Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Reports and financial statements for the financial year ended 31 December 2021

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Contents

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Affin Hwang Investment Bank Berhad

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Directors' report
for the financial year ended 31 December 2021

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 2021.

Principal activities

The principal activities of the Bank are 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	284,419	215,148
Zakat	(2,758)	(2,088)
Profit before taxation	281,661	213,060
Taxation	(54,461)	(19,789)
Net profit for the financial year	**227,200**	**193,271**

Dividends

Dividends on ordinary shares paid or declared by the Bank since 31 December 2020 were as follows:

	RM'000
In respect of the financial year ended 31 December 2020:	
Second interim dividend of 4.487 sen gross per share paid on 25 March 2021	35,000
In respect of the financial year ended 31 December 2021:	
First interim dividend of 8.077 sen gross per share paid on 1 September 2021	63,000
First special dividend of 4.744 sen gross per share paid on 1 September 2021	37,000
Second special dividend of 15.385 sen gross per share paid on 26 November 2021	120,000

The Directors do not propose any final dividend to be paid for the financial year ended 31 December 2021.

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 of 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 the making of allowance for bad and doubtful debts, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, 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 of 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, or the amount of the allowance for doubtful debts 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 of the Bank misleading; or

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

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

(a) any charge on the assets of the Group and of 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 of 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 and the Bank.

No contingent or other liability of the Group or of 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 of 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 of 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 of 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 of the Bank for the current financial year in which this report is made.

Directors' report
for the financial year ended 31 December 2021 (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:

Datuk Noor Azian binti Shaari
Independent Non-Executive Director ("INED"), appointed as Interim Chairman w.e.f. 28 May 2021

Mr Eugene Hon Kah Weng
Independent Non-Executive Director ("INED"), appointed w.e.f. 1 March 2021

Datuk Wan Razly Abdullah bin Wan Ali
Non-Independent Executive Director ("NIED"), appointed w.e.f. 12 March 2021
Nominee Director representing Affin Bank Berhad ("ABB")

Encik Hasli bin Hashim
Independent Non-Executive Director ("INED"), appointed w.e.f. 1 April 2021

Dato' Abdul Wahab bin Abu Bakar
Independent Non-Executive Director ("INED"), appointed w.e.f. 22 November 2021

Ms Kong Yuen Ling
Non-Independent Non-Executive Director ("NINED"), appointed w.e.f. 27 December 2021
Nominee Director representing The Bank of East Asia, Limited ("BEA")

Maj. Gen. Dato' Zulkiflee bin Mazlan (R)
Chairman, Independent Non-Executive Director ("INED"), resigned w.e.f. 26 April 2021

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Non-Independent Non-Executive Director ("NINED"), retired w.e.f. 28 April 2021

Lim Hun Soon @ David Lim
Independent Non-Executive Director ("INED"), retired w.e.f. 31 March 2021

Stephen Charles Li
Non-Independent Non-Executive Director ('NINED"), resigned w.e.f. 27 September 2021
Nominee Director representing The Bank of East Asia, Limited ("BEA")

Allahyarham Dato' Mohd Ali bin Mohd Tahir
Independent Non-Executive Director ("INED"), retired w.e.f. 31 December 2021

Directors' report
for the financial year ended 31 December 2021 (continued)

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 2021 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 of 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 187 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/she is a member, or with a company in which he/she 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.

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight

The Board as at the date of this report, comprises one (1) Non-Independent Executive Director and five (5) Non-Executive Directors, of which four (4) of whom are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. 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 twenty-nine (29) times to review the Bank's financial and business performance, 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**
Datuk Noor Azian binti Shaari *INED, appointed as Interim Chairman w.e.f. 28 May 2021*	29 out of 29
Mr Eugene Hon Kah Weng *INED, appointed w.e.f. 1 March 2021*	25 out of 26
Datuk Wan Razly Abdullah bin Wan Ali *NIED, appointed w.e.f. 12 March 2021* *Nominee Director representing ABB*	25 out of 26
Encik Hasli bin Hashim *INED, appointed w.e.f. 1 April 2021*	22 out of 22
Dato' Abdul Wahab bin Abu Bakar *INED, appointed w.e.f. 22 November 2021*	2 out of 2
Ms Kong Yuen Ling *NINED, appointed w.e.f. 27 December 2021* *Nominee Director representing BEA*	NIL
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) *Chairman/ INED, resigned w.e.f. 26 April 2021*	7 out of 8
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad *NINED, retired w.e.f. 28 April 2021*	8 out of 10
Lim Hun Soon @ David Lim *INED, retired w.e.f. 31 March 2021*	7 out of 7
Stephen Charles Li *NINED, resigned w.e.f. 27 September 2021* *Nominee Director representing BEA*	17 out of 23
Allahyarham Dato' Mohd Ali bin Mohd Tahir *INED, retired w.e.f. 31 December 2021*	29 out of 29

Directors' report
for the financial year ended 31 December 2021 (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/MD"), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank;

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

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

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

Directors' report
for the financial year ended 31 December 2021 (continued)

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)

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.

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

The Bank's NRC was dissolved in the last financial year. The dissolution was made in view of BNM’s approval for Affin Bank Berhad’s ("ABB") 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 the Bank 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.

The Directors representing the Bank at GBNRC are Datuk Noor Azian binti Shaari (appointed on 1 August 2020 and stepped down with effect from 27 January 2021) and Dato' Abdul Wahab bin Abu Bakar (appointed on 6 January 2022).

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

The BRMC, as at 31 December 2021 comprises three (3) Board members and scheduled to meet at least on a quarterly basis, met twelve (12) 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
En Hasli bin Hashim (INED) *Appointed as Chairman of BRMC w.e.f 19 April 2021*	9 out of 9
Datuk Noor Azian Binti Shaari (INED)	12 out of 12
Mr Eugene Hon Kah Weng (INED) *Resigned as member of BRMC w.e.f 6 May 2021*	3 out of 3
Dato' Abdul Wahab Bin Abu Bakar (INED) *Appointed as member of BRMC w.e.f 1 January 2022*	NIL
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (NINED) *Resigned as member of BRMC w.e.f 28 April 2021*	4 out of 4
Lim Hun Soon @ David Lim (INED) *Resigned as member of BRMC w.e.f 31 March 2021*	3 out of 3
Allahyarham Dato' Mohd Ali bin Mohd Tahir (INED) *Resigned as member of BRMC w.e.f 31 December 2021*	9 out of 9

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.

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

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;

- 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)

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

The BRMC is responsible for: (continued)

The Board had at its meeting held on 24 November 2021 approved the following:-

(i) Centralisation and consolidation of Information Technology (“IT”) governance of AHIB at Group Board Information Technology Committee (“GBITC”) of Affin Bank Berhad (“ABB”) with representatives from both ABB and AHIB; and

(ii) GBITC to replace and assume the responsibilities of AHIB’s Board Risk Management Committee (“BRMC”) in relation to IT management and governance matters of AHIB.

The Directors representing AHIB at GBITC are Mr Eugene Hon Kah Weng (appointed as interim representative on 27 August 2021) and Dato' Abdul Wahab bin Abu Bakar (appointed on 6 January 2022).

The primary objective of the GBITC is to assess and examine the adequacy of Group Information Technology (including Digital and Security) management framework and risks including IT controls, policies, procedures and processes of Affin Banking Group.

The responsibilities of GBITC are as follows:

(i) oversee and review the IT and Digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives.

(ii) review and assess progress on major IT initiatives, technology architecture decisions and IT priorities as well as overall IT performance, including metrics concerning technology investments, system availability, integrity, capacity and performance.

(iii) review and endorse IT investment proposal from management prior to submission for Board approval.

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC")

The BAC as at 31 December 2021 comprises three (3) members, of all three (3) are INED and is scheduled to meet at least four (4) times annually.

The BAC met ten (10) 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
Mr Eugene Hon Kah Weng (INED) *Appointed as Chairman of BAC w.e.f 1 April 2021*	8 out of 8
Datuk Noor Azian Binti Shaari (INED) *Appointed as member of BAC w.e.f 7 May 2021*	7 out of 7
En Hasli bin Hashim (INED) *Appointed as member of BAC w.e.f 7 May 2021*	7 out of 7
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) (INED) *Resigned as member of BAC w.e.f 26 April 2021*	2 out of 3
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (NINED) *Resigned as member of BAC w.e.f 28 April 2021*	3 out of 3
Lim Hun Soon @ David Lim (INED) *Resigned as Chairman of BAC w.e.f 31 March 2021*	2 out of 2

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

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

The primary goals 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.

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.

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

Duties and responsibility of the BAC: (continued)

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; and
- 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; and
- 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; and
- iii) Review the findings of any examinations by regulatory authorities and the Management response.

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.

Directors' report
for the financial year ended 31 December 2021 (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: (continued)

ii) Oversee the effectiveness of Internal Audit functions: (continued)
- 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.

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; and

Directors' report
for the financial year ended 31 December 2021 (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)

g) Financial Statements and Public Accountability Reporting (continued)

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.

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

As Affin Group moves towards strengthening its Group collaboration pursuant to Part E, Standard 20 of the BNM Policy on Corporate Governance on the responsibilities as a holding company, Affin Bank Berhad ("ABB") had at its meeting held on 30 June 2021 approved the Centralisation of Group Board Credit Review and Recovery Committee (“GBCRRC”) at ABB, the apex entity.

The Board has at its meeting held on 20 August 2021 approved the dissolution of BCRC with effect from 1 October 2021.

This dissolution was made in view of the consolidation of the functions of the Bank’s BCRC into and centralisation at ABB's GBCRRC.

The duties and responsibilities of the GBCRRC shall include the following:

- Critically review credit facilities application, after due process of checking, analysis, review and recommendation by the Group Credit Management Division to Group Management Credit Committee (“GMCC”), and if found necessary, to exercise the power of veto on behalf of the Board, on credit applications that have been approved by the GMCC;

- To consider whether to affirm/ veto credit/ underwriting proposal, impose additional terms or modify the terms approved by the GMCC thereof;

- To set and review Non-Performing Loans (NPL) recovery targets;

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

The duties and responsibilities of the GBCRRC shall include the following: (continued)

- Generally to ensure that the GMCC has discharged its responsibilities in a timely and proper manner;

- To monitor the progress of recovery efforts;

- To offer advice and directions relating to credit portfolio; and

- Assisting the Board of Directors in performing oversight function and provide recommendations in respect of investment strategies, management and performance of investment accounts.

Authority Limit
- Nil. The authority is restricted to veto powers where deemed necessary.

The GBCRRC 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 GBCRRC 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 GBCRRC for notification.

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

The BCRC is scheduled to meet on a monthly basis and consists of three (3) members of the Board up to 30 September 2021, met ten (10) 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
Allahyarham Dato' Mohd Ali bin Mohd Tahir (INED) *Redesignated as Chairman of BCRC w.e.f 7 May 2021*	10 out of 10
Mr Eugene Hon Kah Weng (INED) *Appointed as member of BCRC w.e.f 7 May 2021*	6 out of 6
En Hasli bin Hashim (INED) *Appointed as member of BCRC w.e.f 19 April 2021*	6 out of 6
Maj. Gen. Dato' Zulkiflee bin Mazlan (R) (INED) *Resigned as member of BCRC w.e.f 26 April 2021*	4 out of 4
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (NINED) *Resigned as Chairman of BCRC w.e.f 28 April 2021*	4 out of 4

The Directors representing the Bank at GBCRRC are En Hasli bin Hashim (appointed on 19 April 2021) and Mr Eugene Hon Kah Weng (appointed on 1 October 2021).

(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.

Directors' report
for the financial year ended 31 December 2021 (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 2021 are as follows:

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
1	Maj. Gen. Dato' Zulkiflee bin Mazlan (R) *(Resigned w.e.f. 26 April 2021)*	Corruption Risk Management	Financial Institutions Directors' Education ("FIDE")	23 - 24 February 2021
2	Stephen Charles Li *(Resigned w.e.f. 27 September 2021)*	Insight - Hong Kong as an International Financial Centre	Hong Kong Monetary Authority ("HKMA")	9 February 2021
		Non-Executive Directors for Banks - COVID-19 2.0 Looking Ahead into 2021	Pricewaterhouse Coopers ("PwC")	24 February 2021
		Non-Executive Director Programme: Bitesize Webinar Series (Tax Update 2021)	PwC	4 March 2021
		Insight - Hong Kong's Under-rated Bond Market	HKMA	4 March 2021
		Independent Non-Executive Directors Forum	KPMG	30 March 2021
		Non-Executive Director (NED) Programme: Bitesize Webinar Series (NEDs' Role in ESG)	PwC	1 April 2021
		Non-Executive Director Programme: Bitesize Webinar Series (Remote Working - Hong Kong Tax & Immigration Concerns)	PwC	8 April 2021
		Non-Executive Director Programme: Bitesize Webinar Series (Future of Finance)	PwC	15 April 2021
		Supervisory Policy Manual: Systemically Important Banks	HKMA	24 April 2021
		HKEX: Disciplinary Regime Conclusions	HKMA	1 June 2021
		Online Webinar	KPMG	16 June 2021
3	Mr Lim Hun Soon @ David Lim *(Resigned w.e.f. 31 March 2021)*	Corruption Risk Management	FIDE	23 - 24 February 2021
		Rethinking our approach to Cyber Defense in FI's	FIDE	11 March 2021

Directors' report
for the financial year ended 31 December 2021 (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 2021 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>4</td><td>Datuk Noor Azian binti Shaari</td><td>Environmental, Social and Governance Awareness</td><td>ABB/PwC</td><td>8 December 2021</td></tr>
<tr><td rowspan="11">5</td><td rowspan="11">Allahyarham Dato' Mohd Ali bin Mohd Tahir (Retired w.e.f. 31 December 2021)</td><td>The Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT")</td><td>ABB</td><td>8 June 2021</td></tr>
<tr><td>Talk On "Implementing Amendments In The Malaysian Code On Corporate Governance (MCCG)"</td><td>Iclif Leadership and Governance Centre ("ICLIF")</td><td>14 June 2021</td></tr>
<tr><td>AFFIN Semi-Annual Board Training - Demystifying Digital Transformation</td><td>ABB/Deloitte</td><td>15 June 2021</td></tr>
<tr><td>Annual Compliance Attestation</td><td>ABB</td><td>23 June 2021</td></tr>
<tr><td>Sustainability as a Business Strategy for Financial Institutions</td><td>BNM/Securities Commission ("SC")</td><td>23 June 2021</td></tr>
<tr><td>Outcomes and Implications for Malaysian Financial Institutions</td><td>BNM/SC</td><td>24 June 2021</td></tr>
<tr><td>Sustainable Finance for the Private Sector</td><td>BNM/SC</td><td>25 June 2021</td></tr>
<tr><td>The updated Malaysian Code on Corporate Governance April 2021 – Listed Corporation, Directors & Management</td><td>Malaysian Institute of Corporate Governance ("MICG")</td><td>30 June 2021</td></tr>
<tr><td>Climate Change: Impact on Banks & Role of the Board</td><td>ICLIF/ASB</td><td>17 - 18 August 2021</td></tr>
<tr><td>ABG Directors' Training - Blockchain, Cryptocurrencies And The Rise Of Alternative Fundraising Channels</td><td>ABB</td><td>2 September 2021</td></tr>
<tr><td>Environmental, Social and Governance Awareness</td><td>ABB/PwC</td><td>8 December 2021</td></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Mr Eugene Hon Kah Weng (Appointed w.e.f. 1 March 2021)</td><td>Corporate Director Transformational program</td><td>Malaysian Alliance of Corporate Directors</td><td>10 March 2021</td></tr>
<tr><td>Rethinking our approach to Cyber Defense in FI's</td><td>FIDE</td><td>11 March 2021</td></tr>
</table>

Directors' report
for the financial year ended 31 December 2021 (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 2021 are as follows: (continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
6	Mr Eugene Hon Kah Weng *(Appointed w.e.f. 1 March 2021)*	MIA Audit Committee Conference	Malaysian Institute of Accountants ("MIA")	15 - 16 March 2021
		FIDE forum board effectiveness evaluation industry briefing	FIDE	1 April 2021
		Affin Directors Training - recovery & resolution planning	ABB/PwC	12 April 2021
		ABB Group Directors Induction Programme by Affin Banking Group	ABB/PwC	12 April 2021
		AHIBB Induction Programme by AHIB Management	AHIBB	13 April 2021
		BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know	FIDE	20 April 2021
		Module 1: Directors as Gatekeepers of Market Participants	Securities Industry Development Corporation ("SIDC")	3 May 2021
		Module 2A: Business Challenges and Regulatory Expectations – What Directors need to know (Equities & Futures Broking)	SIDC	4 May 2021
		Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors	SIDC	6 May 2021
		Module 4: Emerging and Current Regulatory Issues in The Capital Market	SIDC	7 May 2021
		BNM FIDE forum dialogue - Role of independent director	BNM/FIDE	2 June 2021
		BNM FIDE forum dialogue	BNM/FIDE	9 June 2021
		Joint Committee for Climate Change (JC 3) Flagship Conference 2021	Global Footprint Network	23 June 2021
		Sustainable Finance for Private Sector	Global Footprint Network	25 June 2021

Directors' report
for the financial year ended 31 December 2021 (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 2021 are as follows: (continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
6	Mr Eugene Hon Kah Weng *(Appointed w.e.f. 1 March 2021)*	Directors Training Module a by The ICLIF Leadership and Governance Centre (ICLIF)	ICLIF	8 - 9 July 2021
		The Co-existence of Ethics & Law sets you F. R. E. E. - Malaysian Alliance of Corporate Directors & BoardRoom	Corporate Governance	9 July 2021
		Directors Training Module a by The ICLIF Leadership and Governance Centre (ICLIF)	ICLIF	12 - 15 July 2021
		Directors Training Module a by The ICLIF Leadership and Governance Centre (ICLIF)	ICLIF	21 - 22 July 2021
		Module B by The ICLIF Leadership and Governance Centre (ICLIF)	FIDE	2 - 12 August 2021
		Blockchain, Cryptocurrencies and the Rise of Alternative Fundraising Channels by Asian Banking School	ABB	2 September 2021
		Climate Change and ESG Conference by MIA	MIA	2 - 3 September 2021
		Rising to The Challenge to Covid-19 and Re-Designing Cyber Security	Bursa Malaysia ("BURSA")/PwC	28 September 2021
		Post Budget Debate	Malaysian Economic Association	1 November 2021
		PWC RiskTech Webinar	PwC	11 - 12 November 2021
		Forum Dialogue on Capital Market Master Plan 3	FIDE	16 November 2021
		FIDE Forum with BNM Governor	FIDE	3 December 2021
		AOB Conversation with Audit Committee	SC	6 December 2021
		Environmental, Social and Governance Awareness	ABB/PwC	8 December 2021

Directors' report
for the financial year ended 31 December 2021 (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 2021 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
7	Datuk Wan Razly Abdullah bin Wan Ali *(Appointed w.e.f. 12 March 2021)*	Affin Directors Training - Recovery & Resolution Planning	ABB/PwC	12 April 2021
		Module 1: Directors as Gatekeepers of Market Participants	SIDC	3 May 2021
		Module 2A: Business Challenges and Regulatory Expectations – What Directors need to know (Equities & Futures Broking)	SIDC	4 May 2021
		Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors	SIDC	6 May 2021
		Module 4: Emerging and Current Regulatory Issues In The Capital Market	SIDC	7 May 2021
		AFFIN Semi-Annual Board Training - Demystifying Digital Transformation	ABB/Deloitte	15 June 2021
		ABG Directors' Training - Blockchain, Cryptocurrencies And The Rise Of Alternative Fundraising Channels	ABB	2 September 2021
8	En Hasli bin Hashim *(Appointed w.e.f. 1 April 2021)*	BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know	FIDE	20 April 2021
		Module 1: Directors as Gatekeepers of Market Participants	SIDC	3 May 2021
		Module 2A: Business Challenges and Regulatory Expectations – What Directors need to know (Equities & Futures Broking)	SIDC	4 May 2021
		Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors	SIDC	6 May 2021
		Module 4: Emerging and Current Regulatory Issues In The Capital Market	SIDC	7 May 2021
		Talk On "Implementing Amendments In The Malaysian Code On Corporate Governance (MCCG)"	ICLIF	14 June 201

Directors' report
for the financial year ended 31 December 2021 (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 2021 are as follows:(continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
8	En Hasli bin Hashim *(Appointed w.e.f. 1 April 2021)*	AFFIN Semi-Annual Board Training - Demystifying Digital Transformation	ABB/Deloitte	15 June 2021
		ABG Directors' Training - Blockchain, Cryptocurrencies And The Rise Of Alternative Fundraising Channels	ABB	2 September 2021
		Environmental, Social and Governance Awareness	ABB/PwC	8 December 2021
9	Dato' Abdul Wahab bin Abu Bakar *(Appointed w.e.f 22 November 2021)*	Environmental, Social and Governance Awareness	ABB/PwC	8 December 2021

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

2 Internal Control Framework

The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensures 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 conducts 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.

