Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Reports and financial statements
for the financial year ended 31 December 2020

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Contents

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2020

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 2020.

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 investment holdings, 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	355,999	262,446
Zakat	(4,929)	(4,267)
Profit before taxation	351,070	258,179
Taxation	(75,698)	(52,806)
Net profit for the year	**275,372**	**205,373**

Dividends

Dividends on ordinary shares paid or declared by the Company since 31 December 2019 are as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
Final dividend of 5.128 sen gross per share paid on 27 May 2020	40,000
In respect of the financial year ended 31 December 2020:	
First interim dividend of 19.231 sen gross per share paid on 3 December 2020	150,000

The Directors now recommend the payment of a second interim dividend of 4.487 sen gross per share amounting to RM35,000,000 for the financial year ended 31 December 2020, which was approved by the Board of Directors on 26 January 2021.

The second interim dividend have yet to be reflected in the current year financial statements and will be accounted for in the shareholder's equity as an appropriation of retained profit in the financial year ending 31 December 2021.

The Directors do not propose any final dividend for the financial year ended 31 December 2020.

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.

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Directors' report
for the financial year ended 31 December 2020 (continued)

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:

Maj. Gen. Dato' Zulkiflee bin Mazlan (R)
(Chairman, Independent Non-Executive Director)
Appointed as Chairman of the Bank with effect from 20 May 2020

Abd Malik bin A Rahman
- Redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director with effect from 16 February 2020
- Retired with effect from 14 April 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)

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

Dato' Mohd Ali bin Mohd Tahir
(Independent Non-Executive Director)

Mr Eugene Hon Kah Weng
(Independent Non-Executive Director)
Appointed as Director with effect from 1 March 2021

Datuk Wan Razly Abdullah bin Wan Ali
(Non-Independent Executive Director)
Appointed as Director with effect from 12 March 2021

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 2020 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 185 of the financial statements.

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.

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 33 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 33 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 six (6) Non-Executive Directors, four (4) 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 nineteen (19) 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.

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
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) (Chairman, Independent Non-Executive Director)	18 out of 19
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Non-Independent Non-Executive Director)	19 out of 19
Stephen Charles Li (Non-Independent Non-Executive Director)	18 out of 19
Lim Hun Soon @ David Lim (Independent Non-Executive Director)	19 out of 19
Datuk Noor Azian binti Shaari (Independent Non-Executive Director)	19 out of 19
Dato' Mohd Ali bin Mohd Tahir (Independent Non-Executive Director)	19 out of 19
Abd Malik bin A Rahman (Non-Independent Non-Executive Director)	4 out of 5

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Directors' report
for the financial year ended 31 December 2020 (continued)

Corporate Governance (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.

- The Board observes the highest standard of ethical conduct, integrity and accountability as well as the Anti-Bribery and Corruption Framework which covers the Bank's approach to anti-bribery and anti-corruption. The Board will continue to uphold the said framework.

- 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;
     - 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;
     - 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 Chief Executive Officers/Managing Directors ("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;

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)

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

- The Board regularly reviews the anti-corruption compliance activities of the Bank.

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Directors' report
for the financial year ended 31 December 2020 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

The Board has at its meeting held on 23 July 2020 approved the dissolution of NRC with effect from 31 July 2020.

This dissolution was made in view of BNM's approval for Affin Bank Berhad's proposed establishment of a Group Board Nomination and Remuneration Committee ("GBNRC") for the banking entities within the Group. BNM has also granted exemption to the Bank from having an NRC. GBNRC was formally established on 1 August 2020.

Responsibilities of the GBNRC are as follows:

- Appointment/Re-Appointment of Directors, Shariah Committee Members, Key Senior Management Officers ("KSMO") and Company Secretary.
- Performance/Fit and Proper Assessment of Directors, Shariah Committee Members, CEO, KSMO and Company Secretary.
- Performance indicators/targets.
- Remuneration of Directors, Shariah Committee Members, CEO, KSMO, Company Secretary. and other material risk takers.
- Succession planning and talent management.
- Others - to recommend to the Board the appointment of external consultants/advisors related to the GBNRC's areas of responsibilities.

The Board of AHIB continues to remain accountable for the decision taken at the GBNRC. Hence, the recommendations made by the GBNRC have to be deliberated and approved by the Bank's Board.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

The NRC comprised three (3) Board members and was scheduled to meet at least on a quarterly basis, met five (5) times until 31 July 2020. The composition of the NRC and the number of meetings attended by each member are as follows:

	Total meetings attended
Datuk Noor Azian binti Shaari (Independent Non-Executive Director) Appointed as Chairman of NRC w.e.f 20 May 2020	5 out of 5
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) (Independent Non-Executive Director)	4 out of 5
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Non-Independent Non-Executive Director)	5 out of 5
Abd Malik bin A Rahman (Non-Independent Non-Executive Director) Retired with effect from 14 April 2020	1 out of 2

The NRC shall:

- 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) comply 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.

- 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.

- 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.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

The NRC shall (continued)

- 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.

- 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.

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

- 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.

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

- 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.

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

- 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 2020 comprises four (4) Board members and scheduled to meet at least on a quarterly basis, met eleven (11) 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
Dato' Mohd Ali bin Mohd Tahir (Independent Non-Executive Director) Appointed as member (Chairman) of BRMC w.e.f 20 May 2020	7 out of 7
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Non-Independent Non-Executive Director)	10 out of 11
Lim Hun Soon @ David Lim (Independent Non-Executive Director)	11 out of 11
Datuk Noor Azian binti Shaari (Independent Non-Executive Director)	11 out of 11
Abd Malik bin A Rahman (Non Independent Non-Executive Director) Retired with effect from 14 April 2020	NIL

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.

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:

- 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.

- 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):

- 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

- 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.

- 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.

- 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.

- 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.

- 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.

- 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

- 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 2020 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 four (4) 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)	4 out of 4
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Non-Independent Non-Executive Director)	4 out of 4
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) (Independent Non-Executive Director)	4 out of 4

BAC was 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:

- Provide assistance to the Board and Management in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, risk management, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the Bank.
- Assist the Board and Management by providing advice and guidance on the adequacy of the Group's values and ethic practices;
- Establish the framework for and provide oversight of the internal audit activity, external auditors and other providers of assurance;
- Oversight on the independent auditing of the Group's Financial Statements carried out by external auditors;
- Implement and support the function of the Board by reinforcing the independence and objectivity of Internal Audit Department ("IAD"); and
- Ensure that Internal and External Audit functions are properly conducted and audit recommendations are implemented effectively.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

It is the duty and responsibility of the BAC to provide the board with independent and objective advice on the adequacy of Management's arrangements with respect to the following aspects of the Management of the Bank.

a) Values and Ethics practices
   i) Review and assess the policies, procedures and practices establish by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the Bank.
   ii) Provide oversight of the mechanism established by Management to establish and maintain high ethical standards for all the manager and staff of the Bank.
   iii) Review the process for communicating the code of conduct to the staff of the Bank and monitor for compliance.
   iv) Review and provide advice on the systems and practices established by Management to monitor compliance with laws, regulations, policies and standards of ethical conduct and identify and deal with any legal or ethical violations.
   v) Obtain regular updates from management regarding compliance matters.
   vi) Review and monitor compliance with the BAC's conflicts of interest policy, focusing on:
      - Identification of circumstances which constitute or may give rise to conflicts of interest;
      - Clear processes for directors to keep the BAC informed on changes in circumstances which may give rise to a conflict of interest;
      - Maintenance of records on each director's conflict of interest;
      - Addressing any non-compliances with the policy.

b) Governance process;
   i) Review and provide advice on the governance process established and maintained within the Bank and the procedures in place to ensure that they are operating as intended.

c) Risk Management practices;
   i) Review the Bank's risk profile
   ii) Provide oversight on significant risk exposure and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the BAC.
   iii) Review and provide advice on risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

d) Procedures for the prevention and detection of fraud
   i) Oversee management's arrangements for the prevention and deterrence of fraud.
   ii) Ensure that appropriate action is taken against known perpetrators of fraud.
   iii) Challenge management, internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigation are undertaken if fraud detected.

e) Adequacy and effectiveness of the Bank's controls in responding to risks within the Group's governance, operations and information systems.
   i) Review the effectiveness of the Group's control framework, including information technology security control.
   ii) Receive reports on all significant matters arising from work performed by other providers of financial and internal control assurance to senior management and the BAC.
   iii) Review the findings of any examinations by regulatory authorities and the Management response.

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Directors' report
for the financial year ended 31 December 2020 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

Duties and responsibility of the BAC: (continued)

f) Oversight of the Internal Audit activity

i) 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 should not be subject to the clearance of the Board of Directors. The effectiveness and performance of internal audit function are assessed against its achievement, benchmarking against best practices or other considerations.

ii) Oversee the effectiveness of Internal Audit functions:

- Appoint Chief Internal Auditor ("CIA"), evaluate performance including his/her transfer and dismissal, if warranted.
- Ensure oversight on the adequacy of resources and remuneration of internal auditors.
- Review and approve internal audit charter at least annually.
- Review and approve the annual audit plan, audit scope, procedures and frequency, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity’s performance relative to its audit plan.
- 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 CIA 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.
- Establish a mechanism to assess the performance and effectiveness of Internal Audit function.

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

iv) Approve the engagement and appointment of external experts where Internal Audit lacks the expertise and experiences. BAC will review and ensure that such engagement includes these terms: -

- Assignments, Roles and Responsibilities,
- Bank or Financial Institution including regulators or external auditors has the right to audit/ access their records, audit plan, and working papers and etc,
- Commitment from external experts that adequate resources will be assigned,
- Authority to vary on changes of terms of engagement.
- Assurance that independence and objectivity of the audit is not compromised if the Bank’s external auditors is engaged.
- The regulatory requirements on outsourcing are to be complied with.

v) Review of third-party opinions on the design and effectiveness of the Bank’s internal control framework.

vi) Islamic Operations – sought advice from Shariah Advisory on Shariah related matters to ensure compliance with Shariah principles.

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

Duties and responsibility of the BAC: (continued)

g) Financial Statements and Public Accountability Reporting
   i) Ensure that the accounts 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 profit and loss account for submission for the Board of Directors and ensure the prompt publication of annual accounts;
   ii) Ensure that prior to publication of the annual report, a complete review is done to comply with the regulatory listing requirements;
   iii) Review the Quarterly Financial Results and Year-End Financial Statement before submission to the Board, focusing on:
      - going concern assumption.
      - compliance with accounting standards, disclosure requirements and other legal and regulatory requirements.
      - any changes in or implementation of major accounting policies and practices.
      - significant adjustments, issues and unusual events arising from the audit.
      - major judgmental areas.
   iv) Ensure senior management act upon findings and recommendations timely on the interim and final external audit. In this regard, also discuss on any other matter s in the absence of management, where necessary;
   v) Review the external auditors' management letter and management's response;
   vi) Monitor related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions on management integrity. Escalate to board of such transactions.
   vii) 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.

h) External Auditors
   i) 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.
   ii) Assessment on the long relationship and risk of familiarity threats.
   iii) Review the audit fees of external auditors.
   iv) Recommend removal of external auditors.
   v) Review the proposal for non-audit services rendered by the external auditors or 3rd parties. If the external auditors are engaged, the BAC is responsible for ensuring that such engagement does not compromise the independence of the external auditors in their roles as Statutory Auditors of the Group.
   vi) Monitoring and assessing the independence of external auditor including approving the provision of non-audit services by external auditor.
   vii) Have direct communication channels with external auditor and meet them without the presence of management at least twice a year.
   viii) Maintain regular, timely, open and honest communication with the external auditor and requiring the external auditor to report to BAC on significant matters.

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Directors' report
for the financial year ended 31 December 2020 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

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

The BCRC is 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 Credit Committee (“GMCC”).

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

- To consider whether to approve / reject a credit / underwriting proposal, impose additional terms or modify the terms recommended by the GMCC 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, Single Counterparty Exposure Limit (“SCEL”), Discretionary Authorities and related policies and operations manuals; and
- Generally to ensure that the GMCC 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 2020, met twelve (12) 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)	12 out of 12
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) (Independent Non-Executive Director)	12 out of 12
Dato' Mohd Ali bin Mohd Tahir (Independent Non-Executive Director)	12 out of 12

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Directors' report
for the financial year ended 31 December 2020 (continued)

Corporate Governance (continued)

1 Board of Directors Responsibility and Oversight (continued)

(vi) Directors’ Training

The Bank shall ensure that the structured training programmes is set up to better enable Directors to fulfil their responsibilities and shall also ensure that all Directors receive continuous training in order to keep abreast with latest developments in the industry, particularly on relevant new laws, regulations and the changing risk factors from time to time.

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.

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Directors' report
for the financial year ended 31 December 2020 (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 2020 are as follows:

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
1	Maj. Gen. Dato’ Zulkiflee bin Mazlan (R)	Online Webinar 3rd Distinguished Board Leadership Series - "Challenging Times: What Role Must the Board Play"	FIDE Forum	15 May 2020
		Online Webinar 4th Distinguished Board Leadership Series	FIDE Forum	8 July 2020
		Online Webinar Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses	FIDE Forum	21 July 2020
		Online Webinar Managing Political Risks	Asia School of Business (ASB)	25 August 2020
		Online Webinar Anti-Money Laundering (AMLA) Refresher Course	Affin Hwang Asset Management Bhd ("AHAM")	22 September 2020
		Mind-Shift Series: Staying Relevant in the Age of Disruption and Innovation	AFFIN Bank Berhad ("ABB")	30 September 2020
		Online Webinar Climate Action: The Board s Leadership in Greening the Financial Sector	FIDE Forum	2 November 2020
		Talk on Directors and Officers (D&O) and Comprehensive Crime and Professional Indemnity (CCPI) Insurance	Affin Hwang Investment Bank Berhad ("AHIBB")	25 November 2020
2	Raja Tan Sri Dato’ Seri Aman bin Raja Haji Ahmad	Online Webinar Cybersecurity & Work-From-Home Security Challenges Amidst COVID-19 Pandemic	International Centre for Leadership in Finance ("ICLIF")	4 June 2020
		Adequate Procedure & the Implementation of MS ISO 37001 Anti-Bribery Management System (ABMS)	Ahmad Zaki Resources Berhad ("AZRB")	22 June 2020
		Online Webinar Anti-Money Laundering (AMLA) Refresher Course	AHAM	22 September 2020

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 2020 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
3	Stephen Charles Li	Revised Supervisory Policy Manual (SPM) Module LM-1: "Regulatory Framework for Supervision of Liquidity Risk"	Hong Kong Monetary Authority ("HKMA")	2 January 2020
		Revised SPM Module CA-G-5 "Supervisory Review Process" and SB-2 "Leveraged Foreign Exchange Trading"	HKMA	29 January 2020
		Complaints Watch - 14th Issue	HKMA	9 March 2020
		"Leadership Role and Accountability in ESG" and "How to Prepare an ESG Report"	Hong Kong Exchanges and Clearing Company Limited ("HKEX")	9 March 2020
		Leading successfully in turbulent times	KPMG	20 March 2020
		Cyber security newsletter of April 2020	The Bank of East Asia Limited ("BEA")	24 April 2020
		"Report on Review of Self-assessment on Bank Culture"	HKMA	27 May 2020
		Cyber security newsletter of May 2020	BEA	29 May 2020
		KPMG Independent Non-Executive Directors Forum	KPMG	3 June 2020
		Hong Kong Banking Report 2020: Adapting to a New Reality	KPMG	17 June 2020
		Revised SPM Module CA-G-1 "Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions" (56 pages) and Revised SPM Module RE-1 "Recovery Planning"	HKMA	22 June 2020
		Complaints Watch - 15th Issue	HKMA	23 June 2020
		Cyber security newsletter of June 2020	BEA	30 June 2020
		Range of Practices for Management of Climate Risks	HKMA	9 July 2020

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 2020 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
3	Stephen Charles Li	Cyber security newsletter of July 2020	BEA	23 July 2020
		Revised SPM Module LM-1 "Regulatory Framework for Supervision of Liquidity Risk"	HKMA	31 August 2020
		Cyber security newsletter of August 2020	BEA	3 September 2020
		Revised SPM Module CR-G-14 "Noncentrally Cleared OTC Derivatives Transactions – Margin and Other Risk Mitigation Standards"	HKMA	14 September 2020
		Online Webinar Anti-Money Laundering (AMLA) Refresher Course	AHAM	22 September 2020
		Independent Non-Executive Directors Forum	KPMG	28 September 2020
		Cyber security newsletter of September 2020	BEA	28 September 2020
		Cyber security newsletter of October 2020	BEA	30 October 2020
		Talk on Directors and Officers (D&O) and Comprehensive Crime and Professional Indemnity (CCPI) Insurance.	AHIBB	25 November 2020
		Cyber Resilience Assessment Framework ("C-RAF") 2.0 under Cybersecurity Fortification Initiative ("CFI") 2.0	HKMA	27 November 2020
		Cyber security newsletter of November 2020	BEA	1 December 2020
		Online Webinar Banking Outlook 2021 webinar	KPMG	2 December 2020
		Online Webinar Independent Non-Executive Directors Forum	KPMG	7 December 2020
		Anti-Money Laundering ("AML") and Counter-Financing of Terrorism ("CFT") Training 2020 for the Board of Directors of BEA	BEA	7 December 2020
		Cyber security newsletter of December 2020	BEA	31 December 2020

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Directors' report
for the financial year ended 31 December 2020 (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 2020 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
4	Lim Hun Soon @ David Lim	Online Webinar COVID-19 & Current Economic Reality: Implications for Financial Stability	FIDE Forum	14 April 2020
		Online Webinar Outthink The Competition: Excelling in a Post COVID-19 World	FIDE Forum	5 May 2020
		Online Webinar 3rd Distinguished Board Leadership Series - Challenging Times: What Role Must the Board Play	FIDE Forum	15 May 2020
		Online Webinar Raising Defences - Section 17A, MACC Act	The ICLIF Leadership and Governance Centre ("ICLIF")	14 May 2020 - 15 May 2020
		Online Webinar 4th Distinguished Board Leadership Series	FIDE Forum	8 July 2020
		IFRS 17 Insurance Contracts	Ernst & Young	12 October 2020
		Online Webinar Tech Faculty Lecture 2020 : AI Through the looking glass	Institute of Chartered Accountants in England and Wales ("ICAEW"	12 October 2020
		Online Webinar Climate Action: The Board s Leadership in Greening the Financial Sector	FIDE Forum	2 November 2020
		Online Webinar Green Fintech : Ping An's journey to becoming a top ESG-performing FI	FIDE Forum	11 November 2020
		Online Webinar PwC Malaysia's Budget 2021 Webinar : Paving the way towards as resilient future	FIDE Forum	17 November 2020

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 2020 are as follows:(continued)

<table>
<tr><th rowspan="2">No</th><th rowspan="2">Name of Director</th><th colspan="3">Programme/Course</th></tr>
<tr><th>Name of Programme</th><th>Organiser</th><th>Date</th></tr>
<tr><td rowspan="3">5</td><td rowspan="3">Datuk Noor Azian Binti Shaari</td><td>Anti-Bribery and Anti-Corruption management system</td><td>BDO Binder</td><td>25 August 2020</td></tr>
<tr><td>Mind-Shift Series: Staying Relevant in the Age of Disruption and Innovation</td><td>ABB</td><td>30 September 2020</td></tr>
<tr><td>Talk on Directors and Officers (D&O) and Comprehensive Crime and Professional Indemnity (CCPI) Insurance.</td><td>AHIBB</td><td>25 November 2020</td></tr>
<tr><td rowspan="5">6</td><td rowspan="5">Dato’ Mohd Ali bin Mohd Tahir</td><td>Online Webinar
ACI Virtual Rountable 2020</td><td>KPMG</td><td>12 May 2020</td></tr>
<tr><td>Online Webinar
Post MCO - Reset Thought Leadership</td><td>KPMG</td><td>12 May 2020</td></tr>
<tr><td>Online Webinar
3rd Distinguished Board Leadership Series - Challenging Times: What Role Must the Board Play</td><td>FIDE Forum</td><td>15 May 2020</td></tr>
<tr><td>Online Webinar
Anti-Money Laundering (AMLA) Refresher Course</td><td>AHAM</td><td>10 September 2020</td></tr>
<tr><td>Online Webinar
Green Fintech : Ping An’s journey to becoming a top ESG-performing FI</td><td>FIDE Forum</td><td>11 November 2020</td></tr>
</table>

Corporate Governance (continued)

2 Internal Control Framework

The Board recognises and exercise overall responsibilities in promoting good corporate governance and ensure sound system of internal controls and risk management practices are maintained throughout the Bank. 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 as well as on-going reviews on the effectiveness, adequacy and integrity of the systems.

