Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Reports and financial statements
for the financial year ended 31 December 2019

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Reports and financial statements for the financial year ended 31 December 2019

Contents

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2019

The Directors of Affin Hwang Investment Bank Berhad ("the Bank") hereby submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019.

Principal activities

The principal activities of the Bank are in investment banking, stockbroking activities, dealing in options and futures and related financial services.

The principal activities of the subsidiaries are asset management, management of unit trust funds and private retirement schemes, Islamic fund management, trustee services and nominee services.

There were no significant changes in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Profit before zakat and taxation	177,035	127,467
Zakat	(2,530)	(2,081)
Profit before taxation	174,505	125,386
Taxation	(40,911)	(15,851)
Net profit for the year	**133,594**	**109,535**

Dividends

Dividends on ordinary shares paid or declared by the Company since 31 December 2018 are as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
Interim dividend of 7.692 sen gross per share paid on 11 September 2019	60,000

The Directors now recommend the payment of a final dividend of 5.128 sen gross per share amounting to RM40,000,000 for the financial year ended 31 December 2019, which is subject to approval of the shareholder at the forthcoming Annual General Meeting of the Bank.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements and notes to the financial statements.

Statutory information on the financial statements

Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for bad and doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing; and

(b) to ensure that any current assets, other than debts and financings, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Bank have been writtten down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and of the Bank inadequate to any substantial extent;

(b) which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading; or

(c) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group's and the Bank's financial statements misleading or inappropriate.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liabilities in respect of the Group or the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business or activities of the Group.

No contingent or other liability of the Group or the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of Directors, will or may substantially affect the ability of the Group and the Bank to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank that would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the operations of the Group and the Bank for the financial year were not, substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

Directors

The Directors of the Bank who have held office since the date of the last report and at the date of this report are as follows:

Abd Malik bin A Rahman
(Chairman, Non Independent Non-Executive Director)
Redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director with effect from 16 February 2020

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
(Non-Independent Non-Executive Director)

Stephen Charles Li
(Non-Independent Non-Executive Director)

Lim Hun Soon @ David Lim
(Independent Non-Executive Director)

Maj. Gen. Dato' Zulkiflee bin Mazlan (R)
(Independent Non-Executive Director)

Datuk Noor Azian binti Shaari
(Independent Non-Executive Director)

Dato' Mohd Ali bin Mohd Tahir
(Independent Non-Executive Director)
Appointed with effect from 1 January 2019

In accordance with Clause 113 of the Bank's Constitution, Maj. Gen. Dato' Zulkiflee bin Mazlan (R) and Datuk Noor Azian binti Shaari retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

Responsibility statement by Board of Directors

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019 and financial performance of the Group and of the Bank for the financial year then ended.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 182 of the financial statements.

Affin Hwang Investment Bank Berhad
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Directors' report
for the financial year ended 31 December 2019 (continued)

Directors' interest

According to the Register of Directors’ shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held the office at the end of the financial year held any shares or debentures in the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares			
	As at 1.1.2019	**Bought**	**Sold**	**As at 31.12.2019**
AFFIN Bank Berhad				
Abd Malik bin A Rahman	13,000	311	-	13,311
Boustead Holdings Berhad				
Abd Malik bin A Rahman	6,580	-	-	6,580
Abd Malik bin A Rahman	13,580 *	-	-	13,580
Boustead Heavy Industries Corporation Berhad				
Abd Malik bin A Rahman	3,000	-	-	3,000
Abd Malik bin A Rahman	1,000 *	-	-	1,000
Boustead Plantations Berhad				
Abd Malik bin A Rahman	2,800	-	-	2,800
Abd Malik bin A Rahman	2,800 *	-	-	2,800

* indirect shares

Other than the above, the Directors in office at the end of the financial year did not have any other interest in the shares, warrants and option over shares of the Bank and its related companies during the financial year.

Directors' benefits

During and at the end of the financial year, no other arrangements subsisted to which the Bank or any of its subsidiaries is a party with the object or objects of enabling Directors of the Bank or any of its subsidiaries to acquire benefits by means of the acquisition of shares in, or debenture of the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 34 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Remuneration

Details of directors' remuneration for the financial year are disclosed in Note 34 to the financial statements.

Corporate Governance

The Directors of the Bank regard corporate governance as vitally important to the success of the Bank's business and are unreservedly committed to applying the principles necessary to ensure that the following principles of good governance are practised in all of its business dealings in respect of its shareholder(s) and relevant stakeholders:

- The Board of Directors (the "Board") is the focal point of the Bank's corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the Bank;
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities;
- All Board members are responsible to the Bank for achieving high level of good governance; and
- The Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

1 Board of Directors' Responsibility and Oversight

The Board as at the date of this report, comprises seven (7) Non-Executive Directors, five (5) of whom are Independent Non-Executive Directors and two (2) are Non-Independent Non-Executive Directors. The Board, with a wide range of experience and knowledge, has been instrumental in the formulation and crafting of the Bank's vision and its strategic business direction.

During the financial year, the Board met thirteen (13) times to review the Bank's financial, business performance, budget to oversee the conduct of the Bank's business as well as to ensure that adequate internal control systems are in place.

The profile of the Board has been published on the Bank's website.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

The composition of the Board and the number of meetings attended by each Director during the financial year are as follows:

Directors	Total meetings attended
Abd Malik bin A Rahman *(Chairman, Non Independent Non-Executive Director)*	13 out of 13
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad *(Non-Independent Non-Executive Director)*	11 out of 13
Stephen Charles Li *(Non-Independent Non-Executive Director)*	10 out of 13
Lim Hun Soon @ David Lim *(Independent Non-Executive Director)*	13 out of 13
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) *(Independent Non-Executive Director)*	12 out of 13
Datuk Noor Azian binti Shaari *(Independent Non-Executive Director)*	13 out of 13
Dato' Mohd Ali bin Mohd Tahir *(Independent Non-Executive Director)*	13 out of 13

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(i) The Board's Role and Responsibilities

- The Board is charged with leading and guiding the Bank in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholder(s) and stakeholders for the manner in which the affairs of the Bank are managed. The Board sets the Bank's values and standards and ensures that its obligations to its shareholder(s) and stakeholders are understood and met.

- The Board understands that the responsibility for good corporate governance rests with them and therefore strives to follow the principles and best practices of corporate governance.

- Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Bank, setting aims of Management and monitoring the performance of Management.

- The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers, officers and the general public.

  In fulfilling this role, the Board must:

  a) approve the risk appetite (including without limitation, the technology risk appetite which is aligned with the Bank's risk appetite statement), business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;

     i) oversee the adequacy of the Bank's information technology (IT) and cybersecurity strategic plans covering a period of no less than three (3) years, and periodically review these plans once every three (3) years;

     ii) oversee the effective implementation of a sound and robust technology risk management framework (TRMF) and cyber resilience framework (CRF), and periodically review and affirm the TRMF and CRF, at least once every three (3) years to guide the Bank's management of technology risks;

  b) oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank;

  c) oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;

  d) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(i) The Board's Role and Responsibilities (continued)

In fulfilling this role, the Board must (continued):

e) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;

f) oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

g) promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank; and

h) ensure the Bank complies with the various regulatory requirements and guidelines issued by Bank Negara Malaysia ("BNM"), Securities Commission, Bursa Malaysia Securities Berhad and Companies Commission of Malaysia.

- The Board is responsible over the Bank's capital management as follows:

  a) Approving the capital plan as part of budget;
  b) Approving significant capital raising and repayment; and
  c) Reviewing and note quarterly summarised monitoring reports on capital adequacy.

- The Board reserves full decision-making powers on the following matters:

  a) Conflicts of interest issues relating to substantial shareholder or a director;
  b) Material acquisitions and disposition of assets not in the ordinary course of business;
  c) Investments in capital projects; and
  d) Authority levels.

(ii) Nomination and Remuneration Committee ("NRC")

The NRC is chaired by an Independent Non-Executive Director, shall support the Board in carrying out its functions in respect of the following:

a) appointments and removals of the Board, Senior Management and Company Secretary;
b) composition of the Board;
c) performance evaluation and development of the Board, Senior Management and Company Secretary;
d) fit and proper assessments of the Board, Senior Management and Company Secretary;
e) actively overseeing the design and operation of the Bank's remuneration system; and
f) periodically review the remuneration of directors on the Board, particularly on whether remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(ii) Nomination and Remuneration Committee ("NRC") (continued)

The NRC as at 31 December 2019, which comprises four (4) Board members and is scheduled to meet at least on a quarterly basis, met seven (7) times during the financial year. The composition of the NRC and the number of meetings attended by each member are as follows:

	Total meetings attended
Maj. Gen. Dato' Zulkiflee Bin Mazlan (R) *(Chairman, Independent Non-Executive Director)*	7 out of 7
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad *(Non-Independent Non-Executive Director)*	6 out of 7
Abd Malik bin A Rahman *(Non-Independent Non-Executive Director)*	7 out of 7
Datuk Noor Azian binti Shaari *(Independent Non-Executive Director)*	7 out of 7

The NRC shall:

(i) Assess at the time of the appointment of director and on a continuing basis that all directors fulfill the following minimum requirements:

a) are not be disqualified under Section 59(1) of the Financial Services Act 2013 ("FSA");
b) complied with the fit and proper requirements;
c) must not have competing time commitments that impair his ability to discharge his duties effectively;
d) are not an active politician; and
e) where a firm has been appointed as the external auditor of the Bank, any of its officers directly involved in the engagement and any partner of the firm must not serve or be appointed as a director of the Bank until at least two years after:

- he ceases to be an officer or partner of that firm; or
- the firm has served as an auditor of the Bank.

ii) Recommend and assess the nominees to fill Board vacancies as and when that arise (including assessing directors for re-appointment before an application for approval is submitted to BNM, Board committee members as well as nominees for CEO. The actual decision as to who shall be nominated shall be the responsibility of the full Board.

iii) Ensure the appropriate size and skill sets that promote effective deliberation, encourage the active participation of all directors and allow the work to be discharged without giving rise to an over-extension of directors who are required to serve on multiple Board committees.

iv) Oversee the overall composition of the Board in terms of the appropriate size and skills and the balance between executive directors, non-executive directors, independent directors and common directors through an annual review and make recommendations to the Board with regard to any changes.

Affin Hwang Investment Bank Berhad

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Directors' report
for the financial year ended 31 December 2019 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(ii) Nominating and Remuneration Committee ("NRC") (continued)

The NRC shall (continued)

v) Undertake annual Board evaluations to objectively assess the performance and effectiveness of the Board, Board committees and individual directors. This is to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Bank.

vi) Establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies.

vii) Be responsible in ensuring that all Directors receive an appropriate continuous training programme in order for the Directors to keep abreast with the latest developments in the industry and to ensure that each Director possesses the knowledge and or skills necessary to fulfil his/her responsibilities.

viii) Make recommendations to the Board concerning the re-election by shareholders of any Directors.

ix) Assess at the time of the appointment of the CEO and Senior Management and on an annual basis that the CEO and Senior Management fulfil the minimum requirements as set out below and as and when the Board becomes aware of information that may materially compromise the individual's fitness and propriety; or any circumstance that suggests that the individual is ineffective, errant or otherwise unsuited to carry out his responsibilities:

a) are not disqualified under Section 59(1) of the FSA;
b) complied with the fit and proper requirements;
c) are not a substantial shareholder of the Bank; and
d) additionally the CEO must devote the whole of his professional time to the service of the Bank unless the Bank approves otherwise in writing.

x) Oversee the selection, performance, remuneration and succession plans of the CEO and other senior management; and

xi) Assess and recommend the remuneration for each Director, Senior Management and other material risk takers on an annual basis.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(iii) Board Risk Management Committee ("BRMC")

The BRMC, as at 31 December 2019 comprises four (4) Board members and scheduled to meet at least on a quarterly basis, met six (6) times during the financial year. The composition of the BRMC and the number of meetings attended by each member are as follows:

Members	Total meetings attended
Datuk Noor Azian binti Shaari *(Chairman, Independent Non-Executive Director)* *Appointed as Chairman with effect from 24 January 2019*	5 out of 5
Abd Malik bin A Rahman *(Non Independent Non-Executive Director)*	6 out of 6
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad *(Non-Independent Non-Executive Director)*	4 out of 6
Lim Hun Soon @ David Lim *(Independent Non-Executive Director)*	6 out of 6

The BRMC was established to ensure that the risk management framework, policies, infrastructure and controls (including procedures and processes) adequately protect the Bank against all risks, comprising but not limited to, credit risks, market and liquidity risks, operational risks (which include legal risk and regulatory risk), cyber risk, reputational risk and human resource risk. The BRMC is chaired by an Independent Non-Executive Director.

Whilst BRMC represents a committee to assess the adequacy of risk management framework, policies, infrastructure and controls (including procedures and processes), it is not a duplicate of the Board Audit Committee ("BAC"). Hence, the composition of BRMC shall not mirror that of BAC, although the BRMC shall be chaired by an Independent Director. With the segregation of functions, BRMC shall constitute an auditable area by the BAC.

The BRMC is responsible for:

i) Deliberate/review on proposals pertaining to risk management strategies, risk tolerance, risk frameworks, policies and guidelines, and recommend to the Board of Directors ("the Board") for approval.

ii) The BRMC shall not be an approving authority except for matters specified in the BRMC's Terms of Reference and where delegated in the Authority Manual (Part I) approved by the Board.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(iii) Board Risk Management Committee ("BRMC") (continued)

The BRMC is responsible for (continued):

iii) Ensure that adequate and robust risk management frameworks, policies, guidelines, infrastructure and controls (including procedures and processes) are in place in identifying, measuring, monitoring and managing all relevant risks relating to the Bank's business activities.

iv) Oversee and evaluate risk management frameworks, policies, guidelines, infrastructure and controls (including procedures and processes) in respect of credit risks, market and liquidity risks, operational risks, including anti-money laundering and counter financing of terrorism ("AML/CFT") risks.

v) Oversee and review periodic reports in respect of the Bank's exposures to all relevant risks across the Bank's business activities, risk management activities and compliance-related matters.

vi) Oversee the Bank's capital management to ensure its effectiveness, which include:

a) Review capital management standards, policies and guidelines, capital plan, summary, capital adequacy and allocation reports; and

b) Approve the mandate of the Asset & Liability Committee ("ALCO") to manage the Bank's capital.

vii) Where applicable, assist the Board in the implementation of a sound remuneration system, by providing feedback where appropriate, with regards to the Bank's remuneration system taking into consideration whether the Bank's remuneration system is aligned to the risk-taking activities in terms of risk appetite, capital, liquidity and likelihood and timing of earnings, without prejudice to the tasks of the Nomination and Remuneration Committee.

viii) Ensure that adequate AML/CFT framework and policies are in place in the Bank to protect it against the risks of money laundering and terrorism financing.

ix) Evaluate and make recommendations to the Board on risk management issues, the level of risk exposure and appropriate risk mitigants in relation to credit transactions and exposures with connected parties, on a quarterly basis; and

x) Review and concur on proposals pertaining to the introduction of new and/or variation products and/or services for the Board's approval.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC")

The BAC as at 31 December 2019 comprises three (3) members, of whom two (2) are Independent Non-Executive Directors and is scheduled to meet at least four (4) times annually.

The BAC met five (5) times during the financial year.

The composition of the BAC and the number of meetings attended by each member are as follows:

Members	Total meetings attended
Lim Hun Soon @ David Lim *(Chairman, Independent Non-Executive Director)*	5 out of 5
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad *(Non-Independent Non-Executive Director)*	4 out of 5
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) *(Independent Non-Executive Director)*	5 out of 5

BAC is chaired by an Independent Non-Executive Director and was established in compliance with BNM requirements and code on Corporate Governance.

The primary goal of the BAC are as follows:

- Ensure that the financial statements are prepared in a timely, fair, transparent and in an accurate manner/reliable with frequent reviews of the adequacy of provisions against contingencies and impaired loans. Review the balance sheet and income statement for submission to the Board and ensure the prompt publication of annual financial statements.
- Ensure that prior to publication of the annual report, a complete review is done to comply with the regulatory listing requirements.
- Review the effectiveness of internal audit function, the internal controls and risk management processes including the scope of the internal audit, audit programme, functions and resources of the internal audit and that it has the necessary authority to carry out its work, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and the BAC are not/shall not be subject to the clearance of the Board. The effectiveness and performance of internal audit function are assessed against its achievement, benchmarking against best practices and/or other considerations.

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Directors' report
for the financial year ended 31 December 2019 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC") (continued)

The primary goal of the BAC are as follows: (continued)

- Oversee the effectiveness of Internal Audit Function:
  - Appoint the Group Chief Internal Auditor ("GCIA"), evaluate performance including her transfer and dismissal if warranted;
  - Ensure oversight on the adequacy of resources and remuneration of internal auditors;
  - Review and approve the audit scope, procedures and frequency;
  - Review key audit reports and ensure that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by Internal Audit and other control functions;
  - Noting significant disagreements between the Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings; and
  - Establish a mechanism to assess the performance and effectiveness of Internal Audit function.
- External Auditors:
  - Select and recommend external auditors for appointment by the Board each year. Review with the external auditors, the scope of their plan, the system of internal accounting controls, the audit reports, the assistance given by the management and its staff to the auditors and any findings and action to be taken;
  - Assessment on the long relationship and risk of familiarity threats;
  - Review the audit fees of external auditors;
  - Recommend removal of external auditors;
  - Monitoring and assessing the independence of external auditor including approving the provision of non-audit services by external auditor;
  - Have direct communication channels with external auditor and meet them without the presence of management at least annually; and
  - Maintain regular, timely, open and honest communication with the external auditor and requiring the external auditor to report to BAC on significant matters.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC") (continued)

The primary goal of the BAC are as follows: (continued)

- Review the internal and year end financial statements before submission to the Board, focusing on:
  a) going concern assumption;
  b) compliance with accounting standards and other legal and regulatory requirements;
  c) any changes in accounting policies and practices;
  d) significant adjustments, issues and unusual events arising from the audit; and
  e) major judgemental areas.

- Ensure and senior management act upon findings and recommendations timely the interim and final external audit. In this regard, also discuss on any other matters in the absence of management, where necessary.

- Review the external auditors' management letter and management's response.

- Monitor related party transactions and conflict of interest situation that may arise within the Bank including any transactions, procedure or course of conduct that raises questions on management integrity. Escalate to the Board on such transactions.

- Review the accuracy and adequacy of the Chairman's statement in the Directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

- Appoint another independent party with knowledge of Internal Audit to conduct review on effectiveness of GIA's function, if necessary. It can either be peers from within the Bank or an external party.

- Approve the engagement and appointment of external experts where Internal Audit lacks the expertise and experiences.

BAC will review and ensure that such engagement comprised the following:
a) Assignments, Roles and Responsibilities;
b) Bank or Financial Institution including regulators or external auditors has the right to audit/ access their records, audit plan, and working papers and etc;
c) Commitment from external experts that adequate resources will be assigned;
d) Authority to vary on changes of terms of engagement;
e) Assurance that independence and objectivity of the audit is not compromised if the Bank's external auditors is engaged; and
f) The regulatory requirements on outsourcing are to be complied with.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC") (continued)

The primary goal of the BAC are as follows: (continued)

- Review and monitor compliance with the Board's conflicts of interest policy, focusing on:
  a) Identification of circumstances which constitute or may give rise to conflicts of interest;
  b) Clear processes for Directors to keep the Board informed on changes in circumstances which may give rise to a conflict of interest;
  c) Maintenance of records on each Director's conflict of interest; and
  d) Addressing any non-compliances with the policy.
- Review of third-party opinions on the design and effectiveness of the Bank's internal control framework; and
- Islamic Operations - sought advice from Shariah Advisory on Shariah related matters to ensure compliance with Shariah principles.

(v) Board Credit Review Committee ("BCRC")

The BCRC was established to assist the Board in respect of matters relating to credit risk in the Bank's business operations. Based on the Credit Authority Matrix approved by the Board, the BCRC shall review credit / underwriting proposals which have been approved by the Group Management Loan Committee ("GMLC").

The BCRC shall operate in accordance with the powers and authority delegated to it by the Board as follows:

- To consider whether to reject a credit / underwriting proposal, impose additional terms or modify the terms approved by GMLC thereof;
- To consider and if deemed fit, to approve any request to grant waivers and exemptions from complying with the Bank's Credit Risk Policy, Discretionary Authorities and related policies and operations manuals; and
- Generally to ensure that the GMLC has discharged its responsibilities in a proper manner.

Non-veto proposals shall be submitted to the BCRC for notification.

The BCRC is scheduled to meet on a monthly basis and consists of three (3) members of the Board as at 31 December 2019, met eleven (11) times during the financial year. The composition of the BCRC and the number of meetings attended by each member are as follows:

Members	Total meetings attended
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad *(Chairman, Non-Independent Non-Executive Director)*	10 out of 11
Maj. Gen. Dato' Zulkiflee Bin Mazlan (R) *(Independent Non-Executive Director)*	11 out of 11
Dato' Mohd Ali bin Mohd Tahir *(Independent Non-Executive Director)*	11 out of 11

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors' Training

The NRC oversees the training needs of the Directors. The NRC shall ensure that the Directors spend sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning in order to keep the Directors abreast with the dynamic and complex business environment as well as new statutory and regulatory requirements.

All new Directors are required to attend the Directors Orientation Programme to familiarise themselves with the Group's organisation structure, business and the financial industry. A formalised orientation programme has been developed and the relevant Heads of Departments/Divisions will brief the new members of the Board on the functions and areas of responsibility of their respective department/divisions. This serves to provide them with a platform in establishing effective channel of communication and interaction with Senior Management as well as to ensure that the Director understand:

(a) their roles and responsibilities;
(b) the nature of the Group's business;
(c) overview of risks on the Group's business and the risk management strategy; and
(d) legal requirements and compliance controls.

All Directors appointed to the Board are required to complete the Financial Institutions Directors' Education training ("FIDE") organised by BNM within one year from the date of appointment. The Securities Commission ("SC") has revised its Licensing Handbook which stipulated the requirement for Director to attend the Capital Market Director Programme ("CMDP") and the timeline to complete the programme.

Affin Hwang Investment Bank Berhad

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Directors' report
for the financial year ended 31 December 2019 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2019 are as follows:

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
1	Abd Malik bin A Rahman	Islamic Finance for Board of Directors Programme	ISRA Consultancy/ Bank Negara Malaysia ("BNM")	13 February, 2019- 14 February, 2019
		FIDE FORUM : Reading the Signs: The next financial crisis and its potential impact on Asia	FIDE Forum	14 March, 2019
		Half day talk on The Impact of Crypto on Capital Markets	AFFIN Bank Berhad ("ABB")	13 March, 2019
		Presentation by BNM Governor on 2018 Annual Report & Financial Stability and Payment Systems Report	BNM	27 March, 2019
		Investment Forum 2019 – Wealth & Beyond	Affin Hwang Asset Management Bhd ("AHAM")	20 July, 2019
		MACC (Amendment) Act 2018 – Section 17A Offence by Commercial Organisation	Deloitte Risk Advisory/Amway (M) Holdings Berhad	21 August, 2019
		Corporate Liability (S17A of MACC Act)	Affin Hwang Investment Bank Berhad ("AHIBB")	2 October, 2019
		Cyber Security Awareness for Board of Directors - Challenges of Cyber Security - Current Thread Landscape - Cyber Risk Framework - Risk Assessment - Risk Management in Technology (RMIT) - Risk Management in Technology (RMIT) – Responsibilities of Board of Directors - Risk Management in Technology (RMIT) – Responsibilities of Senior Management	ABB	3 October, 2019
		Leadership in a disruptive world	FIDE Forum	17 October, 2019

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2019 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
1	Abd Malik bin A Rahman	Group-wide training program: Corporate Governance; National LTAT/Boustead Group Anti-Corruption Plan & The Role of Private Sector; MACC Act Section 17A & Its Implications; Budget 2020 & The Economy	Lembaga Tabung Angkatan Tentera (LTAT)/Boustead Group	29 October, 2019
		The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committee	AOB/Securities Commission	8 November, 2019
2	Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	Business Transformation: Drive Impactful Performance Results	Tomei Consolidated Bhd	1 April, 2019
		Corporate Liability (S17A of MACC Act)	AHIBB	2 October, 2019
		Cyber Security Awareness for Board of Directors - Challenges of Cyber Security - Current Thread Landscape - Cyber Risk Framework - Risk Assessment - Risk Management in Technology (RMIT) - Risk Management in Technology (RMIT) – Responsibilities of Board of Directors - Risk Management in Technology (RMIT) – Responsibilities of Senior Management	ABB	3 October, 2019
3	Stephen Charles Li	Non-Executive Directors Programme "Has Corporate Governance in Asia Truly Improved"?	Pricewaterhouse Coopers	29 May, 2019
		Independent Non-Executive Directors Forum	KPMG	3 June, 2019
		Directors' Training Session: "The Development of Basel I to IV"	The Bank of East Asia, Ltd	29 November, 2019

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Directors' report
for the financial year ended 31 December 2019 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2019 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
4	Lim Hun Soon @ David Lim	FIDE FORUM WORKSHOP: Building an Effective Board - Board Selection	FIDE Forum	24 January, 2019
		FIDE FORUM : Reading the Signs: The next financial crisis and its potential impact on Asia	FIDE Forum	14 March, 2019
		Half day talk on Cryptocurrency & Blockchain	ABB	13 March, 2019
		Dinner Talk- Digital Assets : Global Trends, Legal Requirements and Opportunities for Financial Institutions	FIDE Forum	26 March, 2019
		BNM-FIDE FORUM :Dialogue with the Deputy Governor on the draft Risk Management in Technology (RMiT) Policy	FIDE Forum	8 April, 2019
		Understanding the Evolving Cybersecurity Landscape	International Centre for Leadership in Finance ("ICLIF")	23 April, 2019
		IIC-SIDC Governance Convention 2019: Rising Beyond Principles and Policies	Securities Industry Development Corporation	18 November, 2019
5	Maj. Gen. Dato' Zulkiflee bin Mazlan (R')	FIDE FORUM : Reading the Signs: The next financial crisis and its potential impact on Asia	FIDE Forum	14 March, 2019
		Half day talk on Cryptocurrency & Blockchain	ABB	13 March, 2019
		Understanding Fintech and Its Implications for Banks	ICLIF	1 August, 2019
		Money Laundering (AMLA) Refresher Course	AHAM	4 September, 2019
		Corporate Liability (S17A of MACC Act)	AHIBB	2 October, 2019

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Directors' report
for the financial year ended 31 December 2019 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2019 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
5	Maj. Gen. Dato' Zulkiflee bin Mazlan (R')	Cyber Security Awareness for Board of Directors - Challenges of Cyber Security - Current Thread Landscape - Cyber Risk Framework - Risk Assessment - Risk Management in Technology (RMIT) - Risk Management in Technology (RMIT) – Responsibilities of Board of Directors - Risk Management in Technology (RMIT) – Responsibilities of Senior Management	ABB	3 October, 2019
6	Datuk Noor Azizan binti Shaari	FIDE FORUM WORKSHOP: Building an Effective Board - Board Selection	FIDE Forum	24 January, 2019
		Half day talk on Cryptocurrency & Blockchain	ABB	13 March, 2019
		Value based intermediation : Directors Role	FIDE Forum	1 August, 2019
		Corporate Liability (S17A of MACC Act)	AHIB	2 October, 2019
		4th Distinguished Board Leadership Series : Digital To The Core	FIDE Forum	4 October, 2019
7	Dato' Mohd Ali bin Mohd Tahir	Directors as Gatekeepers of Market Participants (Module 1)	SIDC	12 March, 2019
		Business Challenges and Regulatory Expectations (Equities & Future Broking) (Module 2A)	SIDC	13 March, 2019
		Risk Oversight and Compliance – Action Plan for Board of Directors (Module 3)	SIDC	13 March, 2019
		Current and Emerging Regulatory Issues in the Capital Market (Module 4)	SIDC	14 March, 2019
		Understanding Fintech and Its Implications for Banks	ICLIF	1 August, 2019
		Cyber Security Workshop	BURSA Malaysia	6 August, 2019

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Directors' report
for the financial year ended 31 December 2019 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2019 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
7	Dato' Mohd Ali bin Mohd Tahir	FIDE FORUM Invitation: BNM-FIDE FORUM Dialogue on Key Aspects of Fintech and Regulation with En Suhaimi Ali	FIDE	19 September, 2019
		Corporate Liability (S17A of MACC Act)	AHIBB	2 October, 2019
		Cyber Security Awareness for Board of Directors - Challenges of Cyber Security - Current Thread Landscape - Cyber Risk Framework - Risk Assessment - Risk Management in Technology (RMIT) - Risk Management in Technology (RMIT) – Responsibilities of Board of Directors - Risk Management in Technology (RMIT) – Responsibilities of Senior Management	ABB	3 October, 2019
		FIDE Elective Programme Emerging Risks, the Future Board and Return on Compliance	ICLIF	18 October, 2019

2 Internal Control Framework

The Board recognises the importance of maintaining a sound system of internal controls and risk management practices. The Board affirms its overall responsibility of the Bank's system of internal controls, which includes the establishment of appropriate control environment and risk management framework.

