investment advisory on where to place their monies during these market uncertainties. In addition, we have entered into new partnerships that share our vision of being a Modern and Progressive Bank. For example, the significant affiliation with our new bancassurance partner, the Generali Group, makes us the second largest general insurance provider in Malaysia.

In 2022, Malaysia recorded a GDP growth of 8.7% - a remarkable achievement - and the year ended with much optimism as a new government was inaugurated in late November 2022. This new unity government brings with it, a significant hope for transformative change that is aimed at delivering positive benefits to the economy, the nation and the Rakyat for the years ahead.

### Steering Our Strategic Imperatives Towards Realisation

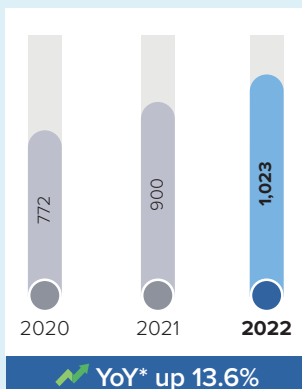
AFFIN Group recorded a Profit Before Tax (PBT) of RM1,376.8 million, an increase of 95.6% for the financial year ended 2022 (FY2022) compared to the previous financial year. The Group also recorded an increase in its net income for FY2022, which rose by 47.1% or RM1,056.1 million to RM3,297.3 million versus RM2,241.2 million in FY2021. The Return on Equity (ROE) has improved to 11.49% in FY2022, boosted by our extraordinary gain.

The improvement in PBT was supported by an increase in Net Interest Income (NII) which rose by 13.6% or RM122.7 million to RM1,022.6 million compared to FY2021. Our business engines, one by one are beginning to warm up. Although, I feel that we are only just beginning to build up our own momentum as our fee income business engine like FX, Trade and Investment Banking start firing up in

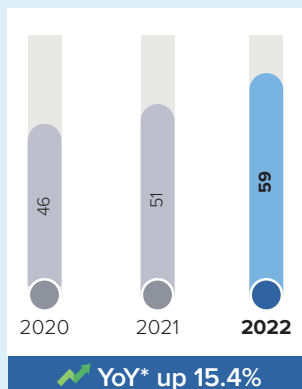
2023. Shareholders will see AFFIN Group’s Driving Momentum forward of our new business engines in 2023 and beyond. The Group’s capital has been strengthened by the gains from our divestment of Affin Hwang Asset Management Berhad (AHAM). This holds well with the A25 Plans that we have for the future which are exciting and bold.

Overall, the Group’s loan and financing portfolios grew by 15.4% year-on-year with its Net Interest Margin (NIM) expanded to 2.01% from 1.97% in FY2021, as the Group focuses on growing its CASA franchise.

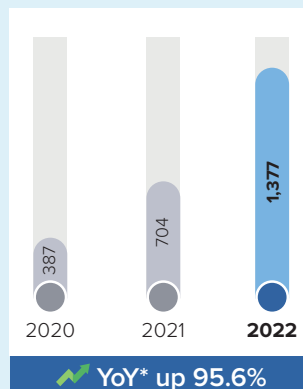
➔ **Net Interest Income**  
(RM' million)



➔ **Gross Loan**  
(RM' million)

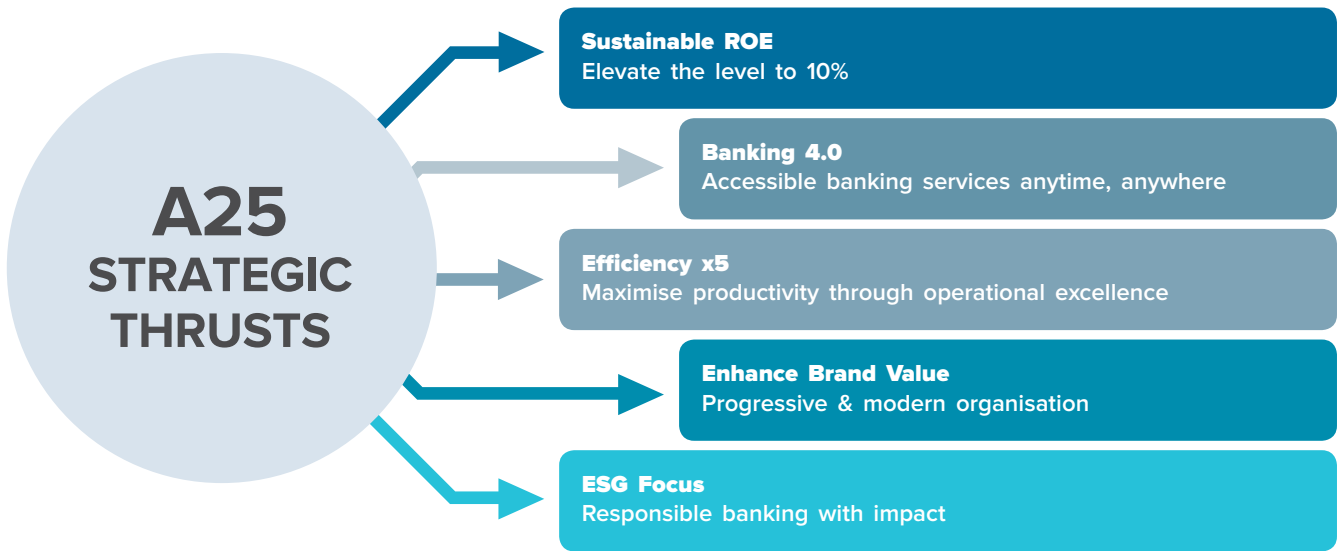


➔ **Profit Before Tax**  
(RM' million)



\* Year-on-Year (YoY) growth

## MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER



### AIM22 Financial Report Card

The Group closed its FY22 performance with various positive results notwithstanding market volatility.

ITEMS	FY21	FY22	AIM22 Aspiration Target	INDICATOR (2022 vs AIM22 Aspiration Target)
Loan Growth	11.1%	15.4%	>12.0%	✓
NIM	1.97%	2.01%	>1.91%	✓
GIL	2.54%	1.97%	<2.30%	✓
CIR	60.5%	62.6%	<60.0%	X
LLC	72.5%	123.8%	100%	✓
LLR	130.2%	164.8%	>130%	✓



### A25 KEY FINANCIALS TARGETS



The Group continued to show significant improvement in Gross Impaired Loan (GIL) ratio as GIL decreased to 1.97%, as compared to 2.54% in FY2021 due to strong recovery efforts and tighter underwriting standards. AFFIN Group continued to strengthen its reserves as evident by the increase in Loan Loss Coverage (LLC) and Loan Loss Reserve (LLR) at 123.8% and 164.8% respectively, as compared to LLC of 72.5% and LLR of 130.2% in FY2021. We have put the Group many levels better in terms of financial strength and risk buffers.

Our Cost to Income (CIR) ratio stood at 62.6% as at December 2022, a higher percentage YoY compared to the budgeted figure primarily due to absence of Treasury income in this rising interest rate environment. As such, a Group-wide ACE-5 Initiatives was introduced with five cost-efficiency strategies and 10 actions to further optimise the cost base. Whilst we initiate our business plans to grow our non-treasury fee income businesses, we are resolutely focussing to reduce our CIR to below 60% by the end of 2023.

## “THE BOARD OF DIRECTORS HAS ALSO PROPOSED A FINAL DIVIDEND OF RM176.7 MILLION OR 7.77 SEN PER SHARE FOR FY2022.”

AFFIN Group is now poised to embark on new targets set forth in the A25 Transformation Plan that focuses on the three main pillars, namely Unrivalled Customer Service, Digital Leadership and Responsible Banking with Impact and emerge as a contemporary and progressive financial group by 2025.

The Board of Directors has also proposed a final dividend of RM176.7 million or 7.77 sen per share for FY2022. This will bring the total dividend to 30.39 sen per share after the special and interim dividend of 22.62 sen that was paid to shareholders on 29 December 2022. This represents a record total dividend pay-out of RM677.1 million or 56% of the Group's net profit for FY2022. We are encouraged by the significant numbers of shareholders who continue to re-elect for the dividend reinvestment scheme to reinvest their dividends back into AFFIN Group.

### Responsible Banking with Impact

It is with immense pleasure that I report the remarkable achievement of our sustainable financing journey that began in FY2022. We surpassed the initial target of 4% with the attainment of 4.5% sustainable financing, an inspiring start to our sustainable financing initiative.

In FY2023, the Group continued its initiatives of sustainable operations when it moved its headquarters to our Green building at Lingkaran TRX, Tun Razak Exchange in Kuala Lumpur. This state-of-the-art building is the pride of our achievement as sustainability is a key element in its development code. The building's energy-efficiency infrastructure contributes to lower operating cost and reduction in carbon footprint. Our building at TRX is certified with the Green Building Index (GBI) and has a gold certification in Leadership in Energy and Environmental Design (LEED).



Affin@TRX introduces energy and resource conservation features including water usage efficiency, energy efficiency to lower maintenance cost, indoor environmental quality that provides long-term health benefits for the well-being of employees and well-connected transportation accessibility with easy access to the only underground interchange station of the KL MRT 1 and 2. The building is strategically located within Tun Razak Exchange, a 17-acre integrated development set to become one of Asia's leading lifestyle hubs.

## MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

### Digital Leadership

The advent of greater customer sophistication and increasing demands for superior service is fuelled by the gaining advancement in technology. In its commitment to meet these demands and address the paradigm shift in the financial services industry, the Group has intensified the adoption of technology and accelerated the development of digital offerings to offer Digital Leadership.