The Board and Senior Management ‘set the tone from the top’ on the importance of internal control through their actions and words. This includes the ethical values that Senior Management display in their business dealings, both inside and outside the Bank. The words, attitudes and action of the Board and Senior Management affect the integrity ethics and other aspects of the Bank’s control culture/environment.

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.

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 communication 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, Information System 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.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(i) Internal audit and control activities (continued)

- Ensure effective information flows and communication, including:

  a) training and the dissemination of standards and requirements;
  b) an information system to produce and convey complete, accurate and timely data, including financial data; and
  c) the upward communication of trends, developments and emerging issues.

- Monitor controls, including procedures 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.

(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 are in place 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, operational and technology 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, operational and technology risks of the Bank.

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Directors' report
for the financial year ended 31 December 2020 (continued)

Corporate Governance (continued)

2 Internal Control Framework (continued)

(ii) Risk Management (continued)

- Risk Governance Structure (continued)

  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, operational and technology risks.

- Risk Governance Policies and Procedures

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

  There is no material revision to the policies and procedures in 2020.

- 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 facilitated 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 risk 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 established and reviewed regularly to reflect current practices and changes in applicable regulatory requirements. The Anti-Bribery and Corruption Framework was established following the amendment of MACC Act with the inclusion of Section 17A on Corporate Liability which comes into effect during the financial year.

- 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). The framework was reviewed during the financial year following the revision of regulatory policy document.

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.

(viii) Human Resources

The Bank acknowledges that people development is key and critical to the Bank. This is to ensure 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. Further to prepare the employees for the future market place in making the Bank relevant in the future state. The Bank and its employees are also governed by the objectives set under the Bank’s Code of Ethics ("COE") and Code of Conduct ("COC").

Corporate Governance (continued)

2 Internal Control Framework (continued)

(viii) Human Resources (continued)

The HR Masterplan, Strategies, 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 that 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 efforts, initiatives and training programs to address the human capital requirement, including knowledge management and mandatory programmes. The Bank has in place online Key Performance Indicators ("KPIs") and performance-based appraisal system ("ePMS") to evaluate and compensate/reward its employees accordingly. Staff performance assessment is conducted annually, based on KPIs and Competency Based Behavioral.

The recruitment process including the sourcing of the right candidates and screening process, which includes the fit and proper assessment is in place.

The e-learning facilities video Webex provides staff with 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. The Bank is currently embarking on the Learning Management System ("LMS") on top of Webex Live Training.

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:

a) individual job requirements, responsibilities, qualifications and experience;
b) the Bank’s performance; and
c) performance/contribution of the individual staff based on the KPIs and department’s performance

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:

a) fixed pay;
b) benefits; and
c) variable pay (short term incentive plan and long term incentive plan).

The Bank is undertaking to look at the Long Term Incentive Plan moving forward.

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:

a) be subject to Board’s active oversight to ensure that the system operates as intended;
b) be in line with the business and risk strategies, corporate values and long-term interests of the financial institution;
c) 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
d) 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.

With the establishment of the Group Board Nomination & Remuneration Committee ("GBNRC") on 1 August 2020, the remuneration of the Group Managing Director, Key Senior Management Officers and Company Secretary must be recommended by the GBNRC and approved by the Bank's 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 11 Senior Officers comprising Group Managing Director, Deputy Group Managing Director/Managing Director, Investment Banking, Group Chief Operating Officer, Managing Director Securities, Group Chief's and Chief's of Support Units and Control Functions.

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:

a) remuneration is adjusted to account for all types of risk, and determined by both quantitative measures and qualitative judgement;
b) the size of the bonus pool is linked to the overall performance of the Bank;
c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Bank;
d) bonuses are not guaranteed, except in the context of sign-on bonuses; and
e) for members of senior management and other material risk takers:
   - 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
   - the variable portion of remuneration increases along with the individual’s level of accountability.

The Bank's remuneration system is 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 and approved by 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). The annual KPIs form a part of the Bank's online Performance Management System (ePMS). The ePMS comprises the KPIs and the Competency Based Behavioral assessment.

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.

Corporate Governance (continued)

3 Remuneration System (continued)

On an annual basis, the Management is required to table to 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 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 awarded to 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 33 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 41 to the financial statements.

Business Strategy for the current financial year

The external macroeconomic environment remains challenging with global GDP contracting 4.3% last year according to the World Bank's economic prospect report. The outbreak of the coronavirus, the US-China trade wars and the US Presidential election have been tough on both the global and domestic economy. On the back of unprecedented fiscal and monetary stimulus across the globe in response to the COVID-19 pandemic, global stock markets rapidly recovered from the March 2020 lows. Similarly, the KLCI managed to post a positive growth after two consecutive years of decline, having risen by 2.4% year-on-year, erasing its lows registered in March.

Notwithstanding the challenging operating environment and the COVID-19 pandemic, the Group which comprised Investment Banking, Securities & Asset Management businesses have performed remarkably well for the year, a strong testament to the Group's "Out Think & Out Perform" to serve and deliver innovative and pioneering solutions to our customers while continuing to identify & capitalise on opportunities. The Group was also focused on driving innovation to quickly adapt and build resilience in its business against the backdrop of COVID-19. These include implementing social distancing measures, work-from-home and split operation policies, and adopting and investing in non-face-to-face technologies with regards to employees and clients. This has ensured minimal disruption to the Group's operations and its ability to serve our customers.

The Group's securities division had performed remarkably well despite the turbulent macroeconomic environment. Some of the factors that contributed to the performance include expansionary monetary policies by global central banks and a low interest rate environment conducive to trading activities. Meanwhile, the Group's investment banking advisory business continued to position itself as a niche market player - offering services both to the large-cap and mid-cap segments of the Malaysian corporates as well as with the Federal and State Governments' Agencies and Corporations.

As for the Group's Treasury and Markets business within Investment banking division, focus was given on risk-free assets to avoid future negative impact of credit defaults or downgrades as economic contraction is expected to spill-over into 2021. The Group also benefited from BNM's Overnight Policy Rate ("OPR") cut to 1.75% that resulted in a rally of bond prices during the year.

As for the Group's Asset Management business, Affin Hwang Asset Management ("AHAM") maintained strong pipeline of product launches including 23 new funds which span different strategies and market exposure to help clients diversify in a low interest rate environment. AHAM is also embarking on a string of digital initiatives aimed at future-proofing its business to create a seamless investing journey.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2020 (continued)

Business review for the current financial year

The Group recorded a net income of RM814.99 million for the current financial year ended 31 December 2020 ("FY2020") as compared to RM538.85 million in the previous financial year ("FY2019"). The Bank meanwhile recorded a net income of RM531.99 million versus FY2019’s net income of RM335.89 million. The higher net income for the Group and the Bank was mainly due to higher investment income, higher net fee income and higher net foreign exchange gains, partially offset by lower net interest income. Securities business contributed 30.4% (2019: 22.6%) to the Group’s overall net income, while investment banking and asset management businesses contributed about 28.9% and 40.7% (2019: 28.7% and 48.7%) of the Group’s total net income respectively.

Profit before zakat and tax (“PBZT”) of the Group for FY2020 recorded more than twofold increase to RM356.00 million compared to PBZT of RM177.04 million in FY2019. As for the Bank, it achieved a PBZT of RM262.45 million for FY2020, compared to PBZT of RM127.47 million for FY2019. Profit attributable to equity holders increased from RM103.20 million in FY2019 to RM231.14 million in FY2020. The current year saw the Group's earnings per share increased to 29.63 sen against 13.23 sen in FY2019 with a higher return on equity of 14.5% against 6.6% in FY2019.

Net assets per share of the Group increased from RM1.99 per share as at 31 December 2019 to RM2.04 per share as at the reporting date. Total assets and total liabilities of the Group stood at RM7.98 billion (2019: RM8.40 billion) and RM6.32 billion (2019: RM6.78 billion) respectively. Total assets decreased by RM417.50 million, mainly contributed by decrease in financial investments at fair value through other comprehensive income by RM739.57 million, decrease in statutory deposit with Bank Negara Malaysia by RM132.40 million and decrease in loans, advances and financing by RM130.19 million, partially offset by increase in trade receivables by RM385.98 million, increase in derivative financial assets by RM107.75 million and increase in cash and short term funds by RM103.02 million.

Total liabilities decreased by RM466.05 million mainly contributed by lower deposits from customers and deposits & placements of banks and other financial institutions by RM980.28 million, partially offset by higher other liabilities by RM289.43 million, higher trade payables by RM133.87 million and higher derivative financial liabilities by RM100.40 million.

Commitment and contingencies increased by RM4,644.18 million mainly due to increase in foreign exchange-related contracts by RM4,511.80 million and unconditionally cancelled commitments by RM275.13 million, partially offset by decrease in interest rate-related contracts by RM170.00 million, as compared to 31 December 2019.

These results represent a record performance for the Group and the Bank since the merger of Affin Investment Bank Berhad and Hwang DBS Investment Bank Berhad in 2014. These were achieved despite the challenging operating environment, the ongoing COVID-19 pandemic and RM49.62 million impairment allowance recognised in FY2020. As the length and severity of the pandemic remains uncertain, the Bank have identified the impacted sectors of COVID-19 outbreak as shown below:

	Loans, advances and financing			Financial investments
	On-balance sheet	**Undrawn (off-balance sheet)**	**Total exposures**	**On-balance sheet**
The Group and the Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Real estate/Construction/Transport, storage and communication/Manufacturing/ Wholesale, retail trade, hotels and restaurants/Household	200,817	70,979	271,796	24,418

As of reporting date, these accounts remains healthy and non-impaired. During this crisis, the Bank will stay vigilant and closely monitor the credit quality of the accounts under these impacted sectors.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2020 (continued)

Business review for the current financial year (continued)

Recognising the challenging environment for borrowers/customers due to COVID-19, Bank Negara Malaysia ("BNM") have announced additional measures to support and assist borrowers/customers experiencing temporary financial constraints. The support measure include the 6-month moratorium for loans/financing repayments from 1 April 2020 and restructure and reschedule ("R&R") of loans/financing. The outstanding COVID-19 borrowers/customers relief and support measures are as follows:

	Total outstanding RM'000	As a percentage of total %
The Group and the Bank		
Total outstanding moratoriums and R&R granted	163,655	100%
of which; customers that have:		
- Resumed repayments	111,862	68%
- Extended and repaying as per revised schedules	51,793	32%

The Group’s securities business (stockbroking and proprietary trading) achieved record results for FY2020, underpinned by the highest ever securities turnover by both value and volume in line with the strong domestic equity capital market with Bursa Malaysia recording the highest average daily trading value in 2020. The investment banking advisory performance, however was adversely affected by the economic slowdown and uncertainties from the COVID-19 pandemic which affected investment banking deal flows.

The Group’s Assets Under Administration ("AUA") stood at RM72.95 billion, an increase of 26.45% or RM15.26 billion from 31 December 2019’s AUA of RM57.69 billion. The increase was driven by the higher net inflows secured throughout the year and better financial market performance as compared to last year.

Notwithstanding this, the Group managed to successfully secure and execute a few notable capital market deals during the year, such as the initial public offering of Optimax Berhad which was listed on Bursa Malaysia’s ACE Market on 18 August 2020, where the Bank was the Principal Adviser, Sole Placement Agent, Sole Underwriter and Sponsor, and the fundraising for Serba Dinamik Holdings Berhad where Bank was the Sole Principal Adviser and Joint Bookrunner ("JBR"). In addition to this, the Group also managed to secure a placement exercise involving Hibiscus Petroleum Berhad, Malaysia’s first listed independent oil & gas exploration and production company.

The Group also managed to maintain its position as the Best Securities House in Malaysia by Asia Money in 2020 for the fourth consecutive year. The Bank also received Best Investment Bank of the Year Malaysia by the International Banker 2020 Asia & Australasia Awards. The fund raising exercise for Serba Dinamik Holdings Berhad was the largest primary placement in Malaysia since January 2018 and the third largest such offering in Southeast Asia for year 2020. This exercise has also led the Group to win the Best Primary Placement award at The Asset Triple A Country Awards 2020.

The Group have also secured awards in the asset management space, with AHAM and AIIMAN securing a total of 27 awards in 2020. 6 awards were from Refinitiv Lipper Fund Awards 2020 for 4 of AHAM Group’s funds, 16 were for AHAM, 3 were for AIIMAN Asset Management and 2 were for AHAM Group’s Exchange Traded Funds.

Business outlook for 2021

The Group remains cautiously optimistic going into 2021.

There remained signs for the domestic economy to record a stronger positive growth in 2021 partly due to base effects, supported also by coordinated efforts by almost every government around the world to implement economic stimulus packages, as well as global central banks adopting ultra-easy monetary policies with the easing of containment measures as in the case in Malaysia. Going into 2021, we believe the next phase of the Malaysian economic growth will depend on global growth, which has been challenging in 2020, due to the uncertain economic environment stemming from the COVID-19 pandemic and uneven growth momentum across major countries. Therefore, uncertainties surrounding the pandemic will continue to be a downside risk.

Business outlook for 2021 (continued)

Nevertheless, the current low interest rate environment should spur trading activity on Bursa. With RM2trn in system deposits, there is strong possibility of channelling of funds into the stock market. With a return of retail investors, the business should continue to target, support and maximise the potential from this segment.

The Group shall continue to expand and leverage on its existing key pillars i.e. the securities, asset management and investment banking businesses to drive and create values. The Group shall leverage more on the digital space especially in the securities business to drive efficiencies in a competitive space. The investment banking segment shall continue to look-out for pockets of business opportunities in a highly challenging business environment, whilst the asset management business continues to grow its AUA and focus on enhancing its customer experience.

The Group shall continue to drive for resilience across its business and operations with continued collaborative efforts to better serve its clientele base, whilst fully cognisant that its business and operations are highly dependent on the performance of the capital markets.

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 31 to the financial statements.

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 15 March 2021, signed on behalf of the Board of Directors:

Maj. Gen. Dato' Zulkiflee bin Mazlan (R)
Chairman
Kuala Lumpur
15 March 2021

Lim Hun Soon @ David Lim
Director

Company No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of financial position
as at 31 December 2020

	Note	The Group		The Bank	
		31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
		RM'000	RM'000	**RM'000**	RM'000
Assets					
Cash and short-term funds	2	**858,178**	755,162	**401,122**	270,574
Financial assets at fair value through profit or loss ("FVTPL")	3	**470,343**	491,916	**308,231**	384,849
Financial investments at fair value through other comprehensive income ("FVOCI")	4	**4,074,381**	4,813,955	**4,074,381**	4,813,955
Financial investments at amortised cost	5	**42,515**	44,567	**42,515**	44,567
Loans, advances and financing	6	**947,363**	1,077,552	**947,363**	1,077,552
Trade receivables	7	**918,847**	532,868	**657,426**	289,593
Derivative financial assets	8	**160,336**	52,583	**157,908**	51,585
Other assets	9	**63,244**	64,058	**54,801**	56,201
Statutory deposits with Bank Negara Malaysia	10	**19,000**	151,400	**18,900**	151,300
Amounts due from subsidiaries	11	**-**	-	**194**	166
Amount due from related companies		**134**	245	**-**	-
Amount due from ultimate holding company		**22**	69	**-**	-
Investment in subsidiaries	12	**-**	-	**126,521**	125,721
Investment in associates	13	**4,108**	3,594	**1,332**	1,132
Tax recoverable		**12,251**	36,420	**8,276**	30,684
Deferred tax assets	14	**46,205**	9,533	**29,713**	-
Property and equipment	15	**23,032**	27,808	**11,086**	15,310
Intangible assets	16	**324,861**	323,194	**315,375**	316,243
Right-of-use assets	17	**15,343**	12,738	**8,460**	3,270
Total assets		**7,980,163**	8,397,662	**7,163,604**	7,632,702
Liabilities and equity					
Deposits from customers	18	**4,214,726**	4,683,126	**4,214,726**	4,683,126
Deposits and placements of banks and other financial institutions	19	**180,522**	692,404	**180,522**	692,404
Trade payables	20	**921,301**	787,429	**516,533**	261,547
Derivative financial liabilities	21	**150,939**	50,535	**150,939**	50,535
Amount due to a related company		**170**	2	**-**	-
Amount due to subsidiaries	11	**-**	-	**-**	36
Amount due to holding company		**71**	103	**-**	-
Lease liabilities	22	**15,504**	12,863	**8,335**	3,253
Other liabilities	23	**835,178**	545,753	**493,933**	346,094
Deferred tax liabilities	14	**-**	12,245	**-**	12,245
Total liabilities		**6,318,411**	6,784,460	**5,564,988**	6,049,240
Share capital	24	**999,800**	999,800	**999,800**	999,800
Reserves	25	**591,367**	555,687	**598,816**	583,662
		1,591,167	1,555,487	**1,598,616**	1,583,462
Non-controlling interest		**70,585**	57,715	**-**	-
Total equity		**1,661,752**	1,613,202	**1,598,616**	1,583,462
Total liabilities and equity		**7,980,163**	8,397,662	**7,163,604**	7,632,702
Commitments and contingencies	38	**12,498,121**	7,853,946	**12,498,121**	7,853,946

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

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Income statements
for the financial year ended 31 December 2020

		The Group		The Bank	
		31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	26	**210,814**	289,145	**208,258**	286,371
Interest expense	27	**(154,574)**	(225,488)	**(148,339)**	(225,147)
Net interest income		**56,240**	63,657	**59,919**	61,224
Fee and commission income	28(a)	**667,499**	480,202	**127,543**	83,116
Fee and commission expense	28(b)	**(216,802)**	(145,477)	**-**	-
Net fee and commission income	28	**450,697**	334,725	**127,543**	83,116
Net gains and losses on financial instruments	29	**288,707**	130,683	**278,468**	122,822
Other operating income	30	**19,346**	9,784	**66,063**	68,725
Net income		**814,990**	538,849	**531,993**	335,887
Other operating expenses	31	**(410,517)**	(341,042)	**(219,990)**	(187,198)
Operating profit before allowances		**404,473**	197,807	**312,003**	148,689
Allowances for credit impairment losses	32	**(49,620)**	(21,231)	**(49,557)**	(21,222)
Share of results of associate, net of tax		**1,146**	459	**-**	-
Profit before zakat and taxation		**355,999**	177,035	**262,446**	127,467
Zakat		**(4,929)**	(2,530)	**(4,267)**	(2,081)
Profit before taxation		**351,070**	174,505	**258,179**	125,386
Taxation	35	**(75,698)**	(40,911)	**(52,806)**	(15,851)
Profit for the financial year		**275,372**	133,594	**205,373**	109,535
Attributable to:					
Equity holders of the Bank		**231,138**	103,197	**205,373**	109,535
Non-controlling interest		**44,234**	30,397	**-**	-
		275,372	133,594	**205,373**	109,535
Earnings per share (sen) :					
Basic/Fully diluted	36	**29.63**	13.23	**26.33**	14.04

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 2020

		The Group		The Bank	
		31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Net profit after zakat and taxation		**275,372**	133,594	**205,373**	109,535
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**127,469**	170,442	**127,469**	170,442
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**7,836**	(5,421)	**7,836**	(5,421)
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(141,029)**	(76,405)	**(141,029)**	(76,405)
Exchange differences on translation of foreign operations		**(540)**	(727)	**-**	-
Deferred tax on financial investments at FVOCI	14	**3,254**	(22,569)	**3,254**	(22,569)
Items that will not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**2,230**	5,845	**2,230**	5,845
Deferred tax on financial investments at FVOCI	14	**21**	(1,899)	**21**	(1,899)
Other comprehensive income for the financial year, net of tax		**(759)**	69,266	**(219)**	69,993
Total comprehensive income for the financial year		**274,613**	202,860	**205,154**	179,528
Attributable to:					
Equity holders of the Bank		**230,579**	172,732	**205,154**	179,528
Non-controlling interests		**44,034**	30,128	**-**	-
		274,613	202,860	**205,154**	179,528

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

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of changes in equity
for the financial year ended 31 December 2020

The Group	Note	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Other reserves # RM'000	Retained profits RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<-------------------- Attributable to equity holders of the Bank -------------------->								
At 1 January 2020		**999,800**	**77,210**	**23,731**	**135**	**(61,010)**	**515,621**	**1,555,487**	**57,715**	**1,613,202**
Comprehensive income:										
Net profit for the financial year		-	-	-	-	-	231,138	231,138	44,234	275,372
Other comprehensive income (net of tax)										
-Financial investments FVOCI		-	(219)	-	-	-	-	(219)	-	(219)
-Exchange differences on translation of foreign operations		-	-	-	(340)	-	-	(340)	(200)	(540)
Total comprehensive income		-	(219)	-	(340)	-	231,138	230,579	44,034	274,613
Obligation to buy a subsidiary's shares from non-controlling interest		-	-	-	-	(4,899)	-	(4,899)	(2,877)	(7,776)
Transfer (from)/to regulatory reserves		-	-	(12,759)	-	-	12,759	-	-	-
Dilution of interest in subsidiaries		-	-	-	-	-	-	-	490	490
Dividends paid	37	-	-	-	-	-	(190,000)	(190,000)	(28,777)	(218,777)
At 31 December 2020		**999,800**	**76,991**	**10,972**	**(205)**	**(65,909)**	**569,518**	**1,591,167**	**70,585**	**1,661,752**

Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 23 (a) (i) and (ii) of the financial statements.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
for the financial year ended 31 December 2020 (continued)

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
		<------------------------- Attributable to equity holders of the Bank							------------------------->		
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	37	-	-	-	-	-	-	(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 (as disclosed in Note 41 of the financial statements).