The Bank's system of internal controls involves all management and personnel from each business and support unit. The Board is responsible for determining key strategies and policies for significant risks and control issues, whilst functional managers of the Bank are responsible for the effective implementation of the Board's policies by designing, operating, monitoring and managing risks and control processes.

Corporate Governance (continued)

2 Internal Control Framework (continued)

The Board meets regularly to review the Bank's financial and business performance, oversee the conduct of the Bank's business as well as to ensure the effectiveness and adequacy of internal control systems are in place.

The Bank's organisation structure sets out clearly defined lines of job responsibilities and delegation of authority to ensure effective communciation of risk control objectives as well as establishment of authority and accountability and control processes. The Bank's internal control framework encompasses the following:

(i) Internal audit and control activities

In accordance with Bank Negara Malaysia’s Guidelines on Internal Audit Functions, Internal Audit ("IA") conducts continuous independent reviews on auditable areas within the Bank. The reviews conducted by IA are focused on areas of significant risks and the adequacy and effectiveness of internal control in accordance to the audit plan approved by the BAC. The risks highlighted on the respective auditable areas as well as recommendations made by IA are addressed at the BAC. The BAC also conduct annual reviews on the adequacy of internal audit function, scope of work, resources and budget of IA.

IA consists of Operational Audit, IS Audit, Credit Review, Compliance and Investigation. Audit activities include these key components:

- Conduct audit on all auditable entities covering the processes, services, products, systems and provide an independent assessment to the Board of Directors, BAC and Management that appropriate control environment is maintained with clear authority and responsibility with sufficient staff and resources to carry out control responsibilities.
- Perform risk assessments to identify risks and evaluate actions taken to provide reasonable assurance that procedures and controls exist to contain those risks.
- Maintain strong control activities including documented processes and systems, incorporating adequate controls to produce accurate financial data and provide for the safeguarding of assets, and a documented review of reported results.
- Ensure effective information flows and communication, including:
  - training and the dissemination of standards and requirements;
  - an information system to produce and convey complete, accurate and timely data, including financial data; and
  - the upward communication of trends, developments and emerging issues.
- Monitor controls, including procedues to verify that controls are in place and functioning, follow up on corrective action on control finding until its full resolution.

Based on IA's review, identification and assessment of risk, testing and evaluation of controls, IA will provide an opinion on the adequacy and effectiveness of internal controls maintained by each entity.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(ii) Risk Management

- Board Risk Management Committee ("BRMC")

  BRMC has been established and its responsibilities, amongst others, include overseeing the effective implementation of the Bank's Risk Management framework and policies.

- Risk Assessment

  Risk assessment is in place to provide the process for the identification of the Bank's material risks, from the perspective of impact on the Bank's financial standing and reputation.

  Consistent and well-accepted methodologies of risk measurement introduced to assess Liquidity, Asset and Liability Management and other relevant risk metrices.

- Risk Governance Structure

  The Risk Management function, operating in an independent capacity is part of the Bank's senior management structure which works closely as a team in managing risks to enhance stakeholders' value.

  The Bank has an established, comprehensive and robust risk management framework and internal control system in tandem with the complexity and diversity of the investment banking activities undertaken by the Bank. On-going initiatives and periodic reviews are undertaken by the Risk Management Department ("RMD") at the Bank to enhance the risk management framework, policies, processes and procedures to ensure that credit, market, liquidity and operational risks associated with the Bank's business activities are adequately identified and mitigated.

  RMD is functionally independent of the business divisions and is primarily responsible for identifying, measuring, monitoring, mitigating and controlling credit, market, liquidity and operational risks of the Bank.

  The Bank’s comprehensive risk management framework and internal control system are pivotal and instrumental towards achieving the corporate objective of maximising profitability and returns to shareholders whilst ensuring prudential management of the associated risks.

  The risk management process is reviewed regularly by the BRMC to ensure that the risk management framework and policies are adequate to protect the Bank against all relevant risks comprising credit, market , liquidity and operational risks.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(ii) Risk Management (continued)

- Risk Governance Policies and Procedures

Risk Management policies and procedures are reviewed and updated regularly to ensure relevance to the current business needs and current/applicable regulatory requirements.

There is no material revision to the policies and procedures in 2019.

- Whistle Blowing Policy

This policy provides an avenue for employees to report actual and suspected malpractice, misconduct and violations of the Bank's policies in a safe and confidential manner.

- Operational Risk Management

The process is facililtated by RMD and a Risk Control Self Assessment ("RCSA") process has been implemented to enable management to identify and assess the risks under their areas of supervision and control on a continual basis. This serves as a trigger point to determine Key Risk Indicators ("KRIs") for operational exposures monitoring purposes.

The Operational Risk Management Unit ("ORMU") plays a centralised function for operational risk management within the RMD and it is independent of any other functions within the Bank. Exception reports are produced on a regular basis, highlighting material operational risk related issues to the Compliance and Risk Oversight Committee ("CROC") and BRMC as well as the Group Operational Risk Management Committee ("GORMC") for risk monitoring and appropriate level of management decision making. Relevant trainings relating to Operational Risk such as Business Continuity Planning is being provided by RMD.

Concerns and breaches, if any, will be escalated to the Group Managing Director, CROC, GORMC, BRMC and the Board. The same will be escalated to the Board committee(s) at the Group level.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(iii) Compliance

The Bank has in place an independent compliance function. The compliance's main functions include advising, monitoring and educating the business and support units in respect of compliance with the requirements of applicable laws, regulations and guidelines. In line with good governance practices, Compliance, Legal and Corporate Services ("CLCS") Department reports independently to the Board Risk Management Committee ("BRMC").

- Compliance Framework

  The CLCS's departmental policy and operational manual sets out the guiding principles for the sound management of compliance risk within the Bank. It also sets out, amongst others, the roles and responsibilities of the Board and Senior Management and establishment of an independent compliance function.

- Policies and Procedures

  Policies and procedures are reviewed regularly or as and when required to reflect current practices and changes in applicable regulatory requirements. The policies and procedures which are revised in 2019 are the Bank's Anti-Money Laundering And Counter Financing of Terrorism ("AML/CFT") Framework and Compliance Policy Framework.

- Training

  Relevant trainings on identified focus areas are regularly conducted by CLCS to create compliance awareness amongst the staff and to assist the business and support units to better understand the effect and applications of the regulatory as well as internal requirements.

- Compliance Programme

  An Annual Compliance Programme is drawn up, tabled and approved by BRMC. Compliance reviews are performed regularly by CLCS to assess adherence to the existing and new regulatory requirements as well as internal policies and procedures. Any deviations or breaches are reported to CROC and BRMC for deliberation.

- Anti-Money Laundering And Counter Financing of Terrorism ("AML/CFT")

  The Bank has in place an AML/CFT Framework comprising policies, procedures and processes which are duly approved by the Board (policy section) and by BRMC (operational section).

Corporate Governance (continued)

2 Internal Control Framework (continued)

(iv) Escalation Process

- The channels of communication and procedures have been established for reporting immediately to the Board and appropriate levels of management on any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.

- Corrective Action Tracking on resolution of issues/findings highlighted by external audit, internal audit, regulators, if any, have also been escalated to the relevant Management Committees, BAC and the Board.

(v) Policies/Procedures including Empowerment and Approving Authority Policies

- Policies and Procedures covering all functions have been developed throughout the Bank and approvals have been obtained from the relevant committees and the Board. The policies and procedures are updated periodically to incorporate changes to systems, work environment and guidelines issued by regulators.

- There is a clearly defined framework and empowerment approved by the Board. Limits of Approving Authority for key aspects of the businesses provides a sound framework of authority and accountability within the Bank and facilitates proper corporate decision making at the appropriate level in the Bank's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the business objectives and operational needs.

(vi) Financial Performance Review

- The Group Finance Department ("GFD") regularly provides comprehensive information to the Board and BAC on key financial reports, key variances and analysis of financial data of the Group and Bank. The GFD ensures maintenance of proper accounting records and the reliability of the financial information is in accordance with the approved standards and in compliance with the regulatory and statutory requirements.

(vii) Business and Capital Plan Including Budget

- The annual business plan and financial budget of the Bank is tabled and approved by the Board. The 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.

- A structured framework and processes with regard to capital expenditure and revenue is in place and is reviewed annually.

- The internal capital target is set on a yearly basis.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(viii) Human Resources

The Bank acknowledges that people development is critical in ensuring that employees have the right competencies, skills and knowledge to conduct the tasks they are entrusted with, and must able to exercise sound judgment when fulfilling those responsibilities. This is line with the objective set under the Bank’s Code of Ethics ("COE") and Code of Conduct ("COC").

The HR Policies and Procedures are in place and provide clarity in all aspects of human resource management in the Bank. Periodically, the policies and procedures are reviewed to ensure they remain relevant and appropriate controls are in place to manage operational risks. Changes, if any, are communicated to all employees via HR Avenue ("the HR System").

Human Resource has in place various initiatives and training programs to address the human capital requirement, including knowledge management and mandatory programmes. The Bank has in place online performance-based appraisal system ("ePMS") to evaluate and compensate/reward its employees accordingly. Staff performance assessment is conducted annually which is based on KPIs.

The recruitment process including screening process, which include the fit and proper assessment is in place.

The e-learning facilities provides staff the freedom of time and space to learn and update their knowledge at their convenience while meeting the Bank’s needs for its employees, who are spread across geographical areas, to be competent in key areas.

3 Remuneration System

The remuneration policy is structured in order to provide the Bank to retain, reward and motivate staff which is required for sustainable success by ensuring a fair, transparent and equitable remuneration based on:

(i) Individual job requirements, responsibilities, qualifications and experience;

(ii) The Bank’s performance; and

(iii) Performance/contribution of the individual staff based on the KPIs.

The Bank’s remuneration mix is aligned with the FSI remuneration mix of fixed and performance linked variable pay. Individual performance pay is measured through a structured and transparent performance appraisal process vide the ePMS.

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. These elements support the achievement of our objectives through balancing rewards for both short-term results and long-term sustainable performance. Our strategy is designed to share our success, and to align employees’ incentives with our risk framework and risk outcomes.

The quality and long-term commitment of all of our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of our shareholders.

The Bank’s remuneration system comprises the following key elements:

(i) Fixed pay;

(ii) Benefits; and

(iii) Variable pay (short term incentive plan and long term incentive plan).

Corporate Governance (continued)

3 Remuneration System (continued)

The Bank will ensure that overall remuneration system for the Bank (as per the BNM CG guidelines) shall:

(i) be subject to Board’s active oversight to ensure that the system operates as intended;

(ii) be in line with the business and risk strategies, corporate values and long-term interests of the financial institution;

(iii) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the financial institution as a whole, taking into account the interests of its customers; and

(iv) be designed and implemented with input from the control functions and the board risk management committee to ensure that risk exposures and risk outcomes are adequately considered.

The remuneration of senior management and other material risk takers must be approved by the Board annually and the Bank will maintain and regularly review the list of officers who fall within the definition of Senior Management and other material risk takers.

The Bank has 20 Senior Officers comprising Deputy Group Managing Director, Group Chief Operating Officer, Managing Directors of Businesses, Group Chief's and Chief's of Support Units and Head of Business Units. Other material risk takers primarily is the Chief Credit Officer of the Bank.

The Bank will ensure transparency in accordance with the BNM CG, by the disclosure of remuneration policies and information on paid remuneration to regulators, through the Annual Financial Statements.

Remuneration for individuals shall be aligned with prudent risk-taking. Hence, remuneration outcomes shall be symmetric with risk outcomes. This includes ensuring that:

(i) remuneration is adjusted to account for all types of risk, and determined by both quantitative measures and qualitative judgement;

(ii) the size of the bonus pool is linked to the overall performance of the Bank;

(iii) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Bank;

(iv) bonuses are not guaranteed, except in the context of sign-on bonuses; and

(v) for members of senior management and other material risk takers:

   (a) a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and Bank-wide measures that adequately assess performance; and

   (b) the variable portion of remuneration increases along with the individual’s level of accountability.

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Corporate Governance (continued)

3 Remuneration System (continued)

The Remuneration system is reviewed by the NRC and approved by the Board. There are no findings in relation to material changes made during the financial year.

The annual KPIs for officers in control functions is tabled to the NRC and the Board, as this will determine the compensation payout. This is to ensure and safeguard the independence and authority of individuals engaged in control functions of which remuneration shall be paid based on the achievement of the control functions' KPIs (as set out in the Remuneration Policy and System).

Remunerations to be paid to senior management, other material risk takers and other staff are compatible with the Bank's ethical values, internal balance and strategic targets. Remunerations of all staff are defined by taking into consideration the responsibilities they assume.

On an annual basis, the Management is required to table to the NRC and the Board, the performance metrics (Financial, Business and Non Financial metrices) to determine the variable pay and remuneration. In the event the performance metrics are weak, the NRC and the Board shall deliberate and decide on the variable payout. Criteria for determination of weak performance is based on the performance rating falling under "below expectation" as set out in the Bank's performance rating scale.

Remunerations based on performance: Performance measurements related to the concerned periods are taken into consideration when determining the variable pay. Payment amounts based on the performance and principally the variable pay is not guaranteed in advance.

Analysis of the total remuneration awards for the Group Managing Director and each Director of the Bank for the financial year are disclosed in Note 34 to the financial statements.

Analysis of remuneration for senior management and other material risk takers of the Bank for the financial year are disclosed in Note 34 to the financial statements.

Employee stock option incentive scheme

A subsidiary of the Bank, Affin Hwang Asset Management Berhad, has established and implemented an employee stock option incentive scheme for its key employees, details of which are disclosed in Note 42 to the financial statements.

Business Strategy for the current financial year

2019 continues to be challenging as most global capital markets took a beating from the US-China trade tensions. Locally, Bursa market trading volume dropped by about 16% year-on-year and on Index Front Bursa Malaysia's FBMKLCI retreated 6.02% year on year.

The investment banking sector continues to tap on pockets of business opportunities in the challenging capital markets environment. In 2019, the Bank was the Joint Lead Arrangers in partnering with Daiwa Securities of Japan, for the Government of Malaysia's 200 billion Yen 10-year Samurai Bond which is the largest ever guaranteed by the Japan Bank for International Cooperation. The transaction were accorded 'Best Bond' award for the 'Best Deals in Malaysia' category, awarded by The Asset Tripple A at the Country Awards 2019.

Despite 2019 being a lacklustre year for Securities Business, the Bank was able to increase its market share from 12.58% in FY2018 to 12.92% in FY2019 and remained at the top of the Bursa Broker Ranking for the sixth year running, despite intense competition. The Bank was also awarded the Best Securities House, Malaysia by Asia Money in 2019 making it the third consecutive years while our Equity Research team were also awarded with the Edge Best Call Award in 2019.

The asset management segment benefited from a higher Assets under Administration ("AUA") delivering good performance as it continues to grow its business steadily and is well positioned to further expand its asset and client base. The asset management business remained focused on increasing its revenue by launching new and innovative funds as well as focusing on growing its sales force.

Business review for the current financial year

The Group recorded a higher net income of RM556.18 million for the current financial year ended 31 December 2019 ("FY2019") as compared to RM520.83 million in the previous financial year ("FY2018"). The higher net income was mainly due to higher investment income, partially offset by lower net interest income and lower net fee income earned. The investment banking and asset management business companies contributed about 52.7% and 47.3% (2018: 52.5% and 47.5%) of the Group's total net income respectively.

Profit before zakat and tax of the Group for FY2019 recorded 9.6% increase to RM177.04 million compared to RM161.54 million achieved in FY2018. Profit attributable to equity holders decreased from RM107.46 million in FY2018 to RM103.20 million in FY2019. The current year saw the Group's earnings per share decreased to 13.23 sen against 13.78 sen in FY2018 with a lower return on equity of 6.6% against 7.2% in FY2018.

Net assets per share of the Group increased from RM1.91 per share as at 31 December 2018 to RM1.99 per share as at the reporting date. Total assets and total liabilities of the Group stood at RM8.40 billion (2018: RM 8.30 billion) and RM6.78 billion (2018: RM6.74 billion) respectively. Total assets increased by RM95.76 million, mainly contributed by increase in financial assets at fair value through profit or loss by RM259.09 million, increase in trade receivables by RM164.44 million and increase in cash and short term funds by RM130.37 million, offset by decrease in financial investments at fair value through other comprehensive income (FVOCI) by RM224.22 million and decrease in loans, advances & financing by RM198.45 million due to net repayment during the year.

Total liabilities increased by RM39.97 million mainly contributed by higher trade payables by RM186.53 million and higher other liabilities by RM129.81 million, offset by lower deposits from customers and deposits & placements of banks and other financial institutions by RM181.04 million and absence of repurchase agreements of RM142.48 million which was no longer outstanding as at December 2019.

Commitment and contingencies increased by RM1,476.99 million mainly due to increase in foreign exchange-related contracts by RM902.48 million and interest rate-related contracts by RM575.00 million as compared to 31 December 2018.

Directors' report
for the financial year ended 31 December 2019 (continued)

Business outlook for 2020

The Group is cautiously optimistic that the domestic economy and Capital Market's shall improve due to the Government's Fiscal and Monetary Policy. Nevertheless vulnerabilities especially from external factors such as the US Presidential Election and continued Trade Tensions, will continue to dominate the sentiment and direction of Malaysia's currency and asset prices.

Despite the challenges, we are positive on the areas of opportunities that Affin Hwang Capital can capitalise to drive our business forward. The Investment Banking business is keen on providing a comprehensive and value added advisory support to clients through Fund Raising, Merger & Acquisitions (M&A) and Project Advisory. The Securities Business will continue to develop new capabilities and expanding its market foothold on untapped markets. The asset management business will continue to grow its AUA and focus on enhancing its customer experience.

Subsidiaries

Details of subsidiaries are disclosed in Note 12 to the financial statements.

Holding company and ultimate holding corporate body

The holding company of the Bank is Affin Bank Berhad, a public limited liability company incorporated and domiciled in Malaysia, and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

Auditors' remuneration

Details of auditors' remuneration are disclosed in Note 32 to the financial statements.

Company No: 197301000792 (14389-U)

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Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 16 March 2020, signed on behalf of the Board of Directors:

Abd Malik bin A Rahman
Chairman
Kuala Lumpur
16 March 2020

Lim Hun Soon @ David Lim
Director

Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad
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Statements of financial position as at 31 December 2019

		The Group		The Bank	
		31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Assets					
Cash and short-term funds	2	**755,162**	624,791	**270,574**	204,360
Financial assets at fair value through profit or loss ("FVTPL")	3	**491,916**	232,824	**384,849**	181,365
Financial investments at fair value through other comprehensive income ("FVOCI")	4	**4,813,955**	5,038,173	**4,813,955**	5,038,173
Financial investments at amortised cost	5	**44,567**	48,381	**44,567**	48,381
Loans, advances and financing	6	**1,077,552**	1,276,004	**1,077,552**	1,276,004
Trade receivables	7	**532,868**	368,429	**289,593**	279,537
Derivative financial assets	8	**52,583**	29,857	**51,585**	29,784
Commodity Gold at FVTPL		**-**	42,733	**-**	-
Other assets	9	**64,058**	35,195	**56,201**	30,227
Statutory deposits with Bank Negara Malaysia	10	**151,400**	196,600	**151,300**	196,500
Amounts due from subsidiaries	11	**-**	-	**166**	273
Amount due from related companies		**245**	-	**-**	-
Amount due from ultimate holding company		**69**	-	**-**	-
Investment in subsidiaries	12	**-**	-	**125,721**	125,721
Investment in associates	13	**3,594**	-	**1,132**	1,132
Tax recoverable		**36,420**	28,879	**30,684**	22,095
Deferred tax assets	14	**9,533**	26,597	**-**	14,506
Property and equipment	15	**27,808**	30,334	**15,310**	18,658
Intangible assets	16	**323,194**	323,102	**316,243**	315,963
Right-of-use assets	17	**12,738**	-	**3,270**	-
Total assets		**8,397,662**	8,301,899	**7,632,702**	7,782,679
Liabilities and equity					
Deposits from customers	18	**4,683,126**	5,131,652	**4,683,126**	5,131,652
Deposits and placements of banks and other financial institutions	19	**692,404**	424,913	**692,404**	424,913
Obligations on securities sold under repurchase agreements	20	**-**	142,477	**-**	142,477
Trade payables	21	**787,429**	600,898	**261,547**	292,945
Derivative financial liabilities	22	**50,535**	28,107	**50,535**	28,107
Amount due to a related company		**2**	448	**-**	-
Amount due to subsidiaries	11	**-**	-	**36**	-
Amount due to holding company		**103**	47	**-**	-
Lease liabilities	23	**12,863**	-	**3,253**	-
Other liabilities	24	**545,753**	415,947	**346,094**	298,651
Deferred tax liabilities	14	**12,245**	-	**12,245**	-
Total liabilities		**6,784,460**	6,744,489	**6,049,240**	6,318,745
Share capital	25	**999,800**	999,800	**999,800**	999,800
Reserves	26	**555,687**	491,837	**583,662**	464,134
		1,555,487	1,491,637	**1,583,462**	1,463,934
Non-controlling interest		**57,715**	65,773	**-**	-
Total equity		**1,613,202**	1,557,410	**1,583,462**	1,463,934
Total liabilities and equity		**8,397,662**	8,301,899	**7,632,702**	7,782,679
Commitments and contingencies	39	**7,853,946**	6,376,955	**7,853,946**	6,376,955

The accounting policies and notes form an integral part of these financial statements.

Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Income statements
for the financial year ended 31 December 2019

		The Group		The Bank	
		31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	27	**289,145**	303,355	**286,371**	300,490
Interest expense	28	**(225,488)**	(226,670)	**(225,147)**	(226,670)
Net interest income		**63,657**	76,685	**61,224**	73,820
Fee and commission income	29(a)	**480,202**	505,516	**83,116**	104,956
Fee and commission expense	29(b)	**(145,477)**	(155,215)	**-**	-
Net fee and commission income	29	**334,725**	350,301	**83,116**	104,956
Net gains and losses on financial instruments	30	**148,017**	83,229	**140,156**	83,389
Other operating income	31	**9,784**	10,618	**68,725**	46,871
Net income		**556,183**	520,833	**353,221**	309,036
Other operating expenses	32	**(358,376)**	(342,813)	**(204,532)**	(200,616)
Operating profit before allowances		**197,807**	178,020	**148,689**	108,420
Allowances for credit impairment losses	33	**(21,231)**	(16,482)	**(21,222)**	(16,481)
Share of results of associate, net of tax		**459**	-	**-**	-
Profit before zakat and taxation		**177,035**	161,538	**127,467**	91,939
Zakat		**(2,530)**	(1,052)	**(2,081)**	(670)
Profit before taxation		**174,505**	160,486	**125,386**	91,269
Taxation	36	**(40,911)**	(27,010)	**(15,851)**	(8,866)
Profit for the financial year		**133,594**	133,476	**109,535**	82,403
Attributable to:					
Equity holders of the Bank		**103,197**	107,462	**109,535**	82,403
Non-controlling interest		**30,397**	26,014	**-**	-
		133,594	133,476	**109,535**	82,403
Earnings per share (sen) :					
Basic/Fully diluted	37	**13.23**	13.78	**14.04**	10.56

The accounting policies and notes form an integral part of these financial statements.

Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of comprehensive income for the financial year ended 31 December 2019

		The Group		The Bank	
		31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Net profit after zakat and taxation		**133,594**	133,476	**109,535**	82,403
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**170,442**	11,052	**170,442**	11,052
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**(5,421)**	13,631	**(5,421)**	13,631
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(76,405)**	(6,555)	**(76,405)**	(6,555)
Exchange differences on translation of foreign operations		**(727)**	631	**-**	-
Deferred tax on financial investments at FVOCI	14	**(22,569)**	(1,079)	**(22,569)**	(1,079)
Items that will not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**5,845**	(6,592)	**5,845**	(6,592)
Deferred tax on financial investments at FVOCI	14	**(1,899)**	2,784	**(1,899)**	2,784
Other comprehensive income for the financial year, net of tax		**69,266**	13,872	**69,993**	13,241
Total comprehensive income for the financial year		**202,860**	147,348	**179,528**	95,644
Attributable to:					
Equity holders of the Bank		**172,732**	121,145	**179,528**	95,644
Non-controlling interests		**30,128**	26,203	**-**	-
		202,860	147,348	**179,528**	95,644

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statement of changes in equity
for the financial year ended 31 December 2019

		<----------------------------			Attributable to equity holders of the Bank	------------------------>					
The Group	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Foreign exchange reserves RM'000**	**Stock option reserves * RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Sub-total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2019		**999,800**	**3,968**	**28,357**	**593**	**8,328**	**-**	**450,591**	**1,491,637**	**65,773**	**1,557,410**
Comprehensive income:											
Net profit for the financial year		-	-	-	-	-	-	**103,197**	**103,197**	**30,397**	**133,594**
Other comprehensive income (net of tax)											
-Financial investments FVOCI		-	**69,993**	-	-	-	-	-	**69,993**	-	**69,993**
-Exchange differences on translation of foreign operations		-	-	-	**(458)**	-	-	-	**(458)**	**(269)**	**(727)**
Total comprehensive income		-	**69,993**	-	**(458)**	-	-	**103,197**	**172,732**	**30,128**	**202,860**
Net loss on disposal of financial investments designated at FVOCI (equity instruments)		-	**3,249**	-	-	-	-	**(3,249)**	-	-	-
Issuance of new shares from exercise of employee stock option incentive scheme **		-	-	-	-	**(8,328)**	-	**20,456**	**12,128**	**32,646**	**44,774**
Obligation to buy a subsidiary's shares from non-controlling interest		-	-	-	-	-	**(61,010)**	-	**(61,010)**	**(35,831)**	**(96,841)**
Transfer (from)/to regulatory reserves		-	-	**(4,626)**	-	-	-	**4,626**	-	-	-
Dividends paid	38	-	-	-	-	-	-	**(60,000)**	**(60,000)**	**(35,001)**	**(95,001)**
At 31 December 2019		**999,800**	**77,210**	**23,731**	**135**	**-**	**(61,010)**	**515,621**	**1,555,487**	**57,715**	**1,613,202**

* The stock option reserves represents the fair value of the options of a subsidiary's employee stock option incentive scheme.
** On 8 March 2019, the options holder have fully exercised the employee stock option incentive scheme (as disclosed in Note 42 of the financial statements).

The Group	Note	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves * RM'000	Other reserves RM'000	Retained profits RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		999,800	(9,273)	24,976	151	-	-	582,465	1,598,119	52,541	1,650,660
Comprehensive income:											
Net profit for the financial year		-	-	-	-	-	-	107,462	107,462	26,014	133,476
Other comprehensive income (net of tax)											
-Financial investments FVOCI		-	13,241	-	-	-	-	-	13,241	-	13,241
-Exchange differences on translation of foreign operations		-	-	-	442	-	-	-	442	189	631
Total comprehensive income		-	13,241	-	442	-	-	107,462	121,145	26,203	147,348
Options charged during the year		-	-	-	-	8,328	-	-	8,328	3,569	11,897
Obligation to buy a subsidiary's shares		-	-	-	-	-	-	(3,822)	(3,822)	(1,638)	(5,460)
Transfer to/(from) regulatory reserves		-	-	3,381	-	-	-	(3,381)	-	-	-
Dilution of interest in subsidiaries		-	-	-	-	-	-	867	867	98	965
Dividends paid	38	-	-	-	-	-	-	(233,000)	(233,000)	(15,000)	(248,000)
At 31 December 2018		999,800	3,968	28,357	593	8,328	-	450,591	1,491,637	65,773	1,557,410

The accounting policies and notes form an integral part of these financial statements.

Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statement of changes in equity
for the financial year ended 31 December 2019 (continued)

		<---------- Non-Distributable		---------->	<- Distributable->	
			FVOCI			
		Share	revaluation	Regulatory	Retained	Total
		capital	reserves	reserves	profits	equity
The Bank	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2019		**999,800**	**3,913**	**28,357**	**431,864**	**1,463,934**
Comprehensive income:						
Net profit for the financial year		**-**	**-**	**-**	**109,535**	**109,535**
Other comprehensive income (net of tax)						
-Financial investments FVOCI		**-**	**69,993**	**-**	**-**	**69,993**
Total comprehensive income		**-**	**69,993**	**-**	**109,535**	**179,528**
Net loss on disposal of financial investments designated at FVOCI (equity instruments)		**-**	**3,249**	**-**	**(3,249)**	**-**
Transfer (from)/to regulatory reserves		**-**	**-**	**(4,626)**	**4,626**	**-**
Dividends paid	38	**-**	**-**	**-**	**(60,000)**	**(60,000)**
At 31 December 2019		**999,800**	**77,155**	**23,731**	**482,776**	**1,583,462**
At 1 January 2018		999,800	(9,328)	24,976	585,842	1,601,290
Comprehensive income:						
Net profit for the financial year		-	-	-	82,403	82,403
Other comprehensive income (net of tax)						
-Financial investments FVOCI		-	13,241	-	-	13,241
Total comprehensive income		-	13,241	-	82,403	95,644
Transfer to/(from) regulatory reserves		-	-	3,381	(3,381)	-
Dividends paid	38	-	-	-	(233,000)	(233,000)
At 31 December 2018		999,800	3,913	28,357	431,864	1,463,934

The accounting policies and notes form an integral part of these financial statements.

Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2019

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**174,505**	160,486	**125,386**	91,269
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial investments at FVOCI	**(194,580)**	(203,871)	**(194,580)**	(203,871)
- financial investments at amortised cost	**(2,540)**	(2,641)	**(2,540)**	(2,641)
Interest expense on lease liability	**575**	-	**234**	-
Dividend income:				
- financial assets at FVTPL	**(7,290)**	(5,167)	**(5,711)**	(3,815)
- financial investments at FVOCI	**(3,554)**	(4,314)	**(3,554)**	(4,314)
Dividend income from subsidiaries	**-**	-	**(59,500)**	(35,000)
Share of results of associate, net of tax	**(459)**	-	**-**	-
Gain on disposal of property and equipment	**(173)**	(131)	**(20)**	(114)
(Gain)/loss arising from disposal/redemption of:				
- derivative instruments	**-**	54	**-**	54
- financial assets at FVTPL	**(62,096)**	(48,417)	**(59,672)**	(48,414)
- financial investments at FVOCI	**(76,361)**	(7,231)	**(76,361)**	(7,231)
Property and equipment written off	**55**	32	**4**	19
Depreciation of property and equipment	**9,601**	9,079	**5,917**	5,891
Depreciation of ROU	**9,352**	-	**5,560**	-
Amortisation of intangible assets	**2,599**	2,392	**1,350**	1,256
Unrealised loss/(gain) on:				
- derivative instruments	**1,047**	(985)	**1,047**	(985)
- financial assets at FVTPL	**19,885**	2,492	**23,743**	977
Expected credit losses ('ECL') made/(written-back) on:				
- securities	**(1,607)**	13,562	**(1,607)**	13,562
- loans, advances and financing	**7,744**	3,320	**7,744**	3,320
- trade receivables	**(260)**	(246)	**(269)**	(240)
- other assets	**927**	524	**927**	524
- loans and financing commitments and financial guarantee	**14,533**	(562)	**14,533**	(562)
Zakat	**2,530**	1,052	**2,081**	670
Bad debt written off	**8**	7	**8**	-
Unrealised exchange (gain)/loss	**(4,492)**	1,304	**(3,080)**	4,960
Operating loss before changes in working capital	**(110,051)**	(79,261)	**(218,360)**	(184,685)

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2019 (continued)

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
(Increase)/Decrease in operating assets				
Loan, advances and financing	**190,708**	(115,692)	**190,708**	(115,692)
Statutory deposits with Bank Negara Malaysia	**45,200**	(27,600)	**45,200**	(27,500)
Trade receivables	**(164,187)**	181,087	**(9,794)**	141,367
Other assets	**(29,790)**	(3,064)	**(26,902)**	(1,312)
Amount due from ultimate holding company	**(69)**	-	**-**	-
Intercompany balances	**-**	-	**143**	21,387
Derivative financial assets	**(19,281)**	24,720	**(19,767)**	21,137
Commodity Gold at FVTPL	**42,733**	(10,535)	**-**	-
Financial assets at FVTPL	**(210,318)**	141,910	**(161,845)**	137,122
	(145,004)	190,826	**17,743**	176,509
(Decrease)/Increase in operating liabilities				
Deposit from customers	**(448,526)**	640,125	**(448,526)**	640,125
Deposits and placements of banks and other financial institutions	**267,491**	(165,687)	**267,491**	(165,687)
Obligations on securities sold under repurchase agreements	**(142,477)**	46,464	**(142,477)**	46,464
Trade payables	**186,531**	(76,040)	**(31,398)**	(100,769)
Amount due to related company	**(691)**	(8,774)	**-**	-
Amount due to holding company	**56**	47	**-**	-
Derivative financial liabilities	**22,428**	(26,701)	**22,428**	(26,701)
Other liabilities	**18,850**	38,688	**33,367**	43,496
	(96,338)	448,122	**(299,115)**	436,928
Cash (used in)/generated from operating activities	**(351,393)**	559,687	**(499,732)**	428,752
Tax paid	**(43,611)**	(51,620)	**(22,157)**	(19,121)
Zakat paid	**(1,990)**	(1,497)	**(1,579)**	(1,184)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(396,994)**	506,570	**(523,468)**	408,447

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2019 (continued)

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	**448**	179	**234**	115
Purchase of property and equipment	**(7,405)**	(6,357)	**(2,787)**	(3,850)
Purchase of intangible assets	**(2,691)**	(1,693)	**(1,630)**	(250)
Interest received:				
- financial investments at FVOCI	**192,927**	198,236	**192,927**	198,236
- financial investments at amortised cost	**2,540**	2,641	**2,540**	2,641
Purchase of:				
- financial investments at FVOCI	**(5,088,841)**	(2,029,003)	**(5,088,841)**	(2,029,003)
- financial investments at amortised cost	**-**	(200,000)	**-**	(200,000)
Redemption/disposal of:				
- financial investments at FVOCI	**5,490,955**	1,610,185	**5,490,955**	1,609,549
- financial investments at amortised cost	**-**	200,056	**-**	200,056
Capital injection for subsidiaries	**-**	-	**-**	(1,600)
Capital injection for associate	**-**	-	**-**	(400)
Acquisition of an equity interest in an associate	**(3,135)**	-	**-**	-
Dividend income received from:				
- a subsidiary	**-**	-	**59,500**	35,000
- financial investments at FVOCI	**3,554**	4,314	**3,554**	4,314
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**588,352**	(221,442)	**656,452**	(185,192)

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2019 (continued)

	Note	The Group 31.12.2019 RM'000	The Group 31.12.2018 RM'000	The Bank 31.12.2019 RM'000	The Bank 31.12.2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments		**(9,706)**	-	**(5,716)**	-
Dividends paid		**(60,000)**	(233,000)	**(60,000)**	(233,000)
Dividends paid to non-controlling interest		**(35,001)**	(15,000)	**-**	-
Exercise of employee stock option		**44,774**	-	**-**	-
NET CASH USED IN FINANCING ACTIVITIES		**(59,933)**	(248,000)	**(65,716)**	(233,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**131,425**	37,128	**67,268**	(9,745)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**576,254**	539,126	**155,823**	165,568
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR		**707,679**	576,254	**223,091**	155,823
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and short-term funds	2	**755,162**	624,791	**270,574**	204,360
Less:					
Amount held on behalf of commissioned dealer's representatives	24	**(47,483)**	(48,537)	**(47,483)**	(48,537)
Cash and cash equivalents		**707,679**	576,254	**223,091**	155,823

The accounting policies and notes form an integral part of these financial statements.

Summary of significant accounting policies for the financial year ended 31 December 2019

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank’s accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note AA.

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

The Group and the Bank have applied the following standards, amendments and interpretation for the first time for the financial year beginning on 1 January 2019 :

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainity over Income Tax Treatment"
- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 "Business Combinations"
  - Amendments to MFRS 11 "Joint Arrangements"
  - Amendments to MFRS 112 "Income Taxes"
  - Amendments to MFRS 123 "Borrowing Costs"

The Group and the Bank have adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application ("DIA") of 1 January 2019, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note (A)(i).

Other than that, the adoption of other amendments noted above did not have any significant impact on the current period or any prior period and is not likely to affect future period.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

A Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank (continued)

(i) Changes in accounting policies - Adoption of MRFS 16 "Leases"

During the financial year, the Group and the Bank have adopted MFRS 16. The Group and the Bank have elected to use simplified restrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Interpretation 4 “Determining whether an Arrangement Contains a Lease”.

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 as follows:

	%
- within one year	3.83
- within one to two years	3.97
- within two to three years	4.11

The associated right-of-use (“ROU”) assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

For leases previously classified as finance leases, the Group and the Bank recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application ("DIA"). The measurement principles of MFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU assets at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

A Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank (continued)

(i) Changes in accounting policies - Adoption of MRFS 16 "Leases" (continued)

As at 1 January 2019, the change in accounting policies has affected the following items:
- Recognition of ROU assets of RM11,475,000 at Group and RM8,403,000 at the Bank level.
- Recognition of lease liabilities of RM11,475,000 at Group and RM8,403,000 at the Bank level.
- No deferred tax assets/liabilities

There is no impact on retained earnings on 1 January 2019.

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

	The Group 01.01.2019 RM'000	**The Bank 01.01.2019 RM'000**
Description		
Operating lease commitments disclosed as at 31 December 2018 (a)	10,435	7,483
Discounted using the incremental borrowing rate at the date of initial application	(278)	(285)
(Less): short-term leases recognised on a straight-line basis as expense	(1,060)	(987)
(Less): low-value leases recognised on a straight-line basis as expense	(30)	(30)
Add: adjustments as a result of a different treatment of extension and termination options	2,408	2,222
ROU assets and lease liabilities as at 1 January 2019	11,475	8,403

a) The summary of the future minimum lease payments under non-cancellable operating lease commitments disclosed as at 31 December 2018 are follows:-

	The Group 31.12.2018 RM'000	The Bank 31.12.2018 RM'000
Year		
Within one year	8,759	6,656
One to five years	1,676	827
	10,435	7,483

Details of specific MFRS 16 accounting policies applied in current period (as well as the previous MFRS 117 accounting policies applied in the comparative period) is described in more details in Note T).

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

A Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

- The MASB has made amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020) which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

  In particular, the amendments clarify:
  - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information,and that an entity assesses materiality in the context of the financial statements as a whole, and
  - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focuses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

A Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

- The MASB has issued a revised Conceptual Framework (effective 1 January 2020) which will be used in standard-setting decisions with immediate effect. Key changes include:

  - increasing the prominence of stewardship in the objective of financial reporting;
  - reinstating prudence as a component of neutrality;
  - defining a reporting entity, which may be a legal entity, or a portion of an entity;
  - revising the definitions of an asset and a liability;
  - removing the probability threshold for recognition and adding guidance on derecognition;
  - adding guidance on different measurement basis; and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

- The MASB has made limited scope amendments to MFRS 10 Consolidated financial statements and MFRS 128 Investments in associates and joint ventures.

  The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in MFRS 3 Business Combinations).

  Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

  None of these is expected to have a significant effect on the financial statements of the Group and the Bank.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

B Consolidation

The consolidated financial statements include the financial statements of the Bank, subsidiaries and associates, made up to the end of the financial year.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Refer to accounting policy Note E on goodwill.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

B Consolidation (continued)

The consolidated financial statements include the financial statements of the Bank, subsidiaries and associates, made up to the end of the financial year. (continued)

(a) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Obligation to purchase the subsidiary's shares from non-controlling interest

When there is an obligation to purchase the subsidiary's shares held by non-controlling interest, at initial recognition, a liability is to be recognised with a corresponding reduction to equity (other reserves) in the consolidated financial statements. The financial liability is recognised at the present value of the redemption amount and accreted through finance charges in the income statement over the contract period, up to the final redemption amount. Any adjustments to the redemption amount are recognised in the income statement.

(d) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

B Consolidation (continued)

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

C Investments in subsidiaries and associates in separate financial statements

In the Bank's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

The amounts due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in the subsidiaries.

D Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial period in which they are incurred.

Renovations	5 to 10 years
Office equipment and furniture	5 years
Motor vehicles	5 years
Computer equipment	5 years

Depreciation of capital work in progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note F on impairment of non-financial assets.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised within other operating income in the income statement.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

E Intangible assets

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicates that it might be impaired and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives of five years.

(c) Merchant bank license

The merchant bank license represents contribution by the Bank to the Government of Malaysia for a license to carry on merchant banking business and is considered to have an indefinite useful life, which is not amortised and is assessed for impairment annually.

F Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets ("cash-generating units"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

G Financial assets

(a) Classifications

The Group and the Bank classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the Group and the Bank settle the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

G Financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Bank reclassify debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group and the Bank classify their debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in "interest income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "net gains and losses on financial instruments" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statements.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "net gains and losses on financial instruments". Interest income from these financial assets is included in "interest income" using the effective interest rate method. Foreign exchange gains and losses are presented in "net gains and losses on financial instruments" and impairment expenses are presented as separate line item in the income statement.

G Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

There are three measurement categories into which the Group and the Bank classifies its debt instruments: (continued)

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within "net gains and losses on financial instruments" in the period which it arises.

• Business model:

The business model reflects how the Group and the Bank manage the assets in order to generate cash flows. That is, whether the Group’s and the Bank's objective ares solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVTPL. Factors considered by the Group and the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Group and the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at FVTPL.

• SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial instruments’ cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

G Financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The gains or losses will be recognised in retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of equity investments at FVTPL are recognised in "net gains and losses on financial instruments" in the income statement.

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group and the Bank assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Bank expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Bank expect to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Group and the Bank measure ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 44 sets out the measurement details of ECL. The Group and the Bank apply 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Group and the Bank apply MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and other assets.

G Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

The Group and the Bank consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:
- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower/issuer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a borrower/issuer is more than 30 days or 1 month past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group and the Bank define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the mandatory and/or judgmental indicators, which include amongst others, the following criteria:

(i) Mandatory indicators
- failure to make contractual payment within 90 days or 3 months of when they fall due;
- bankruptcy or winding up order issued;
- account turns fraud;
- internal rating deteriorated to default credit grade or worse;
- financial cashflow problems, classify as stressed company with evidence of business failure by Bursa;
- collateral coverage ratio falls below 100% (for share margin financing).

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

G Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

The Group and the Bank define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the mandatory and/or judgmental indicators, which include amongst others, the following criteria: (continued)

(ii) Judgemental indicators

- evidence of three or more judgmental events;
- account is past due or in excess of approved limit but less than or equal to 30 days;
- non compliance with financial covenants imposed and evidence of misuse and diversion of funds or monies;
- weakening in financial statements with sign of over-leveraging, erosion in capital base, deterioration in profitability and cash flow;
- credit deterioration such as adverse change in payment pattern and default in other related accounts;
- legal proceedings that have negative impact to the credit profile;
- sign of operational weakness or distributions arising from change in company's operations and management activities;
- company/director/management involved in fraudulent activities;
- consistently require margin call or unable to meet margin call (for share margin financing).
- rescheduled and/or restructured ("R&R") with significant increase in credit risk, however, business operation remains viable post R&R.

The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised.

Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:
(i) ceasing enforcement activity and
(ii) where the Groups recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

G Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Modification of loans/financing

The Group and the Bank sometime renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan/financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

G Financial assets (continued)

(d) Subsequent measurement – Impairment (continued)

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group and the Bank transfer substantially all the risks and rewards of ownership, or (ii) the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank have not retained control.

The Group and the Bank enter into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Group and the Bank:
i) Have no obligation to make payments unless it collects equivalent amounts from the assets;
ii) Are prohibited from selling or pledging the assets; and
iii) Have obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group and the Bank retain a subordinated residual interest/profit.

(e) Regulatory reserve requirements

Pursuant to BNM letter dated 1 November 2017, effective from 1 January 2018, the Bank shall maintain, in aggregate, Stage 1 and Stage 2 provisions and regulatory reserves of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government) net of Stage 3 provision.

H Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; and

- Financial guarantee contracts and loan commitments (see Note I).

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

I Financial guarantee contracts and loan/financing commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Loan commitments provided by the Group and the Bank are measured as the amount of the loss allowance (calculated as described in Note 44). The Group and the Bank have not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

J Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

K Derivative financial instruments

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

As at reporting date, the Group and the Bank have not designated any derivative as hedging instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

L Trade receivables and other financial assets

In accordance with the Rules of Bursa Malaysia Securities Berhad ("Bursa Securities"), clients' accounts are classified as credit impaired accounts under the following circumstances:

Types	Criteria for classification of accounts as impaired
Contra losses	When an account remains outstanding for 16 calendar days or more from the date of contra transaction
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards (discretionary financing)

Bad debts are written off when identified. Impairment allowances are made based on simplified approach (see Note G) for balances due from clients which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

The Group and the Bank adopt the MFRS 9 simplified approach for trade receivables and other financial assets, whereby loss allowance is measured at an amount equal to lifetime expected credit losses. Trade receivables which are in default or credit impaired are assessed individually. Other financial assets that are outstanding for more than 90 days are assessed individually for impairment provision.

M Current and deferred income taxes

(a) Current tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(b) Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unutilised tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax liability is recognised for all temporary differences associated with investment in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the investor is unable to control the reversal of the temporary difference for associate. Only where there is an agreement in place that gives the investor the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

N Foreign currency translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional and presentation currency.

N Foreign currency translations (continued)

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchanges rate prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flows or net investment hedge or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investment at FVOCI are included in other comprehensive income.

O Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- the Group and the Bank have a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources to settle the obligation will be required; and
- a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

P Employee benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Share-based payments

The settlement method of the subsidiary's stock option incentive scheme for key employees is dependent on an uncertain future event which is outside the control of the subsidiary or its employees. At each reporting date, the subsidiary assesses the probability of the outcome of the uncertain future event in giving rise to a liability in determining whether the stock option incentive scheme is treated as cash-settled or equity-settled. If an obligation to settle in cash exists, the entity accounts for the transaction as a cash-settled share-based payment transaction. If there is no obligation to settle in cash or other assets, the transaction should be treated as an equity-settled share-based payment transaction.

An equity-settled share-based payment plan is where the subsidiary receives services from employees as consideration for equity instruments (stock options) of the subsidiary. The fair value of the stock options granted in exchange for services of the employees are recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the subsidiary revises its estimates of the number of stock options that are expected to vest based on the non-market conditions and service conditions. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to stock option reserve in equity.

In the terms of an equity-settled share-based payment plan is modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or its otherwise beneficial to the employee, as measured at the date of modification.

A cash-settled share-based payment plan is initially recognised at the fair value of the liability at reporting date and is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The subsidiary re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss. The subsidiary revises its estimate of the number of stock options that are expected to vest based on the non-market conditions and service conditions. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to liability.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

Q Zakat

This represents business zakat payable by the Group in compliance with the principles of Shariah. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors.

Zakat provision is calculated based on 2.5% of net operating profit from management of Islamic funds approved by the Shariah Supervisory Council.

R Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short term commitments and are readily convertible to known amount of cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and

S Contingent assets and contingent liabilities

The Group and the Bank do not recognise Contingent assets and contingent liabilities other than those arising from business combination, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events where existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Summary of significant accounting policies for the financial year ended 31 December 2019 (continued)

T Leases

Accounting policies applied by lessee from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are lessees, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Group and the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

While the Group and the Bank revalue land and building (presented as part of property and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group and the Bank.

T Leases (continued)

Accounting policies applied by lessee from 1 January 2019 (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee’s incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Bank presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the interest expense in the income statements.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an operating expense in profit or loss.

Accounting policies applied by lessee until 31 December 2018

Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

Initial direct cost incurred by the Group and the Bank in negotiating and arranging operating leases are recognised in income statement when incurred.

U Recognition of interest and financing income and expense

Interest and financing income and expenses for all interest financial instruments are recognised within "interest income" and "interest expense" respectively in the income statement using the effective interest method. Interest income from financial assets at FVTPL is recognised as part of net gains and losses on financial instruments.

Interest income is calculated by applying effective interest rate to the gross carrying amount of financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, interest income is suspended until it is realised on cash basis.

V Recognition of fees and other income

The Group and the Bank earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group and the Bank have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group and the Bank generally satisfy its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, brokerage income, arrangement fees, rollover fees and initial service charges on sale of unit trust funds. These fees constitute a single performance obligation.

- For a service that is provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include portfolio management fees, guarantees fee, commitment fees, agency fees and initial service charges on close ended funds.

The Group and the Bank do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include transaction costs, sales commissions and referral fees, but do not include expenses for services delivered over a period and other expenses that are not specifically related to fee and commission income transactions.

Other income recognition are as follows:

(a) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(b) Net gain or loss from disposal of FVTPL and debt instruments at FVOCI are recognised in profit or loss upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

(c) Other income are recognised on an accrual basis.

W Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual agreement of the particular instrument.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(d) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

i) the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

ii) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

X Trust activities

The Group and the Bank act as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions, These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group and the Bank.

Y Sale and repurchase agreements

Securities purchased under resale agreements are securities within the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective interest rate method.

Z Commodity Gold

Commodity comprises gold bullion and is designated at fair value through profit or loss upon initial recognition. The commodity is recognised when the commodity is received into the vault of the Custodian.

The fair value of gold bullion as at the reporting date is determined by reference to prices published by the London Bullion Market Association ("LBMA"). Differences arising from changes in gold prices are recorded in profit or loss.

AA Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's and the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 44, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Estimated impairment on goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgment in estimating the future cash flows, growth rate and discount rate.

The recoverable amounts of the stockbroking business, investment banking and assets and fund management (the cash-generating units to which goodwill are allocated) were determined based on discounted cash flow valuation model. The calculations require the use of estimates as set out in Note 16 to the financial statements.

1 General information

The principal activities of the Bank are in investment banking, stockbroking activities, dealing in options and futures and related financial services.

The principal activities of the subsidiaries are asset management, management of unit trust funds and private retirement schemes, Islamic fund management, trustee services and nominee services.

The holding company of the Bank is Affin Bank Berhad ("ABB"), a public limited liability company incorporated and domiciled in Malaysia, and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is 27th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

2 Cash and short-term funds

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**558,378**	480,875	**145,289**	136,963
Money at call and deposit placements maturing within one month	**196,784**	143,916	**125,285**	67,397
	755,162	624,791	**270,574**	204,360

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM47,483,000 (2018: RM48,537,000).

There is no expected credit losses made on cash and short-term funds during the financial year.

3 Financial assets at fair value through profit or loss ("FVTPL")

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Money market instruments				
Malaysian government securities	**-**	50,387	**-**	50,387
Malaysian government investment issues	**137,242**	10,115	**137,242**	10,115
Negotiable instruments of deposits	**-**	10,007	**-**	10,007
	137,242	70,509	**137,242**	70,509
Quoted securities				
Unit trusts in Malaysia	**231,777**	120,143	**200,080**	89,325
Shares, warrants and REITs in Malaysia	**49,478**	21,531	**47,397**	21,531
Shares, warrants and REITs outside Malaysia	**35,101**	-	**129**	-
Exchange traded fund	**5,006**	-	**-**	-
	321,362	141,674	**247,606**	110,856
Unquoted securities				
Corporate bonds and/or Sukuk in Malaysia	**6,825**	4,365	**1**	-
Corporate bonds and/or Sukuk outside Malaysia	**26,487**	16,276	**-**	-
	33,312	20,641	**1**	-
	491,916	232,824	**384,849**	181,365

4 Financial investments at fair value through other comprehensive income ("FVOCI")

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
Money market instruments		
Malaysian government securities	**549,606**	247,082
Malaysian government investment issues	**1,098,452**	520,154
Cagamas bonds	**25,965**	101,906
Negotiable instruments of deposit	**20,336**	10,047
	1,694,359	879,189
Quoted securities		
REITs in Malaysia *	**-**	18,406
REITs outside Malaysia *	**-**	41,126
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia #	**2,968,706**	3,926,332
Corporate bonds and/or Sukuk outside Malaysia	**127,888**	151,299
Shares in Malaysia *	**23,002**	21,821
	4,813,955	5,038,173

* Equity securities designated at fair value through other comprehensive income.
# Certain unquoted perpetual bonds are designated at fair value through other comprehensive income.

<u>Equity investments designated at fair value through other comprehensive income</u>

The Group and the Bank designated certain equity investments at FVOCI as shown in the following table. The FVOCI designation was made as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, these strategic investment is more of medium term investment.

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
Quoted securities		
REITs in Malaysia		
YTL Hospitality REIT	**-**	10,812
Am First Real Estate Investment Trust	**-**	4,788
Hektar Real Estate Investment Trust	**-**	2,175
Al-Aqar Healthcare REIT	**-**	631
	-	18,406
REITs outside Malaysia		
Mapletree North Asia Commercial Trust	**-**	11,770
Capitaretail China Trust	**-**	9,086
Cache Logistic Trust	**-**	7,001
AIMS AMP Capital Industrial REIT	**-**	5,893
First REIT	**-**	4,173
RHT Health Trust	**-**	3,203
	-	41,126
Total quoted securities	**-**	59,532

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

4 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Equity investments designated at fair value through other comprehensive income (continued)

The Group and the Bank designated certain equity investments at FVOCI as shown in the following table. The FVOCI designation was made as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, these strategic investment is more of medium term investment. (continued)

	The Group and the Bank	
	31.12.2019	31.12.2018
Unquoted securities	**RM'000**	RM'000
Corporate bonds - perpetual bonds:		
Mah Sing Group Berhad	**50,956**	51,032
Aeon Credit Services (M) Bhd	**-**	30,486
	50,956	81,518
Shares in Malaysia:		
Cagamas Berhad	**19,410**	18,314
RAM Holdings Berhad	**2,477**	2,380
Malaysian Rating Corporation Berhad	**1,115**	1,127
	23,002	21,821
Total unquoted securities	**73,958**	103,339
Total quoted and unquoted securities	**73,958**	162,871

The dividend income for equity investments designated at FVOCI held and disposed during the financial year are as follows :

	Carrying Amount as at		Dividend Income for the financial year		Dividend Income of equity investments disposed during the financial year	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Quoted securities						
REITs in Malaysia	**-**	18,406	**-**	1,133	**621**	-
REITs outside Malaysia	**-**	41,126	**-**	2,754	**1,473**	-
	-	59,532	**-**	3,887	**2,094**	-
Unquoted securities	**73,958**	103,339	**1,460**	270	**-**	-
	73,958	162,871	**1,460**	4,157	**2,094**	-

During the financial year due to the change in investment strategy, the Bank had disposed all quoted equity instruments at a value amounting to RM64.36 million of which the total realised loss of RM3.25 million have been reclassified from FVOCI revaluation reserves to retained profits during the financial year. There was also a redemption of unquoted equity instruments at value amounting to RM30.00 million.