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

2 Internal Control Framework (continued)

(i) Internal audit and control activities (continued)

Audit activities include these key components: (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 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.

Directors' report
for the financial year ended 31 December 2021 (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.

- 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 Management Committee Meeting - Governance, Risk & Compliance ("MCM-GRC") 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 Chief Executive Officer, CROC, MCM-GRC, BRMC and the Board. The same will be escalated to the Board committee(s) at the Group level.

Directors' report
for the financial year ended 31 December 2021 (continued)

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 Department ("CD") reports independently to the Board Risk Management Committee ("BRMC").

- Compliance Framework

  The CD 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.

- Training

  Relevant trainings on identified focus areas are regularly conducted by CD 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 CD 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.

- Whistle Blowing Policy

  The Policy provides a safe avenue for a whistleblower to disclose any serious concern or improper conduct which has come to his/her knowledge. It also provides the necessary safeguards to protect the whistleblower against reprisal or victimization, in line with the fundamental objectives of the Whistleblower Protection Act 2010 (Act 711).

- 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 Finance Department ("FD") 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 FD 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) People Office

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").

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

2 Internal Control Framework (continued)

(viii) People Office (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").

People Office 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/Leadership Competencies.

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 Financial Services Industry ("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).

Directors' report
for the financial year ended 31 December 2021 (continued)

Corporate Governance (continued)

3 Remuneration System (continued)

The Bank is planning on implementing a Long Term Incentive Plan moving forward.

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 Chief Executive Officer, 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 14 Senior Officers comprising Chief Executive Officer, Managing Director Securities, Chiefs of Support Units, Chiefs of Control Functions and Senior Management.

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/Leadership Competencies 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 metrics) 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 Chief Executive Officer and each Director of the Bank for the financial year are disclosed in Note 33 to the financial statements.

Business Strategy for the current financial year

The global economic outlook for 2022 remains uncertain due to concerns of a renewed wave in the pandemic from new variants, such as Omicron, which may cause a sharp global economic slowdown, dampening business and household sentiments, at a time of rising inflationary pressure prices. There are also concerns of downside risk to the regional economies from potential risk of heightened financial market volatility due to market concerns that the US aggressive tightening in monetary policy by global central banks, influenced by US Federal Reserve ("US Fed")'s faster than anticipated rate hikes, which could lead to capital outflows from the region. Nevertheless, global growth is expected to be supported by increased fiscal support in major economies, accelerated vaccinations and continued adaptation of economic activity to overcome pandemic restrictions. The International Monetary Fund ("IMF") in its October 2021 World Economic Outlook Report lowered global growth projections for 2021 to 5.9% from its earlier projection in July 2021, but maintained its earlier GDP projection for 2022 at 4.9%, despite cautioning that downside risks remain as Omicron cases are still rising in many countries.

As for Malaysia's GDP growth for 2021, the IMF and the World Bank have also revised their earlier projections to 3.5% and 3.3% respectively, from their earlier projections of 4.7% in July 2021 and 4.5% in June 2021 respectively. Both IMF and the World Bank's projections are within BNM's projection, where they had guided Malaysia's economy for 2021 to grow between 3% to 4% in their Quarterly Bulletin 3Q2021. In the said bulletin, BNM also commented that the Malaysian economy is expected to improve further going into 2022, supported from expansion in global demand and private consumption in line with resumption of economic activity.

Business review for the current financial year

The Group recorded a net income of RM702.1 million for the financial year ended 31 December 2021 ("FY2021") compared to RM815.0 million in the previous financial year ("FY2020"). The Bank meanwhile recorded a net income of RM417.6 million versus FY2020’s net income of RM532.0 million. The lower net income for the Group and the Bank was mainly due to lower investment income and lower net foreign exchange gains, partially offset by higher net interest income and higher net fee income. Securities business contributed 29.9% (2020: 30.4%) to the Group’s overall net income, while investment banking and asset management businesses contributed about 13.5% and 56.3% (2020: 28.9% and 40.7%) of the Group’s total net income respectively.

The Group for FY2021 registered a profit before zakat and tax ("PBZT") of RM284.4 million from RM356.0 million reported in FY2020. As for the Bank, it achieved a PBZT of RM215.1 million for FY2021, a decrease of 18.0% from RM262.4 million reported in FY2020. Profit attributable to equity holder decreased by 24.8% from RM231.1 million in FY2020 to RM173.8 million in FY2021. Accordingly, the Group's earnings per share for FY2021 increased to 22.28 sen from 29.63 sen in FY2020, with a lower return on equity of 12.8% against 14.5% in FY2020.

Business review for the current financial year (continued)

Total assets increased by RM136.6 million from RM7,980.2 million as at 31 December 2020 to RM8,116.8 million as at 31 December 2021. The increase was mainly attributed to the increase in cash and short term funds by RM1,082.3 million and increase in loans and advances by RM131.0 million, partially offset by the decrease in financial investments at fair value through other comprehensive income by RM394.9 million, decrease in trade receivables by RM392.8 million, decrease in financial assets at fair value through profit or loss by RM240.4 million and decrease in derivative financial assets by RM83.1 million.

Total liabilities increased by RM394.2 million from RM6,318.4 million as at 31 December 2020 to RM6,712.6 million as at 31 December 2021, mainly contributed by higher deposits from customers and deposits & placements of banks and other financial institutions by RM532.8 million and higher trade payables by RM60.7 million, partially offset by lower other liabilities by RM111.6 million, and lower derivative financial liabilities by RM79.0 million.

Commitment and contingencies increased by RM3,513.4 million mainly due to increase in foreign exchange-related contracts by RM3,218.5 million and commitments to extend credit by RM323.7 million.

The Group's securities business (stockbroking and proprietary trading) still continues its strong performance in FY2021 and remains at No.1 on Bursa Malaysia's Broker Ranking for FY2021. The investment banking performance, however was adversely affected by the government bonds yield surge and pre-emptive expected credit losses made during the financial year in review. Notwithstanding this, the investment banking's advisory mandated and pipeline deals remain robust as at the reporting date.

The current year under review also saw the Group's Assets Under Administration ("AUA") increased by 11.1% to RM81.1 billion as at 31 December 2021, from RM73.0 billion as at 31 December 2020. The increase was driven by higher net inflows during the 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 HPP Holdings Berhad which was listed on Bursa Malaysia's ACE Market on 20 January 2021, where the Bank was the Principal Adviser, Sole Placement Agent, Sole Underwriter and Sponsor, and the fundraising for Mi Technovation where Bank was one of the joint placement agent. In addition to this, the Bank also managed to secure UiTM Solar Power Dua Green SRI Sukuk issuance programme for large scale solar photovoltaic plant in Pasir Gudang, Johor. In August 2021, the Bank as one of the lead managers for Pengurusan Air Selangor Murabahah Sukuk programme won The Asset Triple A Infrastructure Awards 2021 “Water Deal of the Year, Malaysia”.

The Group was also accorded the Best Securities House in Malaysia by Asia Money in 2021 for the fifth consecutive year. The Bank also received first runner-up of Best Overall Equities Participating Organising, Best Institutional Equities Participating Organisation - Investment Bank and Best Institutional Bursa Malaysia-i Participating Organisation and also second runner-up of Best Proprietary Day Trader in Bursa Excellence Awards 2020 held in July 2021.

The Group have also secured awards in the asset management space, with AHAM bagging four awards at the Refinitiv Lipper Fund Awards 2021. For the fourth year running, its Affin Hwang Select Opportunity Fund won the award for Best Equity Malaysia Diversified (Provident) in the 10-year category. Other funds in the limelight were the Affin Hwang Aiiman Growth Fund for Best Equity Malaysia (Islamic) in the 10-year category and Affin Hwang Select Balanced Fund for Best Mixed Asset MYR Balanced - Global (Provident) in the three- and five-year categories. AHAM was also awarded as Best Exchange Traded Fund Issuer in Bursa Excellence Awards 2020 held in July 2021.

Directors' report
for the financial year ended 31 December 2021 (continued)

Uncertainties surrounding COVID-19 pandemic

Notwithstanding the strong performance in asset management and Securities businesses, the Group's financial results for FY2021 were weighted down by a net RM37.0 million pre-emptive allowances made for credit impairment losses. As the uncertainties surrounding the COVID-19 pandemic continues to be a downside risk, the Bank will stay vigilant and closely monitor the credit quality of the accounts identified under the impacted sectors (as shown in Table 1 below). As of reporting date, these accounts remains healthy and non-impaired.

Table 1: Impacted sectors (Real estate/ Construction/Transport, storage and communication/ Manufacturing/ Wholesale, retail trade, hotels and restaurants/ Household)

	Loans and advances			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
As at 31 December 2021	**145,981**	**59,856**	**205,837**	**128,588**
As at 31 December 2020	200,817	70,979	271,796	24,418

In FY2020, Bank Negara Malaysia ("BNM") announced additional measures to support and assist borrowers/customers experiencing temporary financial constraints. The support measures included the 6-month moratorium for loans repayments from 1 April 2020 and the restructure and reschedule ("R&R") of loans. During the financial year, the Bank continued to provide the requested financial assistance from borrowers/customers to support and to enable them to focus on recovering their businesses. As at reporting date, the total outstanding loans moratorium and R&R of loans have reduced by 32.3% (as shown in Table 2 below).

Table 2: Total outstanding loans moratorium and R&R of loans

	Total outstanding	**As a percentage of total**	Total outstanding	As a percentage of total
	31.12.2021	**31.12.2021**	31.12.2020	31.12.2020
	RM'000	%	RM'000	%
The Group and the Bank				
Total outstanding moratoriums and R&R granted	**110,822**	**100%**	163,655	100%
of which; customers that have:				
- Resumed repayments	**11,768**	**11%**	111,862	68%
- Extended and repaying as per revised schedules	**99,054**	**89%**	51,793	32%

Business outlook for 2022

Domestic economy will continue to record a stronger positive growth going into 2022, supported by an expansionary 2022 Budget, with measures and incentives being introduced as well as the resumption of economic activity. Nevertheless, the recent emergence of the Omicron variant globally may pose downside risk for Malaysia's real GDP growth forecast for 2022. The Group opines that Malaysia is better equipped and prepared to manage potential threats, compared to when the COVID-19 pandemic first struck in 2020. Similar to other countries, Malaysia's domestic demand will be vulnerable and likely to be impacted if nationwide lockdown from containment measures were to be imposed. Therefore, uncertainties surrounding the pandemic will continue to be a downside risk.

The Group and the Bank will continue to accelerate its transformation towards sustainable growth through innovation and digitalisation initiatives, greater collaboration and alignment within Affin Banking Group, and greater efficiencies through digital transformation and business remodelling, underpinned by strong client-centricity and a client relationship-driven approach. The Group and the Bank will also focus on developing niche and cutting-edge products and solutions especially in the environmental, social and governance ("ESG") space, developing its ESG capabilities. In anticipation of an economic recovery going into 2022 supported by an expansionary 2022 Budget, the Group and the Bank will position itself to capture business opportunities as it seeks to grow and deepen relationships.

Directors' report
for the financial year ended 31 December 2021 (continued)

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 30 March 2022. Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Noor Azian binti Shaari
Interim Chairman/Director
Kuala Lumpur
30 March 2022

Mr Eugene Hon Kah Weng
Director

Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of financial position as at 31 December 2021

		The Group		The Bank	
		31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Assets					
Cash and short-term funds	2	**1,940,487**	858,178	**1,207,904**	401,122
Financial assets at fair value through profit or loss ("FVTPL")	3	**229,924**	470,343	**95,906**	308,231
Financial investments at fair value through other comprehensive income ("FVOCI")	4	**3,679,464**	4,074,381	**3,679,464**	4,074,381
Financial investments at amortised cost	5	**40,452**	42,515	**40,452**	42,515
Loans and advances	6	**1,078,409**	947,363	**1,078,409**	947,363
Trade receivables	7	**526,033**	918,847	**370,563**	657,426
Derivative financial assets	8	**77,269**	160,336	**76,961**	157,908
Other assets	9	**69,668**	63,244	**60,859**	54,801
Statutory deposits with Bank Negara Malaysia	10	**10,300**	19,000	**10,200**	18,900
Amounts due from subsidiaries	11	**-**	-	**310**	194
Amount due from related companies		**1,065**	134	**-**	-
Amount due from holding company		**41**	-	**41**	-
Amount due from ultimate holding company		**31**	22	**-**	-
Investment in subsidiaries	12	**-**	-	**126,521**	126,521
Investment in associates	13	**-**	4,108	**1,332**	1,332
Tax recoverable		**26,963**	12,251	**26,048**	8,276
Deferred tax assets	14	**89,557**	46,205	**65,860**	29,713
Property and equipment	15	**17,277**	23,032	**7,897**	11,086
Intangible assets	16	**323,624**	324,861	**314,667**	315,375
Right-of-use assets	17	**6,240**	15,343	**3,034**	8,460
Total assets		**8,116,804**	7,980,163	**7,166,428**	7,163,604
Liabilities and equity					
Deposits from customers	18	**4,326,059**	4,214,726	**4,326,059**	4,214,726
Deposits and placements of banks and other financial institutions	19	**601,992**	180,522	**601,992**	180,522
Trade payables	20	**982,032**	921,301	**360,641**	516,533
Derivative financial liabilities	21	**71,897**	150,939	**71,897**	150,939
Amount due to related companies		**287**	170	**-**	-
Amount due to holding company		**200**	71	**-**	-
Lease liabilities	22	**6,574**	15,504	**3,139**	8,335
Other liabilities	23	**723,601**	835,178	**393,731**	493,933
Provision for taxation		**1**	-	**-**	-
Total liabilities		**6,712,643**	6,318,411	**5,757,459**	5,564,988
Share capital	24	**999,800**	999,800	**999,800**	999,800
Reserves	25	**359,676**	591,367	**409,169**	598,816
		1,359,476	1,591,167	**1,408,969**	1,598,616
Non-controlling interest		**44,685**	70,585	**-**	-
Total equity		**1,404,161**	1,661,752	**1,408,969**	1,598,616
Total liabilities and equity		**8,116,804**	7,980,163	**7,166,428**	7,163,604
Commitments and contingencies	38	**16,011,485**	12,498,121	**15,964,167**	12,498,121

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 2021

		The Group		The Bank	
		31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	26	**191,965**	210,814	**189,532**	208,258
Interest expense	27	**(127,487)**	(154,574)	**(123,944)**	(148,339)
Net interest income		**64,478**	56,240	**65,588**	59,919
Fee and commission income	28(a)	**857,071**	667,499	**126,313**	127,543
Fee and commission expense	28(b)	**(340,662)**	(216,802)	**-**	-
Net fee and commission income	28	**516,409**	450,697	**126,313**	127,543
Net gains and losses on financial instruments	29	**107,508**	288,707	**101,598**	278,468
Other operating income	30	**13,694**	19,346	**124,119**	66,063
Net income		**702,089**	814,990	**417,618**	531,993
Other operating expenses	31	**(380,707)**	(410,517)	**(165,660)**	(219,990)
Operating profit before allowances		**321,382**	404,473	**251,958**	312,003
Allowances for credit impairment losses	32	**(36,963)**	(49,620)	**(36,810)**	(49,557)
Share of results of associate, net of tax		**-**	1,146	**-**	-
Profit before zakat and taxation		**284,419**	355,999	**215,148**	262,446
Zakat		**(2,758)**	(4,929)	**(2,088)**	(4,267)
Profit before taxation		**281,661**	351,070	**213,060**	258,179
Taxation	35	**(54,461)**	(75,698)	**(19,789)**	(52,806)
Profit for the financial year		**227,200**	275,372	**193,271**	205,373
Attributable to:					
Equity holders of the Bank		**173,811**	231,138	**193,271**	205,373
Non-controlling interest		**53,389**	44,234	**-**	-
		227,200	275,372	**193,271**	205,373
Earnings per share (sen) :					
Basic/Fully diluted	36	**22.28**	29.63	**24.78**	26.33

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

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Affin Hwang Investment Bank Berhad

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Statements of comprehensive income for the financial year ended 31 December 2021

		The Group		The Bank	
		31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Net profit after zakat and taxation		**227,200**	275,372	**193,271**	205,373
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**(135,033)**	127,469	**(135,033)**	127,469
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**(1,779)**	7,836	**(1,779)**	7,836
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(32,753)**	(141,029)	**(32,753)**	(141,029)
Exchange differences on translation of foreign operations		**388**	(540)	**-**	-
Deferred tax on financial investments at FVOCI	14	**40,269**	3,254	**40,269**	3,254
Items that will not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**1,378**	2,230	**1,378**	2,230
Deferred tax on financial investments at FVOCI	14	**-**	21	**-**	21
Other comprehensive income for the financial year, net of tax		**(127,530)**	(759)	**(127,918)**	(219)
Total comprehensive income for the financial year		**99,670**	274,613	**65,353**	205,154
Attributable to:					
Equity holders of the Bank		**46,137**	230,579	**65,353**	205,154
Non-controlling interests		**53,533**	44,034	**-**	-
		99,670	274,613	**65,353**	205,154

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

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Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of changes in equity
for the financial year ended 31 December 2021

		<------- Attributable to equity holders of the Bank ------->								
The Group	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Foreign exchange reserves RM'000**	**Other reserves # RM'000**	**Retained profits RM'000**	**Sub-total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2021		**999,800**	**76,991**	**10,972**	**(205)**	**(65,909)**	**569,518**	**1,591,167**	**70,585**	**1,661,752**
Comprehensive income:										
Net profit for the financial year		-	-	-	-	-	173,811	173,811	53,389	227,200
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	(127,918)	-	-	-	-	(127,918)	-	(127,918)
- Exchange differences on translation of foreign operations		-	-	-	244	-	-	244	144	388
Total comprehensive income		-	(127,918)	-	244	-	173,811	46,137	53,533	99,670
Obligation to buy a subsidiary's shares from non-controlling interest		-	-	-	-	(22,828)	-	(22,828)	(13,407)	(36,235)
Transfer to regulatory reserves		-	-	1,922	-	-	(1,922)	-	-	-
Dividends paid	37	-	-	-	-	-	(255,000)	(255,000)	(66,026)	(321,026)
At 31 December 2021		**999,800**	**(50,927)**	**12,894**	**39**	**(88,737)**	**486,407**	**1,359,476**	**44,685**	**1,404,161**

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.

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 2021 (continued)

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 at 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 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.

