

# CREATING NEW PRODUCTS AND SOLUTIONS





**The Duo That Does It All With AFFIN DUO+**

**3% Cash Back** up to RM100 per month on contactless transactions\*

**3X AFFIN Rewards Points** Airlines, e-Commerce, Online Duty-Free, Hotels and Overseas transactions



## OUR LATEST PRODUCT HIGHLIGHTS

### A1ADDIN

Launched November 2021

Affin Bank has rolled out a pioneering digital bank proposition, A1addin, to provide customers with the convenience and safety of a comprehensive digital lifestyle banking experience, through easy and fast activation. It is targeted towards the digital-savvy generation who expect to fulfil their banking needs anytime and anywhere, without having to visit a bank branch.

Other services provided by A1addin include easy money transfers, instant JomPAY bill payments, loan/financing and insurance applications, as well as cashless transactions via QRPay. This supports emerging lifestyle needs for convenient shopping, hotel and travel booking, and for food and beverages. In addition, customers enjoy preferred rates, lower fees, and myriad banking promotions featured within the app interface.



### AFFIN Merchantrade Prepaid Card

Launched October 2021, in collaboration with Merchantrade Asia Sdn Bhd

The first collaboration with Merchantrade signifies the Bank's progressive efforts in becoming digitally adaptive and catering to the evolving financial needs of our valued customers. The card provides speed, convenience, security and control, synonymous with digital payments, to give Malaysians an edge in the fast-moving world of commerce.

It offers a wallet size of RM20,000 for global transactions at competitive exchange rates with no hidden forex or cross-currency charges. Merchantrade's Money e-wallet app has a wide range of benefits, including convenient 'in-app' eKYC account opening process, purchase and storage of up to 21 currencies. Payments can be made at over 70 million Visa merchant locations worldwide (around 120,000 in Malaysia), with cash withdrawals at Merchantrade branches, participating agent locations, and more than 2.5 million Visa Plus ATMs worldwide (around 11,000 in Malaysia).



### AFFIN DUO & AFFIN DUO+

Launched August 2020 and December 2021 respectively

A Visa & Mastercard pair of credit cards that offer cashback and lifestyle rewards respectively. While the AFFIN DUO benefits perfectly complement the evolving lifestyle of millennials, AFFIN DUO+ has been designed as an elevated win-win proposition for a mass affluent customer segment. AFFIN DUO's easy entry point for millennials earning a minimum salary of RM2,000 per month led to its being named Millennial Product Initiative of the Year at the Asian Banking & Finance Retail Banking Awards 2021.

For both Duo offerings, the Affin Bank Visa Cash Back credit card offers 3% cashback on contactless transactions and triple earning of AFFIN Rewards Points, from targeted spending.

The Bank has successfully issued 60,000 AFFIN DUO credit cards and potentially acquiring 30,000 cards for AFFIN DUO+ in the first year of its launch.





### AFFIN Home Step Fast/-i

Launched September 2021



This is an exclusive financing package offering house financing and refinancing of residential properties valued at RM200,000 and above with a special 'Step-Up' payment feature, and is applicable for both completed properties or those still under construction.

The 'Step-Up' payment feature allows payment of only the interest/profit portion amount for the first five years from the date of full disbursement, and only thereafter commence payment of full monthly instalments based on the outstanding and the remaining tenure.

Affin Home Step Fast/-i has attracted RM20.4 million financing from 42 customers since its introduction.

### AFFIN AVANCE & AFFIN INVIKTA

Launched November 2020 and March 2021, respectively

Making strides in uplifting the customer experience through customised service offerings, Affin Bank introduced membership programmes through AFFIN AVANCE for its existing and new customers, and AFFIN INVIKTA, to cater to the affluent segment of high net worth customers in Malaysia.

The membership offerings include enhanced benefits on credit cards, interest rates, rewards, financial planning and other personalised and privileged services. INVIKTA members have access to a Relationship Manager as well as the first AFFIN INVIKTA premier banking centre in Taman Tun Dr. Ismail, Kuala Lumpur.

AFFIN AVANCE membership increased by 175% in FY2021, bringing in more than RM75 million CASA. INVIKTA membership closed at 20,836 accounts, bringing in RM1.25 billion in CASA.

### eInvest Go

Launched July 2021



Affin Hwang Investment Bank is the first investment bank in Malaysia to offer a fully online account opening service for prospective clients who are interested to trade stocks listed on Bursa Malaysia; using the 'eInvest Go' system. The whole process is hassle-free, well-secured and fast.

With eInvest Go, clients are able to open both CDS and Trading accounts simultaneously from any personal device, and enjoy a competitive brokerage fee from as low as 0.05% or a minimum of RM5 per trade. Clients also gain access to the Bank's best-in-class trading and investment management platform: "eInvest"; with the full range of live price quotes and trading functions including personalised products and services, premium stock screener, extensive research coverage, latest news and happenings as well as useful educational materials.

In Q1 2022, eInvest Go have seen more than 30% increase in terms of value traded and brokerage generated as compared to the previous quarter.




# MANAGEMENT DISCUSSION & ANALYSIS

## “ METAMORPHOSIS towards New AFFIN”

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**Wherever you are,  
Affin's financial solutions  
are ready for you**

The Affin Group's ongoing journey of Metamorphosis is reimagining and transforming our customer service experience. Offering you agility and accessibility to match your lifestyle demands.

Through our AIM22 aspiration, and clear digital roadmap, we are making good progress in going further to close the gaps between your needs and your wants. We have emerged from the pandemic stronger and more resilient as a progressive banking partner that's just a click away.

## MANAGEMENT DISCUSSION & ANALYSIS



The year 2021 continued with its unprecedented challenges, but Affin Bank Berhad responded exceptionally well and our performance has been resilient with a strong balance sheet.”

We're here to **support you** through this challenging time

**Penjana Tourism Financing Facility**

- Financing limit up to RM300,000 per eligible SME
- Financing tenure up to 7 years (inclusive of 6 months moratorium)
- Financing rate up to 3.50% p.a (inclusive of guarantee fee)

**Targeted Relief & Recovery Facility**

- Financing limit up to RM500,000 per eligible SME
- Financing tenure up to 7 years (inclusive of 6 months moratorium)
- Financing rate up to 3.50% p.a (inclusive of guarantee fee)

**High Tech Facility**

- Financing limit up to RM5 million per eligible SME
- Financing tenure up to 7 years
- Financing rate up to 5.00% p.a (inclusive of guarantee fee)

Download SME Colony today

Download on the App Store | Get it on Google Play | Watch on YouTube

TS&C apply.

#AlwaysAboutYou  
#WeGrowWithYou  
#EnterpriseBanking



Affin Bank's assistance for SMEs to survive through unprecedented times remains the Bank's utmost priority.

### Operating Amid a Challenging Environment

Even before the year began, the external environment was being reshaped predominantly by the global health pandemic, which saw a low-interest-rate environment and rapid technological development.

The COVID-19 pandemic continued to chart headlines as the impact of this health issue affected lives and livelihoods. However, its intensity has been somewhat managed by the vaccination programme that has been put in place. At the end of the year, the country faced additional turmoil with major floods that afflicted several parts of Malaysia and once again, had an adverse effect on lives and businesses.

The government has kept a close pulse on the situation and has introduced stimulus packages to the tune of RM530.0 billion since 2020 to support Malaysians and foster recovery. Affin Bank, together with its peers in the financial industry, extended support to customers who were affected by the impact of the pandemic as well as the floods, and facilitated the delivery of government assistance of stimulus programmes which included PRIHATIN, PRIHATIN SMES, PENJANA, KITA PRIHATIN, PERMAI, PEMERKASA, PEMERKASA+, and PEMULIH, to those affected.

The Bank provided various financial assistance solutions under the Financial Assistance and Instalment Relief programme which were offered to customers from the various business segments, namely individuals, SMEs and corporate customers. These included moratoriums on loans, financial assistance, payment assistance and funds.



While the year was fraught with prolonged movement restrictions, moratoriums and repayments assistance, Malaysian financial institutions displayed resilience, thanks to the buffers and structural strength built over the years, which were well-capitalised and liquid enough to withstand unexpected losses that could materialise.

For the financial year 2021, the Malaysian economy performed reasonably well, expanding by 3.1% YoY from a decline of 5.6% YoY in 2020, supported by recovery in domestic demand as economic activity resumed as well as continuous strength in external demand and monetary and policy support. The rebound in economic activity was also aided by recovery in labour market and increase in vaccination rates.



**▲** Our new headquarters, Menara Affin Bank at Tun Razak Exchange.

## Delivering on Our Strategic Priorities for 2021

Our strategic focus for the financial year 2021 was to progress on our AIM22 transformation plan, which was set in motion in 2020. The AIM22 was anchored on our refreshed vision To Be The Most Creative Financial Company in Malaysia, where we aspire to embed creative and out-of-the-box thinking in terms of innovation and technology; provide unrivalled customer service; and create value for our shareholders, customers and our people.

The AIM22 is part of the Group's ongoing journey of Metamorphosis to become a progressive bank, with highly agile employees serving all segments of customers with unmatched service. Our close alignment with all the units and subsidiaries under the Group has been crucial to our encouraging performance for the year in review, as it has made for a highly cohesive and synergised delivery under the AIM22 aspiration.

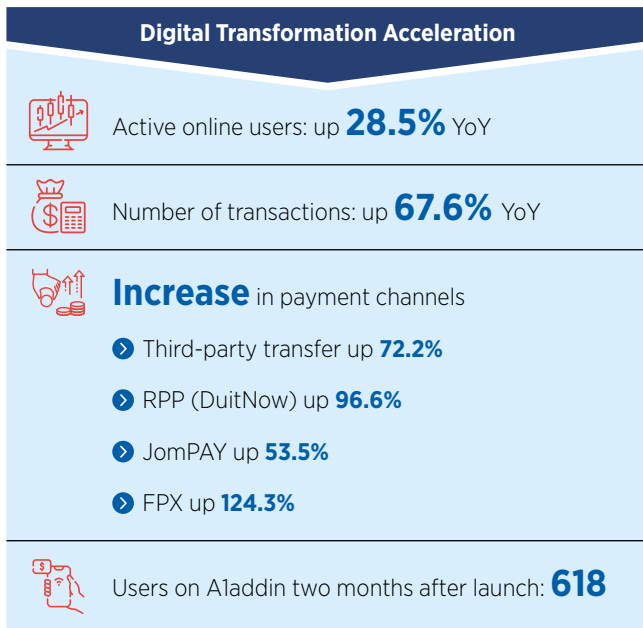
### AIM22 FOCUSES ON FIVE STRATEGIC IMPERATIVES

<b>Accelerate Digital Transformation</b>	Leverage technology to innovate the Group towards digitalisation to improve efficiency and offer greater value
<b>Turbo Charged CASA</b>	Strengthen CASA to build stability and minimise funding cost through targeted segmentation and new products and services
<b>Increase Productivity and Efficiency</b>	Improve productivity with enhanced asset quality and capital management to manage operating expenses and improve cost-to-income ratio
<b>Strengthen Teamwork and Build High-Performance Culture</b>	Develop a high-performance team who are goal-oriented and fit-for-future through a robust performance management approach
<b>ROE Focus: Value Creation</b>	Target to achieve 7% ROE for the Group through strengthened capital position to support business growth and optimise shareholder returns

There are 33 initiatives planned for execution under the five pillars of the AIM22 Transformation Plan that commenced in mid-2020 and will conclude at the end of 2022. We continued to make good progress against our strategic imperatives as laid out in the AIM22. For the year in review, 17 of the 33 planned initiatives have been completed while the rest of the 16 initiatives are on track to be completed by the end of 2022, albeit with changes to the delivery deadlines due to the unavoidable lockdown. As we accelerate and execute these strategies, we have refined our direction further and have added another seven new initiatives to support the aspirations outlined under AIM22.



## MANAGEMENT DISCUSSION & ANALYSIS



2021 has been a year of challenges and opportunities. Besides bracing the negative economic impact of the pandemic, we have also been dealing with the drastic change of consumer behaviour which has trended towards digital engagement.

The Group has a clear digital roadmap in place that aims to reimagine and transform our service experience for customers. Digitalisation is a key enabler for the Bank to emerge from the pandemic stronger and more resilient. The aspects of digitalisation encompass all the business segments and subsidiaries of the Group, and the extent of the key initiatives reported here reflect the priority we give to accelerating our digital metamorphosis.

For the year in review, the Group intensified the adoption of technology and accelerated the development of digital offerings to meet our customers' needs. In ensuring our alignment to our motto of providing unrivalled customer service, we make certain that the customer journey and user experience are seamless, user-friendly and efficient.

In cementing our high priority of digital transformation, we set up a new technology Centre in Cyberjaya to provide a conducive environment for tooling, people and processes necessary to drive our digital aspirations.

### INCREASED ONLINE TRANSACTIONS

The COVID-19 pandemic changed consumer behaviour, particularly in the online and e-commerce space where we observed a surge in transactions. Our customers increased their digital touchpoints with the Bank through our AffinAlways online channel. We enhanced their customer experience on an ongoing basis and ensured continuous system stability to give our customers the 'always on' access. Our customers responded positively to our digital proposition as seen in the significant increase of active users which was up by 28.5% in 2021 compared to the previous year, while the number of transactions recorded increased 67.6% YoY. An increase of 23.3% from the previous year shows a remarkable increase in digital adoption.

Given the rise of online shopping and contactless payment requirements of today, our customers reflected this trend through increased online payment transactions. This was evident through the rise of usage in these channels on a year-to-year comparison: third-party transfer up 72.2%, RPP (DuitNow) increased 96.6%, JomPAY grew by 53.5%, and FPX increased 124.3%.

### DIGITAL BANK PROPOSITION - AIADDIN

Aladdin, a new Digital Bank proposition of Affin launched in November 2021, leverages eKYC technology to enable customers to open an account digitally within just 10 minutes and access a range of banking products and services without even stepping into a physical bank branch. This proposition allowed the Group to trailblaze our digital leadership by being one of the premier digital banks and also the first Islamic digital bank in Malaysia to offer such services through a mobile-only bank app. The app will progressively offer new features to create greater value to our customers such as the full suite of Real-time Retail Payments Platform (RPP) payment methods that will be deployed in 2022, making it a full-fledged payment solution. This innovation will also be extended to the business segment through Aladdinbiz which was launched in 2022, and which will allow us to expand more opportunities for various partnerships between SMEs and the Bank, to facilitate more take-up of the Bank's products and services.



Our Digital Bank proposition comprising Aladdin and Aladdinbiz was officially launched by the Prime Minister, YAB Dato' Sri Ismail Sabri Yaakob in November 2021. Affin Group was represented by our Chairman Dato' Agil Natt, Executive Director Community Banking, En Nazri Othman, and Chief Executive Officer of Affin Hwang Investment Bank, Pn Mona Suraya Kamaruddin.



**▲** The first event for Personal Financial Consultants (PFC) at Branch and front level, comprised product training by all Portfolios and sales motivational training by Dr Reza.

**SALES MANAGEMENT SYSTEM**

The Group gained ground by pioneering the adoption and implementation of Sales Management System to enable effective customer engagement and lead generation. The system allows the Bank to leverage and filter customer data for meaningful insights to build a customer pipeline. Following the launch of the new system in June 2021, we saw a significant 187.0% increase in average monthly incoming leads. Thanks to the stable system performance of the cloud-based architecture, no downtime has been reported since the launch, which translated to a high system availability of 99.9%.

Riding on this success, we are now looking at expanding the solution, which will be utilised Group-wide. By centralising all leads across the Group and auto-routing the data to the designated teams in real-time, we can greatly enhance the efficiency of our sales team and improve customer experience holistically.

**ELEVATING CUSTOMER EXPERIENCE**

Our aspiration is to deliver unrivalled customer excellence, we constantly review our user experience and make the necessary upgrades to ensure our customers' evolving journey is reflected.

These refreshed sites were redesigned with engaging features, intuitive user experience (UX) and improved functionalities to portray a unified brand impression across our digital assets that better reflect our corporate values. Taking full advantage of technology advancement, we shifted the content management systems of these new websites from on-premise to cloud computing, providing greater flexibility in updating content without infrastructure encumbrance.

For the year ahead in 2022, we will further enhance our customer experience through the incorporation of chatbots on our websites. By harnessing the power of machine learning, we will be better equipped to deliver fast and personalised experiences at scale. This is going to help us to stay connected with our customers and build customer relationships to boost retention.

**People: Team High Performance Culture**

People is the key for us to achieve our vision to be The Most Creative Financial Company in Malaysia. In line with the AIM22 aspiration to build A Team High Performing Organisation, the Group has instituted to three transformation pillars.



**Talent & Development** - Building Talent & Leadership Bench for Business Sustainability



**Culture** - Team High Performance Culture



**People Solutions** - To Be a Trusted Advisor & a Credible Business Partner

**TALENT & DEVELOPMENT**

To be a progressive bank, we aim to build talent & leadership bench for business sustainability. To ensure that our People are fit-for-future, we have undertaken to develop dynamic, sustainable, and strategic people management programmes that attract, reward, and retain top talents. If our employees are happy, then they will do their best work which will lead, directly and indirectly, to providing unrivalled customer service. In doing this, we support employees by empowering them with career growth opportunities and the ability to acquire new skills. This will give employees the opportunities they seek, accelerate their growth, and transform their careers.

For the year in review, we established the Affin Management Institute (AMI) which aims to provide employees the opportunity to reshape, recalibrate and reskill. There are three faculties under AMI: Affin Business School, Affin Leadership School, and Affin Technical School. AMI aims to optimise employee potential and capabilities to fulfil the Bank's job requirement through assessment of their learning agility, capabilities and skillsets. We believe potential can be nurtured and is not pre-determined. We aim to support this potential via a structured hybrid developmental programme that provides the avenue for employees to transform and revive their performance. Digital learning is also one of the core initiatives under the Talent & Development Pillars where we introduced LinkedIn Learning to empower our staff to take charge of their own skills, development and growth. They are empowered to learn and upskill in their own time.

## MANAGEMENT DISCUSSION & ANALYSIS

**Muhammad Aniq Bin Bahtiar**  
Assistant Manager,  
Strategic Management – Affin Islamic Bank

**Q**

### How has the Metamorphosis transformation plan changed the way you work in your particular role?

It widens the view of my current working role and instills a new perspective for me to be more dedicated and motivated in completing any task.

**Q**

### What is the one main highlight you experience as an employee arising from the transformation initiative?

Advancement in career progress and a wider work scope. I have been acknowledged as a part of Team High-Performance and given an opportunity to participate in the Bank's long-term strategic initiatives project for constructing, supporting and empowering the Bank's journey.

**Q**

### How has the Bank supported you in your journey as an employee?

By providing a scalable solution to employee growth and professional development as I managed to complete Professional Banker (PB), a 2<sup>nd</sup> Level of Chartered Banker offered by AICB within a year under the Bank's sponsorship.

**Q**

### What change do you want to see in the future?

I would like to see the Bank assist and establish development goals and succession plans that are aligned with employees' strengths, interest and experience, as well as with the overall business strategy.



## CULTURE

We aspire to foster what we term as Team High-Performance Culture across the Group by embedding the five key attributes that allow for a growth mindset: Humility, Hope, Heart, Honesty and Health. We believe that a strong company culture inspires employees and imparts a sense of belonging to their peers and organisation. It will lead to employees working towards common goals and boost mutual trust and cooperation across the organisation.

In 2021, we launched the new Affin Values and Commitment which is aligned with the metamorphosis journey that the Group has embarked upon. The five values are:

- A** Always Innovating and Adapting
- F** Forever Working as a Team as We are One Family
- F** Fair Treatment, Diversity and Sustainability
- I** Integrity is Our Foundation
- N** Never Ending Customer Centricity

In 2021, we launched our Employee Engagement Survey - Lenses 1.0 (EES) which gathers feedback directly from our workforce and will give us invaluable insights into ways we could support our employees. This is the first time we implemented a structured employee engagement survey with proper action plan and analysis. Eighty-two percent of employees participated in the engagement survey, which covers a variety of dimensions such as communication, leadership, recognition, attitude and values, work culture, job satisfaction, and development opportunities.

To foster better understanding and greater engagement with the Group's priorities, we conducted roadshows and focus groups with all divisions and regional offices nationwide including branches, business centres and hubs, which were attended by about 4,500 staff. The objective of the roadshows was to share the survey result with our employees so that we can understand, listen and probe their concerns in order for us to develop key action plans based on the feedback received. Our lenses score in 2021 was 76% and we aim to improve the score to 80% in 2022. In addition to poll and pulse surveys, we gain insights through the President and Group Chief Executive Officer's (PGCEO) townhalls, internal channels such as Yammer, and exit surveys.

To enhance our Employee Experience, the following are some of the key initiatives implemented by the Bank in 2021:

- Introduced New Robust Talent Management Framework
- Improved Performance Management Framework
- Introduced Affin Most Valuable Players (MVP) Award Programme
- Introduced Affin Wellness Programme
- Enhanced Total Rewards Framework



## PEOPLE SOLUTIONS

The Group aims to strengthen the Human Resources (HR) service delivery and business processes to contribute efficiently towards the overall achievement of our goals. We are cognisant that the HR function is no longer transactional but has evolved towards advisory and being a business partner. This is what we aim to foster - solutions that will build the team up and enable them to be high-performers, under any circumstances.

For the year in review, we implemented initiatives to simplify processes and procedures, by leveraging on digital technologies.

### Fast & Prompt Services

Launched a self-managed medical-related process via mobile apps (Micare) and digitise processes such as e-forms via MS Sharepoint and Digital Imaging System (DIS) for e-Personal Files

### Lean Processes

Revisited tedious manual processes to implement automatic disbursement of Education Aid, replace CCRIS/CTOS submission with self-declaration, online staff loan applications

### Flexibility

Launched flexi working hours, three days sick leave without a medical certificate to promote employee wellbeing and empowerment

During the COVID-19 pandemic, the Group, guided by People Office, acted swiftly to help our People navigate the uncertain business landscape, enabling them to achieve their business targets in a safe yet progressive manner.

In response to the pandemic and its various restrictions and safeguards, the Bank prioritised the most critical aspects and streamlined procedures to speed up decision-making. As COVID-19 spread across the country, we set up dedicated task forces charged with keeping our people safe and our operations running.

### Rosliza Md Din

Sales Consultant,  
Personal Financing (Northern Region)

Rosliza has 17 years of diverse banking experience in collections, housing loans, processing, security documentation, accounts and admin, credit admin, branch services and others. Her forte lies in sales. She received the **'Top Performer Award'** during the Community Banking Mid-Year Convention 2021 with disbursement of RM1.168 million in Aug 2021.

#### Q

**How has the Bank supported you in your journey as an employee?**

In February 2021, I was given the opportunity to enroll to Affin Management Institute and this provided me an opportunity to reskill and enhance my sales skills. I was then attached to the Personal Financing Department, Northern Region. With dedication and persistence, I am happy to have achieved 'Top Performer Award' last year.

#### Q

**What is the one main highlight you experience as an employee arising from the transformation initiative? How has this helped you provide Unrivalled Customer Experience?**

I have been motivated to aim high. My goal is to always excel and performing beyond my targets. After 17 years of experience and my learnings at Affin Management Institute, I have honed a clear sales strategy, which is to apply the following:

- Set attainable goals
- Understand the customer needs
- Build a good relationship with customers
- Create a quick-close sales strategy
- Create a positive mindset



## MANAGEMENT DISCUSSION & ANALYSIS

### Increase Productivity and Efficiency

We continued with efforts throughout the year in review to improve productivity and efficiency towards enhancing asset quality and capital management. This was done through active loan management, digitalisation, new loan originating system, operations model, risk-return optimisation as well as cost optimisation exercise with the aim to reduce operating expenses to improve our cost-to-income ratio.

### INCREASING EFFICIENCY THROUGH OPERATIONAL EXCELLENCE

We continue to elevate customer experience and managing costs. In March 2021, we set up the Affin Robotics Process Automation (RPA) Centre of Excellence (CoE) team to build current and future digital workforce capacity to support best-in-class banking operations across the Group. Our in-house team developed process automation that minimised user activities to execute processes with better quality and less turnaround time. It generated efficiency by making software robots (Bots) available on-demand, thereby freeing up employees from repetitive tasks.

This has enabled the Bank to upscale the workforce in delivering higher-value jobs while ensuring that relevant talents remain within the Group, without the need for outsourcing.

The in-house digital team contributed to the creation of six major automated workflows for payment processing, balancing and reconciliation, cards SMS blast, and corporate customers onboarding process within a short space of time for the year in review. With the help of Bots, the Bank greatly reduced processing time and costs while significantly increasing the productivity and accuracy of these tasks.

A total of over 5,000 successful transactions have been performed by RPA Bots to date with an accuracy rate of up to 99.0%. The estimated savings is approximately RM600,000 and were either obtained through cost savings or cost avoidance. This amounts to significant cost savings across the Group.

Moving forward RPA CoE strives to further expand its automation initiatives across the group with further enhancing AI induced capabilities.

### REINVENTING BRANCH FOR EFFICIENCY

To offer unrivalled customer service, we are revamping our branches nationwide to be more customer-centric and serve the changing customer behaviours. In 2021, we developed a new branch delivery system named Affin Delivery System (ADS). Through ADS, the Bank will digitally supplement and improve customer experience. ADS is a web-based omnichannel delivery system designed with power and agility to connect concurrently to multiple, heterogeneous back office and our host system, thereby creating more efficiencies that free branches to provide tailored financial assistance while reducing banking costs. The ADS has been successfully piloted at four branches and is expected to roll out nationwide by May 2022.



Affin Delivery System (ADS) Go-Live at Mytown Branch.

### ROE Focus: Value Creation

We have been on a positive trend of improving the Group's return on equity which is targeted at 7.0% under the AIM22 Transformation Plan. For the year in review, the Group achieved an ROE of 5.42% indicating the effectiveness of the measures we have undertaken towards strengthening capital position, capital mix and capital allocation. We do this in alignment with the Group's strategic direction, organisational as well as regulatory requirements to support the business growth while optimising returns to shareholders.

We maintained our disciplined cost management, investing where required in People and Technology for our long-term success, and practised prudence in pre-emptive provision to maintain asset quality. Through our targeted efforts to provide our customers with unrivalled services, we introduced several new products and strengthened our income streams. We have made steady inroads towards building up a stable deposit base and long-term debt as key sources of funds to support asset growth.

Our deposits from customers grew 17.9% in 2021 from the year before, a testament to the diligence of our Affin team especially amid a highly competitive environment. Loans, advances and financing also went up by 11.1% signalling optimism in the economic rebound, and managed diligently in regards to maintaining asset quality.

These have contributed to a stronger capital base and good levels of liquidity to provide a solid foundation for sustainable returns to shareholders.



**Turbo charged CASA**

To ensure the health of our balance sheet, we have been prioritising a healthier mix of Current Account/Savings Account (CASA) with Fixed Deposits which is key to contributing towards steady funding. We review our funding sources regularly to ensure effective cost management while maintaining the stability and sustainability of funds.

For the year in review, we introduced and strengthened several products and services that will continue to be attractive and relevant to our customers. Of note for the year is the launch of Aladdin, a key digital proposition that is vital to our efforts to grow our CASA customer base. This digital bank proposition offers both Islamic and conventional banking deposit products and is aimed to attract new customers from the underserved or unserved markets, especially the young pipeline of customers who are digitally savvy. Unlike e-wallets, banking deposit products under Aladdin are Perbadanan Insurans Deposit Malaysia (PIDM) protected up to RM250,000 making this an attractive proposition to customers.

Diversifying our deposits and funding sources is part of our long-term strategy. We are seeing good traction on longer-term funding from deposits and investments which has been further strengthened on the back of our premium segments AVANCE and INVIKTA that were launched last year. Deposit acquisition from businesses is managed through our strong relationship with customers and we have onboarded new corporate customers.

These initiatives have gone a long way to improve our CASA growth rate, which will in turn improve our net interest margin and reduce cost of funds.



**Rameshar Rajah**

Vice President, Business Planning & Analytics  
Business Financial Management, Community Banking Division

**Q**

**How has the Metamorphosis transformation plan changed the way you work in your particular role?**

The Metamorphosis transformation has forged closer, more constant engagement between my team and our superiors, resulting in a clearer understanding of management goals and needs. This has allowed for a more tailored and speedier response to those needs.

**Q**

**What is the one main highlight you experience as an employee arising from the transformation initiative?**

There is an increased focus on revenue generation and heightened commitment to cost reduction. The parring away of non-essentials has led to my division achieving new records on profits and productivity at the close of the year.

**Q**

**How have you contributed in providing Unrivalled Customer Experience?**

With the support of my team, I was able to provide our internal customers with feedback on improving productivity, setting better projections and controlling cost.

**Q**

**How has the Bank supported you in your journey as an employee?**

The Bank and my supervisors have encouraged me to innovate and improve my work processes, and supplied both learning opportunities and coaching to help me grow professionally.

**Q**

**What change do you want to see in the future?**

I would like to see the Group harnessing further automation, improved data analytics, and enjoying an increased social media presence. I also look forward to the possibility of regional expansion in our longer term plans.



## MANAGEMENT DISCUSSION & ANALYSIS



Kompleks At-Tijarah AFFIN-UiTM, UiTM Puncak Alam Campus.

### Group Financial Review

The Group improved its performance in 2021 as it continued to focus on the AIM22 initiatives in spite of the uncertainly contributed by the ongoing Pandemic.

#### FINANCIAL REVIEW

The Group posted a PBT of RM703.9 million in 2021, an increase of RM317.1 million or 82.0% compared to the previous year, while PAT rose up 112.7% from 2020, coming in at RM580.3 million.

The good financial performance was due to improved net interest income, Islamic Banking income, net fee and commission income, lower modification loss and allowance for impairment losses. These were offset by lower gain on financial instruments and marginally higher other operating expenses. The share of profits from the joint venture and associate were also higher by RM3.0 million and RM0.9 million respectively.

Net interest income increased 16.4% to RM898.8 million due to significant loan growth and improved net interest margin at 1.97% compared to 1.66% from the previous year. Improving net interest margins was contributed by our diligently managed cost-of-funds which continues to trend downwards.

Our gross loans and financing growth surpassed the RM50 billion mark in November and ended the year 2021 at RM51.4 billion despite the challenging environment, which was an increase of 11.1% compared to RM46.3 billion at end-2020. Our efforts to strengthen CASA saw the Group charted a commendable growth in customer deposits of 17.9% to RM58.8 billion in 2021, higher than the industry growth at 6.0%. Our CASA ratio stood at 23.03% as at 31 December 2021 which reflects our strategy to reduce weightage on expensive fixed deposits and improve CASA mix.

Non-interest income for the financial year under review was RM798.5 million, a decrease of 26.7% compared to the previous corresponding period due to lower net gain on financial instruments of RM364.8 million, cushioned by higher net fee and commission income of RM89.0 million.

Net income contracted by RM23.7 million, mainly attributable to lower non-interest income of RM291.5 million, which was partially offset by an increase in income from Islamic Banking of RM68.2 million and net interest income of RM126.7 million.

PROFIT BEFORE TAX

**82.0%**



**RM703.9 million**

PROFIT AFTER TAX

**112.7%**



**RM580.3 million**

TOTAL ASSETS

**12.8%**



**RM78.4 billion**

GROSS LOANS,  
ADVANCES AND FINANCING

**11.1%**



**RM51.4 billion**



The total assets of the Group increased by RM8.9 billion or 12.8% to RM78.4 billion, mainly attributable to the increase in both loans, advances and financing portfolio. Gross loans, advances and financing increased by RM5.1 billion or 11.1% to RM51.4 billion as at 31 December 2021.

We continue to take a disciplined approach and prioritise strategic investments in people and technology, while reducing discretionary spend. The Group's operating expenses increased marginally by RM2.6 million or 0.2% which was due to personnel costs, with CIR ratio for the year slightly up to 60.25% from 59.65% in 2020. Allowance for impairment losses was lower by RM338.9 million at RM222.7 million as compared to RM561.6 million a year ago. For the FY2021, earnings per share was 25.0 sen as compared to 11.4 sen in the previous year.

Safeguarding the Group's asset quality has been a top priority even as we supported our customers' efforts to improve their credit standing and delinquency status. As a result, the Group saw an improved Gross Impaired Loan ratio at 2.54% at end-2021 against 3.52% at the end of 2020. The Group's Loan Loss Coverage ratio also improved to 72.45% as at end 2021 compared to 50.24% for the previous corresponding period.

Maintaining a steady and healthy capital position remains a key priority for the Group to continue safeguarding its financial position despite the ongoing uncertainty and risks posed by the COVID-19 pandemic. The Group's Total Capital ratio was at 21.09%, while Common Equity Tier 1 and Tier 2 ratios stood at 15.82% and 14.20% respectively at the end of the reporting period, reflecting the Group's capital strength.

At the Bank level, Affin Bank charted an improved performance and recorded a profit before tax of RM396.9 million for FY2021, as a result of higher net interest income and other income of RM131.8 million and RM61.3 million respectively, with lower allowance for impairment loss of RM267.1 million and modification loss of RM44.3 million. These were partially offset by a lower net gain on financial instruments of RM183.6 million.

## PROFIT BEFORE TAX

 **AFFIN BANK**

**326.5%**



**RM396.9 million**

 **AFFIN ISLAMIC**

**155.5%**



**RM248.5 million**

 **AFFIN HWANG  
INVESTMENT BANK**

**19.8%**



**RM281.7 million**

 **AFFIN HWANG  
CAPITAL  
Asset Management**

**14.2%**



**RM156.8 million**

 **AFFIN**

**AXA Affin Life Insurance Berhad**

**22.1%**



**RM14.7 million**

 **AXA**

**AXA Affin General Insurance Berhad**

**16.5%**



**RM98.3 million**

Affin Islamic Bank posted a strong PBT of RM248.5 million which was an increase of RM151.2 million or 155.5%. This was due to lower allowance for impairment losses of RM70.1 million.

AHIB showed a decrease in the PBT of 19.8% to RM281.7 million due to lower net gain on financial instruments of RM181.2 million, mitigated by higher net fee and commission income and net interest income of RM65.7 million and RM8.2 million respectively, and lower allowance for impairment losses of RM12.7 million.

Affin Hwang Asset Management Berhad recorded an increase in the PBT by RM19.5 million or 14.2% to RM156.8 million due to higher net fee and commission income of RM66.4 million, offset partially by higher other operating expenses of RM43.1 million and lower gain on financial instruments of RM4.3 million.

The insurance segment contribution is made up of the share of after tax profit in AXA Affin Life Insurance Berhad and AXA Affin General Insurance Berhad.

For its 51%-owned Joint Venture Company, AALI, the Group shared a higher net gain of RM2.6 million compared to a net loss of RM0.4 million in FY2020. The Company reported a higher gain after tax of RM5.0 million for FY2021 compared to a loss after tax of RM0.8 million in the previous year, mainly due to lower reserves for future policyholders' liabilities.

The 49.95%-associated company, AAGI, contributed a higher share of RM42.8 million in FY2021 compared to RM41.9 million in FY2020. The Company reported a higher profit after tax of RM85.7 million in FY2021 as compared to RM83.8 million in the previous year, mainly attributable to the improved underwriting results.



## MANAGEMENT DISCUSSION & ANALYSIS

### IMPACT OF COVID-19

The COVID-19 virus has significantly impacted the world economy resulting in countries imposing travel bans and lock downs effecting many people in many locations.

Some countries have since eased the lockdown however the relaxation has been gradual. This has caused the disruption to many businesses and millions of workers who have been adversely affected. The COVID-19 pandemic has also resulted in significant volatility in the financial markets worldwide with various governments providing assistance, both financial and non-financial to those disrupted industries and affected businesses.

As the current Malaysian Financial Reporting Standards 9 (MFRS9) models are not expected to generate levels of expected credit losses (ECL) with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to ensure a sufficient overall level of ECL for the year ended and as at 31 December 2021.

These overlays were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2022.

The overlays involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment support remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays were made at portfolio level in determining the sufficient level of ECL.

The overlays were made to the following impacted industry sectors and loan/financing exposures of the Affin Bank Group and the Bank.

	Amount Outstanding	
	The Group RM'000	The Bank RM'000
Real estate	5,808,007	4,119,620
Wholesale, retail trade, hotels and restaurants	4,697,985	3,563,575
Education, health and others	1,996,721	866,183
Construction	1,626,208	918,966

### BALANCE SHEET MANAGEMENT

The Group adopts a balance sheet management posture that is robust and reflective of the Bank's transformation journey, one that continually seeks to optimise the balance sheet mix in order to strive for sustainable higher net interest income (NII) and net interest margin (NIM). Its key focus is to guide the structural funding of the bank towards a path of sustainable growth.

The Balance Sheet Management (BSM) Department is a strategic department set up in 2020 that supports the Group Asset Liability Management Committee as part of the transformation journey for identifying, managing and controlling interest rate and liquidity risks in the execution of the business strategy of Affin Bank and Affin Islamic Bank.

BSM uses strategic management tools such as Funds Transfer Pricing and Funding Plans to help steer the bank into the desired funding profile while keeping check of regulatory and compliance requirements such as Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). The BSM team constantly seeks out innovative ways to deliver better solutions to the Bank, engaging the front office regularly to have a pulse on the ground.

Under our metamorphosis journey, the department has embarked on a three-year journey to develop new capabilities of asset-liability management within the bank by investing heavily into cutting-edge solutions in the market. The phased development of the project is expected to display benefits gradually over the next three years which would include improved automation, increased granularity and new forecasting frontiers.

New analytical capabilities such as interactive data visualisation, statistical portfolio analysis and iterative simulation method are part of planned transformative developments. Crucially, the integrated platform for balance sheet management will provide significantly more clarity into the interactions and impact of various profitability and interest rate risk and liquidity risk measures with the speed required to navigate the ever-more challenging banking environment of the future.



Affin Bank's Kemaman branch.



## CAPITAL MANAGEMENT AND PLANNING

The Group maintains an actively managed capital base to cover risks inherent in the business, retain sufficient financial strength and flexibility to support new business growth, while taking the Group's risk appetite as well as expectations of its various stakeholders into consideration.

Affin Bank's approach to managing capital is detailed in the Internal Capital Adequacy Assessment Process (ICAAP). The Group's ICAAP involves a comprehensive assessment of all material risks that the Group is exposed to as well as an evaluation of the adequacy of the Group's capital to support its business activities in relation to those risks.

The Group's capital management is also supplemented by the Annual Capital Plan to facilitate efficient capital utilisation with the focus on maintaining healthy capital ratios. The plan is updated on an annual basis, covers three-year horizon and is approved by the Board for implementation at the beginning of the financial year.

The Capital Management Committee is responsible for monitoring and managing the capital position of Affin Bank and Affin Islamic to ensure the capital levels are maintained at the appropriate level that is in line with the overall risk profile and business strategy.

### Affin Bank's Group Capital Management Framework



The Group's regulated banking entities maintain a set of internal capital targets which provide a buffer above minimum regulatory requirements.

The table below shows the relevant capital ratios of each of the regulated banking entities of the Affin Bank Group as at 31 December 2021.

	Affin Bank Group %	Affin Bank %	Affin Islamic %	Affin Hwang Investment Bank %
<b>As at 31.12.2021</b>				
CET I capital ratio	14.198	13.209	12.138	45.802
Tier I capital ratio	15.820	14.791	13.873	45.802
Total capital ratio	21.085	20.467	19.027	46.578
<b>As at 31.12.2020</b>				
CET I capital ratio	14.517	13.061	12.234	45.531
Tier I capital ratio	16.288	14.790	14.226	45.531
Total capital ratio	22.242	21.254	20.271	46.136

## MANAGEMENT DISCUSSION & ANALYSIS

### KEY CAPITAL MANAGEMENT ACTION

Affin Bank places great emphasis on ensuring its capital position meets regulatory capital requirements and is able to withstand stressed economic and market conditions. Key capital management actions undertaken in 2021 were as follows:

i. Dividend and Dividend Reinvestment Plan (DRP)

During the year, the DRP was continued with a reinvestment rate of 91.9%, reflecting investor confidence in the Affin Bank Group despite the weak market sentiment, and generating an additional RM66.9 million of capital.

In respect of the proposed final dividend of 12.5 sen per share for the financial year ended 31 December 2021 (Proposed Final Dividend), the Board had also determined that the DRP be applied to the Proposed Final Dividend and 100% of the Proposed Final Dividend can be elected to be reinvested into new ABB shares. The proposed final dividend of 12.5 sen per share represents a dividend payout of 50.4% of the Group's net profit for 2021.

The DRP is part of Affin Bank's strategy to preserve equity capital while providing healthy dividend income to shareholders.

ii. Risk-weighted assets (RWA) optimisation

As part of Affin Bank Group's efforts to seek out efficiencies in the current capital usage, Affin Bank Group continuously reviews and optimises RWA mainly through a re-evaluation of existing portfolios and re-allocation of capital, portfolio rebalancing to maximise risk-adjusted return and managing credit cost.



*Strengthening Our Foothold with the Armed Forces*

*Courtesy call on Panglima Latihan Tentera Darat (PLTD) - Mejar Jeneral Dato' Nazari Abd Hadi at Markas Latihan Tentera Darat, Kem Segenting Port Dickson.*

### DIVIDEND POLICY AND RETURN TO SHAREHOLDERS

The Group Dividend Policy documents the guidelines on payment of dividends and sets out the key considerations for arriving at the dividend payment decision. The Board will have the flexibility to determine the level of dividend based on the considerations laid out in the policy and other relevant developments.

The Bank and its subsidiaries shall maintain a minimum Dividend Payout Ratio of 25% with a target range of payout between 40% to 60% depending on consistent and sustainable earnings. Any dividend payout exercise shall be capped such that it will not result in the Internal Capital Threshold (ICT) being breached.



## Dividend Policy

**Minimum Dividend Payout Ratio of 25%**

with a target range of payout between

**40% to 60%**

For the financial year ended 31 December 2021, the Board proposed a single-tier final dividend of 12.5 sen per ordinary share (Proposed Final Dividend), amounting to dividend payable of RM265,507,802 (based on 2,124,062,412 ordinary shares in issue as at 31 December 2021), subject to shareholders' approval at the forthcoming Annual General Meeting of the Bank, as follows:

**Amount per share** 12.5 sen per share

**Previous corresponding year** 3.5 sen per share

**Total dividend for the current financial year** 12.5 sen per share

The Board of Directors has also resolved that the DRP be applied to the entire Proposed Final Dividend, which can be elected and reinvested in new ordinary shares of the Bank.