The success achieved by the Group through digital transformation has not only put us on par with our competitors, but the plan is to excel beyond the competition. This journey has begun, and is evidenced through the awards we have garnered in 2022 that include:

- Best Outbound Contact Centre (In-house Outbound) – Gold Award, by Contact Centre Association of Malaysia (CCAM)  
Entry: Affin Bank Contact Centre – Virtual Banking
- Cloud-Banking category by Malaysia Technology Excellence Awards 2022  
Entry: AffinNexus – CRM
- Digital Transformation of the Year – Malaysia, by Asian Banking and Finance Awards 2022  
Entry: Robotics Process Automation – RPA
- Mobile-Banking category by Malaysia Technology Excellence Awards 2022  
Entry: A1addin – Digital Bank
- Website of the Year – Malaysia, by Asian Banking and Finance Awards 2022  
Entry: AffinAlways – website

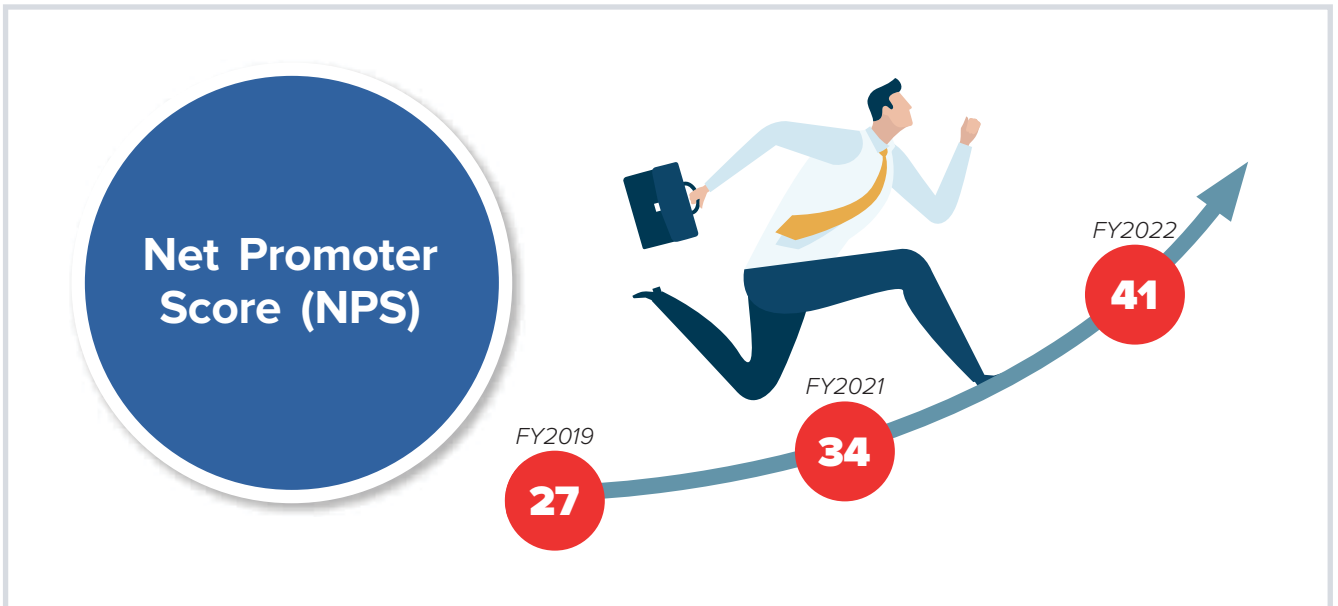
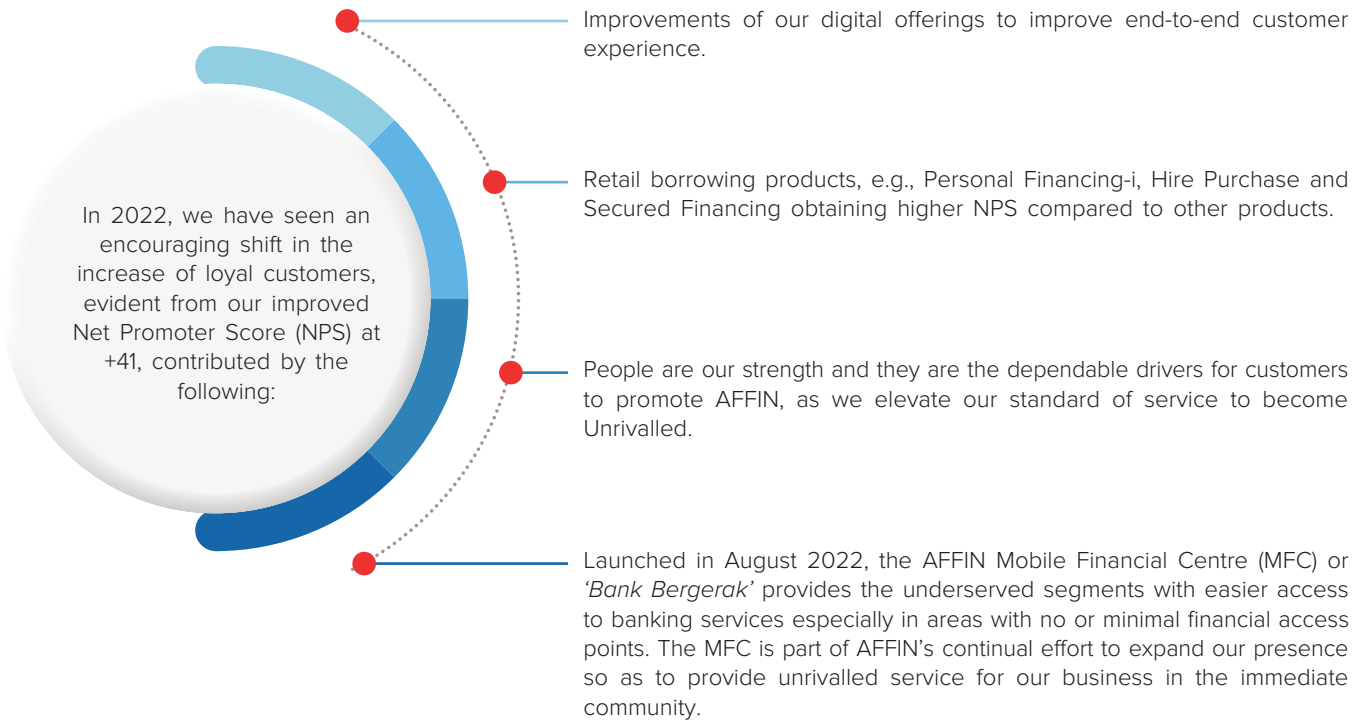
During the year under review, we rolled out the Customer Relationship Management (CRM) - Leads Management for Campaign Management that now empowers our marketing team and businesses to reach out and fulfil customers’ demands with the right product, at the right time using various communication channels.

Our new AFFIN Delivery System (ADS) was successfully introduced to nationwide branches and auto finance centres in June 2022. With the launch of our new ADS, a customer is able to open an account in less than 8 minutes hence improving customer experience.

### NEW AFFIN DELIVERY SYSTEM (ADS) LAUNCHED



### Our Customers – It Is Always About You



## MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

### Prospects

Looking ahead, Malaysia's banking sector needs to remain resilient against significant contagion risks emanating from the global banks' fall-out. Malaysian domestic banks remain well-capitalised (CET1 15.2%, TCR 18.9%), with healthy liquidity positions (LCR at 154%) and backed by robust domestic funding. The banking system capitalisation remains strong, with excess capital buffers of RM146.5 billion as at January 2023, preserving the banks against unexpected losses and buffer their capacity to support lending activity in the economy.

As the Malaysian economy evolves, despite geopolitical and market constraints as well as industry headwinds, at AFFIN we take the position of 'seeing the glass as half full'. The operational challenges we could encounter can take many forms, but with sustainability as our driving force we want to be future-ready to seize the momentum and undertake these challenges to offer unrivalled service to our clients and customers.

Since financial institutions need to be prepared to pivot business models to create competitive advantage and improve operational efficiencies to adapt to changes, we are confident that we are sufficiently agile to circumvent these situations. We are ready to tackle the cultural shift with improvements in digitalisation and technology-based resolutions to address the changes and challenges in the dynamic banking industry.

The increasing demand for user-friendly products and services from Baby Boomers, Gen X and Millennials who have different requirements inspire us to deliver on their expectations. These smarter, savvier and well-informed customers demand convenience and personalisation in their banking experience. The transformation of our human capital into competitive advantage has produced excellence in service delivery that customers can benefit from. We continue to accumulate more awards

and recognitions and our people are now in high demand from our competitors seeking the AFFIN DNA.

In addressing our priorities in the medium and long-term, we are exploring synergies within the AFFIN Group that can be mobilised to chart our future going forward to avoid dependence on the volatility of interest rates. We are determined to build a group that is future-ready and strong to withstand tremors in the industry and the market.

### Appreciation

Notwithstanding the economic headwinds and industry challenges, there is a strong sense of achievement that we had surmounted these obstacles to successfully navigate the troubled waters. The Group had accomplished much that can be proud of during the financial year ended 31 December 2022.

I am honoured to be part of the AFFIN team that is passionate in doing and giving their best. It is my privilege to work with such a dedicated team and I acknowledge their hard work and commitment to excellence with deep appreciation. I would like to offer my heartfelt gratitude to the Chairman and the Board of Directors for their valued encouragement, ideas and wise counsel that has been expedient in guiding us on this inspirational journey of achievement.

I cannot conclude without expressing my sincere gratitude to our customers, business partners, shareholders and suppliers for your continued trust in us. We have transformed our performance to a competitive advantage and we remain committed to deliver greater value and unrivalled service excellence. It is always about you.

Thank you.

**DATUK WAN RAZLY ABDULLAH**

President & Group Chief Executive Officer



# FINANCIAL REVIEW BY THE GROUP CHIEF FINANCIAL OFFICER



## JOANNE RODRIGUES

Group Chief Financial Officer

The Group had a noteworthy year in 2022 with profits increasing 95.6% YoY to RM1.4 billion. As 2022 was our final year of AIM22 - our three-year metamorphosis plan, it was encouraging to see improvements throughout the Group that contributed to the increased profits.

Our Net interest income (NII) grew by 13.6% YoY powered by widening Net interest margins (NIM) and loan growth of 15.4%, a commendable growth that surpassed the industry average. The Group has seen a second year of strong NII growth as the focus continues to be on building core income for the Bank. The Non-interest income (NOII) declined by 33.9% in 2022 largely due to the loss of income from AHAM as well as lower YoY gains on financial instruments reduce by 49.2% as markets weakened after a strong rally in 2021.



➔ Profits increasing

**95.6%** YoY to  
**RM1.4 billion**



➔ The Net interest income grew by **13.6%** YoY powered by widening Net interest margins and loan growth of **15.4%**

## FINANCIAL REVIEW BY THE GROUP CHIEF FINANCIAL OFFICER

CASA is one of the five key focus areas of the AIM22 Metamorphosis Plan and in 2022 significant effort was expanded to ensure that we keep building on our CASA base. The Group's CASA ratio improved to 23.5% with CASA balances growing to RM15.3 billion from RM13.5 billion, delivering a 12.6% increase year-on-year. This helped to support the Group's strong loan growth that was driven driven by the increased productivity of the Group's sales channel as well as the opening up of the economy post COVID-19.