4 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

The Group and the Bank 31.12.2019	**12 months ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**1,168**	**40**	**17,515**	**18,723**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	-	-	-	-
Derecognised during the financial year (other than write-offs)	**(510)**	-	**(7,073)**	**(7,583)**
New originated or purchased	**100**	-	-	**100**
Changes due to change in credit risk	**368**	**(1)**	**1,724**	**2,091**
Changes in model/risk parameters	**(27)**	**(2)**	-	**(29)**
Changes due to foreign exchange	-	-	-	-
At end of the financial year	**1,099**	**37**	**12,166**	**13,302**

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	912	4,180	-	5,092
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(22)	22	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(4,094)	4,094	-
Total transfer between stages	(22)	(4,072)	4,094	-
Derecognised during the financial year (other than write-offs)	(537)	-	-	(537)
New originated or purchased	761	-	-	761
Changes due to change in credit risk	54	(103)	13,421	13,372
Changes due to foreign exchange	-	35	-	35
At end of the financial year	1,168	40	17,515	18,723

4 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in the gross carrying amount of financial assets that contributed to changes in the expected credit losses are as follows:

The Group and the Bank 31.12.2019	**12 months ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**4,775,167**	**73,595**	**26,540**	**4,875,302**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	-	-	-	-
Derecognised during the financial year (other than write-offs)	**(5,276,353)**	**(15,439)**	**(27,906)**	**(5,319,698)**
New originated or purchased	**5,088,841**	**-**	**-**	**5,088,841**
Changes due to interest accruals	**2,793**	**(660)**	**(480)**	**1,653**
Changes due to fair value	**87,140**	**409**	**6,488**	**94,037**
Changes due to foreign exchange	**(12)**	**-**	**(126)**	**(138)**
At end of the financial year	**4,677,576**	**57,905**	**4,516**	**4,739,997**

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	4,383,487	103,914	-	4,487,401
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	10,213	(10,213)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(12,266)	12,266	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(42,231)	42,231	-
Total transfer between stages	(2,053)	(40,178)	42,231	-
Derecognised during the financial year (other than write-offs)	(1,594,626)	-	(1,660)	(1,596,286)
New originated or purchased	1,974,228	-	-	1,974,228
Changes due to interest accruals	6,498	(902)	39	5,635
Changes due to fair value	7,875	10,761	(14,139)	4,497
Changes due to foreign exchange	(242)	-	69	(173)
At end of the financial year	4,775,167	73,595	26,540	4,875,302

Included in financial investments at FVOCI of the Group and the Bank are asset sold under repurchase agreements are as follows:

	31.12.2019 RM'000	31.12.2018 RM'000
Malaysian government investment issues	**-**	50,055
Malaysian government securities	**-**	98,867
	-	148,922

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

5 Financial investments at amortised cost

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
At amortised cost		
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	**40,497**	40,497
Loan Stocks in Malaysia	**15,000**	15,000
	55,497	55,497
Expected credit losses ("ECL")	**(10,930)**	(7,116)
	44,567	48,381

Movements in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

The Group and the Bank 31.12.2019	**12 months ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**166**	**-**	**6,950**	**7,116**
Changes due to change in credit risk	**(21)**	**-**	**3,830**	**3,809**
Changes in model/risk parameters	**5**	**-**	**-**	**5**
At end of the financial year	**150**	**-**	**10,780**	**10,930**

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	235	-	6,950	7,185
Derecognised during the financial year (other than write-offs)	(487)	-	-	(487)
New originated or purchased	487	-	-	487
Changes due to change in credit risk	(69)	-	-	(69)
At end of the financial year	166	-	6,950	7,116

5 Financial investments at amortised cost (continued)

Movements in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group and the Bank **31.12.2019**	**12 months ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning / end of the financial year	**40,497**	**-**	**15,000**	**55,497**

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	40,513	-	15,041	55,554
Derecognised during the financial year (other than write-offs)	(200,034)	-	-	(200,034)
New originated or purchased	200,018	-	-	200,018
Changes due to interest accruals	-	-	(41)	(41)
At end of the financial year	40,497	-	15,000	55,497

6 Loans, advances and financing

	The Group and the Bank **31.12.2019** **RM'000**	 31.12.2018 RM'000
(i) By type		
Term loans/financing:		
- Syndicated term loans/financing	**150,772**	229,444
- Other term loans/financing	**341,452**	643,887
Revolving credits	**93,297**	70,396
Share margin financing	**503,486**	336,644
Staff loans	**6,055**	5,494
Gross loans, advances and financing	**1,095,062**	1,285,865
Less : expected credit losses	**(17,510)**	(9,861)
Total net loans, advances and financing	**1,077,552**	1,276,004
(ii) By maturity structure		
Maturing within one year	**816,635**	684,962
One year to three years	**99,997**	352,430
Three years to five years	**82,849**	114,472
Over five years	**95,581**	134,001
	1,095,062	1,285,865

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

6 Loans, advances and financing (continued)

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
(iii) By type of customer		
Domestic business enterprises:		
- Small medium enterprises	**151,449**	95,176
- Others	**716,488**	938,743
Domestic non-bank financial institutions	**28,307**	57,362
Individuals	**198,036**	194,047
Foreign individuals	**782**	537
	1,095,062	1,285,865
(iv) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	**36,570**	36,585
- Housing loans/financing	**3,560**	2,628
- Hire purchase receivables	**2,470**	2,826
Variable rate		
- Cost plus	**495,883**	849,595
- BLR plus	**524,111**	357,769
- Other floating rate	**32,468**	36,462
	1,095,062	1,285,865
(v) By economic sectors		
Real estate	**297,386**	228,074
Household	**198,818**	194,582
Manufacturing	**125,807**	309,533
Construction	**119,274**	109,137
Transport, storage and communication	**93,087**	106,142
Finance, insurance and business services	**77,730**	131,121
Wholesale & retail trade and restaurants & hotels	**55,308**	86,816
Agriculture	**54,761**	50,748
Education, health and others	**20,626**	21,125
Mining and quarrying	**5,591**	5,591
Electricity, gas and water supply	**-**	19,747
Others	**46,674**	23,249
	1,095,062	1,285,865

6 Loans, advances and financing (continued)

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
(vi) By economic purpose		
Purchase of securities	**600,916**	526,705
Purchase of landed properties of which		
- Residential	**3,560**	2,628
- Non-residential	**58,177**	63,124
Working capital	**130,090**	221,038
Construction	**63,345**	53,922
Purchase of transport vehicles	**37,519**	41,870
Personal use	**25**	40
Others	**201,430**	376,538
	1,095,062	1,285,865
(vii) By geographical distribution		
Wilayah Persekutuan	**513,632**	465,868
Selangor	**294,775**	393,240
Johor	**124,012**	243,482
Sabah	**47,511**	50,499
Sarawak	**40,986**	41,971
Terengganu	**32,429**	19,747
Perak	**24,526**	50,935
Pulau Pinang	**13,124**	16,740
Negeri Sembilan	**2,504**	2,411
Kedah	**1,563**	972
	1,095,062	1,285,865
(viii) Movements of impaired loans, advances and financing		
At beginning of the financial year	**80,851**	65,910
Classified as impaired during the financial year	**40,861**	23,708
Reclassified as non-impaired during the financial year	**(11,810)**	-
Amount written off	**(95)**	-
Amount recovered	**(11,025)**	(8,767)
At end of the financial year	**98,782**	80,851
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing	**9.02%**	**6.29%**

6 Loans, advances and financing (continued)

(ix) Impaired loans, advances and financing analysed by sector

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
Construction	**36,545**	36,545
Education, health and others	**20,626**	21,125
Manufacturing	**14,952**	-
Real estate	**14,119**	7,492
Transport, storage and communication	**9,958**	-
Mining and quarrying	**2,581**	2,581
Household	**1**	4
Finance, insurance and business services	**-**	13,010
Wholesale retail trade and restaurant and hotels	**-**	94
	98,782	80,851

(x) Impaired loans, advances and financing by economic purpose

	31.12.2019 RM'000	31.12.2018 RM'000
Working capital	**61,456**	36,545
Construction	**20,626**	21,125
Other purpose	**14,119**	7,586
Purchase of landed properties (non-residential)	**-**	13,010
Purchase of transport vehicles	**2,581**	2,583
Personal use	**-**	1
Purchase of securities	**-**	1
	98,782	80,851

(xi) Impaired loans, advances, and financing by geographical distribution

	31.12.2019 RM'000	31.12.2018 RM'000
Selangor	**39,030**	10,170
Sarawak	**36,545**	36,545
Perak	**20,626**	21,125
Wilayah Persekutuan	**2,581**	13,011
	98,782	80,851

6 Loans, advances and financing (continued)

(xiii) Movement in expected credit losses for loans, advances and financing

The Group and the Bank 31.12.2019	**12 months ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**4,065**	**223**	**5,573**	**9,861**
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	**-**	**-**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(229)**	**229**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(63)**	**(174)**	**237**	**-**
Total transfer between stages	**(292)**	**55**	**237**	**-**
Loans/Financing derecognised during the financial year (other than write-offs)	**(316)**	**-**	**-**	**(316)**
New loans/financing originated or purchased	**92**	**-**	**-**	**92**
Changes due to change in credit risk	**(1,624)**	**395**	**9,112**	**7,883**
Changes in model/risk parameters	**90**	**3**	**-**	**93**
Write-offs	**-**	**-**	**(95)**	**(95)**
Other adjustments:				
- Foreign exchange and other adjustments	**(8)**	**-**	**-**	**(8)**
At end of the financial year	**2,007**	**676**	**14,827**	**17,510**

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	5,756	775	10	6,541
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(758)	758	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(4,219)	4,219	-
Total transfer between stages	(758)	(3,461)	4,219	-
Loans/Financing derecognised during the financial year (other than write-offs)	(1,889)	(438)	-	(2,327)
New loans/financing originated or purchased	2,168	-	-	2,168
Changes due to change in credit risk	(1,229)	3,347	1,344	3,462
Other adjustments:				
- Foreign exchange and other adjustments	17	-	-	17
At end of the financial year	4,065	223	5,573	9,861

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

6 Loans, advances and financing (continued)

(xiv) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses

The Group and the Bank 31.12.2019	**12 months ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**1,191,473**	**13,541**	**80,851**	**1,285,865**
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	**11,960**	**-**	**(11,960)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(133,686)**	**133,686**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(28,738)**	**(13,130)**	**41,868**	**-**
Total transfer between stages	**(150,464)**	**120,556**	**29,908**	**-**
Loans/Financing derecognised during the financial year (other than write-offs)	**(139,449)**	**(182)**	**(2,228)**	**(141,859)**
New loans/financing originated or purchased	**349,736**	**-**	**-**	**349,736**
Changes due to change in credit risk	**(327,349)**	**(61,215)**	**(9,654)**	**(398,218)**
Write-offs	**-**	**-**	**(95)**	**(95)**
Other adjustments				
- Foreign exchange and other adjustments	**(367)**	**-**	**-**	**(367)**
At end of the financial year	**923,580**	**72,700**	**98,782**	**1,095,062**

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	1,075,087	29,773	65,910	1,170,770
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	185	(185)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(29,784)	29,784	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(2)	(23,731)	23,733	-
Total transfer between stages	(29,601)	5,868	23,733	-
Loans/Financing derecognised during the financial year (other than write-offs)	(308,826)	(12,679)	(5,572)	(327,077)
New loans/financing originated or purchased	810,372	-	-	810,372
Changes due to change in credit risk	(356,352)	(9,421)	(3,220)	(368,993)
Other adjustments				
- Foreign exchange and other adjustments	793	-	-	793
At end of the financial year	1,191,473	13,541	80,851	1,285,865

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

7 Trade receivables

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Management fees receivable on fund management	**243,249**	88,908	**-**	-
Amounts due from clients:				
- performing accounts	**231,679**	179,766	**231,679**	179,766
- impaired accounts	**139**	424	**139**	424
Amounts due from brokers	**57,958**	59,657	**57,958**	59,657
Amount due from Bursa Securities Clearing Sdn. Bhd.	**-**	40,142	**-**	40,142
Others	**51**	-	**-**	-
	533,076	368,897	**289,776**	279,989
Less: Expected credit losses ("ECL")	**(208)**	(468)	**(183)**	(452)
	532,868	368,429	**289,593**	279,537

Movements of impaired amounts due from clients:

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
At beginning of the financial year	**424**	1,366
Reclassified to other assets	**-**	(583)
Classified as impaired during the financial year	**419**	295
Amount recovered	**(704)**	(654)
At end of the financial year	**139**	424

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

7 Trade receivables (continued)

The Group **31.12.2019** **Expected credit losses**	**Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
At beginning of the financial year	**54**	**414**	**468**
Allowance made	**86**	**419**	**505**
Amount written back	**(70)**	**(695)**	**(765)**
At end of the financial year	**70**	**138**	**208**

The Group 31.12.2018 Expected credit losses	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
At beginning of the financial year	105	1,029	1,134
Reclassified to other assets	-	(420)	(420)
Allowance made	154	212	366
Amount written back	(205)	(407)	(612)
At end of the financial year	54	414	468

The Bank **31.12.2019** **Expected credit losses**	**Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
At beginning of the financial year	**38**	**414**	**452**
Allowance made	**77**	**419**	**496**
Amount written back	**(70)**	**(695)**	**(765)**
At end of the financial year	**45**	**138**	**183**

The Bank 31.12.2018 Expected credit losses	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
At beginning of the financial year	83	1,029	1,112
Reclassified to other assets	-	(420)	(420)
Allowance made	152	212	364
Amount written back	(197)	(407)	(604)
At end of the financial year	38	414	452

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

8 Derivative financial assets

	The Group			
	31.12.2019		31.12.2018	
	Contract/ Notional amount RM'000	**Assets RM'000**	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	**295,358**	**8,738**	577,588	11,316
- Currency swaps	**1,688,734**	**28,504**	982,612	14,998
	1,984,092	**37,242**	1,560,200	26,314
Interest rate related contracts				
- Interest rate swaps	**1,300,000**	**15,341**	1,220,000	3,543
	3,284,092	**52,583**	2,780,200	29,857

	The Bank			
	31.12.2019		31.12.2018	
	Contract/ Notional amount RM'000	**Assets RM'000**	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	**295,358**	**7,740**	577,588	11,243
- Currency swaps	**1,688,734**	**28,504**	982,612	14,998
	1,984,092	**36,244**	1,560,200	26,241
Interest rate derivatives				
- Interest rate swaps	**1,300,000**	**15,341**	1,220,000	3,543
	3,284,092	**51,585**	2,780,200	29,784

9 Other assets

	The Group		The Bank	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
Other debtors, deposits and prepayments	**28,110**	28,042	**20,352**	23,173
Securities Lending	**34,384**	5,463	**34,384**	5,463
Clearing guarantee fund (a)	**2,272**	2,159	**2,272**	2,159
Clearing fund (b)	**1,000**	1,000	**1,000**	1,000
Transferable membership	**350**	200	**250**	100
	66,116	36,864	**58,258**	31,895
Less: Expected credit losses ("ECL")	**(2,058)**	(1,669)	**(2,057)**	(1,668)
	64,058	35,195	**56,201**	30,227

(a) Interest-bearing contributions made by the Bank amounted to RM2,272,000 (2018: RM2,159,000) as a trading clearing participant in accordance with the Rules of Bursa Malaysia Securities Clearing Sdn. Bhd. ("Bursa Clearing") to a fund maintained by Bursa Clearing.

(b) Interest-bearing contributions made by the Bank amounted to RM1,000,000 (2018: RM1,000,000) in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

9 Other assets (continued)

Movements of credit impaired accounts

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
At beginning of the financial year	**1,661**	712
Reclassified from trade receivables	**-**	583
Classified as impaired during the financial year	**1,455**	1,053
Amount recovered	**(493)**	(687)
Amount written off	**(538)**	-
At end of the financial year	**2,085**	1,661

Movements in allowances for impairment on other assets:

The Group 31.12.2019	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
	RM'000	**RM'000**	**RM'000**
Expected credit losses			
At beginning of the financial year	**11**	**1,658**	**1,669**
Allowance made	**34**	**1,455**	**1,489**
Amount written back	**(38)**	**(524)**	**(562)**
Amount written off	**-**	**(538)**	**(538)**
At end of the financial year	**7**	**2,051**	**2,058**

The Group 31.12.2018	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
	RM'000	RM'000	RM'000
Expected credit losses			
At beginning of the financial year	13	712	725
Reclassified from trade receivables	-	420	420
Allowance made	27	1,412	1,439
Amount written back	(29)	(886)	(915)
At end of the financial year	11	1,658	1,669

9 Other assets (continued)

Movements in allowances for impairment on other assets (continued)

The Bank **31.12.2019** **Expected credit losses**	**Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
At beginning of the financial year	**10**	**1,658**	**1,668**
Allowance made	**34**	**1,455**	**1,489**
Amount written back	**(38)**	**(524)**	**(562)**
Amount written off	**-**	**(538)**	**(538)**
At end of the financial year	**6**	**2,051**	**2,057**

The Bank 31.12.2018 Expected credit losses	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
At beginning of the financial year	12	712	724
Reclassified from trade receivables	-	420	420
Allowance made	27	1,412	1,439
Amount written back	(29)	(886)	(915)
At end of the financial year	10	1,658	1,668

10 Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as a set percentage of total eligible liabilities.

11 Amounts due from/(to) subsidiaries

The amount due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

12 Investment in subsidiaries

	The Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
Unquoted shares at cost at beginning of the financial year	**125,721**	124,121
Subscription of additional shares of subsidiaries	**-**	1,600
Unquoted shares at cost at end of the financial year	**125,721**	125,721

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Name		Issued and paid up share capital	Percentage of equity held		Non-controling interest	
		31.12.2019	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Direct subsidiaries:	**Principal activities**	**RM'000**	**%**	%	**%**	%
Affin Hwang Asset Management Berhad ("AHAM") #	Asset management, management of unit trust & private retirement schemes	**54,773**	**63**	70	**37**	30
Affin Hwang Nominees (Asing) Sdn. Bhd.	Nominee services	**1,126**	**100**	100	-	-
Affin Hwang Nominees (Tempatan) Sdn. Bhd.	Nominee services	**1,131**	**100**	100	-	-
AHC Global Sdn. Bhd.	Investment holdings	**1,132**	**100**	100	-	-
AHC Associates Sdn. Bhd.	Investment holdings	**1,132**	**100**	100	-	-
Affin Hwang Trustee Berhad	Trustee services	**5,500**	**100**	100	-	-
Direct subsidiaries of AHAM:						
Bintang Capital Partners Berhad	Private equity management	**12,000**	**100**	100	-	-
AIIMAN Asset Management Sdn. Bhd. ("AIIMAN")	Islamic fund management	**10,000**	**100**	100	-	-
AccelVantage Academy Sdn. Bhd. ("AVA")	Training and coaching services	**408**	**51**	51	**49**	49

\# On 8 March 2019, the option holders have fully exercised the stock option incentive scheme (as disclosed in Note 42 of the financial statements) offered by AHAM to its key employees. As a result, AHAM has increased its share capital and issued 1,111,000 units of ordinary shares.

12 Investment in subsidiaries (continued)

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:(continued)

Direct subsidiaries of AHAM: (continued)	Principal activities	Issued and paid up share capital 31.12.2019 RM'000	Percentage of equity held 31.12.2019 %	31.12.2018 %	Non-controling interest 31.12.2019 %	31.12.2018 %
Affin Hwang AIIMAN Global Sukuk Fund **	Investment in Shariah-compliant fixed income instruments	**	**67**	44	**33**	56
AIIMAN Asia Pacific (ex Japan) Dividend Fund**	Investment in Shariah-compliant equities	**	**56**	-	**44**	-
AIIMAN Global Equity Fund**	Investment in Shariah-compliant equities	**	**99**	-	**1**	-
TradePlus NYSE Inverse Tracker **	Investment in Equity instruments	**	**100**	-	-	-
TradePlus NYSE Leveraged Tracker **	Investment in Equity instruments	**	**100**	-	-	-
TradePlus Shariah Gold Tracker **	Investment in Shariah-Gold bar	**	-	47	-	53
TradePlus HSCEI -1x Inverse**	Investment in Equity instruments	**	**80**	-	**20**	-
TradePlus HSCEI 2x Leveraged**	Investment in Equity instruments	**	**40**	-	**60**	-
Affin Hwang Constant Cash Fund**	Investment in Islamic money market instruments and deposits	**	**100**	-	-	-
Affin Hwang AIIMAN Cash Fund 1**	Investment in Islamic money market instruments and deposits	**	**87**	-	**13**	-

** These Funds are subsidiaries consolidated in the Group as AHAM Group controls the funds in accordance with MFRS 10 "Consolidated Financial Statements".

Details of entities that hold interest in Affin Hwang Trustee Berhad ("AHTB") are as follows:

	Percentage of equity held 31.12.2019 %	31.12.2018 %
Held by the Bank -		
Affin Hwang Investment Bank Berhad	**20**	20
Held by subsidiaries of AHIB -		
Affin Hwang Nominees (Asing) Sdn. Bhd.	**20**	20
Affin Hwang Nominees (Tempatan) Sdn. Bhd.	**20**	20
AHC Global Sdn. Bhd.	**20**	20
AHC Associates Sdn. Bhd.	**20**	20

At Group level, AHTB is deemed as wholly owned subsidiary of the Bank by virtue of its 100% effective equity interest in AHTB.

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

12 Investment in subsidiaries (continued)

Details of subsidiaries that have material non-controlling interests:

Set out below are the Group's subsidiaries that have material non-controlling interest ("NCI"):

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accummulated non-controlling interest	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
	%	%	**RM'000**	RM'000	**RM'000**	RM'000
AHAM	**37**	30	**30,397**	26,014	**57,715**	65,773

The summarised financial information of the asset management subsidiary, AFFIN Hwang Asset Management Berhad ('AHAM') has non-controlling interests which is material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	AHAM Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
Summarised financial position		
Total assets	**891,855**	643,228
Total liabilities	**(734,733)**	(423,247)
Net assets	**157,122**	219,981
Equity attributable to the Bank	**99,407**	154,208
NCI	**57,715**	65,773
Summarised financial results		
Revenue	**408,397**	402,125
Profit before taxation	**110,307**	105,598
Taxation and zakat	**(25,785)**	(19,170)
Other comprehensive income	**(727)**	631
Total comprehensive income	**83,795**	87,059
Summarised cash flows		
Net cash generated from operating activities	**130,923**	115,652
Net cash used in financing activities	**(53,695)**	(50,012)
Net cash used in investing activities	**(10,596)**	(9,679)
Net increase in cash & cash equivalents	**66,632**	55,961
Profit allocated to NCI of the Group	**30,397**	26,014

13 Investment in associates

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Cost at beginning of the financial year	**-**	-	**1,132**	732
Additional investments in funds	**3,135**	-	**-**	-
Share of results of associate, net of tax	**459**	-	**-**	-
Subscription of additional shares (a)	**-**	-	**-**	400
Cost at end of the financial year	**3,594**	-	**1,132**	1,132

(a) In the previous financial year, the Bank subscribed for an additional of 80,000 ordinary shares of RM10 each (of which RM5 is uncalled) in AHTB for a cash consideration of RM400,000.

(b) Information about associates

The Group		**Issued and paid**	**Percentage of equity held**	
Name	**Principal Activities**	**up share capital**	**2019**	2018
		RM'000	**%**	%
Direct associate of AHAM:				
TradePlus S&P New China Tracker*	Investment in equity instruments	*	**22%**	-

The Bank		**Issued and paid**	**Percentage of equity held**	
Name	**Principal Activities**	**up share capital**	**2019**	2018
		RM'000	**%**	%
Affin Hwang Trustee Berhad ("AHTB") **	Provision of trustee services	**5,500**	**20%**	20%

* The fund is being treated as associate in the Group.

** The associate company is deemed as a wholly owned subsidiary of the Bank at Group level by virtue of the 20% shareholding by each of the subsidiary companies of the Bank as disclosed in Note 12 to the financial statements.

14 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets and current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting are shown in the statements of financial position:

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**9,533**	26,597	**-**	14,506
Deferred tax liabilities	**(12,245)**	-	**(12,245)**	-
	(2,712)	26,597	**(12,245)**	14,506
Deferred tax assets:				
- to be recovered after more than 12 months	**1,251**	7,871	**136**	7,871
- to be recovered within 12 months	**26,159**	29,301	**16,058**	16,206
Deferred tax liabilities:				
- to be recovered after more than 12 months	**(23,696)**	(9,412)	**(23,136)**	(8,883)
- to be recovered within 12 months	**(6,426)**	(1,163)	**(5,303)**	(688)
	(2,712)	26,597	**(12,245)**	14,506

14 Deferred tax assets/(liabilities) (continued)

The movement in deferred tax assets and liabilities during the financial year are as follows:

The Group 2019	Note	Property and equipment RM'000	Intangible assets RM'000	Loans, advances and financing RM'000	Financial investments amortised cost RM'000	Other liabilities RM'000	Foreign exchange translation gain RM'000	Unutilised business tax losses and unabsorbed capital allowances losses RM'000	Financial investments FVOCI RM'000	Total RM'000
At beginning of financial year		**(1,966)**	**153**	**1,025**	**18**	**29,504**	**(9,216)**	**527**	**6,552**	**26,597**
Credited to income statements	36	**105**	**45**	**(970)**	**(22)**	**(2,994)**	**(951)**	**257**	**(311)**	**(4,841)**
Charged to equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,468)**	**(24,468)**
At end of the financial year		**(1,861)**	**198**	**55**	**(4)**	**26,510**	**(10,167)**	**784**	**(18,227)**	**(2,712)**
The Group 2018										
At beginning of financial year		(2,747)	489	-	-	29,671	(9,511)	-	4,662	22,564
Credited to income statements	36	781	(336)	1,025	18	(167)	295	527	185	2,328
Charged to equity		-	-	-	-	-	-	-	1,705	1,705
At end of the financial year		(1,966)	153	1,025	18	29,504	(9,216)	527	6,552	26,597
The Bank 2019										
At beginning of financial year		**(865)**	**(609)**	**1,025**	**18**	**16,481**	**(8,096)**	**-**	**6,552**	**14,506**
Credited to income statements	36	**67**	**31**	**(970)**	**(22)**	**(339)**	**(739)**	**-**	**(311)**	**(2,283)**
Charged to equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,468)**	**(24,468)**
At end of the financial year		**(798)**	**(578)**	**55**	**(4)**	**16,142**	**(8,835)**	**-**	**(18,227)**	**(12,245)**
The Bank 2018										
At beginning of financial year		(1,472)	(319)	-	-	17,631	(9,286)	-	4,662	11,216
Credited to income statements	36	607	(290)	1,025	18	(1,150)	1,190	-	185	1,585
Charged to equity		-	-	-	-	-	-	-	1,705	1,705
At end of the financial year		(865)	(609)	1,025	18	16,481	(8,096)	-	6,552	14,506

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

15 Property and equipment

The Group 31.12.2019	**Renovations RM'000**	**Office equipment & furniture RM'000**	**Motor vehicles RM'000**	**Computer equipment RM'000**	**Total RM'000**
Cost					
At 1.01.2019	**29,173**	**15,233**	**7,005**	**48,064**	**99,475**
Additions	**1,098**	**1,300**	**710**	**4,297**	**7,405**
Disposals	**-**	**(176)**	**(1,268)**	**(2,845)**	**(4,289)**
Write-offs	**(895)**	**(1,364)**	**-**	**(498)**	**(2,757)**
At 31.12.2019	**29,376**	**14,993**	**6,447**	**49,018**	**99,834**
Accumulated depreciation					
At 1.01.2019	**14,217**	**11,731**	**4,256**	**38,937**	**69,141**
Charge for the financial year	**3,294**	**1,303**	**1,040**	**3,964**	**9,601**
Disposals	**-**	**(176)**	**(1,055)**	**(2,783)**	**(4,014)**
Write-offs	**(881)**	**(1,324)**	**-**	**(497)**	**(2,702)**
At 31.12.2019	**16,630**	**11,534**	**4,241**	**39,621**	**72,026**
Net book value					
At 31.12.2019	**12,746**	**3,459**	**2,206**	**9,397**	**27,808**
The Group					
31.12.2018					
Cost					
At 1.01.2018	28,137	18,431	7,030	47,426	101,024
Additions	2,041	853	924	2,539	6,357
Disposals	-	(409)	(949)	(476)	(1,834)
Write-offs	(1,005)	(3,642)	-	(1,425)	(6,072)
At 31.12.2018	29,173	15,233	7,005	48,064	99,475
Accumulated depreciation					
At 1.01.2018	11,760	14,538	4,222	37,368	67,888
Charge for the financial year	3,461	1,220	940	3,458	9,079
Disposals	-	(408)	(906)	(472)	(1,786)
Write-offs	(1,004)	(3,619)	-	(1,417)	(6,040)
At 31.12.2018	14,217	11,731	4,256	38,937	69,141
Net book value					
At 31.12.2018	14,956	3,502	2,749	9,127	30,334

15 Property and equipment (continued)

The Bank 31.12.2019	**Renovations RM'000**	**Office equipment & furniture RM'000**	**Motor vehicles RM'000**	**Computer equipment RM'000**	**Total RM'000**
Cost					
At 1.01.2019	**21,058**	**10,127**	**2,688**	**43,269**	**77,142**
Additions	**243**	**188**	**-**	**2,356**	**2,787**
Disposals	**-**	**(95)**	**(612)**	**(2,093)**	**(2,800)**
Write-offs	**(76)**	**(706)**	**-**	**(497)**	**(1,279)**
At 31.12.2019	**21,225**	**9,514**	**2,076**	**43,035**	**75,850**
Accumulated depreciation					
At 1.01.2019	**11,027**	**9,157**	**2,059**	**36,241**	**58,484**
Charge for the financial year	**2,426**	**492**	**168**	**2,831**	**5,917**
Disposals	**-**	**(95)**	**(399)**	**(2,092)**	**(2,586)**
Write-offs	**(76)**	**(702)**	**-**	**(497)**	**(1,275)**
At 31.12.2019	**13,377**	**8,852**	**1,828**	**36,483**	**60,540**
Net book value					
At 31.12.2019	**7,848**	**662**	**248**	**6,552**	**15,310**

The Bank 31.12.2018					
Cost					
At 1.01.2018	20,817	13,889	2,702	41,817	79,225
Additions	1,246	141	529	1,934	3,850
Disposals	-	(409)	(543)	(472)	(1,424)
Write-offs	(1,005)	(3,494)	-	(10)	(4,509)
At 31.12.2018	21,058	10,127	2,688	43,269	77,142
Accumulated depreciation					
At 1.01.2018	9,390	12,540	2,447	34,129	58,506
Charge for the financial year	2,641	508	155	2,587	5,891
Disposals	-	(408)	(543)	(472)	(1,423)
Write-offs	(1,004)	(3,483)	-	(3)	(4,490)
At 31.12.2018	11,027	9,157	2,059	36,241	58,484
Net book value					
At 31.12.2018	10,031	970	629	7,028	18,658

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

16 Intangible assets

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Goodwill on consolidation (a)	**264,011**	264,011	**260,409**	260,409
Intangible assets (b):				
- Merchant bank licence	**52,500**	52,500	**52,500**	52,500
- Computer software licence	**6,683**	6,591	**3,334**	3,054
	323,194	323,102	**316,243**	315,963

(a) Goodwill on consolidation

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Cost				
At beginning and end of the financial year	**284,211**	284,211	**280,609**	280,609
Less: Impairment losses				
At beginning and end of the financial year	**20,200**	20,200	**20,200**	20,200
Net book value				
At beginning and end of the financial year	**264,011**	264,011	**260,409**	260,409

The carrying amounts of goodwill allocated to the Group CGUs are as follows:

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
CGU	**RM'000**	RM'000	**RM'000**	RM'000
Investment Banking	**97,346**	97,346	**97,346**	97,346
Stockbroking	**163,063**	163,063	**163,063**	163,063
Asset Management	**3,602**	3,602	**-**	-
	264,011	264,011	**260,409**	260,409

16 Intangible assets (continued)

(a) Goodwill on consolidation (continued)

The recoverable amount of the CGUs are determined based on value-in-use calculations using the cash flow projections based on financial budgets or forecasts covering a five-year (2018: five-year) period. Cash flows beyond the fifth-year period are assumed to grow at 4.50% (2018 : 4.70%) on perpetual basis for all CGUs which is based on forecast Gross Domestic Product ("GDP") growth rate of Malaysia.

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable, at the date of assessment of the CGUs.