## CREDIT RATINGS

Credit ratings are crucial indicators of an organisation's financial strength and the quality of management and internal processes. The Group proactively conducts briefings to analysts and fund managers upon the release of each quarterly financial results which is in line with good corporate governance practices. The Bank is rated by RAM Ratings Services Berhad (RAM), providing an independent assessment of our financial position and credit standing to our stakeholders.

Rating Agency	Rating date	Long-term	Short-term	Outlook
<b>Affin Bank Berhad</b>				
RAM	29 October 2021	AA3	P1	Negative
<b>Affin Islamic Bank Berhad</b>				
RAM	29 October 2021	AA3	P1	Negative
<b>Affin Hwang Investment Bank Berhad</b>				
RAM	29 October 2021	AA3	P1	Negative

## Risks and Opportunities

We have in place a robust process to identify and monitor our **anticipated and emerging risks**. The COVID-19 pandemic has changed the operating landscape and we took steps to manage credit, liquidity and operational risks arising from the pandemic.

Risk Management is embedded across the Group. The Group operates within its predefined risk appetite, covering diverse customer segments, industries, and products, which are in line with the Group's strategic objectives. Mitigations are set to reduce the likelihood and impact of risk occurrence, and the Bank avoids entering into arrangements where there are risks it is unable to administer, book, monitor, value or assess.

The Group's risk management policies are established to identify, assess, measure, control, mitigate or avoid all key and emerging risks, as well as manage and monitor risk positions.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, regulatory requirements and industry practices in risk management processes. The Group's aim is to promote a risk culture to achieve an appropriate balance between risk and return as well as minimise any potential adverse effects. In addition, risk management initiatives are intended to align with the strategic objectives of the Bank under AIM22.

Thirteen key risk management initiatives were identified under the Risk Transformation Journey for FY2020. Additionally, six other initiatives were undertaken to support the Risk Transformation Journey. Sixteen initiatives have been completed and moved to business-as-usual for operationalisation. The remaining ongoing initiatives/projects are tracked on a monthly basis, as part of business-as-usual with clearly defined owners and will be completed based on order of priorities.

Our performance for the year in review was influenced by major events that shaped the economic landscape, mainly the ongoing impact of the COVID-19 pandemic. It is important that we stay ahead of the curve and identify key risks and trends that have an impact on our long-term success. These were the key trends and risks identified for the year in review and are still key considerations in the year ahead.



Sixteen risk management initiatives have been completed and moved to business-as-usual for operationalisation. Three remaining ongoing initiatives are being tracked on a monthly basis.”

## MANAGEMENT DISCUSSION & ANALYSIS

### CHALLENGING BUSINESS OUTLOOK

COVID-19 continued to be the main theme for Malaysia. The resurgence of the COVID-19 cases necessitated the re-imposition of containment measures in 2021. The country's economic challenges were further compounded by the worst floods at the end of the year that caused billions of ringgit in damages.

With a nationwide vaccination programme put in place and the progressive lifting of containment measures, the economy showed signs of gradual recovery with improvements in labour markets. The country's full-year economic performance for 2021 expanded 3.1%, rebounding from the 5.6% drop in 2020. Malaysia's economic recovery is expected to continue in line with improved global and domestic demands. Downside risks remain, particularly on the possibility of severe and vaccine-resistant COVID-19 variants.

### IMPENDING MONETARY TIGHTENING

The central banks in Western economies are set to embark on a possible series of future interest rate hikes that can threaten the stability of financial markets in the coming months and years. This will affect the Bank Negara Malaysia's decision as to the necessity for rate hikes for Malaysia as well.

### DIGITAL DISRUPTIONS

The rise of digital technologies and fintech has been a wake-up call for the banking industry. Mass market consumers are, receptive to alternative financial products and services offerings.

### PROPERTY MARKET UNCERTAINTY

Despite initiatives introduced by the government to manage the property market, Malaysia is still facing a substantial supply-and-demand imbalance. If left unchecked, it may lead to deeper imbalances that could adversely impact the real estate market and have negative spillover effects on other parts of the economy.

### EVOLVING REGULATORY REQUIREMENTS

Regulatory requirements and expectations will continue to evolve with the burden of new regulations, including but not limited to capital, liquidity, corporate governance, business conduct, compliance, and operational risk. The cost of compliance continues to increase and add pressure to the existing business model.

### NON-FINANCIAL RISKS

Cyber security and data privacy are significant concerns for the Group. Lapses or compromises in the Group's systems could create risks and expose the Group and its stakeholders to commercial losses and reputational damage. To minimise system failures or security compromises such as data breaches, hacking, and malware attacks, the Bank will need to continuously adopt sophisticated systems and methodologies to prevent and neutralise potential threats.

#### Our risk management efforts in 2021

The Group continued to strengthen its risk management functions and practices in accordance with the group structure and strategic priorities under the AIM22 and continued implementation of identified initiatives under the Strategic Risk Programme. These include the following focus areas:

- Supporting the Group's strategic growth through enhanced risk management on an enterprise-wide basis
- Aligning and institutionalisation of Risk Appetite across the Group as well as strengthening the measurement and applicable thresholds
- Strengthening risk infrastructure as well as enhancing risk management models and processes, including stress testing and independent model validations
- Reinforcing healthy ethics, risk and compliance culture, and strengthening risk oversight and governance
- Review, build and upskill risk management capacity and capability, including the management of IT & Cyber risks
- Develop forward-thinking risk models that can simulate and model the credit, market, and liquidity impact on the group's balance sheet
- Increasing use of data analytics in our risk assessments to identify and develop appropriate pre-emptive strategic risk management responses at an early stage.

Group Risk Management routinely identifies key risks which may have a material effect on the Group's operations and strategies.




## OUTLOOK AHEAD

The banking industry is moving rapidly towards digitalisation, with emphasis on automation and analytics, which promotes simplification as well as added efficiency. With the emergence of Digital Banking and Bank Negara Malaysia's Policy Document on Licensing Framework for Digital Banks, Risk Management is expected to be even more proactive and forward-looking in addressing these concerns. While this may pose a challenge, it also presents the Group with numerous opportunities and room for improvement.



Additionally, sustainability matters have been given further emphasis throughout the industry. The Group is focused on efforts to embrace this initiative primarily to give awareness internally and to its key stakeholders. Among others, this includes enhancements to responsible lending.

The impending central bank monetary tightening will mean that rising yields and volatile foreign exchange rates will be the future of financial markets in the coming years. As a result, the Group's product lines and customer relationship strategies shall evolve to improve our capabilities to assist customers in sailing through this financial storm.



## KEY RISKS & MITIGANTS

Type of risks	Mitigant actions
 <p><b>Credit risk</b></p> <p>Loss of principal or income from failure of obligors or counterparties to meet contractual obligations in accordance with agreed terms.</p>	<ol style="list-style-type: none"> <li>1. The Group has in place a robust credit risk policy framework to ensure effective and prudent credit risk management which aims to identify, measure, monitor and control credit risk exposures with various counterparties.</li> <li>2. 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 comments and oversight of risk and controls pertaining to credit risk-taking activities. Delegated authority limits are appropriately managed with involvement of sub-committees at both senior management and Board level.</li> <li>3. In addition to periodic reviews, the Group proactively monitors its credit exposures through the establishment of the Group Early Alert Committee (GEAC) to manage exposures which exhibit increases in credit risk in order to minimise potential credit losses.</li> <li>4. Against the backdrop of the ongoing COVID-19 pandemic, the Group manages credit risk 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.</li> <li>5. The Group practices 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.</li> <li>6. 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).</li> <li>7. Data and data analytics are regularly used to assess portfolios and identify potential areas of concern whether existing or developing in order to formulate an appropriate response in managing credit risk.</li> </ol>

## MANAGEMENT DISCUSSION & ANALYSIS

Type of risks	Mitigant actions
 <p><b>Market risk</b></p> <p>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.</p>	<ol style="list-style-type: none"> <li>1. Market risk 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. This includes the management of delta, vega and correlated risks using expected loss covering the entire balance sheet in line with the accounting measures.</li> <li>2. The Group imposes strict firm-wide loss control policies in each of our business lines to manage realised and unrealised losses due to earnings and capital losses within Board approved limits across our Treasury operating framework. A Treasury Framework had been installed to separate the differentiated business risks associated with proprietary risk-taking, capital investments and liquidity management.</li> <li>3. The reporting and analytics infrastructure for the 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.</li> <li>4. All risk-sensitive positions in the banking group's 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.</li> <li>5. The market risk management employs forward-looking financial scenarios to constantly review key market risk developments with the management and the Board on a regular basis.</li> </ol>
 <p><b>Funding and liquidity risk</b></p> <p>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.</p>	<ol style="list-style-type: none"> <li>1. Risk management manages current and forward-looking liquidity risks arising from idiosyncratic and systematic risk events under a set of approved liquidity frameworks and policies.</li> <li>2. 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.</li> <li>3. 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.</li> <li>4. 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.</li> <li>5. 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.</li> <li>6. 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.</li> </ol>



Type of risks	Mitigant actions
 <p><b>Operational risk</b></p> <p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.</p> <p>The definition includes legal risk, reputational risk and Shariah Non-Compliance risk but excludes strategic and business risk.</p>	<ol style="list-style-type: none"> <li>1. The Group has in place a robust operational risk management (ORM) policy framework to ensure effective and prudent operational risk management which aims to identify, measure, monitor and control operational risk exposures with various counterparties.</li> <li>2. Design, implement and maintain the operational risk management policy and framework which includes, communication of ORM policy, processes, limits and validating Business Units (BUs)/ Support Units (SUs) compliance to the approved ORM policy.</li> <li>3. Review identification of major operational risk for all BUs/SUs within the Group, challenge assessment and evaluate effectiveness of risk mitigation activities.</li> <li>4. Ensure effective coordination and communication with other risk management and control functions.</li> <li>5. 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.</li> <li>6. Establishment of Business Risk and Compliance Manager (BRCM) as the first line of defence to undertake the roles and responsibilities of operational risk management.</li> <li>7. The 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.</li> </ol>
 <p><b>Business continuity risk</b></p> <p>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.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• Pandemic/Endemic</li> <li>• Unanticipated technology and infrastructure outages</li> <li>• Cyber attack</li> <li>• Fire incidents</li> <li>• Security breaches</li> <li>• Data breaches</li> <li>• Adverse condition of environment (natural disaster)</li> <li>• Supply chain disruption</li> <li>• Health and safety issues</li> <li>• Acts of terrorism</li> <li>• New laws and regulations</li> <li>• Others</li> </ul>	<ol style="list-style-type: none"> <li>1. 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 Guidelines in 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.</li> <li>2. GBRMC has oversight to review and monitor all matters pertaining to Business Continuity (BC) Risk.</li> <li>3. 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.</li> <li>4. 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.</li> <li>5. Risk control is established through adherence to GCPF, Group BCM Policy, Bank Negara Malaysia BCM Guidelines 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.</li> <li>6. 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</li> </ol>



## MANAGEMENT DISCUSSION & ANALYSIS

Type of risks	Mitigant actions
 <p><b>Technology risk/cyber risk</b></p> <p>Major business disruption due to cyber-attacks, and financial loss due to unavailability of critical services.</p>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. TRMF and CRF cover the control objectives and minimum standards to guide Affin Bank 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.</li> <li>3. 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 Defence (LoD) model, which outlines the functional segregation and key responsibilities of the independent oversight functions, as well as the business and support units.</li> <li>4. 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.</li> <li>5. 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).</li> <li>6. 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.</li> <li>7. 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.</li> <li>8. The Group improves on its risk culture by enforcing mandatory e-learning 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.</li> <li>9. 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.</li> </ol>



Type of risks	Mitigant actions
 <p><b>Sustainability risk</b> Failure to create value for the business, society and environment over short, medium and long term and at risk of evolving non-financial impacts.</p>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. 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.</li> <li>3. Affin Bank has established four Focus Areas i.e., Sustainable Finance, 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.</li> <li>4. 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.</li> <li>5. Please refer to the Sustainability Statement section on pages 140 to 180 for more details on how the Sustainability risks are managed.</li> </ol>

## MANAGEMENT DISCUSSION & ANALYSIS

### Zety Aziz

Co-venture, The 1946 Barbershop, Pekan Banting  
AFFIN DUO and Personal Financing  
Community Banking customer of Affin Bank

**Q**

**How has Affin Bank supported you as a customer especially during the last couple of years?**

Affin Bank encouraged and equipped me in the use of digital channels so that customers could perform banking from home. The Bank also helped me discover and apply for new products and services.

**Q**

**Have you tapped into Affin's financial relief assistance during the trying times?**

No, but I want to thank Affin Bank for helping me set up my small entrepreneur business. They provided prompt assistance in providing me a financing facility, were quick in answering my questions, and helped me obtain a personal loan to invest in a small business of my own.

**Q**

**Can you please share one positive highlight of your relationship with the Bank?**

Affin Bank has cultivated a kind and helpful workforce. Their premises are very clean, comfortable, friendly and beautiful. This includes their branch in Menara Affin. Having been a customer of the Bank, I can assure you they do what they say and have incredibly professional and friendly employees.

**Q**

**What other products from Affin are you using currently?**

I have been an AFFIN DUO customer for about three months now and I am happy with the cashback offers and rewards. I am satisfied with the card limit. I use the cards for utilities payments, insurance and other general usage.



## Performance by Business Segments

### COMMUNITY BANKING

The Community Banking division provides conventional and Shariah financial solutions for individuals and families. We support our customers with financial solutions that span Cards, Mortgages, Auto Finance and Personal Financing, ASB, Wealth and Bancassurance offerings through our network of branches, call centres and digital platforms.

Despite a financial year that posed challenges to our customers, the Community Banking division, in parallel with the Group, demonstrated a resilient standing. For the year in review, we continued in line with the metamorphosis that the Group is undergoing. Our goals were critical towards lending support to the Group's AIM22 aspirations. We remained focused on growing our customer base and turbocharging the CASA segment which is a vital contributor to helping the Group improve its cost of funding. We were able to show a positive trend in all our performance indicators for the year in review.

### Operational Review 2021

Community Banking business contributed RM508.5 million to the Group's total revenue in 2021. On the back of increasing optimism for the year, loans growth came in stronger than expected in 2021 compared to FY2020. We grew loans by 16.0% at RM4.1 billion compared to RM0.9 billion the year before amid an intensively competitive market. All retail offerings under Loans, Advances and Financing showed positive growth. Our mortgage portfolio was up RM15.8 billion in 2021 compared to RM13.5 billion the year before mainly from Housing Loan/Financing. Our Auto Finance portfolio increased 7.2% to RM11.4 billion against RM10.7 billion in 2020 which was a result of our decision to redirect focus to the passenger vehicle segment. Our fledgling Personal Financing business grew from RM74.0 million to RM890.0 million due to outstanding efforts from our new team. Against the backdrop of improving loans, our GIL improved to 0.85% in 2021 compared to 1.42% in the previous financial year.





**Ms Lew Lee Yong**  
Affin Savings and Fixed Deposits, Community Banking Customer

**Q**  
**How has Affin Bank supported you as a customer especially during the last couple of years?**


When selecting a bank, I chose one that shares my values and truly cares about the community. Affin Bank has provided financing, credit card solutions and everything in between so we can manage all our personal and business banking needs.

**Q**  
**Can you please share one positive highlight of your relationship with the Bank?**

Affin Bank provided a seamless, comforting experience during a highly troubling time. I was treated as a valued part of our community. The exemplary service of the Bank's staff showed us their true, caring culture for the well-being of this community.

**Q**  
**What products from Affin are you using currently?**

Personal Savings Account and Fixed Deposits (FD). For FD, their rate is competitive in respect of the length of the term.



Our effort to strengthen our CASA was credited to targeted marketing programmes and the customised products that were catered to our changing customer segment. The premium segment of INVIKTA, which was launched in 2021, caters specifically to high-net-worth customers. AVANCE, the financial and wealth planning segment, also saw good traction with the mass affluent segment of tech-savvy, on-the-go professionals looking for customised products with unique benefits.

The launch of Aladdin, which offers financial and banking solutions transacted in convenience via a mobile banking app, saw good take-up especially given that it enjoys the same deposit coverage of up to RM250,000 by PIDM. The Aladdin proposition serves to fulfil customers' changing ways of engaging with the bank digitally.

We also launched a new e-wallet AFFIN Merchantrade Prepaid Card, which has a wallet size of RM20,000. Customers who transact in foreign currency are able to transact or remit funds globally in 20 foreign currencies at competitive exchange rates with no hidden forex or cross-currency charges, thereby addressing the pain point of currency exchange and remittance issues customers face.

Our various initiatives saw our customer base **increase by 5.0% YoY.**

These efforts saw a rise on the deposit front, with growth of RM2.7 billion, up 11.0% compared to RM1.8 billion in 2020. Consequently, CASA ratio improved to 20.27% for the year in review compared to 18.51% in 2020.

Our cards business grew with an enlarged card base increasing 73.6%. The AFFIN DUO+ credit card that was launched in 2021 and targeted to the mass affluent segment also saw good traction and was a significant contributor to our 2021 growth with over 60,000 cards issued. The card enables customers to tap into the benefits of digital payments be it for their daily purchases, eCommerce transactions or while travelling overseas. Billings for the cards segment under Community Banking grew 77.0%.

The environment arising from the pandemic has led our customers to relook their financial management for the longer term. In that regard, we saw an increase in investment-centric products. Unit trust sales increased 95.0% and gold sales went up 147.0% compared to the previous year.

To cater to our environmentally conscious customers, we will be venturing into the solar financing arena and hybrid and electric vehicle financing.

We also strengthened our service delivery by reimagining the branch experience given the demand for more contactless engagements in today's world of COVID-19. We piloted the Affin Delivery System (ADS) at four branches nationwide to good response. Through the ADS, customers need not step into a physical branch but can still open accounts digitally and access a host of financial products and services in a paperless manner with remote authorisation.

We also opened a new lifestyle branch concept in collaboration with tea brand Tealive at UiTM's Puncak Alam campus. This concept aims to meld into the lifestyle of the younger customers through a café-banking concept. These initiatives are part of our aim to modernise branch services in line with changing customer behaviour.

The positive performance from Community Banking is due to its adherence to the AIM22 that is to drive a metamorphosis change. The division has proven itself to be nimble and agile in responding quickly to changes, especially during the year in review that had a combination of ongoing movement restrictions, the gradual opening of the economy, and a change from how customers transacted.





## Outlook Ahead

On the mortgage front, the property market outlook in 2022 is expected to be challenging as there are not many incentives announced in the Budget 2022 except for real property gains tax (RPGT) reverting back to 0% and 5% for both individuals and companies respectively. The removal of RPGT for property ownership from the sixth year onwards will help boost the secondary property market. The Home Ownership Campaign (HOC) ended on 31 December 2021, however, developers are expected to drive sales with new marketing packages given the rebounding positive sentiment on the economy. The overnight policy rate (OPR) is projected to increase in the second half of 2022 but the rate is expected to remain favourable by the buyers.

From an Auto Finance perspective, the automotive industry is expected to record better monthly sales in the first half of 2022, contributed by sales tax exemption until 30 June 2022. However, in the second half of the year, sales are expected to drop due to the after-effect of the sales tax exemption ending as well as a projection of interest rate expected to increase.

Community Banking is well poised to capitalise on the opportunities of the recovering economy ahead, and remain on course with the momentum we have charted under the AIM22 transformation plan. The Community Banking division strategy in 2022 will continue on its aim to grow its customer base, increase assets selectively and manage cost prudently.

We will leverage collaborations and Group synergies to expand customer base and continue to drive momentum in the premium segment, growing the INVIKTA and AVANCE segments, and looking to refresh and launch new products and services that are apt to their needs. Focus will be elevated to drive non-interest income to grow our Asset Under Management (AUM).

In line with the Group's strategic plan, Community Banking will continue to emerge a more sales-centric model and expand digital penetration. As part of its commitment to delivering unrivalled customer service, we are currently upgrading our Branch Delivery System, and are looking to opening additional Premier Centres, while exploring additional non-physical sales channels. In driving our ESG agenda, we will be expanding our financing of electric vehicles and solar financing.

### Ho Seng Choon

Regional Area Operations Director  
CMBD - East Malaysia, Community Banking Division

**Q**

#### How has the Metamorphosis transformation plan changed the way you work in your particular role?

The Bank's digitalisation transformation has evolved the way I worked. With digital technology in place, I find that it is way easier to connect and keep in touch with colleagues for discussion, sharing of ideas, and brainstorming, regardless of locations. Besides, the automation of routine tasks with the use of AI and BOTs means I can be more focused on strategic tasks that require critical thinking and decision making.

**Q**

#### What is the one main highlight you experience as an employee arising from the transformation initiative?

The rapid Digital Transformation makes me feel like an intriguing adventure awaits. Though the reason is to ensure we survive in a new world where traditional business models are simply not making the cut, digitalisation is driving innovation and improving processes to a whole new level. The possibilities are endless and it has enabled us to remain competitive in the banking industry amid global economic uncertainties.

**Q**

#### How have you contributed in providing Unrivalled Customer Experience?

I make listening my top priority when interacting with a customer, and always put myself in my customer's shoes. With this in mind I respond promptly and courteously, always remain open to accept feedback, be it positive or negative, and use the feedback to develop an in depth understanding of my customer's needs.

**Q**

#### How has the Bank supported you in your journey as an employee?

The Bank's engaging communicating and sharing of mission and vision, as well as constant updates on projects and the transformation journey keeps me motivated on my personal journey of growth too, helping to promote the much needed mindset shift. Beyond this, the investments made in infrastructure and new software such as BOTs & AI, enable me to effectively change my day to day activities, learn new skills, and work more productively.

**Q**

#### What change do you want to see in the future?

I hope to see Affin Bank ranking as a top Malaysian bank by people's choice. I anticipate the growth to be backed by a stronger digital presence and regional expansion.



## MANAGEMENT DISCUSSION & ANALYSIS

### Dato' Chang Khim Wah

CEO, Eco World Development Group Bhd  
Corporate Banking Customer

Q

#### How has Affin Bank supported you as a customer especially during the last couple of years?

A friend in need is a friend indeed – throughout the extreme challenges caused by the COVID-19 pandemic, Affin Bank has been supportive of our financial needs and requirements. The team managing our portfolio are ever willing to go the extra mile, exercising empathy and understanding of our specific situation and requests. EcoWorld Malaysia's strong recovery today is due, in no small measure, to their proactive assistance and responsiveness in providing us with pragmatic solutions to enable us to ride through the tough times.

Q

#### Can you please share one positive highlight of your relationship with the Bank?

Personally, I have known Affin Bank since 1996. Together we have been through many ups and downs of the economic cycle in Malaysia. In all the time that I have had the privilege of working with them, whether in my current or previous place of employment, I have found Affin Bank to always be a trustworthy, reliable and dependable business banking partner.

Q

#### What is your impression of AFFINMAX and how has it helped you in your business?

Our Group is currently using the online service under AFFINMAX to monitor our daily cash transactions. We find AFFINMAX to be a useful and effective tool in helping us track our daily cash movements and assist us in our cashflow planning and management.

Q

#### What products have you tapped into via AFFINMAX?

Our Group is currently using the online view service provided by AFFINMAX to monitor our daily cash transactions.



## CORPORATE BANKING

Corporate Banking supports mid-sized and large corporations from various economic sectors and industries and provides a wide range of products, including loans and financing, trade finance, cash management and deposits.

Corporate Banking performed exceptionally well for the year in review, reversing losses made in FY2020 and charting a profitable performance in FY2021. This performance is a testament to the metamorphosis intent to transform our business and strengthen the fundamentals. We sharpened our efforts on customer-centric business, focusing on providing the best and most innovative solutions that match their requirements and leveraged our strong synergy across the Group to serve our customers better.

### Operational Review 2021

For the year in review, Corporate Banking focused on five main goals in line with our transformation journey. They were to grow our CASA base, improve our asset quality, be selective on loans growth with higher Risk-Adjusted Return on Capital (RAROC) customers, leverage digital transformation, and return to profitability.

These efforts have culminated in Corporate Banking registering a pre-tax profit of RM267.3 million for FY2021, a significant turnaround from the losses recorded in the previous year. Given the uncertain business conditions resulting from the prolonged COVID-19 pandemic, gross loans, advances and financing remained flat at RM15.1 billion as at end 2021. We grew our financing assets in the manufacturing sector by 21.2% YoY in line with the Bank's focus on potential growth sectors despite our muted growth for the overall loans and financing.

Meanwhile, our deposit base grew strongly by 17.6% YoY to RM14.2 billion, primarily due to growth in current account and fixed deposits. Higher growth of CASA was also reflected in the improvement of the CASA ratio which stood at 28.44% for FY2021. We strengthened our deposit and funding sources by incorporating the Strategic Business Alliances team into Corporate Banking. This team specialises in managing Islamic deposit products with government market segments and statutory bodies.

In 2021, Corporate Banking focused on improving the overall asset quality with continuous credit vigilance, close communication with clients, paying attention to collection efforts, as well as replacing poorer quality credits with better quality ones in line with our selective loan growth strategy. Asset quality strengthened with GIL ratio improving to 5.15% despite the denominator remaining unchanged.

Our corporate internet banking platform, AFFINMAX, efficiently serves the needs of our SME and corporate customers with a digital experience. They can now easily tap on a wide range of financial products and services that covers simplified and structured cash management solutions such as payments and collections, liquidity management, trade finance as well as supply chain solutions.

AFFINMAX has also expanded its reach through bundled products and services under AFFINWRKFZ, a comprehensive business and talent management solution; and AFFIN360, a payroll solution that covers business compensation and employee benefit plans. We continued to enhance our customers' banking experience in using AFFINMAX and instituted several upgrades in 2021. We recorded an increase of 9,745 new subscribers during the year in review.



Our Affin brand tagline of Always About You puts our customers at the centre of what we do. We continuously work to improve our understanding and engagement with our customers in order to ensure that we meet their needs. Given the ongoing uncertainties posed in the year in review, we were proactive in reaching out and engaging our customers, mainly via digital channels, to understand their changing requirements in these new times. Coupled with the engagement platforms that the Bank already has in place for customers, we provided our customers seamless service and exceptional customer experience.

### Risks and Opportunities

As with the Group, we echo the same risk of the prolonged pandemic in 2021 which continued to disrupt the cash flow of businesses. The Bank has proactively extended several repayment assistance programmes to support our customers during this challenging period. Under Corporate Banking, we approved a total of RM5.05 billion in terms of repayment assistance.

While the repayment assistance understandably poses some risk to our asset quality, Corporate Banking remains confident of managing the asset quality as we practised stringent credit screening and extended the assistance to deserving customers who would be able to meet their obligation. On our part, we conducted continuous monitoring and engagement with customers to minimise potential impairment. Corporate Banking also pre-emptively increased Loan Loss Coverage (LLC) including through Expected Credit Losses (ECL) Management Overlays to prepare for any unexpected turns.

The economic challenges have also affected utilisation of trade facilities and subdued loans growth. Given the encouraging turn of economic recovery, we see this as a potential to provide financing to selected segments. We also see the movement in markets as opportunities for customers to tap into investment and trade opportunities related to the capital markets. We see these as opportunities for Corporate Banking to gain a bigger market share in this segment as we continue to enhance our product propositions. We will also support and promote responsible and sustainable financing in line with the Bank's ESG direction.

### Outlook Ahead

We remain on course, adopting a mindset that we must be agile and adaptive to the changing landscape. This is driven by the metamorphosis change that the Group is advocating, and one that we at Corporate Banking embrace. Moving forward, we aim to strengthen our delivery promise to our customers to be the preferred banker for emerging corporate entities. We will tap into the strengths of the various divisions, segments, and offerings across the Group to maximise synergy and cross-sell opportunities to offer our customers end-to-end offerings.

For the year ahead, we will focus on deepening CASA growth and aim for a higher CASA ratio, which is key to reducing the cost of funding. This effort will be complemented by leveraging our AFFINMAX proposition that enables customers to manage their business banking needs via the complete suite of cash management solutions that integrates the financial supply chain module and liquidity management system.

We will improve our loans portfolio by strategically targeting emerging corporates, especially mid-tier entities. Our focus on fee-based income will be targeted to the export business segment for sustainable returns in efforts to reduce reliance on capital-intensive businesses.

We are mindful of preserving asset quality in all that we do and aim to ensure that GIL is on par with the industry average.

**Dato' Tiong Ing**  
Managing Director,  
Subur Tiasa Holdings Berhad  
Corporate Banking Customer



#### How has Affin Bank supported you as a customer especially during the last couple of years?

Affin Bank has been with Subur Tiasa Group since 2010, providing exceptional customer service with top notch professionalism. I'm truly appreciative of Affin's continuous support, commitment and confidence in our Group especially during this uncertain COVID-19 pandemic period. I am looking forward to a long and mutually beneficial partnership with the Bank.



#### Can you please share one positive highlight of your relationship with the Bank?

Affin Bank has always been willing to offer loans and financing packages with competitive rates to support us, and this was especially helpful during our oil palm development expansion drive.



#### What is your impression of AFFINMAX and how has it helped you in your business?

AFFINMAX is a flexible yet secured digital banking platform that is user-friendly. The Subur Tiasa Group has definitely benefitted from the one-stop access to a wide range of financial products and services that the platform provides. It has significantly improved the efficiency of our daily cash management and monitoring.





## MANAGEMENT DISCUSSION & ANALYSIS

### ENTERPRISE BANKING

Enterprise Banking extends support to businesses, from start-ups to enterprises, and provides a comprehensive suite of financial solutions ranging from financing, transactional, protection, as well as advisory and support.

For the year in review, Enterprise Banking cemented its metamorphosis momentum by furthering our digital transformation of products and processes while encouraging our SME customers to digitise and adopt digital banking as part of their business routine. We continued efforts to drive targeted growth in financing, fee income, and CASA with dedicated teams to create customer affinity with the Bank while contributing to Group-wide cross-selling synergy. Enterprise Banking has also increased our market share by enhancing our digital product offerings, rolling out niche-focused propositions and strengthening our partnership network, while managing our cost of funds and liquidity via a CASA-heavy model.

#### CK Chang

Founder, OXWHITE (Synergy Four Sdn Bhd)  
Enterprise Banking Customer

Q

**How has Affin Bank supported you as a customer especially during the last couple of years?**

We are very fortunate that Affin Bank has lent us their support from the very beginning until today. The Enterprise Banking team at Affin Bank provided the outstanding service and we are very appreciative to them for taking the time to understand our business model.

Q

**Can you please share one positive highlight of your relationship with Affin Bank?**

One of the positive highlights of our partnership with Affin Bank is that we are able to understand the whole structure of the ecosystem and they are able to connect us to the right partners whom we can benefit from. With this connection, we are able to hold exclusive networking events that help us expand our network.

Q

**What is your impression of SME Colony and how has it helped you in your business?**

As part of the SME ecosystem, SME Colony has given us a first touch basis with its users. This in turn has provided us lots of positive gains as we do receive and fulfil corporate orders from the SME Colony network, creating a win-win situation for both parties.

Q

**Do you benefit from accessing the resources and networking features?**

Yes, most definitely! It has been beneficial and helpful for our business as we get to expand our networking scene, meet new people within the SME Colony. It has also given us much knowledge on how the SME ecosystem as a whole works positively on a business model.



### Operational Review 2021

While the economy took a positive turn towards the latter part of 2021, the slower than expected market recovery for most of the year has resulted in limited physical interactions between customers and the Bank. At Enterprise Banking, we took this opportunity to reboot the current infrastructures by sourcing alternative methods to engage and interact with our SME customers proactively, introducing more non-financial solutions that go 'beyond banking', and working on initiatives as a top-of-mind SME banking partner.

Our financial performance for the year in review remained steady despite the challenging year. Among our headline achievements in 2021 were the growth of financing at 18.0% (RM892.0 million) and deposit base at 15.6% (RM1.0 billion) from the previous year.

We diligently assessed businesses that could be at risk to market uncertainties related to COVID-19 and other factors through heightened monitoring of portfolios as an early alert measure.

GIL ratio improved to 3.4% through the continuation of current asset quality management practices with unceasing enhancements in line with overall Group-wide strategy. Loan-to-Deposit (LDR) ratio held steady at 75.4% as the business remained fully self-funded.

We managed cost of funds and liquidity via a CASA-heavy model, charting a competitive Net Interest Margin and CASA ratio at 3.96% and 49.50% respectively. Together with a milestone increase in bancassurance business by 43.8%, we achieved 11.8% of fee income growth.

For the year in review, we focused on delivering niche and differentiated propositions. Among them include the enhancement of AFFINWRKFZ, an initiative to provide a comprehensive suite of long-term business and talent management solutions for SME customers; as well as the launch of AFFINGEM, a targeted proposition aimed at women entrepreneurs and women-led entities to help them Grow, Manage and Empower their businesses. Notably, AFFINWRKFZ received two awards for its unique encompassing nature when serving SMEs, namely "Initiative of the Year" at the Asian Banking & Finance Retail Banking Awards 2021 and "Best New SME Product of the Year" at the Global Retail Banking Innovation Awards 2021.

We also introduced products and services that help SMEs grow and build resilience. These include the launch of Affin SureCover, a keyman protection takaful product for the high-net-worth business segment in collaboration with Zurich Takaful Malaysia Berhad. We also rolled out the second tranche of the BizDana-i Start-Up financing scheme with an allocation of RM20.0 million fund size guaranteed by the Credit Guarantee Corporation Malaysia Berhad (CGC) for start-ups with promising business plans without any collateral requirements. We continued to shift digitally and increased virtual customer engagement by conducting numerous SME BizChat webinars and launching BizMiniseries for market outlook and business knowledge sharing.



Financing growth  
at **18.0%**  
**RM892.0**  
million

Deposit growth  
at **15.6%**  
**RM1.0**  
billion

Our broad-ranging pandemic-related measures to support our SME customers are centred on providing immediate cashflow relief and repayment assistance via BNM COVID-19 funding facilities, as well as guarantee financing schemes from the Ministry of Finance (MoF).

Launched in 2017, the Affin Start-Up Banking Initiative is a holistic proposition designed for the start-up segment that offers differentiated financially-inclusive products, simplified onboarding experience, and best-in-class digital tools to help them grow. This initiative was recognised as the “Start-Up Banking Initiative of the Year” at the Asian Banking & Finance Retail Banking Awards 2021 and “Best Financial Inclusion Initiative” at the Asian Banker Malaysia Awards 2021 for consistently serving start-ups in an all-encompassing manner through the Bank’s tailored solutions covering transactional, financing, protection, and advisory and support.

Along the same vein of supporting our start-ups and entrepreneurs, we launched Smart Solutions in partnership with The Artisans Haven, a virtual marketplace for artisans and small businesses, under the theme of Technology, Innovation and Self-Help targeted at SMEs and their employees. The initial response to the collaboration has been promising and positive.

In line with the Group’s aspiration to provide unrivalled customer service, we refreshed the digital user journey on the SME Colony app. This SME community-centric app was introduced in late 2019 to help SMEs improve business knowledge, enhance financial wellbeing and expand commercial



**Q** NCIA-Affin Bank Entrepreneur Scheme (NABES) is a joint venture between Affin Bank/Affin Islamic Bank and Northern Corridor Implementation Authority (NCIA) aiming at assisting and supporting the development of entrepreneur skills and business opportunities for SMEs in the Northern Region.

networking through a digital platform at no cost and without membership prerequisites. We succeeded in encouraging digital transformation and adoption among SMEs by expanding our Rakaniaga base and empowering SMEs to adopt e-commerce by listing their products and services on the SME Colony mobile app.

**Dato’ Arumugam Suppiah**  
Chairman, MediCeram Sdn Bhd  
Enterprise Banking Customer

**Q** **How has Affin Bank supported you as a customer especially during the last couple of years?**

Affin Bank has been a pillar of strength during the difficult business environment over the pandemic period. The bank officers were diligent, asking the right questions to meet their requirements, but always courteous and committed to work together to find solutions.

I found the Bank to be a solution finder, unlike most banks these days. They assist us to innovate and expand our facilities during one of the most challenging business environments by evaluating and providing financial support to optimise our revenue. Whilst we had to do much work to support our financial requirements, the Affin team worked tirelessly to meet deadlines. We were able to secure many contracts and expand our business, and this was partly due to the effective decision-making process initiated by the Affin team.

**Q** **Can you please share one positive highlight of your relationship with the Bank?**

We were introduced to Affin Bank during the height of the pandemic. Our business, being a significant player in the supply chain of the rubber glove industry, needed funding to expand at an unprecedented speed to meet the phenomenal increase in demand. I approached a foreign bank in Malaysia, who were our bankers for more than 10 years, and at the same time submitted our request to Affin Bank.

The Affin staff responded promptly and undertook a thorough review of our requirements. They modified our request and made sure our expansion programme went ahead. The speed with which the Affin team worked was amazing. By contrast, the foreign bank responded with an offer nearly three months after we had drawn down on the facilities offered by Affin Bank.



## MANAGEMENT DISCUSSION & ANALYSIS



First Malaysian bank to be recognised at the Global SME Finance Awards 2021, an event affiliated with International Finance Corporation (IFC), for our innovative SME Colony app.

Notably, Affin Bank was the first Malaysian bank to be recognised at the Global SME Finance Award 2021 with an Honourable Mention in the “Product Innovation of the Year” category for our SME Colony app. This highly-acclaimed annual award is organised by SME Finance Forum & International Finance Corporation (IFC) a member of the World Bank Group) and endorsed by G20’s Global Partnership for Financial Inclusion (GPFI).

To foster a cashless society in accordance with BNM’s aspiration, we offered zero fees for interbank fund transfers via AFFINMAX internet banking as part of our effort to drive the utilisation of digital payments. We also looked to help SMEs optimise their short-term cash management by successfully increasing the number of SME sign-ups and utilisation of AFFINMAX internet banking by rolling out an e-trade module and digital payroll campaign.

We continued to expand and strengthen our top-of-mind SME banking partner position through partnerships with notable industry players including Selangor Information Technology & Digital Economy Corporation (Sidec) and crowdfunding platform Mystartr Sdn Bhd. Partnerships such as these are crucial to expand our touchpoint into the SME ecosystem and provide them access to inclusive solutions to foster their growth. For the year in review, we sponsored and co-organised several events aimed at nurturing the SME community including the 4th Selangor Accelerator Programme; 6th Malaysia Top E-Commerce Merchant Award with a dedicated award for start-ups (Affin Bank Rising Star Award); as well as the 5th Dream Factory Start-up Contest. We have also launched the AFFINGEM Women Entrepreneur Award to honour and celebrate Malaysian women entrepreneurs who have shown remarkable achievements, exceptional leadership and outstanding commitment in their respective fields at the SME100 Award, a prestigious annual event organised by Business Media International (BMI).

We also participated in numerous speaking engagements across various industry and SME-related events such as the SME100 CEO Forum, Smart City & Digital Economy Convention (SDEC) 2021, and Venture Grab’s Business Opportunity e-Expo (BOeX) with the aim of sharing business insights and further positioning ourselves as the strategic banking partner for Malaysian SMEs.

### Risks and Opportunities for 2022

We are cognisant that the tides can change given the unprecedented circumstances the world is in today. In this respect, our SME customers may once again feel the brunt of this change and this can lead to higher default risk. We remain conscientious of our prudent asset quality management approach and will look at further disbursement of financial assistance funds should the need arise.

Competition from banking alternatives continues to be on the rise as is the ongoing price war with other financial institutions. This is where we will bank on our ongoing digital transformation and innovative approach to introduce as well as enhance financial solutions with inclusivity and accessibility aspects embedded. We look to strengthen our competitive advantage by being a niche leader in high potential segments with relevant tailored products while rolling out ESG awareness and early adoption campaigns and solutions.

As we continue to expand the depth of our segmental propositions, we believe it will attract new-to-bank customers who look for fulfilment in their niche requirements such as ESG-centric products. We will also enhance our partnership network, collaborate with like-minded entities, and roll out further inclusive solutions to our customers while expanding their touchpoints with us.

### Outlook Ahead

The year ahead brings us the opportunity to strengthen our SME franchise and grow our niche within the high-potential market segments such as start-ups and women entrepreneurs. In this respect, we will look to further enhance offerings such as the Affin Start-Up Banking Initiative, AFFINWRKFZ and AFFINGEM.

Manufacturing, Trading and Services (MTS) segment remains our core base, of which we will continue to prioritise with our proactive and robust customer engagement strategy to understand the industry which has certainly changed since the pandemic.

Aside from supporting adversely impacted SMEs through various financial relief funds under BNM and MoF schemes, Enterprise Banking will also work to increase customer accessibility by continuously expanding and upgrading our Business Centres. Digitalisation roll out will be an integral 2022 strategy as part of the Bank’s transformation plans. We will intensify efforts to encourage digital adoption and transformation among SME customers while offering relevant inclusive digital products and services. We will also strengthen customer engagement and partnership collaboration through targeted networking initiatives.

With the growing demand for ESG, we are also committed to driving awareness and facilitating greater adoption of ESG enablers within our offerings as part of the Bank’s and nation’s sustainability agenda.



**Stephanie Ping**  
CEO & Co-Founder, WORQ  
Enterprise Banking Customer

**Q**  
**How has Affin Bank supported you as a customer, especially during the last couple of years?**

Affin Bank has been supportive in understanding our business needs. In addition, the Bank's Relationship Manager understood our business nature, as a flexible workspace provider, and assisted us with the right financial solutions catered to our business needs and expansion plans.

**Q**  
**Can you please share one positive highlight of your relationship with the Bank?**

As a company that aims to revolutionise the real estate industry, Affin Bank's flexibility in exploring new solutions is advantageous, especially with the new business models

that we are introducing to the market. For example, the Enterprise Solutions and Flexi-Team Solutions that we are rolling out to help the small & medium enterprises, corporates and multi-national companies in implementing the hybrid work model.

The team has also been proactive in facility management and responding to any enquiries in a timely manner.