➤ **The Group's CASA ratio improved to 23.5% with CASA balances growing to RM15.3 billion from RM13.5 billion, delivering a 12.6% increase year-on-year.**

During the financial year under review, we saw that most of our customers were in a position to weather the global pandemic with the assistance of the government as well as the banking industry. By December 2022, 89.8% of those customers who opted for the Group's Repayment assistance programmes had exited the programme and 98.7% continued with their instalments with only 1.3% defaulting.

We are conscious of the need for the Group to have a strong position with regards to overall asset quality to ensure that it is able to withstand any possible economic recession. To that end, we focused on improving our loan underwriting standards and building our asset quality recovery teams. These efforts resulted in the Group Gross impaired ratio falling to 1.97% from 2.54% in FY2021. To ensure that the Group has sufficient reserves to protect it from

any possible unexpected future credit deterioration, we raised our Loan Loss Coverage to 123.8% from 72.5% in 2021 and our Loan Loss Reserve to 164.8% from 130.2% in FY2021.

Affin Islamic Bank Berhad (AIBB) accomplished a strong finish to the year with its income growing 25.2% YoY to end at RM675.8 million compared to RM539.7 million in 2021. During the year, AIBB decided that it would be in the best interest of the bank to take up further management overlays which resulted in the profit before tax of the company closing lower at RM173.1 million for the year ended 2022, 30.4% lower than the PBT of 2021. If it were not for the one-off overlays that were taken, AIBB's profit before tax would have been RM379.8 million which was a 52.8% increase year on year. The Islamic bank's revenue saw strong growth derived largely from net profit income which grew 26.1% to RM604.0 million powered by the 15.3% growth of financing to RM26.3 billion. AIBB financing currently contributes 44.2% of total ABG loans.

AHIBB recorded a higher profit before tax of RM1.4 billion - a more than a 100% increase YoY on the back of the sale of their asset management business. The robust growth from the share margin financing business surpassed RM1 billion in 2022.

During the year under review, the insurance companies – AXA Affin Life and AXA Affin General, transitioned from being 51% JV and 49.95% Associate

➤ **AHIBB recorded a higher profit before tax of RM1.4 billion - a more than a 100% increase YoY on the back of the sale of their asset management business.**

entities to 30% and 47% associate companies of ABB in August 2022. This resulted in lower share of PBT YoY but we remain confident that with Generali Asia NV as our new partner we will be seeing progression in this segment in the near future.

Our AIM22 transformation journey concluded with remarkable success, a testament to the unwavering dedication and tenacity of the entire AFFIN team.

We seized momentum from our transformation journey as we kept our eye on the five focus areas of the two and half years AIM22 transformation plan. In FY2022, we saw remarkable progress in all five areas. We achieved a ROE of 11.5% with the sale of Affin Hwang Asset Management (AHAM) and we improved our CASA ratio to 23.5% from 23.0% in 2021.

As we continue to invest in the future we maintain the management of our cost to ensure the continual sustainability of the Group. Our focus would be on increasing overall productivity of the existing workforce whilst keeping cost growth low. Cost growth for 2022 was only 4.7%.

“AFFIN ISLAMIC BANK BERHAD ACCOMPLISHED A STRONG FINISH TO THE YEAR WITH ITS INCOME GROWING 25.2% YOY TO END AT RM675.8 MILLION COMPARED TO RM539.7 MILLION IN 2021.”

Our A25 targets are firmly in place, and we are cognisant that accomplishing ESG goals will have far-reaching benefits. Currently, we are in the planning and growing stage and it will take time for the initiatives to translate into achievements. We are also working to collate all the necessary ESG disclosure requirements to ensure that the Group will be able to comply with Bursa Malaysia’s enhanced sustainability reporting requirement.

**The three banking divisions – Community, Enterprise and Corporate, performed well in FY2022**

**GROUP COMMUNITY BANKING**

Group Community Banking had a remarkable year registering double digit income growth on the back of strong loan growth of 22.9% YoY. There was good traction from non-interest income mainly from the wealth segment and loan related fees. The effort put in to build its wealth segment - the Invikta segment, spelled success for Community Banking bringing in sturdy fees and sound deposits for the bank. The growth of the mortgage and auto finance product segments contributed to all the other products as cross-selling was encouraged across all sales teams. This is augmented by a strong asset quality team that keeps a close watch on the divisions’ customers and ensures that the asset quality of the portfolio remains intact.

**GROUP ENTERPRISE BANKING**

Group Enterprise Banking saw their total income grow by 13.6% YoY largely from expanding NIMs coupled with strong loan growth at 13.3% YoY. NII increased as the business focused on Bancassurance/Bancatakaful and other fees that have helped boost their income. Provisions remain the same YoY but better recoveries were registered in FY2022. Together with expanded revenue levels, the division’s profits improved overall by 21.0% YoY.

**GROUP CORPORATE BANKING**

Group Corporate Banking total income grew by 19.2% driven largely by better NIMs and higher non-interest income. Overall deposits grew by 20.8% and CASA by 16.7% YoY. This contributed to the overall improvement in our cost of fund. The asset quality team for corporate banking continuously monitors customer accounts ensuring that the asset quality is maintained.

**GROUP TREASURY**

Group Treasury continues to grow as they build their assets by 25.2% from RM16.7 billion in FY2021 to RM20.9 billion in FY2022. In addition to the stronger focus on flow and forex business, overall revenues for Group Treasury have improved.

This included an overall increase in productivity of our sales force and our branch network as well as corporate strategic activities. Some of the notable achievements during 2022 include two major corporate deals which unlocked value for the Group. These were the sale of AHAM to CVC Capital Partners and the sell-down of the Bank’s stake in the insurance entities to a new shareholder, Generali Asia NV. The sale of AHAM and the reduction in shareholding in the insurance companies served to strengthen our Group CET-1 to 15.6% from 14.2% in FY2021.

RAM revised its outlook on ABB in November 2022, from AA<sub>3</sub> negative to AA<sub>3</sub> stable. This was on the back of improving asset quality trends as well as an acknowledgement that the Group competently managed the effects arising from the COVID-19 pandemic, resulting in an ability to weather any external shocks.

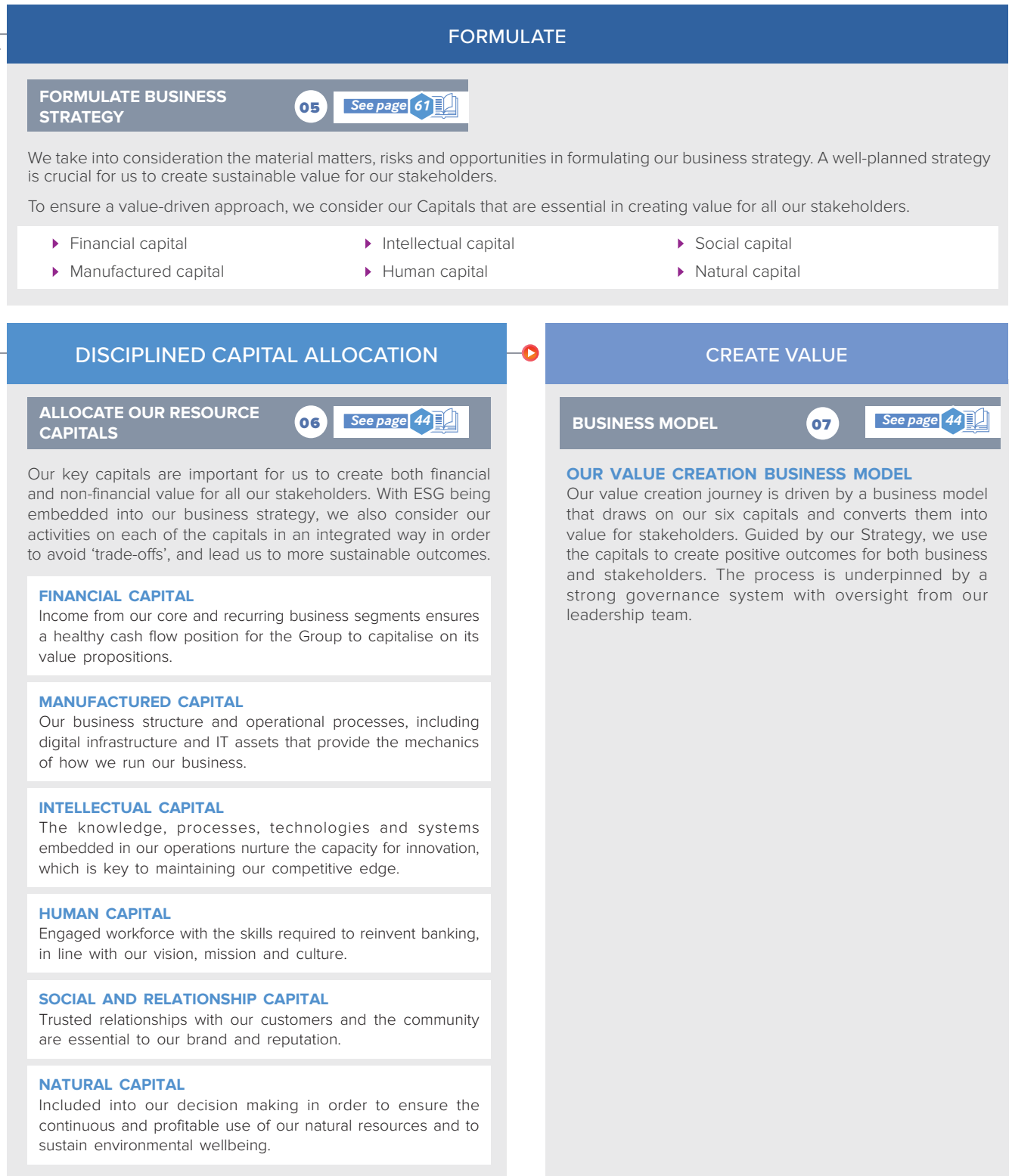
# OUR APPROACH TO VALUE CREATION

**OUR PURPOSE IS TO CREATE VALUE FOR EVERYONE IMPACTED BY OUR BUSINESS. TO ACHIEVE THIS, WE NEED TO ENSURE WE HAVE A ROBUST BUSINESS MODEL AND THAT OUR STRATEGY IS BOTH RESPONSIVE AND PROGRESSIVE. THIS REQUIRES AN INTEGRATED THINKING WHICH CONSIDERS THE CONNECTIVITY AND INTERDEPENDENCIES OF FACTORS THAT AFFECT OUR ABILITY TO CREATE STAKEHOLDER VALUE, HENCE AN INTEGRATED APPROACH TO VALUE CREATION.**



## EMBEDDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRACTICES

All the components of our value creation process are connected by ESG. It guides our everyday operations and strategic decisions, enabling us to make decisions that are in line with our values and strategic goals to enable the production of long-term value while maintaining transparency and accountability for our activities.