** On 8 March 2019, the options holder have fully exercised the employee stock option incentive scheme (as disclosed in Note 41 of the financial statements).

Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 23 (a) (i) and (ii) of the financial statements.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
for the financial year ended 31 December 2020 (continued)

		<---------- Non-Distributable	---------->		<- Distributable->	
		Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total equity
The Bank	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2020		**999,800**	**77,155**	**23,731**	**482,776**	**1,583,462**
Comprehensive income:						
Net profit for the financial year		**-**	**-**	**-**	**205,373**	**205,373**
Other comprehensive income (net of tax)						
-Financial investments FVOCI		**-**	**(219)**	**-**	**-**	**(219)**
Total comprehensive income		**-**	**(219)**	**-**	**205,373**	**205,154**
Transfer (from)/to regulatory reserves		**-**	**-**	**(12,759)**	**12,759**	**-**
Dividends paid	37	**-**	**-**	**-**	**(190,000)**	**(190,000)**
At 31 December 2020		**999,800**	**76,936**	**10,972**	**510,908**	**1,598,616**
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	37	-	-	-	(60,000)	(60,000)
At 31 December 2019		999,800	77,155	23,731	482,776	1,583,462

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 2020

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**351,070**	174,505	**258,179**	125,386
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial investments at FVOCI	**(126,801)**	(194,580)	**(126,801)**	(194,580)
- financial investments at amortised cost	**(2,410)**	(2,540)	**(2,410)**	(2,540)
Interest expense on lease liability	**908**	575	**425**	234
Unwinding of discount on provision for restoration cost	**17**	-	**17**	-
Finance cost on call options	**5,752**	-	**-**	-
Dividend income:				
- financial assets at FVTPL	**(6,453)**	(7,290)	**(5,209)**	(5,711)
- financial investments at FVOCI	**(300)**	(3,554)	**(300)**	(3,554)
Dividend income from subsidiaries	**-**	-	**(49,000)**	(59,500)
Share of results of associate, net of tax	**(1,146)**	(459)	**-**	-
Gain on disposal of property and equipment	**(201)**	(173)	**(16)**	(20)
(Gain)/loss arising from disposal/redemption of:				
- derivative instruments	**(2)**	-	**(2)**	-
- financial assets at FVTPL	**(111,158)**	(44,762)	**(109,355)**	(42,338)
- financial investments at FVOCI	**(144,829)**	(76,361)	**(144,829)**	(76,361)
Property and equipment written off	**241**	55	**92**	4
Depreciation of property and equipment	**11,278**	9,601	**7,114**	5,917
Depreciation of ROU	**9,916**	9,352	**5,776**	5,560
Amortisation of intangible assets	**2,750**	2,599	**1,436**	1,350
Unrealised loss/ (gain) on:				
- derivative instruments	**(5,091)**	1,047	**(5,091)**	1,047
- financial assets at FVTPL	**(3,308)**	19,885	**3,884**	23,743
Expected credit losses ('ECL') made/ (written-back) on:				
- securities	**9,888**	(1,607)	**9,888**	(1,607)
- loans, advances and financing	**34,099**	7,744	**34,099**	7,744
- trade receivables	**2,601**	(260)	**2,537**	(269)
- other assets	**1,966**	927	**1,967**	927
- loans and financing commitments and financial guarantee	**3,991**	14,533	**3,991**	14,533
Zakat	**4,929**	2,530	**4,267**	2,081
Bad debt written off	**-**	8	**-**	8
Unrealised exchange (gain)/ loss	**20,470**	(4,492)	**21,488**	(3,080)
Operating profit/ (loss) before changes in working capital	**58,177**	(92,717)	**(87,853)**	(201,026)

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 2020 (continued)

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
(Increase)/Decrease in operating assets				
Loan, advances and financing	**94,979**	190,708	**94,979**	190,708
Statutory deposits with Bank Negara Malaysia	**132,400**	45,200	**132,400**	45,200
Trade receivables	**(388,579)**	(164,187)	**(370,370)**	(9,794)
Other assets	**(1,943)**	(29,790)	**(2,376)**	(26,902)
Amount due from ultimate holding company	**47**	(69)	**-**	-
Intercompany balances	**-**	-	**(64)**	143
Derivative financial assets	**(102,079)**	(19,281)	**(100,649)**	(19,767)
Commodity Gold at FVTPL	**-**	42,733	**-**	-
Financial assets at FVTPL	**142,150**	(227,652)	**187,298**	(179,179)
	(123,025)	(162,338)	**(58,782)**	409
(Decrease)/Increase in operating liabilities				
Deposit from customers	**(469,569)**	(448,526)	**(469,569)**	(448,526)
Deposits and placements of banks and other financial institutions	**(511,882)**	267,491	**(511,882)**	267,491
Obligations on securities sold under repurchase agreements	**-**	(142,477)	**-**	(142,477)
Trade payables	**133,872**	186,531	**254,986**	(31,398)
Amount due to related company	**280**	(691)	**-**	-
Amount due to holding company	**(32)**	56	**-**	-
Derivative financial liabilities	**100,404**	22,428	**100,404**	22,428
Other liabilities	**249,433**	18,850	**121,787**	33,367
	(497,494)	(96,338)	**(504,274)**	(299,115)
Cash used in operating activities	**(562,342)**	(351,393)	**(650,909)**	(499,732)
Tax paid	**(97,172)**	(43,611)	**(69,081)**	(22,157)
Zakat paid	**(1,499)**	(1,990)	**(1,050)**	(1,579)
NET CASH USED IN OPERATING ACTIVITIES	**(661,013)**	(396,994)	**(721,040)**	(523,468)

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 2020 (continued)

	Note	The Group		The Bank	
		31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
		RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property and equipment		**242**	448	**16**	234
Purchase of property and equipment		**(6,784)**	(7,405)	**(2,982)**	(2,787)
Purchase of intangible assets		**(4,417)**	(2,691)	**(568)**	(1,630)
Interest received:					
- financial investments at FVOCI		**161,318**	192,927	**161,318**	192,927
- financial investments at amortised cost		**2,410**	2,540	**2,410**	2,540
Purchase of:					
- financial investments at FVOCI		**(4,886,033)**	(5,088,841)	**(4,886,033)**	(5,088,841)
Redemption/disposal of:					
- financial investments at FVOCI		**5,706,610**	5,490,955	**5,706,610**	5,490,955
Capital injection for subsidiaries		**-**	-	**(800)**	-
Capital injection for associate		**-**	-	**(200)**	-
Redemption/(Acquisition) of an equity interest in an associate		**632**	(3,135)	**-**	-
Dividend income received from:					
- a subsidiary		**-**	-	**49,000**	59,500
- financial investments at FVOCI		**300**	3,554	**300**	3,554
NET CASH GENERATED FROM INVESTING ACTIVITIES		**974,278**	588,352	**1,029,071**	656,452
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments		**(10,271)**	(9,706)	**(5,792)**	(5,716)
Dividends paid		**(190,000)**	(60,000)	**(190,000)**	(60,000)
Dividends paid to non-controlling interest		**(28,777)**	(35,001)	**-**	-
Issue of subsidiary's share capital		**490**	-	**-**	-
Exercise of employee stock option		**-**	44,774	**-**	-
NET CASH USED IN FINANCING ACTIVITIES		**(228,558)**	(59,933)	**(195,792)**	(65,716)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**84,707**	131,425	**112,239**	67,268
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**707,679**	576,254	**223,091**	155,823
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR		**792,386**	707,679	**335,330**	223,091
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and short-term funds	2	**858,178**	755,162	**401,122**	270,574
Less:					
Amount held on behalf of commissioned dealer's representatives	23	**(65,792)**	(47,483)	**(65,792)**	(47,483)
Cash and cash equivalents		**792,386**	707,679	**335,330**	223,091

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

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Summary of significant accounting policies for the financial year ended 31 December 2020

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

Accounting standards, annual improvements and amendments to MFRS which are effective for the Group and the Bank for the financial period beginning on or after 1 January 2020:

- Amendments to the Conceptual Framework for Financial Reporting
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'

The Group and the Bank have adopted Amendments to MFRS 3 'Definition of a Business' and Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform' for the first time in the 2020 financial statements, which resulted in changes in accounting policies.

Amendments to MFRS 3 'Definition of a Business'

Amendments to MFRS 3 'Definition of a Business' 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.

In addition, the revised definition of the term 'outputs' is narrower, focusses 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. The assets acquired would not represent a business when substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets).

The Group and Bank have applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

Summary of significant accounting policies for the financial year ended 31 December 2020 (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)

Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate ("IBOR") reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statement of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

In accordance with the transition provisions, the Group and the Bank have adopted the amendments to MFRS 9 and MFRS 7 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. These amendments had no impact on the amounts recognised in the current or prior period.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

- Annual Improvements to MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 116 'Proceeds Before Intended Use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  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 (continue)

- Amendments to MFRS 137 ‘Onerous Contracts - Cost of Fulfilling a Contract’ (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’ (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 ‘Financial Instruments: Presentation’ is considered in the current or non-current classification of the convertible instrument.

  The amendments shall be applied retrospectively.

(c) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak by BNM

On 24 March 2020, BNM announced the additional measures to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19. The measures which are aimed at ensuring the financial intermediation function of the financial sector remains intact, access to financing continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances are set out as follows:

- Banking institutions will grant an automatic moratorium on all loan/financing repayments/payments, both principal and interest by individuals and small-medium enterprises ("SMEs") borrowers/customers for a period of 6 months effective 1 April 2020. This automatic moratorium is applicable to loan/financing that are not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit;

- For corporate customers, banking institutions will facilitate customer's requests for a moratorium on loan/financing repayment/payment, additional financing to support cashflows or may reschedule and restructure existing facilities in an effort to assist the corporations to preserve jobs and slowly resume economic activities when conditions improve;

- Banking institutions are given prudential buffer with immediate effect to drawdown the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio ("LCR") of 100% and to reduce the regulatory reserves ("RR") held against expected losses to 0%. This buffer will need to be restored to the minimum regulatory requirements by 30 September 2021;

- Banking institutions are also allowed to implement lower minimum Net Stable Funding Ratio ("NSFR") of 80% effective 1 July 2020. However, banking institution shall comply with 100% NSFR ratio from 30 September 2021.

The adoption of the above amendments and additional measures to assist borrowers/customers affected by the COVID-19 Outbreak by BNM do not give rise to any material financial impact to the Group and the Bank. The Group and the Bank have continued to maintain aggregate regulatory reserves of no less than 1% of total credit exposures, net of allowance for credit-impaired exposures.

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. 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 acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs. The acquisition would be classified as acquisition of assets if definition of business is not met.

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 ensure uniform accounting policies of 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 2020 (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.

The contractual obligation to buy the subsidiary's shares from the non-controlling interest meets the definition of financial liability and is accounted as disclosed in Note H.

(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 2020 (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 2020 (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.

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 2020 (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 at FVTPL 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.

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 OCI, cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but may be transferred within equity 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 and 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).

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); and
- rescheduling and/or restructuring ("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.

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).

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 Financial Reporting policy dated 27 September 2019, the Group and the Bank must 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.

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).

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.

Summary of significant accounting policies for the financial year ended 31 December 2020 (continued)

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 financial year 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 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 and 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.

(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.

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 2020 (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 placements with financial institutions, with original maturity 3 months or less.

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.

T Leases

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)

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.

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.

Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

(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 disposal proceeds, the carrying amount of the securities and incremental costs that are directly attributable to the disposal. Effective 1 January 2020, the Bank has included certain employee costs as part of the incremental costs directly attributable to the acquisition, issue or disposal of the securities.

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

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of significant accounting policies for the financial year ended 31 December 2020 (continued)

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) 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.

Distributions to holders of an equity instrument is recognised directly in equity.

(c) 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.

The commodity is derecognised when the risks and rewards of ownership have been substantially transferred.

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.

AA Critical accounting estimates and judgments (continued)

Impact arising from COVID-19 on ECL

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

These overlays were taken to reflect the latest macro-economic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

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

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

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 uncertainties arising from the COVID-19 pandemic has been reflected in the cash flow projections.

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.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statements
for the financial year ended 31 December 2020

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**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**594,580**	558,378	**266,017**	145,289
Money at call and deposit placements maturing within one month	**263,598**	196,784	**135,105**	125,285
	858,178	755,162	**401,122**	270,574

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM65,792,000 (2019: RM47,483,000).

Cash and short term funds of the Group also include restricted cash which could be utilised only for the creation and cancellation of units of the fund managed by the Group in accordance with Section 111 of the Capital Markets and Services Act 2007. The total restricted cash of the Group amounted to RM283,648,000 (2019: RM406,232,000).

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Money market instruments				
Malaysian government investment issues	**-**	137,242	**-**	137,242
	-	137,242	**-**	137,242
Quoted securities				
Unit trusts in Malaysia	**229,378**	231,777	**197,290**	200,080
Shares, warrants and REITs in Malaysia	**108,083**	49,478	**106,743**	47,397
Shares, warrants and REITs outside Malaysia	**73,497**	35,101	**4,198**	129
Exchange traded fund	**891**	5,006	**-**	-
	411,849	321,362	**308,231**	247,606
Unquoted securities				
Corporate bonds and/or Sukuk in Malaysia	**14,005**	6,825	**-**	1
Corporate bonds and/or Sukuk outside Malaysia	**44,489**	26,487	**-**	-
	58,494	33,312	**-**	1
	470,343	491,916	**308,231**	384,849

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

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
Money market instruments		
Malaysian government securities	**1,144,251**	549,606
Malaysian government investment issues	**1,022,844**	1,098,452
Cagamas bonds	**11,103**	25,965
Negotiable instruments of deposit	**-**	20,336
	2,178,198	1,694,359
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia #	**1,841,989**	2,968,706
Corporate bonds and/or Sukuk outside Malaysia	**28,875**	127,888
Shares in Malaysia *	**25,319**	23,002
	4,074,381	4,813,955

* Equity securities designated at fair value through other comprehensive income.

\# Certain unquoted perpetual bonds are designated at fair value through other comprehensive income.

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

Equity investments designated at fair value through other comprehensive income

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	
	31.12.2020	31.12.2019
Unquoted securities	**RM'000**	RM'000
Corporate bonds - perpetual bonds:		
Mah Sing Group Berhad*	**-**	50,956
	-	50,956
Shares in Malaysia:		
Cagamas Berhad	**20,923**	19,410
RAM Holdings Berhad	**3,226**	2,477
Malaysian Rating Corporation Berhad	**1,170**	1,115
	25,319	23,002
Total unquoted securities	**25,319**	73,958
Total quoted and unquoted securities	**25,319**	73,958

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Quoted securities						
REITs in Malaysia	**-**	-	**-**	-	**-**	621
REITs outside Malaysia	**-**	-	**-**	-	**-**	1,473
	-	-	**-**	-	**-**	2,094
Unquoted securities	**25,319**	73,958	**300**	1,460	**-**	-
	25,319	73,958	**300**	1,460	**-**	2,094

* fully redeemed during the financial year ended 31 December 2020.

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 31.12.2020	**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	**1,099**	**37**	**12,166**	**13,302**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	**198**	**(198)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(675)**	**675**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**(477)**	**477**	**-**	**-**
Derecognised during the financial year (other than write-offs)	**(2,050)**	**(1)**	**-**	**(2,051)**
New originated or purchased	**2,075**	**-**	**-**	**2,075**
Changes due to change in credit risk	**3,681**	**187**	**4**	**3,872**
Changes in model/risk parameters	**420**	**3,519**	**-**	**3,939**
Other adjustments:				
- Foreign exchange and other adjustments	**1**	**-**	**-**	**1**
At end of the financial year	**4,749**	**4,219**	**12,170**	**21,138**

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)
Other adjustments:				
- Foreign exchange and other adjustments	-	-	-	-
At end of the financial year	1,099	37	12,166	13,302

The gross carrying amount of financial investments at FVOCI is at fair value. ECL are provided based on Exposure at Default ("EAD") of the assets. In the case of Stage 3 financial investments at FVOCI for the Group & Bank, ECL of Stage 3 is higher than the gross carrying amount, as the EAD of the asset is higher than it's fair value. ECL is recognised with the corresponding entry to income statement.

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 **31.12.2020**	**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	**4,677,576**	**57,905**	**4,516**	**4,739,997**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	**42,212**	**(42,212)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(103,878)**	**103,878**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**(61,666)**	**61,666**	**-**	**-**
Derecognised during the financial year (other than write-offs)	**(5,535,094)**	**(15,446)**	**-**	**(5,550,540)**
New originated or purchased	**4,886,032**	**-**	**-**	**4,886,032**
Changes due to interest accruals	**(13,118)**	**139**	**-**	**(12,979)**
Changes due to fair value	**(13,776)**	**280**	**(64)**	**(13,560)**
Other adjustments:				
- Foreign exchange and other adjustments	**107**	**-**	**5**	**112**
At end of the financial year	**3,940,061**	**104,544**	**4,457**	**4,049,062**

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-months 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
Other adjustments:				
- Foreign exchange and other adjustments	(12)	-	(126)	(138)
At end of the financial year	4,677,576	57,905	4,516	4,739,997

The gross carrying amount of financial investments at FVOCI is at fair value. ECL are provided based on Exposure at Default ("EAD") of the assets. In the case of Stage 3 financial investments at FVOCI for the Group & Bank, ECL of Stage 3 is higher than the gross carrying amount, as the EAD of the assets is higher than its' fair value. ECL is recognised in reserves with the corresponding entry to income statement.