**Q**  
**What is your impression of SME Colony and how has it helped you in your business?**

The UI/UX design of the SME Colony is user-friendly, making it easy for the users to discover our flexible space offers for their hybrid working needs.

The team behind SME Colony also takes excellent care of the entire user journey, linking from their app to our page. The marketplace app has provided us with a new business channel for lead generation opportunities.

**Q**  
**Do you benefit from accessing the resources and networking features?**

There are lots of good initiatives rolled out by Affin Bank that benefit WORQ and our community members. For example, the SME BizChat webinars are a good initiative organised by Affin Bank. We share this with our community so that everyone gets to learn and widen their horizon.



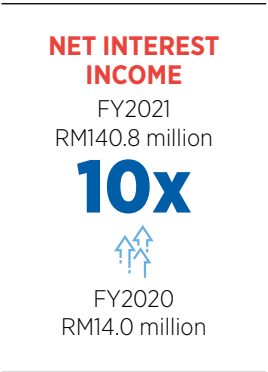
**TREASURY**

Treasury 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.

For the year in review, the effects of COVID-19 continued to be felt across markets. The Group's Treasury division continued operating with resilience while remaining profitable. Treasury capitalised on customers' trade requirements, and positioned our portfolio to take advantage of the changes in market movements.

**Operational Review**

Arising from the global measures taken to manage the pandemic, all markets felt the impact. Despite a slower economy faced by Malaysia in 2021, exports continued to thrive, increasing by 25.7% YoY to RM1.1 trillion, with most industries recording export expansions in the first 11 months of 2021 except for transport equipment, beverages, and tobacco. The domestic market also remained resilient despite significant market volatility.



Foreign exchange volume and income at **record high**

On the back of a challenging year in 2021, Group Treasury remained profitable. Net interest income (NII) recorded a jump of 10 times as compared to the previous year. Foreign exchange (FX) volume and income for 2021 reached a record high, with the best performing sectors being our branch customers who make up 40.56% of the total FX income for the year. Group Treasury retained most and almost doubled the number of new customers compared to FY2020, even against a slower economy affected by the different phases of lockdown.

The year in review saw the metamorphosis of our sales strategy. We leveraged synergies across the Group through cross-selling treasury products and at the same time, strengthened our digitalisation transformation journey. In 2021, we embarked on digitalisation to improve customer experience through the augmentation of the new online provision called Treasury FX Digital System (TFXDS). The implementation of TFXDS is part of the Bank's initiative to digitise and automate FX rates dealing and booking process as well as Money Market placements, replacing the current process of dealing and booking rates via phone calls. By employing straight-through processing to our front office deal capturing system and providing real-time streaming prices, we will be able to expand our customer reach and provide the most efficient service to our customers on par with our competitors while strengthening the Affin brand franchise.

## MANAGEMENT DISCUSSION & ANALYSIS

### Risks and Opportunities

There will continue to be uncertainties ahead, especially on the development of the pandemic and the possibility of different variants emerging. We are also mindful of the tightening of monetary policies in advanced economies, the timing of the tightening cycle over interest rate hikes in the US and uncertainties on inflation expectations. We expect the US tapering of the yield curve as well as yield curve shift to have a bearing on sentiment.

Of equal importance to note are the rising energy costs and supply chain bottlenecks. The world will be watching China to see if they will have a hard or soft landing, as well as China's property bubble and its potential ripple effect. At the same time, we will also be monitoring our domestic political stability. While these may lead to uncertain growth and volatile markets, we see these as opportunities to capitalise on market movements and navigate through the exposures to provide our clients with better solutions.

Digitalisation will continue to be an opportunity driver as more customers, products and processes move into this space. Through the AIM22 aspiration, we are already on the digital journey and expect to leverage digital capabilities further to introduce new products initiatives, and diversification of products coverage to cater to the constantly changing business landscape and market demand.

### Outlook Ahead

We expect 2022 to be a year of uneven growth. The markets are predicted to be volatile with more capital movements as we slowly recover from the effects of the pandemic as well as face higher global inflation. While the outlook seems uncertain, Group Treasury will take on the challenge to capitalise on the opportunities presented by offering solutions and products that are better suited to our clients' needs in managing and hedging their exposure to different kinds of situations. We will continue to expand into high-quality assets and grow non-interest income by taking advantage of market movements.

In addition to that, Group Treasury will also focus on our NII base by growing our portfolio spread within allocated risk parameters, as well as increasing our stakes in the ESG bond space in line with the Bank's aspirations. We are expanding and paving a path towards embedding ESG values for every unit within the Treasury division, which includes our approach to investments and KPIs. The awareness for ESG will be enhanced with training and discussions from specialists to support the Bank's call to embrace ESG.

With an expectation of an uneven year in 2022, we will dynamically manage the treasury portfolio, interest rates and cost of funds, and offer a variety of client solutions according to the inflation expectations and market conditions.



In 2021, we embarked on digitalisation to improve customer experience through the augmentation of the new online provision called Treasury FX Digital System (TFXDS).”



## Performance by Subsidiaries and Associate

### AFFIN ISLAMIC BANK BERHAD

Affin Islamic Bank Berhad (Affin Islamic) is the Group’s full-fledged Islamic bank that caters to the needs of our customers who are interested in Shariah-compliant financial products and services. While the year 2021 continued its theme of uncertainties against a backdrop of the pandemic, these have done little to dent the growth of Islamic finance.

The Islamic financial market in Malaysia continues to remain vibrant and is expected to play its role as a key driver to overall economic recovery. The government has rolled out various measures to ensure the market remains dynamic, orderly and resilient.

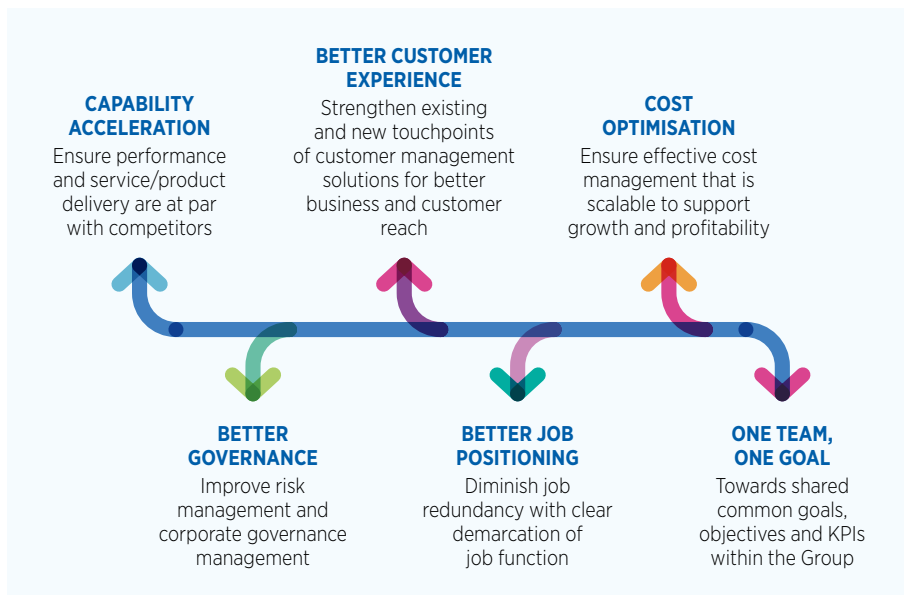
Affin Islamic has successfully navigated the challenges during the pandemic environment and emerged stronger in synergy with the Group.

#### Adopting a Dual Banking Organisation Structure for Greater Synergy

Progressing together with the Group, its business segments and subsidiaries, we are unified in embracing the AIM22 transformation plan and metamorphosed with greater synergy within the Group. In March 2021, Affin Group implemented the New Dual Banking Organisation Structure for both the Bank and Affin Islamic.

The operationalisation of the dual banking business model enables both entities to leverage the capabilities of the Affin Group to drive better profitability and sustainable business performance. In our quest to provide unrivalled customer service excellence, this new business model will strengthen our customer touchpoints. Simultaneously, our synergised approach will promote greater productivity and efficiency that will make us a stronger organisation, one that is well-equipped to tap on offerings across the Group and remain competitive in the market with unsurpassed services.

Under the dual banking structure, Affin Islamic and the Group aim to accelerate our capabilities and strengthen our position through six strategic focus areas. These will ensure that our performance and service deliveries are at par with the competitors, provide unrivalled customer excellence through greater customer reach, optimise cost effectively to support growth and profitability, improve risk management and corporate governance, diminish redundancies to streamline and achieve efficiency, and work cohesively towards shared common goals, objectives and KPIs within the Group.



As part of the Affin Group, Affin Islamic endeavours to maintain its significant contribution towards the Group’s PBT and retain the Common Equity Tier1 (CET1) ratio at acceptable levels.

#### Operational Review 2021

Affin Islamic charted a strong performance for the financial year ended 31 December 2021, recording a PBT of RM248.5 million, an increase of RM151.2 million or 155.5% from the previous financial year. Our profit performance for FY2021 has been a record-breaking year, the highest we have ever charted since we were established.

This strong performance was due to lower allowance for impairment losses of RM70.1 million and higher net financing and other income of RM83.6 million, partially offset by higher other operating expenses of RM0.7 million. For the year in review, Affin Islamic contributed a sizeable 44.3% to Group’s overall total financing assets, up 2.0% from the previous year.

We recorded better performance compared to the industry in various indicators. In respect of financing, Affin Islamic’s gross financing grew 16.4% YoY, driven mainly by Enterprise Banking (28.1%), Community Banking (18.7%) and Corporate Banking (7.9%). We achieved 16.4% financing growth, surpassing the industry financing growth rate of 4.5%<sup>1</sup>.

Aligned with AIM22 transformation strategies, we sought to turbocharge our Current Account-i/Savings Account-i (CASA-i) and grew our deposits by 29.4% compared to the previous financial year. For FY2021, deposit growth was well-paced across the banking divisions, led by Corporate Banking (47.9%), Enterprise Banking (21.5%), and Community Banking (12.5%).

<sup>1</sup> <https://www.finews.asia/finance/36231-malaysia-covid-economy-bank-loans>

## MANAGEMENT DISCUSSION & ANALYSIS

Funding remains core to our growth strategy and we relooked the weightage between CASA-i and term deposits. This brought our CASA-i ratio to 28.0%, surpassing the CASA-i ratio of more than 25% as set under the AIM22 targets. Through sound and prudent cost management and optimisation, Affin Islamic's cost of funds remain at an encouraging downward trajectory since 2018, closing FY2021 at 1.82%.

Affin Islamic attained an ROE of 9.3% as compared to 2.9% in FY2020 while our net profit margin improved to 1.76% during the reporting period. This is an area in which we need to expand further to remain competitive in the market. We believe by refining our offerings and level of services we would be able to achieve our goals to be a creative and innovative financial institution.

### Being in-sync with Our Customers

We inculcate customer-centricity and work as a team as part of Affin's core values in delivering our aspirations of providing unrivalled customer experience. This is to ensure our products and services are relevant and able to meet our customers' expectation.

For the period under review, we supported our customers who were affected by the impact of COVID-19 on their lives and livelihoods under the Group's Financial Assistance and Instalment Relief programme as well as through automatic moratorium, targeted financial assistance, and restructuring and rescheduling of facilities.

A lot of people reflected upon themselves during the pandemic, and what we saw was an increased demand in many of them wanting to continue with their education. Given the heightened interest in education, Affin Islamic introduced the AFFIN Tawarruq Education Financing-i which is a Shariah-compliant scheme for qualified students between the ages of 18 to 45. The financing scheme is applicable to those wishing to pursue higher education from Foundation to Postgraduate programmes at qualified universities or colleges, in Malaysia or abroad.

**A** AFFIN Scholar-i, a savings account which offers fixed return specifically designed for students aged 18-30 years old.

On a similar theme, we launched the AFFIN Scholar-i savings account that offers fixed returns specifically for students aged 18 to 30 years old to encourage them to develop a savings culture. This will also create awareness with our customers on the importance of investing for their future and retirement.

Apart from the above, gold has always been a good investment option as it has held its value over the long term and remains a good hedge against inflation. To that end, we introduced the AFFIN Emas Account-i which offers customers the opportunity to participate in the precious metal market in a convenient and secure way. They would be able to trade in gold at a daily price in the form of certificates without the hassle or concerns on the safety of keeping physical gold.

To reflect the Group's ESG journey and Islamic banking's VBI commitment, our focus was on offerings that resonate and espouse the core values of sustainability. We continue our journey by providing financing for green technology and in December 2021, we introduced the AFFIN Solar Financing-i facility. This facility will assist our customers in embedding ESG tenets in their choices through the financing assistance for solar PV system.

### Accelerating Metamorphosis Journey

The FY2022 will continue with the strategy laid out under AIM22. In keeping in gear and staying on speed with the transformation journey that we have charted as a Group, Affin Islamic will drive the two core strategic objectives of providing unrivalled customer service and being in a digital leadership position through our Affin Islamic 2022-2025 Business Plan.



In laying out our approach to be an unrivalled customer services provider, Affin Islamic aims to strengthen its position as a niche player in Islamic products and solutions under the various Shariah contracts and offerings. An important approach here is to relook and reinvent the customer journey to provide differentiated offerings and customer experience. In embedding our vision to be a creative financial entity, we will be driving niche and innovative offerings through a greater understanding of our customer segmentation requirements.

In scaling up our position to be a digital leader, we look to adopting the latest technology in banking capabilities via the digitalisation of internal processes, leveraging mobile banking capabilities, and strengthening collaboration with digital players.

Our focus for FY2022 is directed by six priorities. We aim to grow our CASA-i, build stable income, increase productivity, improve asset quality by reducing gross impaired financing, modernise our technology and digital enablers and scale up our ESG efforts.

Underscoring these approaches will be upskilling our people on Shariah proficiency and equipping them with the relevant knowledge to be able to participate in driving Affin Islamic's aspirations.

### Risks and Opportunities

The uncertain economic environment will continue to pose a risk, but the Group is cautiously optimistic on the back of economic recovery. Nevertheless, the pandemic remains an uncertain phenomenon given that there could be new variants but coupled with the high vaccination and booster rates, this risk can be managed. The recovery also poses more opportunities for Affin Islamic to support customers in rebuilding their financial standing.

Competition for deposits as a stable base for funding continues to ramp up. Given the introduction of the new premium segments of AVANCE and INVIKTA, as well as the mass affluent segment and advisory, we will continue efforts to strengthen the CASA segment which also includes managing liquidity through collaboration with partners and improving delivery channels. We will also focus on low-cost sources of funds to grow deposits.

As the financial assistance programmes come to an end, we will be mindful of protecting asset quality and will engage closely with our customers to support them. We will continue to be prudent and vigilant in our asset quality, closely monitoring our financing portfolios to ensure it remains sound.

### Outlook Ahead

Sustainability, digital and innovation will be the key themes for Affin Islamic, looking ahead. We will bank on efforts to build ourselves as a financial institution of choice for SMEs and individual customers looking for innovative Shariah-compliant financial solutions.

Affin Islamic will continue to focus on cost optimisation through lower funding cost options with further enhancement of cost structure to power through the recovery period. We will also further strengthen our liquidity management through a prudent assessment of regulatory compliance. The strategic focus remains on sustaining stable profitability through strong asset growth, preservation of asset quality and maintaining effective cost structures as we move into the challenging economic landscape of 2022.

As we have adopted the dual banking structure, there is ample opportunity for cost optimisation and the ability to leverage for greater productivity and increased customer reach across the Group. We will capitalise on this to build better synergy for cross-selling. At the same time, we will strengthen the integration of our ESG and VBI into our business strategies.

Giving back to the community has always been a priority for us at Affin Islamic. We will continue with our targeted approach on designing education financing to support those wanting to further their knowledge, advocate Waqf end financing for customers who want to participate in philanthropic initiatives, expand the Asnafpreneurs programme that provides business aid to the asnaf community, promote start-up financing to help entrepreneurs make a start of their business, encourage contribution to the Barakah Charity Fund which allows customers to deposit a portion of their profits, and support women entrepreneurs through AFFINGEM.

Guided by our refreshed strategic priorities for the upcoming year that puts customer service excellence and digital leadership at the core, we have a clear roadmap ahead of us to accelerate our transformation journey to be a progressive bank.



**Our focus for FY2022 is directed by six priorities. We aim to grow our CASA-i, build stable income, increase productivity, improve asset quality by reducing gross impaired financing, modernise our technology and digital enablers, and scale up our ESG efforts.**



## MANAGEMENT DISCUSSION & ANALYSIS

### AFFIN HWANG INVESTMENT BANK BERHAD

As a leading investment banking group in Malaysia, Affin Hwang Investment Bank Berhad (AHIB) provides a comprehensive suite of products and solutions covering investment banking, securities, asset management and trustee services, serving the full spectrum of corporates, investment institutions, retail, high net worth individuals and capital market counterparties.

AHIB's investment banking solutions include debt and equity capital raising, structured financing, mergers & acquisitions, and strategic advisory while AHIB's Securities business provides a one-stop solution for our clients' trading and investment needs on Bursa Malaysia and major international exchanges. Meanwhile, AHIB's asset management business through its subsidiary, Affin Hwang Asset Management Berhad (AHAM) offers discretionary portfolio management, cash management, wholesale and retail funds for retail and professional clients.

AHIB charted a stable performance in 2021, albeit a 19.8% decrease in PBT compared to the previous financial year. The reduction in PBT was in line with the decline in annual trading values on Bursa Malaysia, down 14.3% from RM2.1 trillion in 2020 to RM1.8 trillion in 2021, signalling a reversion to normalised market trading volumes. We held on to our position as the number one ranked stockbroker in terms of market value and volume traded, with a 13.6% Bursa Malaysia market share by value.

#### Financial Performance 2021

For the financial year 2021, AHIB charted a decrease in PBT by 19.8% to RM281.7 million compared to RM351.1 million in the previous financial year. The decline in profit was primarily due to lower net gain on financial instruments by RM181.2 million, mitigated by higher net fee and commission income and net interest income by RM65.7 million and RM8.2 million respectively, as well as lower allowance for impairment losses by RM12.7 million.

The main factors that impacted the financial performance were the second wave of COVID-19 outbreak, reversion of market trading volumes to pre-COVID-19 levels ongoing trade tensions, interest rate hike uncertainties impacting bond yields, and competitive pressures impacting income margins.

AHAM recorded an increase in its PBT for FY2021 of RM19.5 million or 14.2% to RM156.8 million compared to the previous financial year, mainly from higher net fee and commission income by RM66.4 million, partially offset by higher operating expenses by RM43.1 million and lower net gain on of financial instruments of RM4.3 million.

The asset management segment posted consistent growth for the year with the total assets under administration (AUA) rising 11.1% from RM73.0 billion at the start of 2021 to close the year at RM81.1 billion. The total AUA represents the combined growth of both Affin Hwang Asset Management as well as its wholly-owned Islamic fund management arm AlIMAN Asset Management.

The expansion was buoyed by steady inflows into its unit trust funds as investors sought avenues to diversify their wealth and hunt for yield in a low interest rate environment. In terms of product launches, we maintained a robust pipeline. We introduced 13 new funds which span different strategies and investment themes to enable clients to gain exposure to various long-term megatrends with a long runway for growth.

In terms of its passive offerings, we concentrated efforts towards building the fund size of exchange-traded funds (ETF) to reap the benefits of economies of scale.

#### Operational Review 2021

For the year in review, AHIB's strategy was aligned with Affin Bank's AIM22 transformation journey to create greater synergy and integration with Affin Bank.

This metamorphosis aims to increase alignment and collaboration among all entities under the Affin Group (the Group) as well as to leverage each other's strength and reach.

Our new brand and logo, which adopts the Affin Hibiscus and the name change from Affin Hwang Capital to Affin Hwang Investment Bank, represents the start of our metamorphosis to strengthen our relationship and identify with the Affin Group. This approach also entailed having Affin Bank Corporate Banking employees undergo cross-training and secondment to AHIB, and jointly plan account strategies for shared clients as part of our Corporate and Investment Banking initiative.

We have also consolidated various AHIB-level committees with the Affin Group-level committees and ensured active representation and participation across key Group-wide projects. This improves cross-entity communication and collaboration that would benefit all the entities across the Group. As part of this transformation, we enhanced our corporate governance and regulatory compliance taking into consideration the updated reporting structures, policies, Code of Conduct, and Code of Ethics.

In alignment with the digital metamorphosis that the Group and all the entities are embarking on, AHIB has introduced innovative new solutions leveraging on leading and emerging technology to deliver new products and services, enhanced customer experiences and optimised operations.



AHIB won three awards at the Bursa Excellence Awards 2021, as a result of continuous efforts in navigating fruitful investment journeys.



## Investment Banking

A notable deal for the year in review for AHIB was being one of the lead managers for Pengurusan Air Selangor's RM1.1 billion Murabahah Sukuk Programme, which won The Asset's Triple A Infrastructure Awards 2021 "Water Deal of the Year, Malaysia".

AHIB was the first financial institution in Malaysia to collaborate with Capital Markets Malaysia (CMM) to promote its ELEVATE Programme to Mid-Tier Companies (MTCs). This strategic collaboration strives to provide a streamlined and seamless journey for MTCs to enhance their understanding and knowledge before embarking on an eventual initial public offering (IPO) listing.

The IPO market in 2021 in Malaysia recovered to pre-pandemic levels, registering 30 new listings in 2021 compared to 19 in 2020. We completed the IPO for HPP Holdings in 2021 and also completed other equity advisory transactions including several acquisitions during the year. In terms of ongoing assignments worked on in 2021, we continue to see encouraging interest in the number of companies embarking on an IPO process to fund their future growth.

## Securities

In 2021, AHIB was once again the number one broker on Bursa Malaysia based on trading value and volume. We have held the top spot for eight consecutive years, since the merger of Affin Investment Bank Berhad and Hwang-DBS in 2014.

AHIB was the first investment bank in Malaysia to launch a fully digital and seamless account opening service for stock trading called *eInvest Go*. This was developed in light of the changing customer behaviour in prioritising digital onboarding channels for convenience. *eInvest Go* utilises eKYC functionality and digital forms, eliminating the need for any physical forms or face-to-face interactions, resulting in a speedy account activation.

In the same vein, AHIB also launched its FPX payment gateway to allow electronic transfer of funds by retail clients, minimising branch visits and facilitating automatic trading limit adjustments. We have also made significant improvements to the *eInvest Mobile Trading App*, enhancing the user interface and customer experience.



Affin Hwang Investment Bank's Institutional Dealing room at Menara Boustead.

## Asset Management

The asset management segment continued with the metamorphosis aspiration of the Group to provide unrivalled services as a distinguished asset and wealth manager in the country. Through its Innovation Lab Department, AHAM embarked on initiatives to enhance clients' investing experience via various digital touchpoints that would enable convenience and ease of transacting. This will help create a more seamless investing journey for clients from the onboarding stage right up to portfolio monitoring.

In line with the AIM22 goal of being a digital-led entity, AHAM pursued its digitalisation journey by continuously enhancing its technology platforms to amplify the investing experience. This includes AHAM's online investment portal "i-Access" which was relaunched to offer clients a more seamless investing journey.

We also focused on growing the digital ecosystem to broaden access to our investment offerings to a wider population. This includes the money market funds, which were not traditionally accessible to retail investors, via our digital tie-up with fintech firm Versa.

Partnerships will play a key element as we move forward on this innovation journey to widen the digital ecosystem and tap into new investor demographics such as millennials and the mass affluent.

## Risks and Opportunities

### Capital Markets

The capital market environment is becoming even more complex with business disruptions posed by financial technology (Fintech) companies amid the digital revolution which will continue to reshape capital markets' operating models and service delivery paradigms over the next several years. This will also give rise to further complexities associated with the increasing burden of meeting regulatory requirements.

## MANAGEMENT DISCUSSION & ANALYSIS

Aggressive competition among market players, increasing digitisation and customer demands and expectations are causing further pressure on fee and non-fee income. Brokerage rates among competitors are decreasing in a bid to remain attractive, resulting in margin compression.

We are seeing diverging demographics of investors - a shift in the number of traditional investors, those who currently form the bulk of trading income contribution, to digital-first, tech-savvy millennials investors who will be our future customers. This shift requires a delicate balance of meeting the differing needs and wants of both demographics.

The government's recent decision under Federal Budget 2022 to increase the contract note's stamp duty rate by 5 bps, from the current 10 bps to 15 bps and to increase the cap from RM200 to RM1,000 has impacted trading activities on the local bourse, especially in the short-term strategies. This is expected to impact average daily volumes and subsequently brokerage income not only for AHIB, but across all market trading participants.

We are also seeing more clients looking to be involved in ESG related activities, products and services, in addition to ensuring their businesses are ESG compliant. There is also increased pressure globally to embed ESG into our client's core business operations and values. At the Group level, we have already started on efforts to integrate ESG into our operations and this will be one area that we will be exploring more in the time ahead.

In addition, the evolution of the capital markets industry in the past few years has enabled the introduction of new fundraising and investment vehicles. Guided by the Securities Commission of Malaysia, equity crowdfunding, peer-to-peer lending and digital assets have grown in popularity. These new digital products represent frontiers of opportunity for AHIB to enter into new digital ecosystems.

### Asset Management

From an industry perspective, the asset management sector is poised to continue to see strong inflows with yield-starved investors looking to deploy their savings and hedge against inflation. Opportunities abound with deep pockets of liquidity sitting idle in the banking system, but earning low returns on deposits.

Long-term trends such as technological innovation and sustainability will be key factors in shaping the future of the industry, thereby forcing asset managers to adapt and integrate ESG in their investment process. This includes catering to demand from a new generation of digital-native investors who are also focused on positive social outcomes.

The advent of technology in the asset management landscape will bring industry players both challenges and opportunities. Advances in technology have lowered entry barriers with more Malaysians now able to gain market exposure in a cost-efficient manner with an initial investment outlay as low as RM100.

However, this has also attracted the entrants of new robo-advisors and other digital investment platforms that would intensify competition in the industry. This is especially so among the young and digitally savvy, representing a growing segment of the industry, especially as wealth is transferred between generations.

We are cognisant of this trend and are embarking on a slew of digital initiatives to capture this segment and remain relevant to future generations. This includes partnership tie-ups with digital firms to widen our investing ecosystem and penetrate new client segments such as the mass affluent and digitally-savvy.

### Outlook Ahead

As the investment landscape grows increasingly advanced but also complex, we aim to strengthen our position as a trusted advisor in navigating our clients' investments and fundraising needs through an array of solutions that spans the entire investment spectrum.

For the upcoming year, we aim to be further aligned and cohesive in our offerings and move in tandem with the Affin Group to achieve the transformation objectives. For the year 2022 ahead, this means intensifying our collaboration and cross-synergies of clients, products and services with the Group.

We will make further enhancements to the Corporate and Investment Banking operating model on the Investment Banking front to provide and present our corporate and institutional clients with unified propositions and solutions from across the Affin Group. We will also increase the prioritisation of ESG-related products and services, such as Green bonds or Sukuk and ESG advisory.

For Securities, we will leverage digital solutions such as *eInvest Go*, AHIB's digital non-face-to-face onboarding platform to strengthen retail market share. We will also adopt an integrated model into all Affin Bank branches to realise a tri-banking model covering Affin Bank, Affin Islamic and AHIB.

On the asset management front, we will focus on strengthening our three key strategic pillars which are client experience, innovation and wealth management. We will also accelerate digital initiatives to future-proof the business and appeal to a new generation of investors. All these require effort to improve back-end efficiency and enhance turnaround times.



## AFFIN MONEYBROKERS SDN BHD

Affin Moneybrokers Sdn Bhd (AMB) acts as intermediaries or arrangers of deals between authorised financial institutions in foreign exchange and domestic money market. As an international money broker, AMB has business relationship with international money broking companies to act as an agent for transactions that involves foreign financial institutions.

In line with industry performance, AMB charted a lower brokerage performance for the year in review mainly due to the challenges posed by the COVID-19 pandemic and its compounding effects.

### Operational Review 2021

It was another challenging financial year for the money broking business. While the beginning of the year started positively as the pandemic receded from 2020, it turned negative towards the second half of the year when the economy and the financial market suffered another downturn.

This was a challenge for AMB as our clients' operations, as well as our operations, decentralised as a result of guidelines imposed on work-from-home requirements. We faced difficulties conducting our business seamlessly as infrastructure to accommodate the Work from Home (WFH) model was not efficient. While we added infrastructure improvements and reconfigured our business processes, it was not as optimal as working from the office.

At the industry level, given the impact on trade and capital flows, the market for foreign exchange registered flat growth. There were very low levels of foreign direct investment throughout 2020 and 2021. Trade flows, on the other hand, are closely correlated to economic growth and this was patchy throughout 2021. The lack of growth translated to declining broker volumes.

Money market volume in conventional banking was relatively unchanged YoY. The business has been impacted negatively by various regulatory liquidity ratios that have been implemented. The lack of economic growth has probably prevented further contraction in the interbank market as financial institutions had limited loan growth.

**Islamic money market** continued to experience strong growth, up 25% in 2021. Our volume grew in a similar magnitude.

Fixed income market volume, suffered a major drop by as much as 25%. This was a reflection of the inflationary environment driven by higher commodity prices. The market activity was muted due to a firmer interest rate outlook.

Interest rate derivatives market volume grew, benefiting from Bank Negara Malaysia's liberalisation of the Non-deliverable Interest Rate Swap (NDIRS) in Ringgit Malaysia. The move enabled offshore parties to engage in the product without regulatory repercussions. The onshore Interest Rate Swap (IRS) market benefited but growth was only marginal at 10% from the previous year.

AMB's general performance was in line with the industry development for the financial year in review. Net brokerage income remained flat for the year, charting a 1% increase to RM12.23 million in comparison with the corresponding period in 2020.

For 2021, AMB posted a lower PBT of RM1.36 million, a decline of 29% from the previous financial year. The decrease was attributed to increase in higher one-time operating cost and depreciation from capital investment. PAT declined by 40% due to higher costs for the year.

### Risks and Opportunities

The main risk for the business, as well as for the industry, is the declining pool of talent. Wholesale money broking is a specialised industry. AMB will continue to intensify efforts to develop in-house talent who are expected to obtain the necessary qualification to operate in the industry. We will continue to build a pipeline of qualified individuals to meet internal requirements and prepare for a change in the demography of our clients. This development is tailored to fit one of the many strategic objectives of AMB.

Market trading volume for all products may pose significant downside risks in the coming year even against a GDP growth projection of 5.3% to 6.3%. A domestic financial market growth is not necessarily a forgone conclusion. While trading volume forecast is skewed to the downside, financial markets are historically mercurial.

Electronic broking is increasingly making its mark in Malaysia. This will give rise to more competition as the market pivots towards being more digitally oriented compared to traditional voice broking. This segment is currently underserved and poses an opportunity for AMB to explore further.



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## MANAGEMENT DISCUSSION & ANALYSIS

### Outlook Ahead

AMB's aim is to provide the best money broker services in the country. The transformation journey is aligned to providing service excellence to our clients and being a partner to them. Part of this is investing and building digital touchpoints to cater to the changing customer needs and requirements as we move into a hybrid voice-electronic business model. We have already started work on this business transformation. We will also leverage data mining and analytics to understand our clients and their needs better.

Going into 2022, AMB will focus on money broking to increase market share. To achieve this, talent and expertise are critical and we will foster specialist and technical courses to build skills, and develop our talent across the company.

The 2022 strategic priorities are to maintain dividend payment at 90% at net profit, increase revenue through various initiatives, strengthen the foundation for growth through people and technology, and build new opportunities.

### AXA AFFIN LIFE INSURANCE BERHAD

AXA Affin Life Insurance (AALI) is one of the most innovative insurers in Malaysia and has been cementing its position as a leading digital insurer.

The COVID-19 pandemic has been a game-changer for the insurance industry, prompting many life insurance policyholders in Malaysia to adopt a healthier lifestyle, elevating the use of digital technology, and whetting the appetite for insurance. For the financial year 2021, AALI performed exceptionally well and charted significant improvements in profits due to a better yield environment.

### Operational Review 2021

The COVID-19 pandemic has elevated awareness of the need for insurance, especially for health and protection. Given the national recovery phases that Malaysia has been on over the course of the year, the life insurance market recorded an overall growth of 13.1% by the end of 2021.

For the year in review, AALI showcased a sterling performance, charting a PAT of RM5.0 million which is an exceptional growth of 725.0% compared to our loss after tax of RM0.8 million for FY2020. The strong performance comes on the back of new business from Affin Bank arising from the cross-synergy strategy under the AIM22 transformation plan, and in line with our identified strategy to be a strong partner of choice to deliver innovative solutions. Gross revenue (Protection and Health) also recorded a strong performance, up 15.2% at RM410.7 million in FY2021 compared to the previous financial year.

On the other hand, our annual premium equivalent (APE) reduced -45.8% YoY following the exit announcement of a major foreign bank from the Malaysian retail market.

RM million	2020	2021	Growth (%)
<b>Life &amp; Savings/Protection (including Health)</b>			
Gross Revenue (incl. COI & Admin Fee)	500.5	521.7	4.2%
Gross Revenue-P&H (excl. COI & Admin Fee)	356.5	410.7	15.2%
Annual Premium Equivalent	115.0	62.4	-45.8%
Profit/(loss) after tax	(0.8)	5.0	725.0%

Capital Adequacy Ratio (CAR) remains well above required level at 236% and surpassed our internal targets.

AALI continued on course with its transformation strategies to build its position as the preferred Health and Protection insurer in Malaysia. We made good inroads in our strategic priorities for the year. We strengthened our distribution networks with a more differentiated approach on agents with 28% full-time agents as at end 2021, nearing our target of achieving 35% full-time agents by 2025.

The pandemic has changed the way our intermediaries conduct their business with partners and customers, moving away from face-to-face engagement and into digital communications. As such, we introduced the Front End System, which is the AALI's first end-to-end sales portal in 2021. The Front End System has various features, among them the ability to generate sales illustration quotations, e-signature, and upload documents, all of which are essential for non-face-to-face (NFTF) sale process. With more enhancements coming up, the Front End System will continue to simplify the sales and operational process.

In pursuit of strengthening our position as a customer-centric digital insurer, we introduced several initiatives that allowed us to provide our customers the ease and access through digital enablers. We made several enhancements to the My AXA Customer Portal. The enhanced portal now offers more comprehensive functions such as being able to update profile and policy, access e-documents, and make policy alterations in a safe and secure manner.

In the same vein of offering digital efficiency and meeting customers' demand for more simple and inclusive products given the pandemic consideration, AALI launched the Secure Shield and eSaver products with hassle-free insurance enrolment process and no medical underwriting requirements.



**Risks and Opportunities**

The operating landscape has changed tremendously, giving rise to more digital adoption and new alternatives leveraging fintech such as InsurTechs. The pandemic has certainly underlined the importance of digitalisation to ensure the survival of enterprises, and what is fast becoming a basic requirement is to have an end-to-end digital business process including digital marketing, e-commerce and e-payment facilities. Digitalisation innovation and progress has been a key strategy for AALI over the past few years, and will continue to be a leading strategy for us moving forward.

The pandemic has also fuelled the awareness and importance of health and highlighted the fragments of the society that are not covered sufficiently by any social security programmes, thereby raising awareness on the need for a comprehensive social protection system or affordable microinsurance. On the other hand, the appetite of existing insurance policyholders in Malaysia has grown mainly due to the awareness brought about by the pandemic, which is an opportunity for AALI to further meet these customers’ needs.

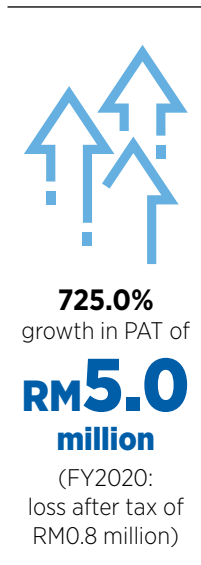
Economic assumptions, particularly interest rates, have significant impact on life insurance companies. The pandemic has led to a cumulative cut of 125 basis points (bps) to the Overnight Policy Rate (OPR) since July 2020, leading to a lower interest rate environment. We are cognisant of the potential impact and look to mitigate proactively by continuously improving asset-liability management, deploying strategic as well as tactical asset allocation.

**Outlook Ahead**

The life insurance market, in terms of APE, is projected to grow in tandem with Malaysia’s GDP growth and is expected to be within the 5.3% to 6.3% bracket. At AALI, we will continue to advance our multi-distribution strategy to capitalise on growth opportunities, promote more Protection and Health business to reduce the impact of financial volatility on the performance of the company.

Our transformation journey includes digitalising traditional channels, working with partners that provide value-added services, and enhancing service quality to serve customer needs. AALI has implemented more than 64 Robotic Process Automation (RPA) to improve operational efficiency and innovation enhancement. We will continue the momentum of being the Number One Digital Insurer in Malaysia with clear market dominance and recognition for our digital product offerings, and recognise and meet our customers’ changing needs.

As we move into our next cycle of Strategic Plan 2022-2025, building a high-performance workforce will be a priority. We have rolled out the Smart Working framework in January 2022 which aims to promote culture transformation and engagement, employee enablement via focused and targeted learning, and building leaders pipeline via inclusive talent management framework.



**A**  
Annual Award Presentation Night 2021 of AXA Affin Life Insurance.

## MANAGEMENT DISCUSSION & ANALYSIS

### AXA AFFIN GENERAL INSURANCE BERHAD

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, offering comprehensive protection solutions to individuals and businesses in all areas of general insurance.

Despite the challenges in 2021, AAGI continued to show good growth in preferred segments and maintained its momentum in product innovation and digitalisation transformation journey.

#### Operational Review 2021

The financial year in review had been challenging for the general insurance sector, as the economy and the industry's performance continued to be plagued by the ongoing COVID-19 pandemic, movement control orders, and containment measures. The impact was further intensified towards the end of the year, with several states and cities in the country being hit by major floods caused by the torrential downpours.

The general insurance sector had a slight growth, mainly driven by the Fire and Marine, Aviation and Transit classes of business. AAGI ended the financial year 2021 with a gross written premium (GWP) of RM1.35 billion, registering a PAT of RM85.7 million, an increase of 2.3% against the previous reporting year.

Despite operating in a prolonged volatile environment, AAGI remained committed and resilient in adapting, innovating and seizing new opportunities to protect what matters to individuals, businesses and the community – culminating in the launch of the following products:

- i. **AXA SmartTraveller** to offer increased protection, especially when travelling internationally as borders reopened. It is a first-in-market travel insurance in Malaysia with coverage for pandemic illness up to RM350,000. Since its launch, the plan has received an overwhelming response among travellers, especially since most travel insurance coverage does not cover pandemic-related risks.
- ii. **AXA SmartMedi Outpatient** in November 2021. This is a first standalone outpatient medical insurance in Malaysia that offers added protection to the self-employed segment. With the rise of the gig economy in Malaysia, it was reported by the World Bank Statistics 2020 that 25% of the self-employed workforce (approximately 3.7 million Malaysians) has no outpatient medical protection. This is a growing concern for these informal workers and AXA SmartMedi Outpatient was created to fill this protection gap.

- iii. **Business Advantage Plus (Enhanced)** protection scheme, otherwise known as BAPE, addresses the challenges SMEs have faced over the past two years due to the pandemic. This is another first-in-market business protection plan that offers Inconvenience Allowance with two payout benefits on top of the fire or insured perils damage claims to support prompt business recovery.

Claim experience was enhanced by introducing AXA e-Claim to enable customers to submit and track their car insurance claims easily via the AXA Website and WhatsApp. With this, customers can experience an easier, faster, and more transparent claim processing and settlement experience.

AXA Rewards, a customer-centric e-commerce platform that redefined a progressive insurance buying experience, was set up. This platform aimed to address customers' changing behaviours and expectations by offering customisable insurance protection solutions online and actively engaging with them by sharing insurance knowledge and lifestyle tips and tricks, gamification, receiving feedback from customers, and offering free non-obligated insurance renewal reminder services.

In the efficiency space, AAGI continued to embrace lean processes and automation to offer better services to its customers. To date, more than 100 bots have been deployed across the company, resulting in a 95% improvement in quality and speed, thereby reducing labour-intensive work and enabling AAGI to focus more on value-added activities to achieve its Payer to Partner strategy.





## Risks and Opportunities

The pandemic has accelerated AAGI's transformation journey in the day-to-day operations to offer an effective omnichannel platform and elevate our customer experience. While the outlook of the tourism sector remains highly uncertain due to the pandemic, the reopening of international borders and the high vaccination rates will boost the travel industry. AAGI is optimistic about the recovery of the travel industry and the opportunities to protect the customers in their travels.

Catastrophes are another growing global concern and risk for the insurance industry. The general insurance industry is potentially facing high claims from medical and flood-related exposure, more from the latter arising from the extraordinary floods that ravaged several parts of the country towards the end of the year. These two events which headlined the country in 2021 also highlight the lack of adequate social protection structures.

This is a gap that AAGI aims to fill through relevant entry-level protection schemes, to which we responded by launching the AXA SmartTraveller and AXA SmartMedi Outpatient. AAGI will continue to address these gaps in a measured and mindful manner.

## Outlook Ahead

While the outlook for the industry is expected to remain challenging for as long as the insecurities driven by the pandemic remains, the general insurance market is projected to grow by about 7%. The key enablers to achieve the growth target will be driven by our strategy to strike a balance between digitalisation without losing the human touch in relationships with the customers. The focus is to improve customer experience by streamlining processes with digitalisation as well as providing customised services when needed and preferred.

Going into 2022, AAGI will continue to strengthen its digitalisation efforts to further elevate sales and distribution strategy and create an omnichannel experience for its customers.

People development will remain a priority to achieve AAGI's ambition. Some of the key initiatives include rolling out the Smart Working framework, culture transformation and engagement, building a Digital Academy, upskilling and future-proofing the employees, and building leaders for tomorrow.

## Outlook for 2022

### GLOBAL OUTLOOK

After a strong rebound in global economic growth when COVID-related lockdowns lifted, the global economic outlook in 2022 remains uncertain again mainly due to concerns about the emergence of new COVID-19 variants such as Omicron.

A global economic slowdown is anticipated as more nations start unwinding unprecedented fiscal and monetary policy support levels to address the fallout from the pandemic. On-going supply-chain bottlenecks, rising inflationary pressures, and elevated levels of financial vulnerability in large parts of the world increase the possibility of economic deceleration.