# OUR VALUE CREATION BUSINESS MODEL

## CORE VALUES

- A**lways innovating and adapting
- F**orever working as a team as we are one family
- F**air treatment, diversity and sustainability
- I**ntegrity is our foundation
- N**ever-ending customer centricity

## OUR CAPITALS...

## ...ACTIVITIES THAT CREATE...

### INPUTS

- FINANCIAL**
  - Strong capital with Group CET1 capital ratio at **15.6%** from **14.2%** (FY2021)
  - Market Capitalisation = **RM4.6 bil**
  - Shareholders Equity = **RM10.6 bil**
  - Deposit from Customers = **65.0 bil**
  - Gross Banking Loans, Advances and Financing = **RM59.3 bil**
  - CASA (Current Account/Savings Account) balances stood at **RM15.3 bil** for FY2022, contributing to a CASA ratio of **23.5%**
- MANUFACTURED**
  - Increase of distribution channel from **111** branches to **116** branches and **8** AFFIN Hwang branches (including **4** triple banking) and **1** mobile branch.
  - 583** self-service terminal machines which consist of:
    - 288** ATMs
    - 159** Cash recycler machines
    - 101** Cheque deposit machines
    - 26** Cash deposit machines
    - 9** Coin deposit machines
- INTELLECTUAL**
  - Increase of IT staff from **50** (FY2021) to **300** (FY2022)
  - Upskill in certification for Associate Qualification in Islamic Finance (AQIF), Islamic Professional Credit Certificate (IPCC) and Asian Institute of Chartered Bankers (AICB)
  - AFFINMAX, A1addin, Treasury FX Digital System, SME Colony, elinvest Go, improved RIB
  - Digital Imaging System (DIS)
  - Affin Delivery System (ADS) – 5 minute to open account
  - Rating upgrade from AA<sub>3</sub>Negative to AA<sub>3</sub>Stable
  - Partnership with Generali – Malaysia **2<sup>nd</sup>** largest general insurance provider from number **5**
  - Collaboration with Syarikat Takaful Malaysia Berhad (STMB)
- HUMAN**
  - 5,237** employee
  - RM11.5 mil** amount invested for training program (ABB, AIBB & AHIBB)
- SOCIAL AND RELATIONSHIP**
  - Active engagement with various parties to provide community support
- NATURAL**
  - TTDI & Bangsar branch on solar installation (Solar panel installation for 2 branches, TTDI and Bangsar)



### Affinity in Motion (AIM22) KEY FOCUS AREA

- ROE focus
- Turbo charged CASA
- Digital Transformation Acceleration
- Productivity & Efficiency
- People: Team High-Performance Organisation (THPO)

### KEY TRENDS

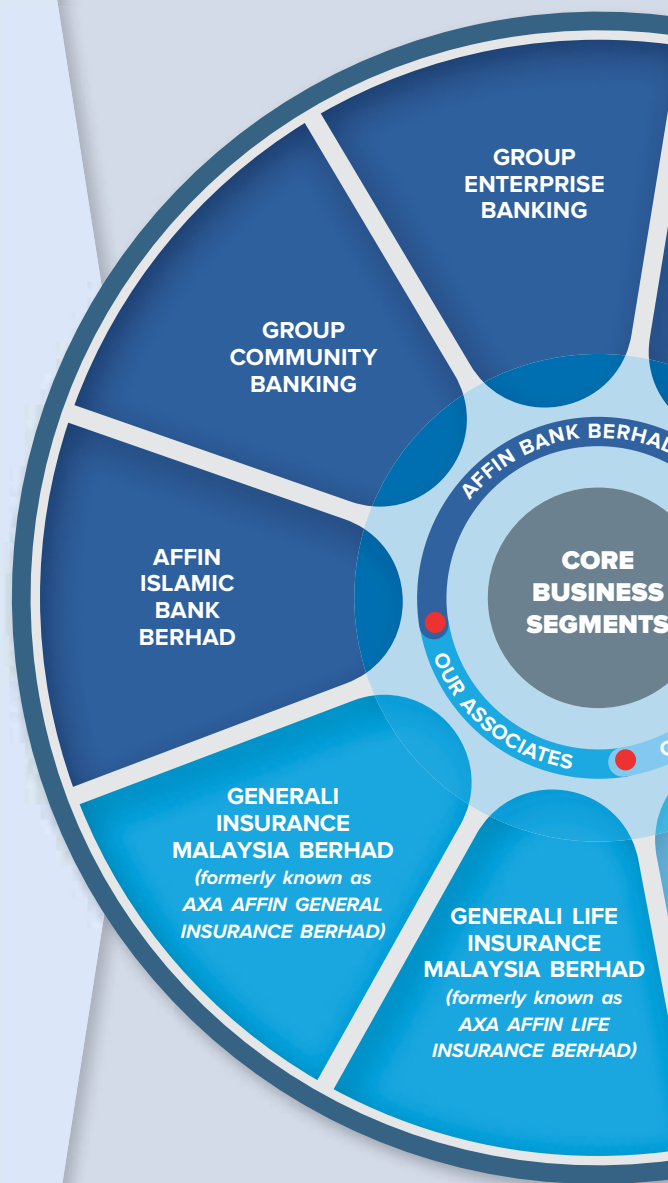
- Moderate Economic Recovery
- Interest Rates and Other Financial Consequences
- Digitalisation
- Workforce Challenges
- Sustainability Concern and Climate Change
- Geopolitics

### KEY DRIVERS

- Net interest margin
- Fee-based income increase
- Cost of fund reduction
- Cost management
- Digital capability expansion
- Risk management improvement through enhanced Asset Quality Management, Liquidity risk and capital management initiatives.

### MATERIAL MATTERS

- Digital Innovation
- Data Privacy & Security
- Ethics & Integrity
- Client/Customer Focus
- Responsible Marketing
- Responsible Financial Services
- Sustainable Procurement Practices
- Fair Employment Practices
- Talent Development
- Environmental Management
- Community Development



## EMBEDDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

### FINANCIAL OUTCOMES

REVENUE  
**RM3,297**  
Million

TOTAL ASSETS  
**RM90,121**  
Million

SHAREHOLDER EQUITY  
**RM10,629**  
Million

**OUR VISION**

- To be the most creative financial company in Malaysia
- Creative in terms of innovation and technology
  - Creative in terms of unrivalled customer service
  - Create value for our shareholders, customers and our people

**OUR MISSION**

- Products & Services**
- To become an innovative organisation with unrivalled customer service

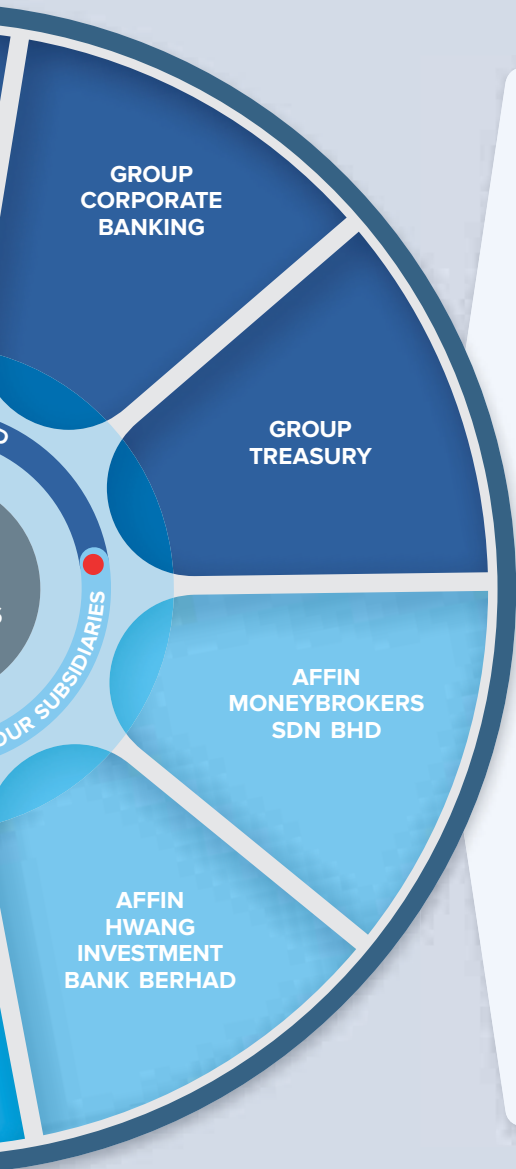
**People**

- Our commitment and passion touch the hearts and minds of everyone in our world

**Value**

- To always create value for our shareholders, customers and our people

**...VALUE FOR OUR STAKEHOLDERS.**



**OUTPUTS**

Wide product offering (AFFIN DUO, Merchtrade card, Hire purchase i-variable rate etc)

Loan Loss Coverage increased from **72.5%** (FY21) to **124%**

Loan Loss Reserve increased from **130.2%** (FY21) to **165%**

**OUTCOMES**

**FINANCIAL**

- CASA increased **12.6%** from **RM13.5 bil** to **RM15.3 bil**
- Casa ratio improved **23.5%** from **23.0%** in 2021
- Group Gross Impaired improved from **2.54%** to **1.97%**
- Loan growth surpassed industry average at **15.4%**
- Return on Equity = **11.5%** from **5.4%** (FY2021)

**MANUFACTURED**

- Digital Customer base = **1.4 mil**
- Transaction on online platform = **66 mil** per annum

**INTELLECTUAL**

- **844** employees certified with professional industry certification
- CSAT for digital experience = **78% from 77% (FY21)**
- SME Colony downloaded **72,394** times in Google Playstore, Apple Appstore and Huawei AppGallery.