The estimated terminal growth rates and discount rates used for value in use calculation are as follows:

	Discount rate		**Growth rate**	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	%	%	**%**	%
Investment Banking	**8.06**	9.64	**4.50**	4.70
Stockbroking	**8.06**	9.64	**4.50**	4.70
Asset Management	**8.06**	9.64	**4.50**	4.70

Impairment was not required for goodwill arising from all the business segments. The impairment charge is most sensitive to discount rate and management believes that any reasonable possible charge to the assumptions applied is not likely to cause the recoverable amount of asset management segment to be lower than its carrying amount.

For investment banking and stockbroking CGUs, further sensitivity tests have been performed and the estimated recoverable amount will be equal to the carrying value under the assumptions below :

	Investment banking	**Stock-broking**
	%	**%**
31.12.2019		
Discount rate	**12.62**	**11.37**
Cash flow	**46.76**	**50.56**
Terminal growth rate	**0.06**	**0.92**
31.12.2018		
Discount rate	12.14	11.48
Cash flow	69.71	72.18
Terminal growth rate	2.32	2.60

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

16 Intangible assets (continued)

(b) Intangible assets

The Group 31.12.2019	**Merchant bank licence RM'000**	**Computer software RM'000**	**Total RM'000**
Cost			
At 1.01.2019	**52,500**	**28,643**	**81,143**
Additions	**-**	**2,691**	**2,691**
At 31.12.2019	**52,500**	**31,334**	**83,834**
Accumulated amortisation			
At 1.01.2019	**-**	**22,052**	**22,052**
Amortised during the financial year	**-**	**2,599**	**2,599**
At 31.12.2019	**-**	**24,651**	**24,651**
Net carrying value			
At 31.12.2019	**52,500**	**6,683**	**59,183**

The Group 31.12.2018	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
Cost			
At 1.01.2018	52,500	26,950	79,450
Additions	-	1,693	1,693
At 31.12.2018	52,500	28,643	81,143
Accumulated amortisation			
At 1.01.2018	-	19,660	19,660
Amortised during the financial year	-	2,392	2,392
At 31.12.2018	-	22,052	22,052
Net carrying value			
At 31.12.2018	52,500	6,591	59,091

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

16 Intangible assets (continued)

(b) Intangible assets (continued)

The Bank 31.12.2019	**Merchant bank licence RM'000**	**Computer software RM'000**	**Total RM'000**
Cost			
At 1.01.2019	**52,500**	**17,228**	**69,728**
Additions	**-**	**1,630**	**1,630**
At 31.12.2019	**52,500**	**18,858**	**71,358**
Accumulated amortisation			
At 1.01.2019	**-**	**14,174**	**14,174**
Amortised during the financial year	**-**	**1,350**	**1,350**
At 31.12.2019	**-**	**15,524**	**15,524**
Net carrying value			
At 31.12.2019	**52,500**	**3,334**	**55,834**

The Bank 31.12.2018	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
Cost			
At 1.01.2018	52,500	16,978	69,478
Additions	-	250	250
At 31.12.2018	52,500	17,228	69,728
Accumulated amortisation			
At 1.01.2018	-	12,918	12,918
Amortised during the financial year	-	1,256	1,256
At 31.12.2018	-	14,174	14,174
Net carrying value			
At 31.12.2018	52,500	3,054	55,554

The merchant bank license is assessed for impairment on an annual basis together with the goodwill impairment testing for the Investment Banking CGU as disclosed in Note 16 (a).

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

17 Right-Of-Use Assets

The Group 31.12.2019	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning of financial year, on adoption of MFRS 16	11,029	446	11,475
Additions	9,977	742	10,719
Termination of contracts	-	(140)	(140)
At end of the financial year	21,006	1,048	22,054
Less: Accumulated depreciation			
At beginning of financial year, on adoption of MFRS 16	-	-	-
Charge for the financial year	9,088	264	9,352
Termination of contracts	-	(36)	(36)
At end of the financial year	9,088	228	9,316
Net book value at end of the financial year	11,918	820	12,738

The Bank 31.12.2019	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning of financial year, on adoption of MFRS 16	8,403	-	8,403
Additions	427	-	427
At end of the financial year	8,830	-	8,830
Less: Accumulated depreciation			
At beginning of financial year, on adoption of MFRS 16	-	-	-
Charge for the financial year	5,560	-	5,560
At end of the financial year	5,560	-	5,560
Net book value at end of the financial year	3,270	-	3,270

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

18 Deposits from customers

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
(i) By type of deposit		
Fixed deposits	**3,640,165**	4,025,083
Negotiable instrument of deposits	**1,009,672**	1,009,563
Other deposits	**33,289**	97,006
	4,683,126	5,131,652
(ii) By maturity structure		
Due within six months	**3,559,539**	3,861,340
Six months to one year	**96,729**	544,123
One year to three years	**1,026,858**	726,189
	4,683,126	5,131,652
(iii) By type of customer		
Domestic non-banking financial institutions	**2,350,948**	2,679,465
Domestic banking institutions	**1,009,214**	1,009,373
Business enterprises	**889,433**	1,028,397
Government and statutory bodies	**342,796**	314,584
Individuals	**37,833**	42,785
Foreign entities	**37,816**	16,850
Other entities	**15,086**	40,198
	4,683,126	5,131,652

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
Licensed investment banks	**395,889**	153,398
Licensed banks	**296,515**	271,515
	692,404	424,913

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

20 Obligations on securities sold under repurchase agreements

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
Financial investments at FVOCI	**-**	142,477
	-	142,477

Obligations on securities sold under repurchase agreements are securities which the Bank has sold from its investment portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The financial assets sold under repurchase agreements as at end of the previous financial year are from the financial investments at FVOCI portfolio of RM148.92 million.

21 Trade payables

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Amount due to unit trust funds	**327,451**	260,864	**-**	-
Amount due to unit holders	**197,807**	47,089	**-**	-
Amount due to clients	**169,333**	151,463	**168,709**	151,463
Amount due to brokers	**72,992**	141,482	**72,992**	141,482
Amount due to Bursa Securities Clearing Sdn. Bhd.	**19,846**	-	**19,846**	-
	787,429	600,898	**261,547**	292,945

Trade payables include amount payable under outstanding contracts from the stock and share broking activities and amounts due to unit trust funds and unit holders.

The credit terms of amounts due to unit trust funds and unit holders range from 1 to 14 days (2018: 1 to 14 days).

22 Derivatives financial liabilities

	The Group and the Bank			
	31.12.2019		31.12.2018	
	Contract/ Notional amount	**Liabilities**	Contract/ Notional amount	Liabilities
	RM'000	**RM'000**	RM'000	RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	**1,763,398**	**30,951**	1,017,141	17,944
- Currency swaps	**380,379**	**3,718**	648,049	7,198
	2,143,777	**34,669**	1,665,190	25,142
Interest rate related contracts				
- Interest rate swaps	**1,810,000**	**15,866**	1,315,000	2,965
	3,953,777	**50,535**	2,980,190	28,107

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

23 Lease Liabilities

	The Group 31.12.2019 RM'000	The Bank 31.12.2019 RM'000
At beginning of financial year, on adoption of MFRS 16	**11,475**	**8,403**
Additions	**10,623**	**332**
Termination of contracts	**(104)**	**-**
Interest expense	**575**	**234**
Lease payment	**(9,706)**	**(5,716)**
At end of the financial year	**12,863**	**3,253**

The Group and the Bank have not include potential future rental payments after the exercise date of termination options because the Group and the Bank are not reasonably certain to extend the lease beyond the date.

Potential future rental payments relating to periods following the execise date of ternination options are summarised below:-

	The Group 31.12.2019 RM'000	The Bank 31.12.2019 RM'000
Lease liabilities recognised (discounted)	**12,863**	**3,253**
Potential future lease payments not included in lease liabilities (undiscounted):		
Payable in 2020 to 2024	**11,957**	**2,679**
Payable in 2025 to 2029	**1,877**	**-**
	26,697	**5,932**

24 Other liabilities

	The Group		The Bank	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
Commissioned dealer's representatives trust balances	**47,483**	48,537	**47,483**	48,537
Amounts payable to commissioned and salaried dealer's representatives	**37,854**	37,874	**37,854**	37,874
Accrued employee benefit	**64,971**	67,703	**31,025**	30,543
Securities borrowing	**160,358**	127,194	**160,358**	127,194
Other creditors and accruals	**96,068**	92,249	**54,807**	54,469
ESOS liabilities	**-**	8,028	**-**	-
Puttable liabilities (a)	**124,452**	34,328	**-**	-
	531,186	415,913	**331,527**	298,617
Add: Expected credit loss - loan/financing commitments and financial guarantees	**14,567**	34	**14,567**	34
	545,753	415,947	**346,094**	298,651

24 Other liabilities (continued)

(a) Puttable liabilities are in respect of the following:

	The Group	
	31.12.2019	31.12.2018
Obligations to buy subsidiaries' shares from non-controlling interest:-	**RM'000**	RM'000
- AVA (i)	**6,694**	5,460
- AHAM (ii)	**96,841**	-
Investment in funds (iii)	**20,917**	28,868
	124,452	34,328

(i) This represents the present value of an option to purchase AccelVantage Academy Sdn Bhd's ("AVA") share pursuant to the terms of the exit mechanism in a shareholders agreement entered into between the Bank's subsidiary, AHAM and GV Capital Dynamic Sdn Bhd ("GVCD").

The subsidiary is granted a call option to acquire the entire 49% equity shares in AVA held by GVCD within 90 days of the call option period. The exercise price under the call option is determined based on pre-agreed formula.

The financial liability at Group is recognised at the present value of the redemption amount and accreted through finance charges in the income statement over the contract period, up to the final redemption amount.

(ii) On 8 March 2019, the options holders have fully exercised the 1000 employee stock option incentive scheme at exercise price of RM40.30 per share. As a result, the employee stock option holder(s) were allotted a total of 1,111,000 units of new ordinary shares for a total consideration of RM44.77 million.

Pursuant to the exercise of the employee stock option incentive scheme, there is a Selective Capital Reduction ("SCR") provision within the scheme which requires AHAM to buy back the ordinary shares issued to the option holders from 1 March 2021 to 1 March 2023 at a certain price, if the conditions within the SCR provision are not met by 31 December 2020. The SCR provision represents a purchase of the subsidiary's own equity instrument and a liability equal to the present value of the estimated future redemption amount is reclassified from equity on initial recognition. The liability is then subsequently measured at amortised cost with the unwinding of the present value of the redemption amount to be recognised as finance costs within the income statement.

(iii) This represents the units held by other investors of the funds which has been consolidated by the Group as disclosed in Note 12. The amount is equal to a proportion of the Net Asset Value of the funds not held by the Group.

Movement in expected credit losses ("ECL")

The Group and the Bank	**12 months ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	
31.12.2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of the financial year	**34**	**-**	**-**	**34**
New loan commitments/financial guarantees issued	**119**	**-**	**-**	**119**
Changes due to change in credit risk	**(150)**	**-**	**14,563**	**14,413**
Changes in model/risk parameters	**1**	**-**	**-**	**1**
At end of the financial year	**4**	**-**	**14,563**	**14,567**

24 Other liabilities (continued)

The Group and the Bank 31.12.2018	12 months ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	596	-	-	596
New loan commitments/financial guarantees issued	1,235	-	-	1,235
Changes due to change in credit risk	(1,797)	-	-	(1,797)
Changes in model/risk parameters	-	-	-	-
At end of the financial year	34	-	-	34

25 Share capital

	Number of ordinary shares		The Group and the Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	'000	'000	**RM'000**	RM'000
Issued and fully paid				
At beginning and end of the financial year	**780,000**	780,000	**999,800**	999,800

26 Reserves

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
FVOCI revaluation reserves (a)	**77,210**	3,968	**77,155**	3,913
Regulatory reserves (b)	**23,731**	28,357	**23,731**	28,357
Stock option reserves (c)	**-**	8,328	**-**	-
Other reserves (d)	**(61,010)**	-	**-**	-
Foreign exchange reserve	**135**	593	**-**	-
Retained profits (e)	**515,621**	450,591	**482,776**	431,864
	555,687	491,837	**583,662**	464,134

(a) The FVOCI revaluation reserves represent the unrealised gains or losses arising from a change in the fair value of investments classified as financial investments at FVOCI, as well as the expected credit loss allowance for financial investments FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities becomes impaired.

(b) Pursuant to BNM Financial Reporting policy dated 27 September 2019, the Group and the Bank shall maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

(c) The stock option reserves represents the fair value of the options of a subsidiary's employee stock option incentive scheme as detailed in Note 42. On 8 March 2019, all the option holders were allotted a total of 1,111,000 new AHAM's Shares pursuant to the exercise of their respective Options for a total cash consideration of RM44.77 million.

(d) This represents corresponding debit arising from the Group's obligation to purchase the subsidiary's shares held by non controlling interest as disclosed in Note 24(a)(ii).

(e) As at 31 December 2019, the Bank has sufficient tax exempt account balances to pay tax exempt dividends of RM7,734,315 (2018: RM7,734,049) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

27 Interest income

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**72,093**	82,521	**72,064**	82,489
Money at call and deposit placements with financial institutions	**18,096**	13,805	**15,351**	10,972
Financial investments at FVOCI	**194,580**	203,871	**194,580**	203,871
Financial assets at amortised cost	**2,540**	2,641	**2,540**	2,641
Others	**1,836**	517	**1,836**	517
	289,145	303,355	**286,371**	300,490
of which:				
Interest income earned on impaired loans, advances and financing	**5,313**	4,638	**5,313**	4,638

28 Interest expense

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Deposits from customers	**213,106**	209,509	**213,106**	209,509
Deposits and placements of banks and other financial institutions	**6,968**	11,636	**6,968**	11,636
Deposits on obligations on securities sold under repurchase agreements	**790**	1,376	**790**	1,376
Foreign currency borrowing	**506**	1,986	**506**	1,986
Lease liabilities	**575**	-	**234**	-
Others	**3,543**	2,163	**3,543**	2,163
	225,488	226,670	**225,147**	226,670

29 Net fee and commission income

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
(a) Fee and commission income				
Fee income from financial assets measured at amortised cost:				
Portfolio management fees	**301,149**	293,269	**-**	-
Initial service charge	**88,528**	103,619	**-**	-
Net brokerage income	**58,156**	68,679	**58,156**	68,679
Corporate advisory fees	**10,222**	12,458	**9,011**	11,775
Loan related fees	**9,414**	9,015	**9,414**	9,015
Underwriting commissions	**5,880**	3,404	**554**	1,116
Arrangement fees	**1,768**	2,814	**1,768**	2,814
Private placement fees	**426**	3,181	**496**	3,181
Others	**4,659**	9,077	**3,717**	8,376
	480,202	505,516	**83,116**	104,956
(b) Fee and commission expense:				
Commission and referral expenses	**(145,477)**	(155,215)	**-**	-
	(145,477)	(155,215)	**-**	-
Net fee and commission income	**334,725**	350,301	**83,116**	104,956

30 Net gains and losses on financial instruments

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Gains/(losses) arising on financial assets at FVTPL:				
- net gain on disposal	**62,096**	48,417	**59,672**	48,414
- unrealised loss	**(19,885)**	(2,492)	**(23,743)**	(977)
- dividend income	**7,290**	5,167	**5,711**	3,815
- interest income	**19,378**	19,613	**19,378**	19,613
Gains/(losses) on derivatives instruments:				
- net loss on disposal	**-**	(54)	**-**	(54)
- unrealised (loss)/gain	**(1,047)**	985	**(1,047)**	985
- interest income	**3,650**	1,905	**3,650**	1,905
- interest expense	**(3,380)**	(1,857)	**(3,380)**	(1,857)
Gains arising on financial investments at FVOCI:				
- net gain on disposal	**76,361**	7,231	**76,361**	7,231
- dividend income	**3,554**	4,314	**3,554**	4,314
	148,017	83,229	**140,156**	83,389

31 Other operating income

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Realised foreign exchange gain	**3,305**	11,477	**4,665**	15,645
Unrealised foreign exchange gain/(loss)	**4,492**	(1,304)	**3,080**	(4,960)
Gain on disposal of property and equipment	**173**	131	**20**	114
Dividend income - subsidiaries	**-**	-	**59,500**	35,000
Others	**1,814**	314	**1,460**	1,072
	9,784	10,618	**68,725**	46,871

32 Other operating expenses

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
Salaries, allowances and bonuses	**197,768**	193,853	**123,520**	122,538
Defined contribution plan	**32,001**	30,968	**16,841**	16,004
Other personnel costs	**33,616**	30,599	**13,322**	10,685
	263,385	255,420	**153,683**	149,227
Establishment cost				
Rental of premises and equipment	**3,776**	13,565	**2,948**	9,167
Repair and maintenance	**10,550**	7,136	**5,429**	3,895
Amortisation of intangible assets	**2,599**	2,392	**1,350**	1,256
Depreciation of property and equipment	**9,601**	9,079	**5,917**	5,891
Depreciation –ROU	**9,352**	-	**5,560**	-
Electricity, water and sewerage	**2,462**	2,483	**2,113**	2,128
Insurance and indemnities	**955**	774	**847**	678
Others	**184**	207	**184**	207
	39,479	35,636	**24,348**	23,222
Marketing expenses				
Business promotion and advertisement	**9,534**	6,984	**1,744**	1,560
Entertainment	**3,805**	3,275	**734**	657
Travelling and accommodation	**3,760**	3,964	**1,457**	1,658
Dealers' handling fees	**606**	1,200	**606**	1,200
Brokerage expenses	**532**	540	**522**	540
Others	**1,494**	1,921	**-**	-
	19,731	17,884	**5,063**	5,615

32 Other operating expenses (continued)

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Administration and general expenses				
Directors’ remuneration (Note 34)	**1,882**	1,766	**1,818**	1,673
Subscription	**11,657**	10,448	**6,929**	7,059
Telecommunication expenses	**9,527**	9,480	**7,893**	7,995
Professional fees	**6,847**	4,545	**1,781**	847
Auditors' remuneration	**969**	920	**599**	559
Property and equipment written off	**55**	32	**4**	19
Others	**4,844**	6,682	**2,414**	4,400
	35,781	33,873	**21,438**	22,552
	358,376	342,813	**204,532**	200,616
The expenditure includes the following statutory disclosure:				
Directors’ remuneration (Note 34)	**1,882**	1,766	**1,818**	1,673
Auditors' remuneration:				
(i) Statutory audit fees	**663**	625	**430**	395
(ii) Regulatory related fees	**120**	141	**78**	112
(iii) Tax fees	**86**	154	**41**	53
(iv) Non-audit fees	**100**	-	**50**	-

33 Allowances for credit impairment losses

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Expected credit losses ("ECL") (made)/written-back on:				
- loans, advances and financing	**(7,744)**	(3,320)	**(7,744)**	(3,320)
- trade receivables	**260**	246	**269**	240
- securities	**1,607**	(13,562)	**1,607**	(13,562)
- other assets	**(927)**	(524)	**(927)**	(524)
- loans and financing commitments and financial guarantees	**(14,533)**	562	**(14,533)**	562
Bad debts recovered	**114**	123	**114**	123
Bad debts written off	**(8)**	(7)	**(8)**	-
	(21,231)	(16,482)	**(21,222)**	(16,481)

34 Managing Director's and Directors' remuneration

The Managing Director and Directors of the Bank who have held office during the financial year are as follows:

Deputy Group Managing Director
Yip Kit Weng (Appointed on 1 October 2019)

Group Managing Director
Datuk Maimoonah bt Mohamed Hussain (Resigned on 2 November 2019)

Non-Executive Directors
Abd Malik bin A Rahman
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Stephen Charles Li
Lim Hun Soon @ David Lim
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)
Datuk Noor Azian binti Shaari
Dato' Mohd Ali bin Mohd Tahir (Appointed on 1 January 2019)

The aggregate amount of remuneration for all Directors during the financial year are as follows:

	The Group		**The Bank**	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Group Managing Director				
Fixed and non-deferred remuneration				
- Salary and other emoluments	**2,331**	1,829	**2,331**	1,829
Variable and non-deferred remuneration				
- Bonus	**2,435**	3,015	**2,435**	3,015
- Benefits-in-kind	**50**	61	**50**	61
	4,816	4,905	**4,816**	4,905
Non-Executive Directors:				
Fixed and non-deferred remuneration				
- Fees	**1,401**	974	**1,359**	911
- Other emoluments	**450**	776	**428**	746
- Benefits-in-kind	**31**	16	**31**	16
Total	**1,882**	1,766	**1,818**	1,673
Grand total	**6,698**	6,671	**6,634**	6,578

34 Managing Director's and Directors' remuneration (continued)

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors & Officers Liability Insurance ("D&O Insurance") subscribed via the holding company of the Bank namely Affin Bank Berhad for the period from 19 April 2019 to 18 April 2020 and a policy taken by the Bank for the period from 7 June 2018 to 6 June 2019 pursuant to the terms of the D&O Insurance policies. For the financial year 2019, premium for D&O Insurance for the Group and Bank were borned by the holding company (2018: RM101,880 and RM59,180). The Directors and Officers of the Group and the Bank are also covered under the Crime and Professional Indemnity Insurance ("CCPI Insurance") pursuant to the terms of the CPPI Insurance policy. For the financial year 2019, the total amount of premium paid for the CCPI Insurance policy by the Group and the Bank amounted to RM769,913 and RM634,899 (2018:RM756,924 and RM626,924) respectively.

There were no professional fees paid to Directors or any firms of which the Directors are members for services rendered and no amount was paid to or receivable by any third party for services provided by Directors for the financial year.

Details of remuneration of the Group are as follows:

The Group
31.12.2019

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	*Other emoluments RM'000	Benefit-in-kind RM'000	Bonuses RM'000	Benefit-in-kind RM'000	Total RM'000
Group Managing Director							
Datuk Maimoonah bt Mohamed Hussain	1,661	-	670	-	2,435	50	4,816
Total	1,661	-	670	-	2,435	50	4,816

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	*Other emoluments RM'000	Benefit-in-kind RM'000	Bonuses RM'000	Benefit-in-kind RM'000	Total RM'000
Non-Executive Directors							
Abd Malik bin A Rahman	-	257	110	31	-	-	398
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	250	74	-	-	-	324
Stephen Charles Li	-	130	20	-	-	-	150
Lim Hun Soon @ David Lim	-	205	72	-	-	-	277
Datuk Noor Azian binti Shaari	-	189	52	-	-	-	241
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	215	73	-	-	-	288
Dato' Mohd Ali bin Mohd Tahir	-	155	49	-	-	-	204
Total	-	1,401	450	31	-	-	1,882
Grand Total	1,661	1,401	1,120	31	2,435	50	6,698

* Other emoluments include allowances and EPF.

34 Managing Director's and Directors' remuneration (continued)

Details of remuneration of the Group are as follows:(continued)

The Group
31.12.2018

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	*Other emoluments	Benefit-in-kind	Bonuses	Benefit-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group Managing Director							
Datuk Maimoonah bt Mohamed Hussain	1,829	-	-	61	3,015	-	4,905
Total	1,829	-	-	61	3,015	-	4,905

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	*Other emoluments	Benefit-in-kind	Bonuses	Benefit-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors							
Gen Tan Sri Yaacob bin Mohd Zain (R)	-	128	65	16	-	-	209
Abd Malik bin A Rahman	-	196	141	-	-	-	337
Raja Tan Sri Dato' Seri Aman					-	-	-
bin Raja Haji Ahmad	-	130	195	-	-	-	325
Stephen Charles Li	-	130	22	-	-	-	152
Lim Hun Soon @ David Lim	-	130	121	-	-	-	251
Datuk Noor Azian binti Shaari	-	130	91	-	-	-	221
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	130	141	-	-	-	271
Total	-	974	776	16	-	-	1,766
Grand Total	1,829	974	776	77	3,015	-	6,671

* Other emoluments include allowances and EPF.

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

34 Managing Director's and Directors' remuneration (continued)

Details of remuneration of the Bank are as follows:

The Bank
31.12.2019

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	*Other emoluments	Benefit-in-kind	Bonuses	Benefit-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group Managing Director							
Datuk Maimoonah bt Mohamed Hussain	1,661	-	670	-	2,435	50	4,816
Total	1,661	-	670	-	2,435	50	4,816

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	*Other emoluments	Benefit-in-kind	Bonuses	Benefit-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors							
Abd Malik bin A Rahman	-	215	88	31	-	-	334
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	250	74	-	-	-	324
Stephen Charles Li	-	130	20	-	-	-	150
Lim Hun Soon @ David Lim	-	205	72	-	-	-	277
Datuk Noor Azian binti Shaari	-	189	52	-	-	-	241
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	215	73	-	-	-	288
Dato' Mohd Ali bin Mohd Tahir	-	155	49	-	-	-	204
Total	-	1,359	428	31	-	-	1,818
Grand Total	1,661	1,359	1,098	31	2,435	50	6,634

* Other emoluments include allowances and EPF.

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

34 Managing Director's and Directors' remuneration (continued)

Details of remuneration of the Bank are as follows:(continued)

The Bank
31.12.2018

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	*Other emoluments RM'000	Benefit-in-kind RM'000	Bonuses RM'000	Benefit-in-kind RM'000	Total RM'000
Group Managing Director							
Datuk Maimoonah bt Mohamed Hussain	1,829	-	-	61	3,015	-	4,905
Total	1,829	-	-	61	3,015	-	4,905

	Fixed and non-deferred remuneration				Variable and non-		
	Salaries RM'000	Directors' Fees RM'000	*Other emoluments RM'000	Benefit-in-kind RM'000	Bonuses RM'000	Benefit-in-kind RM'000	Total RM'000
Non-Executive Directors							
Gen Tan Sri Yaacob bin Mohd Zain (R)	-	128	65	16	-	-	209
Abd Malik bin A Rahman	-	133	111	-	-	-	244
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	130	195	-	-	-	325
Stephen Charles Li	-	130	22	-	-	-	152
Lim Hun Soon @ David Lim	-	130	121	-	-	-	251
Datuk Noor Azian binti Shaari	-	130	91	-	-	-	221
Maj. Gen. Dato' Zulkiflee							-
Mazlan (R)	-	130	141	-	-	-	271
Total	-	911	746	16	-	-	1,673
Grand Total	1,829	911	746	77	3,015	-	6,578

* Other emoluments include allowances and EPF.

35 Significant related party transactions and balances

The identified related parties and their relationship with the Group and the Bank are as follows:

Related parties	Relationship
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body, which is Government-Linked Investment Company ("GLIC") of the Government of Malaysia
AFFIN Bank Berhad ("ABB")	Holding company
Subsidiaries and associate of LTAT	Subsidiaries and associated companies of the ultimate holding corporate body
Subsidiaries and associate of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the holding company
Subsidiaries and associate of the Bank as disclosed in Note 12 & Note 13	Subsidiaries and associated companies of the Bank
Key management personnel	The key management personnel of the Group and the Bank consists of: - Directors - Members of senior management team and material risk takers.
Related parties of key management personnel (deemed as related to the Bank)	Close family members and dependents of key management personnel Entities that are controlled or jointly controlled by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel are those persons having the authority and responsibilty for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. Key management personnel includes the Managing Director and Deputy Managing Director of the Bank in office during the financial year and the remuneration for the financial year are disclosed in Note 34.

Notes to the financial statements for the financial year ended 31 December 2019(continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances.

(a) Related parties transactions

	Ultimate Holding Corporate Body		Holding Company		Other Related Parties	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Income						
Interest on fixed deposits & interbank placements	**-**	-	**22,311**	18,493	**-**	-
Interest on financial investments FVOCI	**-**	-	**-**	-	**5,900**	6,060
Interest on loans, advances and financing	**-**	-	**-**	-	**6,515**	5,824
Unrealised loss on derivative instruments	**-**	-	**-**	69	**-**	-
Brokerage income	**220**	815	**-**	-	**8**	30
Management fees income	**258**	273	**90**	-	**1,417**	1,668
Corporate advisory fees	**-**	-	**400**	2,575	**3,854**	1,233
Agency fees	**-**	-	**60**	60	**330**	410
Private placement fees	**-**	-	**-**	100	**-**	150
Guarantee fees	**-**	-	**-**	-	**300**	238
Arrangement fees	**-**	-	**-**	200	**875**	939
Other income	**28**	-	**-**	-	**1,766**	2,124
Net gain arising from disposal of financial instruments	**-**	-	**6,550**	-	**650**	-
Realised gain/(loss) on foreign exchange for derivatives instruments	**-**	-	**16**	(290)	**83**	143
	506	1,088	**29,427**	21,207	**21,698**	18,819
Expenses						
Rental of premises	**-**	-	**94**	110	**7,912**	8,155
Interest expense on derivatives	**-**	-	**-**	49	**-**	-
Interest expense on deposits	**1**	-	**42,364**	42,339	**4,150**	4,118
Travel services	**-**	-	**-**	-	**775**	1,440
SBL fee expense	**142**	-	**-**	-	**-**	-
Advisory fee expense	**-**	-	**-**	-	**676**	791
Commission and referral fee	**-**	-	**432**	629	**-**	-
Management fees expense	**-**	-	**-**	-	**2,420**	1,646
Dividend paid					**25,500**	15,000
MFRS 9 expenses	**-**	-	**250**	250	**-**	-
Other expenses	**-**	-	**1**	-	**1,068**	1,149
	143	-	**43,141**	43,377	**42,501**	32,299

Notes to the financial statements for the financial year ended 31 December 2019(continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances.