Another emerging concern is the Eastern Europe conflict between Russia and Ukraine which could lead to geopolitical threats and economic impact due to uncertainties in oil and gas prices.

The World Bank has lowered its global growth forecast to 4.1% in 2022 and 3.2% in 2023.

### MALAYSIA OUTLOOK

Though the weaker-than-expected global economic growth clouds the domestic growth, there is continued optimism that Malaysia will regain its economic growth momentum in 2022. World Bank forecasts real GDP of 5.5% supported by the resumption of all economic and social sectors since the fourth quarter of 2021 and strong assurance by the Government that "blanket" movement control orders will be avoided in favour of targeted approaches.

The nation's successful management of the pandemic to date and steady economic re-opening is expected to lead to recovery in consumer demand and investors' confidence. A vast adoption of high technology and digitalisation of services contributes to a faster recovery in economic activities in 2022.

Private consumption is boosted by higher household income due to stable labour market conditions, higher minimum wage, and continued direct cash assistance by the Government to targeted groups under Bantuan Prihatin Rakyat (BPR) and Bantuan Keluarga Malaysia (BKM) as well as wage subsidy and short-term employment programmes to generate more job opportunities.

These have been announced under Budget 2022, the largest ever Malaysian Budget totaling RM332.1 billion. Beyond providing commendable support for education, healthcare and the B40 group, a total of RM75.6 billion has been allocated for development expenditure.



## MANAGEMENT DISCUSSION & ANALYSIS

Most of the allocation for development expenditure will be channeled to the economic sector, which accounts for 53.2%, followed by social (30.0%), security (11.9%), and general administration (4.9%). The spending on economic sectors will be mainly used for transport (RM15.5 billion), trade and industry (RM2.1 billion) and energy and utilities (RM3.2 billion).

Spill-over effects from the fiscal injection will also boost private investment. Growth in private investment is projected to expand by 5.3% in 2022, supported by the Government's effort to promote quality investment in innovation-based, high-technology, knowledge-intensive, and high value-add industries. This will be in line with the National 4.0 IR Policy to increase the adoption of digitalisation and smart manufacturing.

### Malaysia's Banking System in 2022

The banking sector is seeing greater business confidence as Malaysia moves towards a highly vaccinated economy which translates to better financing health. The banking system has remained resilient through pandemic challenges, supported by healthy liquidity and capital buffers to absorb potential losses and support lending activities. This is supported by proactive monitoring by Bank Negara Malaysia, continued repayment and debt rehabilitation assistance for targeted borrowers via the Credit Counselling and Debt Management Agency. A conducive interest rate environment should help keep systemic asset quality in check against rising vulnerability among affected households and firms once debt repayment moratoria and other regulatory forbearance measures expire.

According to Bank Negara Malaysia, total loans grew by 4.7% YoY in February 2022, contributed by 4.7% YoY growth in consumer loans and 5.5% YoY growth in business loans, rising

from 4.5% YoY in December 2021. Premised on continued recovery in consumer spending, investment and a resilient external sector, Malaysia's banking sector is expected to see a 5.2% increase in loan growth in 2022, fueled by a 4.6% and 5.6% YoY expansion in corporate and consumer loans, respectively.

Home mortgages, which account for around 36% of total consumer loans, have been on a decent growth pace as property sales grew by 39.3% YoY in 2021 despite lockdown disruptions during the year. Other drivers supporting better prospects in 2022 for the property market include improved sentiments on the back of an economic recovery, accommodative interest-rate environment and the ongoing friendly measures to support home ownership.

Improved hire-purchase loans are also forecasted on the back of robust demand in the automotive industry in 2022 due to the sales tax exemption and accommodative interest rate. Incentives for electric vehicle (EV) ownership announced in Budget 2022, along with a deluge of new models of EVs entering the market next year, are also expected to boost the sector.

The current low interest-rate environment is also expected to stimulate investment activity and credit demand.

With a dual mandate to ensure a balance between inflation and economic growth, expectations are that BNM has room to increase the OPR in the second half of 2022. Nevertheless, the banking sector's profit growth is penciled in as a modest increase of 1.7% in 2022 predicated by increased competition, modest topline growth, and the impact of the newly introduced 'Cukai Makmur' (prosperity tax), which is estimated will cost banks an additional RM3 billion in taxation.



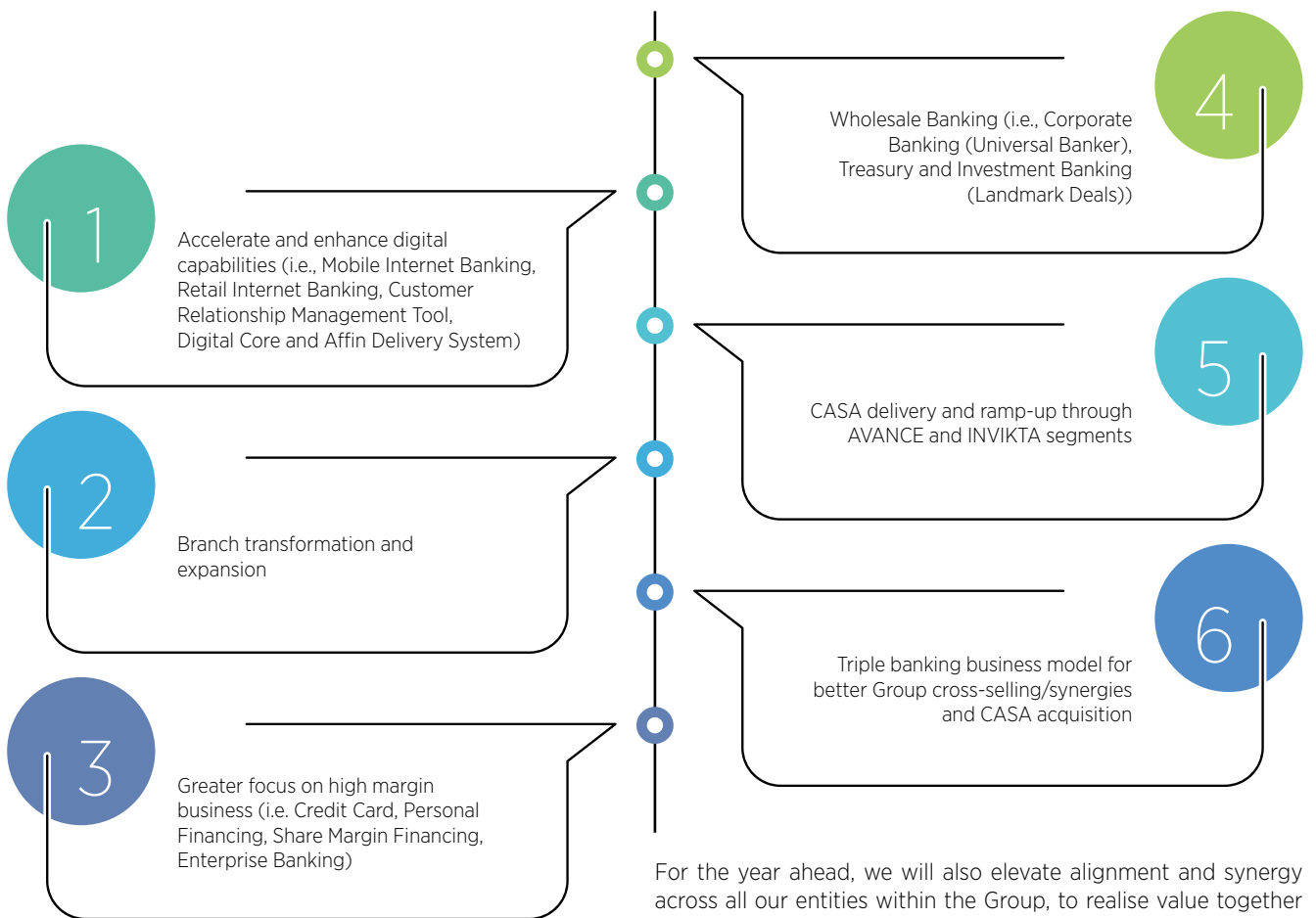
Affin Bank's new headquarters at TRX provides an apt setting for Affin's elevated customer service offerings.



## Key Strategies Moving Forward

2022 will be a landmark year for the Group as the AIM22 Transformation journey moves to closure and now gearing towards the next long-term plan beyond 2022. The AIM22 initiatives continue to achieve the Group’s financial aspirations. Both completed and ongoing initiatives have gained traction and are reflected in improving various key financial indicators.

**Moving into 2022, the Group will be steered by six Strategic Priorities**



# DRIVING EXCELLENCE IN GOVERNANCE

“Affin Bank upholds high standards of integrity, accountability, transparency and governance in managing its business operations including performing continuous improvement of processes, systems and sustainability initiatives in accordance with best practises and frameworks.”

**DATO' AGIL NATT**  
Chairman



OUR PROGRESS IN TOP 100 COMPANIES FOR  
CORPORATE GOVERNANCE DISCLOSURE OF MSWG -  
ASEAN CORPORATE GOVERNANCE AWARDS

2018	2019	2020
79 <sup>th</sup>	66 <sup>th</sup>	14 <sup>th</sup>



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

As the banking industry continues to face new challenges, demands and expectations by various stakeholders, the Board strives to ensure that its Corporate Governance foundation remains effective.

The Bank's commitment in applying and achieving high standards of Corporate Governance (CG) has been given recognition when the Bank won the CG Excellence Award by the Minority Shareholders Watch Group (MSWG) - ASEAN Corporate Governance Awards 2020.



### Industry Excellence Award

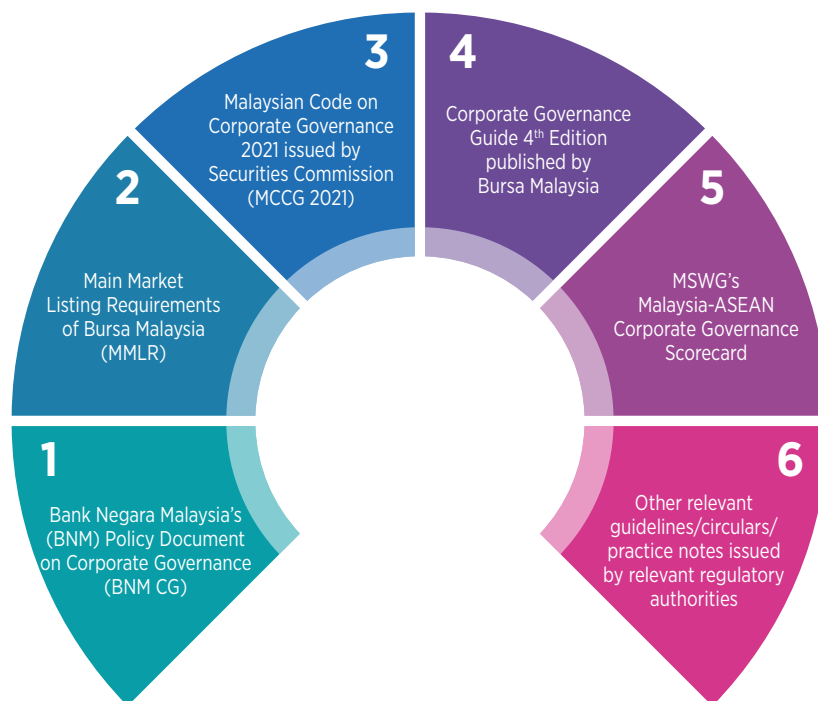
for Financial Services 2020



### Ranked No. 14

(in the Top 100 Companies for CG Disclosure)

Affin inculcates the principles of transparency, integrity and accountability as part of its corporate culture and values. The Bank adopts Corporate Governance approaches based on the following guidelines and best practices:-



The Board regularly review its governance and associated practices to ensure it is in line with the latest relevant Corporate Governance and regulatory requirements. As part of the Bank's continuous effort to improve corporate disclosures, as at 31 December 2021, Affin has adopted and applied all recommended practices by the MCCG 2021 save for Practices 8.2 (disclosure of Senior Management's remuneration) and 12.2 (integrated reporting). This includes the adoption of four (4) Step Ups, which are considered as exemplary practices.

The application of each of the practices is disclosed in the Bank's CG Report which is available on Affin Group's corporate website at [www.affingroup.com](http://www.affingroup.com) or the Bursa Malaysia's announcement web page.

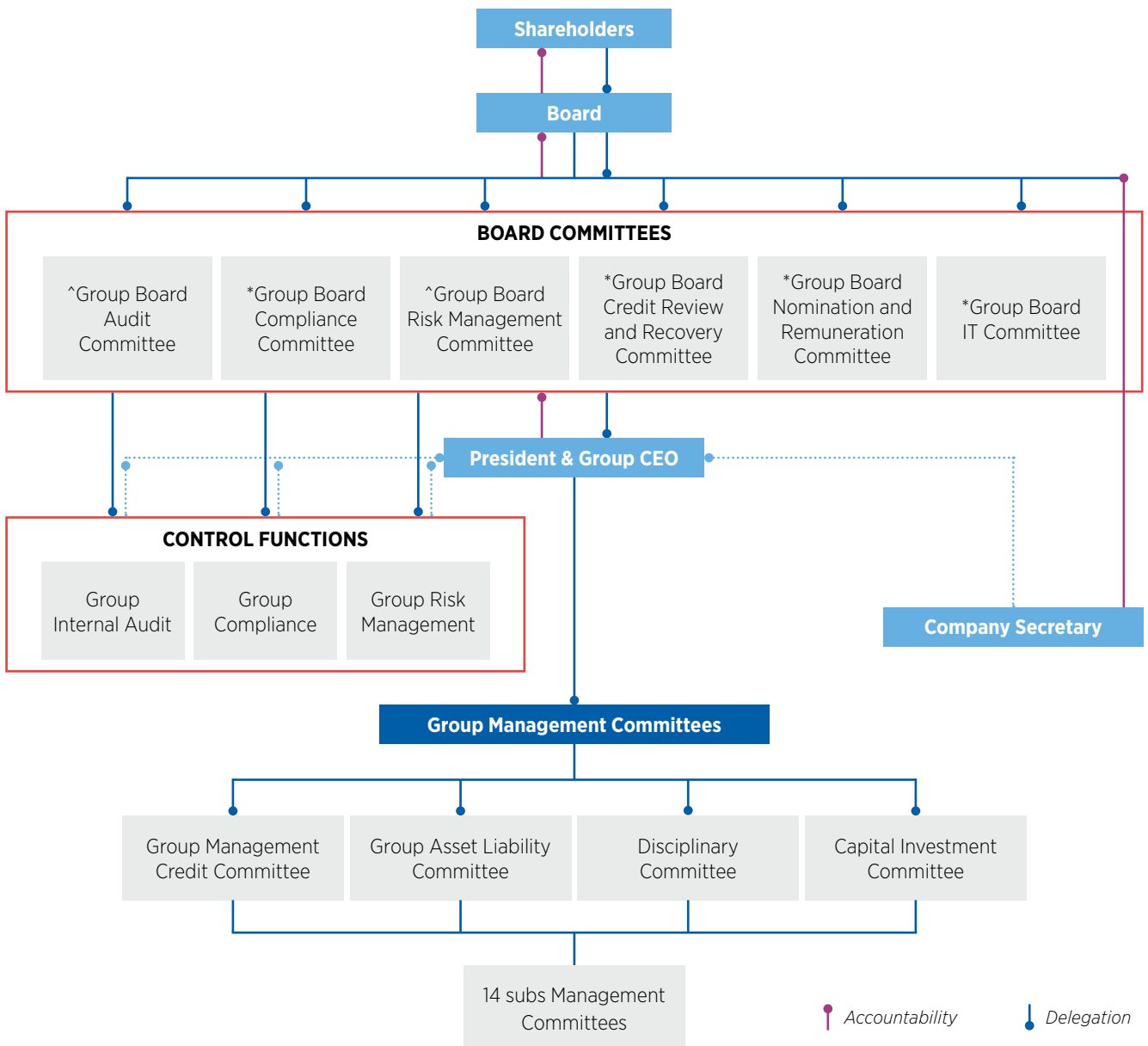


## Affin Corporate Governance Framework

Affin Corporate Governance Framework has been established to set out broad principles, minimum standards and requirements for sound corporate governance and practices to be adopted by the Bank.

The following structure took into account the needs and views of all the Bank’s stakeholders. The Group’s governance structure allows for the Board to delegate specific functions and responsibilities to its Board Committees, with the ultimate oversight, authority and accountability remains fully with the Board.

This delegation of authority is clearly defined in the respective Terms of Reference (TOR) of the respective Board Committees and Management Committees. The TORs are reviewed periodically by the Board and respective Committees to ensure their mandates are carried out in-line with the best practices and regulatory requirements.



\* Established on Group basis for Affin Bank Berhad (ABB), Affin Islamic Bank Berhad (AiBB) and Affin Hwang Investment Bank Berhad (AHIB) in line with BNM CG and Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries issued by Securities Commission Malaysia.  
 ^ Established with fair representatives from ABB, AiBB and AHIB for purposes of centralisation at ABB, as the apex entity.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Principle A : Board Leadership and Effectiveness

#### BOARD RESPONSIBILITIES

##### Discharging Board Duties and Responsibilities

The Board is the principal decision-making body for all significant matters affecting the Bank and is accountable to shareholders as well as stakeholders for creating and delivering sustainable value. This includes formulating and reviewing the Bank's strategic plans and key policies, as well as the Bank's business operations.

Taking into cognisance the rapid changes in the corporate, economic and social landscape, the Board and Management are committed in ensuring that greater vigilance are in place in shaping the strategic direction of the Bank. Apart from setting the tone from the top and establishing the core values of the Bank, the Board also monitors and oversees Management's execution of strategy and financial performance. The Board and Management hold an annual strategic meeting to set the Bank's strategies and review the strategic direction of the Bank and the Group.

The Board exercises overall responsibilities in promoting good Corporate Governance, adopts framework of internal controls, risk management and compliance practices throughout the Bank. The Board ensures that the system of internal control is sound and sufficient to safeguard shareholders' investment, depositors/customers' interest and the Bank's assets.

Notwithstanding, the Board believes in continuous and ongoing reviews to ensure the effectiveness, adequacy and integrity of the systems. In order to promote a culture of integrity and transparency throughout the Bank, all Directors are required to maintain high standards of transparency, integrity and honesty. This standard serves as the basis that govern Directors' conduct and their relationship with the Bank's stakeholders.

##### Leadership and Management

The Board is headed by a Chairman whose roles are strictly separated and distinct from the PGCEO. The respective roles of the Chairman and PGCEO are clearly defined and documented in the Board Charter so as to promote accountability, to facilitate division of responsibilities between them and to further ensure a balance of power and authority.

The Chairman is responsible for leading the Board in its collective oversight of management. He ensures the smooth functioning of the Board and that procedures and processes are in place to facilitate effective decision-making on the conduct of business by the Board.

The PGCEO focuses on the business and day-to-day management of the Bank as well as responsible for developing business strategies and ensure implementation of such strategies and policies. The balance of responsibilities between the Chairman and PGCEO is regularly reviewed to ensure the division of functions remains appropriate to the needs of the Bank.

##### Company Secretary

The Board is supported by a qualified Company Secretary in discharging its functions. The Company Secretary plays an advisory role to the Board and is qualified under Section 235(2) of the Companies Act, 2016, experienced and competent in performing her duties.

The Company Secretary ensures that all governance matters and Board procedures are in place. The Company Secretary is responsible in supporting the effective functioning of the Board and the Board has direct access to the Company Secretary's advice and services. The Company Secretary attends the Board, selected Board Committee meetings as well as Management Committees' meetings.

Details on the roles and responsibilities of the Company Secretary is enumerated in Affin's CG Report which is available on Affin Group's corporate website at [www.affingroup.com](http://www.affingroup.com) or the Bursa Malaysia announcement web page.



## Board and Board Committees Deliberations

The highlights of matters reviewed, deliberated and approved by the Board and Board Committees during FY2021 were as follows:-

### i. Board

<b>Number of Meetings in 2021</b>	<b>11</b> <b>scheduled meetings</b>	<b>9</b> <b>special meetings</b>
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#### IT, Strategy & Environmental, Social, and Governance

- Business strategy of various sectors within the Group Budget and Business Plan for FY2022.
- Affin AIM22 Progress.
- Capital Position & Capital Plan.
- Dividend payment for 2021 and Dividend Reinvestment Plan.
- Contents of Annual Report 2021.
- Proposed ESG plan and initiatives.
- Expansion of Dual Banking.
- Branch Transformation Strategy.
- New RIB Implementation.
- Technology Strategic Plan/Digital Leadership.
- Board off-site session discussed the challenges and opportunities for the Group.

#### Governance, Risk & Compliance

- BNM Composite Risk Rating Report.
- Re-appointment of external auditors for the Group.
- Annual Credit Plan FY2021.
- Risk Appetite Statement (RAS) Threshold for FY2021.
- MFRS 9 Model Review, Recalibration and Re-Development.
- Internal Capital Threshold and Stress Test Result.
- BNM Half Yearly Stress Test.
- Group Recovery Plan.
- Monthly updates from Group Compliance, Group Risk Management and Group Internal Audit.
- Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Thematic Report by BNM Across Malaysian Banking Sector.
- Protocols of Board meeting and conduct of Annual General Meeting (AGM) under Total Lockdown/MCO.
- Updates on MCCG 2021.
- ASEAN Corporate Governance Scorecard 2020 Report by MSWG.

#### Financials & Performance

- FY2022 Financial Budget.
- Interim Financial Statements.
- Targeted Relief And Recovery Facility.
- Outsourcing Plan.
- Revised Group ICAAP Framework.
- Risk Appetite Threshold.
- Big Data Analytics.
- Balance Sheet Management System.
- Updates on market conditions and business performance.

#### CSR, Culture & People

- Flood Relief Programme.
- Establishment of Affin Foundation.
- Board Effectiveness Evaluation and Fit and Proper Assessment.
- Directors' benefits of Affin Group and its subsidiaries.
- Total Rewards framework.
- Updates on employees' engagement surveys (LENSES).
- Talent management & succession planning.
- Appointment and Re-appointment of Director(s).
- Appointment and contract renewal of senior management.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### ii. Board Committees

#### Group Board Audit Committee (GBAC)

Total Meetings in 2021	<b>13</b> scheduled meetings	<b>1</b> special meeting	Comprises six (6) Independent Non-Executive Directors (Adopted Step Up 9.4 of MCCG 2021)
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#### Members

- Mr. Gregory Jerome Gerald Fernandes (Chairman) (representing ABB)
- Dato' Mohd Hata Bin Robani (representing ABB)
- Assoc. Prof. Dr. Said Bouheraoua (representing AiBB)
- Encik Suffian Bin Baharuddin (representing AiBB)
- Mr. Eugene Hon Kah Weng (representing AHIB)
- Encik Hasli Bin Hashim (representing AHIB)

#### Main Roles & Responsibilities

- To establish the framework to oversee the audit function of Affin Bank Group;
- To provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good corporate governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the Group;
- To implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit (GIA); and
- To ensure that internal and external audit functions are properly conducted, and audit recommendations are implemented timely and effectively.

#### Matters Discussed in 2021

- Approval of the FY 2021 Annual Audit Plan and amendments thereafter.
- Review of the audit reports and findings by GIA as scheduled in the Annual Audit Plan as well as the ad hoc reports.
- Deliberation on the monthly financial results and endorsements of quarterly and year-end financial statements prepared by the Finance Division.
- Review of investigative audits as requested by the Board.
- Monitoring of the corrective actions taken by Management on findings from regulators, internal auditors and external auditors.
- Review of audit reports and findings by the external auditors, including key audit matters and significant accounting issues.
- Review and recommendation on the re-appointments and fees of external auditors.
- Private meetings with external auditors without the presence of Management.
- Endorsement and recommendation for special projects prior to approval by the Board.

#### Group Board Nomination and Remuneration Committee (GBNRC)

Total Meetings in 2021	<b>8</b> scheduled meetings	<b>3</b> special meetings	Comprises five (5) Independent Non-Executive Directors (Complied with Practice 1.4 of MCCG 2021)
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#### Members

- Dato' Abdul Aziz Bin Abu Bakar (Chairman) (representing ABB)
- Puan Marzida Binti Mohd Noor (representing ABB)
- Encik Musa Bin Abdul Malek (representing AiBB)
- Datuk Mohd Farid Bin Mohd Adnan (representing AiBB)
- Dato' Abdul Wahab Bin Abu Bakar (representing AHIB)

#### Main Roles & Responsibilities

- To provide a centralised platform in setting the Group principles, procedures and framework relating to the composition of the Board and Management including their appointment/re-appointment, effectiveness and performance as well as remuneration policy for the Board, Management and the Group as a whole. This Group approach would promote compensation philosophy which would drive performance of the Group as a whole.
- The GBNRC would be able to review the diversity, matrix skills of the Board and Management from broader perspective to ensure that it aligns with the Group's strategy and placement of human capital at entity level with the right skills set.
- The GBNRC is set-up with the following objectives:-
  - The selection and appointment of new Directors and PGCEO as well as assessment of effectiveness of individual Directors, Board as a whole, Board Committees and performance of PGCEO and Key Senior Management Officers (KSMO); and
  - Develop remuneration policy for Directors, PGCEO and KSMO and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

#### Matters Discussed in 2021

- Review the overall composition of the Board and Board Committees.
- Performance assessment of KSMO for contract renewal.
- Assessment of fitness and propriety of Directors for re-appointment and new candidates for proposed appointment as new Directors for the Group.
- Review the remuneration of Directors and KSMO.
- Recommendation to the Board on promotion and appointment of GMC and Senior Management.
- Outcome of the Board Effectiveness Evaluation exercise for FY2020.



### Group Board Risk Management Committee (GBRMC)

Total Meetings in 2021

**12** **scheduled meetings**

**6** **special meetings**

Comprises six (6) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director  
(Adopted Step Up 10.3 of MCCG 2021)

#### Members

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. Dato' Rozalila Binti Abdul Rahman (Chairperson) (representing ABB)</li> <li>2. Mr. Yuen Wai Hung, Peter (representing ABB)</li> <li>3. Ms. Chan Wai Yu (representing ABB)</li> <li>4. Encik Suffian Bin Baharuddin (representing AiBB)</li> </ol> | <ol style="list-style-type: none"> <li>5. Ms. Tan Ler Chin, Cindy (representing AiBB)</li> <li>6. Encik Hasli Bin Hashim (representing AHIB)</li> <li>7. Ms. Kong Yuen Ling (representing AHIB)</li> </ol> |
|---|--|

#### Main Roles & Responsibilities

The primary role of the GBRMC is to oversee, review, assess and examine the adequacy of Group risk management frameworks covering the policies, procedures & processes and risk reports of the Bank and its subsidiaries.

#### Matters Discussed in 2021

1. Review and endorse the relevant Group frameworks, policies (including risk controls and thresholds), standards, guidelines and strategies for recommendation to the Board for approval.
2. Review and evaluate risk reporting by the Group Chief Risk Officers (GCRO) of the respective subsidiaries to the GBRMC on risks that may have financial and non-financial impact to the entities and/or Group.
3. Review the reports and findings by Independent Credit Review whether the quality of Credit Risk assessment and credit decision-making remain consistent with the Bank and its respective subsidiaries overall Credit Risk management.
4. Review and endorse the Group Recovery Plan, prior to approval of Board and submission to BNM.
5. Other items reviewed and endorsed include:-
  - New product and services (and variances where applicable).
  - Half yearly Stress Test of BNM (or any Stress Test exercise as instructed by BNM).
  - Stress Test in relation to ICAAP and/or any stress test mandated by BNM that require Board's approval.
  - Annual ICAAP Framework and Internal Capital Threshold (ICT) review.
  - Annual Group Recovery Plan.
  - Annual Risk Appetite Statement (RAS).
  - Annual Business Continuity Management (BCM) /Business Continuity Plan (BCP).
  - Annual Outsourcing Plan.
  - Annual Credit Plan.
  - Independent Validation report on MFRS 9 and credit models.
  - Independent Credit Review's (ICR) Post-Mortem Review (PMR) and Post-Approval Credit Review (PACR) reports.
  - Connected Party Transaction reports.
  - Update on the Mortgage Portfolio Asset Quality.
  - Update of Complaint Management Performance in relations to BNM KRIs.
  - Credit portfolio report of Corporate Banking Division (CBD), Enterprise Banking Division (EBD) and Community Banking Division (CmD).
  - BNM's Risk Management in Technology (RMiT) Remediation Action Status/Cybersecurity update.
  - Shariah related developments affecting the banking industry.
  - Rescheduled and Restructured (R&R) loans financing reports.
  - Environmental, Social and Governance (ESG) update.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Group Board Compliance Committee (GBCC)

Total Meetings in 2021

**12** scheduled meetings

Comprises seven (7) Independent Non-Executive Directors

#### Members

- |   |  |
|---|--|
| 1. Dato' Mohd Hata Bin Robani (Chairman) (representing ABB) | 5. Datuk Mohd Farid Bin Mohd Adnan (representing AiBB) |
| 2. Dato' Abdul Aziz Bin Abu Bakar (representing ABB)        | 6. Datuk Noor Azian Binti Shaari (representing AHIB)   |
| 3. Mr. Gregory Jerome Gerald Fernandes (representing ABB)   | 7. Ms. Kong Yuen Ling (representing AHIB)              |
| 4. Assoc. Prof. Dr. Said Bouheraoua (representing AiBB)     |  |

#### Main Roles & Responsibilities

- Assess and examine the adequacy of Group compliance and integrity as well as governance frameworks for the Group.
- Support the Board to fulfil its responsibilities to:-
  - Oversee the management of compliance risk by ensuring compliance process is in place and functioning in line with the expectations of regulators.
  - Oversee integrity and governance matters inclusive of corruption, fraud, malpractice, unethical conduct and abuse of power within the organisation that are guided by applicable laws and regulations and make the necessary recommendations to align to the Group's long-term strategy.
  - Review and recommend risk management and corruption risk management philosophy and strategy for the Board's approval.
  - Ensure clear and independent reporting lines and responsibilities for the overall business activities, compliance functions and integrity & governance function.
  - Ensure the practice of excellent work culture among employees, with strong morals and ethics within the organisation.
- The role and responsibilities of the GBCC may be supported by the Board Risk Management Committee at subsidiaries.
- Monitor the Bank's management of compliance risk through periodic reporting on AML/CFT Updates, outcome from compliance review exercise, statistic of whistleblowing cases as well as non-compliance incidences report.

#### Matters Discussed in 2021

- Review the revised Group Compliance Framework and other relevant policies including Whistleblowing and Foreign Exchange Administration Master Policies.
- Monitor the status of remediation Action on BNM Composite Risk Rating for Compliance related issues.
- Review the revised Group Compliance Structure of Affin Bank Group.
- Review the Annual Compliance Risk Assessment conducted on ABB, AiBB and AHIB.
- Review the revision on Term of Reference for GBCC.
- Review the Bank wide AML/CFT risk assessment & risk appetite.
- Review the Annual Compliance Plan for 2022.



### Group Board Credit Review and Recovery Committee (GBCRRC)

Total Meetings in 2021

21 scheduled meetings

1 special meeting

Comprises five (5) Independent Non-Executive Directors

#### Members

- Ms. Chan Wai Yu (Chairperson) (representing ABB)
- Dato' Md Agil Natt (representing ABB)
- Encik Musa Bin Abdul Malek (representing AiBB)
- Encik Hasli Bin Hashim (representing AHIB)
- Mr. Eugene Hon Kah Weng (representing AHIB)

#### Main Roles & Responsibilities

- GBCRRC was established to assist the functions of the Board in respect of its inherent authority over approval on financing application/proposals which are considered by the Group Management Credit Committee (GMCC) (Management Level).
- The GBCRRC operates in accordance with the powers and authorities delegated under the terms of reference. Generally, the GBCRRC provides assistance to the Board as follows:-
  - To critically review loans/financing and other credit facilities upon recommendation by the Group Credit Management Division;
  - To provide an independent oversight of credits by ensuring that there are adequate lending/financing policies, procedures and operating strategies are adhered to;
  - Generally, to ensure that the GMCC has discharged its responsibilities in a proper manner; and
  - To monitor the progress of recovery efforts/impairment position.

#### Matters discussed in 2021

- Group Policy on Sustainable Financing.
- Annual Credit Plan (ACP) FY2021.
- Single Counterparty Exposures Limit (SCEL) Status Report.
- Status of Top Impaired and Recoveries.
- New Repayment Assistance (NRA) Program Under PEMULIH.
- Current Status and Strategy for Loan/Financing Business Development and Growth.
- Government Announcement on Interest Exemption to B50.

### Group Board Information Technology Committee (GBITC)

Total Meetings in 2021

11 scheduled meetings

3 special meetings

Comprises seven (7) Independent Non-Executive Directors

#### Members

- Puan Marzida Binti Mohd Noor (Chairperson) (representing ABB)
- Dato' Md Agil Natt (representing ABB)
- Dato' Rozalila Binti Abdul Rahman (representing ABB)
- Encik Musa Bin Abdul Malek (representing AiBB)
- Ms. Tan Ler Chin, Cindy (representing AiBB)
- Mr. Eugene Hon Kah Weng (representing AHIB)
- Dato' Abdul Wahab Bin Abu Bakar (representing AHIB)

#### Main Roles & Responsibilities

- Oversee the overall development, risk management, integration and alignment of the Information Technology (IT) strategy and plan with the Group's strategic business direction and plan.
- Ensure that IT has the right talent and culture to develop organisational capabilities which are agile, innovative, adaptable and most importantly focused on business value creation.
- Oversee the AIM22 strategic programme, ensure alignment with the business strategic objectives and effective implementation in line with Digital Leadership/Unrivaled Customer Service.

#### Matters Discussed in 2021

##### Technology Transformation

- Technology Strategic and Plan
- End of Life/End of Support Plan
- Core Banking System
- New Retail Internet Banking Implementation

##### Standards and Architecture

- Target Technology Blueprint Design
- Cloud Strategy

##### Transformation Initiatives

- AIM22 Strategy and Plan
- Branch Transformation Strategy
- Project AXELERATE - House of Tomorrow

##### Information Security

- Cybersecurity Dashboard
- Red Team Exercise
- Cybersecurity Strategy Plan
- Compromise Assessment
- Cyber Maturity Assessment

##### Technology Risk Management

- Technology Risk Dashboard
- Risk Management in Technology (RMiT) Dashboard

##### Financial

- 2022 Capital Expenditure (CAPEX) Budget

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Code of Ethics, Conduct and Whistleblowing Policy

The Bank has put in place a Code of Ethics and Standard of Professional Conduct. The Code of Ethics is to ensure that the staff consistently adhere to a high standard of professionalism and ethics in conducting the Bank's business and professional activities. This code can be found at Affin website [https://affin.listedcompany.com/code\\_of\\_ethic.html](https://affin.listedcompany.com/code_of_ethic.html).

The Standard of Professional Conduct specifies that the Bank's staff is expected to demonstrate a high level of integrity and professionalism at all times.

All Directors and employees of the Bank are expected to exercise caution and due care at all times in safeguarding confidential and price-sensitive information of the Bank and its business associates from being misused including for personal benefits. The Directors and Management are reminded periodically of the prohibition of insider trading and the dealings in securities during closed periods in accordance with the relevant provisions of the MMLR.

The Board has also in place Whistleblowing Policy to promote whistleblowing in a positive manner that provides an avenue to escalate concerns on improper conduct and to handle such concerns appropriately, in line with the fundamental objectives of Whistleblower Protection Act 2010. The Whistleblowing Policy is available on the Bank's website at [www.affingroup.com](http://www.affingroup.com).

### Board Charter

The roles and responsibilities of the Board are set out in the Bank's Board Charter which is available on the Bank's website at [www.affingroup.com](http://www.affingroup.com). The Board Charter sets out the demarcation of the mandate, roles and responsibilities, and procedures of the Board and Board Committees (both individually and collectively), in setting the direction, management and control of the Bank in accordance with the principles of good corporate governance as set out in the policy documents and guidelines issued by BNM and relevant regulatory authorities. The Board Charter outlines the issues and matters reserved for the Board.

## BOARD COMPOSITION

### Board Composition, Independence and Diversity

The composition of the Board reflects a good measure of objectivity and impartiality in order to ensure that the interest of the minority shareholders is not compromised. The influence of the nominees from the major shareholders of the Bank is balanced by the presence of the majority Independent Directors on the Board whose collective views carry significant weight in the Board's deliberation and decision-making process.

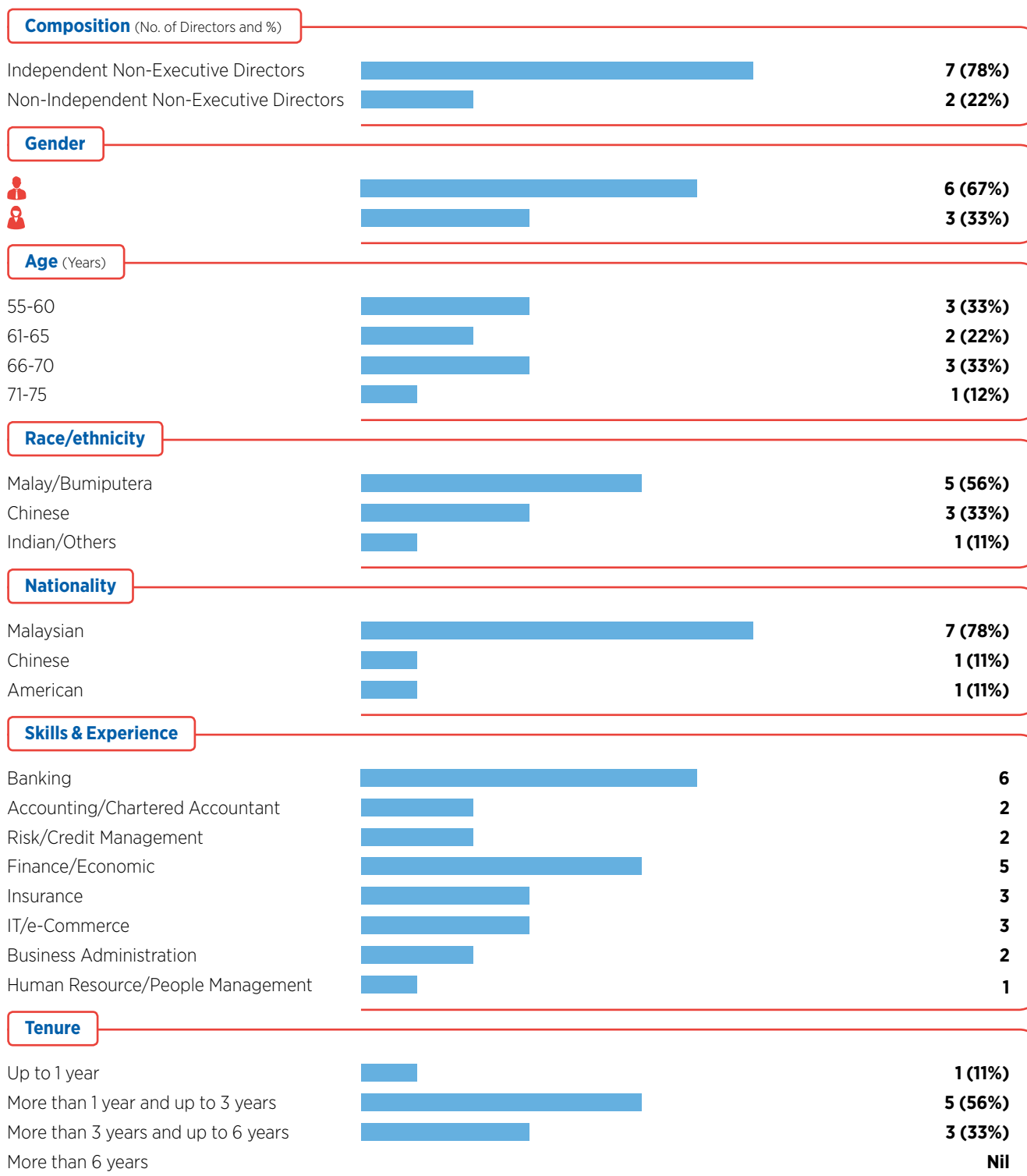
The current Board composition comprises majority of Independent Director. The Directors fulfill the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria (BNM Fit and Proper Criteria). Senior Management is not a member of the Board or Board Committees.

To ensure the independence of the Board as well as to encourage fresh views and ideas, the Board adopted the maximum tenure of nine (9) years of service for Independent Director within the Group. The Independent Director shall, upon reaching the maximum tenure of nine (9) years of service and subject to the approval of BNM for his/her re-appointment as Director, remain as a Director but shall be re-designated as Non-Independent Non-Executive Director.

The Board is continuously committed to maintain diversity and inclusion in its composition. In this regard, the Board take cognisance of diversity from a number of different aspects namely gender, age, race/ethnicity, nationality, experience and skills and length of service.



As at 31 December 2021, the Board composition, independence and diversity for the Bank is depicted below:-



The size and composition of the Board are reviewed from time to time in order to ensure that the Board comprises capable individuals with relevant skills, knowledge, experience and competencies necessary to drive the Bank's sustainable and profitable performance. The existing size, diversity and composition of the Board are able to promote good deliberation, encourage active participation in the Board decision-making process.

The Board, in discharging its oversight roles, ensures there is no over-extension of duties by Directors who are required to serve on multiple Board Committees.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Board and Senior Management Appointments/Re-appointments, Removals and Re-election of Directors

#### New Appointments of Directors and Senior Management

The GBNRC is responsible for assessing the candidate(s)' qualifications and experiences and whether he/she fulfills the minimum requirements as set out in the BNM CG, BNM Fit & Proper Criteria and any other relevant regulations. The GBNRC thereafter submits its recommendation to the respective entities Boards for decision on submission of application to BNM for the proposed new appointment as Director. All appointments of Directors are subject to the approval of BNM which is for a specific term of appointment.

In identifying candidates for appointment as Directors, the GBNRC does not solely rely on recommendations from existing Board members, Management or major shareholders. The GBNRC has the right to utilise independent sources at the cost of the Company in order to identify suitable qualified candidates.