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 2021 (continued)

		<--- Non-Distributable		--->	<- Distributable ->	
			FVOCI			
		Share	revaluation	Regulatory	Retained	Total
		capital	reserves	reserves	profits	equity
The Bank	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2021		**999,800**	**76,936**	**10,972**	**510,908**	**1,598,616**
Comprehensive income:						
Net profit for the financial year		**-**	**-**	**-**	**193,271**	**193,271**
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		**-**	**(127,918)**	**-**	**-**	**(127,918)**
Total comprehensive income		**-**	**(127,918)**	**-**	**193,271**	**65,353**
Transfer to regulatory reserves		**-**	**-**	**1,922**	**(1,922)**	**-**
Dividends paid	37	**-**	**-**	**-**	**(255,000)**	**(255,000)**
At 31 December 2021		**999,800**	**(50,982)**	**12,894**	**447,257**	**1,408,969**
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 at FVOCI		-	(219)	-	-	(219)
Total comprehensive income		-	(219)	-	205,373	205,154
Transfer 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

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

Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2021

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**281,661**	351,070	**213,060**	258,179
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial investments at FVOCI	**(105,280)**	(126,801)	**(105,280)**	(126,801)
- financial investments at amortised cost	**(2,355)**	(2,410)	**(2,355)**	(2,410)
Interest expense on lease liability	**561**	908	**256**	425
Unwinding of discount on provision for restoration cost	**17**	17	**17**	17
Finance cost on call options	**3,238**	5,752	**-**	-
Dividend income:				
- financial assets at FVTPL	**(5,417)**	(6,257)	**(4,013)**	(5,013)
- financial investments at FVOCI	**(330)**	(300)	**(330)**	(300)
Dividend income from subsidiaries	**-**	-	**(112,000)**	(49,000)
Share of results of associate, net of tax	**-**	(1,146)	**-**	-
Gain on disposal of property and equipment	**(267)**	(201)	**(3)**	(16)
(Gain)/loss arising from disposal/redemption of:				
- derivative instruments	**(347)**	(2)	**(347)**	(2)
- financial assets at FVTPL	**(49,170)**	(111,158)	**(41,466)**	(109,355)
- financial investments at FVOCI	**(34,287)**	(144,829)	**(34,287)**	(144,829)
Property and equipment written off	**1**	241	**1**	92
Depreciation of property and equipment	**9,934**	11,278	**5,907**	7,114
Depreciation of ROU	**9,769**	9,916	**5,739**	5,776
Amortisation of intangible assets	**2,737**	2,750	**978**	1,436
Unrealised loss/ (gain) on:				
- derivative instruments	**(1,333)**	(5,091)	**(1,333)**	(5,091)
- financial assets at FVTPL	**2,507**	(3,308)	**(691)**	3,884
Expected credit losses ("ECL") made/ (written-back) on:				
- securities	**11,717**	9,888	**11,717**	9,888
- loans and advances	**25,118**	34,099	**25,118**	34,099
- trade receivables	**(1,276)**	2,601	**(1,420)**	2,537
- other assets	**73**	1,966	**64**	1,967
- deposits and placements with FI	**4**	-	**4**	-
- loan commitments and financial guarantee	**1,368**	3,991	**1,368**	3,991
Zakat	**2,758**	4,929	**2,088**	4,267
Unrealised exchange loss	**4,951**	20,470	**5,381**	21,488
Operating profit/ (loss) before changes in working capital	**156,352**	58,373	**(31,827)**	(87,657)

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

Statements of cash flows
for the financial year ended 31 December 2021 (continued)

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Decrease/(Increase) in operating assets				
Loan and advances	**(155,101)**	94,979	**(155,101)**	94,979
Statutory deposits with Bank Negara Malaysia	**8,700**	132,400	**8,700**	132,400
Trade receivables	**394,089**	(388,579)	**288,283**	(370,370)
Other assets	**(7,771)**	(1,943)	**(7,828)**	(2,376)
Amount due from ultimate holding company	**(9)**	47	**-**	-
Amount due from holding company	**(41)**	-	**(41)**	-
Intercompany balances	**-**	-	**(116)**	(64)
Derivative financial assets	**81,525**	(102,079)	**79,405**	(100,649)
Financial assets at FVTPL	**164,737**	(235,802)	**128,787**	(221,985)
	486,129	(500,977)	**342,089**	(468,065)
(Decrease)/Increase in operating liabilities				
Deposit from customers	**110,361**	(469,569)	**110,361**	(469,569)
Deposits and placements of banks and other financial institutions	**421,470**	(511,882)	**421,470**	(511,882)
Trade payables	**60,732**	133,872	**(155,892)**	254,986
Amount due to related company	**(815)**	280	**-**	-
Amount due to holding company	**130**	(32)	**-**	-
Derivative financial liabilities	**(79,041)**	100,404	**(79,041)**	100,404
Other liabilities	**(155,423)**	249,433	**(104,694)**	121,787
	357,414	(497,494)	**192,204**	(504,274)
Cash used in operating activities	**999,895**	(940,098)	**502,466**	(1,059,996)
Tax paid	**(72,257)**	(97,172)	**(33,439)**	(69,081)
Zakat paid	**(2,494)**	(1,499)	**(1,847)**	(1,050)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**925,144**	(1,038,769)	**467,180**	(1,130,127)

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

Statements of cash flows
for the financial year ended 31 December 2021 (continued)

	Note	The Group		The Bank	
		31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
		RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property and equipment		**294**	242	**3**	16
Purchase of property and equipment		**(4,207)**	(6,784)	**(2,719)**	(2,982)
Purchase of intangible assets		**(1,500)**	(4,417)	**(270)**	(568)
Interest received:					
- financial investments at FVOCI		**136,778**	161,318	**136,778**	161,318
- financial investments at amortised cost		**2,368**	2,410	**2,368**	2,410
Purchase of:					
- financial assets at FVTPL		**(141,936)**	68,419	**-**	200,000
- financial investments at FVOCI		**(2,293,726)**	(4,886,033)	**(2,293,726)**	(4,886,033)
Redemption/disposal of:					
- financial assets at FVTPL		**264,526**	303,080	**125,695**	204,074
- financial investments at FVOCI		**2,513,034**	5,706,610	**2,513,034**	5,706,610
Capital injection for subsidiaries		**-**	-	**-**	(800)
Capital injection for associate		**-**	-	**-**	(200)
Redemption of an equity interest in an associate		**4,108**	632	**-**	-
Dividend income received from:					
- a subsidiary		**-**	-	**112,000**	49,000
- financial assets at FVTPL		**5,418**	6,257	**4,013**	5,013
- financial investments at FVOCI		**330**	300	**330**	300
NET CASH GENERATED FROM INVESTING ACTIVITIES		**485,487**	1,352,034	**597,506**	1,438,158
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments		**(10,157)**	(10,271)	**(5,765)**	(5,792)
Dividends paid		**(255,000)**	(190,000)	**(255,000)**	(190,000)
Dividends paid to non-controlling interest		**(66,026)**	(28,777)	**-**	-
Issue of subsidiary's share capital		**-**	490	**-**	-
NET CASH USED IN FINANCING ACTIVITIES		**(331,183)**	(228,558)	**(260,765)**	(195,792)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,079,448**	84,707	**803,921**	112,239
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**792,386**	707,679	**335,330**	223,091
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR		**1,871,834**	792,386	**1,139,251**	335,330
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and short-term funds	2	**1,940,487**	858,178	**1,207,904**	401,122
Less:					
Amount held on behalf of commissioned dealer's representatives	23	**(68,653)**	(65,792)	**(68,653)**	(65,792)
Cash and cash equivalents		**1,871,834**	792,386	**1,139,251**	335,330

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

Summary of significant accounting policies for the financial year ended 31 December 2021

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 1 January 2021:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'

The Group and the Bank have adopted Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2' for the first time in the December 2021 financial statements, which resulted in changes in accounting policies.

<u>Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'</u>

The Group and the Bank have adopted the Phase 2 amendments and applied the practical expedient whereby the Group and the Bank would not derecognise or adjust the carrying amount of financial instruments for modifications required by interbank offered rate ("IBOR") reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. As a result, no immediate gain or loss is recognised in profit or loss.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because none of the IBOR-based contracts of the Group and the Bank were modified in 2020. For contracts modified as a result of IBOR reform during the year, the Group and the Bank has applied the Phase 2 amendments. Refer to accounting policy Note G (d) on IBOR modification. The details impact of the changes in accounting policies are disclosed in Note 43 of the financial statements.

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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

A Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2021.

- 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 prospectively.

- 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 retrospectively.

- 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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

A Basis of preparation (continued)

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

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

The adoption of the above new accounting standards, amendments to published standards and inerpretations are not expected to give rise to any material financial impact to the Group and the Bank.

(c) Changes in regulatory requirements

During the financial year 2021, BNM announced enhanced additional measures to facilitate repayment assistance to borrowers/customers affected by the COVID-19 pandemic. The measures which are aimed to support economic recovery of individuals and small and medium-sized enterprises ("SME"), including microenterprises are set out as follows:

Targeted repayment assistance ("TRA") and moratorium

(i) Extension of TRA under Perlindungan Ekonomi dan Rakyat Malaysia (*'PERMAI'*)

Extension of TRA under PERMAI was announced on 18 January 2021. This extension applied to all TRA schemes where all borrowers/customers may apply for 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months. The TRA applicable to all B40 (ie; registered recipient of Bantuan Sara Hidup ('BSH') or Bantuan Prihatin Rakyat ('BPR')), M40 (ie; recipients of Bantuan Prihatin National ('BPN')) and microenterprises with loan facilities of not more than RM150,000, whose loans were approved on or before 30 September 2020 and not in arrears for more than 90 days.

(ii) TRA under Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan (*'PEMERKASA+'*)

TRA under PEMERKASA+ was announced on 31 May 2021. The TRA was applicable to all borrowers/customers who have lost their employment, B40 borrowers/customers registered under BSH/BPR, SMEs and microenterprises with loan facilities of not more than RM150,000 whose loans were approved on or before 30 June 2021 and not in arrears for more than 90 days. All these affected borrowers/customers may opt for 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months.

(iii) Six-month moratorium under Perlindungan Rakyat dan Pemulihan Ekonomi (*'PEMULIH'*)

The six-month moratorium under PEMULIH was announced on 28 June 2021. This moratorium is applicable to any applies to any loans approved on or before 30 June 2021 that is not in arrears exceeding 90 days as at the date of their application, denominated in Malaysian Ringgit and foreign currency and the borrowers/customers not a bankrupt or under bankruptcy proceedings. Under this PEMULIH, all individual, SMEs and microenterprises may opt for 6-month deferment of instalment or 50% reduction in their monthly instalment payment for a period of 6 months, with non-compounding interest/profit or any penalty interest/profit during the moratorium period.

The adoption of the above enhanced 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

B Consolidation

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

(a) Subsidiaries

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

The Group applies the acquisition method to account for business combinations when n the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (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)

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.

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 2021 (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 2021 (continued)

C Investments in subsidiaries and associates in separate financial statements

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

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

D Property and equipment and depreciation

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

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

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

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

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

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

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

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

E Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

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

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

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

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

(c) Merchant bank license

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

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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 2021 (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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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. For financials assets which were managed for the purpose of preserving the capital and to generate return on a longer turn, with the objective to hold and collect contractual cash flows and measured at Amortised Cost. 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.

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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

G Financial assets (continued)

(d) IBOR modification

When the basis to determine the future contractual cash flows of financial assets classified as amortised cost or FVOCI are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets classified as amortised cost or FVOCI does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate. Any additional changes are accounted for as modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognised immediately in profit or loss where the financial assets are not derecognised).

(e) 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 represents 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-month 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 43 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

G Financial assets (continued)

(e) 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 or when they fall due;
- Rescheduling and/or Restructuring ("R&R") due to Impairment Symptoms or Corporate Debt Restructuring Committee ("CDRC");
- Internal rating deteriorated to Credit Grade 15 or worse;
- Rating downgrade to default grade "D";
- Distressed restructuring or rescheduling of coupon and/or principal redemption resulting in an extended grace period to service coupon or even capitalise coupon;
- Primary repayment source is terminated indefinitely, or business model is deemed no longer viable, and no other alternative source of repayment is available;
- Cessation of business operations and business operation is unlikely able to resume;
- Borrower/customer is adjudicated bankrupt;
- Winding-up order issued against the company;
- Receiver and manager appointed;
- Corporate Rescue Mechanism, implementation of Corporate Voluntary Arrangement ("CVA") or Order for Judicial Management ("JM") granted by Court;
- Classification by Bursa Malaysia as distressed company due to credit deterioration e.g. PN17, GN3 and failing to comply with the timeline for remedial action, and/or evidence of business failure; and
- Account classified as fraud.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

G Financial assets (continued)

(e) 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

- Other debts including Treasury Instruments default and/or transferred to Stage 3 (Cross Default).

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

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

Write-off policy

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

Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and

(ii) where the Groups recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

G Financial assets (continued)

(e) Subsequent measurement – Impairment (continued)

Modification of loans

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 is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

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

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

G Financial assets (continued)

(e) 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.

(f) 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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 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 43). 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 2021 (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 flows 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

P Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plan

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

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

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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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 present 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.

COVID-19 related rent concession

The Group and the Bank elect to account for a COVID-19 related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group and the Bank account for such COVID-19-related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Group and the Bank present the impacts of rent concessions within operating expenses.

If a rent concession results from a lease modification, the Group and the Bank account for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Group and the Bank account for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

U Recognition of interest income and expense

Interest 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (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 Bank, 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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 43, 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.

Summary of significant accounting policies for the financial year ended 31 December 2021 (continued)

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 2021.

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.

Notes to the financial statements for the financial year ended 31 December 2021

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**	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**866,358**	594,580	**313,570**	266,017
Money at call and deposit placements maturing within one month	**1,074,133**	263,598	**894,338**	135,105
Less: Expected credit losses ("ECL")	**(4)**	-	**(4)**	-
	1,940,487	858,178	**1,207,904**	401,122

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM68,653,000 (2020: RM65,792,000).

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 RM537,822,000 (2020: RM283,648,000).

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

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

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Quoted securities				
Unit trusts in Malaysia	**118,501**	229,378	**65,626**	197,290
Shares, warrants and REITs in Malaysia	**30,862**	108,083	**29,297**	106,743
Shares, warrants and REITs outside Malaysia	**79,553**	74,388	**983**	4,198
	228,916	411,849	**95,906**	308,231
Unquoted securities				
Corporate bonds and/or Sukuk in Malaysia	**1,008**	14,005	**-**	-
Corporate bonds and/or Sukuk outside Malaysia	**-**	44,489	**-**	-
	1,008	58,494	**-**	-
	229,924	470,343	**95,906**	308,231

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

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Money market instruments		
Malaysian government securities	**768,784**	1,144,251
Malaysian government investment issues	**1,137,984**	1,022,844
Cagamas bonds	**90,757**	11,103
Khazanah bonds	**9,625**	-
	2,007,150	2,178,198
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	**1,618,659**	1,841,989
Corporate bonds and/or Sukuk outside Malaysia	**26,958**	28,875
Shares in Malaysia *	**26,697**	25,319
	3,679,464	4,074,381

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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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	
	31.12.2021	31.12.2020
Unquoted securities	**RM'000**	RM'000
Shares in Malaysia:		
Cagamas Berhad	**22,191**	20,923
RAM Holdings Berhad	**3,322**	3,226
Malaysian Rating Corporation Berhad	**1,184**	1,170
	26,697	25,319
Total unquoted securities	**26,697**	25,319

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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Unquoted securities	**26,697**	25,319	**330**	300	**-**	-
	26,697	25,319	**330**	300	**-**	-

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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 31.12.2021	**12-month 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	**4,749**	**4,219**	**12,170**	**21,138**
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)	**(522)**	**522**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**(522)**	**522**	**-**	**-**
Derecognised during the financial year (other than write-offs)	**(1,534)**	**-**	**-**	**(1,534)**
New originated or purchased	**1,778**	**-**	**-**	**1,778**
Changes due to change in credit risk	**(1,844)**	**14,366**	**(724)**	**11,798**
Changes in model/risk parameters	**(2,374)**	**-**	**-**	**(2,374)**
Write-offs	**-**	**-**	**(11,446)**	**(11,446)**
Other adjustments:				
- Foreign exchange and other adjustments	**(1)**	**-**	**-**	**(1)**
At end of the financial year	**252**	**19,107**	**-**	**19,359**

The Group and the Bank 31.12.2020	12-month 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 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 in reserves with the corresponding entry to income statement.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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 **31.12.2021**	**12-month 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	**3,940,061**	**104,544**	**4,457**	**4,049,062**
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)	**(24,794)**	**24,794**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**(24,794)**	**24,794**	**-**	**-**
Derecognised during the financial year (other than write-offs)	**(2,475,283)**	**-**	**-**	**(2,475,283)**
New originated or purchased	**2,293,726**	**-**	**-**	**2,293,726**
Changes due to interest accruals	**(35,086)**	**(107)**	**-**	**(35,193)**
Changes due to fair value	**(174,426)**	**(1,072)**	**(118)**	**(175,616)**
Write-offs	**-**	**-**	**(4,525)**	**(4,525)**
Other adjustments:				
- Foreign exchange and other adjustments	**(19)**	**429**	**186**	**596**
At end of the financial year	**3,524,179**	**128,588**	**-**	**3,652,767**

The Group and the Bank 31.12.2020	12-month 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 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 in reserves with the corresponding entry to income statement.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

5 Financial investments at amortised cost

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At amortised cost		
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	**40,484**	40,497
Loan Stocks in Malaysia	**15,000**	15,000
	55,484	55,497
Expected credit losses ("ECL")	**(15,032)**	(12,982)
	40,452	42,515

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

The Group and the Bank 31.12.2021	**12-month 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	**60**	**-**	**12,922**	**12,982**
Changes due to change in credit risk	**(28)**	**-**	**2,078**	**2,050**
At end of the financial year	**32**	**-**	**15,000**	**15,032**

The Group and the Bank 31.12.2020	12-month 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

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 31.12.2021	**12-month ECL Stage 1 RM'000**	**Lifetime ECL not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**40,497**	**-**	**15,000**	**55,497**
Changes due to interest accruals	**(13)**	**-**	**-**	**(13)**
At end of the financial year	**40,484**	**-**	**15,000**	**55,484**

The Group and the Bank 31.12.2020	12-month 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 and advances

	The Group and the Bank 31.12.2021 RM'000	The Group and the Bank 31.12.2020 RM'000
(i) By type		
Term loans:		
- Syndicated term loans	**102,552**	107,053
- Other term loans	**122,620**	162,163
Revolving credits	**122,679**	97,653
Share margin financing	**782,767**	605,485
Staff loans	**3,892**	5,992
Gross loans and advances	**1,134,510**	978,346
Less : expected credit losses	**(56,101)**	(30,983)
Total net loans and advances	**1,078,409**	947,363
(ii) By maturity structure		
Maturing within one year	**895,159**	685,308
One year to three years	**47,579**	76,354
Three years to five years	**66,103**	95,287
Over five years	**125,669**	121,397
	1,134,510	978,346

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

6 Loans and advances (continued)

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
(iii) By type of customer		
Domestic business enterprises:		
- Small medium enterprises	**11,805**	19,123
- Others	**387,583**	415,959
Domestic non-bank financial institutions	**233,148**	188,385
Individuals	**499,770**	354,298
Foreign individuals	**2,204**	581
	1,134,510	978,346
(iv) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loans	**36,545**	36,545
- Housing loans	**2,364**	3,738
- Hire purchase receivables	**1,528**	2,254
Variable rate		
- Cost plus	**1,064,226**	907,033
- Other floating rate	**29,847**	28,776
	1,134,510	978,346
(v) By economic sectors		
Household	**501,974**	354,880
Finance, insurance and business services	**237,259**	193,020
Real estate	**133,736**	156,172
Construction	**91,666**	88,631
Transport, storage and communication	**84,001**	89,750
Agriculture	**35,067**	43,089
Manufacturing	**29,541**	30,156
Wholesale, retail trade, hotels and restaurants	**11,326**	10,663
Education, health and others	**7,801**	9,616
Mining and quarrying	**2,139**	2,369
	1,134,510	978,346

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

6 Loans and advances (continued)

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
(vi) By economic purpose		
Purchase of securities	**885,939**	700,843
Purchase of landed properties of which		
- Residential	**2,364**	3,738
- Non-residential	**42,231**	52,655
Working capital	**80,250**	84,656
Construction	**40,425**	37,164
Purchase of transport vehicles	**33,443**	33,329
Others	**49,858**	65,961
	1,134,510	978,346
(vii) By geographical distribution		
Wilayah Persekutuan	**631,334**	509,620
Selangor	**260,506**	232,432
Johor	**59,284**	56,916
Sarawak	**59,196**	63,285
Pulau Pinang	**41,331**	23,723
Sabah	**35,546**	53,628
Terengganu	**35,158**	29,638
Perak	**4,600**	5,146
Kedah	**4,192**	634
Negeri Sembilan	**3,363**	3,324
	1,134,510	978,346
(viii) Movements of impaired loans and advances		
At beginning of the financial year	**89,292**	98,782
Classified as impaired during the financial year	**-**	96,752
Reclassified as non-impaired during the financial year	**-**	(69,900)
Amount written-off	**-**	(20,626)
Amount recovered	**(6,764)**	(15,716)
At end of the financial year	**82,528**	89,292
Ratio of gross impaired loans and advances to gross loans and advances	**7.27%**	9.13%

6 Loans and advances (continued)

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
(ix) Impaired loans and advances analysed by sector		
Construction	**36,545**	36,545
Real estate	**32,076**	35,089
Manufacturing	**6,669**	7,369
Transport, storage and communication	**5,099**	7,920
Mining and quarrying	**2,139**	2,369
	82,528	89,292

(x) Impaired loans and advances by economic purpose		
Working capital	**48,314**	51,835
Purchase of securities	**26,075**	26,075
Purchase of transport vehicles	**2,139**	2,369
Other purpose	**6,000**	9,013
	82,528	89,292

(xi) Impaired loans and advances by geographical distribution		
Selangor	**43,844**	50,378
Sarawak	**36,545**	36,545
Wilayah Persekutuan	**2,139**	2,369
	82,528	89,292

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

6 Loans and advances (continued)

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

The Group and the Bank 31.12.2021	**12-month 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	**1,781**	**8,150**	**21,052**	**30,983**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	**7**	**(7)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(748)**	**748**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**(741)**	**741**	**-**	**-**
Loans derecognised during the financial year (other than write-offs)	**(192)**	**-**	**(2,514)**	**(2,706)**
New loans originated or purchased	**65**	**-**	**-**	**65**
Changes due to change in credit risk	**132**	**13,413**	**14,214**	**27,759**
Other adjustments:				
- Foreign exchange and other adjustments	**-**	**-**	**-**	**-**
At end of the financial year	**1,045**	**22,304**	**32,752**	**56,101**