(b) Related parties balances

	Ultimate Holding Corporate Body		Holding Company		Other Related Parties	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to						
Deposit from customers	**-**	-	**1,009,214**	1,009,373	**76,479**	116,002
Other liabilities	**-**	-	**-**	2	**112**	247
Trade payable	**-**	1,199	**103**	47	**382**	1,837
	-	1,199	**1,009,317**	1,009,422	**76,973**	118,086
Amounts due from						
Cash and short-term funds	**-**	-	**71,917**	51,103	**-**	-
Loans, advances and financing	**-**	-	**-**	-	**91,691**	123,525
Refundable deposits	**-**	-	**-**	-	**1,850**	2,140
Trade receivable	**65**	65	**-**	159	**-**	37
Other assets	**4**	-	**-**	-	**625**	464
Advisory and management fee receivable	**-**	-	**53**	-	**515**	-
Financial investments	**-**	-	**20,336**	10,047	**100,355**	101,065
	69	65	**92,306**	61,309	**195,036**	227,231
Commitments and contingencies						
Direct credit substitutes	**-**	-	**-**	-	**20,000**	20,000
	-	-	**-**	-	**20,000**	20,000

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances.

(c) Related parties transactions

	Ultimate Holding Corporate Body		Holding Company		Subsidiaries		Other Related Parties	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
The Bank								
Income								
Interest on fixed deposits & interbank placements	**-**	-	**21,685**	18,481	**-**	-	**-**	-
Interest on short term lending	**-**	-	**-**	-	**35**	12	**-**	-
Interest on financial investments FVOCI	**-**	-	**-**	-	**-**	-	**5,900**	6,060
Interest on loans, advances and financing	**-**	-	**-**	-	**-**	-	**6,208**	5,824
Unrealised loss on derivative instruments	**-**	-	**-**	69	**-**	(4)	**-**	-
Brokerage income	**220**	815	**-**	-	**-**	-	**8**	30
Management fee income	**-**	-	**90**	-	**504**	265	**-**	299
Corporate advisory fees	**-**	-	**400**	2,575	**100**	50	**3,508**	1,233
Agency fees	**-**	-	**60**	60	**-**	-	**330**	410
Private placement fees	**-**	-	**-**	100	**20**	55	**-**	150
Guarantee fees	**-**	-	**-**	-	**-**	-	**300**	238
Arrangement fees	**-**	-	**-**	200	**-**	-	**875**	939
Other fees income	**28**	-	**-**	-	**-**	-	**-**	800
Realised gain/(loss) on foreign exchange for derivatives instruments	**-**	-	**16**	(290)	**-**	(38)	**83**	143
Net gain arising from disposal of financial instruments	**-**	-	**6,550**	-	**-**	-	**650**	-
Gross dividend income -subsidiaries	**-**	-	**-**	-	**59,500**	35,000	**-**	-
Other income	**-**	-	**-**	-	**520**	511	**-**	-
	248	815	**28,801**	21,195	**60,679**	35,851	**17,862**	16,126
Expenses								
Rental of premises	**-**	-	**94**	110	**-**	-	**4,902**	5,240
Interest on derivatives	**-**	-	**-**	49	**-**	-	**-**	-
Interest expense on deposits	**1**	-	**42,365**	42,339	**-**	-	**4,148**	4,118
SBL fees	**142**	-	**-**	-	**1**	-	**-**	-
Travel services	**-**	-	**-**	-	**-**	-	**324**	460
MFRS 9 expenses	**-**	-	**250**	250	**-**	-	**-**	-
Other expenses	**-**	-	**-**	-	**-**	-	**442**	413
	143	-	**42,709**	42,748	**1**	-	**9,816**	10,231

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances.

(d) Related parties balances

	Ultimate Holding Corporate Body		**Holding Company**		**Subsidiaries**		**Other Related Parties**	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
The Bank	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to								
Deposits from customers	**-**	-	**1,009,214**	1,009,373	**-**	-	**76,479**	116,002
Other liabilities	**-**	-	**-**	2	**-**	-	**84**	247
Trade payable	**-**	1,199	**-**	-	**-**	-	**-**	1,413
	-	1,199	**1,009,214**	1,009,375	**-**	-	**76,563**	117,662
Amounts due from								
Cash and short-term funds			**45,567**	48,960	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**-**	-	**-**	-	**86,440**	123,525
Refundable deposits	**-**	-	**-**	-	**-**	-	**1,152**	1,455
Intercompany balances	**-**	-	**-**	-	**130**	273	**-**	-
Advisory & Management fee receivable	**-**	-	**53**	159	**-**	-	**515**	37
Financial investments	**-**	-	**20,336**	10,047	**-**	-	**100,355**	101,065
	-	-	**65,956**	59,166	**130**	273	**188,462**	226,082
Commitments and contingencies								
Direct credit substitutes	**-**	-	**-**	-	**-**	-	**20,000**	20,000
	-	-	**-**	-	**-**	-	**20,000**	20,000

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

35 Significant related party transactions and balances (continued)

(e) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly.

The remuneration of key management personnel of the Group and the Bank are as follows:

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits:				
- Salaries, allowances and commissions	**12,950**	12,358	**11,726**	11,134
- Bonuses	**12,784**	15,803	**7,266**	10,191
- Defined contribution plan	**4,485**	6,817	**3,240**	3,595
- Other employee benefits	**1,088**	1,054	**1,088**	1,054
- Benefit-in-kind	**70**	77	**50**	77
Other emoluments	**1,120**	776	**1,098**	746
Directors' fees	**1,401**	974	**1,359**	911
	33,898	37,859	**25,827**	27,708

Included in the table above is the Managing Director's & Non-Executive Directors' remuneration as disclosed in Note 34.

There were no expenses relating to the employee stock option incentive granted to key management personnel for the current financial year. The change in settlement of the employee stock option incentive granted to key management personnel for 2018 resulted in RM0.51 million write-back in the comprehensive income at the Group.

Loans to key management personnel is included in Note 35 (b) and Note 35 (d) loans, advances and financing from other related parties, as disclosed in the table below:

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
At end of the financial year	**6,762**	504	**1,512**	504

The total remuneration awards of key management personnel including other material risk takers of the Group and the Bank for the financial year is as follows:

	The Group		The Bank	
	Unrestricted	**Deferred**	**Unrestricted**	**Deferred**
31.12.2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fixed Remuneration				
- Cash-based	**16,312**	**-**	**14,892**	**-**
- Other	**70**	**-**	**50**	**-**
Variable Remuneration				
- Cash-based	**17,516**	**9,056**	**10,885**	**-**
31.12.2018				
Fixed Remuneration				
- Cash-based	15,560	-	11,822	-
- Other	77	-	77	-
Variable Remuneration				
- Cash-based	19,833	2,389	15,809	-

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

35 Significant related party transactions and balances (continued)

The number of key management personnel receiving variable remuneration during the financial year for the Group is 23 (2018 : 20) and for the Bank is 22 (2018 : 19).

36 Taxation

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax:				
- Current financial year	**33,380**	33,941	**14,913**	14,845
- Deferred tax (Note 14)	**4,841**	(2,328)	**2,283**	(1,585)
	38,221	31,613	**17,196**	13,260
Under/(over) provision in prior financial years	**2,690**	(4,603)	**(1,345)**	(4,394)
	40,911	27,010	**15,851**	8,866

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and the Bank are as follows:

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	%	%	**%**	%
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**2.85**	2.43	**1.43**	2.66
- Non-taxable income	**(5.92)**	(5.32)	**(12.80)**	(10.36)
- Under/(over) provision in prior financial years	**1.56**	(2.87)	**(1.07)**	(4.81)
- Unrecognised tax losses of which temporary differences not recognised	**0.33**	(0.40)	**-**	-
- Other temporary differences	**0.61**	(1.01)	**1.08**	(1.78)
Average effective tax rate	**23.43**	16.83	**12.64**	9.71

37 Earnings per share

The basic earnings per share for the Group and the Bank have been calculated based on the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
Net profit attributable to equity holders (RM'000)	**103,197**	107,462	**109,535**	82,403
Weighted average number of ordinary shares in issue ('000)	**780,000**	780,000	**780,000**	780,000
Basic earnings per share (sen)	**13.23**	13.78	**14.04**	10.56

38 Dividends

Dividends recognised as distribution to ordinary equity holders of the Bank:

	The Bank			
	31.12.2019		31.12.2018	
	Gross dividend per share sen	**Amount of tax exempt dividend RM'000**	Gross dividend per share sen	Amount of tax exempt dividend RM'000
Ordinary share:				
- Final dividend for financial year ended 31.12.2018	-	-	11.282	88,000
- Interim dividend	**7.692**	**60,000**	5.769	45,000
- Special dividend	-	-	12.821	100,000
	7.692	**60,000**	29.872	233,000

The Directors now recommend the payment of a final dividend of 5.128 sen (2018: 11.282 sen) gross per share amounting to RM40,000,000 (2018: RM88,000,000) for the financial year ended 31 December 2019, which is subject to approval of the shareholder at the forthcoming Annual General Meeting of the Bank.

39 Commitments and contingencies

In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The principal amount of commitments and contingencies constitute the following:

	The Group and the Bank	
	31.12.2019	31.12.2018
	Principal amount	Principal amount
	RM'000	RM'000
Transaction related contingent items	**91,106**	-
Direct credit substitutes	**-**	96,674
Obligations under underwriting agreement	**-**	27,000
Irrevocable commitments to extend credit:		
- maturity less than one year	**13,721**	24,133
- maturity more than one year	**3,361**	588
Interest rate related contracts*:		
- less than one year	**850,000**	695,000
- one year to less than five years	**2,230,000**	1,810,000
- over five years	**30,000**	30,000
Foreign exchange related contracts*:		
- less than one year	**3,407,478**	2,920,701
- one year to less than five years	**720,391**	304,689
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**507,889**	468,170
	7,853,946	6,376,955

* The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in Notes 8 and 22 respectively to the financial statements.

40 Capital management

With effect from 1 January 2018, the total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 2 February 2018.

The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio (''CET 1'') and Tier 1 Capital Ratio are 7.00% (2018: 6.38%) and 8.50% (2018: 7.88%) respectively for the financial year ended 31 December 2019. The minimum regulatory capital adequacy requirement at 10.50% (2018: 9.88%) for total capital ratio.

The Group and the Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group and the Bank operates;
- To safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group and the Bank maintain a ratio of total regulatory capital to its risk-weighted assets (''RWA'') above a minimum level agreed with the management which takes into account the risk profile of the Group and the Bank, via the Internal Capital Adequacy Assessment process ("ICAAP").

41 Capital adequacy

The table below summarises the composition of regulatory capital and the ratios of the Group and the Bank for the financial year ended 31 December 2019.

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Share capital	**999,800**	999,800	**999,800**	999,800
Other reserve	**(61,010)**	-	**-**	-
Retained profits	**539,352**	478,948	**506,507**	460,221
Foreign exchange translation reserve	**135**	593	**-**	-
Unrealised gains on FVOCI instruments	**77,210**	3,968	**77,155**	3,913
	1,555,487	1,483,309	**1,583,462**	1,463,934
Less : Regulatory adjustment				
Goodwill and other intangible assets	**(323,194)**	(323,102)	**(316,243)**	(315,963)
Investment in associates/subsidiaries	**(3,594)**	-	**(131,384)**	(131,384)
Regulatory reserves	**(23,731)**	(28,357)	**(23,731)**	(28,357)
55% of cumulative gains of FVOCI instruments	**(42,466)**	(2,183)	**(42,435)**	(2,152)
Deferred tax assets	**(9,533)**	(26,597)	**-**	(14,506)
CET 1 Capital	**1,152,969**	1,103,070	**1,069,669**	971,572
Additional Tier 1 Capital				
Qualifying non-controlling interests	**25,241**	19,783	**-**	-
Total Tier 1 Capital	**1,178,210**	1,122,853	**1,069,669**	971,572
Tier 2 Capital				
Expected credit loss #	**25,854**	29,215	**19,967**	26,197
Total Tier 2 Capital	**25,854**	29,215	**19,967**	26,197
Total Capital	**1,204,064**	1,152,068	**1,089,636**	997,769
Proposed dividends	**40,000**	-	**40,000**	-
Capital Ratios				
CET 1 Capital ratio	**34.432%**	30.644%	**44.406%**	34.177%
Tier 1 Capital ratio	**35.186%**	31.194%	**44.406%**	34.177%
Total Capital ratio	**35.958%**	32.005%	**45.235%**	35.099%
CET 1 Capital ratio (net of proposed dividends)	**33.238%**	30.644%	**42.745%**	34.177%
Tier 1 Capital ratio (net of proposed dividends)	**33.991%**	31.194%	**42.745%**	34.177%
Total Capital ratio (net of proposed dividends)	**34.764%**	32.005%	**43.574%**	35.099%

\# Qualifying expected credit is restricted to allowances on the unimpaired portion of the loans, advances and financing.

	The Group		The Bank	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**2,068,326**	2,337,222	**1,597,385**	2,095,749
Market risk	**353,447**	383,926	**354,272**	289,550
Operational risk	**926,744**	878,448	**457,202**	457,468
Total RWA	**3,348,517**	3,599,596	**2,408,859**	2,842,767

42 Employee stock option incentive scheme

A subsidiary of the Bank, Affin Hwang Asset Management Berhad ("AHAM"), has established and implemented a stock option incentive scheme for its key employees. The shareholders of the subsidiary have approved the scheme on 24 July 2014 and the subsidiary has adopted the scheme which provides for key employees to be vested with stock options of the subsidiary.

The stock option incentive scheme is designed to provide long-term incentives for key employees to improve the growth and profitability of the Group and its subsidiary and to encourage them to continue in the employment of the subsidiary.

The main features of the stock option incentive scheme are, inter alia, as follows:

1. Eligible persons are key employees as defined by the stock option agreement.
2. The grant of the option is deemed to be incorporated in the terms of employment of the key employees with the subsidiary.
3. The stock options will vest and become exercisable by the grantees in accordance with the supplemental stock option agreement on a fix date.
4. The stock option incentive scheme shall be in force until 2024. All remaining vested options which have not been exercised will expire on the expiration date.
5. The stock options granted with the non-market performance vesting conditions. Generally, the vesting conditions of the stock options can be classified into four categories which are based on joining; time linked; performance linked and bonus kicker.

Movements in the number of stock options awarded are as follows:

Grant date	Granted	Exercised	As at 31.12.2019
16 July 2015	250	(250)	-
1 June 2016	250	(250)	-
1 June 2017	125	(125)	-
1 June 2018	125	(125)	-
31 January 2019	250	(250)	-
	1,000	(1,000)	-

In 2018, the settlement of the stock option incentive scheme has been changed from cash-settlement to equity-settlement. The total liability of stock option including deferred economic benefit (“DEB”) of RM21.74 million previously recognised under the cash-settled share-based payment was derecognised and equity-settled share-based payment is measured by reference to the fair value of the equity instrument at grant date which amounted to RM11.56 million, an incremental fair value as a result of the modification of RM0.34 million and a DEB of RM8.03 million, the net impact on the change in accounting treatment of RM1.81 million is recognised immediately in profit or loss.

The assessed fair value at grant date of options granted including the deferred economic benefit during the year ended 31 December 2018 was RM19.93 million. The fair value at grant date is independently determined using the Binomial option pricing model.

During the financial year ended 31 December 2019, a total of 1,000 options under the stock option incentive scheme were fully granted to option holders, each carrying the right to purchase 1,111 AHAM Shares at an exercise price of RM40.30 per AHAM Share (“Exercise Price”). On 8 March 2019, all the option holders were allotted a total of 1,111,000 new AHAM shares pursuant to the exercise of their respective options for a total cash consideration of RM44.77 million.

After the options exercise, the option holders own a 10% equity stake in the enlarged issued share capital of AHAM. The issued share capital of AHAM prior to the options exercise is RM10.00 million comprising 10,000,000 AHAM Shares. Following the options exercise, the issued share capital of AHAM has been increased to RM54.77 million, comprising 11,111,000 AHAM shares.

43 Subsequent event

There is no material subsequent event during the financial year.

44 Financial risk management objectives and policies

As a full-fledged investment bank, the Bank has established robust and comprehensive risk management policies and framework, based on best practices, to ensure that the salient risk elements in the operations of the Bank are adequately managed and mitigated. The Bank's framework for the management of financial risks is congruent with the primary corporate objective of creating and enhancing shareholders' value, guided by a prudent and robust framework of risk management methodologies and policies.

The Bank's risk management policies and framework are reviewed periodically to ensure that they are comprehensive in addressing the multi-faceted risks associated with the investment banking sector.

The Risk Management Department ("RMD") is primarily responsible for the development and maintenance of the risk management policies and framework of the Bank and supports the functions of the Asset and Liability Committee ("ALCO"), Compliance and Risk Oversight Committee ("CROC"), Board Risk Management Committee ("BRMC") as well as Group committees of the Affin Bank Group.

A. Credit risk

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Bank. The Bank's exposure to credit risks arises primarily from stockbroking trade receivables, share margin financing, corporate/inter-bank lending activities, bonds investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the BRMC, a sub-committee of the Board that reviews the adequacy of the Bank's risk policies and framework. The Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the Group Management Credit Committee ("GMCC") and the Board Credit Review Committee ("BCRC"). The GMCC represents the approving authority for credit and underwriting proposals, whilst the BCRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to reject the proposal or modify the terms of the proposal.

The Bank recognises that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Bank is supportive of credit officer in taking the Professional Credit Certification ("PCC") programme offered by the Asian Institute of Chartered Bankers ("AICB"). Upon attaining the PCC certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

Credit risk evaluation

Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Bank's underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Bank has developed internal rating models to support the assessment and quantification of credit risk.

A number of qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow strength and management strength.

All corporate lending, underwritings and corporate debt securities investments are independently evaluated by the Bank's credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

For share margin financing, the credit decisions are guided by an internally developed rating scorecard as well as other terms and conditions stipulated in the Bank's Margin Financing Policy. The credit risk of share margin financing is largely mitigated by the holding of collateral in the form of marketable securities.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Risk limit control and mitigation policies

The Bank employs various policies and practices to control and mitigate credit risk.

Lending/financing Limits

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties, geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and loan books are managed on an aggregated basis as part of the overall lending limits with customers.

Collateral

Credits are established against borrower's capacity to repay rather than relying solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value by the Bank are:

- Charges over business assets such as properties, equipment, fixed deposits, debentures, personal guarantees and corporate guarantees; and
- Charges over financial instruments such as marketable securities.

The Bank prepares a valuation of the collateral obtained as part of the loan/financing origination process. This assessment is reviewed periodically.

Term loan financing and lending to corporate entities and individuals are generally secured.

Collateral held as security for financial assets other than loans, advances and financing depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group and the Bank **31.12.2019**	**Gross loans, advances and financing** **RM'000**	**Expected credit losses** **RM'000**	**Net loans, advances and financing** **RM'000**	**Fair value of collateral held** **RM'000**
Loans, advances and financing:				
Term loans/financing	**98,781**	**(14,826)**	**83,955**	**64,842**
Staff loans	**1**	**(1)**	**-**	**-**
Total credit-impaired assets	**98,782**	**(14,827)**	**83,955**	**64,842**

The Group and the Bank 31.12.2018	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
Loans, advances and financing:				
Term loans/financing	80,847	(5,569)	75,278	79,930
Share margin financing	1	(1)	-	-
Staff Loans	3	(3)	-	-
Total credit-impaired assets	80,851	(5,573)	75,278	79,930

The financial effect of collateral held for loans, advances and financing is 56.24% as at 31 December 2019 (2018: 48.12%). The financial effects of collateral for the other financial assets are insignificant.

Collateral for financial assets at fair value through profit or loss (FVTPL)

	The Group and the Bank	
	31.12.2019 **RM'000**	31.12.2018 RM'000
Derivatives	**33**	1,298

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Risk limit control and mitigation policies (continued)

Credit Related Commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Bank is potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Bank monitors the term to maturity of credit commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit Risk Measurement

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically takes into consideration a number of relevant factors when identifying and analysing of counterparty credit risk. These factors determines the credit rating under the Credit Risk Grading Policy, which considers factors such as competitive position, operating performance, cash flow strength and management strength. The Bank's leverages on its holding company's Affin Bank Berhad's models for loans, advances and financing and bonds.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on quantitative modelling, the remaining lifetime probability of default is determined to have increased by more than a predetermined percentage/range.

Using expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk is presumed if a borrower/issuer is more than 30 days or 1 month past due. Days or months past due are determined by counting the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Determining whether credit risk has increased significantly (continued)

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Measurement of expected credit losses ("ECL")

The Group and the Bank use three categories for financial instruments at amortised cost for recognising ECL:

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days; or • For early control acounts that have risk or potential weakness which if left unchecked, may result in significant deterioration of repayment prospect and transfer to Underperforming status (Stage 2) or worse.	12 months ECL
Underperforming accounts (Stage 2)	• An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; • Accounts past due more than 30 days or 1 month but less than 90 days or 3 months; • Accounts demonstrating critical level of risk and therefore, credit graded to 14 and place under Watchlist. • Rescheduled and/or restructured ("R&R") with significant increase in credit risk, however, business operation remains viable post R&R.	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; • Accounts past due more than 90 days or 3 months.	Lifetime ECL - credit impaired
Write-off	• Evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or; • Assets unable to generate sufficient future cash flow to repay the amount.	Asset is written off

The Bank has not used the low credit risk exemption for any financial instrument for the financial year ended 31 December 2019.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD is the likelihood of a counterparty defaulting on its contractual obligations to a financial institution over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes or changes in past due status, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Credit risk grades and past due status are a primary input into the determination of the term structure of PD for exposures. The Bank's holding company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies are also used.

The Bank leverages on its holding company's statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of the likely loss if there is a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime EAD is determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposure, or collective segment, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original interest rate or an approximation thereof.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Measurement of ECL

As described above, and subject to using a maximum of a 12-months PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Forward looking economic information is also included in determining the 12 months and lifetime PD, LGD and EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

• product/instrument type;
• past due status;
• credit risk gradings;
• collateral type;
• date of initial recognition; and
• remaining terms to maturity.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation technique or significant assumptions made during the reporting period that have material impact to the ECL.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Incorporation of forward-looking information (continued)

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years.

The economic scenarios used for the expected credit losses ("ECL") estimate and the effect to the ECL estimate due to the changes in the macro economic variables ("MEVs") by % are set out as below:

	31.12.2019	31.12.2018
Measurement variables	**%**	%
Overnight Policy Rate ("OPR")	**1.3**	1.00
USD/MYR Exchange Rate	***N/A**	0.7
Kuala Lumpur Composite Index ("KLCI")	***N/A**	1.4
3 Month KLIBOR	**0.3**	0.4
Housing Price Index	**1**	1.2
Unemployment Rate	**1.5**	0.3
GDP of Malaysia	**4.1**	0.1
Malaysia Economic Indicator Leading Index	**0.01**	*N/A
Private Consumption Expenditure	**4.2**	*N/A
Base Lending Rate	**0.04**	*N/A
Applied Hire Purchase	**1.5**	*N/A

The impact on ECL based on 3 years historical MEV are as follows:

	The Group and the Bank			
	31.12.2019		31.12.2018	
	+	-	+	-
	RM'000	**RM'000**	RM'000	RM'000
(Writeback)/additional of provision	**(314)**	**337**	82	5

*N/A - Not applicable as a results of change in model/risk parameters made during the financial year.

Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Significant Increase in Credit Risk Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

The Bank has established MFRS 9 - Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Active portfolio monitoring as well as exceptions reporting is in place to manage the overall risk profile, identify, analyze and mitigate adverse trends or specific areas of risk concerns.

The Bank conducts post-mortem reviews on newly impaired loans to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired, take appropriate remedial actions or measures and establish lessons learned to minimize potential or future credit loss from similar or repeat events.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk monitoring (continued)

In addition, an independent credit review is undertaken by RMD to ensure that credit decision-making is consistent with the Bank's overall credit risk appetite and strategy.

Maximum exposure to credit risk

For financial assets recognised in the statements of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposures to credit risk is the maximum amount that the Group and the Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Bank are subject to credit risk except for cash in hand, equity securities held as financial assets at FVTPL or as financial assets at FVOCI, as well as non-financial assets.

The exposure to credit risk of the Group and the Bank equals their carrying amount in the statements of financial position as at reporting date, except for the following:

	The Group	
	31.12.2019	31.12.2018
	Maximum credit risk exposure	Maximum credit risk exposure
	RM'000	RM'000
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	**755,124**	624,672
Financial assets at FVTPL#	**170,554**	91,150
Financial investments at FVOCI##	**4,739,997**	4,875,302
Other assets &	**59,527**	30,966
	5,725,202	5,622,090
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**91,106**	-
Direct credit substitutes	**-**	96,674
Obligations under underwriting agreement	**-**	27,000
Irrevocable commitments to extend credit	**17,082**	24,721
Any commitments that are unconditionally cancelled at any time by the Bank without prior noticed or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**507,889**	468,170
	616,077	616,565
Total maximum credit risk exposure	**6,341,279**	6,238,655

The following have been excluded for the purpose of maximum credit risk exposure calculation:

- * Cash in hand
- \# Investments in exchange traded fund, shares, unit trust, warrants and REITs
- \## Investments in unquoted shares, REITs and perpetual bonds
- & Prepayment

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Maximum exposure to credit risk (continued)

The exposure to credit risk of the Group and the Bank equals their carrying amount in the statements of financial position as at reporting date, except for the following (continued):

	The Bank	
	31.12.2019	31.12.2018
	Maximum credit risk exposure	Maximum credit risk exposure
	RM'000	RM'000
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	**270,539**	204,318
Financial assets at FVTPL#	**137,243**	70,509
Financial investments at FVOCI##	**4,739,997**	4,875,302
Other assets &	**54,143**	27,887
	5,201,922	5,178,016
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**91,106**	-
Direct credit substitutes	**-**	96,674
Obligations under underwriting agreement	**-**	27,000
Irrevocable commitments to extend credit	**17,082**	24,721
Any commitments that are unconditionally cancelled at any time by the Bank without prior noticed or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**507,889**	468,170
	616,077	616,565
Total maximum credit risk exposure	**5,817,999**	5,794,581

The following have been excluded for the purpose of maximum credit risk exposure calculation :

* Cash in hand
\# Investments in shares, unit trust, warrants and REITs
\## Investments in unquoted shares, REITs and perpetual bonds
& Prepayment

Whilst the Group and the Bank's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is reduced by collateral, credit enhancements and other actions taken to mitigate the credit exposure.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables:

The Group 31.12.2019	**Short-term funds RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Loans, advances and financing RM'000**	**Trade receivables RM'000**	**Derivative financial assets RM'000**	**Other assets RM'000**	**Total on-balance sheet RM'000**	**Commitments and contingencies RM'000**
Agricultural	-	-	61,713	-	54,586	-	-	-	116,299	-
Mining and quarrying	-	-	12,602	-	4,061	-	-	-	16,663	3,000
Manufacturing	-	-	47,783	4,220	124,832	-	-	234	177,069	20,000
Electricity, gas and water	-	-	407,019	-	-	-	-	724	407,743	6,500
Construction	-	-	580,000	-	119,044	-	-	23	699,067	67,297
Real estate	-	-	60,964	-	296,812	-	-	132	357,908	-
Wholesale, retail trade, hotel & restaurant	-	-	141,159	-	55,259	-	-	306	196,724	-
Transport, storage and communication	-	-	212,002	-	92,226	-	-	645	304,873	2,000
Finance, insurance and business	754,608	33,312	593,605	40,347	77,713	228,153	52,583	44,802	1,825,123	121
Government and government agencies	516	137,242	1,688,729	-	-	-	-	17	1,826,504	-
Education, Health and Others	-	-	620,818	-	7,566	-	-	-	628,384	-
Household	-	-	-	-	198,779	289,593	-	-	488,372	507,889
Others	-	-	313,603	-	46,674	15,122	-	12,644	388,043	9,270
	755,124 *	170,554 #	4,739,997 ##	44,567	1,077,552	532,868	52,583	59,527 &	7,432,772	616,077

* Excludes cash in hand of RM37,682.

Excludes investments in exchange traded fund, shares, unit trust, warrants and REITS amounting to RM321.36 million.

Excludes investments in unquoted shares, REITs and perpetual bonds amounting to RM73.96 million.