5 Financial investments at amortised cost

	The Group and the Bank	
	31.12.2020	31.12.2019
	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")	**(12,982)**	(10,930)
	42,515	44,567

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

The Group and the Bank 31.12.2020	**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	**150**	**-**	**10,780**	**10,930**
Changes due to change in credit risk	**(97)**	**-**	**2,142**	**2,045**
Changes in model/risk parameters	**7**	**-**	**-**	**7**
At end of the financial year	**60**	**-**	**12,922**	**12,982**

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

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

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 31.12.2020	**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 31.12.2019	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

6 Loans, advances and financing

	The Group and the Bank 31.12.2020 RM'000	The Group and the Bank 31.12.2019 RM'000
(i) By type		
Term loans/financing:		
- Syndicated term loan/financing	**107,053**	150,772
- Other term loans/financing	**162,163**	341,452
Revolving credits	**97,653**	93,297
Share margin financing	**605,485**	503,486
Staff loans	**5,992**	6,055
Gross loans, advances and financing	**978,346**	1,095,062
Less : expected credit losses	**(30,983)**	(17,510)
Total net loans, advances and financing	**947,363**	1,077,552
(ii) By maturity structure		
Maturing within one year	**685,308**	816,635
One year to three years	**76,354**	99,997
Three years to five years	**95,287**	82,849
Over five years	**121,397**	95,581
	978,346	1,095,062

6 Loans, advances and financing (continued)

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
(iii) By type of customer		
Domestic business enterprises:		
- Small medium enterprises	**19,123**	151,449
- Others	**415,959**	716,488
Domestic non-bank financial institutions	**188,385**	28,307
Individuals	**354,298**	198,036
Foreign individuals	**581**	782
	978,346	1,095,062
(iv) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	**36,545**	36,570
- Housing loans/financing	**3,738**	3,560
- Hire purchase receivables	**2,254**	2,470
Variable rate		
- Cost plus	**907,033**	999,369
- BLR plus	**-**	20,625
- Other floating rate	**28,776**	32,468
	978,346	1,095,062
(v) By economic sectors		
Household	**354,880**	198,818
Finance, insurance and business services	**193,020**	113,121
Real estate	**156,172**	297,386
Transport, storage and communication	**89,750**	93,087
Construction	**88,631**	119,274
Agriculture	**43,089**	54,761
Manufacturing	**30,156**	125,807
Wholesale, retail trade, hotels and restaurants	**10,663**	55,308
Education, health and others	**9,616**	31,909
Mining and quarrying	**2,369**	5,591
	978,346	1,095,062

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

6 Loans, advances and financing (continued)

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
(vi) By economic purpose		
Purchase of securities	**700,843**	600,916
Purchase of landed properties of which		
- Residential	**3,738**	3,560
- Non-residential	**52,655**	58,177
Working capital	**84,656**	130,090
Construction	**37,164**	63,345
Purchase of transport vehicles	**33,329**	37,519
Personal use	**-**	25
Others	**65,961**	201,430
	978,346	1,095,062
(vii) By geographical distribution		
Wilayah Persekutuan	**509,620**	513,632
Selangor	**232,432**	294,775
Johor	**56,916**	124,012
Sabah	**53,628**	47,511
Sarawak	**63,285**	40,986
Terengganu	**29,638**	32,429
Perak	**5,146**	24,526
Pulau Pinang	**23,723**	13,124
Negeri Sembilan	**3,324**	2,504
Kedah	**634**	1,563
	978,346	1,095,062
(viii) Movements of impaired loans, advances and financing		
At beginning of the financial year	**98,782**	80,851
Classified as impaired during the financial year	**96,752**	40,861
Reclassified as non-impaired during the financial year	**(69,900)**	(11,810)
Amount written-off	**(20,626)**	(95)
Amount recovered	**(15,716)**	(11,025)
At end of the financial year	**89,292**	98,782
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing	**9.13%**	9.02%

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

6 Loans, advances and financing (continued)

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
(ix) Impaired loans, advances and financing analysed by sector		
Construction	**36,545**	36,545
Education, health and others	**-**	20,626
Manufacturing	**7,369**	14,952
Real estate	**35,089**	14,119
Transport, storage and communication	**7,920**	9,958
Mining and quarrying	**2,369**	2,581
Household	**-**	1
	89,292	98,782
(x) Impaired loans, advances and financing by economic purpose		
Working capital	**51,835**	61,456
Construction	**-**	20,626
Other purpose	**9,013**	14,119
Purchase of transport vehicles	**2,369**	2,581
Purchase of securities	**26,075**	-
	89,292	98,782
(xi) Impaired loans, advances, and financing by geographical distribution		
Selangor	**50,378**	39,030
Sarawak	**36,545**	36,545
Perak	**-**	20,626
Wilayah Persekutuan	**2,369**	2,581
	89,292	98,782

6 Loans, advances and financing (continued)

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

The Group and the Bank 31.12.2020	**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	**2,007**	**676**	**14,827**	**17,510**
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	**1,275**	**-**	**(1,275)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(1,158)**	**2,428**	**(1,270)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(1)**	**(1,393)**	**1,394**	**-**
Total transfer between stages	**116**	**1,035**	**(1,151)**	**-**
Loans/Financing derecognised during the financial year (other than write-offs)	**(143)**	**(27)**	**(149)**	**(319)**
New loans/financing originated or purchased	**43**	**-**	**-**	**43**
Changes due to change in credit risk	**(321)**	**6,684**	**28,151**	**34,514**
Changes in model/risk parameters	**47**	**-**	**-**	**47**
Write-offs	**-**	**-**	**(20,626)**	**(20,626)**
Other adjustments:				
- Foreign exchange and other adjustments	**32**	**(218)**	**-**	**(186)**
At end of the financial year	**1,781**	**8,150**	**21,052**	**30,983**

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

6 Loans, advances and financing (continued)

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

The Group and the Bank 31.12.2020	**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	**923,580**	**72,700**	**98,782**	**1,095,062**
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	**20,026**	**(124)**	**(19,902)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(132,238)**	**182,236**	**(49,998)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(23,545)**	**(76,150)**	**99,695**	**-**
Total transfer between stages	**(135,757)**	**105,962**	**29,795**	**-**
Loans/Financing derecognised during the financial year (other than write-offs)	**(171,728)**	**(6,380)**	**(513)**	**(178,621)**
New loans/financing originated or purchased	**509,125**	**-**	**-**	**509,125**
Changes due to change in credit risk	**(326,363)**	**(81,580)**	**(18,146)**	**(426,089)**
Write-offs	**-**	**-**	**(20,626)**	**(20,626)**
Other adjustments				
- Foreign exchange and other adjustments	**1,648**	**(2,153)**	**-**	**(505)**
At end of the financial year	**800,505**	**88,549**	**89,292**	**978,346**

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

7 Trade receivables

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Amount in respect of asset management related fees receivables	**261,510**	243,300	**-**	-
Amounts due from clients:				
- performing accounts	**564,841**	231,679	**564,841**	231,679
- impaired accounts	**1,387**	139	**1,387**	139
Amounts due from brokers	**93,918**	57,958	**93,918**	57,958
	921,656	533,076	**660,146**	289,776
Less: Expected credit losses ("ECL")	**(2,809)**	(208)	**(2,720)**	(183)
	918,847	532,868	**657,426**	289,593

Movements of impaired amounts due from clients:

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
At beginning of the financial year	**139**	424
Classified as impaired during the financial year	**2,104**	419
Amount recovered	**(856)**	(704)
At end of the financial year	**1,387**	139

7 Trade receivables (continued)

The Group **31.12.2020**	**Lifetime ECL Not Credit Impaired** **RM'000**	**Lifetime ECL Credit Impaired** **RM'000**	**Total** **RM'000**
Expected credit losses			
At beginning of the financial year	**70**	**138**	**208**
Allowance made	**8,429**	**1,192**	**9,621**
Amount written back	**(6,164)**	**(856)**	**(7,020)**
At end of the financial year	**2,335**	**474**	**2,809**

The Group 31.12.2019	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
Expected credit losses			
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 Bank **31.12.2020**	**Lifetime ECL Not Credit Impaired** **RM'000**	**Lifetime ECL Credit Impaired** **RM'000**	**Total** **RM'000**
Expected credit losses			
At beginning of the financial year	**45**	**138**	**183**
Allowance made	**8,363**	**1,192**	**9,555**
Amount written back	**(6,162)**	**(856)**	**(7,018)**
At end of the financial year	**2,246**	**474**	**2,720**

The Bank 31.12.2019	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
Expected credit losses			
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

8 Derivative financial assets

	The Group			
	31.12.2020		31.12.2019	
	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	**929,375**	**21,451**	295,358	8,738
- Currency swaps	**3,370,371**	**87,890**	1,688,734	28,504
	4,299,746	**109,341**	1,984,092	37,242
Interest rate related contracts				
- Interest rate swaps	**1,450,000**	**50,995**	1,300,000	15,341
	5,749,746	**160,336**	3,284,092	52,583

	The Bank			
	31.12.2020		31.12.2019	
	Contract/ Notional amount RM'000	**Assets RM'000**	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	**929,375**	**19,023**	295,358	7,740
- Currency swaps	**3,370,371**	**87,890**	1,688,734	28,504
	4,299,746	**106,913**	1,984,092	36,244
Interest rate related contracts				
- Interest rate swaps	**1,450,000**	**50,995**	1,300,000	15,341
	5,749,746	**157,908**	3,284,092	51,585

9 Other assets

	The Group		The Bank	
	31.12.2020 RM'000	31.12.2019 RM'000	**31.12.2020 RM'000**	31.12.2019 RM'000
Other debtors, deposits and prepayments	**48,685**	28,110	**40,342**	20,352
Securities Lending	**14,044**	34,384	**14,044**	34,384
Clearing guarantee fund (a)	**2,413**	2,272	**2,413**	2,272
Clearing fund (b)	**1,718**	1,000	**1,718**	1,000
Transferable membership	**350**	350	**250**	250
	67,210	66,116	**58,767**	58,258
Less: Expected credit losses ("ECL")	**(3,966)**	(2,058)	**(3,966)**	(2,057)
	63,244	64,058	**54,801**	56,201

(a) Interest-bearing contributions made by the Bank amounted to RM2,413,000 (2019: RM2,272,000) 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 RM1,718,000 (2019: RM1,000,000) in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

9 Other assets (continued)

Movements of credit impaired accounts

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
At beginning of the financial year	**2,085**	1,661
Classified as impaired during the financial year	**4,104**	1,455
Amount recovered	**(1,555)**	(493)
Amount written off	**(59)**	(538)
At end of the financial year	**4,575**	2,085

Movements in allowances for impairment on other assets:

The Group 31.12.2020	**Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
Expected credit losses			
At beginning of the financial year	**7**	**2,051**	**2,058**
Allowance made	**40**	**3,510**	**3,550**
Amount written back	**(29)**	**(1,555)**	**(1,584)**
Amount written off	**-**	**(58)**	**(58)**
At end of the financial year	**18**	**3,948**	**3,966**

The Group 31.12.2019	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total 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

9 Other assets (continued)

Movements in allowances for impairment on other assets (continued)

The Bank **31.12.2020**	**Lifetime ECL Not Credit Impaired RM'000**	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
Expected credit losses			
At beginning of the financial year	**6**	**2,051**	**2,057**
Allowance made	**40**	**3,510**	**3,550**
Amount written back	**(28)**	**(1,555)**	**(1,583)**
Amount written off	**-**	**(58)**	**(58)**
At end of the financial year	**18**	**3,948**	**3,966**

The Bank 31.12.2019	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
Expected credit losses			
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

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.

As announced by BNM on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully meet the Statutory Reserve Requirement ("SRR") compliance. The flexibility is available until 31 May 2021.

11 Amounts due from/(to) subsidiaries

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

12 Investment in subsidiaries

	The Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
Unquoted shares at cost at beginning of the financial year	**125,721**	125,721
Subscription of additional shares of subsidiaries	**800**	-
Unquoted shares at cost at end of the financial year	**126,521**	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	
		31.12.2020	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Direct subsidiaries:	**Principal activities**	**RM'000**	**%**	%	**%**	%
Affin Hwang Asset Management Berhad ("AHAM") #	Asset management, management of unit trust & private retirement schemes	**54,773**	**63**	63	**37**	37
Affin Hwang Nominees (Asing) Sdn. Bhd.	Nominee services	**1,326**	**100**	100	-	-
Affin Hwang Nominees (Tempatan) Sdn. Bhd.	Nominee services	**1,331**	**100**	100	-	-
AHC Global Sdn. Bhd.	Investment holdings	**1,332**	**100**	100	-	-
AHC Associates Sdn. Bhd.	Investment holdings	**1,332**	**100**	100	-	-
Affin Hwang Trustee Berhad	Trustee services	**6,500**	**100**	100	-	-
Direct subsidiaries of AHAM:						
Bintang Capital Partners Berhad	Private equity management	**1,000**	**51**	100	**49**	-
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 41 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 31.12.2020 RM'000	Percentage of equity held 31.12.2020 %	Percentage of equity held 31.12.2019 %	Non-controling interest 31.12.2020 %	Non-controling interest 31.12.2019 %
AIIMAN Global Equity Fund**	Investment in Shariah-compliant equities	**	**59**	99	**41**	1
AIIMAN Asia Pacific (ex Japan) Dividend Fund**	Investment in Shariah-compliant equities	**	**42**	56	**58**	44
Affin Hwang AIIMAN Global Sukuk Fund **	Investment in Shariah-compliant fixed income instruments	**	**36**	67	**64**	33
TradePlus HSCEI Daily (-1x) Inverse Tracker**	Investment in futures contracts	**	**75**	80	**25**	20
TradePlus HSCEI Daily (-2x) Leveraged Tracker**	Investment in futures contracts	**	**100**	40	**-**	60
TradePlus NYSE FANG+ Daily (2x) Leveraged Tracker **	Investment in futures contracts	**	**57**	100	**43**	-
TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker **	Investment in futures contracts	**	**81**	100	**19**	-
TradePlus DWA Malaysia Momentum Tracker**	Investment in equity instruments	**	**50**	-	**50**	-
Affin Hwang Shariah Gold Tracker Fund**	Shariah-compliant investment in gold	**	**34**	-	**66**	-
Affin Hwang Constant Cash Fund 1^	Investment in 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".

^ The fund has been deconsolidated from Group as AHAM Group lost control on the fund in financial year 2020 and has subsequently fully redeemed its units in the fund during the financial year.

^^ The funds have been wound up and deconsolidated from the Group.

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

	Percentage of equity held 31.12.2020 %	Percentage of equity held 31.12.2019 %
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 2020 (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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
	%	%	**RM'000**	RM'000	**RM'000**	RM'000
AHAM	**37**	37	**44,234**	30,397	**70,585**	57,715

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	
	31.12.2020	31.12.2019
	RM'000	RM'000
Summarised financial position		
Total assets	**943,856**	891,855
Total liabilities	**(752,428)**	(734,733)
Net assets	**191,428**	157,122
Equity attributable to the Bank	**120,843**	99,407
NCI	**70,585**	57,715
Summarised financial results		
Revenue	**554,688**	408,397
Profit before taxation	**137,964**	110,307
Taxation and zakat	**(23,713)**	(25,785)
Other comprehensive income	**(540)**	(727)
Total comprehensive income	**113,711**	83,795
Summarised cash flows		
Net cash generated from operating activities	**92,495**	130,923
Net cash used in financing activities	**(82,256)**	(53,695)
Net cash used in investing activities	**(38,309)**	(10,596)
Net (decrease)/increase in cash & cash equivalents	**(28,070)**	66,632
Profit allocated to NCI of the Group	**44,234**	30,397

13 Investment in associates

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Cost at beginning of the financial year	**3,594**	-	**1,132**	1,132
Net (redemption)/additional investments in funds	**(632)**	3,135	**-**	**-**
Share of results of associate, net of tax	**1,146**	459	**-**	-
Subscription of additional shares (a)	**-**	-	**200**	-
Cost at end of the financial year	**4,108**	3,594	**1,332**	1,132

(a) During the financial year, the Bank subscribed for an additional of 40,000 ordinary shares of RM10 each (out of which RM5 is uncalled) in AHTB for a cash consideration of RM200,000.

(b) Information about associates:

The Group		**Issued and paid**	**Percentage of equity held**	
Name	**Principal Activities**	**up share capital**	**2020**	2019
		RM'000	**%**	%
Direct associate of AHAM:				
TradePlus S&P New China Tracker *	Investment in equity instruments	*	**15%**	22%

The Bank		**Issued and paid**	**Percentage of equity held**	
Name	**Principal Activities**	**up share capital**	**2020**	2019
		RM'000	**%**	%
Affin Hwang Trustee Berhad ("AHTB") **	Provision of trustee services	**6,500**	**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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**46,205**	9,533	**29,713**	-
Deferred tax liabilities	**-**	(12,245)	**-**	(12,245)
	46,205	(2,712)	**29,713**	(12,245)
Deferred tax assets:				
- to be recovered after more than 12 months	**4,162**	1,251	**3,042**	136
- to be recovered within 12 months	**65,154**	26,159	**48,270**	16,058
Deferred tax liabilities:				
- to be recovered after more than 12 months	**(20,702)**	(23,696)	**(20,029)**	(23,136)
- to be recovered within 12 months	**(2,409)**	(6,426)	**(1,570)**	(5,303)
	46,205	(2,712)	**29,713**	(12,245)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

14 Deferred tax assets/(liabilities) (continued)

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

	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
The Group										
31.12.2020										
At beginning of financial year		**(1,861)**	**198**	**55**	**(4)**	**26,510**	**(10,167)**	**784**	**(18,227)**	**(2,712)**
Credited to income statements	35	**430**	**(298)**	**844**	**(22)**	**38,576**	**4,805**	**180**	**1,127**	**45,642**
Charged to equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,275**	**3,275**
At end of the financial year		**(1,431)**	**(100)**	**899**	**(26)**	**65,086**	**(5,362)**	**964**	**(13,825)**	**46,205**
The Group										
31.12.2019										
At beginning of financial year		(1,966)	153	1,025	18	29,504	(9,216)	527	6,552	26,597
Credited to income statements	35	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 Bank										
31.12.2020										
At beginning of financial year		**(798)**	**(578)**	**55**	**(4)**	**16,142**	**(8,835)**	**-**	**(18,227)**	**(12,245)**
Credited to income statements	35	**499**	**(295)**	**844**	**(22)**	**31,603**	**4,927**	**-**	**1,127**	**38,683**
Charged to equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,275**	**3,275**
At end of the financial year		**(299)**	**(873)**	**899**	**(26)**	**47,745**	**(3,908)**	**-**	**(13,825)**	**29,713**
The Bank										
31.12.2019										
At beginning of financial year		(865)	(609)	1,025	18	16,481	(8,096)	-	6,552	14,506
Credited to income statements	35	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)