The Group and the Bank 31.12.2020	12-month 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-month 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 derecognised during the financial year (other than write-offs)	(143)	(27)	(149)	(319)
New loans 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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

6 Loans and advances (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 31.12.2021	**12-month 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	**800,505**	**88,549**	**89,292**	**978,346**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	**36,015**	**(36,015)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(9,683)**	**9,683**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**26,332**	**(26,332)**	**-**	**-**
Loans derecognised during the financial year (other than write-offs)	**(136,608)**	**-**	**(3,088)**	**(139,696)**
New loans originated or purchased	**667,384**	**-**	**-**	**667,384**
Changes due to change in credit risk	**(367,749)**	**(1,568)**	**(3,676)**	**(372,993)**
Other adjustments				
- Foreign exchange and other adjustments	**406**	**1,063**	**-**	**1,469**
At end of the financial year	**990,270**	**61,712**	**82,528**	**1,134,510**

The Group and the Bank 31.12.2020	12-month 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-month 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 derecognised during the financial year (other than write-offs)	(171,728)	(6,380)	(513)	(178,621)
New loans 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

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

7 Trade receivables

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Amount in respect of asset management related fees receivables	**155,703**	261,510	**-**	-
Amounts due from clients:				
- performing accounts	**324,833**	564,841	**324,833**	564,841
- impaired accounts	**942**	1,387	**942**	1,387
Amounts due from brokers	**46,088**	93,918	**46,088**	93,918
	527,566	921,656	**371,863**	660,146
Less: Expected credit losses ("ECL")	**(1,533)**	(2,809)	**(1,300)**	(2,720)
	526,033	918,847	**370,563**	657,426

Movements of impaired amounts due from clients:

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At beginning of the financial year	**1,387**	139
Classified as impaired during the financial year	**3,126**	2,104
Amount recovered	**(3,571)**	(856)
At end of the financial year	**942**	1,387

The Group 31.12.2021	**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	**2,335**	**474**	**2,809**
Allowance made	**2,000**	**3,031**	**5,031**
Amount written back	**(3,650)**	**(2,657)**	**(6,307)**
At end of the financial year	**685**	**848**	**1,533**

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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

7 Trade receivables (continued)

The Bank 31.12.2021	**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	**2,246**	**474**	**2,720**
Allowance made	**1,856**	**3,031**	**4,887**
Amount written back	**(3,650)**	**(2,657)**	**(6,307)**
At end of the financial year	**452**	**848**	**1,300**

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

8 Derivative financial assets

	The Group			
	31.12.2021		31.12.2020	
	Principal amount RM'000	**Assets RM'000**	Principal amount RM'000	Assets RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	**1,929,603**	**11,022**	929,375	21,451
- Currency swaps	**4,140,190**	**42,680**	3,370,371	87,890
	6,069,793	**53,702**	4,299,746	109,341
Interest rate related contracts				
- Interest rate swaps	**1,610,000**	**23,567**	1,450,000	50,995
	7,679,793	**77,269**	5,749,746	160,336

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

8 Derivative financial assets (continued)

	The Bank			
	31.12.2021		31.12.2020	
	Principal amount amount RM'000	**Assets RM'000**	Principal amount amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	**1,882,285**	**10,714**	929,375	19,023
- Currency swaps	**4,140,190**	**42,680**	3,370,371	87,890
	6,022,475	**53,394**	4,299,746	106,913
Interest rate related contracts				
- Interest rate swaps	**1,610,000**	**23,567**	1,450,000	50,995
	7,632,475	**76,961**	5,749,746	157,908

9 Other assets

	The Group		The Bank	
	31.12.2021 RM'000	31.12.2020 RM'000	**31.12.2021 RM'000**	31.12.2020 RM'000
Other debtors, deposits and prepayments	**46,364**	48,685	**37,646**	40,342
Securities Lending	**22,537**	14,044	**22,537**	14,044
Clearing guarantee fund (a)	**1,924**	2,413	**1,924**	2,413
Clearing fund (b)	**2,532**	1,718	**2,532**	1,718
Transferable membership	**350**	350	**250**	250
	73,707	67,210	**64,889**	58,767
Less: Expected credit losses ("ECL")	**(4,039)**	(3,966)	**(4,030)**	(3,966)
	69,668	63,244	**60,859**	54,801

(a) Interest-bearing contributions made by the Bank amounted to RM1,924,000 (2020: RM2,413,000) 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 RM2,532,000 (2020: RM1,718,000) in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

Movements of credit impaired accounts

	The Group		The Bank	
	31.12.2021 RM'000	31.12.2020 RM'000	**31.12.2021 RM'000**	31.12.2020 RM'000
At beginning of the financial year	**4,575**	2,085	**4,575**	2,085
Classified as impaired during the financial year	**2,825**	4,104	**2,818**	4,104
Amount recovered	**(3,293)**	(1,555)	**(3,293)**	(1,555)
Amount written off	**-**	(59)	**-**	(59)
At end of the financial year	**4,107**	4,575	**4,100**	4,575

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

9 Other assets (continued)

Movements in allowances for impairment on other assets:

The Group **31.12.2021**	**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	**18**	**3,948**	**3,966**
Allowance made	**58**	**2,770**	**2,828**
Amount written back	**(67)**	**(2,688)**	**(2,755)**
At end of the financial year	**9**	**4,030**	**4,039**

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 Bank **31.12.2021**	**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	**18**	**3,948**	**3,966**
Allowance made	**40**	**2,763**	**2,803**
Amount written back	**(51)**	**(2,688)**	**(2,739)**
At end of the financial year	**7**	**4,023**	**4,030**

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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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 stipulated in BNM's Statutory Reserve Requirement ("SRR") policy document issued 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 SRR compliance. The flexibility is available until 31 May 2021.

Subsequently per BNM's SRR policy document issued on 16 March 2021, the extension of the flexibility for banking institutions is extended until 31 December 2022. The decision to extend this flexibility is part of BNM's continuous efforts to ensure sufficient liquidity to support financial intermediation activity.

11 Amounts due from/(to) subsidiaries

	The Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Amount due from subsidiaries	**310**	194

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

12 Investment in subsidiaries

	The Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Unquoted shares at cost at beginning of the financial year	**126,521**	125,721
Subscription of additional shares of subsidiaries	**-**	800
Unquoted shares at cost at end of the financial year	**126,521**	126,521

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

12 Investment in subsidiaries (continued)

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	
		31.12.2021	31.12.2021	31.12.2020	31.12.2021	31.12.2020
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 ("BCP")	Private equity management	**1,000**	**51**	51	**49**	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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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 31.12.2021 RM'000	Percentage of equity held 31.12.2021 %	Percentage of equity held 31.12.2020 %	Non-controling interest 31.12.2021 %	Non-controling interest 31.12.2020 %
AIIMAN Global Equity Fund**	Investment in Shariah-compliant equities instruments	**	**71**	59	**29**	41
Affin Hwang AIIMAN Constant Cash Fund 2**	Investment in Shariah-compliant money market instruments	**	**100**	-	-	-
AIIMAN Asia Pacific (ex Japan) Dividend Fund**	Investment in Shariah-compliant equities instruments	**	**40**	42	**60**	58
TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker **	Investment in futures contracts	**	**65**	81	**35**	19
TradePlus NYSE FANG+ Daily (2x) Leveraged Tracker **	Investment in futures contracts	**	**89**	57	**11**	43
TradePlus HSCEI Daily (-1x) Inverse Tracker**	Investment in futures contracts	**	**100**	75	-	25
TradePlus HSCEI Daily (2x) Leveraged Tracker**	Investment in futures contracts	**	**50**	100	**50**	-
TradePlus DWA Malaysia Momentum Tracker**	Investment in equity instruments	**	**40**	50	**60**	50
Affin Hwang Shariah Gold Tracker Fund ^	Shariah-compliant investment in gold	^	-	34	-	66
Affin Hwang AIIMAN Global Sukuk Fund ^	Investment in Shariah-compliant fixed income instruments	^	-	36	-	64

** 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 during the financial year.

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

	Percentage of equity held 31.12.2021 %	Percentage of equity held 31.12.2020 %
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 2021 (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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
	%	%	**RM'000**	RM'000	**RM'000**	RM'000
AHAM	**37**	37	**53,389**	44,234	**44,685**	70,585

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	
	31.12.2021	31.12.2020
	RM'000	RM'000
Summarised financial position		
Total assets	**1,078,261**	943,856
Total liabilities	**(954,455)**	(752,428)
Net assets	**123,806**	191,428
Equity attributable to the Bank	**79,121**	120,843
NCI	**44,685**	70,585
Summarised financial results		
Revenue	**739,708**	554,688
Profit before taxation	**157,498**	137,964
Taxation and zakat	**(34,738)**	(23,713)
Other comprehensive income	**388**	(540)
Total comprehensive income	**123,148**	113,711
Summarised cash flows		
Net cash generated from operating activities	**459,823**	90,702
Net cash used in financing activities	**(182,169)**	(82,256)
Net cash used in investing activities	**(2,007)**	(36,516)
Net (decrease)/increase in cash & cash equivalents	**275,647**	(28,070)
Profit allocated to NCI of the Group	**53,389**	44,234

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

13 Investment in associates

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Cost at beginning of the financial year	**4,108**	3,594	**1,332**	1,132
Net redemption investments in funds	**(4,108)**	(632)	-	-
Share of results of associate, net of tax	-	1,146	-	-
Subscription of additional shares (a)	-	-	-	200
Cost at end of the financial year	-	4,108	**1,332**	1,332

(a) In the previous 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**	**2021**	2020
		RM'000	**%**	%
Direct associate of AHAM:				
TradePlus S&P New China Tracker *	Investment in equity instruments	-	**6%**	15%

The Bank		**Issued and paid**	**Percentage of equity held**	
Name	**Principal Activities**	**up share capital**	**2021**	2020
		RM'000	**%**	%
Affin Hwang Trustee Berhad ("AHTB") **	Provision of trustee services	**6,500**	**20%**	20%

* The fund has been derecognised as AHAM's associate during the financial year.

** 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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**89,557**	46,205	**65,860**	29,713
Deferred tax liabilities	-	-	-	-
	89,557	46,205	**65,860**	29,713
Deferred tax assets:				
- to be recovered more than 12 months	**31,145**	4,162	**30,705**	3,042
- to be recovered within 12 months	**65,042**	65,154	**39,727**	48,270
Deferred tax liabilities:				
- to be recovered more than 12 months	**(5,323)**	(20,702)	**(4,572)**	(20,029)
- to be recovered within 12 months	**(1,307)**	(2,409)	-	(1,570)
	89,557	46,205	**65,860**	29,713

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

14 Deferred tax assets/(liabilities) (continued)

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

The Group	Note	Property and equipment RM'000	Intangible assets RM'000	Loans and advances 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 at FVOCI RM'000	Total RM'000
31.12.2021										
At beginning of financial year		**(1,431)**	**(100)**	**899**	**(26)**	**65,086**	**(5,362)**	**964**	**(13,825)**	**46,205**
Recognised in income statements as tax expenses:										
- tax rate of 24%	35	**(354)**	**(71)**	**1,533**	**(6)**	**(7,430)**	**1,236**	**(630)**	**709**	**(5,013)**
- average tax rate *	35	**14**	**17**	**-**	**-**	**7,988**	**52**	**-**	**25**	**8,096**
Recognised in statements of other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,269**	**40,269**
At end of the financial year		**(1,771)**	**(154)**	**2,432**	**(32)**	**65,644**	**(4,074)**	**334**	**27,178**	**89,557**
The Group										
31.12.2020										
At beginning of financial year		(1,861)	198	55	(4)	26,510	(10,167)	784	(18,227)	(2,712)
Recognised in income statements:										
- Tax expenses	35	430	(298)	844	(22)	38,576	4,805	180	1,127	45,642
Recognised in statements of other comprehensive income		-	-	-	-	-	-	-	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 average tax rate is the expected rate to be applied to taxable profits in the year of assessment ("YA") 2022 due to the effect of "Cukai Makmur" that was imposed by the government on the portion of YA 2022's chargeable income in excess of RM100 million.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

14 Deferred tax assets/(liabilities) (continued)

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

	Note	Property and equipment	Intangible assets	Loans and advances	Financial investments amortised cost	Other liabilities	Foreign exchange translation gain	Financial investments at FVOCI	Total
The Bank		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2021									
At beginning of financial year		**(299)**	**(873)**	**899**	**(26)**	**47,745**	**(3,908)**	**(13,825)**	**29,713**
Recognised in income statements:									
- tax rate of 24%	35	**(265)**	**(71)**	**1,533**	**(6)**	**(13,219)**	**1,522**	**709**	**(9,797)**
- average tax rate *	35	**14**	**17**	**-**	**-**	**5,567**	**52**	**25**	**5,675**
Recognised in statements of other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**40,269**	**40,269**
At end of the financial year		**(550)**	**(927)**	**2,432**	**(32)**	**40,093**	**(2,334)**	**27,178**	**65,860**
The Bank									
31.12.2020									
At beginning of financial year		(798)	(578)	55	(4)	16,142	(8,835)	(18,227)	(12,245)
Recognised in income statements:									
- Tax expenses	35	499	(295)	844	(22)	31,603	4,927	1,127	38,683
Recognised in statements of other comprehensive income		-	-	-	-	-	-	3,275	3,275
At end of the financial year		(299)	(873)	899	(26)	47,745	(3,908)	(13,825)	29,713

* The average tax rate is the expected rate to be applied to taxable profits in the year of assessment ("YA") 2022 due to the effect of "Cukai Makmur" that was imposed by the government on the portion of YA 2022 chargeable income in excess of RM100 million.

15 Property and equipment

The Group 31.12.2021	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	**29,731**	**12,955**	**6,947**	**49,189**	**98,822**
Additions	**74**	**185**	**1,014**	**2,934**	**4,207**
Disposals	**-**	**(4)**	**(772)**	**(146)**	**(922)**
Write-offs	**(51)**	**(120)**	**-**	**(187)**	**(358)**
At end of the financial year	**29,754**	**13,016**	**7,189**	**51,790**	**101,749**
Accumulated depreciation					
At beginning of the financial year	**20,101**	**9,467**	**4,627**	**41,595**	**75,790**
Charge for the financial year	**4,613**	**1,076**	**1,102**	**3,143**	**9,934**
Disposals	**-**	**(2)**	**(752)**	**(141)**	**(895)**
Write-offs	**(51)**	**(120)**	**-**	**(186)**	**(357)**
At end of the financial year	**24,663**	**10,421**	**4,977**	**44,411**	**84,472**
Net book value					
At end of the financial year	**5,091**	**2,595**	**2,212**	**7,379**	**17,277**

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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

15 Property and equipment (continued)

The Bank 31.12.2021	**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	**20,969**	**6,442**	**2,381**	**43,089**	**72,881**
Additions	**73**	**48**	**115**	**2,483**	**2,719**
Disposals	**-**	**-**	**-**	**(115)**	**(115)**
Write-offs	**-**	**(90)**	**-**	**(5)**	**(95)**
At end of the financial year	**21,042**	**6,400**	**2,496**	**45,452**	**75,390**
Accumulated depreciation					
At beginning of the financial year	**15,920**	**5,953**	**1,898**	**38,024**	**61,795**
Charge for the financial year	**3,623**	**219**	**167**	**1,898**	**5,907**
Disposals	**-**	**-**	**-**	**(115)**	**(115)**
Write-offs	**-**	**(90)**	**-**	**(4)**	**(94)**
At end of the financial year	**19,543**	**6,082**	**2,065**	**39,803**	**67,493**
Net book value					
At end of the financial year	**1,499**	**318**	**431**	**5,649**	**7,897**

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

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

16 Intangible assets

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	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	**7,113**	8,350	**1,758**	2,466
	323,624	324,861	**314,667**	315,375

(a) Goodwill on consolidation

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
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 (2020: five-year) period. Cash flows beyond the fifth-year period are assumed to grow at 4.03% (2020 : 4.30%) 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**	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	%	%	**%**	%
Investment Banking	**8.11**	7.97	**4.03**	4.30
Stockbroking	**7.89**	8.04	**4.03**	4.30
Asset Management	**8.09**	8.00	**4.03**	4.30

Sensitivity to changes in assumptions

Management believes that any reasonable possible changes in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of any of the CGUs, which would warrant any impairment to be recognised.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

16 Intangible assets (continued)

(b) Intangible assets

The Group 31.12.2021	**Merchant bank licence RM'000**	**Computer software RM'000**	**Total RM'000**
Cost			
At beginning of the financial year	**52,500**	**29,036**	**81,536**
Additions	**-**	**1,500**	**1,500**
Write-offs	**-**	**(29)**	**(29)**
At end of the financial year	**52,500**	**30,507**	**83,007**
Accumulated amortisation			
At beginning of the financial year	**-**	**20,686**	**20,686**
Amortised during the financial year	**-**	**2,737**	**2,737**
Write-offs	**-**	**(29)**	**(29)**
At end of the financial year	**-**	**23,394**	**23,394**
Net carrying value			
At end of the financial year	**52,500**	**7,113**	**59,613**

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

16 Intangible assets (continued)

(b) Intangible assets (continued)

The Bank **31.12.2021**	**Merchant bank licence RM'000**	**Computer software RM'000**	**Total RM'000**
Cost			
At beginning of the financial year	**52,500**	**19,426**	**71,926**
Additions	**-**	**270**	**270**
At end of the financial year	**52,500**	**19,696**	**72,196**
Accumulated amortisation			
At beginning of the financial year	**-**	**16,960**	**16,960**
Amortised during the financial year	**-**	**978**	**978**
At end of the financial year	**-**	**17,938**	**17,938**
Net carrying value			
At end of the financial year	**52,500**	**1,758**	**54,258**

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 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).

17 Right-Of-Use Assets

The Group 31.12.2021	**Properties RM'000**	**Equipment RM'000**	**Total RM'000**
Cost			
At beginning of financial year	**28,613**	**1,372**	**29,985**
Additions	**645**	**21**	**666**
Termination of contracts	**(624)**	**-**	**(624)**
End of lease term	**(426)**	**-**	**(426)**
At end of the financial year	**28,208**	**1,393**	**29,601**
Less: Accumulated depreciation			
At beginning of financial year	**14,319**	**323**	**14,642**
Charge for the financial year	**9,475**	**294**	**9,769**
Termination of contracts	**(624)**	**-**	**(624)**
End of lease term	**(426)**	**-**	**(426)**
At end of the financial year	**22,744**	**617**	**23,361**
Net book value at end of the financial year	**5,464**	**776**	**6,240**

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

17 Right-Of-Use Assets (continued)

The Bank **31.12.2021**	**Properties** **RM'000**	**Equipment** **RM'000**	**Total** **RM'000**
Cost			
At beginning of financial year	**17,285**	**-**	**17,285**
Additions	**313**	**-**	**313**
End of lease term	**(426)**	**-**	**(426)**
At end of the financial year	**17,172**	**-**	**17,172**
Less: Accumulated depreciation			
At beginning of financial year	**8,825**	**-**	**8,825**
Charge for the financial year	**5,739**	**-**	**5,739**
End of lease term	**(426)**	**-**	**(426)**
At end of the financial year	**14,138**	**-**	**14,138**
Net book value at end of the financial year	**3,034**	**-**	**3,034**

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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

18 Deposits from customers

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
(i) By type of deposit		
Fixed deposits	**3,476,620**	3,079,720
Negotiable instrument of deposits	**754,595**	1,009,544
Other deposits	**94,844**	125,462
	4,326,059	4,214,726
(ii) By maturity structure		
Due within six months	**3,365,700**	3,665,571
Six months to one year	**205,764**	549,155
One year to three years	**754,595**	-
	4,326,059	4,214,726
(iii) By type of customer		
Domestic non-banking financial institutions	**2,342,749**	2,226,834
Domestic banking institutions	**754,595**	1,009,254
Business enterprises	**844,637**	676,694
Government and statutory bodies	**320,009**	217,271
Individuals	**37,159**	37,447
Foreign entities	**16,387**	34,966
Other entities	**10,523**	12,260
	4,326,059	4,214,726

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Licensed investment banks	**100,319**	80,441
Licensed banks	**501,673**	100,081
	601,992	180,522

20 Trade payables

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Amount due to unit trust funds	**555,850**	278,716	**-**	-
Amount due to unit holders	**64,708**	125,399	**-**	-
Amount due to external fund managers	**535**	16	**-**	-
Amount due to clients	**119,404**	311,469	**119,106**	310,832
Amount due to brokers	**111,803**	107,460	**111,803**	107,460
Amount due to Bursa Securities Clearing Sdn. Bhd.	**129,732**	98,241	**129,732**	98,241
	982,032	921,301	**360,641**	516,533

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 (2020: 1 to 30 days).