& Excludes prepayment amounting to RM4.53 million.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations (continued)

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees. (continued)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables: (continued)

The Group 31.12.2018	Short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Trade receivables RM'000	Derivative financial assets RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agricultural	-	-	61,356	-	50,543	-	-	5	111,904	-
Mining and quarrying	-	-	12,402	-	4,060	-	-	-	16,462	3,000
Manufacturing	-	-	53,067	8,050	308,665	-	-	736	370,518	47,000
Electricity, gas and water	-	-	652,591	-	19,666	-	-	904	673,161	65,288
Construction	-	-	762,084	-	108,858	-	-	1,406	872,348	24,750
Real estate	-	-	83,919	-	227,066	-	-	169	311,154	-
Wholesale, retail trade, hotel & restaurant	-	-	150,915	-	86,588	-	-	20	237,523	-
Transport, storage and communication	-	-	356,712	-	104,842	-	-	716	462,270	-
Finance, insurance and business	624,442	30,648	845,534	40,331	131,121	78,235	29,857	17,277	1,797,445	5,069
Government and government agencies	230	60,502	802,588	-	-	-	-	98	863,418	-
Education, Health and Others	-	-	649,873	-	17,085	-	-	150	667,108	-
Household	-	-	-	-	194,276	279,537	-	-	473,813	471,458
Others	-	-	444,261	-	23,234	10,657	-	9,485	487,637	-
	624,672 *	91,150 #	4,875,302 ##	48,381	1,276,004	368,429	29,857	30,966 &	7,344,761	616,565

* Excludes cash in hand of RM119,223.
\# Excludes investments in shares, unit trust, warrants and REITS amounting to RM141.67 million.
\## Excludes investments in unquoted shares, REITs and perpetual bonds amounting to RM162.87 million.
& Excludes prepayment amounting to RM4.23 million.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations (continued)

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees. (continued)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables: (continued)

The Bank 31.12.2019	Short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Trade receivables RM'000	Derivative financial assets RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agricultural	-	-	61,713	-	54,586	-	-	-	116,299	-
Mining and quarrying	-	-	12,602	-	4,061	-	-	-	16,663	3,000
Manufacturing	-	-	47,783	4,220	124,832	-	-	234	177,069	20,000
Electricity, gas and water	-	-	407,019	-	-	-	-	584	407,603	6,500
Construction	-	-	580,000	-	119,044	-	-	23	699,067	67,297
Real estate	-	-	60,964	-	296,812	-	-	132	357,908	-
Wholesale, retail trade, hotel & restaurant	-	-	141,159	-	55,259	-	-	306	196,724	-
Transport, storage and communication	-	-	212,002	-	92,226	-	-	621	304,849	2,000
Finance, insurance and business	270,023	1	593,605	40,347	77,713	-	51,585	43,114	1,076,388	121
Government and government agencies	516	137,242	1,688,729	-	-	-	-	17	1,826,504	-
Education, Health and Others	-	-	620,818	-	7,566	-	-	-	628,384	-
Household	-	-	-	-	198,779	289,593	-	-	488,372	507,889
Others	-	-	313,603	-	46,674	-	-	9,112	369,389	9,270
	270,539 *	137,243 #	4,739,997 ##	44,567	1,077,552	289,593	51,585	54,143 &	6,665,219	616,077

* Excludes cash in hand of RM35,043.
# Excludes investments in shares, unit trust, warrants and REITs amounting to RM247.61 million.
Excludes investments in unquoted shares, REITs and perpetual bonds amounting to RM73.96 million.
& Excludes prepayment amounting to RM2.06 million.

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44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations (continued)

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees. (continued)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables: (continued)

The Bank 31.12.2018	Short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Trade receivables RM'000	Derivative financial assets RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agricultural	-	-	61,356	-	50,543	-	-	5	111,904	-
Mining and quarrying	-	-	12,402	-	4,060	-	-	-	16,462	3,000
Manufacturing	-	-	53,067	8,050	308,665	-	-	736	370,518	47,000
Electricity, gas and water	-	-	652,591	-	19,666	-	-	800	673,057	65,288
Construction	-	-	762,084	-	108,858	-	-	1,407	872,349	24,750
Real estate	-	-	83,919	-	227,066	-	-	169	311,154	-
Wholesale, retail trade, hotel & restaurant	-	-	150,915	-	86,588	-	-	20	237,523	-
Transport, storage and communication	-	-	356,712	-	104,842	-	-	690	462,244	-
Finance, insurance and business	204,088	10,007	845,534	40,331	131,121	-	29,784	17,083	1,277,948	5,069
Government and government agencies	230	60,502	802,588	-	-	-	-	98	863,418	-
Education, Health and Others	-	-	649,873	-	17,085	-	-	150	667,108	-
Household	-	-	-	-	194,276	279,537	-	-	473,813	471,458
Others	-	-	444,261	-	23,234	-	-	6,729	474,224	-
	204,318 *	70,509 #	4,875,302 ##	48,381	1,276,004	279,537	29,784	27,887 &	6,811,722	616,565

* Excludes cash in hand of RM41,680.

\# Excludes investments in shares, unit trust, warrants and REITs amounting to RM110.86 million.

\## Excludes investments in unquoted shares, REITs and perpetual bonds amounting to RM162.87 million.

& Excludes prepayment amounting to RM2.34 million.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Total loans, advances and financing - credit quality

All loans, advances and financing are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired".

Past due loans refer to loans, advances and financing that are overdue by one day or more.

Loans, advances and financing are classified impaired when they fulfill any of the following criteria:
i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default; or
ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is "unlikely to repay" its credit obligations;

Distribution of loans, advances and financing by credit quality:

	31.12.2019			
	12-Months ECL Stage 1 RM'000	**Lifetime ECL not credit impaired Stage 2 RM'000**	**Lifetime ECL credit impaired Stage 3 RM'000**	**Total RM'000**
The Group and the Bank				
Neither past due nor impaired	**923,580**	**72,700**	**-**	**996,280**
Impaired	**-**	**-**	**98,782**	**98,782**
Gross loans,advances and financing	**923,580**	**72,700**	**98,782**	**1,095,062**
Less: expected credit losses ("ECL")	**(2,007)**	**(676)**	**(14,827)**	**(17,510)**
Net loans, advances and financing	**921,573**	**72,024**	**83,955**	**1,077,552**

	31.12.2018			
	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group and the Bank				
Neither past due nor impaired	1,191,473	-	-	1,191,473
Past due but not impaired	-	13,541	-	13,541
Impaired	-	-	80,851	80,851
Gross loans,advances and financing	1,191,473	13,541	80,851	1,285,865
Less: expected credit losses ("ECL")	(4,065)	(223)	(5,573)	(9,861)
Net loans, advances and financing	1,187,408	13,318	75,278	1,276,004

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Total loans, advances and financing - credit quality (continued)

Distribution of loans, advances and financing by credit quality: (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represent the Group and the Bank's maximum exposure to credit risk on these assets.

	31.12.2019			
	12-Months ECL Stage 1 RM'000	**Lifetime ECL not credit impaired Stage 2 RM'000**	**Lifetime ECL credit impaired Stage 3 RM'000**	**Total RM'000**
The Group and the Bank				
Credit grade				
Satisfactory	**816,238**	**72,700**	**-**	**888,938**
Special mention	**107,342**	**-**	**-**	**107,342**
Default/impaired	**-**	**-**	**98,782**	**98,782**
Gross loans, advances and financing	**923,580**	**72,700**	**98,782**	**1,095,062**
Less: expected credit losses ("ECL")	**(2,007)**	**(676)**	**(14,827)**	**(17,510)**
Net loans, advances and financing	**921,573**	**72,024**	**83,955**	**1,077,552**

	31.12.2018			
	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group and the Bank				
Credit grade				
Satisfactory	1,163,745	13,541	-	1,177,286
Special mention	27,728	-	-	27,728
Default/impaired	-	-	80,851	80,851
Gross loans, advances and financing	1,191,473	13,541	80,851	1,285,865
Less: expected credit losses ("ECL")	(4,065)	(223)	(5,573)	(9,861)
Net loans, advances and financing	1,187,408	13,318	75,278	1,276,004

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality

Corporate bonds/Sukuk, treasury bills and other eligible bills included in financial assets at FVTPL and financial investments at FVOCI are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank mainly uses external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating:

	31.12.2019			
	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	**516**	**-**	**-**	**516**
AAA	**549,783**	**-**	**-**	**549,783**
AA- to AA+	**135,510**	**-**	**-**	**135,510**
A- to A+	**702**	**-**	**-**	**702**
Lower than A-	**50,774**	**-**	**-**	**50,774**
Unrated	**17,839**	**-**	**-**	**17,839**
	755,124	**-**	**-**	**755,124**
Expected credit losses ("ECL")	**-**	**-**	**-**	**-**
	755,124	**-**	**-**	**755,124**

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2019			
The Group	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Financial assets at FVTPL				
Sovereigns	137,242	-	-	137,242
AAA	1,014	-	-	1,014
AA- to AA+	861	-	-	861
A- to A+	14,464	-	-	14,464
Lower than A-	11,116	-	-	11,116
Unrated	5,857	-	-	5,857
	170,554	-	-	170,554
Derivative financial assets				
AAA	38,177	-	-	38,177
AA- to AA+	4,690	-	-	4,690
A- to A+	1,509	-	-	1,509
Lower than A-	-	-	-	-
Unrated	8,207	-	-	8,207
	52,583	-	-	52,583
Financial investments at FVOCI				
Sovereigns	3,497,295	-	-	3,497,295
AAA	715,336	-	-	715,336
AA- to AA+	205,994	57,905	-	263,899
A- to A+	100,723	-	-	100,723
Lower than A-	-	-	-	-
Unrated	158,228	-	4,516	162,744
	4,677,576	57,905	4,516	4,739,997
Financial investments at amortised cost				
Unrated	40,347	-	-	40,347
Impaired	-	-	4,220	4,220
	40,347	-	4,220	44,567

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44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2018			
	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	230	-	-	230
AAA	396,018	-	-	396,018
AA- to AA+	147,680	-	-	147,680
A- to A+	20,560	-	-	20,560
Lower than A-	53,372	-	-	53,372
Unrated	6,812	-	-	6,812
	624,672	-	-	624,672
Expected credit losses ("ECL")	-	-	-	-
	624,672	-	-	624,672
Financial assets at FVTPL				
Sovereigns	60,502	-	-	60,502
AAA	11,002	-	-	11,002
AA- to AA+	204	-	-	204
A- to A+	8,867	-	-	8,867
Lower than A-	8,910	-	-	8,910
Unrated	1,665	-	-	1,665
	91,150	-	-	91,150
Derivative financial assets				
Sovereigns	-	-	-	-
AAA	11,476	-	-	11,476
AA- to AA+	5,359	-	-	5,359
A- to A+	1,650	-	-	1,650
Lower than A-	326	-	-	326
Unrated	11,046	-	-	11,046
	29,857	-	-	29,857

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Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2018			
	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
Financial investments at FVOCI				
Sovereigns	3,146,013	-	-	3,146,013
AAA	768,236	-	-	768,236
AA- to AA+	646,801	73,595	-	720,396
A- to A+	52,805	-	-	52,805
Lower than A-	-	-	-	-
Unrated	161,312	-	26,540	187,852
	4,775,167	73,595	26,540	4,875,302
Financial investments at amortised cost				
Unrated	40,331	-	-	40,331
Impaired	-	-	8,050	8,050
	40,331	-	8,050	48,381

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2019			
The Bank	**12-Months ECL Stage 1 RM'000**	**Lifetime ECL not credit impaired Stage 2 RM'000**	**Lifetime ECL credit impaired Stage 3 RM'000**	**Total RM'000**
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	517	-	-	517
AAA	96,352	-	-	96,352
AA- to AA+	105,040	-	-	105,040
A- to A+	182	-	-	182
Lower than A-	50,677	-	-	50,677
Unrated	17,771	-	-	17,771
	270,539	-	-	270,539
Financial assets at FVTPL				
Sovereigns	137,242	-	-	137,242
Unrated	1	-	-	1
	137,243	-	-	137,243
Derivative financial assets				
AAA	38,177	-	-	38,177
AA- to AA+	4,690	-	-	4,690
A- to A+	1,509	-	-	1,509
Lower than A-	-	-	-	-
Unrated	7,209	-	-	7,209
	51,585	-	-	51,585
Financial investments at FVOCI				
Sovereigns	3,497,295	-	-	3,497,295
AAA	715,336	-	-	715,336
AA- to AA+	205,994	57,905	-	263,899
A- to A+	100,723	-	-	100,723
Lower than A-	-	-	-	-
Unrated	158,228	-	4,516	162,744
	4,677,576	57,905	4,516	4,739,997
Financial investments at amortised cost				
Unrated	40,347	-	-	40,347
Impaired	-	-	4,220	4,220
	40,347	-	4,220	44,567

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk, treasury bills and derivatives - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2018			
The Bank	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	230	-	-	230
AAA	15,454	-	-	15,454
AA- to AA+	108,118	-	-	108,118
A- to A+	20,536	-	-	20,536
Lower than A-	53,372	-	-	53,372
Unrated	6,608	-	-	6,608
	204,318	-	-	204,318
Financial assets at FVTPL				
Sovereigns	60,502	-	-	60,502
AAA	10,007	-	-	10,007
	70,509	-	-	70,509
Derivative financial assets				
AAA	11,476	-	-	11,476
AA- to AA+	5,359	-	-	5,359
A- to A+	1,650	-	-	1,650
Lower than A-	326	-	-	326
Unrated	10,973	-	-	10,973
	29,784	-	-	29,784
Financial investments at FVOCI				
Sovereigns	3,146,013	-	-	3,146,013
AAA	768,236	-	-	768,236
AA- to AA+	646,801	73,595	-	720,396
A- to A+	52,805	-	-	52,805
Lower than A-	-	-	-	-
Unrated	161,312	-	26,540	187,852
	4,775,167	73,595	26,540	4,875,302
Financial investments at amortised cost				
Unrated	40,331	-	-	40,331
Impaired	-	-	8,050	8,050
	40,331	-	8,050	48,381

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Other financial assets - credit quality

Credit quality of other financial assets of the Group and the Bank are as follows:

The Group	**31.12.2019 Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
Trade receivables	**532,867**	**1**	**532,868**
Amount due from related companies	**245**	**-**	**245**
Amount due from ultimate holding company	**69**	**-**	**69**
Other assets	**59,493**	**34**	**59,527**

The Group	31.12.2018 Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
Trade receivables	368,419	10	368,429
Other assets	30,963	3	30,966

The Bank	**31.12.2019 Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
Trade receivables	**289,592**	**1**	**289,593**
Other assets	**54,109**	**34**	**54,143**
Amount due from subsidiaries	**166**	**-**	**166**

The Bank	31.12.2018 Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
Trade receivables	279,527	10	279,537
Other assets	27,884	3	27,887
Amount due from subsidiaries	273	-	273

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Other financial assets - credit quality (continued)

Loans/financing commitments and financial guarantees below represent the expected credit losses ("ECL") being recognised.

	31.12.2019			
The Group and the Bank	**12-Months ECL Stage 1 RM'000**	**Lifetime ECL not credit impaired Stage 2 RM'000**	**Lifetime ECL credit impaired Stage 3 RM'000**	**Total RM'000**
Loans/financing commitments and financial guarantees				
Satisfactory	**2**	**-**	**-**	**2**
Special mention	**2**	**-**	**-**	**2**
Default/impaired	**-**	**-**	**14,563**	**14,563**
	4	**-**	**14,563**	**14,567**

	31.12.2018			
The Group and the Bank	12-Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Loans/financing commitments and financial guarantees				
Satisfactory	34	-	-	34
	34	-	-	34

44 Financial risk management objectives and policies (continued)

B. Market risk

Market risk is the risk of losses to the Bank’s positions in financial instruments that are adversely affected by movements in market risk factors such as interest rates, foreign exchange rates, equity prices or commodity prices. The Bank's primary market risk exposures are in the trading and investment portfolios. The Bank’s risk management process involves the identification and measurement, mitigation and control, monitoring and testing as well as reporting and review of risk.

The Bank manages market risk through a comprehensive set of market risk controls. Key risk governance committees such as the ALCO and the BRMC establish and monitor controls with oversight by the Board of Directors. Market risk controls are established to ensure that the Bank's market risk profile remains within the boundaries of the Bank's risk appetite.

The Bank employs several key risk metric for monitoring market risk such as Value-at-Risk ("VaR"), sensitivities, loss limit thresholds and position size caps.

The Bank’s market risk is primarily concentrated in interest rate risk in the Banking Book ("IRRBB") arising from differences in the repricing mismatch between rate sensitive assets and liabilities. The Bank measures and monitors the IRRBB exposures through the short-term Net Interest Income ("NII") sensitivity and changes in the Economic Value of Equity ("EVE").

In addition to assessing market risk under normal market scenarios, the Bank also conducts periodical stress testing to anticipate potential losses under stressed scenarios.

Market Risk Measurement

Value-at-risk ("VaR")

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables such as foreign exchange rates and interest rates, over a given holding period, measured at a specific confidence level.

The Bank uses a variance-covariance method based on a 1-day holding period and a 99% confidence interval as its market risk VaR methodology. The VaR model is back-tested regularly to validate its robustness.

Other Risk Measures

i) Mark-to-Market

Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

ii) Stress Testing

Stress tests are conducted to attempt to quantify potential market risk losses arising from low probability abnormal market movements. Stress tests measure the changes in values arising from movements in relevant market risk factors based on past experience and simulated stress scenarios.

iii) Sensitivity

Sensitivities are measures that quantify the change in value of a portfolio of financial instruments resulting from a unit change in the relevant market risk factors. Sensitivities are used as measures of vulnerability to market risk factor movements and are also used to facilitate the implementation of risk controls and hedging strategies.

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Net interest income sensitivity

The information below shows the net interest income sensitivity for the financial assets and financial liabilities held at reporting date. The sensitivity has been measured using the Repricing Gap Simulation methodology based on 100 basis points parallel shifts in the interest rate.

	The Group 31.12.2019		**The Bank 31.12.2019**	
	+100 basis point RM million	**-100 basis point RM million**	**+100 basis point RM million**	**-100 basis point RM million**
Impact on profit after taxation	**(28.21)**	**28.21**	**(28.24)**	**28.24**
Impact on equity	**249.60**	**(249.60)**	**248.08**	**(248.08)**

	The Group 31.12.2018		The Bank 31.12.2018	
	+100 basis point RM million	-100 basis point RM million	+100 basis point RM million	-100 basis point RM million
Impact on profit after taxation	(28.35)	28.35	(28.35)	28.35
Impact on equity	204.50	(204.50)	204.47	(204.47)

Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposures to access the impact of a 1% change in the exchange rates to the profit after taxation.

	The Group		**The Bank**	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
+ 1%				
Australian Dollar	**43**	71	**7**	6
United States Dollar	**4,180**	4,998	**3,525**	4,409
Singapore Dollar	**836**	1,243	**779**	1,208
Others	**164**	218	**144**	199
	5,223	6,530	**4,455**	5,822

	The Group		**The Bank**	
	31.12.2019 RM'000	31.12.2018 RM'000	**31.12.2019 RM'000**	31.12.2018 RM'000
- 1%				
Australian Dollar	**(43)**	(71)	**(7)**	(6)
United States Dollar	**(4,180)**	(4,998)	**(3,525)**	(4,409)
Singapore Dollar	**(836)**	(1,243)	**(779)**	(1,208)
Others	**(164)**	(218)	**(144)**	(199)
	(5,223)	(6,530)	**(4,455)**	(5,822)

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Controls are imposed on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group and the Bank's financial instruments at carrying amounts, categorised by currency.

The Group 31.12.2019	Australian Dollar RM'000	New Zealand Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets						
Short-term funds	7,404	42	18,616	9,477	6,122	41,661
Financial assets at FVTPL	-	-	72,167	113	16	72,296
Financial investments at FVOCI	-	-	33,899	93,989	-	127,888
Loans, advances and financing	-	-	32,468	-	-	32,468
Trade receivables	10,317	-	11,575	5,312	6,854	34,058
Other financial assets	-	-	20,698	-	587	21,285
	17,721	42	189,423	108,891	13,579	329,656
Liabilities						
Deposits and placements of banks and other financial institutions	-	-	116,834	-	-	116,834
Trade payables	11,393	-	8,885	4,706	8,724	33,708
Other financial liabilities	691	-	145,814	1,290	117	147,912
	12,084	-	271,533	5,996	8,841	298,454
Net on-balance sheet financial position	5,637	42	(82,110)	102,895	4,738	31,202
Off balance sheet commitments	62	-	632,129	7,089	16,880	656,160

Notes to the financial statements
for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk (continued)

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Controls are imposed on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group and the Bank's financial instruments at carrying amounts, categorised by currency. (continued)

The Group 31.12.2018	Australian Dollar RM'000	New Zealand Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets						
Short-term funds	11,076	43	57,556	5,133	5,875	79,683
Financial assets at FVTPL	122	-	62,597	149	328	63,196
Financial investments at FVOCI	-	-	32,554	159,872	-	192,426
Loans, advances and financing	-	-	36,462	-	-	36,462
Trade receivables	5,343	-	6,974	9,912	56,236	78,465
Other financial assets	-	-	66	-	-	66
	16,541	43	196,209	175,066	62,439	450,298
Liabilities						
Deposits and placements of banks and other financial institutions	-	-	41,438	-	-	41,438
Trade payables	6,567	-	22,474	8,990	56,205	94,236
Other financial liabilities	460	-	122,092	338	189	123,079
	7,027	-	186,004	9,328	56,394	258,753
Net on-balance sheet financial position	9,514	43	10,205	165,738	6,045	191,545
Off balance sheet commitments	-	-	656,146	-	23,005	679,151

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk (continued)

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Controls are imposed on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group and the Bank's financial instruments at carrying amounts, categorised by currency.

The Bank 31.12.2019	**Australian Dollar RM'000**	**New Zealand Dollar RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Other Currencies RM'000**	**Total RM'000**
Assets						
Short-term funds	**895**	**42**	**8,290**	**1,359**	**3,512**	**14,098**
Financial assets at FVTPL	**-**	**-**	**-**	**113**	**16**	**129**
Financial investments at FVOCI	**-**	**-**	**33,899**	**93,989**	**-**	**127,888**
Loans, advances and financing	**-**	**-**	**32,468**	**-**	**-**	**32,468**
Trade receivables	**5**	**-**	**101**	**1,731**	**4,931**	**6,768**
Other financial assets	**-**	**-**	**20,698**	**-**	**587**	**21,285**
	900	**42**	**95,456**	**97,192**	**9,046**	**202,636**
Liabilities						
Deposits and placements of banks and other financial institutions	**-**	**-**	**116,834**	**-**	**-**	**116,834**
Trade payables	**22**	**-**	**1,920**	**1,746**	**6,967**	**10,655**
Other financial liabilities	**-**	**-**	**145,081**	**-**	**45**	**145,126**
	22	**-**	**263,835**	**1,746**	**7,012**	**272,615**
Net on-balance sheet financial position	**878**	**42**	**(168,379)**	**95,446**	**2,034**	**(69,979)**
Off balance sheet commitments	**62**	**-**	**632,129**	**7,089**	**16,880**	**656,160**

The Bank 31.12.2018	Australian Dollar RM'000	New Zealand Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets						
Short-term funds	839	43	28,313	1,338	3,772	34,305
Financial investments at FVOCI	-	-	32,554	159,872	-	192,426
Loans, advances and financing	-	-	36,462	-	-	36,462
Trade receivables	40	-	231	4,848	52,611	57,730
Other financial assets	-	-	66	-	-	66
	879	43	97,626	166,058	56,383	320,989
Liabilities						
Deposits and placements of banks and other financial institutions	-	-	41,438	-	-	41,438
Trade payables	74	-	2,986	4,974	52,803	60,837
Other financial liabilities	-	-	121,538	38	81	121,657
	74	-	165,962	5,012	52,884	223,932
Net on-balance sheet financial position	805	43	(68,336)	161,046	3,499	97,057
Off balance sheet commitments	-	-	656,146	-	23,005	679,151

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Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date.

	<---------- Non-trading book ----------				---------->			
	Up to	**1 – 3**	**3 – 12**	**1 – 5**	**Over**	**Non-interest**	**Trading**	
The Group	**1 month**	**months**	**months**	**years**	**5 years**	**sensitive**	**book**	**Total**
31.12.2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Short-term funds	**755,118**	**-**	**-**	**-**	**-**	**44**	**-**	**755,162**
Securities:								
- Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**200,080**	**291,836**	**491,916**
- Financial investments at FVOCI	**20,031**	**5,010**	**292,001**	**1,381,829**	**3,036,713**	**78,371**	**-**	**4,813,955**
- Financial investments at amortised cost	**703**	**-**	**844**	**42,523**	**-**	**497**	**-**	**44,567**
Loans, advances and financing:								
- Performing	**887,045**	**109,235**	**-**	**-**	**-**	**(2,683)** ^	**-**	**993,597**
- Impaired loans	**-**	**-**	**-**	**-**	**-**	**83,955**	**-**	**83,955**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**52,583**	**52,583**
Trade receivables	**-**	**-**	**-**	**-**	**-**	**532,868**	**-**	**532,868**
Other assets (1)	**33**	**-**	**-**	**-**	**-**	**64,339**	**-**	**64,372**
Statutory deposits with Bank Negara							**-**	
Malaysia	**-**	**-**	**-**	**-**	**-**	**151,400**	**-**	**151,400**
Total assets	**1,662,930**	**114,245**	**292,845**	**1,424,352**	**3,036,713**	**1,108,871**	**344,419**	**7,984,375**

^ The negative balance represents the expected credit losses for performing loans, advances and financing.
(1) Other assets include other assets, amount due from related companies and ultimate holding company.

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------Non-trading book				------>			
The Group 31.12.2019	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	1,748,404	993,157	871,099	1,017,628	-	52,838	-	4,683,126
Deposits and placement of banks and other financial institution	641,151	50,000	-	-	-	1,253	-	692,404
Trade payables	-	-	-	-	-	787,429	-	787,429
Derivative financial liabilities	-	-	-	-	-	-	50,535	50,535
Other liabilities (2)	2,830	-	-	-	-	555,891	-	558,721
Total liabilities	2,392,385	1,043,157	871,099	1,017,628	-	1,397,411	50,535	6,772,215
Net interest sensitivity gap	(729,455)	(928,912)	(578,254)	406,724	3,036,713			

(2) Other liabilities include other liabilities and amount due to a related company and holding company and lease liabilities.

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<-----Non-trading book----->							
	Up to	1 – 3	3 – 12	1 – 5	Over	Non-interest	Trading	
The Group	1 month	months	months	years	5 years	sensitive	book	Total
31.12.2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Short-term funds	284,223	-	-	-	-	340,568	-	624,791
Securities:								
- Financial assets at FVTPL	-	-	-	9,943	10,698	118,543	93,640	232,824
- Financial investments at FVOCI	35,026	3,038	220,329	2,015,544	2,624,945	139,291	-	5,038,173
- Financial investments at amortised cost	-	-	1,330	46,512	-	539	-	48,381
Loans, advances and financing:								
- Performing	1,084,389	108,492	-	-	12,133	(4,288) ^	-	1,200,726
- Impaired loans	-	-	-	-	-	75,278	-	75,278
Derivative financial assets	-	-	-	-	-	-	29,857	29,857
Commodity Gold at FVTPL	-	-	-	-	-	42,733	-	42,733
Trade receivables	-	-	-	-		368,429	-	368,429
Other assets	1,298	-	-	-	-	33,897	-	35,195
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	196,600	-	196,600
Total assets	1,404,936	111,530	221,659	2,071,999	2,647,776	1,311,590	123,497	7,892,987

^ The negative balance represents the expected credit losses for performing loans, advances and financing.

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for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<----Non-trading book				---->			
The Group 31.12.2018	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	1,884,924	1,296,628	1,178,892	717,850	-	53,358	-	5,131,652
Deposits and placement of banks and other financial institution	424,572	-	-	-	-	341	-	424,913
Obligations on securities sold under repurchase agreements	142,186	-	-	-	-	291	-	142,477
Trade payables	-	-	-	-	-	600,898	-	600,898
Derivative financial liabilities	-	-	-	-	-	-	28,107	28,107
Other liabilities [1]	29	-	-	-	-	416,413	-	416,442
Total liabilities	2,451,711	1,296,628	1,178,892	717,850	-	1,071,301	28,107	6,744,489
Net interest sensitivity gap	(1,046,775)	(1,185,098)	(957,233)	1,354,149	2,647,776			

(1) Other liabilities include other liabilities and amount due to a related company and holding company.

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------Non-trading book				------>			
The Bank **31.12.2019**	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Short-term funds	**270,532**	**-**	**-**	**-**	**-**	**42**	**-**	**270,574**
Securities:								
- Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**200,080**	**184,769**	**384,849**
- Financial investments at FVOCI	**20,031**	**5,010**	**292,001**	**1,381,829**	**3,036,713**	**78,371**	**-**	**4,813,955**
- Financial investments at amortised cost	**703**	**-**	**844**	**42,523**	**-**	**497**	**-**	**44,567**
Loans, advances and financing:								
- Performing	**887,045**	**109,235**	**-**	**-**	**-**	**(2,683)** ^	**-**	**993,597**
- Impaired loans	**-**	**-**	**-**	**-**	**-**	**83,955**	**-**	**83,955**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**51,585**	**51,585**
Trade receivables	**-**	**-**	**-**	**-**	**-**	**289,593**	**-**	**289,593**
Other assets (1)	**33**	**-**	**-**	**-**	**-**	**56,334**	**-**	**56,367**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**-**	**-**	**151,300**	**-**	**151,300**
Total assets	**1,178,344**	**114,245**	**292,845**	**1,424,352**	**3,036,713**	**857,489**	**236,354**	**7,140,342**

^ The negative balance represents the expected credit losses for performing loans, advances and financing.
(1) Other assets include other assets and amount due from subsidiaries.