Besides the above, the GBNRC may also consider utilising the following sources:-

- Directors' registry (e.g. Institute of Corporate Directors Malaysia (ICDM), FIDE and NAM Institute for the Empowerment of Women);
- Industry and professional associations; or
- Independent search firm.

The Bank shall not make an application to BNM to appoint a Director unless the Board is wholly satisfied, based on its objective assessment, that the candidate meets the minimum requirements of the BNM CG and MMLR, understands the expectation of the roles and is able to meaningfully contribute to the Board.

For year 2021, there was only one (1) new appointment of Director namely, Ms. Chan Wai Yu who joined the Bank on 1 April 2021.

Senior Management appointments are governed by the standards in BNM CG which stipulates that members of Senior Management must fulfill the minimum requirements at the time of appointment and on a continuing basis. Individual Senior Management is assessed to have met all the fit and proper criteria based on BNM Fit & Proper Criteria.

#### Re-appointment of Directors

The proposed re-appointment of a Director, upon expiry of his/her current term of appointment as approved by BNM, is subject to the approval of BNM.

The GBNRC is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM are due to expire, and submit its recommendation to the Board for decision on the application to BNM for the proposed re-appointment of the Directors concerned.

For year 2021, there were only two (2) re-appointments of Directors namely, Dato' Rozalila binti Abdul Rahman and Mr. Gregory Fernandes.

#### Removal of Directors and Senior Management

An assessment on Fit & Proper Criteria, performance and effectiveness of each Director and Senior Management will be carried out and corrective measures will be taken by the GBNRC if the Director or Senior Management is no longer Fit & Proper or non-performing as and when the GBNRC becomes aware of such circumstances.

#### Re-Election of Directors

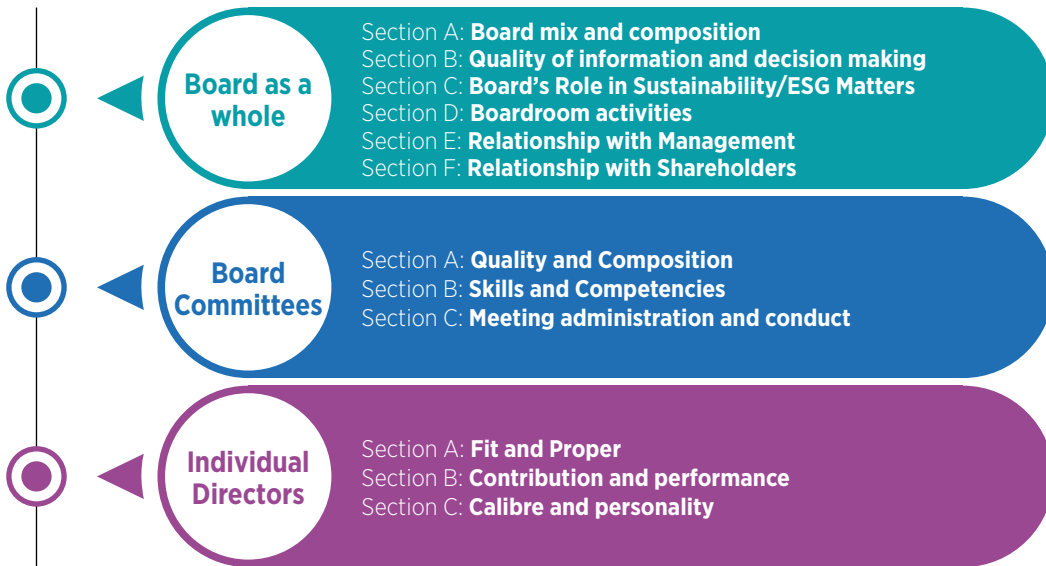
The Constitution of the Bank provides that at every Annual General Meeting, at least one-third of the Directors are subject to retirement by rotation or, if their number is not three (3) or a multiple of three (3), the number nearest to one-third shall retire from office, but shall be eligible for re-election. The Constitution of the Bank further provides that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.



For FY2021, the Board Effectiveness Evaluation (BEE) exercise was conducted internally with the assistance of the Company Secretary based on the framework which was designed and concurred by the GBNRC and the Board of ABB. The BEE was conducted via an online link.

**Themes**

Themes enumerated for the evaluation of the Board, Board Committee and Individual Directors are as follows:-



**Notes:**

- A Director must have served on the Board/ Board Committees for at least six (6) months to be able to participate in the BEE.
- Management feedback on the BEE was obtained vide the PGCEO.

**Process and Reporting Structure**



The overall average ratings for the areas of assessments on Board as a whole were above 3.3, based on a 4-scale rating. The results of the BEE 2021 indicated that the performance of the Board, the Board Committees, the individual Directors and members of the Board Committees during the assessment period had been satisfactory and positive. Therefore, Directors have been effective in their overall discharge of functions, roles and duties. Moving forward, greater focus and efforts to be made on ESG initiatives.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board resolved to adopt the BEE 2021 results and the action plan as recommended by the GBNRC. The results of these assessments form part of the basis of the GBNRC's recommendations to the Board for the re-election of Directors at the 46<sup>th</sup> AGM in May 2022.

The main highlights of the results are as follows:-

### Areas of Strength

- The present size and composition of the Board are optimum to provide for diversity of views, facilitate effective decision making, and appropriate balance of executive, independent and non-independent directors.
- The Board has the appropriate combination of experience and expertise in banking & finance, human capital, accountancy, risk/credit management and IT.
- The effectiveness of the Board Chairman and high concentration of Independent Directors have led to robust deliberation amongst the Board/Board Committee members.
- The collaborative working relationship between the Board and the PGCEO continues to act as an effective bridge between Management and Board.
- The Board and Board Committees meetings are well managed and executed.

### Considerations for Improvement

<b>SUSTAINABILITY OF ESG</b>	To put in concerted efforts on ESG and sustainability initiatives as part of Affin Group key focus area.
<b>COMMUNICATION</b>	To further strengthen engagement with shareholders and stakeholders as well as to improve Group synergy.
<b>BOARD COMPOSITION</b>	To establish a more comprehensive Board succession planning.
<b>DIRECTORS DEVELOPMENT PROGRAMME</b>	To focus efforts on education and development programmes for Directors on Company-specific matters such as strategies and plans.
<b>INTERNAL TALENT</b>	To strengthen internal capabilities and building 'own timber'.
<b>RELATIONSHIP WITH MANAGEMENT</b>	More high-level engagement with Management.

In line with the recommendation by MCCG 2021, the Board has agreed to engage an independent external consultant/expert periodically every three (3) years to conduct the BEE exercise.



### Board Meetings Supply of Information to Board

Board meetings for the ensuing financial year are scheduled in advance before the end of the current year to enable the Directors to plan ahead and ensure their full attendance at Board Meetings.

The Board holds regular monthly meeting. Special Board meetings may be convened as and when necessary to consider urgent proposals that require the Board's expeditious review or consideration. In a normal situation, the Bank ensures that attendance at a board meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

However, in view of the COVID-19 pandemic, the Board has leveraged on technology to convene Board and Board Committee meetings. The Board adopted internal Guiding Principles and Protocols (Protocol) for Board, Board Committees and Management as part of the Business Continuity Plan. The Protocol allows the meetings to be convened virtually under a secured platform subscribed by the Bank.

The Board has full and timely access to information on Board matters via materials and engagement with Management to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings. All Board members are required to devote sufficient time to prepare for and attend Board meetings.

### Access to Third Party Experts

In discharging Directors' duties, each Director is entitled to obtain independent professional advice from third party experts at the cost of the Bank. Independent professional advice shall include legal, accounting or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the Directors, unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

### Time Commitment

A Director shall notify the Chairman of the Board of his/her acceptance of any new directorship in public listed as well as public companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) pursuant to the MMLR. Further, the Bank has adopted a limit of ten (10) non-public companies as recommended by MCCG.

The notification shall include an assurance of his/her continued time commitment to serve the existing Board and that his/her other appointments shall not be in conflict or compete with the existing appointment with the Bank.

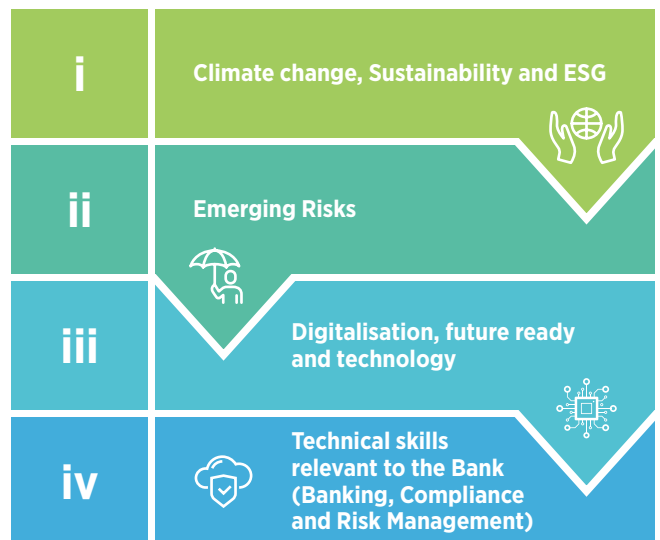
The Board is satisfied that each Director has committed sufficient time to the Bank as evident from the Directors' record of attendance at Board meetings held in the financial year ended 31 December 2021. The details of Board and Board Committee meetings attendance are as set out in the CG Report.

### Continuing Education and Development

The Board acknowledges the importance of continuing education for the Directors to ensure that they are well equipped with the necessary skills and knowledge to perform their duties and meet the challenges facing the Board. The GBNRC oversees the training needs of the Directors and ensures that the Directors spend sufficient time to update their knowledge and enhance their skills through mandatory and optional programmes relevant to Directors.

During FY2021, all the Board members attended various training programmes and workshops on issues relevant to the Group. A list of trainings attended by each Director during FY2021 can be found in Part B of the CG Report.

As for FY2022, the following key training needs of Directors were identified during the BEE exercise:



### Induction Programme

An induction programme is conducted to ease new Directors into their role and to assist them in their understanding of the Group's business strategy and operations. New Directors are required to attend the programme upon their appointment. The programme consists of session with members of the Group Management Committees, wherein new Directors will be briefed on the business operations and structure for familiarisation.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD REMUNERATION

#### Board Remuneration

The GBNRC recommends structured remuneration packages for Non-Executive Director (NED) which is competitive and consistent with the Bank's culture, objectives and strategies. It is commensurate with the level of responsibilities and contribution by the NED in ensuring the effective functioning of the Board as well as driving the Bank's long-term objectives. The remuneration package for the Directors of the Bank comprises the following:-

<b>Directors' Fee</b>	The Directors are entitled to Annual Directors' fees.
<b>Board Committees Fees</b>	Directors who sit on Board Committees are entitled to receive Board Committee fees.
<b>Meeting Allowances</b>	Directors are also entitled to Meeting allowances when they attend any Board/ Board Committee meetings.

The Directors' fees and benefits-in-kind payable to Directors are subject to shareholders' approval at the AGM.

In determining the level of remuneration for Directors, the Board may commission a survey of the remuneration levels to be carried out either by external consultants or Senior Management. The survey should cover the remuneration levels of Directors of an organisation in a similar industry, size and location. The report shall be tabled to the GBNRC and the Board for deliberation.

The Board may from time to time review the Directors' Remuneration package to ensure it continues to support the strategies and long-term vision of the Bank and to attract talent, nurture and retain high calibre Directors, whilst taking into account the interest of other stakeholders, including shareholders and employees.

The details of the Directors' remuneration are set out in the Financial Statements in this Annual Report 2021.

#### Senior Management Remuneration

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent staff. The Bank's variable remuneration policy will be driven primarily by a performance-based culture that aligns staff interests with those of the shareholders of the Bank.

The Bank's remuneration policy considers the role of each staff and has set guidance on whether they are under Key Senior Management, Other Material Risk Taker (OMRT) or other employees category.

The objectives of the Remuneration Policy is to ensure that the remuneration system of the Bank:-

- (a) Rewards individuals for the achievement of the Bank's objectives and motivates high levels of performance;
- (b) Rewards exceptional performance by individual through the Performance Management System;
- (c) Allows the Bank to compete effectively in the labour market and to recruit and retain high calibre staff;
- (d) Achieves fairness and equity in remuneration and reward.

The Bank's remuneration is made up of two (2) main components namely "fixed pay" and "variable pay":-

- (a) Fixed pay consists of base salary and fixed allowances that are pegged to the market value of the job.
- (b) Variable pay rewards employees based on the performance of the Division, Department and Bank; and the employee's individual performance.

The Bank implemented the Deferred Discretionary Performance Bonus (Deferred Bonus) for the PGCEO and Senior Management. The objective of the Deferred Bonus, is to align short-term compensation payment with the time-based risk, and to encourage employees to deliver sustainable long-term performance.



## Principle B: Effective Audit and Risk Management

The Bank has a comprehensive and effective system of internal controls in place to ensure that risks are mitigated and managed in achieving the strategic goals.

The Board recognises its responsibility to review and oversee the effectiveness of the internal controls' processes and systems adopted by the Bank namely, financial, operational and compliance controls, and risk management. Further, the Board took into cognisance its responsibility towards oversight on the activities of the Group's external auditors and the Group's risk management function which have been delegated to the GBAC, GBRMC and GBCC.

### INDEPENDENCE OF EXTERNAL AUDITORS

The Bank's External Auditors play an essential role to the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of that reliability to users of these financial statements. The GBAC manages the relationship with the External Auditors on behalf of the Board. The GBAC reviews and considers the re-appointment, remuneration and terms of engagement of the External Auditors annually.

The GBAC meets with the External Auditors at least twice a year to discuss their audit plans and audit findings in relation to the Group's financial statements. Prior to some GBAC meetings, private sessions between the GBAC and the External Auditors were held without the presence of the PGCEO and the Management to discuss the audit findings and any other observations they may have had during the audit process. In addition, the External Auditors are invited to attend the Annual General Meeting of the Bank and be available to answer shareholders' enquiries on the conduct of the statutory audit and the preparation and content of their audit report.

The External Auditors have confirmed their independence and that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with. The GBAC has also reviewed the nature and extent of non-audit services rendered by the External Auditors and ascertained that there is no conflict of interest.

The amount of non-audit fees payable to the external auditors and their associates during the financial year 2020 is set out in the Financial Statements in this Annual Report 2021.

## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Bank recognises the importance of maintaining a sound system of internal controls and risk management practices. The Board affirms its overall responsibility for the effectiveness of the Bank's internal controls and risk management framework.

The Bank's Statement on Risk Management and Internal Control which provides an overview of the state of internal controls of the Bank is set out on pages 130 to 137.

### INTERNAL AUDIT FUNCTION

The Bank has an Internal Audit function that is supported by the Group Internal Audit Division. The Bank's Internal Audit (IA) provides independent and objective assurance of the adequacy and effectiveness of the internal controls framework. The IA staff is placed under direct authority and supervision of the GBAC to preserve its independence. The Group Chief Internal Auditor reports functionally to GBAC and administratively to PGCEO.



*Further details on the Audit, Risk and Compliance Committees' roles are as per the Statement on Risk Management and Internal Control on pages 130 to 137.*

## Principle C: Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders

### EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

The Board and Management recognised the importance of maintaining good relationship with shareholders and stakeholders; and is committed to providing effective and open two-way communication to improve disclosure and transparency.

### INVESTOR RELATIONS ENGAGEMENTS

The Bank continuously ensure that timely, complete, transparent and accurate disclosures are made to the shareholders and stakeholders in accordance with the requirements of BNM CG and MMLR. Various communication channels are used to promote effective communication between the Bank and its stakeholders which includes quarterly results announcement, analyst briefing, general meetings and issuance of Annual Report.

Presentation materials used for the investor relations engagements are available on Affin Group's corporate website at [www.affingroup.com](http://www.affingroup.com) where investors are able to engage with the Group and provide feedback through the Investor Relations team, whose contact details are available on Affin Group's corporate website.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### GENERAL MEETINGS

Annual General Meeting (AGM) is an important platform for the shareholders to interact with the Board and Management and have a robust discussion on the Bank's financials, non-financials as well as long-term strategies. Shareholders are furnished with the Bank's Annual Report which include amongst others, Directors' Report, Financial Statements and operational performance of the Bank.

The AGM notice is dispatched to shareholders not less than twenty-eight (28) days before the AGM. Shareholders were given ample time to consider the resolutions that will be discussed at AGMs and are given the opportunity to raise questions or seek clarifications on the agenda items as well as other matters concerning the Bank.

AGM held on 2 June 2021 was conducted fully virtual. The said event was broadcasted live from Menara Affin with participation by 564 shareholders, through live streaming and online remote voting via the Remote Participation and Voting (RPV) facilities provided by the Company's appointed share registrar.

With technology being leveraged to conduct AGM, the Bank ensures that it has in place the required infrastructure to support proactive interactions with shareholders and smooth broadcast of the AGM. The Bank has adopted Practice 13.5 of the MCGG where questions posed by shareholders were made visible to all meeting participants during the meeting.

At that AGM, voting on each resolution was undertaken through e-polling and the poll results were immediately announced.

### CORPORATE GOVERNANCE PRIORITIES

The Bank has applied all recommended practices in MCGG save Practice 8.2 and 12.2. The Board has identified the following forward-looking action items that will help to achieve its corporate governance objectives:-

Practice 8.2	Practice 12.2
<b>Disclosure of Remuneration of Top 5 Key Senior Management</b>	<b>Integrated Reporting</b>
<p>The Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of the Bank's performance as it is benchmarked against the market. The remuneration packages of Senior Management are based on experience, expertise, skills and industry benchmark. Total remuneration of its employees is also set out in the Audited Financial Statements for financial year ended 31 December 2021 which allow shareholders to assess whether the remuneration of Directors and Senior Management commensurate with their performance taking into consideration of the Bank's performance. The Board may consider disclosing the aggregate of the top five (5) Senior Management's remuneration component including salary, bonus, benefits in-kinds and other emoluments in the future.</p>	<p>The Bank has yet to adopt an integrated reporting. The Board acknowledges that integrated reporting goes beyond a mere combination of the reports in the Annual Report into a single document. Nevertheless, there are coordination efforts among cross-functional departments in preparing the various statements and reports in the Annual Report. The Board may consider adopting integrated reporting in future.</p>

### Future Priorities

With global market conditions expected to remain challenging, active corporate governance and robust systems of oversight are pertinent.

The Board has identified the following key areas for future priority:-





# GROUP BOARD AUDIT COMMITTEE REPORT

The Board of Affin Bank Group is pleased to present the Report on Group Board Audit Committee (GBAC) for the Financial Year ended 31 December 2021.

## Group Board Audit Committee Composition

The GBAC comprises the following Directors and the current members are all Independent Non-Executive Directors. The Board-appointed Chairman of the GBAC is not the Chairman of the Board of Directors. The details of the GBAC membership and meetings attended are as follows:-

Name of Committee Members	Attendance
<b>1. Gregory Jerome Gerald Fernandes</b> Chairman/Independent Non-Executive Director	14/14
<b>2. Dato' Mohd Hata Robani</b> Member/Independent Non-Executive Director	14/14
<b>3. Associate Prof Dr Said Bouheraoua</b> Member/Independent Non-Executive Director of Affin Islamic Bank Berhad	14/14
<b>4. Dato' Rozalila Abdul Rahman</b> Member/Independent Non-Executive Director (Resigned as GBAC member on 1 July 2021)	7/7
<b>5. Suffian Baharuddin</b> Member/Independent Non-Executive Director of Affin Islamic Bank Berhad (Appointed on 1 April 2021)	10/10
<b>6. Eugene Hon Kah Weng</b> Member/Independent Non-Executive Director of Affin Hwang Investment Bank Berhad (Appointed on 19 April 2021)	9/10
<b>7. Hasli Hashim</b> Member/Independent Non-Executive Director of Affin Hwang Investment Bank Berhad (Appointed on 6 January 2022)	0/0

The composition of the GBAC is in line with the listing requirements of Bursa Malaysia Securities Berhad and the principles and best practices set out in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia. The GBAC members comprise of individuals with diverse skills, knowledge and calibre in providing independent, objective and effective oversight to discharge their roles and responsibilities.

The composition, quorum, frequency of meeting as well as the specific duties, responsibilities and authority of the GBAC are set out under its Terms of Reference which is available on the Bank's website at <https://affin.listedcompany.com/others.html>

## Audit Committee Meetings Held in the Financial Year ended 31 December 2021

A total of fourteen (14) GBAC meetings were held for the financial year ended 31 December 2021 comprising planned and special meetings. Meeting agenda, papers and audit reports were distributed to the GBAC members five (5) days prior to the date of the meetings.

The GBAC meetings were attended by the Group Chief Internal Auditor (GCIA) together with Chief Internal Auditor of Affin Hwang Investment Bank and the Group Internal Audit (GIA) Departmental Heads, while attendance of other Senior Management is by invitation according to the matters deliberated by the GBAC. The GBAC also had direct and unrestricted access to the GIA and had ad-hoc discussions with the GCIA without the presence of management.

The External Auditors have attended four (4) GBAC meetings during the period. There were discussions between the GBAC and the External Auditors with regards to significant audit issues, changes in the implementation of major accounting policies, compliance with accounting standards and other regulatory requirements and business issues highlighted by them.

## GROUP BOARD AUDIT COMMITTEE REPORT

The GBAC had also reviewed the External Auditor's audit plan, terms of engagement, scope and proposed fees for the financial year ended 2021. The GBAC held two (2) private sessions with the External Auditors, without the presence of Management and the GCIA, to discuss any matters the External Auditors may wish to highlight and to ensure that there were no restrictions in scope and performance of their audit activities. In addition, the External Auditors were invited to attend the annual general meeting to respond to shareholders' questions on audit related issues.

As the Board is ultimately responsible for the financial reporting and overall governance of the AFFIN Bank Group, the Chairman of the GBAC had consistently briefed the Board of Directors on issues discussed at the GBAC meetings. The GBAC meeting summary was tabled to the Board for information and action by the Board where appropriate.

### Training Programmes/Seminars Attended in 2021

GBAC members had attended various seminars/training programmes in the financial year ended 2021, to keep abreast of the latest developments. Listed below are the seminars/training programmes attended by the GBAC members:-

GBAC Member	Trainings attended
<b>Gregory Jerome Gerald Fernandes</b>	<ul style="list-style-type: none"> <li>• COVID-19 Vaccine: Updates and Highlights</li> <li>• Recovery &amp; Resolution Planning Programme</li> <li>• Asia-Pacific Board Leadership Centre – Board and Audit Committee Priorities 2021</li> <li>• AML/CFT Training</li> <li>• An Alumni Event – An Invitation to A Talk on MCCG Amendments (2nd Run)</li> <li>• AFFIN Semi-Annual Board Training – Demystifying Digital Transformation</li> <li>• MIA Virtual Conference Series: Corporate Board Leadership Symposium</li> <li>• Annual Compliance Attestation</li> <li>• Islamic Finance for Board Directors Programme</li> <li>• Blockchain, Cryptocurrencies and the Rise of Alternative Fundraising Channels</li> <li>• Environmental, Social and Governance (ESG) Training</li> </ul>
<b>Dato' Mohd Hata Robani</b>	<ul style="list-style-type: none"> <li>• Raising Defences – Section 17A, MACC Act</li> <li>• Recovery &amp; Resolution Planning Programme</li> <li>• Risk Management in Technology (RMiT) &amp; Digital Transformation</li> <li>• AML/CFT Training</li> <li>• AFFIN Semi-Annual Board Training – Demystifying Digital Transformation</li> <li>• Annual Compliance Attestation</li> <li>• Blockchain, Cryptocurrencies and the Rise of Alternative Fundraising Channels</li> <li>• Environmental, Social and Governance (ESG) Training</li> </ul>
<b>Associate Prof Dr Said Bouheraoua</b>	<ul style="list-style-type: none"> <li>• Shariah Governance</li> <li>• Recovery and Resolution Planning Programme</li> <li>• AML/CFT Training</li> <li>• AFFIN Semi-Annual Board Training – Demystifying Digital Transformation</li> <li>• Annual Compliance Attestation</li> <li>• Sustainability as a Business Strategy for Financial Institutions</li> <li>• Outcomes and Implications for Malaysian Financial Institutions</li> <li>• Data Analysing &amp; Risk Assessment</li> <li>• Blockchain, Cryptocurrencies and the Rise of Alternative Fundraising Channels</li> <li>• Environmental, Social and Governance (ESG) Training</li> </ul>
<b>Dato' Rozalila Abdul Rahman</b>	<ul style="list-style-type: none"> <li>• Rethink, Rebuild &amp; Recover</li> <li>• Risk Management &amp; Risk Governance in the New Normal: Considerations for Boards</li> <li>• Primer on Climate Governance - Overview of ESG Reporting Standards</li> <li>• CSR - Luxury or Necessity</li> <li>• COVID-19 Vaccine: Updates and Highlights</li> <li>• Understanding Increasing Investor Expectations for Climate Governance: What We Need to Know and What We Need to Do</li> <li>• FIDE FORUM's Webinar Invitation: "Rethinking Our Approach to Cyber Defence in Financial Institutions"</li> <li>• Qualified Risk Director Programme: Series 3 - Risk Appetite, Tolerance &amp; Board Oversight &amp; Series 4 - Strategic ERM: A Primer for Directors</li> </ul>



GBAC Member	Trainings attended
<b>Dato' Rozaila Abdul Rahman</b> (continued)	<ul style="list-style-type: none"> <li>• Sustainable Projects that can be Funded Through Bonds &amp; Sukuk</li> <li>• The Women in Leadership (WIL) Programme 2021</li> <li>• Launch of Malaysia Board Diversity Study &amp; Index</li> <li>• Recovery &amp; Resolution Planning Programme</li> <li>• Digital is Everyone's Business: Findings from The APAC Digital Talent Study</li> <li>• AML/CFT Training</li> <li>• Implementing Amendments in the Malaysian Code on Corporate Governance</li> <li>• An Alumni Event – An Invitation to A Talk on MCCG Amendments (2nd Run)</li> <li>• AFFIN Semi-Annual Board Training – Demystifying Digital Transformation</li> <li>• CEO Action Network Roundtable Discussion with The MOF on Low Emissions Pathway for Malaysia</li> <li>• Annual Compliance Attestation</li> <li>• Sustainability as a Business Strategy for Financial Institutions</li> <li>• Outcomes and Implications for Malaysian Financial Institutions</li> <li>• Sustainable Finance for the Private Sector</li> </ul>
<b>Suffian Baharuddin</b>	<ul style="list-style-type: none"> <li>• Recovery &amp; Resolution Planning Programme</li> <li>• Asia Pacific Board Leadership Centre: Board and Audit Committee Priorities 2021</li> <li>• Implementing Amendments in the Malaysian Code on Corporate Governance</li> <li>• AML/CFT Training</li> <li>• BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector</li> <li>• Risk Management in Technology (RMiT) &amp; Digital Transformation</li> <li>• AFFIN Semi-Annual Board Training – Demystifying Digital Transformation</li> <li>• Annual Compliance Attestation</li> <li>• Sustainability as a Business Strategy for Financial Institutions</li> <li>• Outcomes and Implications for Malaysian Financial Institutions</li> <li>• Sustainable Finance for the Private Sector</li> <li>• Risk Management Committee – Banking Sector</li> <li>• Credit Risk Modelling</li> <li>• Climate Change: Impact on Banks &amp; Role of the Board</li> <li>• Blockchain, Cryptocurrencies and the Rise of Alternative Fundraising Channels</li> <li>• Raising Defences: Section 17A, MACC Act</li> <li>• Environmental, Social and Governance (ESG) Training</li> </ul>
<b>Eugene Hon Kah Weng</b>	<ul style="list-style-type: none"> <li>• BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know</li> <li>• Directors as Gatekeepers of Market Participants</li> <li>• Business Challenges and Regulatory Expectations – What Directors Need to Know (Equities &amp; Futures Broking)</li> <li>• Risk Oversight and Compliance – Action Plan for Board of Directors</li> <li>• Emerging and Current Regulatory Issues in the Capital Market</li> <li>• FIDE Forum Dialogue on Roles of Independent Director</li> <li>• Joint Committee for Climate Change (JC3) Flagship Conference 2021</li> <li>• Sustainable Finance for Private Sector</li> <li>• Directors Training Module</li> <li>• The Co-Existence of Ethics &amp; Law sets you F. R. E. E.</li> <li>• Blockchain, Cryptocurrencies and the Rise of Alternative Fundraising Channels by Asian Banking School</li> <li>• MIA Climate Change and ESG Conference</li> <li>• Rising to The Challenge to COVID-19 and Re-Designing Cyber Security</li> <li>• Post Budget 2022 Debate</li> <li>• Risk Tech Webinar</li> <li>• FIDE Forum Dialogue on Capital Market Master Plan 3</li> <li>• FIDE Forum with BNM Governor</li> <li>• AOB Conversation with Audit Committee</li> <li>• Environmental, Social and Governance Awareness</li> </ul>



## GROUP BOARD AUDIT COMMITTEE REPORT

### Summary of Activities of the Group Board Audit Committee

The GBAC has carried out the following activities in discharging its duties and responsibilities for the financial year ended 31 December 2021:-

#### 1. FINANCIAL RESULTS AND REPORTING

- a. Reviewed with the Senior Management, the unaudited quarterly and interim unaudited financial results before recommending to the Board for approval; and
- b. Reviewed with the Senior Management and External Auditors the annual audited financial statements of the Bank and its subsidiaries (the Group) before recommending to the Board for approval. The reviews focused on compliance with salient regulatory requirements set out in the following Acts and Standards:-
  - Provisions of the Companies Act 2016;
  - Financial Services Act and Islamic Financial Services Act 2013;
  - Applicable approved accounting standards in Malaysia; and
  - Other relevant legal and regulatory requirements.
- c. In reviewing the financial reporting and disclosure requirements of the Group, GBAC discussed and made enquiries on, among others:-
  - Changes in major accounting policy;
  - Significant accounting and audit matters highlighted; including financial reporting, credit, treasury, taxation, impairment related matters, information technology, summary of corrected and uncorrected misstatements, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and
  - Compliance with accounting standards and other legal requirements.
- d. In its meeting held on 24 January 2022, GBAC was briefed by the External Auditors on the key audit matters included in their Independent Auditors' Report of the financial statements for the financial year ended 31 December 2021. Overall, the GBAC is satisfied that based on the audit procedures performed by the External Auditors, no material exceptions were noted on these key audit matters.

#### 2. EXTERNAL AUDIT

- a. Reviewed and approved the 2021 Audit Plan to ensure the adequacy of scope of work for the year, covering significant risk areas and activities of AFFIN Bank Group, in line with developments in related laws and regulations. The Audit Plan comprised the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment and areas of audit emphasis for the financial year;
- b. Held four (4) meetings with the External Auditors to apprise on matters pertaining to results of limited reviews and audits, significant accounting and taxation matters and results of other non-audit engagement activities;
- c. Evaluated and satisfied itself with the independence, performance and effectiveness of the External Auditors based on the criteria set out in BNM's Policy Document on External Auditors and recommended to the Board for the reappointment of the external auditors. Among the criteria evaluated and taken into consideration by the GBAC were:-
  - Independence, Objectivity, Familiarity Threats and Professional Scepticism;
  - Ability to demonstrate an unbiased stance when interpreting the standards/policies adopted by the licensed institutions;
  - Qualification criteria;
  - Level of knowledge, capabilities, experience and quality of previous work;
  - Level of engagement with the Board and GBAC;
  - Ability to provide constructive observations, implications and recommendations in areas which require improvements;
  - Appropriateness of audit approach, adequacy of resources and the effectiveness of overall audit planning; and
  - Ability to perform the audit work within the agreed duration given.



### 3. NON-AUDIT SERVICES

Reviewed and recommended to the Board for approval of non-audit services rendered by the External Auditors and the fees involved. The Group has an internal policy for the appointment of the Group's External Auditor to provide non-audit services where the criteria and threshold has been set for such fees, to maintain the independence and objectivity of the External Auditors.

### 4. INTERNAL AUDIT

- a. Reviewed and approved the Group Internal Audit (GIA) Annual Audit Plan (AAP) for 2021, to ensure the adequacy of scope and coverage of critical risk areas and activities of the Group based on GIA's enhanced enterprise-wide risk assessment methodology;
- b. Deliberated and approved revisions made to GIA's AAP during the year, in alignment with the dynamic risk profiles of the respective auditable areas/functions, due to the rapid changes in the business, operations and regulatory environment;
- c. Reviewed and deliberated on significant internal control issues (including fraud) identified by GIA, as well as Management's responses to audit recommendations and implementation of agreed action plans with attention to the following:-
  - Control environment (e.g. governance, integrity, ethical values and competency of personnel);
  - Control activities (e.g. policies and procedures);
  - Risk assessment (e.g. identification and assessment of relevant risks and its mitigating measures);
  - Information and communication (e.g. accuracy, completeness and timeliness of information flow);
  - Monitoring activities (e.g. periodic supervisory review of control activities); and
  - Compliances with applicable regulatory and statutory requirements.
- d. Monitoring of corrective actions undertaken by Management to rectify deficiencies identified by GIA, as well as, ensuring that all issues are timely and adequately resolved;
- e. Reviewed and deliberated on internal investigation reports conducted by GIA and directed Management to institute immediate remedial actions to strengthen the risk and control environment of the Group;
- f. Reviewed and monitored the implementation status of corrective action plans by Management on issues highlighted by regulatory authorities' and external auditors, to ensure that gaps highlighted were addressed and resolved on a timely basis;
- g. Received regular updates from the internal audit departments of the Group's subsidiaries and/or associate company on significant governance, risk management and controls issues, as well as, status of corrective action plans taken to resolve the issues;
- h. Reviewed and approved the revisions to the Audit Charter, in line with the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF);
- i. Approved the KPIs for GCIA for 2021 and assessed performance of GCIA with feedbacks provided for improvement;
- j. Reviewed, monitored and assessed the overall performance of GIA, including its progress of achievement against the approved annual audit plan and other key audit activities;
- k. Reviewed the adequacy and efficiency of GIA's resources and collective competencies of GIA's staff for effective deployment of resources to execute the audit plan;
- l. Deliberated on the results of the Internal Quality Assurance and Improvement Programme (QAIP) to ensure GIA's continuous conformance with the IPPF.

### 5. RELATED PARTY TRANSACTIONS

Reviewed related party transactions (RPTs) and recurrent related party transactions (RRPTs) as disclosed in the financial statements and adequacy of procedures and processes in place pertaining to the governance of RPTs and RRPTs.

## GROUP BOARD AUDIT COMMITTEE REPORT

### 6. OTHERS

- a. Reviewed the Statement on Risk Management and Internal Control for inclusion in the FY2021 Annual Report before recommending to the Board for approval;
- b. Reviewed the Group Board Audit Committee Report for inclusion in the FY2021 Annual Report;
- c. Reviewed and recommended to the Board for approval on the revised Group Board Audit Committee Terms of Reference; and
- d. Conducted a joint meeting with Group Board Risk Management Committee (GBRMC) to deliberate on enterprise-wide emerging risks and its implication to the Group's risk profile. Overall assessment of the Group's control environment and areas requiring attention were also deliberated via an interactive internal controls health check dashboard based on audits conducted in 2020.

### Group Internal Audit Function

#### 1. CONTINUED TRANSFORMATION JOURNEY IN BECOMING A FUTURE-PROOFED INTERNAL AUDIT FUNCTION

Group Internal Audit (GIA) had completed its first lap of audit transformation journey in 2020. The improved and value-added assurances that GIA had provided to the Group are one of the many resultant effects of its transformation journey. In the efforts to continue fortifying and building resiliency in GIA to become more future-proofed, GIA had embarked on amongst others, the following initiatives in 2021:-

PEOPLE	PROCESS	TECHNOLOGY
<ul style="list-style-type: none"> <li>Strategic talent upskilling of auditors via enrolment into structured bank-wide training programmes such as Lean Six Sigma Green Belt Certification and Powerhack: Hackathon. These programmes helped the auditors to sharpen their innovation abilities in driving continuous improvements and embrace data analytics into automating key routine audit processes for greater and reliable assurance to stakeholders.</li> <li>Talent sourcing based on future needs and continuous development via regular and structured on-job trainings (SOJT) to build a sustainable pool of multiskilled auditors. Skills and competencies of auditors are tracked and monitored via a skills-chart, where the right and relevant skills and competencies that need enhancement are identified and further developed.</li> </ul>	<ul style="list-style-type: none"> <li>Effective engagement with various key stakeholders for more depth and breadth in GIA's risk profiling and assessments, covering key risks and significant activities of the Group and better alignment of enterprise-wide risk assessment in developing the annual audit plan.</li> <li>Implementation of Guest Auditor Programme (GAP) which was well participated by staff across the Group. This programme aims to improve enterprise-wide visibility and adoption of good practices in governance, risks and controls to elevate the risk and control culture in the Group.</li> <li>Enhanced collaboration with second lines of defence (e.g. Group Risk Management and Group Compliance Division) in improving enterprise-wide assessment on risks and control environment in the Group.</li> <li>Strengthened focus on collaboration and harmonisation between GIA and internal audit functions across the Group to better align audit practices and methodologies.</li> </ul>	<ul style="list-style-type: none"> <li>Expanded use of data analytics via Audit Command Language (ACL) for better data-driven assurance and insights.</li> <li>Development of an interactive internal controls health check dashboard based on audits conducted in 2020, to provide a holistic view on the Group's overall control environment and areas requiring attention.</li> <li>Full automation of audit processes through the Pentana Audit Management System (AMS) from audit planning, scheduling and resourcing, management of audit fieldwork, repository of supporting documents, report generation and monitoring of audit issues resolution.</li> </ul>



## 2. INDEPENDENCE

- a. The GIA function is established by the Board to provide independent and objective assessment on the adequacy and operating effectiveness of governance, risk management and internal control processes implemented by the Management. GIA reports functionally to the GBAC and administratively to the PGCEO. It is independent from the activities or operations of business and support units in the Group; and
- b. The GIA function is guided by its Audit Charter, which was approved by GBAC and reviewed annually. The Audit Charter spells out the mission, purpose, authority, independence and responsibilities of GIA in the Group.

## 3. PROFILE AND QUALIFICATION

- a. Currently, GIA is headed by Puan Wahdania Mohd Khir, who has more than 26 years of extensive experience in the financial services industry, as well as, the market operator & frontline market regulator Bursa Malaysia. Wahdania, who holds a Master of Science in Quantitative Finance from the University of Westminster London, is also a Chartered Banker and a member of the Financial Markets Association Malaysia. In the financial services industry, she has held various senior roles such as the Head of Global Market Compliance and Treasury Operations and Senior Director of Group Audit at a major financial institution;
- b. As of 28 February 2022, GIA has a total staff strength of 60 qualified internal auditors from diverse backgrounds and disciplines, mainly specialising in credit, information technology, risk management, Islamic Banking, fraud and investigation, treasury, finance/accounting, investment banking, stockbroking and asset management;
- c. For greater and effective audit assurance and insights, the internal auditors have regularly and continuously developed and built their competences and skillsets via structured on-job trainings and external trainings by accredited training providers. Majority of the internal auditors are certified with professional qualifications such as Certified Bank Auditors (CBA), Certified Information Systems Auditor (CISA), Chartered/Certified Accountants (e.g. ACCA, MICPA) and others;
- d. The total GIA's cost for year 2021 is approximately RM8.7 million, comprising mainly salaries, staff training and development, information technology cost and other audit-related operating cost.

## 4. RESPONSIBILITY

- a. The primary role/responsibility of GIA is to assist the GBAC to discharge its duties and responsibilities by independently reviewing and assessing the adequacy and effectiveness of the Group's risk management, internal control, and governance processes to ensure that the overall internal control system continues to operate efficiently and effectively and in line with the relevant regulatory requirements;
- b. GIA's processes and activities conform with The Institute of International Auditors' (IIA) International Professional Practices Framework (IPPF) as well as standards and requirements set out by regulators on the internal audit function;
- c. GIA adopts the 5 components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities. COSO is an internationally recognised organisation providing thought leadership and guidance on internal control, enterprise risk management and fraud deterrence;
- d. Besides COSO, GIA also incorporates the Control Objectives for Information and Related Technologies (COBIT) framework into its Information Technology (IT) audits. COBIT is a framework developed by the Information Systems Audit and Control Association (ISACA) which includes over 40 governance and management objectives, organised into five domains. The Framework defines the components required for effective governance and management of an IT environment;
- e. The scope of coverage of the GIA is identified and prioritised based on its structured and periodic risk assessment of all key business and support units within the Group. Areas audited comprised amongst others, retail and non-retail banking, Islamic banking, treasury related areas, IT infrastructure and operations, support functions, subsidiaries and special focus areas such as AML/CFT, regulatory compliance reviews, and business continuity management;
- f. GIA also undertakes investigations into suspected fraudulent activities, staff misconduct, whistleblowing cases and other incidences, as and when required, and recommends appropriate improvements to the internal control system to prevent recurrence;
- g. GIA closely monitors the rectification of audit findings and implementation status of audit recommendations, to obtain assurance that all major risk and control concerns have been duly addressed. GIA tables regularly to GBAC on all significant audit issues until such audit issues are satisfactorily resolved;
- h. GIA works closely with the external auditors and regulators to ensure that significant issues identified by them are duly addressed and resolved on a timely basis; and
- i. As part of the Quality Assurance and Improvement Programme (QAIP), GIA conducts periodic internal quality assurance reviews (QAR) and external QAR are carried out once every five years by qualified professionals from external organisation. The last external QAR was in 2019 and GIA was accorded full conformance with IIA's IPPF.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide the Statement on Risk Management and Internal Control, pursuant to Chapter 15, Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle B of the Malaysian Code on Corporate Governance 2021, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.



The Group's Key Risks are detailed on pages 75 to 79 of the Management Discussion and Analysis of this Annual Report.

### BOARD'S RESPONSIBILITY & OVERSIGHT

The Board affirms its responsibility in promoting good corporate governance and oversight in ensuring that the Group maintains a sound system of internal control and strong risk management practices to manage the Group's relevant and material risks within its risk appetite in the pursuit of its strategies and business objectives. For this purpose, the Board has ensured the establishment of key processes for reviewing the effectiveness, adequacy and integrity of the Group's risk management and system of internal control. These provide reasonable assurance against the occurrence of any material misstatement, loss or fraud. In addition, regular testing on the adequacy, effectiveness, efficiency and integrity of the internal control system and processes is conducted to ensure its viability and robustness.