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

21 Derivatives financial liabilities

	The Group and the Bank			
	31.12.2021		31.12.2020	
	Principal amount	**Liabilities**	Principal amount	Liabilities
	RM'000	**RM'000**	RM'000	RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	**3,634,222**	**35,439**	3,277,891	82,633
- Currency swaps	**2,154,156**	**18,967**	1,062,035	22,070
	5,788,378	**54,406**	4,339,926	104,703
Interest rate related contracts				
- Interest rate swaps	**1,320,000**	**17,491**	1,490,000	46,236
	7,108,378	**71,897**	5,829,926	150,939

22 Lease Liabilities

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
At beginning of financial year	**15,504**	12,863	**8,335**	3,253
Additions	**666**	12,088	**313**	10,449
Termination of contracts	**-**	(84)	**-**	-
Interest expense	**561**	908	**256**	425
Lease payment	**(10,157)**	(10,271)	**(5,765)**	(5,792)
At end of the financial year	**6,574**	15,504	**3,139**	8,335

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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Lease liabilities recognised (discounted)	**6,574**	15,504	**3,139**	8,335
Potential future lease payments not included in lease liabilities (undiscounted):				
Payable in 2021	**-**	211	**-**	67
Payable in 2022 to 2026	**22,617**	20,790	**11,478**	9,279
	29,191	36,505	**14,617**	17,681

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

23 Other liabilities

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Commissioned dealer's representatives trust balances	**68,653**	65,792	**68,653**	65,792
Amounts payable to commissioned and salaried dealer's representatives	**95,426**	150,305	**95,426**	150,305
Accrued employee benefit	**114,434**	114,361	**43,749**	62,477
Securities borrowing	**106,823**	76,079	**106,823**	76,079
Other creditors and accruals	**129,313**	209,703	**59,154**	120,722
Puttable liabilities (a)	**189,026**	200,380	**-**	-
	703,675	816,620	**373,805**	475,375
Add: Expected credit loss - loan commitments and financial guarantees	**19,926**	18,558	**19,926**	18,558
	723,601	835,178	**393,731**	493,933

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

	The Group	
	31.12.2021	31.12.2020
Obligations to buy subsidiaries' shares from non-controlling interest:-	**RM'000**	RM'000
- AHAM (i)	**134,134**	107,841
- AVA (ii)	**21,450**	8,271
Investment in funds (iii)	**33,442**	84,268
	189,026	200,380

(i) The Bank's subsidiary, Affin Hwang Asset Management Berhad ("AHAM"), established and implemented a stock option incentive scheme for its key employees in 2014. 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. In 2019, the options holders fully exercised the 1000 employee stock options at exercise price of RM40.30 per share. As a result, the employee stock option holder(s) were allotted a total of 1,111,000 units of new ordinary shares for a total consideration of RM44.77 million.

Pursuant to the exercise of the employee stock option incentive scheme, there is a Selective Capital Reduction ("SCR") provision within the scheme which requires AHAM to buy back the ordinary shares issued to the option holders from 1 March 2021 to 1 March 2023 at a certain price, if the conditions within the SCR provision are not met as at 31 December 2020. As at 31 December 2021, no option holders have exercised their rights in relation to the shares buy back.

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.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

23 Other liabilities (continued)

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

(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 31.12.2021	**12-month 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	**33**	**600**	**17,925**	**18,558**
Changes due to change in credit risk	**(32)**	**1,400**	**-**	**1,368**
At end of the financial year	**1**	**2,000**	**17,925**	**19,926**

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

The Group and the Bank 31.12.2020	12-month 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

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

24 Share capital

	Number of ordinary shares		The Group and the Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	'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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
FVOCI revaluation reserves (a)	**(50,927)**	76,991	**(50,982)**	76,936
Regulatory reserves (b)	**12,894**	10,972	**12,894**	10,972
Other reserves (c)	**(88,737)**	(65,909)	**-**	-
Foreign exchange reserves	**39**	(205)	**-**	-
Retained profits (d)	**486,407**	569,518	**447,257**	510,908
	359,676	591,367	**409,169**	598,816

(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 at 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 2021, the Bank has sufficient tax exempt account balances to pay tax exempt dividends of RM7,739,648 (2020: RM7,738,738) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

26 Interest income

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Loans and advances	**50,653**	53,599	**50,653**	53,579
Money at call and deposit placements with financial institutions	**26,233**	22,424	**23,811**	19,888
Financial investments at FVOCI	**105,280**	126,801	**105,280**	126,801
Financial assets at amortised cost	**2,355**	2,410	**2,355**	2,410
Others	**7,444**	5,580	**7,433**	5,580
	191,965	210,814	**189,532**	208,258
of which:				
Interest income earned on impaired loans and advances	**3,145**	5,386	**3,145**	5,386

27 Interest expense

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Deposits from customers	**114,397**	143,855	**114,397**	143,855
Deposits and placements of banks and other financial institutions	**8,954**	3,340	**8,954**	3,340
Foreign currency borrowing	**38**	82	**38**	82
Lease liabilities	**561**	908	**256**	425
Others	**3,537**	6,389	**299**	637
	127,487	154,574	**123,944**	148,339

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

28 Net fee and commission income

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	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 fees	**491,482**	377,732	**-**	-
Initial service charge	**228,308**	155,658	**-**	-
Net brokerage income	**92,693**	102,717	**92,693**	102,735
Corporate advisory fees	**7,292**	8,545	**5,914**	6,985
Loan related fees	**8,320**	7,156	**8,320**	7,156
Underwriting commissions	**900**	118	**900**	118
Arrangement fees	**1,231**	524	**1,231**	524
Private placement fees	**10,246**	5,907	**5,406**	3,901
Others	**16,599**	9,142	**11,849**	6,124
	857,071	667,499	**126,313**	127,543
(b) Fee and commission expense:				
Commission and referral expenses	**(340,662)**	(216,802)	**-**	-
	(340,662)	(216,802)	**-**	-
Net fee and commission income	**516,409**	450,697	**126,313**	127,543

29 Net gains and losses on financial instruments

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Gains/(losses) arising on financial assets at FVTPL:				
- net gains on disposal	**49,170**	111,158	**41,466**	109,355
- unrealised (losses)/gains	**(2,507)**	3,308	**691**	(3,884)
- gross dividend income	**5,908**	6,453	**4,504**	5,209
- interest income	**19,504**	16,676	**19,504**	16,676
Gains/(losses) on derivatives instruments:				
- net gains on disposal	**347**	2	**347**	2
- unrealised gains	**1,333**	5,091	**1,333**	5,091
- interest income	**22,319**	17,445	**22,319**	17,445
- interest expense	**(23,183)**	(16,555)	**(23,183)**	(16,555)
Gains arising on financial investments at FVOCI:				
- net gains on disposal	**34,287**	144,829	**34,287**	144,829
- gross dividend income *	**330**	300	**330**	300
	107,508	288,707	**101,598**	278,468

* 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 2021 (continued)

30 Other operating income

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Realised foreign exchange gains	**18,053**	37,159	**16,438**	36,905
Unrealised foreign exchange losses	**(4,951)**	(20,470)	**(5,381)**	(21,488)
Gain on disposal of property and equipment	**267**	201	**3**	16
Dividend income - subsidiaries	**-**	-	**112,000**	49,000
Others	**325**	2,456	**1,059**	1,630
	13,694	19,346	**124,119**	66,063

31 Other operating expenses

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
Salaries, allowances and bonuses	**202,184**	226,671	**93,436**	133,914
Defined contribution plan	**39,259**	41,625	**15,066**	21,249
Other personnel costs	**40,770**	39,331	**5,958**	10,549
	282,213	307,627	**114,460**	165,712
Establishment cost				
Rental of premises and equipment	**3,301**	3,289	**2,375**	2,415
Repair and maintenance	**15,334**	12,903	**5,803**	6,338
Amortisation of intangible assets	**2,737**	2,750	**978**	1,436
Depreciation of property and equipment	**9,934**	11,278	**5,907**	7,114
Depreciation – ROU	**9,769**	9,916	**5,739**	5,776
Electricity, water and sewerage	**1,869**	2,162	**1,552**	1,816
Insurance and indemnities	**1,120**	910	**1,011**	790
Others	**13**	80	**13**	80
	44,077	43,288	**23,378**	25,765
Marketing expenses				
Business promotion and advertisement	**7,159**	9,392	**2,318**	1,270
Entertainment	**979**	2,969	**114**	425
Travelling and accommodation	**276**	1,371	**83**	863
Brokerage expenses	**193**	552	**154**	523
Others	**1,226**	3,522	**-**	1
	9,833	17,806	**2,669**	3,082

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

31 Other operating expenses (continued)

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Administration and general expenses				
Directors' remuneration (Note 33)	**2,983**	2,243	**2,760**	2,045
Subscription fees	**16,531**	12,550	**10,194**	6,971
Telecommunication expenses	**9,701**	12,190	**7,563**	10,398
Professional fees	**9,940**	7,105	**1,272**	861
Auditors' remuneration	**1,267**	896	**904**	627
Property and equipment written off	**1**	241	**1**	92
Others	**4,161**	6,571	**2,459**	4,437
	44,584	41,796	**25,153**	25,431
	380,707	410,517	**165,660**	219,990

The expenditure includes the following statutory disclosure:

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
Directors' remuneration (Note 33)	**2,983**	2,243	**2,760**	2,045
Auditors' remuneration:				
(i) Statutory audit fees	**619**	580	**405**	405
(ii) Regulatory related fees	**480**	109	**393**	67
(iii) Tax fees	**78**	93	**26**	41
(iv) Non-audit fees	**90**	114	**80**	114

32 Allowances for credit impairment losses

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Expected credit losses ("ECL") (made)/written-back on:				
- loans and advances	**(25,118)**	(34,099)	**(25,118)**	(34,099)
- trade receivables	**1,276**	(2,601)	**1,420**	(2,537)
- securities	**(11,717)**	(9,888)	**(11,717)**	(9,888)
- deposits and placements with financial institutions	**(4)**	-	**(4)**	-
- other assets	**(73)**	(1,966)	**(64)**	(1,967)
- loan commitments and financial guarantees	**(1,368)**	(3,991)	**(1,368)**	(3,991)
Bad debts recovered	**41**	2,925	**41**	2,925
	(36,963)	(49,620)	**(36,810)**	(49,557)

33 Chief Executive Officer and Directors' remuneration

The Chief Executive Officer and Directors of the Bank who have held office during the financial year are as follows:

Chief Executive Officer
Mona Suraya Kamaruddin

Executive Director

Datuk Wan Razly Abdullah bin Wan Ali	(Appointed as NIED w.e.f. 12 March 2021)

Non-Executive Directors

Datuk Noor Azian binti Shaari	(Appointed as Interim Chairman w.e.f. 28 May 2021)
Mr Eugene Hon Kah Weng	(Appointed as INED w.e.f. 1 March 2021)
Encik Hasli bin Hashim	(Appointed as INED w.e.f. 1 April 2021)
Dato' Abdul Wahab bin Abu Bakar	(Appointed as INED w.e.f. 22 November 2021)
Ms Kong Yuen Ling	(Appointed as NINED w.e.f. 27 December 2021)
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	(Resigned as Chairman/INED w.e.f. 26 April 2021)
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	(Retired as NINED w.e.f. 28 April 2021)
Lim Hun Soon @ David Lim	(Completion tenure of nine (9) years of INED w.e.f. 31 March 2021)
Stephen Charles Li	(Resigned as NINED w.e.f. 27 September 2021)
Allayarham Dato' Mohd Ali bin Mohd Tahir	(Completion tenure of INED w.e.f. 31 December 2021)

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

	The Group		**The Bank**	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Chief Executive Officer				
Fixed and non-deferred remuneration				
- Fees	-	-	-	-
- Salary and other emoluments	**1,654**	445	**1,654**	445
- Benefits-in-kind	**25**	6	**25**	6
Variable and non-deferred remuneration				
- Benefits-in-kind	**13**	4	**13**	4
	1,692	455	**1,692**	455
*** Executive Director**				
Fixed and non-deferred remuneration				
- Fees	-	-	-	-
- Other emoluments	-	-	-	-
- Benefits-in-kind	-	-	-	-
Total	-	-	-	-
Non-Executive Directors				
Fixed and non-deferred remuneration				
- Fees	**1,401**	1,431	**1,269**	1,299
- Other emoluments	**1,444**	710	**1,382**	644
- Benefits-in-kind	**25**	28	**8**	28
Variable and non-deferred remuneration				
- Benefits-in-kind	**113**	74	**101**	74
Total	**2,983**	2,243	**2,760**	2,045
Grand total	**4,675**	2,698	**4,452**	2,500

* All fees are paid to Affin Bank Berhad.

33 Chief Executive Officer 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 borne by the holding company of the Bank namely Affin Bank Berhad for the period from 19 April 2021 to 18 April 2022. Total premium paid for the D&O Insurance for financial year 2021 is RM152,729 (2020: RM115,000). 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 CCPI Insurance policy. For financial year 2021, the total amount of premium paid for the CCPI Insurance by the Group and the Bank amounted to RM1,014,431 and RM799,479 (2020: RM850,814 and RM682,814) 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, except for director's fees paid and payable to Affin Bank Berhad ("ABB") amounting to RM159,068 for services provided by Datuk Wan Razly Abdullah bin Wan Ali during the financial year 2021 (2020: RM Nil).

The Chief Executive Officer ("CEO") of the Bank, Puan Mona Suraya Binti Kamaruddin is a Board member of the Bank's subsidiary, Affin Hwang Asset Management Berhad ("AHAM"), and a direct subsidiary of AHAM, AIIMAN Asset Management Sdn. Bhd. ("AIIMAN"). Total directors' fees amounting to RM164,000 for the CEO's directorships at both AHAM and AIIMAN were paid to the Bank during the financial year 2021 (2020: RM37,885).

Details of remuneration of the Group are as follows:

The Group
31.12.2021

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer [2]							
Mona Suraya Binti Kamaruddin	1,425	-	229	25	-	13	1,692

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director [3]							
Datuk Wan Razly Abdullah bin Wan Ali	-	-	-	-	-	-	-
Non-Executive Directors							
Datuk Noor Azian binti Shaari	-	275	171	-	-	38	484
Mr Eugene Hon Kah Weng	-	198	127	-	-	14	339
Encik Hasli bin Hashim	-	209	144	-	-	5	358
Dato' Abdul Wahab bin Abu Bakar	-	14	6	-	-	-	20
Ms Kong Yuen Ling	-	-	-	-	-	-	-
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	-	133	204	8	-	10	355
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	143	242	17	-	24	426
Lim Hun Soon @ David Lim	-	139	190	-	-	20	349
Stephen Charles Li	-	96	264	-	-	2	362
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	194	96	-	-	-	290
Total	-	1,401	1,444	25	-	113	2,983
Grand Total	1,425	1,401	1,673	50	-	126	4,675

1) Other emoluments include allowances, gratuity, Employees Provident Fund ("EPF") & Sales and Services Tax ("SST").

2) Director fees amounting to RM164,000 are paid to the Bank.

3) Director fees amounting to RM159,068 are paid to ABB.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

33 Chief Executive Officer and Directors' remuneration (continued)

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

The Group
31.12.2020

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer [2]							
Mona Suraya Binti Kamaruddin	383	-	62	6	-	4	455

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Non-Executive Directors							
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	-	285	190	19	-	13	507
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	311	132	-	-	18	461
Lim Hun Soon @ David Lim	-	205	92	-	-	5	302
Stephen Charles Li	-	130	36	-	-	-	166
Datuk Noor Azian binti Shaari	-	226	106	-	-	27	359
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	212	140	-	-	-	352
Abd Malik bin A Rahman	-	62	14	9	-	11	96
Total	-	1,431	710	28	-	74	2,243
Grand Total	383	1,431	772	34	-	78	2,698

1) Other emoluments include allowances, EPF & SST.

2) Director fees amounting to RM37,885 are paid to the Bank.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

33 Chief Executive Officer and Directors' remuneration (continued)

Details of remuneration of the Bank are as follows:

The Bank

31.12.2021

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer [2]							
Mona Suraya Binti Kamaruddin	1,425	-	229	25	-	13	1,692

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director [3]							
Datuk Wan Razly Abdullah bin Wan Ali	-	-	-	-	-	-	-
Non-Executive Directors							
Datuk Noor Azian binti Shaari	-	275	171	-	-	38	484
Mr Eugene Hon Kah Weng	-	198	127	-	-	14	339
Encik Hasli bin Hashim	-	209	144	-	-	5	358
Dato' Abdul Wahab Abu Bakar	-	14	6	-	-	-	20
Ms Kong Yuen Ling	-	-	-	-	-	-	-
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	-	70	164	8	-	7	249
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	74	220	-	-	15	309
Lim Hun Soon @ David Lim	-	139	190	-	-	20	349
Stephen Charles Li	-	96	264	-	-	2	362
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	194	96	-	-	-	290
Total	-	1,269	1,382	8	-	101	2,760
Grand Total	1,425	1,269	1,611	33	-	114	4,452

1) Other emoluments include allowances, gratuity, EPF & SST.

2) Director fees amounting to RM164,000 are paid to the Bank.

3) Director fees amounting to RM159,068 are paid to ABB.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

33 Chief Executive Officer and Directors' remuneration (continued)

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

The Bank

31.12.2020

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	Other emoluments [1]	Benefits-in-kind	Bonuses	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer [2]							
Mona Suraya Binti Kamaruddin	383	-	62	6	-	4	455

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	Other emoluments [1]	Benefits-in-kind	Bonuses	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors							
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	-	222	150	19	-	13	404
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	242	106	-	-	18	366
Lim Hun Soon @ David Lim	-	205	92	-	-	5	302
Stephen Charles Li	-	130	36	-	-	-	166
Datuk Noor Azian binti Shaari	-	226	106	-	-	27	359
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	212	140	-	-	-	352
Abd Malik bin A Rahman	-	62	14	9	-	11	96
Total	-	1,299	644	28	-	74	2,045
Grand Total	383	1,299	706	34	-	78	2,500

1) Other emoluments include allowances, EPF & SST.