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------Non-trading book				------>			
The Bank 31.12.2019	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	1,748,404	993,157	871,099	1,017,628	-	52,838	-	4,683,126
Deposits and placement of banks and other financial institution	641,151	50,000	-	-	-	1,253	-	692,404
Trade payables	-	-	-	-	-	261,547	-	261,547
Derivative financial liabilities	-	-	-	-	-	-	50,535	50,535
Other liabilities (2)	2,830	-	-	-	-	346,553	-	349,383
Total liabilities	2,392,385	1,043,157	871,099	1,017,628	-	662,191	50,535	6,036,995
Net interest sensitivity gap	(1,214,041)	(928,912)	(578,254)	406,724	3,036,713			

(2) Other liabilities include other liabilities, amount due to subsidiaries and lease liabilities.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------Non-trading book				------>				
The Bank 31.12.2018	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		Trading book RM'000	Total RM'000
Assets									
Short-term funds	204,316	-	-	-	-	44		-	204,360
Securities:									
- Financial assets at FVTPL	-	-	-	-	-	89,325		92,040	181,365
- Financial investments at FVOCI	35,026	3,038	220,329	2,015,544	2,624,945	139,291		-	5,038,173
- Financial investments at amortised cost	-	-	1,330	46,512	-	539		-	48,381
Loans, advances and financing:									
- Performing	1,084,386	108,492	-	-	12,136	(4,288)	^	-	1,200,726
- Impaired loans	-	-	-	-	-	75,278		-	75,278
Derivative financial assets	-	-	-	-	-	-		29,784	29,784
Trade receivables	-	-	-	-	-	279,537		-	279,537
Other assets (1)	1,298	-	-	-	-	29,202		-	30,500
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	196,500		-	196,500
Total assets	1,325,026	111,530	221,659	2,062,056	2,637,081	805,428		121,824	7,284,604

^ The negative balance represents the expected credit losses for performing loans, advances.

(1) Other assets include other assets and amount due from subsidiaries.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------------------------------------Non-trading book				---------------------------------->			
The Bank 31.12.2018	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	1,884,924	1,296,628	1,178,892	717,850	-	53,358	-	5,131,652
Deposits and placement of banks and other financial institution	424,572	-	-	-	-	341	-	424,913
Obligations on securities sold under repurchase agreements	142,186	-	-	-	-	291	-	142,477
Trade payables	-	-	-	-	-	292,945	-	292,945
Derivative financial liabilities	-	-	-	-	-		28,107	28,107
Other liabilities	29	-	-	-	-	298,622	-	298,651
Total liabilities	2,451,711	1,296,628	1,178,892	717,850	-	645,557	28,107	6,318,745
Net interest sensitivity gap	(1,126,685)	(1,185,098)	(957,233)	1,344,206	2,637,081			

Notes to the financial statements for the financial year to 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk

Basel III Liquidity Standards

The Basel Committee developed the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") with the goal of strengthening the resilience of the banking systems. The LCR and NSFR are measured and monitored to assess the short term and long term liquidity risk profile of the Bank.

ALCO is responsible for the strategic management of the Bank’s liquidity and reporting of the Bank's liquidity position to the BRMC on a periodical basis.

Liquidity risk disclosure table which is based on contractual undiscounted cash flow

The information below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the information incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

The Group 31.12.2019	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities						
Deposits from customers	**1,762,339**	**1,012,467**	**901,428**	**1,089,854**	**-**	**4,766,088**
Deposits and placements of banks and other financial institutions	**694,164**	**-**	**-**	**-**	**-**	**694,164**
Trade payable	**787,429**	**-**	**-**	**-**	**-**	**787,429**
Amount due to related company	**2**	**-**	**-**	**-**	**-**	**2**
Amount due to holding company	**103**	**-**	**-**	**-**	**-**	**103**
Lease Liabilities	**849**	**1,289**	**5,132**	**6,405**	**-**	**13,675**
Other liabilities	**234,493**	**38,578**	**120,237**	**162,005**	**-**	**555,313**
	3,479,379	**1,052,334**	**1,026,797**	**1,258,264**	**-**	**6,816,774**

The Group 31.12.2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	1,897,040	1,321,664	1,220,504	800,544	-	5,239,752
Deposits and placements of banks and other financial institutions	425,311	-	-	-	-	425,311
Obligations on securities sold under repurchase agreements	142,607	-	-	-	-	142,607
Trade payable	600,898	-	-	-	-	600,898
Amount due to related company	448	-	-	-	-	448
Amount due to holding company	47	-	-	-	-	47
Other liabilities	209,730	38,882	107,918	59,417	-	415,947
	3,276,081	1,360,546	1,328,422	859,961	-	6,825,010

Notes to the financial statements for the financial year to 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flow (continued)

The information below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the information incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. (continued)

The Bank 31.12.2019	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities						
Deposits from customers	**1,762,339**	**1,012,467**	**901,428**	**1,089,854**	**-**	**4,766,088**
Deposits and placements of banks and other financial institutions	**694,164**	**-**	**-**	**-**	**-**	**694,164**
Trade payable	**261,547**	**-**	**-**	**-**	**-**	**261,547**
Amount due to subsidiaries	**36**	**-**	**-**	**-**	**-**	**36**
Other liabilities	**234,611**	**38,578**	**47,770**	**25,135**	**-**	**346,094**
	2,952,697	**1,051,045**	**949,198**	**1,114,989**	**-**	**6,067,929**

The Bank 31.12.2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	1,897,040	1,321,664	1,220,504	800,544	-	5,239,752
Deposits and placements of banks and other financial institutions	425,311	-	-	-	-	425,311
Obligations on securities sold under repurchase agreements	142,607	-	-	-	-	142,607
Trade payable	292,945	-	-	-	-	292,945
Other liabilities	209,729	38,404	50,518	-	-	298,651
	2,967,632	1,360,068	1,271,022	800,544	-	6,399,266

Notes to the financial statements
for the financial year ended to 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Derivative financial liabilities

Derivative financial liabilities based on contractual undiscounted cash flow:

Derivatives settled on a net basis

	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
The Group and the Bank						
31.12.2019						
Interest rate derivatives	**(409)**	**(898)**	**(4,927)**	**(11,206)**	**-**	**(17,440)**
The Group and the Bank						
31.12.2018						
Interest rate derivatives	(47)	(265)	(1,026)	(671)	-	(2,009)

Derivatives settled on a gross basis

	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
The Group and the Bank						
31.12.2019						
Foreign exchange derivatives:						
Outflow	**(635,643)**	**(521,422)**	**(638,727)**	**(349,196)**	**-**	**(2,144,988)**
Inflow	**629,008**	**511,927**	**627,533**	**329,133**	**-**	**2,097,601**
	(6,635)	**(9,495)**	**(11,194)**	**(20,063)**	**-**	**(47,387)**
The Group and the Bank						
31.12.2018						
Foreign exchange derivatives:						
Outflow	(672,929)	(354,634)	(502,101)	(143,800)	-	(1,673,464)
Inflow	664,395	350,829	493,680	137,560	-	1,646,464
	(8,534)	(3,805)	(8,421)	(6,240)	-	(27,000)

Notes to the financial statements for the financial year to 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk

Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities:

The Group 31.12.2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Short-term funds	755,162	-	-	-	-	-	755,162
Financial assets at FVTPL	-	1,637	2,465	68,187	98,264	321,363	491,916
Financial investments at FVOCI	20,503	5,065	244,856	1,397,851	3,071,722	73,958	4,813,955
Financial investments at amortised cost	703	-	-	43,864	-	-	44,567
Loans, advances and financing	503,477	15,004	205,990	172,982	96,144	83,955	1,077,552
Trade receivables	532,868	-	-	-	-	-	532,868
Derivative financial assets	5,820	9,736	9,565	26,389	1,073	-	52,583
Other assets	38,237	229	8,160	10,329	-	7,103	64,058
Statutory deposits with Bank Negara Malaysia	151,400	-	-	-	-	-	151,400
Other financial assets (1)	314	-	-	-	-	-	314
Other non-financial assets (2)	-	-	-	-	-	413,287	413,287
Total Assets	2,008,484	31,671	471,036	1,719,602	3,267,203	899,666	8,397,662
Liabilities							
Deposits from customers	1,760,222	1,007,295	888,561	1,027,048	-	-	4,683,126
Deposits and placements of banks and other financial institutions	642,268	50,136	-	-	-	-	692,404
Trade payables	787,429	-	-	-	-	-	787,429
Derivative financial liabilities	6,484	9,040	9,371	25,640	-	-	50,535
Other liabilities	234,493	38,578	120,237	152,445	-	-	545,753
Lease liabilities	794	1,188	4,787	6,094	-	-	12,863
Other financial liabilities (3)	105	-	-	-	-	-	105
Other non-financial liabilities (4)	-	-	-	-	-	12,245	12,245
Total Liabilities	3,431,795	1,106,237	1,022,956	1,211,227	-	12,245	6,784,460
Net liquidity gap	(1,423,311)	(1,074,566)	(551,920)	508,375	3,267,203	887,421	1,613,202

(1) Other financial assets include amount due from related companies and ultimate holding company.
(2) Other non-financial assets include deferred tax assets, tax recoverable, property and equipment, intangible assets and right-of-use assets.
(3) Other financial liabilities include amount due to related companies and holding company.
(4) Other non-financial liabilities include deferred tax liabilities.

Notes to the financial statements for the financial year to 31 December 2019 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

The Group 31.12.2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Short-term funds	624,791	-	-	-	-	-	624,791
Financial assets at FVTPL	7	-	-	80,445	10,698	141,674	232,824
Financial investments at FVOCI	35,776	3,078	191,622	1,988,162	2,656,664	162,871	5,038,173
Financial investments at amortised cost	-	-	1,340	47,041	-	-	48,381
Loans, advances and financing	336,632	1,698	270,211	428,875	135,609	102,979	1,276,004
Trade receivables	368,429	-	-	-	-	-	368,429
Derivative financial assets	17,953	2,390	3,007	6,273	234	-	29,857
Other assets	14,939	381	5,398	9,643	-	4,834	35,195
Statutory deposits with Bank Negara Malaysia	196,600	-	-	-	-	-	196,600
Other financial assets (1)	-	-	-	-	-	42,733	42,733
Other non-financial assets (2)	-	-	-	-	-	408,912	408,912
Total Assets	1,595,127	7,547	471,578	2,560,439	2,803,205	864,003	8,301,899
Liabilities							
Deposits from customers	1,896,730	1,311,627	1,197,107	726,188	-	-	5,131,652
Deposits and placements of banks and other financial institutions	424,913	-	-	-	-	-	424,913
Obligations on securities sold under repurchase agreements	142,477	-	-	-	-	-	142,477
Trade payables	600,898	-	-	-	-	-	600,898
Derivative financial liabilities	12,151	1,305	6,762	7,889	-	-	28,107
Other liabilities (3)	201,702	38,882	107,918	59,417	-	-	407,919
Other financial liabilities (4)	8,523	-	-	-	-	-	8,523
Total Liabilities	3,287,394	1,351,814	1,311,787	793,494	-	-	6,744,489
Net liquidity gap	(1,692,267)	(1,344,267)	(840,209)	1,766,945	2,803,205	864,003	1,557,410

(1) Other financial assets include commodity gold at FVTPL.
(2) Other non-financial assets include deferred tax assets, tax recoverable, property and equipment and intangible assets.
(3) Other liabilities exclude ESOS liabilities.
(4) Other financial liabilities include amount due to related company and holding company and ESOS liabilities.

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

The Bank 31.12.2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Short-term funds	270,574	-	-	-	-	-	270,574
Financial assets at FVTPL	-	-	-	51,907	85,335	247,607	384,849
Financial investments at FVOCI	20,503	5,065	244,856	1,397,851	3,071,722	73,958	4,813,955
Financial investment at amortised cost	703	-	-	43,864	-	-	44,567
Loans, advances and financing	503,477	15,004	205,990	172,982	96,144	83,955	1,077,552
Trade receivables	289,593	-	-	-	-	-	289,593
Amount due from subsidiaries	166	-	-	-	-	-	166
Other assets	38,237	229	5,230	9,401	-	3,104	56,201
Derivative financial assets	5,319	9,239	9,565	26,389	1,073	-	51,585
Statutory deposits with Bank Negara Malaysia	151,300	-	-	-	-	-	151,300
Other non-financial assets (1)	-	-	-	-	-	492,360	492,360
Total Assets	1,279,872	29,537	465,641	1,702,394	3,254,274	900,984	7,632,702
Liabilities							
Deposits from customers	1,760,222	1,007,295	888,561	1,027,048	-	-	4,683,126
Deposits and placements of banks and other financial institutions	642,268	50,136	-	-	-	-	692,404
Trade payables	261,547	-	-	-	-	-	261,547
Derivative financial liabilities	6,484	9,040	9,371	25,640	-	-	50,535
Amount due to subsidiaries	36	-	-	-	-	-	36
Other liabilities	234,611	38,578	47,770	25,135	-	-	346,094
Lease liabilities	474	558	2,068	153	-	-	3,253
Other non-financial liabilities (2)	-	-	-	-	-	12,245	12,245
Total Liabilities	2,905,642	1,105,607	947,770	1,077,976	-	12,245	6,049,240
Net liquidity gap	(1,625,770)	(1,076,070)	(482,129)	624,418	3,254,274	888,739	1,583,462

(1) Other non-financial assets include deferred tax assets, tax recoverable, property and equipment, intangible assets, right-of-use assets and investment in associated company and subsidiaries.
(2) Other non-financial liabilities include deferred tax liabilities.

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

The Bank 31.12.2018	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Short-term funds	204,360	-	-	-	-	-	204,360
Financial assets at FVTPL	7	-	-	70,502	-	110,856	181,365
Financial investments at FVOCI	35,776	3,078	191,622	1,988,162	2,656,664	162,871	5,038,173
Financial investment at amortised cost	-	-	1,340	47,041	-	-	48,381
Loans, advances and financing	336,632	1,698	270,211	428,875	135,609	102,979	1,276,004
Trade receivables	279,537	-	-	-	-	-	279,537
Amount due from subsidiaries	273	-	-	-	-	-	273
Other assets	14,939	381	470	10,747	-	3,690	30,227
Derivative financial assets	17,880	2,390	3,007	6,273	234		29,784
Statutory deposits with Bank Negara Malaysia	196,500	-	-	-	-	-	196,500
Other non-financial assets [2]	-	-	-	-	-	498,075	498,075
Total Assets	1,085,904	7,547	466,650	2,551,600	2,792,507	878,471	7,782,679
Liabilities							
Deposits from customers	1,896,730	1,311,627	1,197,107	726,188	-	-	5,131,652
Deposits and placements of banks and other financial institutions	424,913	-	-	-	-	-	424,913
Obligations on securities sold under repurchase agreements	142,477	-	-	-	-	-	142,477
Trade payables	292,945	-	-	-	-	-	292,945
Derivative financial liabilities	12,151	1,305	6,762	7,889	-	-	28,107
Other liabilities	209,729	38,404	50,518	-	-	-	298,651
Total Liabilities	2,978,945	1,351,336	1,254,387	734,077	-	-	6,318,745
Net liquidity gap	(1,893,041)	(1,343,789)	(787,737)	1,817,523	2,792,507	878,471	1,463,934

(1) Other non-financial assets include deferred tax assets, tax recoverable, property and equipment, intangible assets and investment in associated company and subsidiaries.

44 Financial risk management objectives and policies (continued)

E. Operational risk management

Operational risk is the risk of loss arising from inadequate or failed internal processes, action on or by people, infrastructure or technology or events which are beyond the Bank's immediate control which have an operational impact, including natural disasters, fraudulent activities and cyber threats.

The Bank manages operational risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the market in which they are operating and the regulatory requirements in force. The Bank has developed and put in place a Cyber Security Framework, which is applied against the Bank's business activities and aligned with the relevant regulatory requirements.

The Bank adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the Bank's average annual gross income over the previous three years.

Risk is identified through the use of assessment tools and measured using threshold/limits mapped against a risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans. This is supported by periodic reviews undertaken by Group Internal Audit to ensure adequacy and effectiveness of the Group Operational Risk Management process.

The Bank gathers, analyses and reports operational risk loss and 'near miss' events to the Group Operational Risk Management Committee and the Board Risk Management Committee. Appropriate preventive and remedial actions are reviewed for effectiveness and implemented to minimise the recurrence of such events.

As a matter of requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including business continuity management) Certification Program. These coordinators will first go through an on-line self learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

F. Compliance and legal risk

Compliance risk refers to risk arising from breaches of applicable laws and regulatory requirements governing the business of the Bank and also breaches of internal policies and procedures approved by the management and the Board of Directors. Legal risks are risks arising from non-compliance with legal obligations and risks of rights not wholly enforceable, and includes the inherent risks from deficient drafting of contractual documents and/or inadequate management of litigation cases.

As an investment bank, the Bank is subject to various legal and regulatory requirements and statutory obligations and these legal and regulatory requirements can be found in the Financial Services Act, 2013, Capital Markets & Services Act 2007, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Rules of Bursa Malaysia Securities Berhad, Rules of Bursa Malaysia Derivatives Berhad, Rules of Bursa Malaysia Derivatives Clearing Berhad, as well as other rules, circulars and guidelines issued by the regulators from time to time.

The Compliance, Legal and Corporate Services ("CLCS") Department reports directly to the BRMC. Periodic reports on the state of compliance and material litigation cases affecting the Bank are also submitted to CROC and BRMC to keep CROC and BRMC updated of the same.

The CLCS Department renders compliance advice, monitor compliance risks emanating from statutory requirements, rules, circulars and guidelines issued by regulators as well as to advise the Bank on all legal matters including, but not limited to, reviewing and/or drafting legal documents for the Bank and monitoring and advising on litigation cases.

44 Financial risk management objectives and policies (continued)

G. Business continuity risk

Business continuity risk is the risk of assets, revenue, reputation and stakeholder / customer confidence due to the discontinuation of services in both business and technology operations.

The Bank's Business Continuity Management Policy ("BCM Policy") is developed to provide a clear guide for the Bank’s BCM implementation, in line with BNM Guidelines on Business Continuity Management as well as Securities Commission's Guiding Principles on Business Continuity.

The Board approves the BCM Policy and overall strategies by ensuring that the BCM Policy is consistent with the Bank’s risk tolerance level given the nature, complexity and materiality of the Bank’s business operations.

The BCM Policy sets out the governance structure and defines the roles and responsibilities for effective implementation of BCM for the Bank. This includes roles and responsibilies of BRMC, Senior Management Committee, Business Continuity Management Steering Committee, Crisis Management Team, BCM Working Group and Business Continuity Plan ("BCP") Coordinators.

The BCM Policy provides the criteria for identifying critical business functions and application systems in order to prioritise recoveries as well as requirements in developing and maintaining the BCP of the respective business and support functions.

H. Technology risk

Technology risk is any potential technology failures and cyber theats that may disrupt business such as failures of information technology systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or internet, which would result in financial loss, financial services disruption or the operations of the Bank.

The Group Technology Risk Management Framework governs the management of technology risk across the Bank. Overview of the Technology Risk Management function resides with RMD. RMD supports CROC which in turn supports BRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. BRMC is responsible to provide oversight of overall technology related matters of the Bank.

The Bank uses risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT systems. The output of this process helps to identify appropriate controls for reducting and eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and nontechnical methods. Technical controls are safeguards that are incorporated into computer hardware, software or firmware (e.g. access control mechanisms, identification and authentification mechanisms, encryption methods, intrusion detection software). Nontechnical controls are management and operational controls, such as security policies, operational procedures and personnel, physical and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

45 Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132 "Financial Instruments - Disclosure and Presentation" which requires the fair value information to be disclosed. These include property and equipment, investment in subsidiaries, deferred taxation assets and provision for taxation.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group’s and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the leval of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2018: Nil).

Notes to the financial statements
for the financial year ended to 31 December 2019 (continued)

45 Fair value of financial instruments (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

The Group **31.12.2019**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	-	137,242	-	137,242
- Corporate bonds or sukuk	-	33,312	-	33,312
- Shares, warrants and unit trusts	321,362	-	-	321,362
Financial investments at FVOCI				
- Money market instruments	-	1,694,359	-	1,694,359
- Corporate bonds or sukuk	-	3,096,594	-	3,096,594
- Shares	-	-	23,002	23,002
Derivative financial assets	-	52,583	-	52,583
Total	321,362	5,014,090	23,002	5,358,454
Liabilities				
Derivative financial liabilities	-	50,535	-	50,535
Puttable liability - investment in funds	20,917	-	-	20,917
Other liabilities - equities trading	4,282	-	-	4,282
Total	25,199	50,535	-	75,734

The Bank **31.12.2019**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Assets				
Financial assets at FVTPL				
- Money market instruments	-	137,242	-	137,242
- Corporate bonds or sukuk	-	1	-	1
- Shares, warrants and unit trusts	247,606	-	-	247,606
Financial investments at FVOCI				
- Money market instruments	-	1,694,359	-	1,694,359
- Corporate bonds or sukuk	-	3,096,594	-	3,096,594
- Shares	-	-	23,002	23,002
Derivative financial assets	-	51,585	-	51,585
Total	247,606	4,979,781	23,002	5,250,389
Liabilities				
Derivative financial liabilities	-	50,535	-	50,535
Other liabilities - equities trading	4,282	-	-	4,282
Total	4,282	50,535	-	54,817

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statements
for the financial year ended to 31 December 2019 (continued)

45 Fair value of financial instruments (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy: (continued)

The Group 31.12.2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Money market instruments	-	70,509	-	70,509
- Corporate bonds or sukuk	-	20,641	-	20,641
- Shares, warrants, unit trusts and REITs	141,674	-	-	141,674
Financial investments at FVOCI				
- Money market instruments	-	879,189	-	879,189
- Corporate bonds or sukuk	-	4,077,631	-	4,077,631
- Shares and REITs	59,532	-	21,821	81,353
Derivative financial assets	-	29,857	-	29,857
Total	201,206	5,077,827	21,821	5,300,854
Liabilities				
Derivative financial liabilities	-	28,107	-	28,107
Puttable liability - investment in funds	28,868	-	-	28,868
Other liabilities - equities trading	52	-	-	52
Total	28,920	28,107	-	57,027

The Bank 31.12.2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Money market instruments	-	70,509	-	70,509
- Corporate bonds or sukuk	-	-	-	-
- Shares, warrants, unit trusts and REITs	110,856	-	-	110,856
Financial investments at FVOCI				
- Money market instruments	-	879,189	-	879,189
- Corporate bonds or sukuk	-	4,077,631	-	4,077,631
- Shares and REITs	59,532	-	21,821	81,353
Derivative financial assets	-	29,784	-	29,784
Total	170,388	5,057,113	21,821	5,249,322
Liabilities				
Derivative financial liabilities	-	28,107	-	28,107
Other liabilities - equities trading	52	-	-	52
Total	52	28,107	-	28,159

45 Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the financial year:

	The Group and the Bank	
	31.12.2019	31.12.2018
	RM'000	RM'000
At beginning of the financial year	**21,821**	20,611
Total gains recognised in other comprehensive income	**1,181**	1,210
At end of the financial year	**23,002**	21,821

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

The Group and the Bank

Description	Fair value assets **31.12.2019 RM'000**	Fair value assets 31.12.2018 RM'000	**Valuations techniques**	**Unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Equity investments measured at FVOCI					
Unquoted shares	**23,002**	21,821	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Group and the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Group and the Bank estimate are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

Notes to the financial statements for the financial year ended to 31 December 2019 (continued)

45 Fair value of financial instruments (continued)

The following tables analyse within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:

	Carrying		Fair Value		
The Group and the Bank	**amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
31.12.2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets					
Loans, advances and financing	**1,077,552**	**-**	**1,075,898**	**-**	**1,075,898**
Financial Liabilities					
Deposits from customers	**4,683,126**	**-**	**4,705,355**	**-**	**4,705,355**
The Group and the Bank					
31.12.2018					
Financial Assets					
Loans, advances and financing	1,276,004	-	1,276,199	-	1,276,199
Financial Liabilities					
Deposits from customers	5,131,652	-	5,159,154	-	5,159,154

45 Fair value of financial instruments (continued)

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Bank approximates the total carrying amount.

The fair value estimates were determined by application of the methodologies and assumptions described below.

Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturity of less than six months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made to banks with similar credit ratings and maturities.

Financial assets at amortised costs

The fair values of financial investments at amortised cost are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans, advances and financing

Loans, advances and financing of the Bank comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans, advances and financing with similar credit ratings and maturities.

The fair values of impaired loans, advances and financing, whether fixed or floating are represented by their carrying values, net of expected credit losses, being the reasonable estimate of recoverable amount.

Notes to the financial statements for the financial year ended to 31 December 2019 (continued)

45 Fair value of financial instruments (continued)

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values.

Deposits from customers, deposits and placements of banks and other financial institutions

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

46 Offsetting financial assets and financial liabilities

In accordance with MFRS 132 "Financial Instruments: Presentation" the Group and the Bank report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and reverse repurchase and repurchased agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amount" presented below are not intended to represent the Group's and the Bank's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Derivative financial assets and liabilities

The "Financial instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Obligation on securities sold under repurchase agreements

The ‘‘Financial instruments’’ column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as global master repurchase agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Notes to the financial statements
for the financial year ended to 31 December 2019 (continued)

46 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statements of financial position			Related amount not set off in the balance sheet		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000
The Group						
31.12.2019						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	527,416	(527,416)	-	-	-	-
Derivative financial assets	52,583	-	52,583	(10,061)	(2,797)	39,725
Total	579,999	(527,416)	52,583	(10,061)	(2,797)	39,725
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	547,262	(527,416)	19,846	-	-	19,846
Derivative financial liabilities	50,535	-	50,535	(10,061)	-	40,474
Total	597,797	(527,416)	70,381	(10,061)	-	60,320
The Bank						
31.12.2019						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	527,416	(527,416)	-	-	-	-
Derivative financial assets	51,585	-	51,585	(10,061)	(2,797)	38,727
Total	579,001	(527,416)	51,585	(10,061)	(2,797)	38,727
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	547,262	(527,416)	19,846	-	-	19,846
Derivative financial liabilities	50,535	-	50,535	(10,061)	-	40,474
Total	597,797	(527,416)	70,381	(10,061)	-	60,320

Notes to the financial statements for the financial year ended to 31 December 2019 (continued)

46 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statements of financial position			Related amount not set off in the balance sheet		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000
The Group						
31.12.2018						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	503,850	(463,708)	40,142	-	-	40,142
Derivative financial assets	29,857	-	29,857	(8,643)	-	21,214
Total	533,707	(463,708)	69,999	(8,643)	-	61,356
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	463,708	(463,708)	-	-	-	-
Derivative financial liabilities	28,107	-	28,107	(8,643)	(1,298)	18,166
Obligations on securities borrowed	142,477	-	142,477	(142,477)	-	-
Total	634,292	(463,708)	170,584	(151,120)	(1,298)	18,166
The Bank						
31.12.2018						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	503,850	(463,708)	40,142	-	-	40,142
Derivative financial assets	29,784	-	29,784	(8,643)	-	21,141
Total	533,634	(463,708)	69,926	(8,643)	-	61,283
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	463,708	(463,708)	-	-	-	-
Derivative financial liabilities	28,107	-	28,107	(8,643)	(1,298)	18,166
Obligations on securities borrowed	142,477	-	142,477	(142,477)	-	-
Total	634,292	(463,708)	170,584	(151,120)	(1,298)	18,166

47 Credit exposures arising from transactions with connected parties

The following credit exposure are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008:

	The Group and the Bank	
	31.12.2019	31.12.2018
i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**781,045**	567,901
ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	**14.23%**	8.78%
iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default.	**-**	-

48 Client trust accounts

As at 31 December 2019, cash held in trust for the clients by the Group and the Bank amounted to RM460,622,000 (2018: RM467,688,000). These amounts are not recognised in the financial statements as they are held by the Group and the Bank in its fiduciary capacity.

49 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 March 2020.

Company No : 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, Abd Malik bin A Rahman and Lim Hun Soon @ David Lim, being two of the Directors of Affin Hwang Investment Bank Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 34 to 181 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2019 and financial performance of the Group and the Bank for the financial year ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 March 2020.

Abd Malik bin A Rahman
Chairman

Lim Hun Soon @ David Lim
Director

Statutory declaration pursuant to Section 251(1) of the Companies Act 2016

I, Samad Majid Zain, being the Officer primarily responsible for the financial management of Affin Hwang Investment Bank Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 34 to 181 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Samad Majid Zain
MIA No. 14222

Subscribed and solemnly declared by the above named Samad Majid Zain at Kuala Lumpur in Malaysia on 16 March 2020.

Before me:

Commissioner for Oaths

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN BIN AHMAD
1 JAN 2020 - 31 DIS 2022
MALAYSIA

No. 22-A, Jalan Telawi Lima,
Bangsar Baru, 59100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 181.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT	NG YEE LING
LLP0014401-LCA & AF 1146	03032/01/2021 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
16 March 2020