The process for assessing the adequacy and effectiveness of the risk management and internal control system is regularly reviewed by the Board, with the assistance of the Group Board Risk Management Committee (GBRMC), Group

Board Compliance Committee (GBCC) and Group Board Audit Committee (GBAC), whose responsibilities include the oversight of financial reporting, disclosures, internal control, compliance and risk management strategies, policies and other risk related matters. Regular meetings are held with the GBRMC, GBCC and GBAC to discuss matters related to the system of internal control which cover interalia financial, operational, compliance controls and risk management procedures.

The Board is of the view that the risk management and system of internal control instituted by the Group's operating units for the year under review and up to the date of annual report are operating adequately and effectively to safeguard shareholders' investment, customers' interests, and the Group's assets.

### MANAGEMENT'S RESPONSIBILITY

Management is overall responsible for ensuring that the day-to-day management of the Group's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board. Regular senior management meetings are held to review, identify, discuss and resolve strategic, operational, financial and key management issues/risks. Comprehensive management reports and updates are made available to the Board on various frequencies, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans.



## KEY RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROL

### RISK MANAGEMENT

The Group Risk Management Division (GRM) was established to provide oversight of risk management on an enterprise wide level. The roles and responsibilities of GRM encompass the following:

- Define mandates, policies, limits, and guidelines in line with risk appetite and regulations;
- Measure and monitor the dynamics of risk profile;
- Monitor and identify actual or potential breaches of risk appetite;
- Build, develop, and validate risk models and tools;
- Monitor performance of risk models and tools;
- Track corrective actions on risk;
- Appraise credit risk;
- Provide critical and meaningful challenges to business' assumptions when it comes to business' management of risks.

### Group Risk Management Framework (GRMF)



The risk management approach of the Group is underpinned by a sound and robust GRMF which is continuously enhanced to remain relevant and resilient in ensuring effective management of risks. The GRMF is supported by the following elements:

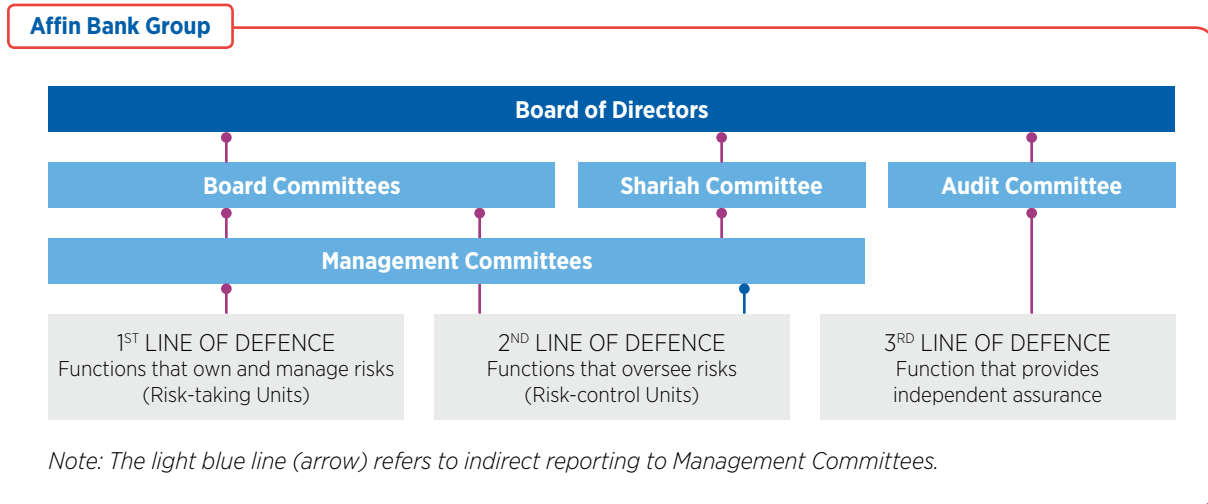
#### a. Risk Governance

Risk governance is the element through which the Board and Management establish the Group's strategy, articulate and monitor adherence to risk appetite and risk limits, as well as identify, measure and manage risks. The Group adopts the 13 Principles of Risk Governance as prescribed by Bank Negara Malaysia (BNM) to promote sound governance for the assessment and management of risks. The governance of risk is further supported by the Three Lines of Defence (3-LOD) model which outlines the functional segregation and key roles and responsibilities of the independent oversight functions as well as the business and support units within the organisation.

The 3-LOD Model demonstrates the relationship of the stakeholders in risk taking activities to promote effective risk management control, assurance and governance at all levels of the organisation. The relevant parties involved in the 3-LOD for risk management consists of the business and support units as the first line of defence, risk management and compliance functions as the second line of defence, and internal audit, the third line of defence.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The operationalisation of the 3-LOD model is illustrated below:



The Board, Board committees and Management committees are primary stakeholders served by the lines and therefore are not part of the model. Instead, they are responsible to provide support and guidance in ensuring that the model is reflected in the Group’s overall risk management and control process.

### b. Risk Appetite

Risk Appetite demonstrates the risk bearing capacity the Group and its subsidiaries are prepared to undertake and sustain whilst pursuing business objectives and strategic goals, which takes into consideration the potential adverse scenarios impacting the execution of its business plans.

It is established based on strategic directions set by the Board, combining a top-down view of the Group’s capacity to take risk with a bottom-up view of the business risk profile associated with each business unit’s short- and longer-term plans as well as taking into consideration other key risk areas.

The Group’s strategic goals are aligned to the Risk Appetite through the Risk Appetite Framework (RAF); an integrated framework encompassing the components in setting the Risk Appetite Statement (RAS) periodically for each subsidiary.

There are five pillars guiding the development of the RAS, grouped according to the risk types as well as qualitative and/or quantitative impact as follows:



### c. Risk Culture

Risk culture stems from the values, beliefs, knowledge and understanding about risk shared by the employees within the Group. Effective implementation of the GRMF is grounded on a robust and healthy Risk Culture, achieved through components of Tone from the Top, accountability, effective communication and financial/non-financial incentives.



#### d. Risk Management Policy

The Risk Management Policy is a statement of the Group's overall intentions and approach with respect to certain areas of risk management. Risk Management Policies should clearly state the objectives for, and commitment to, risk management.

The GRMF is supported by several Risk Management Policies which address the respective risk areas in further detail. At minimum, these policies would entail:

- a) The rationale for managing the risk areas
- b) Links between the Group's objectives and the Risk Management Policy
- c) Accountabilities and responsibilities for managing risks
- d) Commitment to make the necessary resources available to assist those accountable and responsible for managing risks

- e) The way in which risk management performance will be measured and reported
- f) Commitment to review and improve the Risk Management Policy periodically and in response to an event or change in circumstances

Adherence to Risk Management policies is mandatory at all times. Any deviations or exceptions are required to be escalated to the appropriate approving authorities in support of good governance.

#### e. Risk Management Organisation

Risk Management Organisation indicates that the appropriate structure is in place to support risk management and risk ownership at all levels of the Group. The effectiveness of a Risk Management Organisation stems from the implementation of all elements within the GRMF.

### TECHNOLOGY RISK MANAGEMENT FRAMEWORK (TRMF)

The TRMF sets out the Group's expectations in managing technology risks and building technology resilience by providing a framework to ensure the confidentiality, integrity and availability of the Group's information infrastructure and the underlying data.

The TRMF covers the control objectives and minimum standards to guide the Group and subsidiaries' IT department, third party service providers and other technology related services/functions/departments in managing the technology risks involved in daily operations. It is imperative that employees at all levels understand their roles and responsibilities in managing technology risks to minimise disruptions to critical business operations.

The Technology Risk Management Department plays an advisory role in fostering an organisational climate where technology risk is considered within the context of the design of business process, enterprise system architecture and system development life cycle.

### GROUP COMPLIANCE FRAMEWORK

A Compliance Framework has been put in place to facilitate, educate and monitor the management of business and support units/subsidiaries' activities to act in accordance with relevant laws, regulations and guidelines. In line with good governance, the Compliance Division reports independently to GBCC. The framework covers:

#### a. Policies and Procedures

Policies and Procedures are reviewed on a periodic basis or as and when required to reflect the changes in applicable legal/regulatory requirements and business practices.

#### b. Compliance Culture

In line with the Group's risk culture, the compliance culture is driven with a strong tone from the top, complemented by the tone from the middle, to embed the expected values and principles of conduct that shape the behaviour and attitude of employees at all level of business and activities across the Group.

#### c. Compliance Programme

The Compliance Programme consists of planned activities which include implementation of compliance related policies, compliance risk assessment, regulatory gap analysis, compliance matrix self-assessment as well as compliance review plan. This programme is regularly reviewed and improved to incorporate regulatory and industry changes as well as regulatory expectations.

#### d. Compliance Risk Assessment

Compliance Risk Assessment methodology and tools are established as enablers to support and monitor the effectiveness of the identification and assessment of compliance risk associated with business and operations.

#### e. Compliance Awareness

Scheduled compliance trainings, e-learning, communication and assessments are regularly conducted to continuously enhance compliance awareness and culture amongst the staff, Management and Board.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### SHARIAH SUPERVISION AND COMPLIANCE FRAMEWORK

The Shariah Committee (SC) of Affin Islamic Bank is responsible for overseeing all Shariah matters of Affin Islamic Bank and the Islamic Banking business of Affin Bank, and primarily to ensure that the Shariah rulings relating to Islamic banking products and services comply with Shariah and resolutions by the relevant Shariah authorities. It acts as an advisor on Shariah matters to all business and support units within Affin Islamic Bank and Affin Bank in carrying out their Islamic financial activities.

The Shariah Supervision and Compliance Framework (SSCF) is the enterprise-wide Shariah governance mechanism to be undertaken by relevant sections across Affin Islamic Bank and Affin Bank. The implementation of the SSCF is in line with BNM's requirements effected through the following functions:

- **Shariah Research**

Shariah Research is performed by qualified Shariah officers, mainly supporting the product development process in terms of application of Shariah concepts, in-depth research on Shariah principles and review of documents prior to submission to the SC.

- **Shariah Review**

Shariah Review is conducted by qualified Shariah officers as a compliance function. The Shariah Review function encompasses regular assessment on Shariah compliance in the activities and operations of Affin Islamic Bank Berhad and the Islamic Banking business of Affin Bank Berhad, including examining and evaluating the level of Shariah compliance, rectification measures to resolve non-compliances and control mechanisms to avoid recurrences.

- **Shariah Risk Management**

Shariah Non-Compliance (SNC) risk is identified as one of the material risks under the Islamic banking business. The Group Risk Management Division has established a dedicated Shariah Risk Management team to facilitate a systematic and consistent approach in managing SNC.

- **Shariah Audit**

Group Internal Audit Division provides independent assurance on the adequacy and effectiveness of the internal control systems and related policies and procedures implemented by management governing Islamic products and services. Findings related to potential SNC risks are reported to the Shariah Committee and GBAC.

### SYSTEM OF INTERNAL CONTROL

The Board and Senior Management have established a system of internal control based on segregation of duties, clearly defined roles and responsibilities and authority levels. Authority limits are imposed on the Management to govern the day-to-day risk-taking activities in matters relating to credit and treasury operations, acquisitions and disposals of assets and others.

Various Management Committees have been established to ensure oversight over the achievement of the overall Group strategic and business objectives. Channels of communication and procedures have been established for Management to review, discuss and resolve strategic, operational, financial and other key management issues/risks, including escalation of issues/risks to the Board.

The adequacy and effectiveness of internal control as well as the level of compliance with relevant laws, regulations, policies and procedures are subject to ongoing assessment by the risk management, compliance and internal audit functions of the Bank and its major operating subsidiaries. These control functions assist the respective Boards at the company's level and Board Committees at the Group's level in discharging their oversight responsibilities on the adequacy and effectiveness of the risk management processes and internal control system.



### GROUP BOARD AUDIT COMMITTEE

The GBAC is a Board delegated committee in charge of the oversight on financial reporting, disclosures and internal controls within the Group. GBAC provides independent appraisal on the adequacy and effectiveness of internal controls, risk management and governance processes implemented by Management through the Group Internal Audit function. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated policies and procedures that have a material impact on the Group.



Detailed information on GBAC is available on pages 123 to 124 of this Annual Report.

### GROUP BOARD RISK MANAGEMENT COMMITTEE

The Board is assisted by the GBRMC to oversee the sound management of all identified enterprise-wide risks including ensuring proper risk infrastructures, processes and controls in place to proactively manage and monitor risks within the Group's risk appetite.



Detailed information on GBRMC is available on page 111 of this Annual Report.

### GROUP BOARD COMPLIANCE COMMITTEE

GBCC assists the Board in the oversight and effective management of compliance risks across the Group as well as the integrity and governance matters for the Group.



Detailed information on GBCC is available on page 112 of this Annual Report.

### GROUP INTERNAL AUDIT DIVISION

The Board established GIA as the third line of defence which supports GBAC in providing independent and objective assessment on the adequacy and effectiveness of internal controls, risk management and governance processes of the Group. It is led by a Group Chief Internal Auditor, who reports functionally to the GBAC and administratively to the President & Group Chief Executive Officer (PGCEO). Its purpose, authority and responsibilities are defined in the Audit Charter, which is reviewed and approved by GBAC annually.

GBAC oversees the activities of GIA, its independence, adequacy of scope coverage and resources and approves the risk-based annual audit plan. All significant and material findings by GIA, external auditors and regulatory authorities are reported to GBAC for review and deliberation and subsequently escalated to the Board. Shariah related findings are escalated to the Shariah Committee. Through GIA, the GBAC monitors the status of remedial actions taken by Management to address issues identified by GIA, external auditors and regulatory authorities.



Detailed information on GIA is available on page 121 of this Annual Report.

### POLICIES, PLANS & PROCEDURES

Policies and procedures are formulated to ensure compliance with internal controls, relevant laws and regulations and to govern the business and operations of the Group. These policies and procedures are subject to periodic review based on a structured review and governance process to ensure continuing relevance to the changes in the business & regulatory landscape as well as operational needs.

There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, gift policy, etc.

Some of the key policies, plans and procedures in place include:

#### People Office Policies and Procedures

People Office Policies and Procedures (POPP) are in place and provide clarity to the organisation in all aspects of people management within the Group. The POPP are reviewed periodically to ensure policies and procedures remain relevant and appropriate controls are in place to manage operational risks. Updates and revisions to the POPP, if any, are communicated timely to all employees via the intranet.

The Code of Ethics sets out sound guiding principles and standards of behaviour and conduct expected of all employees. It is aligned to the BNM's Code of Ethics for banking institutions in all its entities. It is the minimum code of conduct that is expected from all employees in the conduct of their daily business operations.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Various initiatives and training programmes are conducted regularly to address ongoing human capital requirements and knowledge management. The e-learning facility at Affin Bank, Affin Islamic and AHIB provides employees with the freedom of time and space to continuously upskill and enhance their knowledge in building core technical competencies relevant to their area of work. A performance-based appraisal framework is established to evaluate, develop and reward our employees accordingly.

A fair, transparent and consistent consequence management process is in place in dealing with staff who fail to ensure its conduct, behaviour and work performance to be in line with the Group's expected standards of internal control, compliance and Code of Ethics.

### Business Continuity Management Policy

The Group has established the Business Continuity Management Policy which sets out the objectives, scope, strategies and response procedures as well as the lines of authority and responsibility for effective implementation of business continuity management throughout the organisation. In addition, Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) are established for critical business functions and critical application systems respectively and are regularly tested to ensure the preparedness of staff, the readiness of alternate worksites, the reliability of backup IT systems, and the effectiveness of communication, escalation and recovery procedures. Any changes in systems, applications and procedures are updated in the DRP.

### Group Credit Policy on Sustainable Financing

The Group's sustainability agenda is focused on creating long-term value for shareholders and partnering clients to make positive Environmental, Social and Governance contributions to the markets that the Group operates in. The GCPSF has been established to set out the key components and approach in managing the ESG aspects of lending and financing activities that the Group is involved in. It sets the standards for the recognition of ESG risks to be adopted by the respective business divisions within the Group.

The Group's commitment to sustainable lending/financing is guided by the following principles:

- a) The incorporation of ESG considerations into the Group's financing activities to effectively manage ESG risks and realise ESG opportunities;
- b) Engagement and dialogue with clients or counterparties to improve on ESG awareness and compliance;
- c) Identifying opportunities to minimise the ESG impact of the Group's operations, products and services; and
- d) Avoiding financing activities which contravene any laws or regulations pertaining to environmental, social and governance matters.

### Anti-Money Laundering/Counter Financing Terrorism

The Group continues to strengthen its enterprise-wide AML/CFT programme by adopting a risk-based approach to ensure that the key measures emplaced to prevent and mitigate money laundering and terrorist financing activities, commensurate with the business and compliance risks that have been identified and assessed. The Group remains vigilant over the level of compliance at all business divisions with regards to AML/CFT requirements and measures. Thematic audits are also carried out at branches and subsidiaries to assess the adequacy and effectiveness of internal controls for AML/CFT compliance, on a regular basis.

### Group Anti Bribery and Corruption Policy

In the Group's sustained efforts to ensure continuous compliance to applicable laws and regulations against bribery and corruption, the Group has put in place a Group Anti-Bribery and Corruption Policy in May 2020, pursuant to section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment Act 2018). The policy adopts a zero-tolerance stance on bribery and corrupt activities amongst its associated persons. The Group is against all forms of bribery and corruption, regardless of the amount involved. A strong stance against such acts has been published on the corporate website.

### Whistleblowing Policy

The Group's Whistleblowing Policy & Procedures (the Policy) encapsulates the governance and standards to promote an ethical, responsible and secure whistleblowing practice. This is in-line with the requirements in BNM's Corporate Governance Policy and the principles prescribed in the Whistleblower Protection Act 2010. The Policy is aimed to provide proper and secured avenue(s) for the Group's employees and/or members of the public who have knowledge of or is aware of any improper conduct to report any suspected fraud, corruption, criminal activity or staff unethical conduct/behaviour, without facing any adverse consequences, such as retaliation.

All whistleblowing cases are reported to the Group Whistleblowing Committee and oversight is performed by an independent non-executive director. The Group is wholly committed to ensure strict confidentiality and will not only protect the identity of the complainant but will also protect the complainant from any harassment and victimisation due to the disclosure. Our whistleblowing channels are published on the corporate website.



### Annual Business and Capital Plan

Structured framework and processes are in place with regards to the development of annual business and capital plans. The significant operating entities' annual business plans and financial budgets are tabled and approved at their respective Boards, before consolidation at the Group's level and all internal capital targets are set on a yearly basis. Variances between the actual and targeted results are presented to the Board on a periodic basis to allow for timely responses and corrective actions to be taken to mitigate risks.

### Anti-Fraud Policy

The Anti-Fraud Policy outlines the vision, principles and strategies for the Group to foster a culture of vigilance to effectively combat fraud which includes detection, escalation, remedy and deterrence of future occurrences. Robust and comprehensive tools and programmes are deployed to enforce the Policy, with clear roles and responsibilities outlined at every level of the organisation. The Group's Management has zero tolerance to fraud and demands high standards of integrity and professionalism in every employee, consistent with the Group's cultural beliefs. Appropriate disciplinary actions are taken against employees involved in fraudulent activities, in line with the Group's consequence management process.

## CONCLUSION

The Board has received reasonable assurance from the President and Group Chief Executive Officer and Chief Financial Officer that the Group's risk management and system of internal control are adequate, effective and efficient in all material aspects during the financial year under review based on Shariah requirements, Risk Management and Internal Control system adopted by the Group.

Taking into consideration the assurance from the management and input from the relevant assurance providers, it is viewed that the Group's risk management and system of internal control are operating adequately and effectively to safeguard shareholders' investments, customers' interests and the Group's assets.

## MATERIAL JOINT VENTURE AND ASSOCIATES

The disclosures in this statement do not include the risk management and internal control practice of Affin Bank Group's material joint ventures and associates. The Group's interest in these entities are safeguarded through the appointment of representatives to the respective board of directors or through nominated representatives. Additionally, where necessary, key financial and other appropriate information on the performance of these entities are obtained and reviewed by the Board.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The Statement on Risk Management and Internal Control has been reviewed by the external auditors for inclusion in the annual report for the financial year ended 31 December 2021. The external auditors have reported that it is, in all material aspects, factually correct and in line with Audit and Assurance Practice Guides (AAPG) 3 (Revised) by Malaysia Institute of Internal Auditors (MIA) and para 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing requirements.

Note: AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

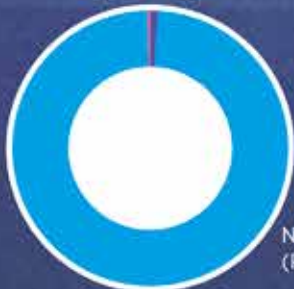
# SERVING SUSTAINABLE SOLUTIONS TO ALL STAKEHOLDERS

## APPROVED AND ACTIVE REPAYMENT ASSISTANCE AS AT 31 DECEMBER 2021

### Community Banking

URUS **0.1%**  
(RM0.01 billion)

FAIR **0.6%**  
(RM0.08 billion)



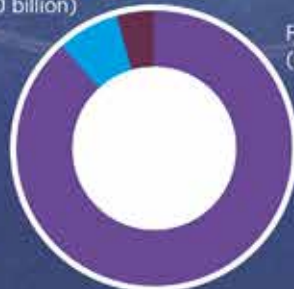
**Total**  
57.5% (RM8.02 billion)

### Corporate Banking

NRA **2.1%**  
(RM0.30 billion)

COVID-19 R&R **1.2%**  
(RM0.17 billion)

FAIR **25.1%**  
(RM3.50 billion)



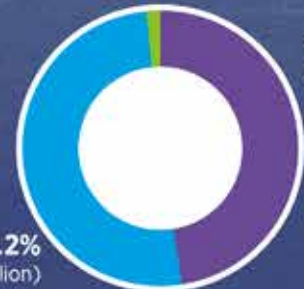
**Total**  
28.4% (RM3.97 billion)

### Enterprise Banking

COVID-19 R&R **0.2%**  
(RM0.03 billion)

FAIR **6.7%**  
(RM0.93 billion)

NRA **7.2%**  
(RM1.00 billion)

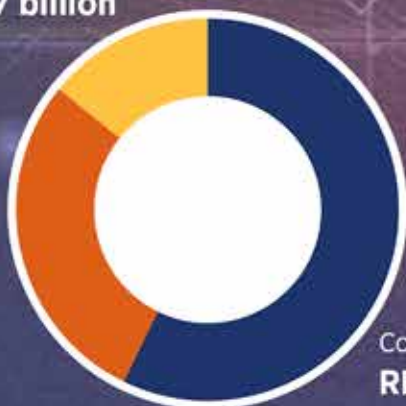


**Total**  
14.1% (RM1.97 billion)



Enterprise Banking  
**RM1.97 billion**

Corporate Banking  
**RM3.97 billion**



Community Banking  
**RM8.02 billion**

Total Loans Under  
Repayment Assistance:  
**RM13.96 billion**  
(27.2% of total loans)

# SUSTAINABILITY STATEMENT

## TRANSFORMING TOWARDS A SUSTAINABLE FUTURE

### Setting the Foundation

The challenges of the past years have clearly underscored the vital role of sustainability in organisations, and how it allows them to respond well to stakeholders and the community. At Affin Bank, we have raised the priority of our aspiration to embed sustainability in our journey of metamorphosis to transform ourselves as a progressive bank that creates long-term value for our stakeholders in a sustainable way. We are committed to integrating and aligning our business strategy and decision making that balances growth with responsibility.

Our approach to sustainability is focused on the Environmental, Social and Governance pillars. Through these pillars, we seek to uphold governance, deliver on stakeholders' interests, foster a safe and harmonious workplace, strive for financial inclusion through meaningful financial solutions, and protect the environment.

In this Sustainability Statement, we present our progress and key milestones achieved on our journey towards being a sustainable organisation. Our sustainability approach is informed by our materiality assessment and stakeholder engagement, which we conduct once every two years.



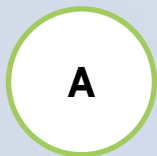
*For more information, please refer to our previous Sustainability Statement (Annual Report 2020, pages 91-158) as well as relevant parts of the 2021 Annual Report including the Management Discussion and Analysis on pages 60-103 and Corporate Governance on pages 106-122.*



## Core Values and Sustainability

### Sustainability is part of our core values

We have long recognised the principle of sustainability as a vital value to drive long-term prosperity. This principle is crystallised as part of our set of core values that shape and define Affin Bank’s culture, and act as the lens through which drive our efforts to serve our people and our customers meaningfully.



Always innovating and adapting



Forever working as a team as we are one family



Fair treatment, diversity and **SUSTAINABILITY**



Integrity is our foundation



Never ending customer centricity

Our Purpose is to develop and deliver responsible financial solutions that create value for individuals, businesses, the community and the environment.

## Our Purpose

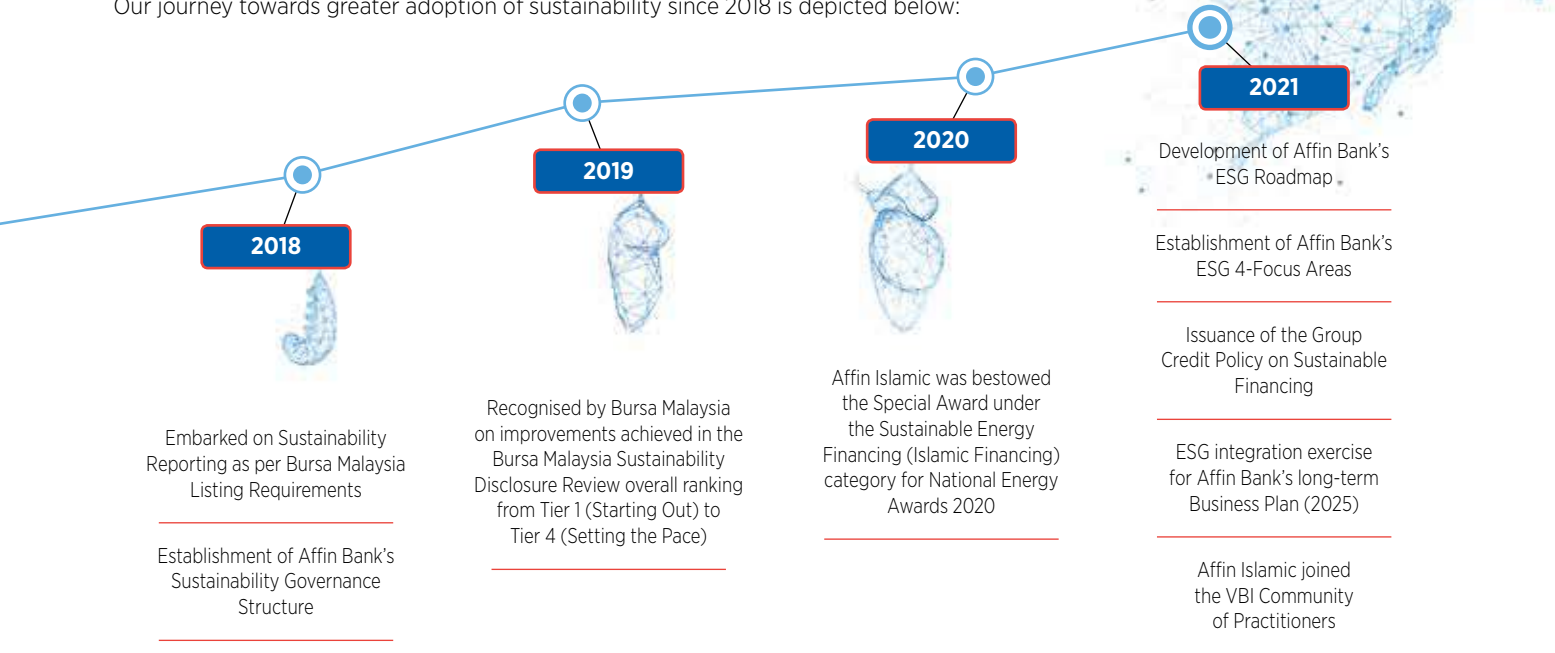
Our Purpose guides our strategy, behaviours and actions towards the delivery of long-term value. We are aware that operating a sustainable business requires a thriving economy, a well-functioning society and a healthy environment. We are committed to delivering on this Purpose in a manner that is consistent with our values.



## SUSTAINABILITY STATEMENT

### Affin Bank's Sustainability Journey and 2021 Highlights

Our journey towards greater adoption of sustainability since 2018 is depicted below:



### ESG Focus Areas

Our five-year ESG roadmap lays the foundation and identifies key enablers to steer us on our sustainability journey. The four identified Focus Areas enable us to integrate and drive ESG adoption across our business operations. These four Focus Areas aim to provide us with a clear framework that will serve as a guide in defining our goals and priorities, and aligning our actions towards our transformation to become a stronger, sustainable bank.

<p><b>1 Sustainable Finance</b></p> <p><b>Support the Development of Sustainable Products and Services</b></p> <ul style="list-style-type: none"> <li>Strengthen the implementation of ESG risks considerations into our financing risk assessment</li> <li>Explore more opportunities in Sustainable Sectors for Sustainable Finance i.e. environmental and social product and financing</li> </ul>	<p><b>3 People &amp; Culture</b></p> <p><b>Embed Sustainability DNA within Our People &amp; Culture</b></p> <ul style="list-style-type: none"> <li>Create a diverse and inclusive environment for our employees, with opportunities for personal and professional growth to enable them to reach their full potential</li> <li>Instill the Sustainability DNA through the Affin Core Values</li> </ul>
<p><b>2 Sustainable Operations</b></p> <p><b>Promote More Sustainable Operations</b></p> <ul style="list-style-type: none"> <li>Embrace technology to make processes more efficient and strive towards an unrivalled customer experience</li> <li>Transform internal processes and infrastructure to mitigate operational impact on the environment and across the value chain</li> </ul>	<p><b>4 Community Support</b></p> <p><b>Support the Local Communities</b></p> <ul style="list-style-type: none"> <li>Optimise community contribution by investing in impactful community programmes and initiatives that are critical to supporting the community's fundamental causes</li> </ul>











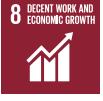





## Affin Bank's Sustainability Impacts

For us, being sustainable is about how we seek to have positive impacts on our people, our customers, our shareholders and the broader community and environment over the long term. We manage and address these impacts across the four identified ESG Focus Areas.

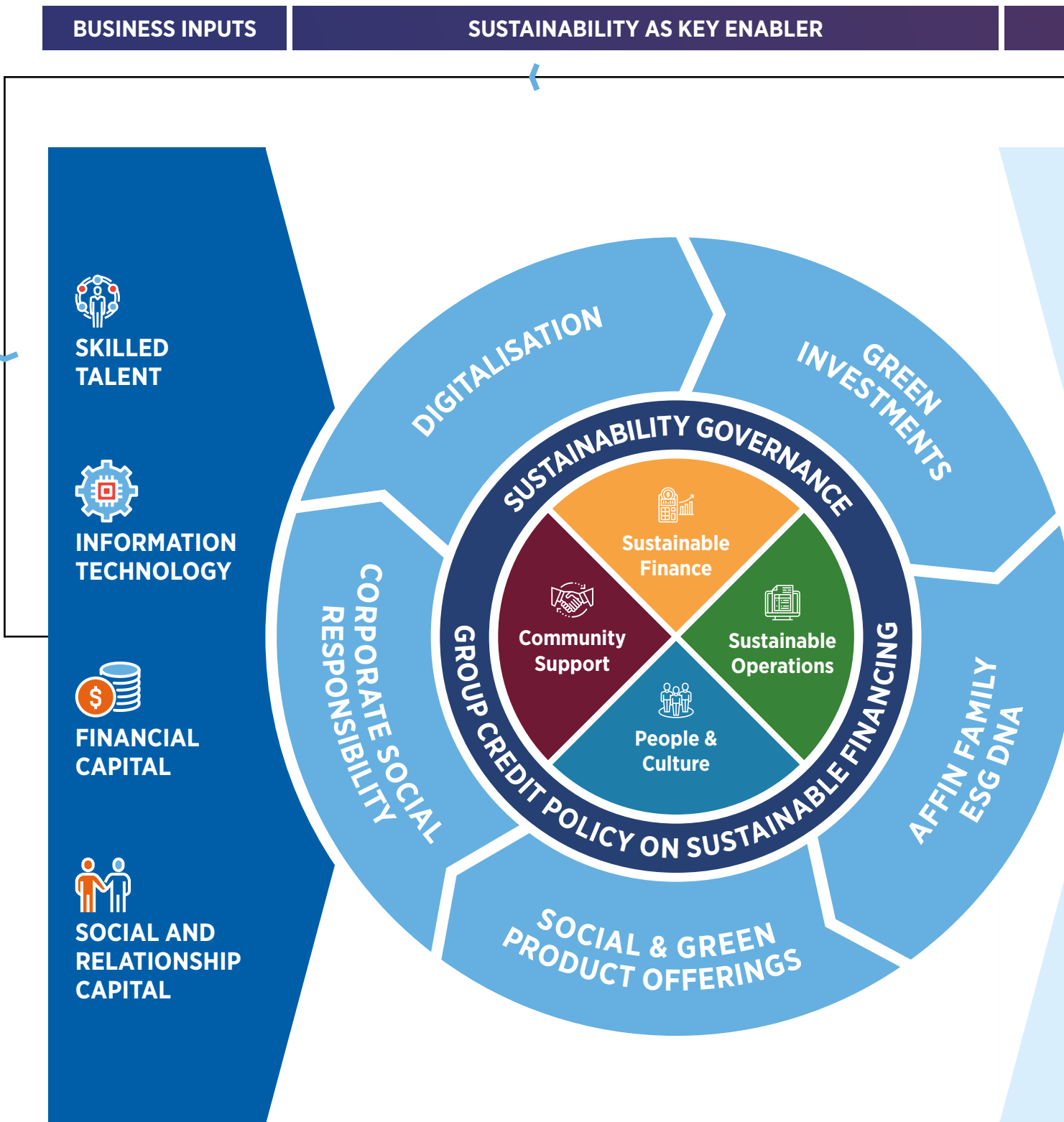
### CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS AND VALUE CREATION MODEL

Our imperatives under the four Focus Areas are aligned with 13 United Nations Sustainable Development Goals (UNSDG) based on our value creation for the economy, society and environment. Our Focus Areas also encompass our commitment to manage and monitor our 11 Sustainability Matters which we will highlight in the following sections of the Sustainability Statement.

Focus Areas	United Nations Sustainable Development Goals (UNSDG)	Affin Bank's Sustainability Matters
 <p><b>Sustainable Finance</b></p>	      	<ul style="list-style-type: none"> <li>Responsible Financial Services</li> </ul>
 <p><b>Sustainable Operations</b></p>	   	<ul style="list-style-type: none"> <li>Digital Innovation</li> <li>Data Privacy &amp; Security</li> <li>Client Focus</li> <li>Responsible Marketing</li> <li>Sustainable Procurement Practices</li> <li>Environmental Management</li> </ul>
 <p><b>People &amp; Culture</b></p>	    	<ul style="list-style-type: none"> <li>Ethics &amp; Integrity</li> <li>Fair Employment Practices</li> <li>Talent Development</li> </ul>
 <p><b>Community Support</b></p>	    	<ul style="list-style-type: none"> <li>Community Development</li> </ul>

## SUSTAINABILITY STATEMENT

### Affin Bank's Value Creation Model





VALUE WE CREATE



**Outcomes**

- RM50 million in Green Financing
- Issuance of Group Credit Policy on Sustainable Financing
- Introduction of Aladdin
- Supporting the growth of SMEs and start-ups
- Introduction of AFFIN Solar Financing-i
- Introduction of AFFINGEM
- 40% reduction in water consumption
- 30% reduction in paper usage
- Contributed over RM3 million in community development programmes
- Contributed over RM6 million of zakat to improve the lives of those in need



### AFFIN Education Financing-i

financed over

**RM47 million**



### Start-Ups Financing

financed over

**RM470 million**

to over **6,000** start-ups

### Green Financing

financed over

**RM50 million**

of **solar** and **biogas** projects



### Green Sukuk

Principal Adviser, Lead Arranger and Lead Manager for UiTM Solar Dua Sdn Bhd's

**RM100 million Green SRI Sukuk**

### ESG Risk Assessment

Issuance of Group Credit Policy on

**Sustainable Financing**

**Over 400 staff** trained on Group Credit Policy on Sustainable Financing



Focus Area

1

## Sustainable Finance



### Support the Development of Sustainable Products and Services

#### INCORPORATING ESG AND CLIMATE RISK FACTORS IN OUR FINANCING ACTIVITIES

Global warming is fast becoming a very real threat that can adversely impact the long-term sustainability of our economy, people and planet. As a financial institution, we are linked to customers across a wide range of sectors, including those that have the potential to cause a significant impact on the society and environment. We recognise that we have a role to play in fostering and influencing action among customers to support the global transition to a low-carbon economy and advance their sustainability efforts. We work with our customers and clients to respond to the challenges of ESG and climate risk issues by developing financing solutions that support sustainable development.

#### Group Credit Policy on Sustainable Financing

In August 2021, we introduced the Group Credit Policy on Sustainable Financing to provide a robust framework to identify and classify our customers and counter-parties in line with the guidance provided by Bank Negara Malaysia's Climate Change and Principle-based Taxonomy (CCPT) document.

Effective October 2021, all non-retail financing is required to be assessed using the ESG Risk Assessment Checklist. The results of the assessment form a critical aspect of the credit deliberation and approval process.

As we continue to embark on our ESG journey, we seek to identify, document, monitor and control the transition, physical and litigation risks associated with climate change and ESG in general which may have an impact on our business through potential deterioration in the credit risk of our customers or counter-parties.

We are committed to upholding the principles of "responsible lending" and embracing ESG consideration as part of our credit culture.

#### Supporting Transition to Low Carbon Economy

In 2021, we expanded support to businesses moving towards a low carbon economy with sustainable financing for a 10MW solar photovoltaic plant and a 1.56MW biogas plant with over RM50 million collective financing. Going forward, we aim to invest in more green financing as aligned to our five-year ESG Roadmap and Sustainable Finance Focus Area. This is demonstrated by the target of 5% of financing to be from sustainable product offerings set by Corporate Banking. We will also focus on exploring more opportunities in the Renewable and Energy Efficiency sector primarily on Large Scale Solar (LSS) and expand our green market segment that will include Electric Vehicle (EV) Infrastructure.

To encourage a broader segment of society in the uptake of green efforts, we made the AFFIN Solar Financing-i (SOLAR-i) available to the public effective 17 December 2021. SOLAR-i is an unsecured financing facility that provides financial assistance to individual customers to purchase and install Solar Photovoltaic System (SPV System) for residential and non-residential properties. For the inception stage, SOLAR-i will be available from our Klang Valley branches only and shall be gradually introduced throughout all Affin Bank's branches in phases.

#### Our Role in Responsible Investment

In playing our part to influence change towards greater sustainability, we strive to encourage the market towards adopting more responsible investment strategies that integrate ESG elements. We are guided by the Securities Commission Malaysia Sustainable & Responsible Investment (SRI) Sukuk framework and ASEAN Green Bond Standards in developing ESG-related products and services via our Affin Hwang Investment Bank Berhad. Affin Hwang Investment Bank Berhad aims to increase the share of green assets in our portfolio, as well as improve and enhance our income stream for ESG assets.

AHIB was the sole Principal Adviser, Lead Arranger and Lead Manager for UiTM Solar Dua Sdn Bhd's RM100 million Green SRI Sukuk. The Sukuk was issued in early March 2021. The current deals in the pipeline include funding projects with green and SRI elements such as renewable energy projects. We also have exposure to bonds in electricity, gas and water supply segments in the Renewable Energy sector. Our Treasury Division is also looking towards performing ESG risk level assessment as well as monitoring ESG-related exposure on our investment.

## SUSTAINABILITY STATEMENT

In 2021, AHAM launched the Affin Hwang SGD Bond Fund, a retail Socially Responsible Investing unit trust fund issued in line with the Securities Commission Guideline on Sustainable and Responsible Investment Funds. The fund applies Negative Exclusion as its primary ESG investment strategy where investments into sectors such as alcohol, military weapons, and coal mining are prohibited. The fund size has grown to approximately RM43 million since its inception.

AHAM also launched two wholesale ESG funds that are managed externally.

### Affin Hwang World Series

**Global Sustainability Fund** that feeds into the Allianz Global Sustainability Fund. The target fund invests in global equity with sustainable growth and measurable positive impact on society.

**Global Climate Change Fund** feeds into Schroder International Selection Fund Global Climate Change Equity fund. The target fund invests in equities of companies that benefit from climate change adaptation and resilience efforts such as clean energy, sustainable transport and energy efficiencies.

### OUR INCORPORATION INTO THE VALUE-BASED INTERMEDIATION FINANCING AND INVESTMENT IMPACT ASSESSMENT FRAMEWORK (VBIAF) SUB-WORKING GROUP

We have forged ahead in advancing BNM's Value-Based Intermediation (VBI) principles, which align with creating sustainable value and making a positive impact on the community and the environment. This includes collaborating with other industry players to strategically advance the VBI agenda among the Islamic Financial Institutions in Malaysia, under the VBI Community of Practitioners platform, and guided by the following mandates:

- To serve as a single reference point to identify possible impediments related to VBI
- To spur industrywide VBI initiatives
- To promote continuous industry-wide knowledge exchange
- To expand the pool of expertise and talent in VBI in Malaysia

In 2021, Affin Islamic was incorporated as part of the sub-working group of the VBIAF 2<sup>nd</sup> Cohort of the Sectorial Guide Working Group (SGWG) to develop the Sectorial Guide for the manufacturing industry. The document has been published on the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) website for public consultation for a period of three months from 7 October 2021 to 7 January 2022.