**HUMAN**

- Employee engagement score = **79%**
- **30%** female Board representation
- **461** employees sponsored for training

**SOCIAL AND RELATIONSHIP**

- Zakat contribution of **RM4.2 mil**
- Net promoter score = **+41** increased from **+34**
- Customer satisfaction Score = **85%** increased from **81%**
- Product Holding Ratio = **2.18%** as compared to **2.03%** (FY2021)
- CSR contribution of **RM960,912** involving **86** staff act as volunteers.
- Community Development (Soup Kitchen CSR with PERTIMI for the homeless)

**NATURAL**

- Tree planting (**1,200** tree samplings physically planted through programme with several parties)
- ESG financing target = **4.5%** exceeding beyond the threshold of **4%** target
- A total of **38,317kwh** renewable energy generated for self-consumption
- Group wide paper usage (HQ) = **23,482kg** (FY22) from **45,170kg** (FY21)

**SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK**

PBT  
**RM1,377**  
Million

EPS  
**54.4**  
Sen

DIVIDENDS PER SHARE  
**30.39**  
Sen

# STAKEHOLDER ENGAGEMENT

We define our stakeholders by their respective roles, level of participation and contribution in our value chain as well as their ability to influence and impact our business. They are our employees, customers, shareholders and investing community including analysts and rating agencies, supply chain partners, government and regulators, industry/trade associations, media, and the communities. We strive to strengthen our relationship with them, and to understand their key concerns and matters of interest.

Stakeholders	How we engage	Key concerns	How we respond
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee engagement surveys</li> <li>Performance assessment and feedback</li> <li>Intranet messaging</li> <li>Department meetings</li> <li>Townhall sessions</li> <li>Group corporate events</li> <li>Grievance handling systems</li> </ul>	<ul style="list-style-type: none"> <li>Talent and succession planning</li> <li>Employee welfare</li> <li>Career progression</li> <li>Ethical business practices</li> <li>Information and data security</li> <li>Environmental practices</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Financial Services</li> <li>Socially Responsible Employer</li> <li>Supportive Community Development</li> </ul>
<b>Investors/ Shareholders</b>	<ul style="list-style-type: none"> <li>Roadshows</li> <li>Investor Relations sessions</li> <li>Annual General Meetings</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Overall performance and strategic direction of the Group</li> <li>Impact of products and services</li> <li>Corporate governance practices</li> <li>Strategic collaborations/ partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Financial Services</li> <li>Socially Responsible Employer</li> </ul>
<b>Government and regulators</b>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Regulatory briefings</li> <li>Programmes organised by government/regulators</li> </ul>	<ul style="list-style-type: none"> <li>Products &amp; services</li> <li>Ethical business practices</li> <li>Overall performance</li> <li>Regulatory compliance</li> <li>Information &amp; data security</li> <li>Corporate governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Socially Responsible Employer Service</li> <li>Sustainable Financial Services</li> </ul>
<b>Individual and Non-Individual Customers</b>	<ul style="list-style-type: none"> <li>Customer Satisfaction Surveys</li> <li>Customer service channels</li> <li>Meetings/site visits</li> <li>Social media</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Products &amp; services</li> <li>Streamlined customer services</li> <li>Ethical business practices</li> <li>Personal data protection</li> <li>Transparency in sales &amp; marketing</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Financial Services</li> <li>Socially Responsible Employer</li> </ul>



Stakeholders	How we engage	Key concerns	How we respond
<b>Analysts/Rating Agencies</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Analysts briefings/forums</li> </ul>	<ul style="list-style-type: none"> <li>• Products &amp; services</li> <li>• Ethical business practices</li> <li>• Regulatory compliance</li> <li>• Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Financial Services</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Media releases</li> <li>• Press conferences</li> <li>• Corporate events</li> </ul>	<ul style="list-style-type: none"> <li>• Good governance practices</li> <li>• Societal impact</li> <li>• Open and transparent communication</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Financial Services</li> <li>• Supportive Community Development</li> </ul>
<b>Business Partners/IT Outsource Partners</b>	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• Meetings</li> <li>• Corporate events</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic collaborations/partnerships</li> <li>• Products and services</li> <li>• Transparency in sales and marketing</li> <li>• Regulatory compliance</li> <li>• Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Financial Services</li> </ul>
<b>Employee Unions</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Townhall sessions</li> <li>• Group corporate events</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Financial performance</li> <li>• Human capital development</li> <li>• Fair employment practices</li> </ul>	<ul style="list-style-type: none"> <li>• Socially Responsible Employer</li> </ul>
<b>Vendors/Suppliers/Contractors</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Financial performance</li> <li>• Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Financial Services</li> </ul>
<b>Industry/Trade Associations</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Public partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic collaborations/partnerships</li> <li>• Products &amp; services</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Financial Services</li> </ul>
<b>Local Communities/Non-Government Organisations</b>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Volunteer activities</li> <li>• Forums</li> <li>• Corporate social responsibility programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Ethical business practices</li> <li>• Societal and environmental impact</li> <li>• Indirect economic contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Financial Services</li> <li>• Supportive Community Development</li> </ul>

## STRATEGIC REVIEW

# OPERATING ENVIRONMENT: ECONOMIC REVIEW & OUTLOOK 2023

The turbulent operating environment of the past year has only reinforced our commitment to AFFIN's vision, "To be the most creative financial company in Malaysia" is at the heart of our strategy. Our reliable brand, our impactful innovation capabilities and our operational execution have helped us continue to deliver.

At the start of 2022, the extreme challenges of the COVID-19 pandemic seemed to be waning. The unexpected invasion of Ukraine at the end of February changed the course of the year. Global supply chain issues proliferated and inflation became rampant.

We faced a choice this past year in how to react to these challenges. There was little handwringing as it was clear to us that we could not lose sight of our long term strategy. We continued to invest in technology and digitalisation as well as on sustainability initiatives.

To stay on course required a constant rebalancing between growth and meeting our commitments to shareholders and other stakeholders. There were no easy solutions, but we did not waver in our resolve to deliver on short term expectations, progress on our long term ambitions and remain true to the core of our strategic vision.

## → ECONOMIC REVIEW AND OUTLOOK

Malaysia's economy has shown resilience despite the challenges posed by market uncertainties. Having gathered momentum in 2022, Malaysia registered a yearly growth rate of 8.7%. The high growth rate indicated that the Malaysian economy was recovering from the smothering effects of the pandemic. Private consumption has recovered where the labour market also showed signs of improvement as the year progressed with unemployment figures moderated over the course of the year.

### Global Outlook

The International Monetary Fund (IMF) in its April "World Economic Outlook" forecasts a slower global growth of 2.8% in 2023, down slightly from its initial projection of 2.9% mainly affected by the recent financial market uncertainty in the United States and European countries, as well as the ongoing war in Ukraine. However, growth is still supported by China's economic reopening as well as the softening global inflationary pressures.

The World Bank has revised its 2023 global growth outlook to 2.0% from a January projection of 1.7% due to a better outlook from China's recovery from COVID-19 lockdown but warned that turmoil in the banking sector and higher oil prices could put pressure on growth prospects in the second half of 2023. The World Bank maintains global growth at 2.7% in 2024.

Against the backdrop of a weak global economic outlook for 2023, Asia's economies may defy the trend and deliver robust growth through increased domestic demand for goods and services despite the challenges of high inflation, rising interest rates, fuel price volatility and geopolitical tensions.

Asia's growth prospects continue to hinge on an acceleration in digital transformation, greater regional coordination, and striking the right balance in broader monetary policy across the region.



### Malaysia's Outlook

Despite a softening world economic growth and trade activities, the Malaysian economy is projected to grow by 4.5% in 2023, supported by steady domestic demand, a vibrant services sector, implementation of new and ongoing high multiplier infrastructure projects and sustained exports.

Domestic demand will remain the prime driver for growth as household spending is underpinned by the continued improvement in the labour market and existing policy support measures.

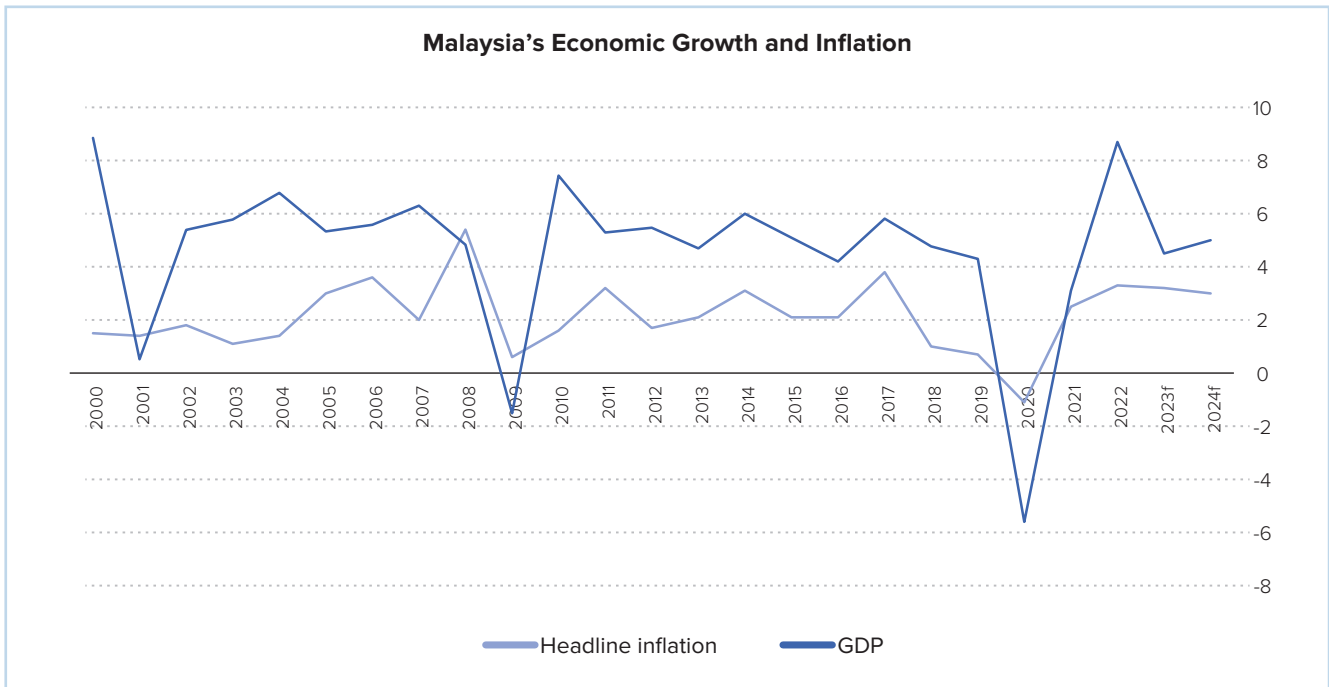
The growth forecast will continue to be supported by robust economic and social activities particularly the tourism-related activities.