2) Director fees amounting to RM37,885 are paid to the Bank.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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 Chief Executive Officer 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 2021 (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 *	
The Group	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Income	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Interest on deposits & interbank placements	-	-	**24,468**	23,437	-	-
Interest on financial investments at FVOCI	-	-	-	-	**5,900**	5,916
Interest on loans and advances	-	-	-	-	**2,949**	4,021
Brokerage income	**447**	329	-	-	**152**	12
Management fee income	**122**	241	-	-	**5,920**	1,711
Corporate advisory fees	-	-	**70**	378	**714**	2,160
Agency fees	-	-	**58**	60	**320**	330
Other fee income	**35**	34	-	-	**300**	150
Other income	-	-	-	-	**460**	2,456
Net gain arising from disposal of financial instruments	**67**	-	-	-	**6**	-
Realised gain/(loss) on foreign exchange for derivatives instruments	-	-	**(116)**	(131)	**9**	38
	671	604	**24,480**	23,744	**16,730**	16,794
Expenses						
Rental of premises	-	-	**94**	94	**7,761**	7,774
Interest expense on deposits	-	-	**25,388**	27,683	**3,355**	2,163
Travel services	-	-	-	-	**10**	95
Securities borrowing and lending fees	**173**	170	-	-	-	-
Advisory fee expense	-	-	-	-	**1,532**	1,243
Commission and referral expense	-	-	**3,656**	1,448	-	-
Management fee expense	-	-	-	-	**3,491**	2,637
Dividend paid	-	-	-	-	**48,000**	21,000
MFRS 9 expense	-	-	**250**	250	-	-
External manager fee	-	-	-	-	**1,967**	1,222
Other expenses	-	-	**1**	1	**157**	1,088
	173	170	**29,389**	29,476	**66,273**	37,222

* 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 2021 (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 ***	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to						
Deposit from customers	**-**	-	**754,595**	403,336	**244,411**	163,896
Deposit and placements of banks and other financial institutions	**-**	-	**200,384**	-	**-**	-
Other liabilities	**-**	-	**20**	-	**945**	119
Trade payable	**-**	-	**200**	71	**-**	214
	-	-	**955,199**	403,407	**245,356**	164,229
Amounts due from						
Cash and short-term funds	**-**	-	**142,157**	105,448	**-**	-
Loans and advances	**-**	-	**-**	-	**58,100**	72,545
Refundable deposits	**-**	-	**-**	-	**1,850**	1,850
Other assets	**-**	-	**-**	-	**1,131**	133
Advisory and management fee receivable	**31**	22	**-**	-	**450**	450
Financial investments	**-**	-	**-**	-	**101,630**	104,544
	31	22	**142,157**	105,448	**163,161**	179,522
Commitments and contingencies						
Transaction related contingencies	**-**	-	**-**	-	**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 2021 (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 ***	
The Bank	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Income	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Interest on deposits & interbank placements	**-**	-	**23,568**	22,770	**-**	-	**-**	-
Interest on short term lending	**-**	-	**-**	-	**1**	-	**-**	-
Interest on financial investments at FVOCI	**-**	-	**-**	-	**-**	-	**5,900**	5,916
Interest on loans and advances	**-**	-	**-**	-	**-**	-	**2,839**	3,735
Brokerage income	**447**	329	**-**	-	**1**	-	**152**	12
Management fee income	**-**	-	**-**	-	**521**	537	**-**	-
Corporate advisory fees	**-**	-	**70**	378	**-**	-	**160**	1,798
Agency fees	**-**	-	**58**	60	**-**	-	**320**	330
Other fee income	**35**	34	**-**	-	**-**	-	**301**	150
Realised gain/(loss) on foreign exchange for derivatives instruments	**-**	-	**(116)**	(131)	**-**	-	**9**	38
Net gain arising from disposal of financial instruments	**67**	-	**-**	-	**-**	-	**6**	-
Gross dividend income - subsidiaries	**-**	-	**-**	-	**112,000**	49,000	**-**	-
Other income	**-**	-	**-**	-	**340**	604	**16**	-
	549	363	**23,580**	23,077	**112,863**	50,141	**9,703**	11,979
Expenses								
Rental of premises	**-**	-	**94**	94	**-**	-	**4,705**	4,746
Interest expense on deposits	**-**	-	**25,388**	27,683	**-**	-	**3,353**	2,163
SBL fees	**173**	170	**-**	-	**7**	5	**-**	-
Travel services	**-**	-	**-**	-	**-**	-	**7**	64
MFRS 9 expense	**-**	-	**250**	250	**-**	-	**-**	-
Other expenses	**-**	-	**-**	-	**-**	-	**157**	796
	173	170	**25,732**	28,027	**7**	5	**8,222**	7,769

* 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 2021 (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 ***	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
The Bank	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to								
Deposits from customers	-	-	**754,595**	403,336	-	-	**244,411**	163,896
Interbank borrowings	-	-	**200,384**	-	-	-	-	-
Other liabilities	-	-	**20**	-	-	-	**324**	84
	-	-	**954,999**	403,336	-	-	**244,735**	163,980
Amounts due from								
Cash and short-term funds	-	-	**87,983**	50,461	-	-	-	-
Loans and advances	-	-	-	-	-	-	**58,100**	66,181
Refundable deposits	-	-	-	-	-	-	**1,152**	1,152
Intercompany balances	-	-	-	-	**310**	194	-	-
Advisory & management fee receivable	-	-	-	-	-	-	**450**	450
Financial investments	-	-	-	-	-	-	**101,630**	104,544
	-	-	**87,983**	50,461	**310**	194	**161,332**	172,327
Commitments and contingencies								
Transaction related contingencies	-	-	-	-	-	-	**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 2021 (continued)

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**	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits:				
- Salaries, allowances and commissions	**8,631**	10,149	**7,347**	8,865
- Bonuses	**11,362**	10,481	**2,347**	4,226
- Defined contribution plan	**3,591**	3,543	**1,672**	2,149
- Other employee benefits	**617**	843	**617**	843
- Benefits-in-kind	**176**	112	**147**	112
Other emoluments	**1,673**	772	**1,611**	706
Directors' fees	**1,401**	1,431	**1,269**	1,299
	27,451	27,331	**15,010**	18,200

Included in the table above is the Chief Executive Officer & 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 and advances from other related parties, as disclosed in the table below:

	The Group		**The Bank**	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
At end of the financial year	**248**	6,670	**248**	306

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

35 Taxation

	The Group		The Bank	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax:				
- Current financial year	**54,646**	120,447	**15,118**	90,709
- Deferred tax (Note 14)	**(3,083)**	(45,642)	**4,122**	(38,683)
	51,563	74,805	**19,240**	52,026
Under provision in prior financial years	**2,898**	893	**549**	780
	54,461	75,698	**19,789**	52,806

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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	%	%	**%**	%
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**2.23**	1.79	**0.85**	1.22
- Non-taxable income	**(5.41)**	(4.67)	**(13.16)**	(5.07)
- Impact of change in tax rate on deferred tax ^	**(2.88)**	-	**(2.66)**	-
- Under provision in prior financial years	**1.03**	0.26	**0.26**	0.30
- Unrecognised tax losses of which temporary differences not recognised	**0.36**	0.17	**-**	-
Average effective tax rate	**19.33**	21.55	**9.29**	20.45

^ One-off tax known as Cukai Makmur for non-Micro, Small and Medium Enterprises companies having chargeable income exceeding RM100 million for the year of assessment ("YA") 2022. The estimated chargeable income of the Bank for YA 2022 is exceeding RM100 million and the deferred tax impact arising from Cukai Makmur is approximately 2.66% (Bank) and 2.88% (Group).

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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
Net profit attributable to equity holders (RM'000)	**173,811**	231,138	**193,271**	205,373
Weighted average number of ordinary shares in issue ('000)	**780,000**	780,000	**780,000**	780,000
Basic earnings per share (sen)	**22.28**	29.63	**24.78**	26.33

37 Dividends

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

	The Bank			
	31.12.2021		31.12.2020	
	Dividend per share sen	**Dividend amount RM'000**	Dividend per share sen	Dividend amount RM'000
Ordinary shares:				
Dividend for the financial year ended 31.12.2021:				
- First interim dividend	**8.077**	**63,000**	-	-
- First special dividend	**4.744**	**37,000**	-	-
- Second special dividend	**15.385**	**120,000**	-	-
Dividend for the financial year ended 31.12.2020:				
- Second interim dividend	**4.487**	**35,000**	-	-
- First interim dividend	**-**	**-**	19.231	150,000
Dividend for the financial year ended 31.12.2019:				
- Final dividend	**-**	**-**	5.128	40,000
	32.693	**255,000**	24.359	190,000

The Directors do not propose any final dividend for the financial year ended 31 December 2021.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

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		The Bank	
	31.12.2021 Principal amount RM'000	31.12.2020 Principal amount RM'000	**31.12.2021 Principal amount RM'000**	31.12.2020 Principal amount RM'000
Transaction related contingent items	**85,606**	86,606	**85,606**	86,606
Obligations under underwriting agreement	**-**	17,792	**-**	17,792
Irrevocable commitments to extend credit:				
- maturity less than one year	**5,697**	25,464	**5,697**	25,464
- maturity more than one year	**15,489**	5,569	**15,489**	5,569
Interest rate related contracts*:				
- less than one year	**780,000**	390,000	**780,000**	390,000
- one year to less than five years	**2,150,000**	2,550,000	**2,150,000**	2,550,000
Foreign exchange related contracts*:				
- less than one year	**11,043,848**	7,827,363	**10,996,530**	7,827,363
- one year to less than five years	**814,323**	812,309	**814,323**	812,309
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	**1,116,522**	783,018	**1,116,522**	783,018
	16,011,485	12,498,121	**15,964,167**	12,498,121

* 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.

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-month 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.

In line with 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% (2020: 7.00%) and 8.50% (2020: 8.50%) respectively for the financial year ended 31 December 2021. The minimum regulatory capital adequacy requirement at 10.50% (2020: 10.50%) for total capital ratio.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

39 Capital management (continued)

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.

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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	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 reserves	**(88,737)**	(65,909)	**-**	-
Retained profits	**499,301**	580,490	**460,151**	521,880
Foreign exchange translation reserves	**39**	(205)	**-**	-
Unrealised (losses)/gains on FVOCI instruments	**(50,927)**	76,991	**(50,982)**	76,936
	1,359,476	1,591,167	**1,408,969**	1,598,616
Less : Regulatory adjustments				
Goodwill and other intangible assets	**(323,624)**	(324,861)	**(314,667)**	(315,375)
Investment in associates/subsidiaries	**-**	(4,108)	**(133,184)**	(133,184)
Regulatory reserves	**(12,894)**	(10,972)	**(12,894)**	(10,972)
55% of cumulative gains of FVOCI instruments	**-**	(42,345)	**-**	(42,315)
Deferred tax assets	**(89,557)**	(46,205)	**(65,860)**	(29,713)
Other CET1 regulatory adjustments specified by BNM	**23,166**	10,063	**22,957**	10,000
CET 1 Capital	**956,567**	1,172,739	**905,321**	1,077,057
Additional Tier 1 Capital				
Qualifying non-controlling interests	**32,933**	31,015	**-**	-
Total Tier 1 Capital	**989,500**	1,203,754	**905,321**	1,077,057
Tier 2 Capital				
Qualifying loss provisions #	**15,808**	13,886	**15,328**	13,860
Total Tier 2 Capital	**15,808**	13,886	**15,328**	13,860
Total Capital	**1,005,308**	1,217,640	**920,649**	1,090,917
Proposed dividends	**-**	35,000	**-**	35,000

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

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	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**1,679,548**	1,818,648	**1,226,244**	1,287,389
Market risk	**242,749**	494,173	**235,762**	492,131
Operational risk	**1,121,552**	1,026,536	**514,584**	509,161
Total Risk Weighted Assets	**3,043,849**	3,339,357	**1,976,590**	2,288,681
Capital Ratios				
<u>With transitional arrangements</u>				
CET 1 Capital ratio	**31.426%**	35.119%	**45.802%**	47.060%
Tier 1 Capital ratio	**32.508%**	36.047%	**45.802%**	47.060%
Total Capital ratio	**33.028%**	36.463%	**46.578%**	47.666%
CET 1 Capital ratio (net of proposed dividends)	**31.426%**	34.071%	**45.802%**	45.531%
Tier 1 Capital ratio (net of proposed dividends)	**32.508%**	34.999%	**45.802%**	45.531%
Total Capital ratio (net of proposed dividends)	**33.028%**	35.415%	**46.578%**	46.136%
<u>Before transitional arrangements</u>				
CET 1 Capital ratio	**30.665%**	34.817%	**44.641%**	46.623%
Tier 1 Capital ratio	**31.747%**	35.746%	**44.641%**	46.623%
Total Capital ratio	**32.437%**	36.427%	**45.416%**	47.326%
CET 1 Capital ratio (net of proposed dividends)	**30.665%**	33.769%	**44.641%**	45.094%
Tier 1 Capital ratio (net of proposed dividends)	**31.747%**	34.698%	**44.641%**	45.094%
Total Capital ratio (net of proposed dividends)	**32.437%**	35.379%	**45.416%**	45.797%

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

41 Significant events during the financial year

(a) 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 and subsequently transitioned to Conditional Movement Control Order ("CMCO") on 5 March 2021. As the cases continued to spike, the Government of Malaysia re-imposed the third Movement Control Order ("MCO 3.0") on 12 May 2021 and Full Movement Control Order ("FMCO") on 1 June 2021. During the financial year 2021, BNM announced enhanced additional measures to facilitate repayment assistance to borrowers/customers affected by the COVID-19 pandemic. The measures are aimed to support economic recovery of individuals and small and medium-sized enterprises ("SME").

Due to continuing uncertainties surrounding the COVID-19 pandemic, the Bank had made additional pre emptive ECLs during the financial year. The Bank had also implemented steps to mitigate any potential impacts and will continue to closely monitor the Bank's credit exposures.

42 Significant event subsequent to the financial year

Proposed divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM

On 28 January 2022, the Bank, selected key senior management ("KSM") of AHAM and Starlight Asset Sdn Bhd, an investment holding company incorporated by funds managed by CVC Capital Partners ("Starlight Asset" or "Purchaser"), entered into a conditional share sale and purchase agreement ("SPA") for the proposed divestment of 7,594,338 ordinary shares in AHAM ("Sale Shares"), representing approximately 68.35% of the equity interest in AHAM, for a provisional cash consideration of RM1,537.9 million, subject to certain price adjustments as well as the terms and conditions as set out in the SPA. The Bank and AHAM KSM are collectively referred to as the "Vendors".

	Sale shares		Provisional cash consideration
Vendors	**No. of shares**	**[1] %**	**RM'million**
Affin Hwang Investment Bank Berhad	7,000,000	63.00	1,417.5
AHAM KSM [2]	594,338	5.35	120.4
Total	**7,594,338**	**68.35**	**1,537.9**

(1) Based on the total of 11,111,000 ordinary shares in AHAM in issue as at as at 31 December 2021.

(2) Comprising selected AHAM KSM who exercised their AHAM stock options into AHAM Shares pursuant to the stock option scheme for its key employees in 2014.

(a) Details of the proposed divestment

The Bank’s provisional cash consideration is based on the Purchaser’s offer for 100% equity interest in AHAM at an equity value of RM2,250.0 million ("Ascribed Value"), which includes an agreed pre-closing dividend of at least RM100.0 million to be declared by AHAM to its shareholders prior to the completion of the Proposed Divestment. Hence, the Bank’s provisional cash consideration ("Provisional Purchase Price") is the Ascribed Value attributable to the Bank’s Sale Shares, i.e. 63.0% of the Ascribed Value.

Subject to the post-closing adjustments, the final divestment consideration ("Final Purchase Price") may differ from the Provisional Purchase Price in the event that there is a change in the shareholders’ equity of AHAM and its subsidiaries ("AHAM Group") between 31 December 2021 and the closing date of the SPA.

Upon completion of the Proposed Divestment, AHAM will cease to be a subsidiary of the Bank.

42 Significant event subsequent to the financial year (continued)

Proposed divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM (continued)

(b) Salient terms of the SPA

The Proposed Divestment is subject to the following:

- the approval of the shareholders of the holding company, Affin Bank Berhad ("ABB") at an Extraordinary General Meeting to be convened;

- obtaining a written approval from the Securites Commission Malaysia ("SC") for the following:

  - sale and purchase of the Sale Shares as it will result in the change in the controller of AHAM and AIIMAN Asset Management Sdn. Bhd. ("AIIMAN");
  - change in AHAM’s name; and
  - the Purchaser to be a "related corporation" of AHAM and AIIMAN or an entity as may be approved by the SC pursuant to the Licensing Handbook issued by the SC.

The Proposed Divestment is not conditional upon any other corporate exercise undertaken or poposed to be undertaken by ABB.

(c) Effects of the divestment and utilisation of proceeds

The Proposed Divestment is not expected to have any effect on the earnings and earnings per share ("EPS") of the Group for the financial year ended 31 December 2021 as the Proposed Divestment is expected to be completed by the 3rd quarter of 2022. Subject to relevant regulatory approval, the gain on disposal will be declared as a special dividend to ABB.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 Banking 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, securities borrowing and lending, corporate/inter-bank lending activities, bond/sukuk investments, foreign exchange trading, equity and debt underwriting as well as 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 internal and regulatory requirements. The risk management policies are subject to review by 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 of Group Management Credit Committee ("GMCC") and Board Credit Review Committee ("BCRC"). The GMCC represents the approving authority for credit and underwriting proposals, whilst 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, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

Credit risk evaluation

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.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 Manual 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.

Credit risk limit control and mitigation policies

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

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 counterparty exposure, connected parties, and industry segments. These risks are monitored regularly and the limits are reviewed annually or sooner depending on the 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.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral

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 and advances**	**Expected credit losses**	**Net loans and advances**	**Fair value of collateral held**
31.12.2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Loans and advances:				
Term loans	**82,528**	**(32,752)**	**49,776**	**63,113**
Total credit-impaired assets	**82,528**	**(32,752)**	**49,776**	**63,113**

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

The financial effect of collateral held for loans and advances is 84.94% as at 31 December 2021 (2020: 75.39%). 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	
	31.12.2021	31.12.2020
	RM'000	RM'000
Derivatives	**7,574**	13,782

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

43 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Risk limit control and mitigation policies (continued)

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 with the deterioration of credit risk. 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, Affin Bank Berhad’s models for loans and advances 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 probability of default ("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 past due. Days 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.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 the following three categories 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-month 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; or • Accounts demonstrating medium or high level of risk are place under Watchlist;	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; or • Accounts past due more than 90 days	Lifetime ECL - credit impaired

The Bank has not used the loan credit risk exemption for any financial instrument for the financial year ended 31 December 2021 (2020: Nil).

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 in the "Incorporation of forward-looking information" section.

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.

43 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-month 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-month 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 5 years and above.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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:

	31.12.2021	31.12.2020
Measurement variables:	**%**	%
House Price Index	**0.58**	0.88
Private Consumption Expenditure	**36.68**	2.38
USD Dollar to Malaysian Ringgit Exchange Rate	**0.36**	0.21
Malaysia Economic Indicator Leading Index (MEILI)_2015	**0.69**	1.41
Automative Association Malaysia Total Car Sales Growth (AAM)	**25.90**	39.78
Overnight Policy Rate	**5.83**	6.52
Malaysia Debt Service Ratio	**0.31**	*N/A
Current Account (as a percentage of Gross Domestic Product)	**10.04**	*N/A
Average Lending Rate	**4.19**	*N/A
Kuala Lumpur Interbank Offered Rate (3-Month)	***N/A**	11.40
M1 Money Supply	***N/A**	2.37

*N/A - Not applicable as a results of change in MEV made during the financial year

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

	The Group and the Bank			
	31.12.2021		31.12.2020	
	+	-	+	-
	RM'000	**RM'000**	RM'000	RM'000
(Writeback)/additional of provision	**(24)**	**29**	(1,248)	1,573

*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.

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, analyse and mitigate adverse trends or specific areas of risk concerns. The Affin Banking Group's Early Alert Committee ("GEAC") is a senior management committee, established to monitor credit quality through monthly reviews of the Early Control (Stage 1) and Underperforming (Stage 2) accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

43 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 minimise 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 investments 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	
	31.12.2021	31.12.2020
	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 *	**1,940,453**	858,142
Financial assets at FVTPL#	**1,008**	58,494
Financial investments at FVOCI##	**3,652,767**	4,049,062
Other assets &	**63,468**	56,106
	5,657,696	5,021,804
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**85,606**	86,606
Obligations under underwriting agreement	**-**	17,792
Irrevocable commitments to extend credit	**21,186**	31,033
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	**1,116,522**	783,018
	1,223,314	918,449
Total maximum credit risk exposure	**6,881,010**	5,940,253

The following have been excluded for the purpose of maximum credit risk exposure calculation:

* Cash in hand
\# Investments in exchange traded funds, shares, unit trust and warrants
\## Investments in unquoted shares
& Prepayment

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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	
	31.12.2021	31.12.2020
	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 *	**1,207,873**	401,088
Financial assets at FVTPL#	**-**	-
Financial investments at FVOCI##	**3,652,767**	4,049,062
Other assets &	**58,149**	51,531
	4,918,789	4,501,681
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**85,606**	86,606
Obligations under underwriting agreement	**-**	17,792
Irrevocable commitments to extend credit	**21,186**	31,033
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	**1,116,522**	783,018
	1,223,314	918,449
Total maximum credit risk exposure	**6,142,103**	5,420,130

The following have been excluded for the purpose of maximum credit risk exposure calculation :

* Cash in hand
# Investments in exchange traded funds, shares, unit trust and warrants
Investments in unquoted shares
& 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 2021 (continued)

43 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 31.12.2021	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 and advances 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	-	-	**10,160**	-	**34,921**	-	-	**209**	**45,290**	-
Manufacturing	-	-	**10,314**	-	**7,195**	-	-	**48**	**17,557**	**20,000**
Electricity, gas and water	-	-	**124,323**	-	-	-	-	**524**	**124,847**	-
Construction	-	-	**371,668**	-	**91,231**	-	-	**5**	**462,904**	**64,606**
Real estate	-	-	-	-	**113,989**	-	-	**76**	**114,065**	-
Wholesale, retail trade, hotels and restaurants	-	-	**101,630**	-	**11,121**	-	-	**23**	**112,774**	**5,954**
Transport, storage and communication	-	-	**337,484**	-	**74,742**	-	-	**90**	**412,316**	**3,000**
Finance, insurance and business	**1,940,418**	**1,008**	**251,859**	-	**237,211**	**137,031**	**77,269**	**1,290**	**2,646,086**	**3,437**
Government and government agencies	**35**	-	**2,257,694**	-	-	-	-	-	**2,257,729**	-
Education, Health and Others	-	-	-	-	**7,800**	-	-	**44,461**	**52,261**	-
Household	-	-	-	-	**500,199**	**370,563**	-	-	**870,762**	**1,126,317**
Others	-	-	**187,635**	**40,452**	-	**18,439**	-	**17,879**	**264,405**	-
	1,940,453 *	**1,008** #	**3,652,767** ##	**40,452**	**1,078,409**	**526,033**	**77,269**	**64,605** &	**7,380,996**	**1,223,314**

* Excludes cash in hand of RM33,953.