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

15 Property and equipment

The Group 31.12.2020	**Renovations RM'000**	**Office equipment & furniture RM'000**	**Motor vehicles RM'000**	**Computer equipment RM'000**	**Total RM'000**
Cost					
At beginning of the financial year	**29,376**	**14,993**	**6,447**	**49,018**	**99,834**
Additions	**1,354**	**1,345**	**1,255**	**2,830**	**6,784**
Disposals	**-**	**(16)**	**(462)**	**(1,781)**	**(2,259)**
Write-offs	**(999)**	**(3,367)**	**(293)**	**(878)**	**(5,537)**
At end of the financial year	**29,731**	**12,955**	**6,947**	**49,189**	**98,822**
Accumulated depreciation					
At beginning of the financial year	**16,630**	**11,534**	**4,241**	**39,621**	**72,026**
Charge for the financial year	**4,338**	**1,299**	**1,053**	**4,588**	**11,278**
Disposals	**-**	**(14)**	**(462)**	**(1,742)**	**(2,218)**
Write-offs	**(867)**	**(3,352)**	**(205)**	**(872)**	**(5,296)**
At end of the financial year	**20,101**	**9,467**	**4,627**	**41,595**	**75,790**
Net book value					
At end of the financial year	**9,630**	**3,488**	**2,320**	**7,594**	**23,032**

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 beginning of the financial year	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 end of the financial year	29,376	14,993	6,447	49,018	99,834
Accumulated depreciation					
At beginning of the financial year	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 end of the financial year	16,630	11,534	4,241	39,621	72,026
Net book value					
At end of the financial year	12,746	3,459	2,206	9,397	27,808

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

15 Property and equipment (continued)

The Bank **31.12.2020**	**Renovations** **RM'000**	**Office equipment & furniture** **RM'000**	**Motor vehicles** **RM'000**	**Computer equipment** **RM'000**	**Total** **RM'000**
Cost					
At beginning of the financial year	**21,225**	**9,514**	**2,076**	**43,035**	**75,850**
Additions	**656**	**187**	**349**	**1,790**	**2,982**
Disposals	**-**	**(13)**	**(44)**	**(1,736)**	**(1,793)**
Write-offs	**(912)**	**(3,246)**	**-**	**-**	**(4,158)**
At end of the financial year	**20,969**	**6,442**	**2,381**	**43,089**	**72,881**
Accumulated depreciation					
At beginning of the financial year	**13,377**	**8,852**	**1,828**	**36,483**	**60,540**
Charge for the financial year	**3,371**	**352**	**114**	**3,277**	**7,114**
Disposals	**-**	**(13)**	**(44)**	**(1,736)**	**(1,793)**
Write-offs	**(828)**	**(3,238)**	**-**	**-**	**(4,066)**
At end of the financial year	**15,920**	**5,953**	**1,898**	**38,024**	**61,795**
Net book value					
At end of the financial year	**5,049**	**489**	**483**	**5,065**	**11,086**

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 beginning of the financial year	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 end of the financial year	21,225	9,514	2,076	43,035	75,850
Accumulated depreciation					
At beginning of the financial year	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 end of the financial year	13,377	8,852	1,828	36,483	60,540
Net book value					
At end of the financial year	7,848	662	248	6,552	15,310

16 Intangible assets

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	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	**8,350**	6,683	**2,466**	3,334
	324,861	323,194	**315,375**	316,243

(a) Goodwill on consolidation

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
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 (2019: five-year) period. Cash flows beyond the fifth-year period are assumed to grow at 4.30% (2019 : 4.50%) 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 multiple probability weighted scenarios considering a number of key factors including the past performance and the management's expectations of the market developments. It has also taken consideration on the recent development on COVID-19 and economic slowdown. 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**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	%	%	**%**	%
Investment Banking	**8.00**	8.06	**4.30**	4.50
Stockbroking	**8.00**	8.06	**4.30**	4.50
Asset Management	**8.00**	8.06	**4.30**	4.50

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**
	%	**%**
31.12.2020		
Discount rate	**15.51**	**23.58**
Cash flow	**34.00**	**18.62**
Terminal growth rate	**-3.41**	**-18.31**
31.12.2019		
Discount rate	12.62	11.37
Cash flow	46.76	50.56
Terminal growth rate	0.06	0.92

16 Intangible assets (continued)

(b) Intangible assets

The Group **31.12.2020**	**Merchant bank licence** **RM'000**	**Computer software** **RM'000**	**Total** **RM'000**
Cost			
At beginning of the financial year	**52,500**	**31,334**	**83,834**
Additions	**-**	**4,417**	**4,417**
Write-offs	**-**	**(6,715)**	**(6,715)**
At end of the financial year	**52,500**	**29,036**	**81,536**
Accumulated amortisation			
At beginning of the financial year	**-**	**24,651**	**24,651**
Amortised during the financial year	**-**	**2,750**	**2,750**
Write-offs	**-**	**(6,715)**	**(6,715)**
At end of the financial year	**-**	**20,686**	**20,686**
Net carrying value			
At end of the financial year	**52,500**	**8,350**	**60,850**

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

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

16 Intangible assets (continued)

(b) Intangible assets (continued)

The Bank 31.12.2020	**Merchant bank licence RM'000**	**Computer software RM'000**	**Total RM'000**
Cost			
At beginning of the financial year	**52,500**	**18,858**	**71,358**
Additions	**-**	**568**	**568**
At end of the financial year	**52,500**	**19,426**	**71,926**
Accumulated amortisation			
At beginning of the financial year	**-**	**15,524**	**15,524**
Amortised during the financial year	**-**	**1,436**	**1,436**
At end of the financial year	**-**	**16,960**	**16,960**
Net carrying value			
At end of the financial year	**52,500**	**2,466**	**54,966**

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

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).

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Notes to the financial statements for the financial year ended 31 December 2020 (continued)

17 Right-Of-Use Assets

The Group **31.12.2020**	**Properties RM'000**	**Equipment RM'000**	**Total RM'000**
Cost			
At beginning of financial year	**21,006**	**1,048**	**22,054**
Additions	**12,015**	**590**	**12,605**
Termination of contracts	**(1,897)**	**(266)**	**(2,163)**
End of lease term	**(2,511)**	**-**	**(2,511)**
At end of the financial year	**28,613**	**1,372**	**29,985**
Less: Accumulated depreciation			
At beginning of financial year	**9,088**	**228**	**9,316**
Charge for the financial year	**9,639**	**277**	**9,916**
Termination of contracts	**(1,897)**	**(182)**	**(2,079)**
End of lease term	**(2,511)**	**-**	**(2,511)**
At end of the financial year	**14,319**	**323**	**14,642**
Net book value at end of the financial year	**14,294**	**1,049**	**15,343**

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

17 Right-Of-Use Assets (continued)

The Bank 31.12.2020	**Properties RM'000**	**Equipment RM'000**	**Total RM'000**
Cost			
At beginning of financial year	**8,830**	**-**	**8,830**
Additions	**10,966**	**-**	**10,966**
End of lease term	**(2,511)**	**-**	**(2,511)**
At end of the financial year	**17,285**	**-**	**17,285**
Less: Accumulated depreciation			
At beginning of financial year	**5,560**	**-**	**5,560**
Charge for the financial year	**5,776**	**-**	**5,776**
End of lease term	**(2,511)**	**-**	**(2,511)**
At end of the financial year	**8,825**	**-**	**8,825**
Net book value at end of the financial year	**8,460**	**-**	**8,460**

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

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Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

18 Deposits from customers

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
(i) By type of deposit		
Fixed deposits	**3,079,720**	3,640,165
Negotiable instrument of deposits	**1,009,544**	1,009,672
Other deposits	**125,462**	33,289
	4,214,726	4,683,126
(ii) By maturity structure		
Due within six months	**3,665,571**	3,559,539
Six months to one year	**549,155**	96,729
One year to three years	**-**	1,026,858
	4,214,726	4,683,126
(iii) By type of customer		
Domestic non-banking financial institutions	**2,226,834**	2,350,948
Domestic banking institutions	**1,009,254**	1,009,214
Business enterprises	**676,694**	889,433
Government and statutory bodies	**217,271**	342,796
Individuals	**37,447**	37,833
Foreign entities	**34,966**	37,816
Other entities	**12,260**	15,086
	4,214,726	4,683,126

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2020	31.12.2019
	RM'000	RM'000
Licensed investment banks	**80,441**	395,889
Licensed banks	**100,081**	296,515
	180,522	692,404

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

20 Trade payables

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Amount due to unit trust funds	**278,716**	327,451	**-**	-
Amount due to unit holders	**125,399**	197,807	**-**	-
Amount due to external fund managers	**16**	-	**-**	-
Amount due to clients	**311,469**	169,333	**310,832**	168,709
Amount due to brokers	**107,460**	72,992	**107,460**	72,992
Amount due to Bursa Securities Clearing Sdn. Bhd.	**98,241**	19,846	**98,241**	19,846
	921,301	787,429	**516,533**	261,547

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 from asset management activities.

The credit terms of amounts due to creditors range from 1 to 30 days (2019: 1 to 30 days).

21 Derivatives financial liabilities

	The Group and the Bank			
	31.12.2020		31.12.2019	
	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	**3,277,891**	**82,633**	1,763,398	30,951
- Currency swaps	**1,062,035**	**22,070**	380,379	3,718
	4,339,926	**104,703**	2,143,777	34,669
Interest rate related contracts				
- Interest rate swaps	**1,490,000**	**46,236**	1,810,000	15,866
	5,829,926	**150,939**	3,953,777	50,535

22 Lease Liabilities

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
At beginning of financial year	**12,863**	11,475	**3,253**	8,403
Additions	**12,088**	10,623	**10,449**	332
Termination of contracts	**(84)**	(104)	**-**	-
Interest expense	**908**	575	**425**	234
Lease payment	**(10,271)**	(9,706)	**(5,792)**	(5,716)
At end of the financial year	**15,504**	12,863	**8,335**	3,253

The Group and the Bank have not included potential future rental payments after the exercise date of termination options because the Group and the Bank are not reasonably certain on the extension of the leases beyond the date.

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

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Lease liabilities recognised (discounted)	**15,504**	12,863	**8,335**	3,253
Potential future lease payments not included in lease liabilities (undiscounted):				
Payable in 2021 to 2025	**20,695**	11,957	**9,346**	2,679
Payable in 2026 to 2030	**306**	1,877	**-**	-
	36,505	26,697	**17,681**	5,932

23 Other liabilities

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Commissioned dealer's representatives trust balances	**65,792**	47,483	**65,792**	47,483
Amounts payable to commissioned and salaried dealer's representatives	**150,305**	37,854	**150,305**	37,854
Accrued employee benefit	**114,361**	64,971	**62,477**	31,025
Securities borrowing	**76,079**	160,358	**76,079**	160,358
Other creditors and accruals	**209,703**	96,068	**120,722**	54,807
Puttable liabilities (a)	**200,380**	124,452	**-**	**-**
	816,620	531,186	**475,375**	331,527
Add: Expected credit loss - loan/financing commitments and financial guarantees	**18,558**	14,567	**18,558**	14,567
	835,178	545,753	**493,933**	346,094

23 Other liabilities (continued)

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

	The Group	
	31.12.2020	31.12.2019
Obligations to buy subsidiaries' shares from non-controlling interest:-	**RM'000**	RM'000
- AHAM (i)	**107,841**	96,841
- AVA (ii)	**8,271**	6,694
Investment in funds (iii)	**84,268**	20,917
	200,380	124,452

(i) On 8 March 2019, under the Employee Stock Option Incentive Scheme, the options holders have fully exercised the 1000 employee stock options at exercise price of RM40.30 per share, as disclosed in Note 41. 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. As at 31 December 2020, the option holders have collectively agreed to not exercise their rights in relation to the buy back at first window, i.e. 1 March 2021.

The SCR provision represents a purchase of AHAM'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 statements. In the event of a change in the estimated future redemption amount of SCR, the remeasurement amounts will be recognised in equity as the changes in the Bank’s ownership interest in AHAM does not result in the Bank losing control of AHAM.

(ii) This represents the present value of an option to purchase AccelVantage Academy Sdn Bhd's ("AVA") shares 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").

AHAM 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 initially recognised at the present value of the redemption amount and accreted through finance charges in the income statements over the contract period, up to the final redemption amount. In the event of a change in the exercise price under the call option, the remeasurement amounts will be recognised in equity as the changes in AHAM’s ownership interest in AVA does not result in AHAM losing control of AVA.

(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 31.12.2020	**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**	**-**	**14,563**	**14,567**
New loan commitments/financial guarantees issued	**4**	**-**	**-**	**4**
Changes due to change in credit risk	**26**	**600**	**3,362**	**3,988**
Changes in model/risk parameters	**(1)**	**-**	**-**	**(1)**
At end of the financial year	**33**	**600**	**17,925**	**18,558**

23 Other liabilities (continued)

Movement in expected credit losses ("ECL") (continued)

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	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 Share capital

	Number of ordinary shares		**The Group and the Bank**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	'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

25 Reserves

	The Group		**The Bank**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
FVOCI revaluation reserves (a)	**76,991**	77,210	**76,936**	77,155
Regulatory reserves (b)	**10,972**	23,731	**10,972**	23,731
Other reserves (c)	**(65,909)**	(61,010)	**-**	-
Foreign exchange reserve	**(205)**	135	**-**	-
Retained profits (d)	**569,518**	515,621	**510,908**	482,776
	591,367	555,687	**598,816**	583,662

(a) The FVOCI revaluation reserves, net of deferred tax 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) Other reserves represents the Group's obligation to purchase subsidiaries' shares held by non-controlling interest as disclosed in Note 23 (a) (i) and (ii).

(d) As at 31 December 2020, the Bank has sufficient tax exempt account balances to pay tax exempt dividends of RM7,738,738 (2019: RM7,734,315) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

26 Interest income

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**53,599**	72,093	**53,579**	72,064
Money at call and deposit placements with financial institutions	**22,424**	18,096	**19,888**	15,351
Financial investments at FVOCI	**126,801**	194,580	**126,801**	194,580
Financial assets at amortised cost	**2,410**	2,540	**2,410**	2,540
Others	**5,580**	1,836	**5,580**	1,836
	210,814	289,145	**208,258**	286,371
of which:				
Interest income earned on impaired loans, advances and financing	**5,386**	5,313	**5,386**	5,313

27 Interest expense

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Deposits from customers	**143,855**	213,106	**143,855**	213,106
Deposits and placements of banks and other financial institutions	**3,340**	6,968	**3,340**	6,968
Deposits on obligations on securities sold under repurchase agreements	**-**	790	**-**	790
Foreign currency borrowing	**82**	506	**82**	506
Lease liabilities	**908**	575	**425**	234
Others	**6,389**	3,543	**637**	3,543
	154,574	225,488	**148,339**	225,147

28 Net fee and commission income

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
(a) Fee and commission income				
Fee income from financial assets measured at amortised cost:				
Unit trust management and incentive fee	**377,732**	301,149	**-**	-
Initial service charge	**155,658**	88,528	**-**	-
Net brokerage income	**102,717**	58,156	**102,735**	58,156
Corporate advisory fees	**8,545**	10,222	**6,985**	9,011
Loan related fees	**7,156**	9,414	**7,156**	9,414
Underwriting commissions	**118**	554	**118**	554
Arrangement fees	**524**	1,768	**524**	1,768
Private placement fees	**5,907**	4,836	**3,901**	496
Others	**9,142**	5,575	**6,124**	3,717
	667,499	480,202	**127,543**	83,116
(b) Fee and commission expense:				
Commission and referral expenses	**(216,802)**	(145,477)	**-**	-
	(216,802)	(145,477)	**-**	-
Net fee and commission income	**450,697**	334,725	**127,543**	83,116

29 Net gains and losses on financial instruments

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Gains/(losses) arising on financial assets at FVTPL:				
- net gains on disposal	**111,158**	44,762	**109,355**	42,338
- unrealised gains/(losses)	**3,308**	(19,885)	**(3,884)**	(23,743)
- gross dividend income	**6,453**	7,290	**5,209**	5,711
- interest income	**16,676**	19,378	**16,676**	19,378
Gains/(losses) on derivatives instruments:				
- net gains on disposal	**2**	-	**2**	-
- unrealised gains/(losses)	**5,091**	(1,047)	**5,091**	(1,047)
- interest income	**17,445**	3,650	**17,445**	3,650
- interest expense	**(16,555)**	(3,380)	**(16,555)**	(3,380)
Gains arising on financial investments at FVOCI:				
- net gain on disposal	**144,829**	76,361	**144,829**	76,361
- gross dividend income *	**300**	3,554	**300**	3,554
	288,707	130,683	**278,468**	122,822

* Gross dividend income arising from financial investments at FVOCI are dividend income from equity instruments designated at FVOCI held during the financial year.

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

30 Other operating income

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Realised foreign exchange gain	**37,159**	3,305	**36,905**	4,665
Unrealised foreign exchange gain/(loss)	**(20,470)**	4,492	**(21,488)**	3,080
Gain on disposal of property and equipment	**201**	173	**16**	20
Dividend income - subsidiaries	**-**	-	**49,000**	59,500
Others	**2,456**	1,814	**1,630**	1,460
	19,346	9,784	**66,063**	68,725

31 Other operating expenses

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
Salaries, allowances and bonuses	**226,671**	180,434	**133,914**	106,186
Defined contribution plan	**41,625**	32,001	**21,249**	16,841
Other personnel costs	**39,331**	33,616	**10,549**	13,322
	307,627	246,051	**165,712**	136,349
Establishment cost				
Rental of premises and equipment	**3,289**	3,776	**2,415**	2,948
Repair and maintenance	**12,903**	10,550	**6,338**	5,429
Amortisation of intangible assets	**2,750**	2,599	**1,436**	1,350
Depreciation of property and equipment	**11,278**	9,601	**7,114**	5,917
Depreciation –ROU	**9,916**	9,352	**5,776**	5,560
Electricity, water and sewerage	**2,162**	2,462	**1,816**	2,113
Insurance and indemnities	**910**	955	**790**	847
Others	**80**	184	**80**	184
	43,288	39,479	**25,765**	24,348
Marketing expenses				
Business promotion and advertisement	**9,392**	9,534	**1,270**	1,744
Entertainment	**2,969**	3,805	**425**	734
Travelling and accommodation	**1,371**	3,760	**863**	1,457
Brokerage expenses	**552**	532	**523**	522
Others	**3,522**	2,100	**1**	606
	17,806	19,731	**3,082**	5,063

31 Other operating expenses (continued)

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Administration and general expenses				
Directors' remuneration (Note 33)	**2,169**	1,882	**1,971**	1,818
Subscription	**12,550**	11,657	**6,971**	6,929
Telecommunication expenses	**12,190**	9,527	**10,398**	7,893
Professional fees	**7,105**	6,847	**861**	1,781
Auditors' remuneration	**896**	969	**627**	599
Property and equipment written off	**241**	55	**92**	4
Others	**6,645**	4,844	**4,511**	2,414
	41,796	35,781	**25,431**	21,438
	410,517	341,042	**219,990**	187,198

The expenditure includes the following statutory disclosure:

Directors' remuneration (Note 33)	**2,169**	1,882	**1,971**	1,818
Auditors' remuneration:				
(i) Statutory audit fees	**580**	673	**405**	440
(ii) Regulatory related fees	**109**	110	**67**	68
(iii) Tax fees	**93**	86	**41**	41
(iv) Non-audit fees	**114**	100	**114**	50

32 Allowances for credit impairment losses

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Expected credit losses ("ECL") (made)/written-back on:				
- loans, advances and financing	**(34,099)**	(7,744)	**(34,099)**	(7,744)
- trade receivables	**(2,601)**	260	**(2,537)**	269
- securities	**(9,888)**	1,607	**(9,888)**	1,607
- other assets	**(1,966)**	(927)	**(1,967)**	(927)
- loans and financing commitments and financial guarantees	**(3,991)**	(14,533)	**(3,991)**	(14,533)
Bad debts recovered	**2,925**	114	**2,925**	114
Bad debts written off	**-**	(8)	**-**	(8)
	(49,620)	(21,231)	**(49,557)**	(21,222)

33 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:

Group Managing Director

Mona Suraya Kamaruddin	(Appointed on 29 September 2020)

Non-Executive Directors

Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	(Appointed as Chairman with effect from 20 May 2020)
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	
Stephen Charles Li	
Lim Hun Soon @ David Lim	
Datuk Noor Azian binti Shaari	
Dato' Mohd Ali bin Mohd Tahir	
Abd Malik bin A Rahman	(Retired with effect from 14 April 2020)

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

	The Group		**The Bank**	
	31.12.2020 RM'000	31.12.2019 RM'000	**31.12.2020 RM'000**	31.12.2019 RM'000
Group Managing Director*				
Fixed and non-deferred remuneration				
- Fees	**47**	-	**47**	-
- Salary and other emoluments	**445**	2,331	**445**	2,331
Variable and non-deferred remuneration				
- Bonus	**-**	2,435	**-**	2,435
- Benefits-in-kind	**6**	50	**6**	50
	498	4,816	**498**	4,816
Non-Executive Directors:				
Fixed and non-deferred remuneration				
- Fees	**1,431**	1,401	**1,299**	1,359
- Other emoluments	**710**	450	**644**	428
- Benefits-in-kind	**28**	31	**28**	31
Total	**2,169**	1,882	**1,971**	1,818
Grand total	**2,667**	6,698	**2,469**	6,634

* The remuneration of Group Managing Director for the financial year ended 31 December 2020 is that of Mona Suraya Kamaruddin that was appointed on 29 September 2020 while for the financial year ended 31 December 2019 is that of Datuk Maimoonah bt Mohamed Hussain who resigned with effect from 2 November 2019.