### Responsible Investing Policy

As part of our demonstration of responsible investing, AHAM has a Responsible Investing Policy that applies to all internally managed funds. The policy sets out to integrate ESG considerations into the investing strategy, supplemented by two firm-wide exclusion policies which are the Sanctioned Countries and Controversial Weapons. We view ESG as a risk management tool. Applying ESG risk factors in our investment assessment allows us to take a more holistic and integrated view of the companies we invest in. We focus on material ESG risks and opportunities that the company faces and assess their ability to manage these issues. We also rely on external ESG rating reports as well as internal questionnaires and engagements with the companies and other industry players to understand these material ESG issues further. Where there are major controversies, we would reach out to the management of the company to better understand the situation and their action plans to address these concerns. We do not exclude a company purely on the grounds of a poor ESG rating, but rather assess their mitigating actions and their plans moving forward. As ESG risk factors are ever-evolving, we conduct regular engagements with the investee companies to facilitate information and knowledge exchange. The purpose of our corporate engagement activities is to seek further understanding of the company's ESG risks and opportunities, and allow them the opportunity to understand our expectations as well. This will go some way to encourage the investee companies to uphold certain standards of governance and sustainability. The drafting of the Responsible Investing Policy also takes into consideration industry best practices as well as the investment objectives and risk profiles of our clients.

We also apply the responsible investment (RI) approach to our Insurance business which is embodied in the Responsible Investment Policy. We define RI as the integration of ESG considerations into our investment processes and ownership practices. Sector-based restrictions apply to sectors or companies that face acute social, human rights, ethical or environmental challenges. These currently include controversial weapons, coal mining and coal-based power generation, tar oil sands and associated pipelines, palm oil, food commodity derivatives, and tobacco. We have in place an underwriting guideline and business exclusion (i.e. coal, controversial weapons, tobacco, palm oil, and sanctions) to be complied with in the underwriting process.



**OUR CONTINUOUS EFFORTS TOWARDS FINANCIAL INCLUSION**

We are committed to helping businesses, especially SMEs and start-ups to scale up and be part of the contributing economy while guiding them towards ESG for greater sustainability. When they do well, the country does well too. In doing so, we are also mindful of extending support to segments that are often overlooked such as women entrepreneurs. Enterprise Banking offers financial solutions that aim for financial inclusion with a target of 10% of the total financing portfolio to be from sustainable products and services by 2025. Our Enterprise Banking segment is also planning to expand its Sustainable Finance portfolio to green financing, which includes BizSolar Financing as part of our pipeline from 2022 onwards.

Current portfolio having nearly <b>30,000 start-ups</b>	SME Colony app downloaded more than <b>30,000 times</b> across major platforms	Number of start-ups financed nearly doubled to 445 compared to 2020 with more than <b>RM477 million of financing disbursed</b>
Approximately <b>1,800 AFFINWRKFZ</b> members		Approximately <b>1,000 AFFINGEM</b> members

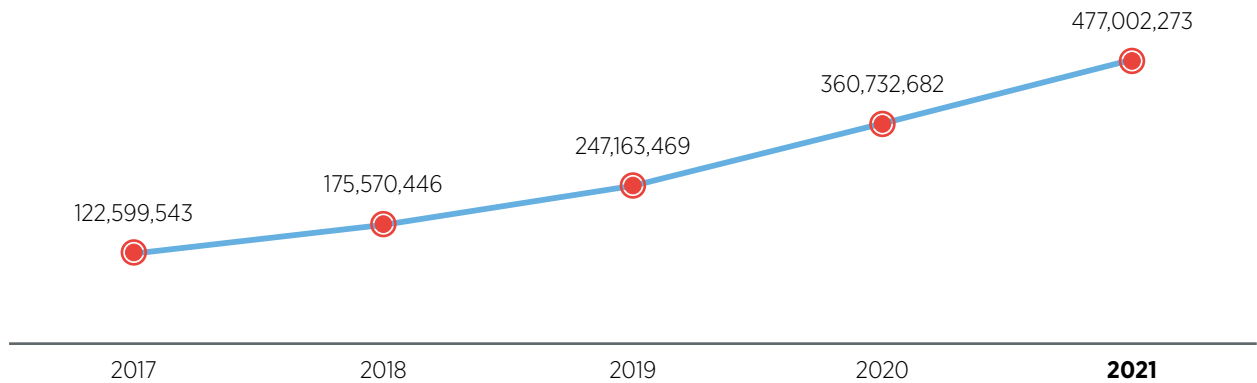


Our Enterprise Banking financial inclusion performance as at 31 December 2021.



Please refer to Management Discussion and Analysis under Enterprise Banking on page 86 for more information on the products offered.

**Start-Up Financing Portfolio - Enterprise Banking (RM)**



In line with advocating greater financial inclusion, we extend support to the SME segment by empowering them with knowledge and information to make informed business decisions. Our award-winning SME Colony app supports the growth of SMEs, including the underserved segments, by helping the SME community improve their business knowledge, enhance financial wellbeing and expand commercial networking among business partners. As the economic backbone of Malaysia, SMEs are undoubtedly the drivers of the nation's productivity and innovation with enormous upside potential. In line with the National Agenda for Entrepreneurship as well as the United Nations Sustainable Development Goals, SME Colony app is Affin Bank's digital solution to foster and spur the growth of SMEs inclusively, with particular emphasis on the social element, with its intrinsic ESG components.

**Affin Bank** was recognised as the **first Malaysian bank** at the **Global SME Finance Awards 2021** with an Honourable Mention under the **Product Innovation of the Year** category for its innovative digital flagship SME Colony mobile app, which received positive reception from the SME community since its launch

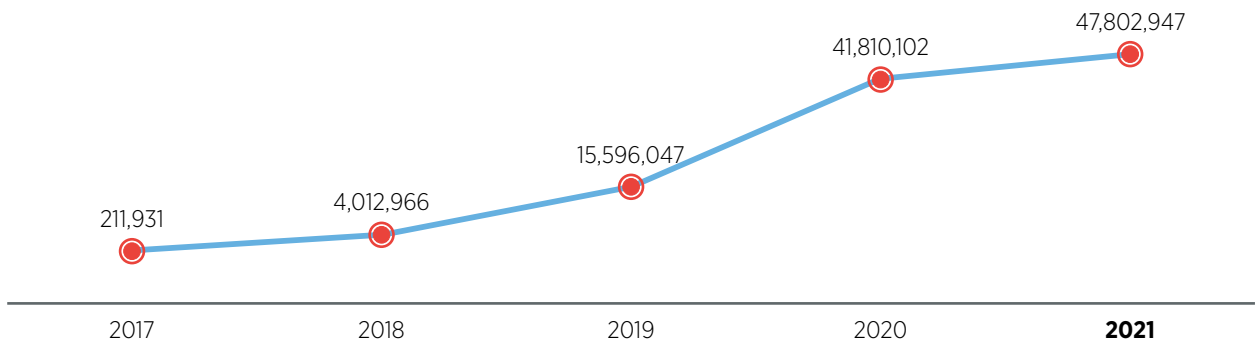


## SUSTAINABILITY STATEMENT

### AFFIN Education Financing-i

Education is the foundation of knowledge and an important enabler of financial inclusion. We support the pursuit of higher learning by offering AFFIN Education Financing-i, a Shariah-compliant scheme designed for qualified individuals to obtain financial assistance for their education plan. Based on the concept of Ijarah, the financing will cover students' study programme for a truly seamless learning experience. Cumulatively, we have financed over RM47 million from AFFIN Education Financing-i till financial year-end 2021.

**AFFIN Education Financing-i**  
(RM)



### Insuring the B40s and Underserved Segments

In driving greater financial inclusion, we also look to strengthen social protection. AXA Affin General Insurance focused on the development of offerings catered to the B40 and underserved segments. These products are designed to be affordable, easily accessible, easy to purchase and with convenient claim processes for these target segments. In 2021, we enhanced our Motorcyclist Personal Accident insurance policy. The policy provides add-on cover for motorcycle insurance that protects against accidental death and permanent disablement due to an accident, which now comes with roadside assistance and towing.

### First Standalone Outpatient Medical Insurance in Malaysia for Informal Workers

The gig economy is expanding which means there are more informal workers without the benefit of medical insurance typically given to formal workers. AAGI launched AXA SmartMedi Outpatient - the first standalone outpatient medical insurance in Malaysia catering to the needs of the self-employed segment.

### Expanding Coverage to Include COVID-19 Care

Most insurance companies do not provide hospitalisation coverage for COVID-19 in their medical policies. AXA Affin Life Insurance Berhad, on the other hand, rolled out the COVID-19 Complimentary Fund to support existing and new customers.

Features of our COVID-19 Complimentary Fund:

<p><b>RM1,000 cash</b> if quarantined in a government designated quarantine centre due to COVID-19</p>	<p><b>RM10,000 cash</b> for our customers' immediate family if death due to COVID-19</p>	<p><b>RM2,000 cash</b> for stroke due to COVID-19 vaccination side effects</p>	<p><b>FREE</b> COVID-19 polymerase chain reaction (PCR) Test worth RM190</p>	<p>Goodwill Health Cashless Assistance for COVID-19 hospitalisation up to <b>RM2 million</b></p>
<p><b>RM2,000 cash</b> if quarantined in a government or private hospital due to COVID-19</p>		<p><b>Up to RM10,000</b> for intensive care unit hospitalisation due to COVID-19</p>		

Focus Area

2

Sustainable Operations



**Affin Online**

About

**20% increase**

in user count (over 2.7 million users)



**AFFINMAX**

Over

**80% increase**

in AFFINMAX subscribers



**SME Colony**

**54% increase**

in app downloads



**NPS Score**

**+34**

*Note: Figures only for Affin Bank and Affin Islamic*

**Local Suppliers**

almost

**RM500 million**

spent on local suppliers

**Water consumption**

almost

**40% reduction**

in water consumption



**Paper usage**

almost

**30% reduction**

in paper usage

**TRX – OUR GREEN BUILDING**

TRX is a state-of-the art project where sustainability is a key element embedded into its Development Code. We have the Energy Efficiency infrastructure towards higher energy efficiency to lower operating cost and reduction in carbon footprint. Affin Bank's new building is also certified with both Green Building Index (GBI) & Leadership in Energy and Environmental Design (LEED) – Gold, that signifies a certification for highly efficient, cost-saving green buildings.

**TRX – Energy and Resource Conservation Features**

**WATER EFFICIENCY**

Maximise the use of alternative water resources, while reducing potable water consumption



**ENERGY EFFICIENCY**

Infrastructure with higher energy efficiency to lower operating cost and reduce carbon footprint



**INDOOR ENVIRONMENTAL QUALITY**

Promotion of Green Education awareness and long-term benefits to the health and well-being of employees'

**TRANSPORTATION AVAILABILITY ALTERNATIVE**

Well-connected development with easy access to the only underground interchange station of the KL MRT 1 & 2

**EASY ACCESS TO BASIC SERVICES**

Strategically located within the Tun Razak Exchange

**SUSTAINABILITY STATEMENT**

Focus Area **2** Sustainable Operations 

**Promote More Sustainable Operations**

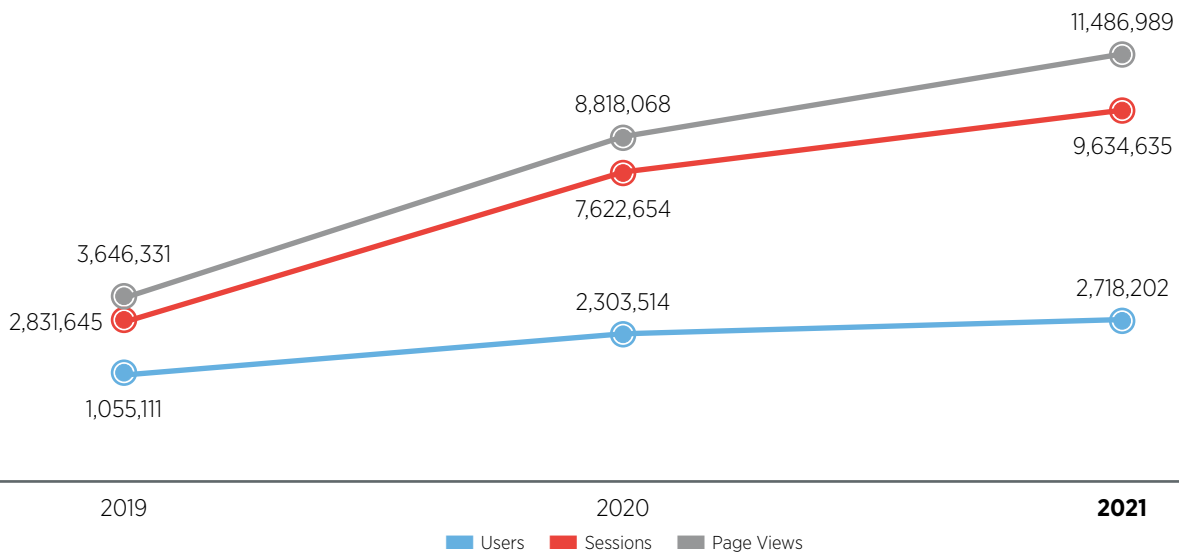
We strive to operate in a responsible, digital and environmentally friendly manner by mitigating our own operational footprint as well as ensuring sustainability across our value chain to accelerate operational sustainability.

**OUR CUSTOMERS - ALWAYS ABOUT YOU (SENTIASA UNTUK ANDA)**

Our tagline of 'Always About You' reflects our pledge to uphold our customers' best interests at all times. In this regard, we take any feedback given by our customers very seriously and endeavour to address them expediently in order to minimise the number of complaints. Through engagements with the respective business owners, all complaints are analysed and steps are taken to respond in a timely manner. Any gaps found are addressed expeditiously and reviews are conducted to improve our processes, especially in areas with repeat or recurring complaints. Due to the complexity of some cases which require thorough investigating, resolution times may be extended. Nevertheless, clients and customers are informed of the progress on a timely basis.

We have embarked on several initiatives to enhance our customer experience. We have increased the capacity and made improvements to Affin Online, our retail Internet banking platform. We have seen an approximately 20% increase in our Affin Online in 2021. In addition, the sessions and page views on Affin increased to 26% and 30% respectively, and we expect to continue rising in 2022.

**AFFINOnline Performance**





We aim to provide our clients 'Unrivalled Customer Service' which reflects our tagline 'Always About You'. Aligned to our metamorphosis aspiration to become an unrivalled customer service provider, we focus on five strategic initiatives which are to build and transform customers' journey, nurture and internalise a customer-centric culture, enhance Net Promoter Score (NPS), strengthen Complaint Management & Governance, and promote service education to all employees.

Affin Bank and Affin Islamic targets are to progressively grow the Customer Satisfaction (CSAT) and NPS in line with our next three-year programme. In 2021, we started tracking our NPS across key touchpoints on top of the Brand NPS. From this exercise, we derived areas of improvement from customer feedback and tracked its implementation to ensure we continue to increase customer satisfaction and engagement.

Under our AIM22 strategy, we gathered customer insights to understand their requirements based on their life stages and financial goals. With the gathered insights, we built the customer journey that addressed their pain points and collaborated with business units on areas of improvement.

Key customer experience and journey initiatives in 2021:

- Applied a customer-centric journey to elevate their experience to new digital offerings, consolidated customer insights drawn from internal and external sources to drive improvements, and tailored products and services to the customer segments according to their persona
- Undertook 'Voice of the Customer' initiative across the various key customer touchpoints bank-wide to understand feedback throughout the value chain
  - Conducted Design Thinking Workshop to inculcate an appreciation of the customer journey culture among staff, spark innovation and creativity to solve real customer pain points, and improve inter-departmental collaboration
  - Implemented the 'Voice of the Customer' initiative to uncover customer needs and how they interact with our products and services, close the feedback loop and gain deep insights by listening to our customers
- Conducted Complaint Awareness Reporting & Education sessions on voluntary escalation of gaps for improvement and complaint prevention, and improving transparency and accountability of complaint preventive action
- We deep-dived into our key retail products' customer journey to identify and address areas of improvement to enhance our customer's experience. Customer segment tagging was implemented to enable our branch staff to serve customers better

We have also aligned our products and services to offer personalised solutions to our customers based on their financial goals and needs. This is now made available through the new AffinAlways website which can be accessed anytime at their convenience.

Our branch adoption programme, League of Champions 2.0, was also extended to branches nationwide. The programme which started as a pilot for the Klang Valley branches, aimed to foster and strengthen the relationship between Senior Management and branch staff, and acts as a platform to assess and improve the overall branch experience to serve our customers better.

An effective complaint handling process results in engaged customers. Our processes are regularly reviewed, and best practices are adopted to enable fair treatment of customers' concerns. Customers are engaged throughout the complaint handling process to ensure that they are adequately informed of the progress as well as to ensure that their priorities are taken care of. All complaints received will be immediately acknowledged and the customers will be advised verbally or in writing on the next course of action in resolving their complaint.

## OUR DIGITAL TRANSFORMATION TOWARDS VALUE CREATION

### Digitalisation

The COVID-19 contagion has accelerated the adoption of digitalisation across all segments of society as contactless and remote engagements rise. This has inadvertently led to a drastically changing consumer behaviour. In our efforts to continuously assess and improve ourselves, we took this as an opportunity to reimagine and transform service experience, with digitalisation a key enabler. We crafted our Affin Digital roadmap to prioritise customer experience and service excellence.

Making sure our customers find it easy, seamless and efficient to navigate their journey digitally is key to our sustainability. Our Aladdin digital bank proposition is part of our future-proof digital strategy to cater to the changing customer behaviour. The mobile-only bank app leverages eKYC technology to enable customers to open an account digitally within 10 minutes - right from the palm of their hands.



*Our digital efforts are detailed in the Management Discussion and Analysis of this Annual Report.*

## SUSTAINABILITY STATEMENT

### AXA Affin General Insurance Partners with Finology to Offer End-To-End Digital Motor Insurance Online

As part of our digital journey in providing customers with multi-channels for engagements and reflecting their changing acceptance of purchasing financial solutions online, AAGI partnered with Finology - a Malaysian Fintech company that specialises in enabling seamless lending and insurance for consumers and businesses, to offer end-to-end digital motor insurance. This strategic partnership will see Finology as a digital distribution driver for AAGI, to create and deliver simple yet specialised insurance products through highly efficient digital platforms. With Malaysia having the highest percentage of digital consumer population in Southeast Asia, this initiative will expand AAGI's distribution channels and address the unmet needs of digital customers.

### AXA Affin General Insurance Partners with Carsome to Offer Used Car Buyers a Holistic Digital Solution

AAGI proudly partnered with Malaysia's first technology unicorn, Carsome, to create an all-rounded automotive ecosystem and bring added value and peace of mind to used car buyers. AAGI is the first and only provider of Guaranteed Asset Protection - Return to Insured Value (GAP-RTIV) product solution on the Carsome platform, which allows customers to get protection easily with GAP-RTIV insurance when purchasing a used car from Carsome. This strategic partnership will not only enable AAGI to create a differentiated customer experience during the used car buying process, but also expand its digital distribution footprint and plug the gap within the digital automotive marketplace.

We will continue to leverage technology advancement to support our customers in building financial resilience by promoting insurance awareness and penetration as our pillar of growth. As part of our 'Customer First' strategic value, we aim to offer more insurance protection options that are instant, effortless, affordable, and customisable to address the needs of our customers. This includes building the same digital capabilities with our agents and business partners, as well as reaching out to the underserved and unserved segments.

AALI established long-term targets that include:

- Move towards 95% customer-facing operational paperless initiatives
- Move towards 30% mobile Customer Portal
- Move towards 95% customer-facing operational e-communication
- Move towards facial and biometric recognition for self-service portal
- Move towards AI (Chatbot) customer service at call centre
- Move towards e-Jet claims channel, and minor claims online channel

### Data Privacy Is Always Our Top Priority

Keeping customer data and accounts safe is a priority and we continue to strengthen our systems governing data privacy and security. We have several security systems that protect our Bank in accordance with regulatory requirements. We conduct various security awareness campaigns which include sending periodical reminders and awareness emails as well as information security awareness bulletins to our employees. We require our people to take mandatory annual training and conduct assessment programmes for employees via e-learning to ensure that they keep abreast and updated on the importance of data privacy and security matters.

As part of our onboarding programme, we also provide security awareness briefing with quizzes in the induction course for all new joiners with ongoing surveys to assess their level of understanding of security matters. Cyber drill trainings are conducted as well.

We also conduct compliance monitoring, regular vulnerability scans and assessments to ensure security and compliance levels of the implemented controls. This is done in tandem with a yearly assessment and assurance review from an independent party.

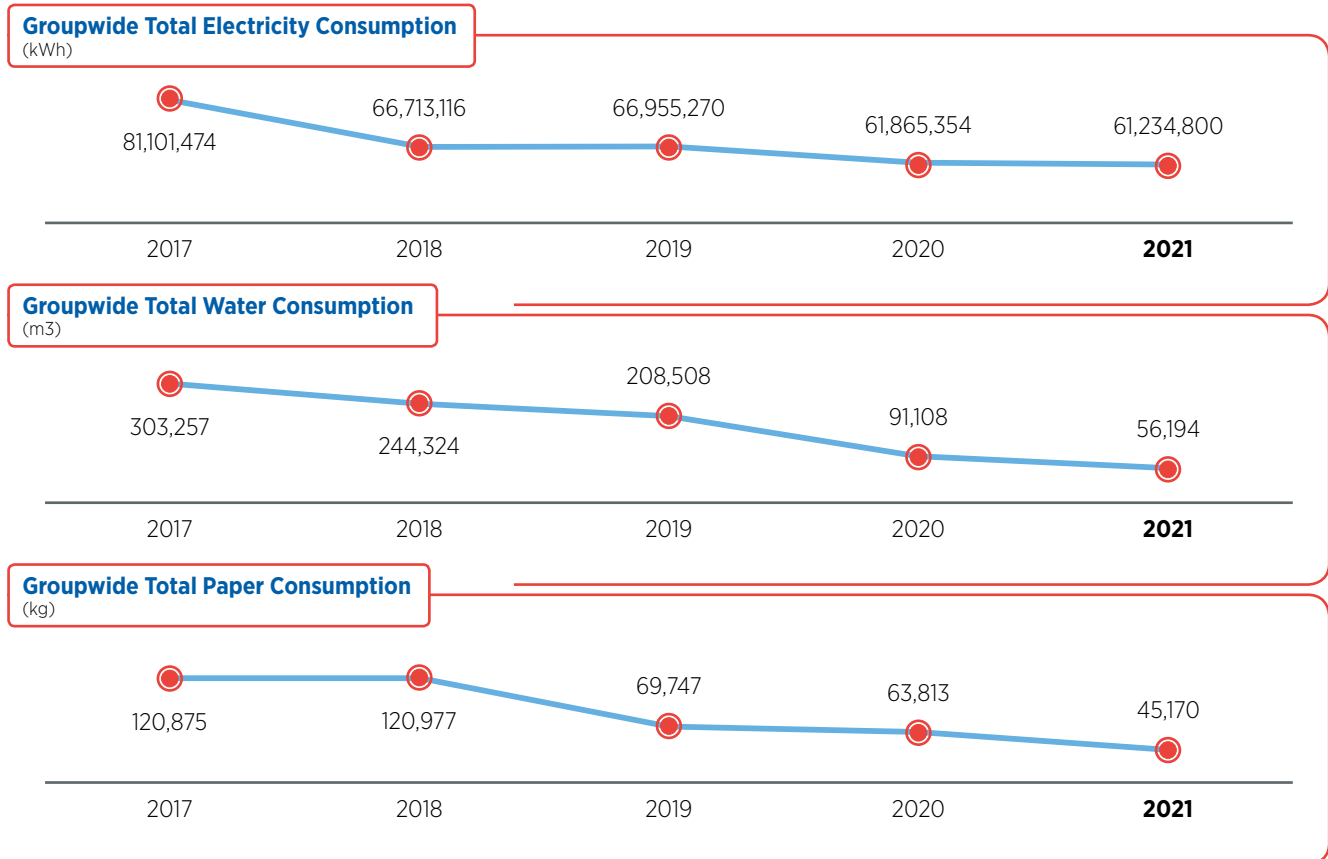
In 2021, AALI had updated the following policies to manage data privacy and security:

- Personal Data Privacy Policy Version 3.0 June 2021
- Personal Data Retention Policy Version 3.0 April 2021





**REDUCING OUR OPERATIONAL ENVIRONMENTAL IMPACT**



As we move rapidly up our digital transformation metamorphosis, our employees are required to leverage technology platforms when carrying out their day-to-day activities. We extend this advocacy to our customers as well by encouraging our customers to use our digital platforms. As part of our sustainability and green drive, we promote the use of e-Statements instead of using paper. Effective 1 July 2021, we no longer send physical statements for Savings Account/Savings Account-i to customers, which is in line with our Go Green commitment.


Part of greening the environment is also reducing our energy consumption. We minimised electricity usage by installing motion sensor lighting, moving towards energy-saving Light Emitting Diode (LED) and increasing the temperature settings of our centralised air conditioning. In 2021, we installed energy-saving LEDs across some of our branches. Apart from that, we also installed automatic water-saving taps in toilets across some of our branches.

In 2021, we installed energy efficiency equipment across our branches to reduce electricity consumption. We have also initiated the assessment to green our branches and be powered by renewable energy sources. We have identified some of our selected branches to be installed with rooftop solar Photovoltaics (PV) system to minimise dependency on non-renewable energy. We expect to be able to further reduce our energy consumption by up to 20% from these branches. Completion of this pilot initiative is targeted in 2022.

With regards to IT waste, we engaged specialist IT recycling vendors to properly process obsolete IT equipment and adhere to IT manufacturers’ waste disposal instructions to ensure it is aligned with the legal requirements of IT waste management.

We have also placed recycling bins in Menara Affin as part of our initiative to encourage recycling behaviour among staff. We managed to recycle over 2,600 kg worth of paper in 2021. In 2021, we also increased campaigns for our staff to encourage sustainable behaviour.




 More information on how we instil environmentally friendly behaviour among our staff can be found under Focus Area 3: People and Culture section of this Sustainability Statement.

## SUSTAINABILITY STATEMENT

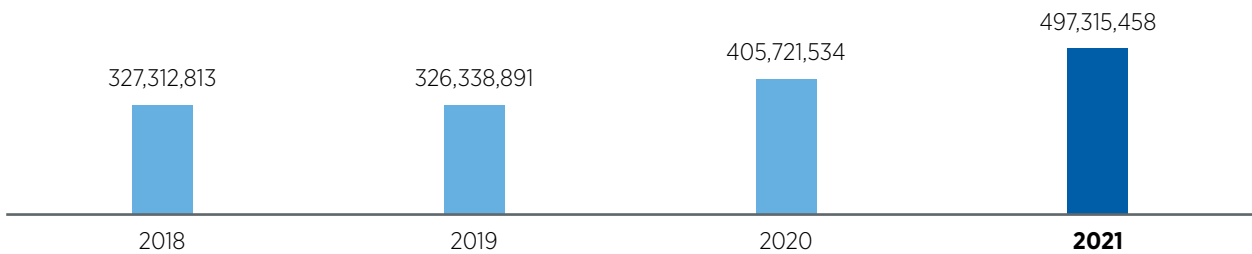
### RESPONSIBLE SOURCING

While we do not have specific ESG-related policy for suppliers or vendors, we incorporate elements of ESG in our procurement considerations. Our Insurance business' Procurement Policy requires commitment from suppliers, for deals of RM2 million and above, to be socially and environmentally responsible by formally accepting its compliance requirements regarding financial crime, human rights, labour and environmental fundamentals before selection commences.

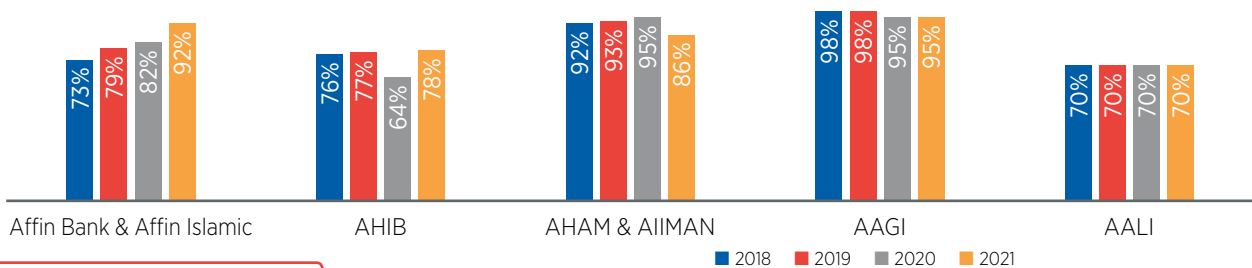
 For more information on the example of our responsible procurement best practices, please refer to our previous Sustainability Statement (Annual Report 2020, page 138)

As part of our initiative towards supporting local businesses, we prioritise engaging and partnering with local suppliers.

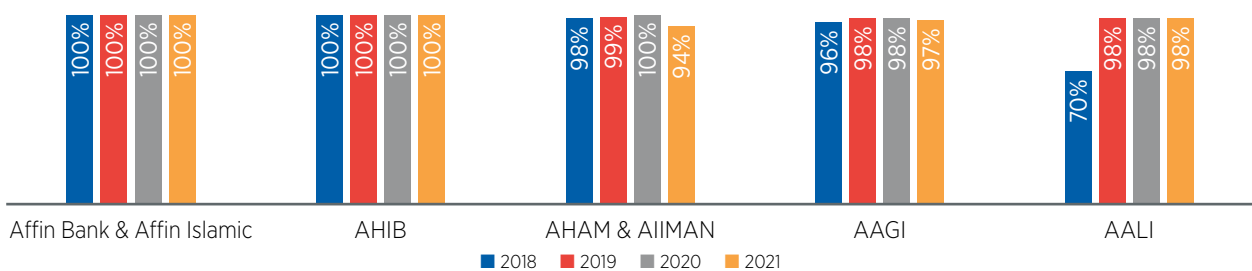
**Groupwide Amount Spent on Local Suppliers**  
(RM)



**Percentage of Local Suppliers**  
(IT)



**Percentage of Local Suppliers**  
(Non-IT)



In 2021, we initiated the plan to develop an ESG Supplier Assessment strategy. Similar to our ESG credit assessment, we aim to factor in ESG considerations within our supply chain management.

### GREEN PROCUREMENT

In our direction to embed more sustainability elements in our purchase considerations, we have been procuring environmentally friendly products and equipment to furnish our new Affin Bank headquarters to ensure it is aligned with the Green Building Index & Leadership in Energy and Environmental Design – Gold standards.

 For more information on our new headquarter's energy and resource conservation features, please refer to our previous Sustainability Statement (Annual Report 2020, page 151).

We also source for paper made from recycled raw materials or from “sustainably managed” forests with recognised certified eco-labels such as the Forest Stewardship Council (FSC).

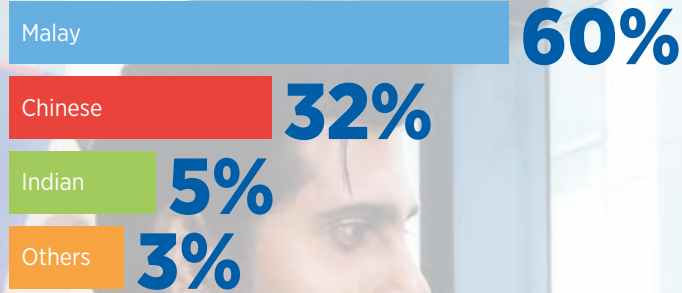
Focus Area

3

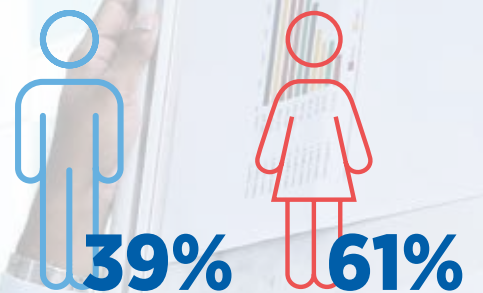
People & Culture



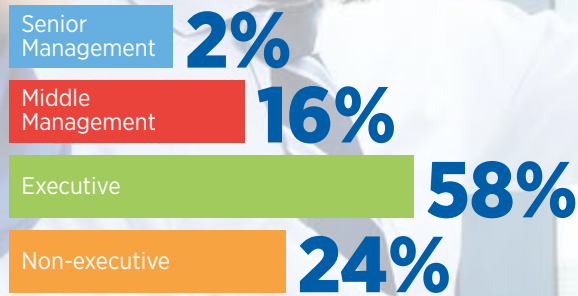
Workforce by Ethnicity



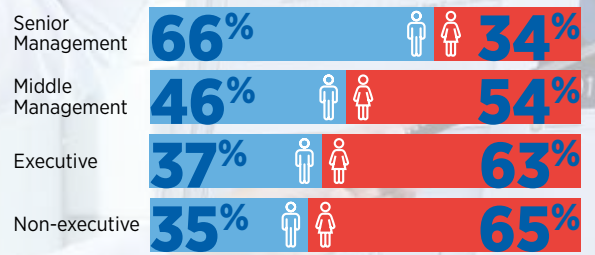
Workforce by Gender



Workforce by Position



Workforce by Position (Male vs Female)



Amount Invested in Employee Training Programmes

**RM5 million**

Number of Employees Sponsored for Employee Training

**461**

Number of Employees Certified with Professional Industry Certifications

**108**



## SUSTAINABILITY STATEMENT

Focus Area

3

### People & Culture



#### Embed Sustainability DNA within Our People & Culture

We aspire to be “the Most Inspiring Company to Work for”. Our journey towards this mission is guided by three Transformation Pillars:



##### **TALENT & DEVELOPMENT**

Building Talent & Leadership  
Bench for Business  
Sustainability



##### **CULTURE**

Team High  
Performance Culture



##### **PEOPLE SOLUTIONS**

To be a Trusted Advisor  
& a Credible Business  
Partner



*Our People and Culture Transformation efforts are detailed in the Management Discussion and Analysis on page 63 of this Annual Report.*

#### OUR ESG LEADERSHIP

The tone at the top is important to drive effective implementation of ESG matters throughout the organisation. Our leadership plays a critical role in setting the direction of embedding Affin's Five Core Values in each and every one of our employees.

In order to promote a culture of ethics and integrity throughout Affin Bank, we take a top-down approach to maintaining high standards of transparency, honesty and sound values through our various policies related to corporate governance.



*For more information on our policies related to corporate governance, please refer to our previous Sustainability Statement (Annual Report 2020, pages 113-114) and the Corporate Governance Overview Statement section.*

In 2021, ESG topics have been high on our leadership's agenda particularly on our Sustainability Governance. Some of the key topics presented in 2021 include the progress of our ESG Roadmap, the Group Credit Policy on Sustainable Financing, as well as establishment of our four ESG Focus Areas and its targets.



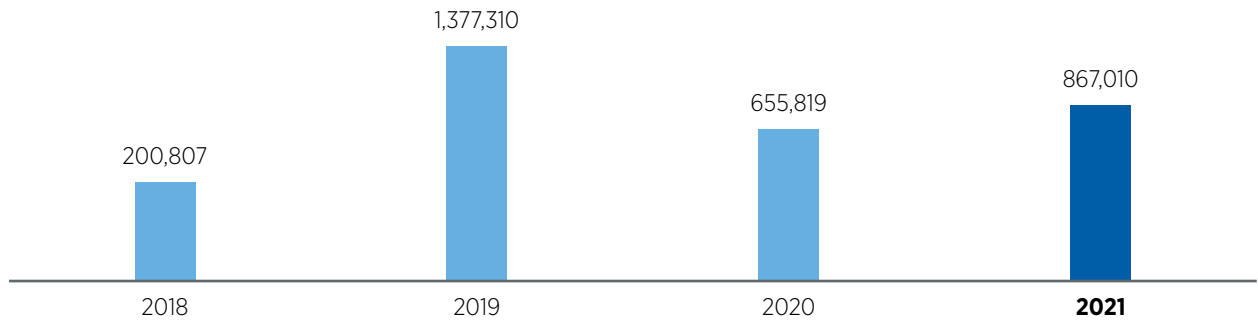
*For more information on our Sustainability Governance Structure, please refer to our previous Sustainability Statement (Annual Report 2020, page 94).*

Since the roll out of our Group Credit Policy on Sustainable Financing, we have also been presenting the credit papers that include our clients' ESG assessment to Group Management Credit Committee and Group Board Risk Credit Committee, where we assess the ESG impacts of our clients including on the impact from Climate Change.

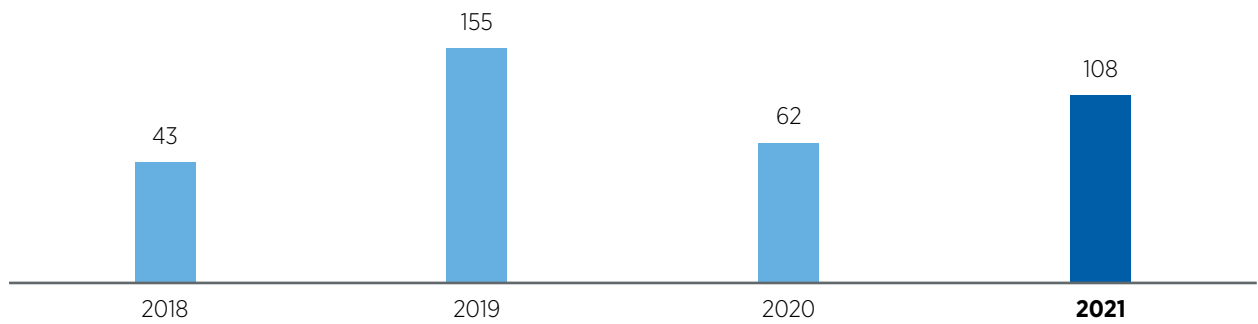


**EMPLOYEE TRAINING**

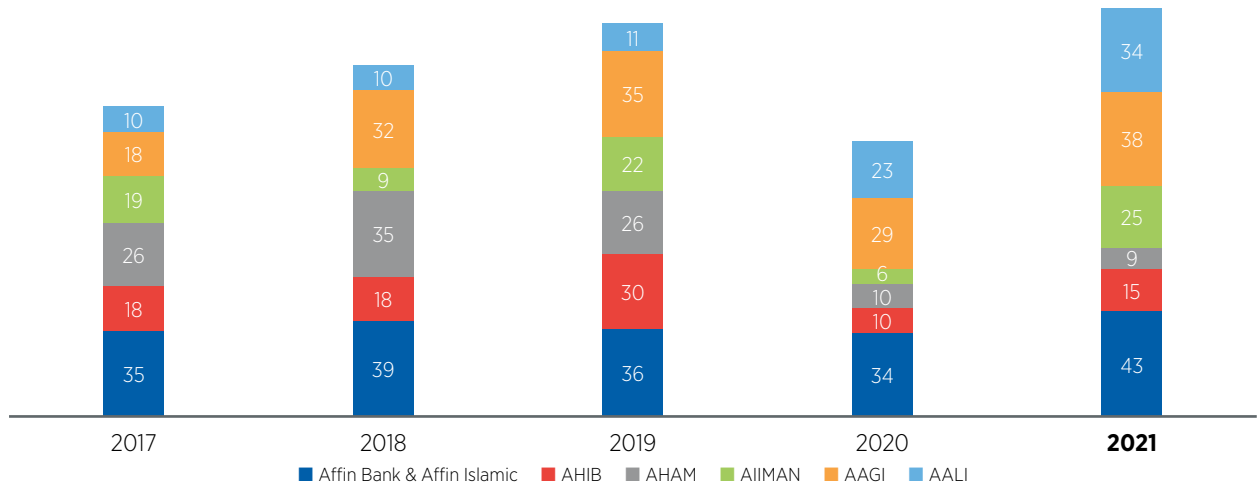
**Groupwide Amount of Sponsorship for Employee Training (RM)**



**Group Number of Employees Certified with Professional Industry Certifications**



**Total Training Hours per Employee a Year**



## SUSTAINABILITY STATEMENT

In embracing ESG leadership, the governance aspect is instilled through enhancing awareness of conduct and execution on matters vital to upholding trust and confidence among our stakeholders. We conduct regular training for our staff on issues critical in the financial services industry such as on Anti-Money Laundering, Anti-Terrorism Financing and data privacy and security. In order to develop a future-ready workforce, the Bank will also provide digital training that emphasises digital awareness and power-up programmes. The Future of Work (FoW) helps to provide a people-first approach that would future-proof employees to navigate an increasingly digital world. Employees are upskilled and reskilled to build an enterprising mindset and business skillset for emerging roles that are currently in demand across the organisation. We also provide sponsorship for employees' personal development through certifications and qualifications mainly offered by the Asian Institute of Chartered Bankers (AICB). Future-proofing jobs and enabling our people with the relevant skills are crucial to building a sustainable organisation.

On top of that, in 2021 we conducted trainings on ESG for our staff, Senior Management and Board of Directors. To keep our Board and Management updated on ESG and climate risks, we conducted an ESG awareness training in 2021 by external trainers. The training incorporates the key roles of the Board and Senior Management to ensure the banking operations are resilient against climate risk impacts. Sessions such as these also allow us to strategise opportunities to transit to a low carbon economy. This will also help us to be in a better position to improve on our climate risk management disclosure and embark on the Task Force on Climate-Related Financial Disclosures (TCFD) in the near future.

We have also conducted an internal Sustainable Finance training for over 400 staff from Business Units, Group Credit Management, Treasury, Business Support (Risk Management, Legal, Compliance, Finance, Business Operations, Internal Audit) and Human Resources.

Affin Bank is also developing a mandatory e-Learning module for all staff on an Introduction to Sustainability training that is expected to be rolled out in the second quarter of 2022. The topics that will be covered include ESG, the impact of climate change and the roles of financial institutions in achieving sustainable development.