\# Excludes investments in exchange traded funds, shares, unit trust & warrants amounting to RM228.92 million.

\## Excludes investments in unquoted shares amounting to RM26.70 million.

& Include amount due from related companies, holding company, ultimate holding company and other assets, excluding prepayment amounting to RM6.20 million.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2020	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 and advances 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	-
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	-	192,981	206,405	160,336	331	1,580,191	563
Government and government agencies	384	-	2,784,173	-	-	-	-	-	2,784,557	-
Education, Health and Others	-	-	41,812	-	9,614	-	-	40,193	91,619	-
Household	-	-	-	-	354,783	657,426	-	-	1,012,209	803,598
Others	-	-	262,938	40,438	-	55,016	-	14,243	372,635	-
	858,142 *	58,494 #	4,049,062 ##	42,515	947,363	918,847	160,336	56,262 &	7,091,021	918,449

* Excludes cash in hand of RM36,626.

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

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

& Include amount due from related companies, ultimate holding company and other assets, excluding prepayment amounting to RM7.14 million.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	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 and advances 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	-	-	10,160	-	34,921	-	-	209	45,290	-
Manufacturing	-	-	10,314	-	7,195	-	-	48	17,557	20,000
Electricity, gas and water	-	-	124,323	-	-	-	-	391	124,714	-
Construction	-	-	371,668	-	91,231	-	-	5	462,904	64,606
Real estate	-	-	-	-	113,989	-	-	52	114,041	-
Wholesale, retail trade, hotels and restaurants	-	-	101,630	-	11,121	-	-	23	112,774	5,954
Transport, storage and communication	-	-	337,484	-	74,742	-	-	90	412,316	3,000
Finance, insurance and business	1,207,838	-	251,859	-	237,211	-	76,961	504	1,774,373	3,437
Government and government agencies	35	-	2,257,694	-	-	-	-	-	2,257,729	-
Education, Health and Others	-	-	-	-	7,800	-	-	44,078	51,878	-
Household	-	-	-	-	500,199	370,563	-	-	870,762	1,126,317
Others	-	-	187,635	40,452	-	-	-	13,100	241,187	-
	1,207,873 *	- #	3,652,767 ##	40,452	1,078,409	370,563	76,961	58,500 &	6,485,525	1,223,314

* Excludes cash in hand of RM31,426.

Excludes investments in exchange traded funds, shares, unit trust & warrants amounting to RM95.91 million.

Excludes investments in unquoted shares amounting to RM26.70 million.

& Include amount due from subsidiaries, ultimate holding company and other assets, excluding prepayment amounting to RM2.71 million.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 and advances 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	-
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	-	192,981	-	157,908	369	855,848	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	40,438	-	-	-	10,033	313,409	-
	401,088 *	- #	4,049,062 ##	42,515	947,363	657,426	157,908	51,725 &	6,307,087	918,449

* Excludes cash in hand of RM34,024.

\# Excludes investments in exchange traded funds, shares, unit trust & warrants amounting to RM308.23 million.

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

& Include amount due from subsidiaries and other assets, excluding prepayment amounting to RM3.27 million.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Total loans and advances - credit quality

All loans and advances are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired".

Past due loans refer to loans and advances that are overdue by one day or more.

Loans and advances are classified impaired when they fulfill any of the following criteria:
i) the principal or interest or both is past due more than 90 days from the first day of default; or
ii) where the account is in arrears for less than 90 days, there is evidence of impairment to indicate that the borrower/customer is "unlikely to repay" its credit obligations;

Distribution of loans and advances by credit quality:

	31.12.2021			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
The Group and the Bank				
Neither past due nor impaired	**990,270**	**61,712**	**-**	**1,051,982**
Impaired	**-**	**-**	**82,528**	**82,528**
Gross loans and advances	**990,270**	**61,712**	**82,528**	**1,134,510**
Less: expected credit losses ("ECL")	**(1,045)**	**(22,304)**	**(32,752)**	**(56,101)**
Net loans and advances	**989,225**	**39,408**	**49,776**	**1,078,409**

	31.12.2020			
	Stage 1 RM'000	Stage 2 RM'000	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 and advances	800,505	88,549	89,292	978,346
Less: expected credit losses ("ECL")	(1,781)	(8,150)	(21,052)	(30,983)
Net loans and advances	798,724	80,399	68,240	947,363

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Total loans and advances - credit quality (continued)

Distribution of loans and advances 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.

	31.12.2021			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
The Group and the Bank				
Credit grade				
Satisfactory [1]	**949,845**	**-**	**-**	**949,845**
Special mention [2]	**40,425**	**61,712**	**-**	**102,137**
Default/impaired	**-**	**-**	**82,528**	**82,528**
Gross loans and advances	**990,270**	**61,712**	**82,528**	**1,134,510**
Less: expected credit losses ("ECL")	**(1,045)**	**(22,304)**	**(32,752)**	**(56,101)**
Net loans and advances	**989,225**	**39,408**	**49,776**	**1,078,409**

	31.12.2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group and the Bank				
Credit grade				
Satisfactory [1]	753,307	88,549	-	841,856
Special mention [2]	47,198		-	47,198
Default/impaired	-	-	89,292	89,292
Gross loans and advances	800,505	88,549	89,292	978,346
Less: expected credit losses ("ECL")	(1,781)	(8,150)	(21,052)	(30,983)
Net loans and advances	798,724	80,399	68,240	947,363

(1) Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

(2) Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of GEAC.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 are neither past due nor impaired and impaired, analysed by rating:

	31.12.2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	**35**	**-**	**-**	**35**
AAA	**755,150**	**-**	**-**	**755,150**
AA- to AA+	**1,046,598**	**-**	**-**	**1,046,598**
A- to A+	**1,230**	**-**	**-**	**1,230**
Lower than A-	**69,839**	**-**	**-**	**69,839**
Unrated	**67,601**	**-**	**-**	**67,601**
	1,940,453	**-**	**-**	**1,940,453**
Expected credit losses ("ECL")	**4**	**-**	**-**	**4**
Financial assets at FVTPL				
AAA	**1,008**	**-**	**-**	**1,008**
	1,008	**-**	**-**	**1,008**
Derivative financial assets				
AAA	**49,496**	**-**	**-**	**49,496**
AA- to AA+	**14,840**	**-**	**-**	**14,840**
A- to A+	**11**	**-**	**-**	**11**
Lower than A-	**1,945**	**-**	**-**	**1,945**
Unrated	**10,977**	**-**	**-**	**10,977**
	77,269	**-**	**-**	**77,269**

43 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 are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group				
Financial investments at FVOCI				
Sovereigns	**3,112,837**	-	-	**3,112,837**
AAA	**274,424**	-	-	**274,424**
AA- to AA+	**86,708**	-	-	**86,708**
A- to A+	**10,160**	-	-	**10,160**
Lower than A-	**9,972**	-	-	**9,972**
Unrated	**30,078**	**128,588**	-	**158,666**
	3,524,179	**128,588**	-	**3,652,767**
Expected credit losses ("ECL")	**252**	**19,107**	-	**19,359**
Financial investments at amortised cost				
Unrated	**40,484**	-	**15,000**	**55,484**
	40,484	-	**15,000**	**55,484**
Expected credit losses ("ECL")	**32**	-	**15,000**	**15,032**

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	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
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

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
The Group	RM'000	RM'000	RM'000	RM'000
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	40,497	-	15,000	55,497
	40,497	-	15,000	55,497
Expected credit losses ("ECL")	60	-	12,922	12,982

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Bank				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	**35**	-	-	**35**
AAA	**80,642**	-	-	**80,642**
AA- to AA+	**988,862**	-	-	**988,862**
A- to A+	**897**	-	-	**897**
Lower than A-	**69,839**	-	-	**69,839**
Unrated	**67,598**	-	-	**67,598**
	1,207,873	-	-	**1,207,873**
Expected credit losses ("ECL")	**4**	-	-	**4**
Derivative financial assets				
Sovereigns	-	-	-	-
AAA	**49,496**	-	-	**49,496**
AA- to AA+	**14,840**	-	-	**14,840**
A- to A+	**11**	-	-	**11**
Lower than A-	**1,945**	-	-	**1,945**
Unrated	**10,669**	-	-	**10,669**
	76,961	-	-	**76,961**
Financial investments at FVOCI				
Sovereigns	**3,112,837**	-	-	**3,112,837**
AAA	**274,424**	-	-	**274,424**
AA- to AA+	**86,708**	-	-	**86,708**
A- to A+	**10,160**	-	-	**10,160**
Lower than A-	**9,972**	-	-	**9,972**
Unrated	**30,078**	**128,588**	-	**158,666**
	3,524,179	**128,588**	-	**3,652,767**
Expected credit losses ("ECL")	**252**	**19,107**	-	**19,359**
Financial investments at amortised cost				
Unrated	**40,484**	-	**15,000**	**55,484**
	40,484	-	**15,000**	**55,484**
Expected credit losses ("ECL")	**32**	-	**15,000**	**15,032**

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	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	40,497	-	15,000	55,497
	40,497	-	15,000	55,497
Expected credit losses ("ECL")	60	-	12,922	12,982

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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:

	31.12.2021 Lifetime ECL not Credit Impaired RM'000	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
The Group			
Trade receivables	**525,939**	**94**	**526,033**
Other assets	**63,391**	**77**	**63,468**
Amount due from related companies	**1,065**	**-**	**1,065**
Amount due from holding company	**41**	**-**	**41**
Amount due from ultimate holding company	**31**	**-**	**31**

	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
Other assets	55,479	627	56,106
Amount due from related companies	134	-	134
Amount due from ultimate holding company	22	-	22

	31.12.2021 Lifetime ECL not Credit Impaired RM'000	**Lifetime ECL Credit Impaired RM'000**	**Total RM'000**
The Bank			
Trade receivables	**370,469**	**94**	**370,563**
Other assets	**58,072**	**77**	**58,149**
Amount due from subsidiaries	**310**	**-**	**310**
Amount due from holding company	**41**	**-**	**41**

	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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Loan commitments and financial guarantees - credit quality

The following table contains an analysis of the credit risk exposure of loan commitments and financial guarantees for which an ECL allowance is recognised.

	31.12.2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group and the Bank				
Loan commitments and financial guarantees				
Satisfactory (1)	**1,138,707**	**-**	**-**	**1,138,707**
Special mention (2)	**39,857**	**20,000**	**-**	**59,857**
Default/impaired	**-**	**-**	**24,750**	**24,750**
	1,178,564	**20,000**	**24,750**	**1,223,314**
Expected credit losses ("ECL")	**1**	**2,000**	**17,925**	**19,926**

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
The Group and the Bank				
Loan commitments and financial guarantees				
Satisfactory (1)	828,400	-	-	828,400
Special mention (2)	45,299	20,000	-	65,299
Default/impaired	-	-	24,750	24,750
	873,699	20,000	24,750	918,449
Expected credit losses ("ECL")	33	600	17,925	18,558

(1) Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

(2) Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of GEAC.

43 Financial risk management objectives and policies (continued)

B. Market risk

Market risk is the risk of losses to the Bank’s positions in financial instruments that are adversely affected by movements in market risk factors such as interest rates, foreign exchange rates, equity prices or commodity prices. The Bank's primary market risk exposures are in the trading and investment portfolios. The Bank’s risk management process involves the identification and measurement, mitigation and control, monitoring and testing as well as reporting and review of risk.

The Bank manages market risk through a comprehensive set of market risk controls. Key risk governance committees such as the ALCO and the BRMC establish and monitor controls with oversight by the Board of Directors. Market risk controls are established to ensure that the Bank's market risk profile remains within the boundaries of the Bank's risk appetite.

The Bank employs several key risk metric for monitoring market risk such as Value-at-Risk ("VaR"), sensitivities, loss limit thresholds and position size caps.

The Bank’s market risk is primarily concentrated in interest rate risk in the Banking Book ("IRRBB") arising from differences in the repricing mismatch between rate sensitive assets and liabilities. The Bank measures and monitors the IRRBB exposures through the short-term Net Interest Income ("NII") sensitivity and changes in the Economic Value of Equity ("EVE").

In addition to assessing market risk under normal market scenarios, the Bank also conducts periodical stress testing to anticipate potential losses under stressed scenarios.

Market Risk Measurement

Value-at-risk ("VaR")

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables such as foreign exchange rates and interest rates, over a given holding period, measured at a specific confidence level.

The Bank uses a variance-covariance method based on a 1-day holding period and a 99% confidence interval as its market risk VaR methodology. The VaR model is back-tested regularly to validate its robustness.

Other Risk Measures

i) Mark-to-Market

Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

ii) Stress Testing

Stress tests are conducted to attempt to quantify potential market risk losses arising from low probability abnormal market movements. Stress tests measure the changes in values arising from movements in relevant market risk factors based on past experience and simulated stress scenarios.

iii) Sensitivity

Sensitivities are measures that quantify the change in value of a portfolio of financial instruments resulting from a unit change in the relevant market risk factors. Sensitivities are used as measures of vulnerability to market risk factor movements and are also used to facilitate the implementation of risk controls and hedging strategies.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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**	
	31.12.2021		**31.12.2021**	
	+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	**(17.10)**	**17.10**	**(17.10)**	**17.10**
Impact on equity	**(148.04)**	**148.04**	**(148.04)**	**148.04**

	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

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**	
	31.12.2021 RM'000	31.12.2020 RM'000	**31.12.2021 RM'000**	31.12.2020 RM'000
+ 1%				
Australian Dollar	**60**	60	**27**	13
United States Dollar	**14,941**	15,291	**13,917**	15,116
Singapore Dollar	**337**	264	**307**	217
Others	**335**	344	**311**	283
	15,673	15,959	**14,562**	15,629

	The Group		**The Bank**	
	31.12.2021 RM'000	31.12.2020 RM'000	**31.12.2021 RM'000**	31.12.2020 RM'000
- 1%				
Australian Dollar	**(60)**	(60)	**(27)**	(13)
United States Dollar	**(14,941)**	(15,291)	**(13,917)**	(15,116)
Singapore Dollar	**(337)**	(264)	**(307)**	(217)
Others	**(335)**	(344)	**(311)**	(283)
	(15,673)	(15,959)	**(14,562)**	(15,629)

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	Australian Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets					
Short-term funds	8,995	63,989	17,575	31,261	121,820
Financial assets at FVTPL	-	72,767	378	605	73,750
Financial investments at FVOCI	-	-	26,958	-	26,958
Loans and advances	-	57,776	772	-	58,548
Trade receivables	6,856	48,206	8,197	13,627	76,886
Other financial assets	1	162	260	447	870
	15,852	242,900	54,140	45,940	358,832
Liabilities					
Deposits from customers	-	47,998	5,336	-	53,334
Trade payables	7,301	74,989	10,826	6,988	100,104
Other financial liabilities	718	96,545	573	75	97,911
	8,019	219,532	16,735	7,063	251,349
Net on-balance sheet financial position	7,833	23,368	37,405	38,877	107,483
Off balance sheet commitments	-	1,942,603	6,914	5,204	1,954,721

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2020	Australian 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	40,166	13,192	14,908	79,944
Financial assets at FVTPL	-	51	113	4,085	4,249
Financial investments at FVOCI	-	-	28,875	-	28,875
Loans and advances	-	33,666	-	-	33,666
Trade receivables	11,267	27,165	8,412	13,892	60,736
Other financial assets	-	46	251	386	683
	22,945	101,094	50,843	33,271	208,153
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	(82,776)	28,452	25,183	(21,606)
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 2021 (continued)

43 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	**Australian**	**United States**	**Singapore**	**Other**	
31.12.2021	**Dollar**	**Dollar**	**Dollar**	**Currencies**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets					
Short-term funds	2,432	52,678	11,500	28,335	94,945
Financial assets at FVTPL	-	-	378	605	983
Financial investments at FVOCI	-	-	26,958	-	26,958
Loans and advances	-	57,776	772	-	58,548
Trade receivables	1,189	2,641	3,276	13,263	20,369
Other financial assets	1	153	244	447	845
	3,622	113,248	43,128	42,650	202,648
Liabilities					
Deposits from customers	-	47,998	5,336	-	53,334
Trade payables	36	40,792	4,195	6,882	51,905
Other financial liabilities	-	95,501	59	-	95,560
	36	184,291	9,590	6,882	200,799
Net on-balance sheet financial position	3,586	(71,043)	33,538	35,768	1,849
Off balance sheet commitments	-	1,902,204	6,914	5,204	1,914,322

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets					
Short-term funds	591	12,138	1,893	6,354	20,976
Financial assets at FVTPL	-	51	113	4,085	4,249
Financial investments at FVOCI	-	-	28,875	-	28,875
Loans and advances	-	33,666	-	-	33,666
Trade receivables	1,046	3,797	1,643	9,705	16,191
Other financial assets	-	13	238	386	637
	1,637	49,665	32,762	20,530	104,594
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	(105,778)	22,222	17,245	(65,020)
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 2021 (continued)

43 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				---->			
The Group	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**
31.12.2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Short-term funds	**1,940,004**	**-**	**-**	**-**	**-**	**483**	**-**	**1,940,487**
Securities:								
- Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**65,626**	**164,298**	**229,924**
- Financial investments at FVOCI	**5,008**	**9,972**	**113,305**	**2,201,427**	**1,291,533**	**58,219**	**-**	**3,679,464**
- Financial investments at amortised cost	**-**	**-**	**25,000**	**15,000**	**-**	**452**	**-**	**40,452**
Loans and advances:								
- Performing	**970,762**	**77,327**	**137**	**1,855**	**1,901**	**(23,349)** ^	**-**	**1,028,633**
- Impaired loans	**-**	**-**	**-**	**-**	**-**	**49,776**	**-**	**49,776**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**77,269**	**77,269**
Trade receivables	**-**	**-**	**-**	**-**	**-**	**526,033**	**-**	**526,033**
Other assets (1)	**30,048**	**-**	**-**	**-**	**-**	**34,557**	**-**	**64,605**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**-**	**-**	**10,300**	**-**	**10,300**
Total assets	**2,945,822**	**87,299**	**138,442**	**2,218,282**	**1,293,434**	**722,097**	**241,567**	**7,646,943**

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

(1) Includes other assets (exclude prepayment), amount due from related companies, holding company and ultimate holding company.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	**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	**1,651,014**	**1,050,270**	**857,489**	**750,000**	**-**	**17,286**	**-**	**4,326,059**
Deposits and placement of banks and other financial institution	**200,000**	**300,000**	**100,000**	**-**	**-**	**1,992**	**-**	**601,992**
Trade payables	**-**	**-**	**-**	**-**	**-**	**982,032**	**-**	**982,032**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**71,897**	**71,897**
Lease liabilities	**795**	**1,181**	**3,511**	**1,087**	**-**	**-**	**-**	**6,574**
Other liabilities (2)	**107,533**	**-**	**-**	**-**	**-**	**502,122**	**-**	**609,655**
Total liabilities	**1,959,342**	**1,351,451**	**961,000**	**751,087**	**-**	**1,503,432**	**71,897**	**6,598,209**
Net interest sensitivity gap	**986,480**	**(1,264,152)**	**(822,558)**	**1,467,195**	**1,293,434**			

(2) Includes amount due to related companies and holding company and other liabilities, excluding accrued employee benefits.

43 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
31.12.2020	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 and advances:								
- Performing	809,087	73,976	52	2,514	3,425	(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)	27,825	-	-	-	-	28,437	-	56,262
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	19,000	-	19,000
Total assets	1,715,866	199,281	233,760	1,425,163	2,252,913	1,318,941	401,301	7,547,225

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

(1) Includes other assets (exclude prepayment), amount due from related companies and ultimate holding company.