33 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 and borned by the holding company of the Bank namely Affin Bank Berhad for the period from 19 April 2020 to 18 April 2021. Total premium paid for financial year 2020 is RM115,000 (2019: RM100,000). 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 2020, the total amount of premium paid for the CCPI Insurance policy by the Group and the Bank amounted to RM850,814 and RM682,814 (2019: RM769,913 and RM634,899) 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
31.12.2020

	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							
Mona Suraya Binti Kamaruddin	383	47	62	-	-	6	498

	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							
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	285	190	19	-	-	494
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	311	132	-	-	-	443
Stephen Charles Li	-	130	36	-	-	-	166
Lim Hun Soon @ David Lim	-	205	92	-	-	-	297
Datuk Noor Azian binti Shaari	-	226	106	-	-	-	332
Dato' Mohd Ali bin Mohd Tahir	-	212	140	-	-	-	352
Abd Malik bin A Rahman	-	62	14	9	-	-	85
Total	-	1,431	710	28	-	-	2,169
Grand Total	383	1,478	772	28	-	6	2,667

* Other emoluments include allowances and EPF.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

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

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

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

	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							
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	215	73	-	-	-	288
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
Dato' Mohd Ali bin Mohd Tahir	-	155	49	-	-	-	204
Abd Malik bin A Rahman	-	257	110	31	-	-	398
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.

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

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

Details of remuneration of the Bank are as follows:

The Bank
31.12.2020

	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							
Mona Suraya Binti Kamaruddin	383	47	62	-	-	6	498

	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							
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	222	150	19	-	-	391
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	242	106	-	-	-	348
Stephen Charles Li	-	130	36	-	-	-	166
Lim Hun Soon @ David Lim	-	205	92	-	-	-	297
Dato' Mohd Ali bin Mohd Tahir	-	212	140	-	-	-	352
Datuk Noor Azian binti Shaari	-	226	106	-	-	-	332
Abd Malik bin A Rahman	-	62	14	9	-	-	85
Total	-	1,299	644	28	-	-	1,971
Grand Total	383	1,346	706	28	-	6	2,469

* Other emoluments include allowances and EPF.

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

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

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

The Bank
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

	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							
Maj. Gen. Dato' Zulkiflee Mazlan (R)	-	215	73	-	-	-	288
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
Dato' Mohd Ali bin Mohd Tahir	-	155	49	-	-	-	204
Abd Malik bin A Rahman	-	215	88	31	-	-	334
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.

34 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 responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. All the Directors and Managing Director are part of the Group and of the Bank key management personnel and the remuneration for the financial year are disclosed in Note 33.

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

34 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 ***	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Income						
Interest on fixed deposits & interbank placements	-	-	**23,437**	22,311	-	-
Interest on financial investments FVOCI	-	-	-	-	**5,916**	5,900
Interest on loans, advances and financing	-	-	-	-	**4,021**	6,515
Brokerage income	**329**	220	-	-	**12**	8
Management fees income	**241**	258	-	90	**1,711**	1,417
Corporate advisory fees	-	-	**378**	400	**2,160**	3,854
Agency fees	-	-	**60**	60	**330**	330
Guarantee fees	-	-	-	-	**150**	300
Arrangement fees	-	-	-	-	-	875
Other income	**34**	28	-	-	**2,456**	1,766
Net gain arising from disposal of financial instruments	-	-	-	6,550	-	650
Realised gain/(loss) on foreign exchange for derivatives instruments	-	-	**(131)**	16	**38**	83
	604	506	**23,744**	29,427	**16,794**	21,698
Expenses						
Rental of premises	-	-	**94**	94	**7,774**	7,912
Interest expense on deposits	-	1	**27,683**	42,364	**2,163**	4,150
Travel services	-	-	-	-	**95**	775
Securities borrowing and lending ("SBL") fee expense	**170**	142	-	-	-	-
Advisory fee expense	-	-	-	-	**1,243**	676
Commission and referral fee	-	-	**1,448**	432	-	-
Management fees expense	-	-	-	-	**2,637**	2,420
Dividend paid	-	-	-	-	**21,000**	25,500
MFRS 9 expenses	-	-	**250**	250	-	-
Other expenses	-	-	**1**	1	**2,310**	1,068
	170	143	**29,476**	43,141	**37,222**	42,501

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

34 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. (continued)

(b) Related parties balances

	Ultimate Holding Corporate Body		Holding Company		Other Related Parties *	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to						
Deposit from customers	**-**	-	**403,336**	1,009,214	**163,896**	76,479
Other liabilities	**-**	-	**-**	-	**119**	112
Trade payable	**-**	-	**71**	103	**214**	382
	-	-	**403,407**	1,009,317	**164,229**	76,973
Amounts due from						
Cash and short-term funds	**-**	-	**105,448**	71,917	**-**	-
Loans, advances and financing	**-**	-	**-**	-	**72,545**	91,691
Refundable deposits	**-**	-	**-**	-	**1,850**	1,850
Trade receivable	**-**	-	**-**	-	**-**	-
Other assets	**-**	4	**-**	-	**133**	625
Advisory and management fee receivable	**22**	65	**-**	53	**450**	515
Financial investments	**-**	-	**-**	20,336	**104,544**	100,355
	22	69	**105,448**	92,306	**179,522**	195,036
Commitments and contingencies						
Direct credit substitutes	**-**	-	**-**	-	**20,000**	20,000
	-	-	**-**	-	**20,000**	20,000

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

34 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. (continued)

(c) Related parties transactions

	Ultimate Holding Corporate Body		Holding Company		Subsidiaries		Other Related Parties *	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
The Bank	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Income								
Interest on fixed deposits & interbank placements	**-**	-	**22,770**	21,685	**-**	-	**-**	-
Interest on short term lending	**-**	-	**-**	-	**-**	35	**-**	-
Interest on financial investments FVOCI	**-**	-	**-**	-	**-**	-	**5,916**	5,900
Interest on loans, advances and financing	**-**	-	**-**	-	**-**	-	**3,735**	6,208
Brokerage income	**329**	220	**-**	-	**-**	-	**12**	8
Management fee income	**-**	-	**-**	90	**537**	504	**-**	-
Corporate advisory fees	**-**	-	**378**	400	**-**	100	**1,798**	3,508
Agency fees	**-**	-	**60**	60	**-**	-	**330**	330
Private placement fees	**-**	-	**-**	-	**-**	20	**-**	-
Guarantee fees	**-**	-	**-**	-	**-**	-	**150**	300
Arrangement fees	**-**	-	**-**	-	**-**	-	**-**	875
Other fees income	**34**	28	**-**	-	**-**	-	**-**	-
Realised gain/(loss) on foreign exchange for derivatives instruments	**-**	-	**(131)**	16	**-**	-	**38**	83
Net gain arising from disposal of financial instruments	**-**	-	**-**	6,550	**-**	-	**-**	650
Gross dividend income -subsidiaries	**-**	-	**-**	-	**49,000**	59,500	**-**	-
Other income	**-**	-	**-**	-	**604**	520	**-**	-
	363	248	**23,077**	28,801	**50,141**	60,679	**11,979**	17,862
Expenses								
Rental of premises	**-**	-	**94**	94	**-**	-	**4,746**	4,902
Interest expense on deposits	**-**	1	**27,683**	42,365	**-**	-	**2,163**	4,148
SBL fees	**170**	142	**-**	-	**5**	1	**-**	-
Travel services	**-**	-	**-**	-	**-**	-	**64**	324
MFRS 9 expenses	**-**	-	**250**	250	**-**	-	**-**	-
Other expenses	**-**	-	**-**	-	**-**	-	**796**	442
	170	143	**28,027**	42,709	**5**	1	**7,769**	9,816

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

34 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. (continued)

(d) Related parties balances

	Ultimate Holding Corporate Body		Holding Company		Subsidiaries		Other Related Parties *	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
The Bank	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to								
Deposits from customers	**-**	-	**403,336**	1,009,214	**-**	-	**163,896**	76,479
Other liabilities	**-**	-	**-**	-	**-**	-	**84**	84
	-	-	**403,336**	1,009,214	**-**	-	**163,980**	76,563
Amounts due from								
Cash and short-term funds			**50,461**	45,567	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**-**	-	**-**	-	**66,181**	86,440
Refundable deposits	**-**	-	**-**	-	**-**	-	**1,152**	1,152
Intercompany balances	**-**	-	**-**	-	**194**	130	**-**	-
Advisory & Management fee receivable	**-**	-	**-**	53	**-**	-	**450**	515
Financial investments	**-**	-	**-**	20,336	**-**	-	**104,544**	100,355
	-	-	**50,461**	65,956	**194**	130	**172,327**	188,462
Commitments and contingencies								
Direct credit substitutes	**-**	-	**-**	-	**-**	-	**20,000**	20,000
	-	-	**-**	-	**-**	-	**20,000**	20,000

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

34 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**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits:				
- Salaries, allowances and commissions	**10,149**	12,950	**8,865**	11,726
- Bonuses	**10,481**	12,784	**4,226**	7,266
- Defined contribution plan	**3,543**	4,485	**2,149**	3,240
- Other employee benefits	**843**	1,088	**843**	1,088
- Benefit-in-kind	**27**	70	**6**	50
Other emoluments	**772**	1,120	**706**	1,098
Directors' fees	**1,478**	1,401	**1,346**	1,359
	27,293	33,898	**18,141**	25,827

Included in the table above is the Managing Director's & Non-Executive Directors' remuneration as disclosed in Note 33.

Loans to key management personnel is included in Note 34 (b) and Note 34 (d) loans, advances and financing from other related parties, as disclosed in the table below:

	The Group		**The Bank**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
At end of the financial year	**6,670**	6,762	**306**	1,512

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

34 Significant related party transactions and balances (continued)

(e) Key management personnel compensation (continued)

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**
31.12.2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fixed Remuneration				
- Cash-based	**12,671**	**-**	**11,181**	**-**
- Other	**27**	**-**	**6**	**-**
Variable Remuneration				
- Cash-based	**14,595**	**-**	**6,954**	**-**
31.12.2019				
Fixed Remuneration				
- Cash-based	16,312	-	14,892	-
- Other	70	-	50	-
Variable Remuneration				
- Cash-based	17,516	9,056	10,885	-

The number of key management personnel receiving variable remuneration during the financial year for the Group is 23 (2019 : 23) and for the Bank is 22 (2019 : 22).

35 Taxation

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax:				
- Current financial year	**120,447**	33,380	**90,709**	14,913
- Deferred tax (Note 14)	**(45,642)**	4,841	**(38,683)**	2,283
	74,805	38,221	**52,026**	17,196
Under/(over) provision in prior financial years	**893**	2,690	**780**	(1,345)
	75,698	40,911	**52,806**	15,851

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	%	%	**%**	%
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**1.79**	2.85	**1.22**	1.43
- Non-taxable income	**(4.67)**	(5.92)	**(5.07)**	(12.80)
- Under/(over) provision in prior financial years	**0.26**	1.56	**0.30**	(1.07)
- Unrecognised tax losses of which temporary differences not recognised	**0.17**	0.33	**-**	-
- Other temporary differences	**-**	0.61	**-**	1.08
Average effective tax rate	**21.55**	23.43	**20.45**	12.64

Notes to the financial statements for the financial year ended 31 December 2020 (continued)

36 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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
Net profit attributable to equity holders (RM'000)	**231,138**	103,197	**205,373**	109,535
Weighted average number of ordinary shares in issue ('000)	**780,000**	780,000	**780,000**	780,000
Basic earnings per share (sen)	**29.63**	13.23	**26.33**	14.04

37 Dividends

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

	The Bank			
	31.12.2020		31.12.2019	
	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 31.12.2019	**5.128**	**40,000**	-	-
- First interim dividend for financial year ended 31.12.2020	**19.231**	**150,000**		
- Interim dividend for financial year ended 31.12.2019			7.692	60,000
	24.359	**190,000**	7.692	60,000

The Directors now recommend the payment of a second interim dividend of 4.487 sen gross per share amounting to RM35,000,000 for the financial year ended 31 December 2020, which was approved by the Board of Directors on 26 January 2021.

The second interim dividend have yet to be reflected in the current year financial statements and will be accounted for in the shareholder's equity as an appropriation of retained profit in the financial year ending 31 December 2021.

The Directors do not propose any final dividend for the financial year ended 31 December 2020.

38 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	
	31.12.2020	31.12.2019
	Principal amount	Principal amount
	RM'000	RM'000
Transaction related contingent items	**86,606**	91,106
Obligations under underwriting agreement	**17,792**	-
Irrevocable commitments to extend credit:		
- maturity less than one year	**25,464**	13,721
- maturity more than one year	**5,569**	3,361
Interest rate related contracts*:		
- less than one year	**390,000**	850,000
- one year to less than five years	**2,550,000**	2,230,000
- over five years	**-**	30,000
Foreign exchange related contracts*:		
- less than one year	**7,827,363**	3,407,478
- one year to less than five years	**812,309**	720,391
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	**783,018**	507,889
	12,498,121	7,853,946

* 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 21 respectively to the financial statements.

39 Capital management

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) updated on 9 December 2020.

The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk and 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% (2019: 7.00%) and 8.50% (2019: 8.50%) respectively for the financial year ended 31 December 2020. The minimum regulatory capital adequacy requirement at 10.50% (2019: 10.50%) 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 have elected to apply transitional arrangements for four financial years beginning on 1 January 2020. Under the transitional arrangements, the amount of loss allowances measured at an amount equal to 12 months ECL and lifetime ECL to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), is allowed to be added back in the calculation of CET1 capital ratio.

40 Capital adequacy

The table below summarises the composition of regulatory capital and the ratios of the Group and the Bank:

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	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	**(65,909)**	**(61,010)**	**-**	**-**
Retained profits	**580,490**	539,352	**521,880**	506,507
Foreign exchange translation reserve	**(205)**	135	**-**	**-**
Unrealised gains on FVOCI instruments	**76,991**	77,210	**76,936**	77,155
	1,591,167	1,555,487	**1,598,616**	1,583,462
Less : Regulatory adjustment				
Goodwill and other intangible assets	**(324,861)**	(323,194)	**(315,375)**	(316,243)
Investment in associates/subsidiaries	**(4,108)**	(3,594)	**(133,184)**	(131,384)
Regulatory reserves	**(10,972)**	(23,731)	**(10,972)**	(23,731)
55% of cumulative gains of FVOCI instruments	**(42,345)**	(42,466)	**(42,315)**	(42,435)
Deferred tax assets	**(46,205)**	(9,533)	**(29,713)**	-
Other CET1 regulatory adjustments specified by BNM	**10,063**	-	**10,000**	-
CET 1 Capital	**1,172,739**	1,152,969	**1,077,057**	1,069,669
Additional Tier 1 Capital				
Qualifying non-controlling interests	**31,015**	25,241	**-**	-
Total Tier 1 Capital	**1,203,754**	1,178,210	**1,077,057**	1,069,669
Tier 2 Capital				
Qualifying loss provisions #	**13,886**	25,854	**13,860**	19,967
Total Tier 2 Capital	**13,886**	25,854	**13,860**	19,967
Total Capital	**1,217,640**	1,204,064	**1,090,917**	1,089,636
Proposed dividends	**35,000**	40,000	**35,000**	40,000

\# Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans, advances and financing.

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**1,818,648**	2,068,326	**1,287,389**	1,597,385
Market risk	**494,173**	353,447	**492,131**	354,272
Operational risk	**1,026,536**	926,744	**509,161**	457,202
Total RWA	**3,339,357**	3,348,517	**2,288,681**	2,408,859

40 Capital adequacy (continued)

The table below summarises the composition of regulatory capital and the ratios of the Group and the Bank: (continued)

	The Group		The Bank	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
Capital Ratios				
With transitional arrangements				
CET 1 Capital ratio	**35.119%**	34.432%	**47.060%**	44.406%
Tier 1 Capital ratio	**36.047%**	35.186%	**47.060%**	44.406%
Total Capital ratio	**36.463%**	35.958%	**47.666%**	45.235%
CET 1 Capital ratio (net of proposed dividends)	**34.071%**	33.238%	**45.531%**	42.745%
Tier 1 Capital ratio (net of proposed dividends)	**34.999%**	33.991%	**45.531%**	42.745%
Total Capital ratio (net of proposed dividends)	**35.415%**	34.764%	**46.136%**	43.574%
Before transitional arrangements				
CET 1 Capital ratio	**34.817%**	34.432%	**46.623%**	44.406%
Tier 1 Capital ratio	**35.746%**	35.186%	**46.623%**	44.406%
Total Capital ratio	**36.427%**	35.958%	**47.326%**	45.235%
CET 1 Capital ratio (net of proposed dividends)	**33.769%**	33.238%	**45.094%**	42.745%
Tier 1 Capital ratio (net of proposed dividends)	**34.698%**	33.991%	**45.094%**	42.745%
Total Capital ratio (net of proposed dividends)	**35.379%**	34.764%	**45.797%**	43.574%

41 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 subsidiary granted the first 250 options on the date of stock option agreement dated 16 July 2015. The stock option incentive scheme was designed to provide long-term incentives for key employees to improve the growth and profitability of the subsidiary and to encourage them to continue in the employment of the subsidiary.

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

Grant date	**Granted**	**Exercised**
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)

41 Employee stock option incentive scheme (continued)

Under the Employee Stock Option Incentive Scheme, a total of 1,000 options 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 exercised their respective options for a cash consideration of RM44.77 million were allotted a total of 1,111,000 new AHAM Shares. The Stock Option Reserves, which was the fair value of the options was reclassified to retained profit upon the exercise of the options.

Persuant to the exercise of the options, 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.

Pursuant to the full exercise in 2019, there was no Employee Stock Option Incentive Scheme in place for the financial year ended 31 December 2020.

42 Significant events during the financial year

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic as the coronavirus outbreak continued to rapidly spread across the world. Countries had quickly responded by intensifying testing and tracing, and implementing measures such as movement restrictions and locking down of economies to curb the spread of the virus. Nevertheless, these measures resulted in severe disruption to economic activities and income losses affecting people and businesses. In response to these, central banks and governments around the world have implemented extensive and unusually expansive measures to cushion the adverse economic impact from this pandemic.