To accelerate growth, steady focus should be emphasised on attracting high-quality investment, skilled labours, raising SMEs productivity and competitiveness and adoption of digitilisation and technology in all industries.

Investment will be supported by realising infrastructure projects and improved domestic conditions to attract foreign direct investment.

STRATEGIC REVIEW

OPERATING ENVIRONMENT: ECONOMIC REVIEW & OUTLOOK



Headline inflation is expected to range between 2.8% and 3.8% in 2023. Existing price controls and fuel subsidies will continue to partly contain the upwards pressure to inflation. Headline and core inflation are expected to remain elevated, amid both demand and cost pressures although this was still subject to policy changes in domestic subsidies and global commodity prices.

While we are optimistic of the economic growth, we remain cautious over existing global conflicts and the probability of escalation such as in the Russia-Ukraine war as well as inflation rate in the country.

However, although recession fears are still looming, the worst is over for many as the majority of markets have shown strong signs of economic rebound driven by China's economic reopening after a long closure due to its zero-Covid policy.

**BANKING SECTOR REVIEW AND OUTLOOK**

**Bank's capital**

The Malaysian banking system continues to be resilient with ample capacity to absorb losses despite severe downside scenarios. According to Bank Negara Malaysia (BNM), the banking system is well capitalised. At the end of 2022, total capital ratio of the banking system stood at 18.8% with capital buffers of RM134.8 billion in excess of the regulatory minimum.

Notwithstanding the positive outlook, banks remain vigilant over downside risks that could result from weaker than expected economic growth and rising cost pressure affecting loan performance as well as heightened financial market volatility.

## → LOAN GROWTH IN 2023

**2023 is forecast to normalise between 4.0% to 5.0%**

BNM's banking sector statistics for February indicated continued robustness in the system with loan growth accelerated to 5.2% year-on-year (January: 4.9%) with a rebound in financing demand recorded. The improvement was attributed to the pick-up in business loan growth from 2.1% year-on-year at end of January 2023 to 2.3% year-on-year at end of February 2023. Household loan momentum sustained at 5.3% year-on-year at end of January 2023 and end of February 2023.

In the next two to three months loan growth is expected to accelerate further, looking at the strong recovery in loan applications and approvals in February 2023.

Nevertheless, long term projection for 2023 is forecast to normalise between 4.0% to 5.0% due to elevated living costs and increased costs of borrowing.

## → LOAN APPLICATIONS

**All three major loan segments, namely residential mortgage; auto loans and working capital, presented a double-digit growth in loan applications.**

The banking industry's loan application saw a turnaround in growth from a decline of 13.3% year-on-year in January 2023 to an expansion of 34.2% year-on-year in February 2023. This expansion could be due to the Chinese New Year (CNY) effect that was similarly experienced in February 2022. As the celebration fell in January 2023 there were fewer working days in the particular month.

Nonetheless, total loan application was high at RM109.8 billion in February 2023 compared to the levels in the preceding two months (RM92.6 billion in December 2022 and RM84.9 billion in January 2023). This was the highest achievement since October 2022. Given that the month of February has the least number of days in any year, the positive growth in loan application reflects a potential improvement in credit demand for banks.

All three major loan segments, namely residential mortgage, auto loans and working capital, presented a double-digit growth in loan applications.

Other lending indicators continued to show solid numbers, with approvals and disbursements up 49% and 19% year-on-year (month-on-month: +27% and -8%) respectively.

## STRATEGIC REVIEW

## OPERATING ENVIRONMENT: ECONOMIC REVIEW &amp; OUTLOOK

## → DEPOSIT GROWTH

*The CASA ratio remained at 40.5%, down from 42% in the previous year.*

The banking system deposit growth registered at 5.9% in 2022, above pre-pandemic levels (2015-19 CAGR: 4.4%). Deposits from individuals (36%) and businesses (33%) account for the bulk of banking system deposits.

System deposits continued its strong momentum, adding 7.5% year-on-year (month-on-month: +1.7%) in February. Deposit growth is largely driven by FDs, with CASA staging a slight return. This was the first time CASA saw positive sequential month growth since October 2022.

Month-on-month growth was balanced between CASA and fixed deposits, although year-on-year, CASA deposits growth was flat while fixed deposits grew 7%. The CASA ratio remained at 40.5%, down from 42% in the previous year.

## → GROSS IMPAIRED LOANS

*Household GIL ratio increased moderately to 1.28%*

The banking system's gross impaired loan (GIL) recorded a 2% month-on-month rise (year-on-year: +10%) mainly due to the increase in residential mortgages GIL at 4% month-on-month, (year-on-year: +17%) and personal loans increased 7% month-on-month (year-on-year: +15%).

Household GIL ratio increased moderately to 1.28% at end-February 2023 from 1.23% the previous month (Feb 2022: 1.16%) whereas business GIL ratio growth was flat month-on-month and year-on-year at 2.46%. Overall banking system GIL ratio increased slightly to 1.76% in February 2023 as compared to 1.73% in January 2023.

BNM studies indicate that the debt servicing capacity of household borrowers was mostly affected by income and employment shocks rather than increases in borrowing costs. As such, future interest rate hike would not affect household borrower repayment and household debt-servicing capability is expected to remain healthy.

Furthermore, the banking system's Loan Loss Coverage (LLC) poised at 95.8% at end-February 2023 (January: 97.4%, Feb 2022: 108.0%) is considered sufficient to protect the bank against any future losses.

→ LIQUIDITY

*Liquidity coverage ratio stands at an extremely healthy 153%.*

The banking system continued to be liquid and well capitalised, with a Loan to Deposit Ratio (LDR) of 84.5% and Common Equity Tier 1 (CET-1) ratio of 14.8%, implying ample room for growth within the banking system.

Liquidity coverage ratio stands at an extremely healthy 153%.

**2023 outlook**

Going into 2023, Malaysian banks are likely to remain cautious amidst higher interest rates and an expected global recession downturn.

The banking industry is not expected to be affected as drastically as other sectors. This is result of their diversified exposure, with continual stress testing being conducted to strengthen preparedness.

Malaysia's strong and broad economic recovery, supported by positive employment numbers would support borrowers and boost the banking sector's financial performance in 2023. It is also forecast that Malaysian banks' credit costs would remain flat at 30-40 basis points (bps) in 2023, higher than the pre-pandemic average of 15 bps.

Banks are also envisaging some downside risks from the following:

- Weaker-than-expected economic growth in FY2023 (especially with the potential risk of recession in the US and Europe) as this could cause banks to register higher-than-expected loan loss provisioning and softer loan growth;
- Heightened inflation and interest rate hikes could be detrimental to banks' loan growth and asset quality; and
- A pick-up in deposit competition within the banking industry, with most banks running campaigns to offer attractive rates for fixed deposits. Should this intensify, it will lead to a further increase in banks' cost of funds and dilute the positive impact from the hikes in overnight policy rates.

Notwithstanding, Malaysian banks are well placed to weather challenges in 2023, as the banking sector's capitalisation and stable retail deposit base continue to be key credit strengths.