43 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]	86,866	-	-	-	-	634,192	-	721,058
Total liabilities	1,542,173	964,696	1,947,137	5,643	3,169	1,590,293	150,939	6,204,050
Net interest sensitivity gap	173,693	(765,415)	(1,713,377)	1,419,520	2,249,744			

(2) Includes amount due to related companies and holding company, and other liabilities, excluding accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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**
31.12.2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Short-term funds	**1,207,423**	**-**	**-**	**-**	**-**	**481**	**-**	**1,207,904**
Securities:								
- Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**65,626**	**30,280**	**95,906**
- Financial investments at FVOCI	**5,008**	**9,972**	**113,305**	**2,201,427**	**1,291,533**	**58,219**	**-**	**3,679,464**
- Financial investments at amortised cost	**-**	**-**	**25,000**	**15,000**	**-**	**452**	**-**	**40,452**
Loans and advances:								
- Performing	**970,762**	**77,327**	**137**	**1,855**	**1,901**	**(23,349)** ^	**-**	**1,028,633**
- Impaired loans	**-**	**-**	**-**	**-**	**-**	**49,776**	**-**	**49,776**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**76,961**	**76,961**
Trade receivables	**-**	**-**	**-**	**-**	**-**	**370,563**	**-**	**370,563**
Other assets [(1)]	**30,048**	**-**	**-**	**-**	**-**	**28,452**	**-**	**58,500**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**-**	**-**	**10,200**	**-**	**10,200**
Total assets	**2,213,241**	**87,299**	**138,442**	**2,218,282**	**1,293,434**	**560,420**	**107,241**	**6,618,359**

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

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

43 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**
31.12.2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities								
Deposits from customers	**1,651,014**	**1,050,270**	**857,489**	**750,000**	**-**	**17,286**	**-**	**4,326,059**
Deposits and placement of banks and other financial institution	**200,000**	**300,000**	**100,000**	**-**	**-**	**1,992**	**-**	**601,992**
Trade payables	**-**	**-**	**-**	**-**	**-**	**360,641**	**-**	**360,641**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**71,897**	**71,897**
Lease liabilities	**466**	**539**	**2,006**	**128**	**-**	**-**	**-**	**3,139**
Other liabilities (2)	**107,532**	**-**	**-**	**-**	**-**	**242,450**	**-**	**349,982**
Total liabilities	**1,959,012**	**1,350,809**	**959,495**	**750,128**	**-**	**622,369**	**71,897**	**5,713,710**
Net interest sensitivity gap	**254,229**	**(1,263,510)**	**(821,053)**	**1,468,154**	**1,293,434**			

(2) Include other liabilities, excluding accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 and advances:								
- Performing	809,087	73,976	52	2,514	3,425	(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)]	27,825	-	-	-	-	23,900	-	51,725
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	18,900	-	18,900
Total assets	1,258,810	199,281	233,760	1,425,163	2,252,913	1,020,795	268,849	6,659,571

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

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

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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
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)	86,866	-	-	-	-	344,590	-	431,456
Total liabilities	1,541,834	964,014	1,946,455	3,346	-	895,923	150,939	5,502,511
Net interest sensitivity gap	(283,024)	(764,733)	(1,712,695)	1,421,817	2,252,913			

(2) Includes other liabilities, excluding accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	**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	**1,656,544**	**1,057,211**	**870,055**	**782,724**	**-**	**4,366,534**
Deposits and placements of banks and other financial institutions	**604,201**	**-**	**-**	**-**	**-**	**604,201**
Trade payable	**982,032**	**-**	**-**	**-**	**-**	**982,032**
Amount due to a related company	**287**	**-**	**-**	**-**	**-**	**287**
Amount due to holding company	**200**	**-**	**-**	**-**	**-**	**200**
Lease liabilities	**805**	**1,199**	**3,548**	**1,089**	**-**	**6,641**
Other liabilities (1)	**203,885**	**24,100**	**346,139**	**35,044**	**-**	**609,168**
	3,447,954	**1,082,510**	**1,219,742**	**818,857**	**-**	**6,569,063**

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 a related company	170	-	-	-	-	170
Amount due to holding company	71	-	-	-	-	71
Lease liabilities	852	1,705	7,434	6,262	-	16,253
Other liabilities (1)	235,573	51,771	199,871	233,602	-	720,817
	2,698,907	948,713	2,199,958	239,864	-	6,087,442

(1) Other liabilities exclude accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	**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	**1,656,544**	**1,057,211**	**870,055**	**782,724**	**-**	**4,366,534**
Deposits and placements of banks and other financial institutions	**604,201**	**-**	**-**	**-**	**-**	**604,201**
Trade payable	**360,641**	**-**	**-**	**-**	**-**	**360,641**
Lease liabilities	**476**	**557**	**2,043**	**130**	**-**	**3,206**
Other liabilities (1)	**195,835**	**16,445**	**102,658**	**35,044**	**-**	**349,982**
	2,817,697	**1,074,213**	**974,756**	**817,898**	**-**	**5,684,564**

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 (1)	222,077	19,496	156,732	33,151	-	431,456
	2,280,030	915,694	2,153,639	36,104	-	5,385,467

(1) Other liabilities exclude accrued employee benefits.

Notes to the financial statements
for the financial year ended to 31 December 2021 (continued)

43 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						
31.12.2021						
Interest rate derivatives	**(1,613)**	**(2,740)**	**(7,982)**	**(5,538)**	**-**	**(17,873)**
The Group and the Bank						
31.12.2020						
Interest rate derivatives	(1,599)	(4,257)	(17,591)	(23,982)	-	(47,429)

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						
31.12.2021						
Foreign exchange derivatives:						
Outflow	**(1,833,363)**	**(1,668,722)**	**(1,894,706)**	**(403,496)**	**-**	**(5,800,287)**
Inflow	**1,818,850**	**1,655,310**	**1,871,920**	**382,381**	**-**	**5,728,461**
	(14,513)	**(13,412)**	**(22,786)**	**(21,115)**	**-**	**(71,826)**
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)

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	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	1,940,487	-	-	-	-	-	1,940,487
Financial assets at FVTPL	-	-	-	1,235	-	228,689	229,924
Financial investments at FVOCI	5,103	9,972	114,367	2,222,784	1,300,541	26,697	3,679,464
Financial investments at amortised cost	-	-	25,289	15,163	-	-	40,452
Loans and advances	782,611	2,585	109,503	81,084	52,850	49,776	1,078,409
Trade receivables	526,033	-	-	-	-	-	526,033
Derivative financial assets	10,723	15,702	18,186	32,658	-	-	77,269
Other assets	37,247	1,141	12,815	7,939	-	4,326	63,468
Statutory deposits with Bank Negara Malaysia	10,300	-	-	-	-	-	10,300
Other financial assets (1)	1,137	-	-	-	-	-	1,137
Other non-financial assets (2)	-	-	3,490	2,710	-	463,661	469,861
Total Assets	3,313,641	29,400	283,650	2,363,573	1,353,391	773,149	8,116,804
Liabilities							
Deposits from customers	1,655,584	1,037,569	878,311	754,595	-	-	4,326,059
Deposits and placements of banks and other financial institutions	200,893	300,703	100,396	-	-	-	601,992
Trade payables	982,032	-	-	-	-	-	982,032
Derivative financial liabilities	13,777	14,828	17,594	25,698	-	-	71,897
Other liabilities	203,884	24,100	346,139	35,044	-	-	609,167
Lease liabilities	795	1,181	3,511	1,087	-	-	6,574
Other financial liabilities (3)	487	-	-	-	-	-	487
Other non-financial liabilities (4)	-	73,767	40,668	-	-	-	114,435
Total Liabilities	3,057,452	1,452,148	1,386,619	816,424	-	-	6,712,643
Net liquidity gap	256,189	(1,422,748)	(1,102,969)	1,547,149	1,353,391	773,149	1,404,161

(1) Other financial assets include amount due from related companies, holding company and ultimate holding company.

(2) Other non-financial assets include prepayment, tax recoverable, deferred tax assets, 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 provision for taxation and accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 31.12.2020	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 and advances	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
	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, investment in associates, tax recoverable, deferred tax assets, 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 accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 31.12.2021	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	1,207,904	-	-	-	-	-	1,207,904
Financial assets at FVTPL	-	-	-	-	-	95,906	95,906
Financial investments at FVOCI	5,103	9,972	114,367	2,222,784	1,300,541	26,697	3,679,464
Financial investment at amortised cost	-	-	25,289	15,163	-	-	40,452
Loans and advances	782,611	2,585	109,503	81,084	52,850	49,776	1,078,409
Trade receivables	370,563	-	-	-	-	-	370,563
Amount due from subsidiaries	310	-	-	-	-	-	310
Other assets	37,247	1,141	12,717	4,147	-	2,897	58,149
Derivative financial assets	10,415	15,702	18,186	32,658	-	-	76,961
Statutory deposits with Bank Negara Malaysia	10,200	-	-	-	-	-	10,200
Other financial assets (1)	41	-	-	-	-	-	41
Other non-financial assets (2)	-	-	-	2,710	-	545,359	548,069
Total Assets	2,424,394	29,400	280,062	2,358,546	1,353,391	720,635	7,166,428
Liabilities							
Deposits from customers	1,655,584	1,037,569	878,311	754,595	-	-	4,326,059
Deposits and placements of banks and other financial institutions	200,893	300,703	100,396	-	-	-	601,992
Trade payables	360,641	-	-	-	-	-	360,641
Derivative financial liabilities	13,777	14,828	17,594	25,698	-	-	71,897
Other liabilities	195,835	16,445	102,658	35,044	-	-	349,982
Lease liabilities	466	539	2,006	128	-	-	3,139
Other non-financial liabilities (3)	-	3,081	40,668	-	-	-	43,749
Total Liabilities	2,427,196	1,373,165	1,141,633	815,465	-	-	5,757,459
Net liquidity gap	(2,802)	(1,343,765)	(861,571)	1,543,081	1,353,391	720,635	1,408,969

(1) Other financial assets includes amount due from holding company.

(2) Other non-financial assets include prepayment, investment in subsidiaries and asscociates, tax recoverable, deferred tax assets, property and equipment, intangible assets and right-of-use assets.

(3) Other non-financial liabilities include accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 and advances	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, investment in subsidiaries & associates, tax recoverable, deferred tax assets, property and equipment, intangible assets and right-of-use assets.

(2) Other non-financial liabilities include accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 ensure the fundamental knowledge and skills are provided to the appointed 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 Securities Clearing 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.

Compliance Department ("CD") reports directly to the BRMC. Periodic reports on the state of compliance and material litigation cases affecting the Bank are also submitted by CD and Legal Department ("LD") respectively to CROC and BRMC to keep CROC and BRMC updated of the same.

The CD renders compliance advice, monitor compliance risks emanating from statutory requirements, rules, circulars and guidelines issued by regulators, while LD advises 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.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

43 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 adopts the Affin Banking Group's Business Continuity Management Policy ("GBCMP") which covers the following:

i. Business Continuity Management ("BCM") Programme;
ii. BCM Governance;
iii. Crisis Management; and
iv. Third-Party Service Continuity

The Board approves the GBCMP and overall strategies by ensuring that the GBCMP is consistent with the Bank’s risk tolerance level given the nature, complexity and materiality of the Bank’s business operations.

The GBCMP 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 GBCMP 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 Affin Banking Group's Technology Risk Management Framework ("TRMF") 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 reducing 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.

43 Financial risk management objectives and policies (continued)

I. Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates ("IBOR") with alternative nearly risk-free rates (referred to as ‘IBOR reform’). The new alternative reference rates are being introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates, in line with the London Interbank Offered Rate ("LIBOR") reforms. As at 31 December 2021, the Bank has exposure to Kuala Lumpur Interbank Offered Rate ("KLIBOR") on its financial instruments.

In line with the IBOR reform, Bank Negara Malaysia ("BNM") has appointed Financial Markets Committee ("FMC") which comprises representatives from BNM, Securities Commission Malaysia, financial institutions, insurers, fund managers and corporate treasurers, to oversee the development of transaction-based Alternate Risk-free Rates ("ARR") and deliberate on the strategic direction for KLIBOR in Malaysia.

BNM compiles and publishes the Average Overnight Interbank Rate ("AOIR") which is a near risk-free weighted average overnight interbank funding rate taking into account BNM's monetary operations and interbank transactions based solely on transaction data, consistent with the development of major currencies' ARR globally. BNM has launched the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate ("ARR") for the Malaysia on 24 September 2021.

There remain key differences between KLIBOR and MYOR. KLIBOR is a 'term rate', which means that it is published for a borrowing period (such as three- or six-month tenor) and is 'forward-looking', because it is published at the beginning of the borrowing period. MYOR is currently a 'backward-looking' rate, based on unsecured overnight Malaysian Ringgit interbank transactions in the Malaysian financial market, and it is published on the next business day (i.e. at the end of the overnight borrowing period). Furthermore, KLIBOR includes a credit spread over the risk-free rate, which MYOR currently does not. To transition existing contracts and agreements that reference KLIBOR to MYOR, adjustments for term and credit differences might need to be applied to MYOR, to enable the two benchmark rates to be economically equivalent on transition.

MYOR would run in parallel with the existing KLIBOR with periodic review to ensure that the financial benchmark rates remain robust and reflective of an active underlying market. The availability of two financial benchmark rates provides market participants with the flexibility to choose the rate that best suits their needs and facilitates the development of MYOR-based products.

BNM will discontinue the publication of the two- and twelve-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts, on 1 January 2023. The remaining one-, three- and six-month KLIBOR tenors, which continue to reflect an active underlying market, will be reviewed in the second half of 2022.

The Bank has set up an internal working group and the key objectives of the internal working group include the followings:

- identifying contracts in scope of benchmark reform;
- considering changes to internal systems, processes, risk management and valuation models;
- allocation of roles and responsibilities and identification of relevant responsible parties to execute and implement the transition; and
- managing any related tax and accounting implications.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. The operational risks will arise during the renegotiation of financial contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

43 Financial risk management objectives and policies (continued)

I. Interest rate benchmark reform (continued)

As at 31 December 2021, changes required to systems, processes and models have been identified and have been partially implemented. The Bank has identified all KLIBOR-linked contracts as at 31 December 2021 and all contracts was referenced to three-month KLIBOR. The Bank will closely monitor the regulators' announcements on MYOR or discontinuation of publication of the KLIBOR for the relevant tenors and continues to engage with industry participants, to ensure an orderly transition to MYOR and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with KLIBOR replacement.

The following table contains details of the financial instruments that the Group and the Bank hold at 31 December 2021 which referenced KLIBOR:

	Principal amount		Of which: Have yet to transition to an alternative benchmark rate	
The Group and the Bank	**Assets**	**Liabilities**	**Assets**	**Liabilities**
31.12.2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Commitments and contingencies				
Interest rate related contracts				
- less than one year	**350,000**	**430,000**	**350,000**	**430,000**
- one year to less than five years	**1,260,000**	**890,000**	**1,260,000**	**890,000**
	1,610,000	**1,320,000**	**1,610,000**	**1,320,000**

In 2021, it was announced that the LIBOR was going to be discontinued. It was noted that publication of the one-week and two-month USD LIBOR maturities and all non-USD LIBOR maturities would cease immediately after 31 December 2021, with the remaining USD LIBOR maturities ceasing immediately after 30 June 2023. During the previous financial year, the Bank has identified a USD term loan which was referenced to three-month USD LIBOR, payable quarterly on stepped up basis. As the Bank applied the practical expedient, whereby the Bank did not derecognise or adjust the carrying amount of the USD term loan for modifications required by IBOR reform, but instead updated the effective interest rate to reflect the change in the interest rate benchmark. During the current financial year, the Bank has been successfully restructured and re-fixed the USD term loan to three-month USD Cost of Funds ("COF") and no immediate gain or loss is recognised in profit or loss.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

44 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 (2020: Nil).

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

44 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 **31.12.2021**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	-	1,008	-	1,008
- Shares, warrants and unit trusts	228,916	-	-	228,916
Financial investments at FVOCI				
- Money market instruments	-	2,007,150	-	2,007,150
- Corporate bonds or sukuk	-	1,645,617	-	1,645,617
- Shares	-	-	26,697	26,697
Derivative financial assets	-	77,269	-	77,269
Total	228,916	3,731,044	26,697	3,986,657
Liabilities				
Derivative financial liabilities	-	71,897	-	71,897
Puttable liability - investment in funds	33,442	-	-	33,442
Other liabilities - equities trading	2,853	-	-	2,853
Total	36,295	71,897	-	108,192

The Bank **31.12.2021**				
Assets				
Financial assets at FVTPL				
- Shares, warrants and unit trusts	95,906	-	-	95,906
Financial investments at FVOCI				
- Money market instruments	-	2,007,150	-	2,007,150
- Corporate bonds or sukuk	-	1,645,617	-	1,645,617
- Shares	-	-	26,697	26,697
Derivative financial assets	-	76,961	-	76,961
Total	95,906	3,729,728	26,697	3,852,331
Liabilities				
Derivative financial liabilities	-	71,897	-	71,897
Other liabilities - equities trading	2,853	-	-	2,853
Total	2,853	71,897	-	74,750

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

44 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 31.12.2020	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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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 2021 (continued)

44 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	
	31.12.2021	31.12.2020
	RM'000	RM'000
At beginning of the financial year	**25,319**	23,002
Total gains recognised in other comprehensive income	**1,378**	2,317
At end of the financial year	**26,697**	25,319

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

The Group and the Bank

Description	Fair value assets **31.12.2021 RM'000**	Fair value assets 31.12.2020 RM'000	**Valuations techniques**	**Unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Equity investments measured at FVOCI					
Unquoted shares	**26,697**	25,319	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Group and the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Group and the Bank estimate are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

44 Fair value of financial instruments (continued)

The following tables analyse within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:

	Carrying	Fair Value			
The Group and the Bank	**amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
31.12.2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets					
Loans and advances	**1,078,409**	**-**	**1,078,931**	**-**	**1,078,931**
Financial Liabilities					
Deposits from customers	**4,326,059**	**-**	**4,331,627**	**-**	**4,331,627**
The Group and the Bank					
31.12.2020					
Financial Assets					
Loans and advances	947,363	-	947,126	-	947,126
Financial Liabilities					
Deposits from customers	4,214,726	-	4,220,011	-	4,220,011

44 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 and advances

Loans and advances 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 and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of expected credit losses, being the reasonable estimate of recoverable amount.

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

44 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.

45 Offsetting financial assets and financial liabilities

In accordance with MFRS 132 "Financial Instruments: Presentation" the Group and the Bank report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and reverse repurchase and repurchased agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amount" presented below are not intended to represent the Group's and the Bank's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Derivative financial assets and liabilities

The "Financial instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Obligation on securities sold under repurchase agreements

The "Financial instruments" column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as global master repurchase agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

45 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						
31.12.2021						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**371,309**	**(371,309)**	**-**	**-**	**-**	**-**
Derivative financial assets	**77,269**	**-**	**77,269**	**(20,142)**	**-**	**57,127**
Total	**448,578**	**(371,309)**	**77,269**	**(20,142)**	**-**	**57,127**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**501,041**	**(371,309)**	**129,732**	**-**	**-**	**129,732**
Derivative financial liabilities	**71,897**	**-**	**71,897**	**(20,142)**	**(6,838)**	**44,917**
Total	**572,938**	**(371,309)**	**201,629**	**(20,142)**	**(6,838)**	**174,649**
The Bank						
31.12.2021						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**371,309**	**(371,309)**	**-**	**-**	**-**	**-**
Derivative financial assets	**76,961**	**-**	**76,961**	**(20,142)**		**56,819**
Total	**448,270**	**(371,309)**	**76,961**	**(20,142)**	**-**	**56,819**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**501,041**	**(371,309)**	**129,732**	**-**	**-**	**129,732**
Derivative financial liabilities	**71,897**	**-**	**71,897**	**(20,142)**	**(6,838)**	**44,917**
Total	**572,938**	**(371,309)**	**201,629**	**(20,142)**	**(6,838)**	**174,649**

Notes to the financial statements
for the financial year ended 31 December 2021 (continued)

45 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

Notes to the financial statements for the financial year ended 31 December 2021 (continued)

46 Credit exposures arising from transactions with connected parties

The following credit exposures 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	
	31.12.2021	31.12.2020
i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**614,485**	505,820
ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	**13.21%**	11.06%

47 Client trust accounts

As at 31 December 2021, cash held in trust for the clients by the Group and the Bank amounted to RM974,184,000 (2020: RM994,195,000). These amounts are not recognised in the financial statements as they are held by the Group and the Bank in its fiduciary capacity.

48 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 March 2022.

Registration 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, Datuk Noor Azian binti Shaari and Mr Eugene Hon Kah Weng, 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 186 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 2021 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 30 March 2022.

Datuk Noor Azian binti Shaari Interim Chairman/Director	**Mr Eugene Hon Kah Weng** Director

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

I, Mustafa Shafiq bin 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 186 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 bin Razalli
MIA No. 31988

Subscribed and solemnly declared by the above named Mustafa Shafiq bin Razalli at Kuala Lumpur in Malaysia on 30 March 2022.

Before me:

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

Commissioner for Oaths

No. 59, Jalan Telawi
Bangsar Baru
59100 Kuala Lumpur

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD

(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Affin Hwang Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021, 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 2021 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 186.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration 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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

FOONG MEI LIN
03530/09/2022 J
Chartered Accountant

Kuala Lumpur
30 March 2022