Malaysia was also not spared, with the Government of Malaysia imposing the first Movement Control Order ("MCO") on 18 March 2020 to break the chain of the virus. To support the local economy, Bank Negara Malaysia ("BNM") reduced the benchmark overnight policy rate ("OPR") four times in 2020 to a record low of 1.75%. The Malaysian Government also had announced a total of RM305 billion in economic stimulus to mitigate the impact of the Covid-19 pandemic.

Notwithstanding the government stimulus packages, the gradual opening of the economy and the progress of the COVID-19 vaccination efforts, the pandemic has resulted in heightened uncertainties and volatility in the economy and capital markets. Due to these uncertainties, the Group and the Bank had applied certain estimates and assumptions which required a high degree of judgment in determining the expected credit losses ("ECL"), including the overlays, for the financial year. However, the Group and the Bank have taken actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

43 Subsequent event

On 13 January 2021, the Government of Malaysia re-imposed the second movement control order ("MCO 2.0") to curb the soaring number of COVID-19 cases. Subsequently on 18 January 2021, the Government of Malaysia announced RM15 billion PERMAI stimulus package, in addition to the economic stimulus announced in 2020 to mitigate the impact of MCO 2.0. Although MCO 2.0 is less stringent than the first MCO in March 2020, the Group and the Bank are not able to predict the potential future direct or indirect effects resulted from the movement control order at this juncture . Nevertheless, the Group and the Bank are taking actions to mitigate any potential impact, and will continue to closely monitor the impact and the related risk as they evolve.

44 Financial risk management objectives and policies

As a full-fledged investment bank, the Bank has established robust and comprehensive risk management framework and policies, 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 framework and policies 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 framework and policies 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, bond investments, 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 officers 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.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk evaluation (continued)

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.

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.

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	**Gross loans, advances and financing**	**Expected credit losses**	**Net loans, advances and financing**	**Fair value of collateral held**
31.12.2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Loans, advances and financing:				
Term loans/financing	**89,292**	**(21,052)**	**68,240**	**57,055**
Total credit-impaired assets	**89,292**	**(21,052)**	**68,240**	**57,055**

The Group and the Bank	Gross loans, advances and financing	Expected credit losses	Net loans, advances and financing	Fair value of collateral held
31.12.2019	RM'000	RM'000	RM'000	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 financial effect of collateral held for loans, advances and financing is 75.39% as at 31 December 2020 (2019: 56.24%). 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	
	31.12.2020	31.12.2019
	RM'000	RM'000
Derivatives	**13,782**	33

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; or • 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 2020

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Measurement of ECL (continued)

The key inputs into the measurement of ECL comprise 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 (continued)

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.

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.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Incorporation of forward-looking information (continued)

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:

	31.12.2020	31.12.2019
Measurement variables	**%**	%
House Price Index	**0.88**	1.04
Private Consumption Expenditure	**2.38**	4.23
Kuala Lumpur Interbank Offered Rate (3-Month)	**11.40**	0.31
USD Dollar to Malaysian Ringgit Exchange Rate	**0.21**	*N/A
Malaysia Economic Indicator Leading Index (MEILI)_2015	**1.41**	0.01
Overnight Policy Rate	**10.83**	1.33
M1 Money Supply	**2.37**	*N/A
Automative Association Malaysia Total Car Sales Growth (AAM)	**39.78**	*N/A
Average Lending Rate	**0.30**	*N/A
Unemployment Rate	***N/A**	1.47
Gross Domestic Product of Malaysia	***N/A**	4.11
Base Lending Rate	***N/A**	0.04
Applied Hire Purchase	***N/A**	1.48

The impact on ECL based on 3 years historical MEV are as follows:

	The Group and the Bank			
	31.12.2020		31.12.2019	
	+	-	+	-
	RM'000	**RM'000**	RM'000	RM'000
(Writeback)/additional of provision	**(1,248)**	**1,573**	(314)	337

*N/A - Not applicable as a results of change in MEV 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.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk monitoring (continued)

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.

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	
	31.12.2020	31.12.2019
	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 *	**858,142**	755,124
Financial assets at FVTPL #	**58,494**	170,554
Financial investments at FVOCI ##	**4,049,062**	4,739,997
Other assets &	**56,106**	59,527
	5,021,804	5,725,202
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**86,606**	91,106
Obligations under underwriting agreement	**17,792**	-
Irrevocable commitments to extend credit	**31,033**	17,082
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	**783,018**	507,889
	918,449	616,077
Total maximum credit risk exposure	**5,940,253**	6,341,279

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	
	31.12.2020	31.12.2019
	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 *	**401,088**	270,539
Financial assets at FVTPL#	**-**	137,243
Financial investments at FVOCI##	**4,049,062**	4,739,997
Other assets &	**51,531**	54,143
	4,501,681	5,201,922
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**86,606**	91,106
Obligations under underwriting agreement	**17,792**	-
Irrevocable commitments to extend credit	**31,033**	17,082
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	**783,018**	507,889
	918,449	616,077
Total maximum credit risk exposure	**5,420,130**	5,817,999

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.

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

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 31.12.2020	**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	-	-	25,594	-	42,894	-	-	-	68,488	-
Mining and quarrying	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	10,542	2,077	19,320	-	-	697	32,636	37,792
Electricity, gas and water	-	-	108,812	-	-	-	-	596	109,408	2,000
Construction	-	-	267,310	-	88,209	-	-	2	355,521	70,049
Real estate	-	-	-	-	144,793	-	-	73	144,866	-
Wholesale, retail trade, hotels and restaurants	-	-	104,544	-	9,915	-	-	4	114,463	1,447
Transport, storage and communication	-	-	339,451	-	84,854	-	-	123	424,428	3,000
Finance, insurance and business	857,758	58,494	103,886	40,438	192,981	206,405	157,908	175	1,618,045	563
Government and government agencies	384	-	2,784,173	-	-	-	-	-	2,784,557	-
Education, Health and Others	-	-	41,812	-	9,614	-	2,428	40,193	94,047	-
Household	-	-	-	-	354,783	657,426	-	-	1,012,209	803,598
Others	-	-	262,938	-	-	55,016	-	14,243	332,197	-
	858,142 *	58,494 #	4,049,062 ##	42,515	947,363	918,847	160,336	56,106 &	7,090,865	918,449

* Excludes cash in hand of RM36,626.

Excludes investments in exchange traded fund, shares, unit trust & warrants amounting to RM411.85 million.

Excludes investments in unquoted shares amounting to RM25.32 million.

& Excludes prepayment amounting to RM7.14 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 31.12.2019	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, hotels and restaurants	-	-	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 Bank 31.12.2020	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	-	-	25,594	-	42,894	-	-	-	68,488	-
Mining and quarrying	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	10,542	2,077	19,320	-	-	696	32,635	37,792
Electricity, gas and water	-	-	108,812	-	-	-	-	468	109,280	2,000
Construction	-	-	267,310	-	88,209	-	-	2	355,521	70,049
Real estate	-	-	-	-	144,793	-	-	48	144,841	-
Wholesale, retail trade, hotels and restaurants	-	-	104,544	-	9,915	-	-	4	114,463	1,447
Transport, storage and communication	-	-	339,451	-	84,854	-	-	123	424,428	3,000
Finance, insurance and business	400,704	-	103,886	40,438	192,981	-	157,908	175	896,092	563
Government and government agencies	384	-	2,784,173	-	-	-	-	-	2,784,557	-
Education, Health and Others	-	-	41,812	-	9,614	-	-	39,982	91,408	-
Household	-	-	-	-	354,783	657,426	-	-	1,012,209	803,598
Others	-	-	262,938	-	-	-	-	10,033	272,971	-
	401,088 *	- #	4,049,062 ##	42,515	947,363	657,426	157,908	51,531 &	6,306,893	918,449

* Excludes cash in hand of RM34,024.

Excludes investments in shares, unit trust & warrants amounting to RM308.23 million.

Excludes investments in unquoted shares amounting to RM25.32 million.

& Excludes prepayment amounting to RM3.27 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, hotels and restaurants	-	-	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.

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:

	31.12.2020			
	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	**800,505**	**88,549**	**-**	**889,054**
Impaired	**-**	**-**	**89,292**	**89,292**
Gross loans,advances and financing	**800,505**	**88,549**	**89,292**	**978,346**
Less: expected credit losses ("ECL")	**(1,781)**	**(8,150)**	**(21,052)**	**(30,983)**
Net loans, advances and financing	**798,724**	**80,399**	**68,240**	**947,363**

	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

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

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 amounts of financial assets below also represent the Group and the Bank's maxinum exposure to credit risk on these assets.

	31.12.2020			
	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	**753,307**	**88,549**	**-**	**841,856**
Special mention	**47,198**	**-**	**-**	**47,198**
Default/impaired	**-**	**-**	**89,292**	**89,292**
Gross loans,advances and financing	**800,505**	**88,549**	**89,292**	**978,346**
Less: expected credit losses ("ECL")	**(1,781)**	**(8,150)**	**(21,052)**	**(30,983)**
Net loans, advances and financing	**798,724**	**80,399**	**68,240**	**947,363**

	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

Notes to the financial statements
for the financial year ended 31 December 2020 (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

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:

	31.12.2020			
	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	**382**	**-**	**-**	**382**
AAA	**430,469**	**-**	**-**	**430,469**
AA- to AA+	**334,107**	**-**	**-**	**334,107**
A- to A+	**3,293**	**-**	**-**	**3,293**
Lower than A-	**67,348**	**-**	**-**	**67,348**
Unrated	**22,543**	**-**	**-**	**22,543**
	858,142	**-**	**-**	**858,142**

Notes to the financial statements for the financial year ended 31 December 2020 (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)

	31.12.2020			
	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 assets at FVTPL				
AAA	1,024	-	-	1,024
AA- to AA+	4,844	-	-	4,844
A- to A+	22,386	-	-	22,386
Lower than A-	26,117	-	-	26,117
Unrated	4,123	-	-	4,123
	58,494	-	-	58,494
Derivative financial assets				
AAA	117,281	-	-	117,281
AA- to AA+	22,307	-	-	22,307
A- to A+	1	-	-	1
Unrated	20,747	-	-	20,747
	160,336	-	-	160,336
Financial investments at FVOCI				
Sovereigns	3,500,920	-	-	3,500,920
AAA	243,501	-	-	243,501
AA- to AA+	109,473	-	-	109,473
A- to A+	41,115	-	-	41,115
Unrated	45,052	104,544	4,457	154,053
	3,940,061	104,544	4,457	4,049,062
Expected credit losses ("ECL")	4,749	4,219	12,170	21,138
Financial investments at amortised cost				
Unrated	40,437	-	-	40,437
Impaired	-	-	2,078	2,078
	40,437	-	2,078	42,515

Notes to the financial statements
for the financial year ended 31 December 2020 (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			
	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
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
Unrated	8,207	-	-	8,207
	52,583	-	-	52,583

Notes to the financial statements for the financial year ended 31 December 2020 (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			
	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	3,497,295	-	-	3,497,295
AAA	715,336	-	-	715,336
AA- to AA+	205,994	57,905	-	263,899
A- to A+	100,723	-	-	100,723
Unrated	158,228	-	4,516	162,744
	4,677,576	57,905	4,516	4,739,997
Expected credit losses ("ECL")	1,099	37	12,166	13,302
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 2020 (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)

	31.12.2020			
	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 Bank				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	**384**	-	-	**384**
AAA	**32,681**	-	-	**32,681**
AA- to AA+	**277,589**	-	-	**277,589**
A- to A+	**838**	-	-	**838**
Lower than A-	**67,094**	-	-	**67,094**
Unrated	**22,502**	-	-	**22,502**
	401,088	-	-	**401,088**
Derivative financial assets				
AAA	**117,281**	-	-	**117,281**
AA- to AA+	**22,307**	-	-	**22,307**
A- to A+	**1**	-	-	**1**
Unrated	**18,319**	-	-	**18,319**
	157,908	-	-	**157,908**
Financial investments at FVOCI				
Sovereigns	**3,500,920**	-	-	**3,500,920**
AAA	**243,501**	-	-	**243,501**
AA- to AA+	**109,473**	-	-	**109,473**
A- to A+	**41,115**	-	-	**41,115**
Unrated	**45,052**	**104,544**	**4,457**	**154,053**
	3,940,061	**104,544**	**4,457**	**4,049,062**
Expected credit losses ("ECL")	**4,749**	**4,219**	**12,170**	**21,138**
Financial investments at amortised cost				
Unrated	**40,437**	-	-	**40,437**
Impaired	-	-	**2,078**	**2,078**
	40,437	-	**2,078**	**42,515**

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			
	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 Bank				
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
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
Unrated	158,228	-	4,516	162,744
	4,677,576	57,905	4,516	4,739,997
Expected credit losses ("ECL")	1,099	37	12,166	13,302
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 2020 (continued)

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:

	31.12.2020		
	Lifetime ECL Not Credit Impaired RM'000	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
The Group			
Trade receivables	**917,934**	**913**	**918,847**
Amount due from related companies	**134**	**-**	**134**
Amount due from ultimate holding company	**22**	**-**	**22**
Other assets	**55,479**	**627**	**56,106**

	31.12.2019		
	Lifetime ECL Not Credit Impaired RM'000	Lifetime ECL Credit Impaired RM'000	Total RM'000
The Group			
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

	31.12.2020		
	Lifetime ECL Not Credit Impaired RM'000	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
The Bank			
Trade receivables	**656,513**	**913**	**657,426**
Other assets	**50,904**	**627**	**51,531**
Amount due from subsidiaries	**194**	**-**	**194**

	31.12.2019		
The Bank	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

Notes to the financial statements for the financial year ended 31 December 2020 (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.

	31.12.2020			
	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				
Loans/financing commitments and financial guarantees				
Satisfactory	**1**	**-**	**-**	**1**
Special mention	**32**	**600**	**-**	**632**
Default/impaired	**-**	**-**	**17,925**	**17,925**
	33	**600**	**17,925**	**18,558**

	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				
Loans/financing commitments and financial guarantees				
Satisfactory	2	-	-	2
Special mention	2	-	-	2
Default/impaired	-	-	14,563	14,563
	4	-	14,563	14,567

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.

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		**The Bank**	
	31.12.2020		**31.12.2020**	
	+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	**(22.60)**	**22.60**	**(22.61)**	**22.61**
Impact on equity	**203.67**	**(203.67)**	**200.64**	**(200.64)**

	The Group		The Bank	
	31.12.2019		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)

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**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
+ 1%				
Australian Dollar	**60**	43	**13**	7
United States Dollar	**15,253**	4,180	**15,078**	3,525
Singapore Dollar	**264**	836	**217**	779
Others	**343**	164	**283**	144
	15,920	5,223	**15,591**	4,455

	The Group		**The Bank**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	RM'000	RM'000	**RM'000**	RM'000
- 1%				
Australian Dollar	**(60)**	(43)	**(13)**	(7)
United States Dollar	**(15,253)**	(4,180)	**(15,078)**	(3,525)
Singapore Dollar	**(264)**	(836)	**(217)**	(779)
Others	**(343)**	(164)	**(283)**	(144)
	(15,920)	(5,223)	**(15,591)**	(4,455)

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 31.12.2020	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	11,678	44	40,166	13,192	14,864	79,944
Financial assets at FVTPL	-	-	51	113	4,085	4,249
Financial investments at FVOCI	-	-	-	28,875	-	28,875
Loans, advances and financing	-	-	28,706	-	-	28,706
Trade receivables	11,267	-	27,165	8,412	13,892	60,736
Other financial assets	-	-	46	251	386	683
	22,945	44	96,134	50,843	33,227	203,193
Liabilities						
Deposits from customers	-	-	1,609	8,452	-	10,061
Deposits and placements of banks and other financial institutions	-	-	80,441	-	-	80,441
Trade payables	14,531	-	41,081	13,472	7,834	76,918
Other financial liabilities	879	-	60,739	467	254	62,339
	15,410	-	183,870	22,391	8,088	229,759
Net on-balance sheet financial position	7,535	44	(87,736)	28,452	25,139	(26,566)
Off balance sheet commitments	417	-	2,094,727	6,284	20,017	2,121,445

Notes to the financial statements
for the financial year ended 31 December 2020 (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 31.12.2019	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	679,151

Notes to the financial statements for the financial year ended 31 December 2020 (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 Bank 31.12.2020	**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	**591**	**44**	**12,138**	**1,893**	**6,310**	**20,976**
Financial assets at FVTPL	**-**	**-**	**51**	**113**	**4,085**	**4,249**
Financial investments at FVOCI	**-**	**-**	**-**	**28,875**	**-**	**28,875**
Loans, advances and financing	**-**	**-**	**28,706**	**-**	**-**	**28,706**
Trade receivables	**1,046**	**-**	**3,797**	**1,643**	**9,705**	**16,191**
Other financial assets	**-**	**-**	**13**	**238**	**386**	**637**
	1,637	**44**	**44,705**	**32,762**	**20,486**	**99,634**
Liabilities						
Deposits from customers	**-**	**-**	**1,609**	**8,452**	**-**	**10,061**
Deposits and placements of banks and other financial institutions	**-**	**-**	**80,441**	**-**	**-**	**80,441**
Trade payables	**346**	**-**	**14,486**	**1,967**	**3,138**	**19,937**
Other financial liabilities	**-**	**-**	**58,907**	**121**	**147**	**59,175**
	346	**-**	**155,443**	**10,540**	**3,285**	**169,614**
Net on-balance sheet financial position	**1,291**	**44**	**(110,738)**	**22,222**	**17,201**	**(69,980)**
Off balance sheet commitments	**417**	**-**	**2,094,727**	**6,284**	**20,017**	**2,121,445**

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	-	-	656,146	-	23,005	679,151

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Notes to the financial statements
for the financial year ended 31 December 2020 (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**
31.12.2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Short-term funds	**858,144**	**-**	**-**	**-**	**-**	**34**	**-**	**858,178**
Securities:								
- Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**229,378**	**240,965**	**470,343**
- Financial investments at FVOCI	**20,048**	**125,305**	**232,392**	**1,382,709**	**2,249,488**	**64,439**	**-**	**4,074,381**
- Financial investments at amortised cost	**762**	**-**	**1,316**	**39,940**	**-**	**497**	**-**	**42,515**
Loans, advances and financing:								
- Performing	**815,080**	**73,974**	**-**	**-**	**-**	**(9,931)** ^	**-**	**879,123**
- Impaired loans	**-**	**-**	**-**	**-**	**-**	**68,240**	**-**	**68,240**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**160,336**	**160,336**
Trade receivables	**-**	**-**	**-**	**-**	**-**	**918,847**	**-**	**918,847**
Other assets (1)	**13,782**	**-**	**-**	**-**	**-**	**42,480**	**-**	**56,262**
Statutory deposits with Bank Negara							**-**	
Malaysia	**-**	**-**	**-**	**-**	**-**	**19,000**	**-**	**19,000**
Total assets	**1,707,816**	**199,279**	**233,708**	**1,422,649**	**2,249,488**	**1,332,984**	**401,301**	**7,547,225**

^ The negative balance represents the expected credit losses for performing loans, advances and financing.

(1) Includes other assets (exclude prepayment) 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 31.12.2020	**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	**1,354,518**	**882,692**	**1,942,822**	**-**	**-**	**34,694**	**-**	**4,214,726**
Deposits and placement of banks and other financial institution	**100,000**	**80,416**	**-**	**-**	**-**	**106**	**-**	**180,522**
Trade payables	**-**	**-**	**-**	**-**	**-**	**921,301**	**-**	**921,301**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**150,939**	**150,939**
Lease liabilities	**789**	**1,588**	**4,315**	**5,643**	**3,169**	**-**	**-**	**15,504**
Other liabilities (2)	**10,810**	**-**	**-**	**-**	**-**	**710,248**	**-**	**721,058**
Total liabilities	**1,466,117**	**964,696**	**1,947,137**	**5,643**	**3,169**	**1,666,349**	**150,939**	**6,204,050**
Net interest sensitivity gap	**241,699**	**(765,417)**	**(1,713,429)**	**1,417,006**	**2,246,319**			

(2) Includes amount due to a related company and holding company and other liabilities, after deducting accrued employee benefits.