STRATEGIC REVIEW

# OPERATING ENVIRONMENT: KEY TRENDS & MARKET OUTLOOK

TRENDS	DESCRIPTION	IMPACT
<p><b>Trend 1</b></p> <p><b>MODERATE ECONOMIC RECOVERY</b></p>	<ul style="list-style-type: none"> <li>The global economy grew by 3.4% (source: IMF) in 2022 after facing several major headwinds during the year such as the Ukraine war that led to surging global energy prices and disruptions in the global supply-chain. This leads to high global inflation that causes central banks to tighten their monetary policy and raise interest rates.</li> <li>In Malaysia, the economy recorded a robust growth of 8.7% in 2022 due to low base in 2021 with domestic demand remaining the key driver of growth.</li> </ul>	<ul style="list-style-type: none"> <li>Price of essential goods such as food &amp; energy has skyrocketed, causing disruption to supply-chain and impacting global trade.</li> <li>The high inflation rates, tighter monetary policy and financial stress weighed down by the Ukraine-Russia war has caused the global economy to slow by end of the year.</li> </ul>
<p><b>Trend 2</b></p> <p><b>INTEREST RATES AND OTHER FINANCIAL CONSEQUENCES</b></p>	<ul style="list-style-type: none"> <li>Following soaring global inflation, developed economies especially US and the European countries have raised their interest rates as a way to stabilise the inflation to a more sustainable level. Since May 2022, the US Fed has been raising their Federal Fund Rate (FFR) aggressively, and followed by the European Central Banks.</li> </ul>	<ul style="list-style-type: none"> <li>Rising interest rate hikes have hit the most vulnerable countries and have affected borrowing cost, reducing disposable income and therefore limiting growth in consumer spending. It has also affected heavily indebted firms, households and governments.</li> </ul>
<p><b>Trend 3</b></p> <p><b>DIGITALISATION</b></p>	<ul style="list-style-type: none"> <li>Digital banking saw high demand in Malaysia, given the numerous advantages that it offers to consumers and enterprises and the rising digital literacy. Almost half the population are using online services, and about 29% of Malaysian adults have a digital bank account.</li> <li>Financial technology or fintech, is having a greater role in tilting the competitive playing field towards areas that change lives and economies.</li> <li>Rapid digitalisation has also seen a rise in cybersecurity risks, with the total number of cyberattacks reaching a new global all-time high in 2022.</li> </ul>	<ul style="list-style-type: none"> <li>The rise of online and mobile banking by customers to pay bills, transfer money and apply for loans anywhere.</li> <li>Increase in customer interest in using digital payment method such as e-wallets, mobile payments and contactless payments</li> <li>The use of AI and automation to improve the efficiency of banking operations, sales and customer service.</li> <li>Increase in Open banking concept, a banking practice that provides third-party financial service providers open access to consumer banking, transaction, and other financial data through the use of application programming interfaces (APIs).</li> <li>Blockchain technology has the potential to transform banking by enabling secure and transparent transactions without the need for intermediaries.</li> <li>Increase of scammers, fraud cases and data breaches.</li> </ul>
<p><b>Trend 4</b></p> <p><b>WORKFORCE CHALLENGES</b></p>	<ul style="list-style-type: none"> <li>The changing nature of work in the digital era, particularly concerning digitisation and automation.</li> <li>Working remotely was a challenge as many people who work from home do not necessarily have a designated workspace, they experience a conflation between their living area and workplace, which affected productivity.</li> <li>Different communication styles and generational preferences in a diverse and inclusive workforce hampered team productivity and business goals.</li> <li>Cost of living pressures saw employees prepared to change jobs and as a result, widening skills gaps.</li> <li>As life expectancy for both men and women generally increases, so does the aging workforce.</li> </ul>	<ul style="list-style-type: none"> <li>A shift in banking workforce towards higher skilled, technology focused roles.</li> <li>Since COVID-19, many banks have implemented remote work policies and invested in digital tools and infrastructure to support remote collaboration and communication.</li> <li>The banking industry has an aging workforce, with many employees approaching retirement age. This presents challenges in terms of knowledge transfer and succession planning.</li> </ul>
<p><b>Trend 5</b></p> <p><b>SUSTAINABILITY CONCERNS AND CLIMATE CHANGE</b></p>	<ul style="list-style-type: none"> <li>Sustainability has been crystallised as part of the Bank's core value that shapes and defines Affin Bank's culture, and acts as the lens through which we drive efforts to serve our people and customers meaningfully.</li> </ul>	<ul style="list-style-type: none"> <li>Approach to sustainability is focused on Environmental, Social &amp; Governance (ESG).</li> <li>Failure to embed ESG and climate risk may have impact on business through potential deterioration in credit risk of customers and clients.</li> <li>We have become more technology-focused, hence our digital transformation.</li> </ul>
<p><b>Trend 6</b></p> <p><b>GEOPLITICS</b></p>	<ul style="list-style-type: none"> <li>Prolonged unrest posed significant risk to the global economy.</li> <li>Disruption in supply chain has caused inflated prices of energy and food prices, which led to cost issues.</li> <li>The US-China trading relationship hit "record levels" in 2022, suggesting that the supposed economic "decoupling" of the world's two biggest economies has not yet arrived.</li> <li>The Ukraine-Russia conflict, climate change, the Great Power Competition, reliance on outmoded international institutions, and other geopolitical issues, all marked a period of upheaval.</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitical risk presents severe systemic risks: a looming recession that strained the debt-servicing capacity of companies and households; and lingering asset-quality problems in the Bank.</li> <li>Business and investor sentiments have been impacted, with some investors moving away from riskier assets like shares and towards perceived "safe" assets such as unit trusts, fixed deposits and bonds.</li> <li>Impact on business continuity especially disruption in business processes and functions. Business disruptions would cause a huge financial loss to companies and the government.</li> </ul>



## OUR RESPONSES

- Monitored the macro and micro economic development and the impact to our business and individual customers.
- Identified any risk that arises from businesses.
- Continued to provide assistance to impacted groups through our various initiatives.

- Strengthened our lending engines by building our sales and product development teams and reinforced our credit card segments and SME financing.
- Offered attractive rates for deposits segments (CASA and FD)

- Developed a comprehensive digital banking ecosystem via modification of business models and processes, as well as cultural change such as using robotics process automation (RPA).
- Enhanced product offerings, apps features and design
- Explored adoption of Artificial Intelligence (AI) and Machine Learning (ML) technology.
- Rolled out Campaign Management System by riding into Salesforce Marketing Cloud to empower marketing team and businesses to introduce the right product to the right customer at the right time using the right communication channel.
- Use of AI-powered Chatbot to provide fast and real time response to customers.
- On digital fraud, we applied cutting edge technology by constantly performing statistical analysis to identify suspicious transactions and eliminate threats before any damage gets done

- Training on technology skills
- Triple Banking model where products from the conventional, Islamic and investment such as CASA, Hire Purchase, mortgage, credit cards, wealth management, stock broking is located at the same branch.
- Maximised teamwork as one unified organisation in living our culture of Team High Performance (THIPO).

- Developed a five-year ESG roadmap to strengthen AFFIN Group's Sustainability management and reporting.
- Established 4 focus areas namely sustainable financing; sustainable operations, people and culture; and support for the community.

- Realigned the Bank's business strategy taking into consideration the geopolitical issues.
- Monitored the risk and/or impact to businesses and investors.

## OUTLOOK

- The economic outlook continued to be challenging following continued elevated inflation albeit slowing down, tight monetary policy and challenging external environment.
- The world economy is forecast to expand by a moderate growth of 2.9% in 2023 while Malaysia is looking at a 4% to 5% growth in tandem with projected slower global growth.
- Meanwhile, Malaysia's key growth drivers would continue from robust domestic demand, stable income and labour market, and resumption of investment projects.

- Global interest rates are projected to remain high this year albeit gradually declining as the economy improves.
- BNM is dedicated to maintaining both, a stable prices and also sustainable economic growth and would stance its monetary policy to remain accommodative and supportive to economic growth.

- The digital transformation is expected to continue to have a significant impact on the economy and society, with the potential to drive innovation, create new business models and job opportunities, and improve the quality of life for people around the world.
- It also poses challenges, such as the need to ensure digital security and privacy, address issues of digital exclusion, and regulate the use of emerging technologies.

- The rapid pace of technological change, demographic shifts, and globalisation has created significant challenges for both employers and employees.
- One of the most significant challenges facing the workforce is the ongoing digital transformation of the economy. The adoption of new technologies is changing the nature of work, creating new job categories, and rendering certain skills obsolete. As a result, many workers may need to acquire new skills or retrain to remain competitive in the job market
- Demographic change, with the aging of the population and declining birth rates leading to a shrinking labour force in many countries. This trend is expected to exacerbate labour shortages and increase competition for skilled workers.
- COVID-19 has brought new challenges such as the shift to remote work, the need for new health and safety measures, and disruptions to supply chains and business operations.

- Moving forward, we will continue to work hand-in-hand with customers and clients on climate risk issues and ESG challenges.
- Greater support for global transition to a low-carbon economy with sustainable financing.

- Geopolitical tensions are expected to continue and may not subside in the near term.
- Geopolitical tensions remain a downside risk to global economic growth and financial stability.
- The recent trade tensions between US and China or Brazil, Russia, India, China and South Africa (BRICS) for example, have created significant uncertainty in global markets, with potential impact on economic growth, investments, and job creation.
- The acceleration of de-dollarisation presents both advantages and disadvantages. Benefits include diversified risks, strengthened national currencies, increased monetary policy independence, and reduced vulnerability to US sanctions. Drawbacks encompass transition challenges, potential short-term instability, and limited global acceptance of alternative currencies.

STRATEGIC REVIEW

# KEY RISKS AND MITIGATION

Key Risk No. 1

## CREDIT RISK

→ **Description**

Losses arising from the failure of counterparties to meet contractual obligations in accordance with agreed terms.

### Mitigant Actions

- The Group has in place a robust credit risk policy framework to ensure effective and prudent credit risk management which aims to identify, assess, measure, control and monitor credit risk exposures with various counterparties.
- The management of credit risk is primarily the responsibility of Business Units with support by independent functions namely the Group Credit Management Division and the Group Risk Management Division in the form of independent and unbiased input as well as oversight of risk and controls pertaining to credit risk-taking activities. Delegated authority limits are appropriately managed with the involvement of various sub-committees at both senior management and Board level.
- In addition to periodic reviews, the Group proactively monitors its credit exposures through the establishment of the Group Early Alert Committee (GEAC). The GEAC is tasked to manage exposures which exhibit increases in credit risk with the aim to minimise potential credit losses.
- Tail-end risks emanating from the effects of the COVID-19 pandemic are managed by conducting regular reviews on exposures to counterparties to determine the appropriate intervening measures in achieving a balanced result for all stakeholders. In order to continuously protect its capital and liquidity position, The Group has also adopted a more cautious stance when initiating credit exposures to counterparties which are operating within industries or countries most affected by the pandemic.
- The Group practises diversification and adopts appropriate internal limits and controls through the Annual Credit Plan (ACP) which is aligned to the Group's Risk Appetite Statement. The ACP sets out the Group's key credit strategies for the year which include the setting of prudential targets and limits to manage the credit risk activities of the Group in order to support business growth in a prudent manner.
- To uphold and improve on existing credit risk practices and processes, the Group regularly conducts post-approval credit reviews and post mortem reviews which are communicated to both the Group Management Credit Committee (GMCC) and the Group Board Risk Management Committee (GBRMC).
- Data and data analytics are regularly used to analyse portfolios and identify potential areas of concern whether existing or developing in order to formulate an appropriate response in managing credit risk.

**Key Risk No. 2**

**MARKET RISK**

**→ Description**

Loss of earnings and capital due to volatile movements in rates and prices in foreign exchange, fixed income, credit instruments, equities, commodities and alternative assets.

**Mitigant Actions**

- Group Market Risk Management (GMRM) management adopts the latest approaches in line with Basel risk standards to manage balance sheet risks due to fluctuations in earnings and capital on the balance sheet.
- The Group imposes strict firm-wide loss control policies in each of our business lines to manage realised and unrealised losses arising from market risk taking activities. A Treasury Framework had been installed to separate the differentiated business risks associated with proprietary risk-taking, capital investments and liquidity management.
- The reporting and analytics infrastructure for market risk management have been modernised and upgraded in line with our vision to automate our risk processes and the increase the use of data and visual analytics to improve discovery of insights and communication of key risk concerns to management and the Board.
- All market risk-sensitive positions in the banking entities' balance sheet are monitored and assessed on a daily basis for any expected and unexpected impact to earnings and capital. Present performances are judged against the expected losses measured by our risk models that are regularly back-tested.
- GMRM employs forward-looking financial scenarios to constantly review key market risk developments with the management and the Board on a regular basis.

**Key Risk No. 3**

**FUNDING AND LIQUIDITY RISK**

**→ Description**

Loss of reputation, assets and capital because of failure to manage balance sheet solvency in efforts to satisfy obligations of the Group.