### WE CARE FOR ALL OF OUR EMPLOYEES

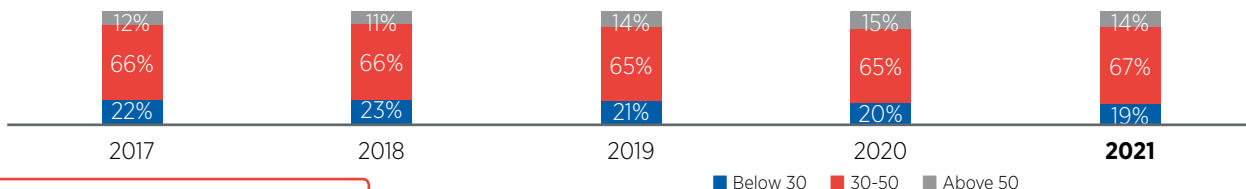
**Workforce by Position**  
(Male vs Female)



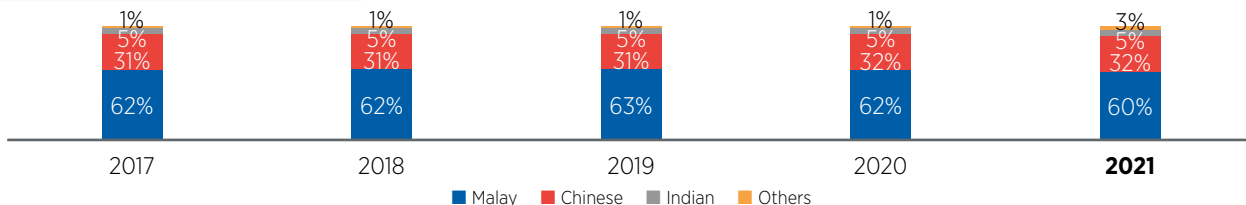
**Groupwide Workforce by Gender**  
(%)



**Group Workforce by Age**  
(%)



**Groupwide Workforce by Ethnicity**  
(%)





Our people are at the core of our success. We are committed to building a dynamic and engaged workforce by embracing workforce diversity, equality, and inclusivity as well as developing meaningful engagements for continuous improvement. As part of our equal employment and inclusive employment practices, we also employ disabled individuals. We take into account the nature of their disability and match them with the jobs available. In addition, various aspects such as accessibility and other potential barriers that may affect their ability to carry out their duties efficiently are considered prior to their employment to ensure that they are set up for success. As of 2021, we have five disabled individuals under our employment.

AALI was the first organisation in the industry to run an Inclusion Survey in which we openly received our employees' views on inclusiveness. To ensure that our employees work in a safe and conducive environment, we issued the Harassment Policy in 2021 which outlines the scope of harassment and commitment to prohibiting harassment in the workplace, the mechanisms and procedures to lodge complaints and reporting on harassment-related behaviour, definition of workplace violence and the disciplinary procedures on harassment and workplace violence-related behaviour.

Innovation is an important tenet of sustainability, and crucial for fit-for-future jobs. We encourage a culture of innovation and continuous improvement among our employees. We piloted the first-ever AXAHackathon to encourage the simplification of ideas and celebrate small wins.

Recognising the importance of clarifying misunderstandings and preserving harmonious working relationships, we take reasonable effort to attend to any employee's inquiries or complaints seriously with the aim to resolve any complaints and grievances at the lowest possible level before any escalation is necessary, following the procedures as stated in the staff handbook.

We view employee engagement feedback as one of the most important tools for continuous workplace improvements, and have in place various dedicated platforms for employees to give their feedback. This helps us to identify employees who are unhappy and disengaged. As part of our employee engagement approach and given the extraordinary times in which we are operating, we raised the priority of issues addressing diversity, mental health and physical well-being. We also have in place a grievance mechanism, which is a formal complaint process that can be used by our employees who are negatively affected by our business activities and operations. We undertake efforts to resolve any misunderstandings and grievances in a timely and equitable manner.

The Health and Safety of our employees are our number one priority, more so during the unprecedented situation following the pandemic. We continued placing importance on implementing strict Standard Operating Procedures, especially on COVID-19 at the workplace, to ensure that everyone worked together to keep each other safe.

## SUPPORTING WOMEN

As part of our efforts to promote diverse and inclusive leadership, our employee ESG initiatives focus on championing the women@Affin agenda. Our accomplished female talents are given the proper support with the right skill set as part of building

a sustainable leadership bench for business sustainability and continuity. In addition, the Bank has also launched Affin Wellness to encourage a holistic approach to the well-being of the Affin Family, as part of our aim to create a healthy and highly engaged work environment.

In conjunction with International Women's Day and to appreciate the contribution of all female staff, the Senior Management of Affin Bank distributed flowers to all employees of Affin Bank. The event was held at Menara Affin.



**A** Group People Office hosted a celebratory event to honour female employees of Affin Bank as an effort of championing a diverse, equitable, inclusive and valued workplace.

AHIB published a special edition e-newsletter where selected female figures in the company shared their experience as active career women and the challenges they faced, especially working in the financial industry. Among the figures interviewed were Puan Mona Suraya Kamaruddin, CEO of AHIB, Puan Hatini Mat Husin, Senior Director, Debt & Capital Market, as well as AHIB's front desk staff who have been working diligently as the face of the organisation and providing the best service for our customers.



Leading with the global theme "Choose to Challenge", AAGI and AALI celebrated International Women's Day by creating greater awareness of diversity and inclusion through talks by the Chief Executive Officer as well as issuing an invitation to the public to pledge their commitments towards diversity and inclusivity.

In 2021, our Insurance Business also launched the Women@AXA to focus on four pillars which are Work, Aspirations, Leadership, and Life, to support women's development in the organisation.

## SUSTAINABILITY STATEMENT

### EMBEDDING SUSTAINABILITY PRINCIPLES WITHIN OUR BEHAVIOUR

We seek to promote a healthy corporate culture of high standards, governance, and professionalism. This is key to attracting and retaining good talent, and serves as a differentiating factor in our aim to provide unrivalled customer service. The Code of Ethics and Code of Conduct stipulates the sound principles that will guide employees in discharging their duties and sets out the standards of good banking practices. The purpose of the Code of Conduct is to uphold the good value of the Bank and the high standards of integrity and professionalism of our employees. The Code outlines the business conduct and ethical business practices which aim to promote compliance with the Group's conduct, policies and procedures, and applicable laws and regulations. The Code of Ethics and Conduct policies are regularly circulated and conveyed to all employees through our internal communication platforms, and introduced during induction programmes.

On top of that, as part of our Five Core Values, our leadership views Sustainability as a critical element to ensure we embed sustainable principles in staff behaviour and across our banking operations. This concept is regularly communicated to our people through the Sustainability Digest, a weekly e-poster that showcases examples of embedding sustainability in our behaviour. To ensure the message reaches all levels of the workforce, we ensure the content is simple and catchy, and made available in both English and Malay. We also provide weekly quizzes to test our staff's awareness levels and make learning about sustainable behaviour fun. On top of that, we also include the 'Walk the Talk' slot every fourth week of the Sustainability Digest where we share sustainable behaviour practices from our very own Affin Family, including from Senior Management.



### BUILDING APPRECIATION FOR THE ENVIRONMENT

Energy consumption, emissions, and climate change can significantly impact the environment. As Affin Bank moves forward in its consideration of green and responsible financing, we also ensure our people have the right awareness of environmental matters. For the year in review, we initiated several awareness programmes within Affin Bank.

#### World Environment Day

We held an awareness campaign on World Environment Day 2021. Led by our PGCEO and other Senior Management personnel, we handed out potted plants to our staff on the morning of World Environment Day. We encouraged staff to bring greenery to their workplace to reduce indoor toxic air and brighten up the office. During this campaign, we also developed e-posters on how we can practice sustainable behaviour at the office.



*Distribution of potted plants on World Environment Day 2021.*

#### Global Recycling Day

In the spirit of Global Recycling Day 2021, we placed recycling bins in our building to encourage our staff to adopt the sustainable behaviour of recycling. Our PGCEO addressed the employees on the importance of recycling and its impact on the environment. We also developed e-posters to advocate the importance of recycling to all staff, both in English and Malay.





### Digital Detox Day Movement

Digital technology has transformed the way we live. Today, emails, searches and cloud storage produce 900 million tons of Carbon Dioxide (CO<sub>2</sub>) annually. In the effort to raise awareness and help reduce carbon footprint, AAGI launched a Digital Detox Day Movement among employees.

Employees were encouraged to remove all the unnecessary files from their mobile devices and share the before and after results of their mobile device storage space clean up exercise for a chance to be rewarded with RM50 e-vouchers. Five winners with the highest percentage difference in their before and after mobile device storage spaces were rewarded with RM50 e-vouchers.

### Climate Crisis Virtual Talk

Recognising that climate crisis is impacting human lives and health in many ways, AAGI and AALI invited the Free Tree Society (FTS), an environmental organisation, to conduct a Virtual Climate Crisis Talk to educate employees about the science, impacts and solutions of climate crisis. Close to 300 employees gained valuable insights about the climate crisis and how they can contribute to the environment.

### Butterfly Adoption Virtual Talk

Butterflies are an indicator of a healthy environment and ecosystem. AAGI and AALI invited the Melaka Butterfly & Reptile Sanctuary to conduct a Butterfly Adoption Talk to educate employees about the butterflies - their life cycle, role in the ecosystem, conservation, and adaption process. Over 340 employees attended the Butterfly Adoption Talk. This talk served as a good analogy of the metamorphosis journey that the Bank is undergoing.

### Introduction to Composting and Waste Management Virtual Talk

AAGI and AALI partnered with Urban Hijau, a non-profit organisation to conduct a virtual talk on zero-waste and raised awareness about zero-waste lifestyle. Over 200 employees had the opportunity to learn about composting and waste management, as well as the techniques to recycle their daily food waste at home.

### AXA Week for Good 2021

AXA Week for Good, previously known as Corporate Responsibility Week, was held from 20-24 September 2021. The programme aims to strengthen employees' spirit of contributing to the community. AXA Week for Good 2021 focused on climate and environment. These two issues are growing concerns globally, and AAGI and AALI joined the cause to create awareness among employees and encourage them to play their part in contributing toward positive changes for a healthier environment and reducing the climate change impact.

AAGI and AALI focused on activities that aimed to enhance the employees' knowledge of the environment, cultivate their interest in playing their role in safeguarding the environment, as well as harmonise their mental health and balance through the activities lined up throughout the week.

We also conducted the AXA Climate School to create awareness and encourage employees to contribute to reducing the impact of climate change while doing their daily job. This programme provided a roadmap for employees to kickstart their adoption of sustainable transformation behaviours in their job roles, through a series of short videos and interactive quizzes.

### Paper Flower Workshop

Arts and crafts are activities that can help promote focus and concentration, and stimulates the brain for learning. We held a Paper Flower Virtual Workshop on 21 September 2021 aimed to better employees' mental health, as well as instil interest in recycling and zero-waste. The workshop guided employees in turning used papers, old newspapers and similar materials into beautiful paper flowers that can be appreciated as creative home decorations and even as personalised gifts to their loved ones.



**CSR**

Over

**RM3 million**

contributed towards  
CSR programmes

**Zakat**

Donated over

**RM6 million**

of zakat to improve the lives  
of those in need

**AFFIN Barakah Charity Account-i**

**RM13,000 contributed**

to charity organisations through  
AFFIN Barakah Charity Account-i





Focus Area **4** **Community Support**



**Helping Our Communities to Thrive**

We are committed to pursuing community support and social development programmes to empower and create positive impacts for our surrounding communities.

**SUPPORTING THE NEEDY**

We aim to support marginalised segments of our community by extending assistance through relevant and targeted initiatives. Affin Bank participated in four Soup Kitchen activities throughout the year, in collaboration with Pertubuhan Tindakan Wanita Islam (PERTIWI) Soup Kitchen, a non-governmental organisation (NGO), to provide humanitarian food aid service to the homeless and unfortunate individuals. In the fourth Soup Kitchen event, the food distribution was led by Affin Bank's Chairman, Dato' Agil Natt and his spouse, Datin Sharifah Fatmah, together with the Affin Bank and PERTIWI Soup Kitchen team. Over 700 packs of food packs comprising of Texas Chicken, rice, eggs, bread, and water were distributed at Pusat Gelandangan Medan Tuanku, Kuala Lumpur.

In the spirit of helping those in need and closing the year on a meaningful note, Affin Bank's Enterprise Banking staff came together to donate almost 900 daily necessity items that included 300kg of rice bags, cooking oil, milk powder, Milo, detergents and many more. The collected items were given to Encik Izzul Nordin, the Programme & Corporate Social Responsibility officer from the Food Aid Foundation to be distributed to those in need.

In playing our role to support the SME segment, AXA Affin contributed 40 canopies worth a total of RM10,000 to support entrepreneurs in running their bazaars during the Ramadan month.



**▲** Chairman of Affin Bank Berhad, Dato' Agil Natt and the fellow volunteers of Affin Bank Berhad participated in the Soup Kitchen activity organised together with Pertawi Soup Kitchen.



## SUSTAINABILITY STATEMENT

### PRS Charity4All Campaign

The campaign was held from 15 June to 31 August 2021 with the objective of encouraging the public to open or top up their contribution into their Private Retirement Scheme (PRS) account while donating to charity at the same time. We donated RM1 to participating NGOs, for every successfully approved Cash Plan (Lump Sum) investment transaction, of multiples of RM100 into any AHAM PRS funds throughout the campaign period. In total, we have accumulated RM75,000 which was distributed to five beneficiaries:

Rumah Hope <b>RM10,000</b>	Suriana Welfare Society <b>RM35,000</b>
Need to Feed the Needy (NFN) <b>RM5,000</b>	
House of Joy <b>RM10,000</b>	Penang Adventist Hospital <b>RM15,000</b>

### HEALTH AWARENESS

#### Contribution from AFFIN Barakah Charity Account-i

The AFFIN Barakah Charity Account-i (ABCA-i) is a savings account that embeds the element of charity giving under the "Save and Donate" feature which allows customers to decide on a certain percentage or total of the customer's return (if any) to be contributed for charity purposes. Subsequently, the charity fund will be distributed and managed according to our Charity Fund Policy. This product offers fixed returns to the Customer.

Customers are able to choose either 25%, 50% or 75% of their Hibah (if any)/profit to be channelled to charity.

In 2021, a total of RM13,000 was contributed to beneficiaries including Pertubuhan Pembangunan Orang Buta Malaysia, Mercy Mission Malaysia, Global Peace Mission and Pertubuhan Kebajikan Darul Nisa At Thohirah, Volunteer for Community Engagement and Empowerment for COVID-19 (VCEE19).

Affin Islamic contributed medical equipment to Hospital Canselor Tuanku Mukriz (HCTM), which consisted of 22 wheelchairs, two reclining wheelchairs, five foldable walking aids and shoulder crutches each. The contribution amount was raised from charity contributions as approved from the customers' dividends from their AFFIN Barakah Charity Account-i. The medical equipment handover event was attended by Affin Islamic Board members, Tuan Haji Musa Abdul Malek and Associate Professor Dr. Said Bouheraoua, and Affin Islamic Deputy Chief Executive Officer, Encik Ferdaus Toh Abdullah.



Affin Islamic's contribution of medical equipment to Pusat Perubatan Universiti Kebangsaan Malaysia.

### Cancer Care 110 Subsidy Programme

Cancer is identified as the fourth leading cause of death in Malaysia. Realising the growing challenges of this disease, AALI collaborated with the National Cancer Society of Malaysia (NCSM), and contributed RM200,000 via its AALI Cancer Care 110 Subsidy programme. The contribution was used towards the funding chemotherapy day-care usage at NCSM's Cancer Treatment Centre. AALI has supported over 4,000 cancer patients since 2014 by subsidising one chemotherapy day-care usage for every policy sold under the 110 Cancer Care Project.

### #AXACaresforYou Campaign

In view of the hardships faced by many, especially the underprivileged following the pandemic, AAGI launched the AXA Cares for You Campaign in August 2021 to provide food and grocery aid to individuals, B40 households and orphanages that had been impacted. RM60,000 worth of essential food, grocery and cash contribution were distributed to 441 households and 13 orphanages nationwide. AAGI also partnered with its SME customers in fulfilling the delivery to support their business during the challenging times.





## SUPPORTING COVID-19 RELIEF EFFORTS

Amid the COVID-19 pandemic, we have an obligation to support our customers and our community during these difficult times. Many medical frontliners were faced with a shortage of personal protective equipment (PPE) in the course of managing the COVID-19 pandemic. AXA Affin contributed and delivered RM8,320 worth of PPE to Hospital Ampang to support the PPE needs of the healthcare workers through the challenging period.

On 30 August 2021, Affin Bank distributed 500 packed meals to the healthcare frontliners at Hospital Kuala Lumpur as a gesture of appreciation and support for their contribution to combatting the pandemic in the country.

AHIB provided support for COVID-19 relief by contributing RM100,000 to Yayasan MSU to fund their Partnership for COVID-19 Elimination (PaCE) Campaign. This campaign is a comprehensive COVID eradication initiative inclusive of vaccination strategy and awareness campaign.

AHAM held a fundraiser from 13 to 31 July 2021 to help to reduce the burden of individuals and families that were highly affected by COVID-19, especially in the Enhanced Movement Control Order (EMCO) areas. In total, we raised over RM385,000 and which was topped up by AHAM and employees. The contribution was channelled to NGOs to be distributed to nine states in Kuala Lumpur, Selangor, Penang, Perak, Johor, Kelantan, Terengganu, Sabah and Sarawak.



## BEING THERE FOR FLOOD VICTIMS

The nation also contended with torrential rains that caused massive flash floods that hit the Klang Valley, Pahang and other states in Malaysia in December 2021, displacing thousands from their homes. Affin Bank and Affin Islamic provided support to micro, small and medium enterprises (MSMEs) affected by the recent floods. Introduced by BNM, a total of RM500 million has been allocated under the Disaster Relief Facility (DRF) 2022 to alleviate the financial burden and assist MSMEs to resume their business operations.

AHIB contributed RM50,000 to support the affected flood victims in the East Coast areas and a few places in Sabah through the Ministry of Defence Malaysia (MinDef).

AHAM held a fundraiser from 21 to 28 December 2021 to help the communities affected by the floods, raising over RM115,000 which was distributed to 12 NGOs who actively participated in rescue missions as well as distribution of food, essentials and sanitary items to the affected families and communities.

AAGI collaborated with medical and humanitarian aid organisation Mercy Malaysia to provide RM15,000 worth of food and medicine aid to the flood victims.

**Disaster Relief Facility 2022**

To alleviate the financial burden of MSMEs affected by the recent floods

Availability period:  
From 27 December 2021 until full utilisation or further notice.

For enquiries:  
 ✉ [smecc@affinbank.com.my](mailto:smecc@affinbank.com.my)  
 ☎ Contact Centre 03-8230 2222  
 🌐 [AffinAways.com](http://AffinAways.com)  
 👤 Contact our Relationship Manager

Terms and conditions apply.

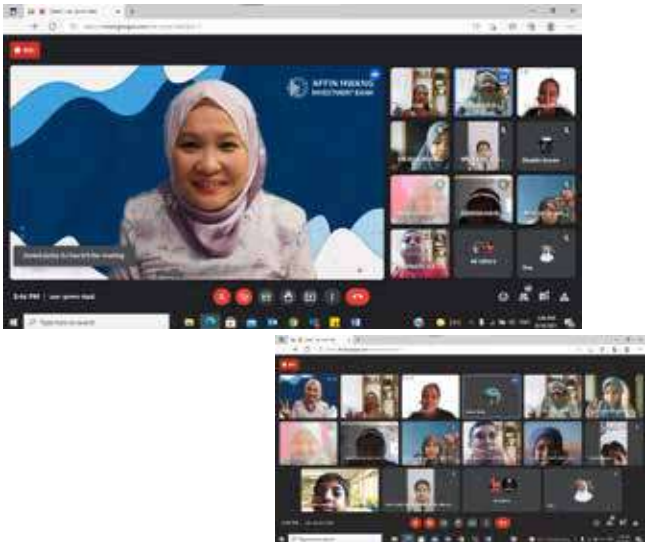
## EDUCATION SUPPORT

Part of supporting our community entails enabling and empowering the younger segments of society to be able to participate in quality education. Supporting the young is an essential pillar of sustainability as they will be future contributors to the country's wellbeing.

## SUSTAINABILITY STATEMENT

### FINCO CEO Volunteering Month

In 2021, AHIB CEO Puan Mona Suraya Kamaruddin joined the CEO Volunteering Month organised by Financial Industry Collective Outreach (FINCO). She was invited as one of the ten CEO volunteers and delivered a virtual story-telling session to primary school students from the age of 10 to 12 years old focusing on one of FINCO's strategic pillars, English Proficiency. The session was attended by about 60 students and teachers.



### Biasiswa Tunku Abdul Rahman by Yayasan Tunku Abdul Rahman (YTAR)

Yayasan Tunku Abdul Rahman is a non-governmental organisation that provides assistance and scholarships to Malaysian students of various races.

The YTAR's Biasiswa Tunku Abdul Rahman (BTAR) is a scholarship programme for deserving students who showcase good CGPA scores and leadership involvement in school, but may have extenuating challenges.

2021 was the second year we gave a scholarship worth RM22,000 to a Tunku-Affin Hwang Scholar who is majoring in Mathematics with Economics and is currently in the final year in Universiti Malaysia Sabah.

### Empower-A-Child (EAC) Programme by Dignity

Dignity for Children Foundation (Dignity) is a non-governmental organisation that provides holistic care and education for urban poor children in Kuala Lumpur to uplift them from poverty.

2021 was the third year of AHAM's sponsorship amounting to RM24,000 towards four children through the EAC programme. This programme enables the beneficiaries to receive continuous education, nutritious meals, basic health and hygiene, vocational development as well as leadership and character development.

### Montfort Youth Training Centre (MYTC)

2021 was the inaugural year of AHAM's sponsorship programme run by MYTC towards nurturing less privileged youths to become skilled human resource ready to be enrolled in job opportunities in the plantation sector. The sponsorship amount was RM10,000 which was earmarked to be included into the MYTC Oil Palm Plantation Conductorship programme for purchasing machineries for the course as well as supporting the students' needs such as accommodation and meals.

### AAGI Back to School Aid

In times of uncertainty, AAGI is committed to providing support to ensure that its employees and loved ones are well cared for. With the 2021 school reopening, AAGI contributed a total of RM5,500 to AAGI Back to School Aid to provide financial relief to employees who were in need.

### OUR ZAKAT CONTRIBUTIONS

Business zakat aims to create a balance in the community, ensuring that the poor and needy are cared for. Distributions of zakat monies are made through zakat bodies nationwide which are responsible for handling and channelling the money to eligible recipients.

On 6 May 2021, Affin Bank handed over its annual contribution of Sumbangan Hari Raya & Zakat to the Malaysian Armed Forces personnel via the Ministry of Defence. The PGCEO of Affin Bank presented the contributions to YB Dato' Sri Ismail Sabri bin Yaakob, who accepted and received the contribution on behalf of the Ministry of Defence.



Affin Islamic contributed RM595,000 towards Angkatan Tentera Malaysia which consists of RM300,000 to Tabung Zakat Angkatan Tentera Malaysia (TZATM), RM200,000 for the flood victims in Sabah and Johor via the Ministry of Defence Malaysia (MinDef), RM50,000 to Yayasan Veteran ATM, RM35,000 for Universiti Pertahanan Nasional Malaysia (UPNM) and RM10,000 for Akademi Tentera Udara.

In terms of educational assistance, Affin Islamic contributed RM401,000 to 16 higher learning institutions, including universities and colleges, to help underprivileged students.



In addition, Affin Islamic distributed RM262,000 to 15 NGOs to fund their noble initiatives. Some of the NGOs include Yayasan Kebajikan Atlet Kebangsaan, Kumpulan Ibu Bapa Dan Sokongan Anak-Anak Kanser (KIDS), Majlis Kanser Negara (MAKNA), ARBA Foundation, Rumah Pengasih Warga Prihatin (RPWP), Yayasan Al-Khalifah and etc.



During Ramadhan, Affin Islamic distributed RM141,000 towards a few organisations, including to mosques and surau. In addition, Affin Islamic also sponsored 'Program Seorang Sekampit Beras' organised by AIBIM and supported by BNM, which provided zakat and food necessities to less fortunate families in Selangor and Kuala Lumpur.

On top of that, Affin Bank contributed RM1.7 million to 11 State Islamic Religious Councils (SIRCs).



AHIB contributed zakat donations to multiple deserving beneficiaries including IDEAS Autism Centre (IAC), an early intervention initiative centre for children with autism who come from low-income families. With the contribution, they were able to provide food donations to the families and duit raya to the children which made their Ramadhan and Raya celebration more meaningful. The centre was also able to cover some of the children's educational facilities and programmes including their Behaviour Intervention Plan (BIP).

AHIB's zakat aid was also distributed to the Orang Asli community of Bukit Mancung, Serendah as well as to approximately 40 orphans in Lipis, Pahang through registered associations. These efforts align with our role as a responsible corporate citizen to make positive changes in meaningful ways.



AHIB made zakat contribution of up to RM650,000 to assist deserving army personnel and veterans through the Tabung Zakat Angkatan Tentera Malaysia and Yayasan Veteran Angkatan Tentera Malaysia. AHIB also contributed RM179,000 to Persatuan Veteran Rejimen Semboyan Diraja Malaysia (PVRSD) and PVRSD Cawangan Negeri Sembilan for the army personnel and families who are in need, as well as RM15,000 to Persatuan Veteran ATM Johor Cawangan Johor Bahru.

Overall, AHIB contributed more than RM1.8 million zakat funds to 53 organisations that include the Armed Forces related organisations, Yayasan Pendidikan Pelajar Malaysia, Pertubuhan Pembangunan Orang Buta Malaysia, a few orphanages, elderly homes, and many more deserving beneficiaries that represent the marginalised communities throughout Malaysia.



## SUSTAINABILITY STATEMENT

AAGI presented zakat contribution amounting to almost RM40,000 to eight homes to help ease their burden:

- Pertubuhan Kebajikan dan Perlindungan Nur Qaseh
- Rumah Anak Yatim Nur Iman Danau Kota Setapak
- Pusat Jagaan Kasih Murni
- Rumah Penyayang Darul Ilmi
- Pertubuhan Baitul Ehsan Al-Khairi
- Rumah Anak-anak Yatim Darul Aitam (Datar)
- Pertubuhan Kebajikan Anak-anak Yatim Batu 9
- Akademi Al-Quran As-Syamil (AQSA)



Pertubuhan Kebajikan dan Perlindungan Nur Qaseh Malaysia houses girls below 15 years old who are orphans, asnaf and muaf with the aim to protect them from social threats and danger. AALI contributed digital support for the children by providing a laptop for their online learning and supporting their daily needs by donating a refrigerator. The donation to the shelter home amounted to almost RM4,500.



Sekolah Islam Integrasi Safinatun Najah is an integration school providing education based on Malaysian curricular as well as comprehensive Islamic teachings for children of kindergarten, primary and secondary levels. To support the children's learning development, AALI contributed learning facilities including projector, speaker and portable white screen worth RM5,000.



Rumah Titian Kaseh which houses single mothers, orphans and asnaf is a prominent shelter home in Klang Valley. They are in need of continuous support to keep providing for the occupants who are growing in number over the years. AALI assisted the shelter with electrical appliances that would greatly help them in maintaining the livelihood of the occupants. Three sets of washing machines and a television worth almost RM5,000 were contributed to the shelter last year.



## About This Statement

### Reporting Scope, Boundary, Guidelines and Assurance

Our Sustainability Statement showcases our commitment to addressing the Environmental, Social and Governance impacts of our business. It also presents our progress towards incorporating sustainable and responsible business practices into our operations.

The information and data disclosed are for the financial period of Affin Bank Group from 1 January 2021 to 31 December 2021.

To avoid repetition, we focused on highlighting the latest development of our ESG-related policies, governance and initiatives based on the above-mentioned reporting period. This Sustainability Statement should be read together with our previously published Sustainability Statements and other relevant parts of the Annual Reports which highlight our established ESG-related policies, governance and initiatives. We supplement our quantitative metrics performance for data comparability in the ESG Performance Data Summary below.

The Sustainability Statement covers our three main business segments which are the Commercial Banking (Affin Bank Berhad and Affin Islamic Bank Berhad), Investment Banking (Affin Hwang Investment Bank Berhad, Affin Hwang Asset Management Berhad and AILMAN Asset Management Sdn Bhd) and Insurance (AXA Affin Life Insurance Berhad and AXA Affin General Insurance Berhad). The scope was determined based on the significant impacts our operations have on the economy, environment and community.

This Sustainability Statement was prepared in alignment with the guidelines set out in the Main Market Listing Requirements on Sustainability Reporting by Bursa Malaysia, and guided by best practices of global sustainability frameworks such as the Global Reporting Initiative Standards and the United Nations Sustainable Development Goals.

Affin Bank has in place internal reporting procedures for the review of the Sustainability Statement. Prior to the Board of Directors' review, the Sustainability Statement was reviewed by our Group Board Risk Management Committee and the Group Management Committee. Our objective is to continuously improve the quality of our Sustainability Statement. We will consider external assurance in due course.

### Our Sustainability Risks and Opportunities

Our Sustainability Statement 2021 is structured around our most material Sustainability risks and opportunities (material topics).

We conduct a structured and robust materiality assessment every two years with an annual review to ensure our material topics remain relevant to our business and economic environment.

Our materiality assessment is also in line with our stakeholders' concerns. We promote stakeholder engagement throughout our organisation to serve as a two-way communication opportunity for the Bank to understand stakeholders' expectations and seek feedback on our operations and, vice versa, to communicate its sustainability targets and practices to all stakeholders.

For more information, please refer to our previous Sustainability Statement (Annual Report 2020, pages 95-100) where we disclose in detail on the following:

- ▶ Materiality Assessment
- ▶ Stakeholder Engagement Table
- ▶ Materiality Matrix
- ▶ Sustainability Risks and Opportunities Table

## SUSTAINABILITY STATEMENT

### ESG Performance Data Summary

Focus Area

1

## Sustainable Finance



#### Amount of Environmental and Social Retail Financing – Community Banking (RM)

	FY2017	FY2018	FY2019	FY2020	FY2021
AFFIN Education Financing-i	211,931	4,012,966	15,596,047	41,810,102	47,802,947

#### Start-Up Portfolio (CIF) - Enterprise Banking (No. of Customers)

FY2017	FY2018	FY2019	FY2020	FY2021
2,770	5,561	6,432	6,289	6,487

#### Start-Up Financing Portfolio - Enterprise Banking (RM)

FY2017	FY2018	FY2019	FY2020	FY2021
122,599,543	175,570,446	247,163,469	360,732,682	477,002,273

#### AFFINWRKFZ (Financial Inclusion Proposition - Enterprise Banking)

	FY2020	FY2021
Members Sign-Up	615	1,154

#### Financing Amount of Environmental Financing – Corporate Banking (RM million)

	FY2017	FY2018	FY2019	FY2020	FY2021
Affin Bank & Affin Islamic Renewable Energy - Solar	327.20	N/A	46.57	N/A	44.12
Affin Bank & Affin Islamic Renewable Energy - Biogas	N/A	N/A	N/A	24.00	10.50

#### Amount of Green SRI Sukuk Arranged (RM million)

FY2017	FY2018	FY2019	FY2020	FY2021
250.0	223.3	N/A	N/A	100.0

2017 – Tadau Energy Sdn Bhd's Green SRI Sukuk

2018 – UiTM Solar Power Sdn Bhd's ASEAN Green SRI Sukuk

2021 – UiTM Solar Power Dua Sdn Bhd's Green SRI Sukuk



## Focus Area

## 2

## Sustainable Operations



## Customer Turnaround Time (TAT)

Affin Bank & Affin Islamic	Target TAT	Result
Acknowledgment of queries/complaints	Immediate or within the same day	Enquiries/Requests/Appeals: <b>100% achieved</b> Complaints: <b>Within 1 working day</b>
Addressing queries/complaints	Within 3 working days (Queries) and Within 2 working days (Complaints)	<b>100% Achieved</b>
Resolution of queries/complaints	Within 3 working days (Queries) and Within 5 working days (Complaints)	<b>100% Achieved</b>

AHIB	Target TAT	Result
Acknowledgment of queries/complaints	Within 3 working days upon receipt	<b>100% Achieved</b>
Inform the Complainant Bank's Decision	Within 14 days from the date of receipt of the complaint	<b>100% Achieved</b>

AHAM & AIIMAN	Target TAT	Result
AHAM & AIIMAN Acknowledgment of queries/complaints	Within T Day	<b>100% Achieved</b>
AHAM & AIIMAN Addressing queries/complaints	Within T + 3 days	<b>100% Achieved</b>
AHAM & AIIMAN Resolution of queries/complaints	Within T + 10 days	<b>100% Achieved</b>

AXA Affin	Target TAT	Result
Service Level	80% of calls to be answered within 20 seconds	<b>100% Achieved</b>
Claim registration	Response within 2 days	<b>90%</b> within 2 days
MOTOR CLAIMS - Preferred Workshops	3 working days for claims below RM10,000 6 working days for claims RM10,000 & above	<b>80%</b> resolved
Panel & Franchise Workshops	4 working days for claims below RM5,000 6-8 working days for claims of RM5,000 & above	Panel = <b>80%</b> resolved Franchise = <b>78%</b> resolved



## SUSTAINABILITY STATEMENT

### Percentage of Complaints Resolved (%)

	2017	2018	2019	2020	2021
Affin Bank & Affin Islamic	100%	99%	100%	99%	100%
AHIB	99%	100%	100%	100%	66%
AHAM	100%	100%	100%	100%	100%
AAGI	100%	100%	100%	99%	100%
AALI	100%	95%	93%	84%	99%

1. AALI's unresolved complaint in 2021 was presented to the Distribution Complaint Review Committee. Holding replies have been provided to the complainant.
2. AHIB's unresolved complaints in 2021 were 2 complaints received in the month of December (which were subsequently resolved by February 2022), and 1 complaint that was referred to Securities Industry Resolution Center (SIDREC) for further mediation (and was successfully resolved by March 2022).

### Data/Cyber security breaches

	2017	2018	2019	2020	2021
Affin Bank	0	0	0	0	3
Affin Islamic	0	0	0	0	0
AHIB	1	0	0	0	0
AHAM	0	0	0	0	0
AAGI	1	0	0	1	1
AALI	0	1	0	0	0

1. AAGI: 2017 - Health Claims Portal (HCP) regional application was subject to a malicious, cyber-security attack on the 16<sup>th</sup> April 2017 impacting customers data in Malaysia.
2. AHIB: 2017 - Distributed Denial of Service (DDoS) attack launched against AHIB's online trading portal. The portals were in-accessible for 1 hour 45 minutes (trade.affinwang.com) and 45 minutes (w3invest.affinwang.com).
3. AALI: 2018 - A block of customer's data was exposed on the internet related to Robotic Process Automation (RPA) development. All data on the internet was removed which was completed and cross verified by AALI. A report from the vendor including the corrective and preventive actions have been provided.
4. AAGI: 2020 - Distributed Denial of Service (DDoS) attack launched against AXA Thailand, AXA Hong Kong, AXA Malaysia and AXA Philippines websites. The attack was launched on OpenPaaS platform at AWS Data Centre in Singapore. AAGI Corporate website was in-accessible for 24 hours.
5. AAGI: 2021 - SFTP server affected by Ransomware attack. No business impact and no data exposure.
6. Affin Bank: 2021 - The three (3) incidences detected due to unintended disclosure of customer data. No impact on financial loss and Institution's reputation.

### AffinOnline Performance

	2019	2020	2021
Users	1,055,111	2,303,514	2,718,202
Sessions	2,831,645	7,622,654	9,634,635
Page Views	3,646,331	8,818,068	11,486,989

### AFFINMAX Performance

	2020	2021
Subscribers	15,746	28,781
Number of Transaction	182,343	8,902,546











### Investment Bank e-Statements Registered

	2019	2020	2021
AHIB	56,633	69,594	80,575
AHAM	5,686	10,723	33,459







### Insurance Digital Transactions

	2019	2020	2021
AAGI	2,976,254	2,445,741	2,759,046
AALI	968,924	1,113,085	1,221,002

### Groupwide Social Media Followers (2021)

Groupwide Social Media Followers			
2020			
 377,393	 5,144	 131,827	 45,808
2021			
 387,680	 5,323	 169,458	 69,837

### SME Colony Downloads

Number of Downloads		
2020		
 478	 748	 19,905
2021		
 8,939	 920	 22,705

NOTE: The figures are the yearly cumulative app downloads

## SUSTAINABILITY STATEMENT

### Percentage of Local Suppliers

		2018	2019	2020	2021
Affin Bank & Affin Islamic	IT	73%	79%	82%	92%
	Non-IT	100%	100%	100%	100%
AHIB	IT	76%	77%	64%	78%
	Non-IT	100%	100%	100%	100%
AHAM & AIIMAN	IT	92%	93%	95%	86%
	Non-IT	98%	99%	100%	94%
AAGI	IT	98%	98%	95%	95%
	Non-IT	96%	98%	98%	97%
AALI	IT	70%	70%	70%	70%
	Non-IT	70%	98%	98%	98%

### Groupwide Amount Spent on Local Suppliers (RM)

2018	2019	2020	2021
327,312,813	326,338,891	405,721,534	497,315,458

### Groupwide Total Electricity Consumption (kWh)

2017	2018	2019	2020	2021
81,101,474	66,713,116	66,955,270	61,865,354	61,234,800

### Groupwide Total Water Consumption (m3) (HQ)

2017	2018	2019	2020	2021
303,257	244,324	208,508	91,108	56,194

### Groupwide Paper Usage (kg) (HQ)

2017	2018	2019	2020	2021
120,875	120,977	69,747	63,813	45,170



Focus Area

3

## People &amp; Culture



## Groupwise Workforce by Gender

	2018	2019	2020	2021
Male	39%	38%	38%	39%
Female	61%	62%	62%	61%

## Groupwise Workforce by Age

	2017	2018	2019	2020	2021
Below 30	22%	23%	21%	20%	19%
30-50	66%	66%	65%	65%	67%
Above 50	12%	11%	14%	15%	14%

## Groupwise Workforce by Ethnicity

	2017	2018	2019	2020	2021
Malay	62%	62%	63%	62%	60%
Chinese	31%	31%	31%	32%	32%
Indian	5%	5%	5%	5%	5%
Others	1%	1%	1%	1%	1%

## Groupwise Workforce by Position

	2017	2018	2019	2020	2021
Senior Management	2%	2%	2%	2%	2%
Middle Management	16%	17%	17%	16%	16%
Executive	50%	52%	53%	54%	58%
Non-Executive	32%	29%	28%	28%	24%

## SUSTAINABILITY STATEMENT

### Number of Agents (Insurance)

	2017	2018	2019	2020	2021
AAGI	4,851	4,999	5,077	5,012	5,153
AALI	2,088	1,339	1,698	1,728	1,278

### Number of Agents in Peninsular Malaysia (Insurance)

	2017	2018	2019	2020	2021
AAGI	4,254	4,406	4,511	4,466	4,597
AALI	1,860	1,175	1,473	1,513	1,148

### Number of Agents in East Malaysia (Insurance)

	2017	2018	2019	2020	2021
AAGI	597	593	566	546	556
AALI	228	164	225	215	130

### Rate of New Employee Hires (%)

	2017	2018	2019	2020	2021
Affin Bank	24.0%	21.0%	14.0%	13.0%	13.0%
Affin Islamic	13.0%	7.0%	5.0%	3.0%	0.2%
AHIB	1.0%	3.0%	9.0%	7.0%	9.0%
AHAM	11.0%	15.0%	11.0%	12.0%	12.0%
AIIMAN	6.0%	6.0%	18.0%	4.0%	9.0%
AAGI	16.0%	14.0%	14.0%	10.0%	8.0%
AALI	31.0%	36.0%	31.0%	17.0%	9.0%

Note: The significant reduction of Affin Islamic's 2021 rate of employee hires was due to the lower opening in Affin Islamic since Dual Banking is implemented with Affin Bank.

### Rate of Employee Attrition (%)

	2017	2018	2019	2020	2021
Affin Bank	9%	11%	13%	8%	12%
Affin Islamic	7%	9%	11%	4%	16%
AHIB	8%	9%	9%	11%	12%
AHAM	8%	11%	7%	6%	4%
AIIMAN	5%	15%	13%	9%	9%
AAGI	10%	15%	12%	10%	12%
AALI	32%	26%	20%	10%	12%

**Groupwise Number of Persons with Disabilities (PWD) employees**

2017	2018	2019	2020	2021
9	9	7	7	5

**Groupwise Number of Trainees/Interns Enrolled in Management Programmes**

2017	2018	2019	2020	2021
175	124	99	53	52

**Total Training Hours per Employee a Year**

	2017	2018	2019	2020	2021
Affin Bank & Affin Islamic	35	39	36	34	43
AHIB	18	18	30	10	15
AHAM	26	35	26	10	9
AIIMAN	19	9	22	6	25
AAGI	18	32	35	29	38
AALI	10	10	11	23	34

**Groupwise Amount Invested in Training Programmes (RM)**

2018	2019	2020	2021
22,177,445	1,820,251	5,744,652	5,109,132

**Groupwise Number of Employees Sponsored (Training)**

2018	2019	2020	2021
76	518	307	461

**Groupwise Amount of Sponsorship for Employee Training (RM)**

2018	2019	2020	2021
200,807	1,377,310	655,819	867,010

**Groupwise Number of Employees Certified**

2018	2019	2020	2021
43	155	62	108

## SUSTAINABILITY STATEMENT

### Groupwide Appraisal Participation Rate (%)

2017	2018	2019	2020	2021
100%	100%	100%	100%	100%

### Groupwide Number of Grievance Cases

2017	2018	2019	2020	2021
9	27	17	18	30

Focus Area

4

## Community Support



### Groupwide Total CSR Contribution (Donation and Sponsorship) (RM)

2020	2021
3,060,444	3,606,700

### Groupwide Total Zakat Contribution (RM)

2017	2018	2019	2020	2021
5,627,256	5,154,332	5,349,059	4,808,752	6,760,036

### AFFIN Barakah Charity Account-i (RM)

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of charity fund contributed	15,000	38,862	49,000	41,160	13,000

Note: Beneficiaries of AFFIN Barakah Charity Account-i include Pertubuhan Pembangunan Orang Buta Malaysia, Mercy Mission Malaysia, Global Peace Mission, Pertubuhan Kebajikan Darul Nisa At Thohirah and Volunteer for Community Engagement and Empowerment for COVID-19 (VCEE19)