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Notes to the financial statements
for the financial year ended 31 December 2020 (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	------------	------------>			
	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	-	-	-	-	59,808	-	59,841
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	1,104,340	344,419	7,979,844

^ The negative balance represents the expected credit losses for performing loans, advances and financing.

(1) Includes other assets (exclude prepayment), 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)

The Group 31.12.2019	Non-trading book: 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
Lease liabilities	794	1,188	4,787	6,094	-	-	-	12,863
Other liabilities (2)	2,830	-	-	-	-	543,028	-	545,858
Total liabilities	2,393,179	1,044,345	875,886	1,023,722	-	1,384,548	50,535	6,772,215
Net interest sensitivity gap	(730,249)	(930,100)	(583,041)	400,630	3,036,713			

(2) Includes amount due to a related company and holding company and other liabilities, after deducting accrued employee benefits.

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 31.12.2020	**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	401,088	-	-	-	-	34	-	401,122
Securities:								
- Financial assets at FVTPL	-	-	-	-	-	197,290	110,941	308,231
- Financial investments at FVOCI	20,048	125,305	232,392	1,382,709	2,249,488	64,439	-	4,074,381
- Financial investments at amortised cost	762	-	1,316	39,940	-	497	-	42,515
Loans, advances and financing:								
- Performing	815,080	73,974	-	-	-	(9,931) ^	-	879,123
- Impaired loans	-	-	-	-	-	68,240	-	68,240
Derivative financial assets	-	-	-	-	-	-	157,908	157,908
Trade receivables	-	-	-	-	-	657,426	-	657,426
Other assets (1)	13,782	-	-	-	-	37,943	-	51,725
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	18,900	-	18,900
Total assets	1,250,760	199,279	233,708	1,422,649	2,249,488	1,034,838	268,849	6,659,571

^ The negative balance represents the expected credit losses for performing loans, advances and financing.

(1) Includes other assets (exclude prepayment) and amount due from subsidiaries.

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	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**
31.12.2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities								
Deposits from customers	**1,354,518**	**882,692**	**1,942,822**	**-**	**-**	**34,694**	**-**	**4,214,726**
Deposits and placement of banks and other financial institution	**100,000**	**80,416**	**-**	**-**	**-**	**106**	**-**	**180,522**
Trade payables	**-**	**-**	**-**	**-**	**-**	**516,533**	**-**	**516,533**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**150,939**	**150,939**
Lease liabilities	**450**	**906**	**3,633**	**3,346**	**-**	**-**	**-**	**8,335**
Other liabilities (2)	**10,810**	**-**	**-**	**-**	**-**	**420,646**	**-**	**431,456**
Total liabilities	**1,465,778**	**964,014**	**1,946,455**	**3,346**	**-**	**971,979**	**150,939**	**5,502,511**
Net interest sensitivity gap	**(215,018)**	**(764,735)**	**(1,712,747)**	**1,419,303**	**2,249,488**			

(2) Include other liabilities, after deducting accrued employee benefits.

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	-	-	-	-	54,276	-	54,309
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	855,431	236,354	7,138,284

^ The negative balance represents the expected credit losses for performing loans, advances and financing.

(1) Includes other assets (exclude prepayment) and amount due from subsidiaries.

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
Lease liabilities	474	558	2,068	153	-	-	-	3,253
Other liabilities (2)	2,830	-	-	-	-	312,275	-	315,105
Total liabilities	2,392,859	1,043,715	873,167	1,017,781	-	627,913	50,535	6,005,970
Net interest sensitivity gap	(1,214,515)	(929,470)	(580,322)	406,571	3,036,713			

(2) Includes amount due to subsdiaries and other liabilities, after deducting accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2020 (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 31.12.2020	**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	**1,360,294**	**895,237**	**1,992,653**	**-**	**-**	**4,248,184**
Deposits and placements of banks and other financial institutions	**180,646**	**-**	**-**	**-**	**-**	**180,646**
Trade payable	**921,301**	**-**	**-**	**-**	**-**	**921,301**
Amount due to related company	**170**	**-**	**-**	**-**	**-**	**170**
Amount due to holding company	**71**	**-**	**-**	**-**	**-**	**71**
Lease liabilities	**852**	**1,705**	**7,434**	**6,262**	**-**	**16,253**
Other liabilities	**235,573**	**51,771**	**199,871**	**233,602**	**-**	**720,817**
	2,698,907	**948,713**	**2,199,958**	**239,864**	**-**	**6,087,442**

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	229,618	38,578	60,202	152,384	-	480,782
	3,474,504	1,052,334	966,762	1,248,643	-	6,742,243

Notes to the financial statements
for the financial year ended 31 December 2020 (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 **31.12.2020**	**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	**1,360,294**	**895,237**	**1,992,653**	**-**	**-**	**4,248,184**
Deposits and placements of banks and other financial institutions	**180,646**	**-**	**-**	**-**	**-**	**180,646**
Trade payable	**516,533**	**-**	**-**	**-**	**-**	**516,533**
Lease liabilities	**480**	**961**	**4,254**	**2,953**	**-**	**8,648**
Other liabilities	**222,077**	**19,496**	**156,732**	**33,151**	**-**	**431,456**
	2,280,030	**915,694**	**2,153,639**	**36,104**	**-**	**5,385,467**

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
Lease liabilities	485	575	2,103	156	-	3,319
Other liabilities	229,618	38,578	21,738	25,135	-	315,069
	2,948,189	1,051,620	925,269	1,115,145	-	6,040,223

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						
31.12.2020						
Interest rate derivatives	**(1,599)**	**(4,257)**	**(17,591)**	**(23,982)**	**-**	**(47,429)**
The Group and the Bank						
31.12.2019						
Interest rate derivatives	(409)	(898)	(4,927)	(11,206)	-	(17,440)

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						
31.12.2020						
Foreign exchange derivatives:						
Outflow	**(1,115,514)**	**(1,306,035)**	**(1,521,013)**	**(403,834)**	**-**	**(4,346,396)**
Inflow	**1,098,600**	**1,263,873**	**1,477,548**	**375,619**	**-**	**4,215,640**
	(16,914)	**(42,162)**	**(43,465)**	**(28,215)**	**-**	**(130,756)**
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)

Notes to the financial statements
for the financial year ended 31 December 2020 (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 31.12.2020	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	858,178	-	-	-	-	-	858,178
Financial assets at FVTPL	-	-	-	1,024	-	469,319	470,343
Financial investments at FVOCI	20,555	126,969	235,526	1,397,552	2,268,460	25,319	4,074,381
Financial investments at amortised cost	762	-	1,316	40,437	-	-	42,515
Loans, advances and financing	605,363	2	75,991	147,723	86,588	31,696	947,363
Trade receivables	918,847	-	-	-	-	-	918,847
Derivative financial assets	17,823	41,580	38,284	62,649	-	-	160,336
Other assets	33,311	2,109	9,117	7,303	-	4,266	56,106
Statutory deposits with Bank Negara Malaysia	19,000	-	-	-	-	-	19,000
Other financial assets (1)	156	-	-	-	-	-	156
Other non-financial assets (2)	-	-	3,868	3,270	-	425,800	432,938
Total Assets	2,473,995	170,660	364,102	1,659,958	2,355,048	956,400	7,980,163
Liabilities							
Deposits from customers	1,359,425	892,158	1,963,143	-	-	-	4,214,726
Deposits and placements of banks and other financial institutions	100,081	80,441	-	-	-	-	180,522
Trade payables	921,301	-	-	-	-	-	921,301
Derivative financial liabilities	16,927	40,121	38,988	54,903	-	-	150,939
Other liabilities	235,573	51,771	199,871	233,602	-	-	720,817
Lease liabilities	790	1,588	7,066	6,060	-	-	15,504
Other financial liabilities (3)	241	-	-	-	-	-	241
Other non-financial liabilities (4)	-	4,901	109,460	-	-	-	114,361
Total Liabilities	2,634,338	1,070,980	2,318,528	294,565	-	-	6,318,411
Net liquidity gap	(160,343)	(900,320)	(1,954,426)	1,365,393	2,355,048	956,400	1,661,752

(1) Other financial assets include amount due from related companies and ultimate holding company.
(2) Other non-financial assets include prepayment, deferred tax assets, tax recoverable, property and equipment, intangible assets and right-of-use assets.
(3) Other financial liabilities include amount due to a related company and holding company.
(4) Other non-financial liabilities include accrued employee benefits.

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 31.12.2019	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	8,271	-	4,630	59,527
Statutory deposits with Bank Negara Malaysia	151,400	-	-	-	-	-	151,400
Other financial assets (1)	314	-	-	-	-	-	314
Other non-financial assets (2)	-	-	-	2,058	-	415,760	417,818
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	229,618	38,578	60,202	152,384	-	-	480,782
Lease liabilities	794	1,188	4,787	6,094	-	-	12,863
Other financial liabilities (3)	105	-	-	-	-	-	105
Other non-financial liabilities (4)	-	5,054	59,917	-	-	12,245	77,216
	3,426,920	1,111,291	1,022,838	1,211,166	-	12,245	6,784,460
Net liquidity gap	(1,418,436)	(1,079,620)	(551,802)	508,436	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 prepayment, 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 and accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2020 (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 Bank 31.12.2020	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	401,122	-	-	-	-	-	401,122
Financial assets at FVTPL	-	-	-	-	-	308,231	308,231
Financial investments at FVOCI	20,555	126,969	235,526	1,397,552	2,268,460	25,319	4,074,381
Financial investment at amortised cost	762	-	1,316	40,437	-	-	42,515
Loans, advances and financing	605,363	2	75,991	147,723	86,588	31,696	947,363
Trade receivables	657,426	-	-	-	-	-	657,426
Amount due from subsidiaries	194	-	-	-	-	-	194
Other assets	33,311	2,109	9,050	4,176	-	2,885	51,531
Derivative financial assets	17,035	40,316	37,908	62,649	-	-	157,908
Statutory deposits with Bank Negara Malaysia	18,900	-	-	-	-	-	18,900
Other non-financial assets (1)	-	-	-	3,270	-	500,763	504,033
Total Assets	1,754,668	169,396	359,791	1,655,807	2,355,048	868,894	7,163,604
Liabilities							
Deposits from customers	1,359,425	892,158	1,963,143	-	-	-	4,214,726
Deposits and placements of banks and other financial institutions	100,081	80,441	-	-	-	-	180,522
Trade payables	516,533	-	-	-	-	-	516,533
Derivative financial liabilities	16,927	40,121	38,988	54,903	-	-	150,939
Other liabilities	222,077	19,496	156,732	33,151	-	-	431,456
Lease liabilities	450	906	4,087	2,892	-	-	8,335
Other non-financial liabilities (2)	-	4,811	57,666	-	-	-	62,477
Total Liabilities	2,215,493	1,037,933	2,220,616	90,946	-	-	5,564,988
Net liquidity gap	(460,825)	(868,537)	(1,860,825)	1,564,861	2,355,048	868,894	1,598,616

(1) Other non-financial assets include prepayment, 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 accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2020 (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 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	7,343	-	3,104	54,143
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)	-	-	-	2,058	-	492,360	494,418
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	229,618	38,578	21,738	25,135	-	-	315,069
Lease liabilities	474	558	2,068	153	-	-	3,253
Other non-financial liabilities (2)	-	4,993	26,032	-	-	12,245	43,270
Total Liabilities	2,900,649	1,110,600	947,770	1,077,976	-	12,245	6,049,240
Net liquidity gap	(1,620,777)	(1,081,063)	(482,129)	624,418	3,254,274	888,739	1,583,462

(1) Other non-financial assets include prepayment, 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 and accrued employee benefits.

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 operational risk management process.

The Bank gathers, analyses and reports operational risk loss and 'near miss' events to the CROC and BRMC. 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 deterioration in 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 the risk of potential technology failures and cyber threats that may disrupt business such as failures of information technology systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external networks or the internet, which would result in financial loss, disruption in financial services or operations, or reputational damage to 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 (2019: Nil).

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 **31.12.2020**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	**-**	**58,494**	**-**	**58,494**
- Shares, warrants and unit trusts	**411,849**	**-**	**-**	**411,849**
Financial investments at FVOCI				
- Money market instruments	**-**	**2,178,198**	**-**	**2,178,198**
- Corporate bonds or sukuk	**-**	**1,870,864**	**-**	**1,870,864**
- Shares	**-**	**-**	**25,319**	**25,319**
Derivative financial assets	**-**	**160,336**	**-**	**160,336**
Total	**411,849**	**4,267,892**	**25,319**	**4,705,060**
Liabilities				
Derivative financial liabilities	**-**	**150,939**	**-**	**150,939**
Puttable liability - investment in funds	**84,268**	**-**	**-**	**84,268**
Other liabilities - equities trading	**394**	**-**	**-**	**394**
Total	**84,662**	**150,939**	**-**	**235,601**

The Bank **31.12.2020**				
Assets				
Financial assets at FVTPL				
- Shares, warrants and unit trusts	**308,231**	**-**	**-**	**308,231**
Financial investments at FVOCI				
- Money market instruments	**-**	**2,178,198**	**-**	**2,178,198**
- Corporate bonds or sukuk	**-**	**1,870,864**	**-**	**1,870,864**
- Shares	**-**	**-**	**25,319**	**25,319**
Derivative financial assets	**-**	**157,908**	**-**	**157,908**
Total	**308,231**	**4,206,970**	**25,319**	**4,540,520**
Liabilities				
Derivative financial liabilities	**-**	**150,939**	**-**	**150,939**
Other liabilities - equities trading	**394**	**-**	**-**	**394**
Total	**394**	**150,939**	**-**	**151,333**

Notes to the financial statements for the financial year ended 31 December 2020 (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 31.12.2019	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

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	
	31.12.2020	31.12.2019
	RM'000	RM'000
At beginning of the financial year	**23,002**	21,821
Transfer in (vested from AIBB)		
Total gains recognised in other comprehensive income	**2,317**	1,181
At end of the financial year	**25,319**	23,002

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					**Inter-relationship**
	Fair value assets				**between significant**
	31.12.2020	31.12.2019	**Valuations**	**Unobservable**	**unobservable inputs and**
Description	**RM'000**	RM'000	**techniques**	**inputs**	**fair value measurement**
Equity investments measured at FVOCI					
Unquoted shares	**25,319**	23,002	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.

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:

The Group and the Bank 31.12.2020	**Carrying amount RM'000**	**Fair Value Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial Assets					
Loans, advances and financing	**947,363**	**-**	**947,126**	**-**	**947,126**
Financial Liabilities					
Deposits from customers	**4,214,726**	**-**	**4,220,011**	**-**	**4,220,011**
The Group and the Bank 31.12.2019					
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

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.

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.

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						
31.12.2020						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**985,691**	**(985,691)**	**-**	**-**	**-**	**-**
Derivative financial assets	**160,336**	**-**	**160,336**	**(35,861)**	**-**	**124,475**
Total	**1,146,027**	**(985,691)**	**160,336**	**(35,861)**	**-**	**124,475**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**1,083,932**	**(985,691)**	**98,241**	**-**	**-**	**98,241**
Derivative financial liabilities	**150,939**	**-**	**150,939**	**(35,861)**	**(2,972)**	**112,106**
Total	**1,234,871**	**(985,691)**	**249,180**	**(35,861)**	**(2,972)**	**210,347**
The Bank						
31.12.2020						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**985,691**	**(985,691)**	**-**	**-**	**-**	**-**
Derivative financial assets	**157,908**	**-**	**157,908**	**(35,861)**	**-**	**122,047**
Total	**1,143,599**	**(985,691)**	**157,908**	**(35,861)**	**-**	**122,047**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**1,083,932**	**(985,691)**	**98,241**	**-**	**-**	**98,241**
Derivative financial liabilities	**150,939**	**-**	**150,939**	**(35,861)**	**(2,972)**	**112,106**
Total	**1,234,871**	**(985,691)**	**249,180**	**(35,861)**	**(2,972)**	**210,347**

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 31 December 2020 (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

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	
	31.12.2020	31.12.2019
i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**505,820**	781,045
ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	**11.06%**	14.23%

48 Client trust accounts

As at 31 December 2020, cash held in trust for the clients by the Group and the Bank amounted to RM994,195,000 (2019: RM460,622,000). These amounts are not recognised in the financial statements as they are held by the Group and the Bank in its fiduciary capacity.

49 Changes in accounting policy

As disclosed in Note V, the Bank has changed its accounting policy where certain benefits paid to employees are considered incremental and directly attributable to the disposal of the quoted shares. Therefore, these benefits paid can be treated as transaction costs when determining the gain or loss on disposal of the quoted shares. These expenses were previously recognised as employee costs under MFRS 119 "Employee Benefits".

In accordance with MFRS 108 "Accounting Policies, Changes in Estimates and Errors", the change in accounting policy has been accounted for retrospectively.

The change in accounting policy resulted in the following changes in the income statement, Note 29 and Note 31 to the financial statements as set out below. The statements of financial position, comprehensive income, cash flows and changes in equity of the Bank and the Group are not impacted by the change in accounting policy.

Income statements (Extract)	**As previously reported 31.12.2019 RM'000**	**Reclassification 31.12.2019 RM'000**	**As restated 31.12.2019 RM'000**
The Group			
Net gains and losses on financial instruments	148,017	(17,334)	130,683
Net income	556,183	(17,334)	538,849
Other operating expenses	(358,376)	17,334	(341,042)
The Bank			
Net gains and losses on financial instruments	140,156	(17,334)	122,822
Net income	353,221	(17,334)	335,887
Other operating expenses	(204,532)	17,334	(187,198)

Notes to the financial statements
for the financial year ended 31 December 2020 (continued)

49 Changes in accounting policy (continued)

Note 29 - Net gains and losses on financial instruments (Extract)	As previously reported 31.12.2019 RM'000	Reclassification 31.12.2019 RM'000	As restated 31.12.2019 RM'000
The Group			
Gains/(losses) arising on financial assets at FVTPL:			
- net gains on disposal	62,096	(17,334)	44,762
The Bank			
Gains/(losses) arising on financial assets at FVTPL:			
- net gains on disposal	59,672	(17,334)	42,338
Note 31 - Other operating expenses (Extract)			
The Group			
Personnel costs			
- Salaries, allowances and bonuses	197,768	(17,334)	180,434
The Bank			
Personnel costs			
- Salaries, allowances and bonuses	123,520	(17,334)	106,186

50 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 March 2021.

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, Maj. Gen. Dato' Zulkiflee bin Mazlan (R) 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 35 to 184 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 2020 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 15 March 2021.

Maj. Gen. Dato' Zulkiflee bin Mazlan (R)
Chairman

Lim Hun Soon @ David Lim
Director

Statutory declaration pursuant to Section 251(1) of the Companies Act 2016

I, Mustafa Shafiq Razalli, 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 35 to 184 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.

Mustafa Shafiq Razalli
MIA No. 31988

Subscribed and solemnly declared by the above named Mustafa Shafiq Razalli at Kuala Lumpur in Malaysia on 15 March 2021.

Before me:

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN
BIN AHMAD
1 JAN 2020 - 31 DIS 2022
MALAYSIA

Commissioner for Oaths

No. 22-A, Jalan Telawi Lima,
Bangsar Baru, 59100 Kuala Lumpur.

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company 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 2020, 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 2020 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 35 to 184.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 197301000792 (14389-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 197301000792 (14389-U))

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	03032/01/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
15 March 2021