This can arise either from inability to fund increases in assets and meet obligations as they come due, or from the failure to liquidate assets quickly in the face of changing market conditions with minimal loss in value.

**Mitigant Actions**

- GMRM manages current and forward-looking liquidity risks arising from idiosyncratic and systematic risk events under a set of approved liquidity frameworks and policies.
- The Group's liquidity positions are subjected to a combination of forward-looking liquidity scenarios that are an integral part of our regular stress testing to identify worst-case possibilities including reverse stress test outcomes to help identify the point of non-viability and develop action plans to recover from such balance sheet failures.
- The Group employs a Strategic Funding Plan that is routinely reviewed and discussed at Group Asset Liability Committee (GALCO) to track realised performances against liquidity targets and approved board-risk appetites, and to ensure that our liquidity position are constantly assessed in line with market and economic developments.
- Liquidity positions on the balance sheet are monitored by their original currency and maturity breakdown and they have to comply to internal thresholds approved by management.
- The Group periodically performs a contingency funding plan crisis simulation exercise to evaluate and test the readiness and efficacy of our recovery options and crisis management plans to manage eventualities arising from unexpected liquidity events.
- The liquidity risk profile of the balance sheet is evaluated on a daily basis to ensure that our short- and medium-term liquidity position are sound. Liquidity risk concerns are flagged out in accordance with an approved escalation process involving management and the Board.

## STRATEGIC REVIEW

### KEY RISKS AND MITIGATION

#### Key Risk No. 4

### OPERATIONAL RISK

#### → Description

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

The definition includes legal risk, reputational risk and Shariah Non-Compliance risk but excludes strategic and business risk. Outsourcing risk is also managed under operational risk.

#### Mitigant Actions

- The Group has in place a robust operational risk management (ORM) policy to ensure an effective and prudent operational risk management which aims to identify, measure, monitor and control operational risk exposures with various counterparties.
- Design, implement and maintain the operational risk management policy which includes, communication of ORM policy, procedures processes, limits and validating Business Units and Support Units (BUs/SUs) compliance to the approved ORM policy.
- Review identification of major operational risk for all BUs/SUs within the Group, challenge their assessment and evaluate effectiveness of risk mitigation activities.
- Ensure effective coordination and communication with other risk management and control functions.
- Ensure material operational risk events are reported to the Board of Directors and Senior Management in a timely manner with a focus on operational risk developments to facilitate informed and sound decisions.
- Establishment of Business Risk and Compliance Manager (BRCM) and Designated Risk and Compliance Officer (DRCO) as part of as the first line of defense to undertake the roles and responsibilities of operational risk management.
- Group Compliance and Group Internal Audit shall act as independent reviewers and validators as part of the second and third line of defense in performing reviews and assessments on operational risk governance structure, processes, systems and assessing the effectiveness of senior management oversight.

#### Key Risk No. 5

### BUSINESS CONTINUITY RISK

#### → Description

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholders'/ customers' confidence due to the discontinuation of services in business operations.

Low resiliency to the following threats may lead to this risk resulting in irreconcilable losses to an organisation, given the high magnitude of the impact.

- Pandemic/Endemic
- Unanticipated technology and infrastructure outages
- Cyber attack
- Fire incidents
- Security breaches
- Data breaches
- Adverse condition of environment (natural disaster)
- Supply chain disruption
- Health and safety issues
- Acts of terrorism
- New laws and regulations
- Others

#### Mitigant Actions

- The Group Contingency Planning Framework (GCPF) and Group Business Continuity Management (BCM) Policy governs the management of business continuity risk across the group. In line with Bank Negara Malaysia Policy Document on Business Continuity Management, the framework provides principles that guide the policy statements and promote the BCM programme to be undertaken by the Group annually to reduce the likelihood of major losses and breaches of regulators' guidelines.
- GBRMC has oversight to review and monitor all matters pertaining to Business Continuity (BC) Risk.
- Group BCM Committee (GBCMC) supports GBRMC in the review and monitoring of Business Continuity Risk under the purview of BCM and provide the forum to discuss and manage all aspects of this risk and control lapses.
- The BCM Programme is made compulsory for each business unit in the Group to undertake. The outcome of this assessment will translate into risks listing, risk mitigation and controls, business continuity strategy and crises responses that require business units to document and create awareness of the strategy plans to ensure workability and sound practice of managing Business Continuity Risk.
- Risk control is established through adherence to GCPF, Group BCM Policy, Bank Negara Malaysia BCM policy document and adoption of ISO 22301 standards throughout the implementation of BCM programmes. Rigorous testing on business continuity plans is diligently done to ensure effective and smooth execution of the plan for resumption and recovery of the disrupted services.
- The established Crisis Management Team (CMT) has been officiated to enable BCM to manage crises arising from BC Risk. CMT is guided by the Enterprise Crisis Management Plan (ECMP) that guides the Group for sound crisis management and promotes high operational resiliency to BC Risk.

Key Risk No. 6

**TECHNOLOGY RISK/CYBER RISK**

**→ Description**

Major business disruption due to cyber-attacks, and financial loss due to unavailability of critical services.

**Mitigant Actions**

- The Group has in place a robust Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF), which are an integral part of the Group's enterprise risk management framework consisting of the leadership and organisational structures to ensure the alignment of IT strategy with business strategy, optimisation of resource, IT value delivery and performance management to achieve business objective and effective technology risk management implementation.
- TRMF and CRF cover the control objectives and minimum standards to guide AFFIN Group and entities' IT department, third-party service providers and other technology-related services/functions/departments in managing the technology risk involved in daily operations.
- Effective risk management depends on appropriate governance and oversight, and it covers both the risk management process as well as individual accountabilities for managing risk outcomes. The Group's technology risk management approach is effected through the Three Lines of Defense (LoD) model, which outlines the functional segregation and key responsibilities of the independent oversight functions, as well as the business and support units.
- The Board shall approve IT strategy covering overall design and plan of its operational framework including its vision and mission, stakeholders, business, workflow and processes, data processing, system access, security, and availability of IT resources. The Board is responsible for oversight and approval of TRMF, CRF and other associated information technology/cyber security policies for the Group, in addition to approval and monitoring of risk appetites, key performance and risk indicators, and corresponding risk tolerances for technology-related events.
- The Group proactively monitors the cyber threats through 24x7 Security Operations Center (SOC), investigating and mitigating the cyber threats in protecting the Group's IT environment from potential business disruption due to cyber-attacks. The Group manages the cyber hygiene through timely patch management, penetration testing, vulnerability scanning, IT assets management, user access reviews, employ device encryption, multi-factor authentication, strong passwords, back up, reputable antivirus and antimalware software, network firewalls and related security appliances as part of the compliance to BNM Risk Management in Technology (RMiT).
- The Group emphasises technology resiliency, where capacity utilisation monitoring has been enabled for the critical systems to ensure necessary capacity upgrades are performed timely when near threshold. During IT incidents, IT incident management is engaged with the respective subject matter experts (SMEs) on ensuring systems are restored back to normal operations according to the committed Maximum Tolerable Downtime (MTD) and Recovery Time Objective (RTO). Business Continuity Management ensures the recovery strategies are in place and tested periodically to ensure its effectiveness during crisis.
- The Group engages external Security specialists to perform periodic independent compromise assessment, cyber drill, and red team to ascertain the integrity of the IT environment remained intact and clean from cyber threats, with the simulation exercises to ensure the respective IT Security team remained vigilant and competent to detect, contain, eradicate and recover from different cyber scenarios injected. The Group covers its cyber risk exposure with Cyber Insurance renewed on an annual basis.
- The Group improves on its risk culture by enforcing mandatory e-learning and new staff onboarding risk awareness on Cyber Security and Threats, and phishing tests are conducted periodically to educate and test the effectiveness of the security awareness of the workforce. Technology risk-related monitoring and reviews are communicated to Group Management Committees, Group Board Information Technology Committee, and Group Board Risk Management Committee for oversight.
- The ongoing COVID-19 pandemic monitoring has been part of the Group's agenda to create a safer working environment and to reduce the spread of the COVID-19 virus to its workforce. Work from home is one of the initiatives the Group has taken to mitigate the risk, requiring 2-Factor Authentication via secured Virtual Private Network (VPN) to access the Group's systems. The Group has also adopted a more cautious stance when providing such access to third-party service providers with the least privilege and only by necessity.

## STRATEGIC REVIEW

### KEY RISKS AND MITIGATION

**Key Risk No. 7**

#### SUSTAINABILITY RISK

**→ Description**

Failure to create value for the business, society and environment over short, medium and long term and at risk of evolving non-financial impacts.

Sustainability risk also covers the climate risk posed to the bank.

**Mitigant Actions**

- The Sustainability Governance Structure that consists of the Board of Directors, GBRMC, Group Management Committee and Sustainability Working Group is responsible to manage and monitor the overall Sustainability risks and opportunities arising from the Group’s operations.
- The Corporate Strategy Department has developed a Five-year Environmental, Social and Governance (ESG) Roadmap that encapsulates short, medium and long-term plans to strengthen the Group’s Sustainability management and reporting across four criteria i.e., Governance, Strategy, Risk and Opportunities, and Metrics and Targets.
- AFFIN BANK has established four Focus Areas i.e., Sustainable Financing, Sustainable Operations, People and Culture, and Support the Community. These Focus Areas serve as our overarching strategy to identify, assess and respond to Sustainability risks and opportunities applicable to AFFIN BANK.

**Key Risk No. 8**

#### CLIMATE RISK

**→ Description**

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**Mitigant Actions**

- **Transition risk:**  
In 2021, AFFIN BANK issued the Group Credit Policy on Sustainable Financing that adopts BNM Climate Change and Principle-based Taxonomy (CCPT) assessment and classification of economic activities. The GCPSF was issued as part of AFFIN BANK’s efforts to manage and monitor the ESG aspects of the lending and financing activities.
- **Physical risk:**  
BNM issued a Policy Document in November 2023 for Financial Institution to adopt Climate Risk Management Scenario Analysis (CRMSA). The first phase which includes gap analysis and recommendation shall be submitted by end of May 2023. AFFIN BANK is on a right path of completing this exercise in FY2023.

# OUR STRATEGIC ROADMAP

## AFFIN TRANSFORMATION JOURNEY

Evolving clients' expectations and market competitiveness intensify the need for AFFIN to continuously transform in order to remain relevant in the game

