

INFINITE POSSIBILITIES





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RATIONALE

The cover features our approach towards digitalisation with the focus on banking mobility. Our digital developments create a seamless experience for consumers to carry out banking activities conveniently on their mobile devices, providing infinite possibilities in creating unprecedented value to assist customers in achieving their business and personal objectives. These strengths, backed by our dedicated teams, will also continue to fortify our foundation and growth opportunities well into the future.

OUR VISION, OUR MISSION

OUR VISION

A premier partner for Financial Growth and Innovative Services.

OUR MISSION

To provide innovative financial solutions and services to target customers in order to generate profits and create value for our shareholders and other stakeholders.

In doing so, we provide opportunities for employees to contribute and excel; and be competitive in providing our solutions and services to our valued customers.

We shall conduct our business with integrity and professionalism in compliance with good corporate governance principles and practices.

ABOUT AFFINBANK

The AFFIN Bank Group is a financial services conglomerate. The AFFIN Bank Group's activities focus on commercial, Islamic and investment banking services, money broking, asset management and underwriting of life and general insurance business.

Affin Bank Berhad (AFFINBANK) provides a suite of financial products and services that is catered to both retail and corporate customers. The target business segments are categorised under key business units such as Consumer Banking, SME Banking, Corporate Banking and Treasury.

Our tagline of "Banking Without Barriers" signifies the removal of boundaries within the processes of the Bank as well as its attitude in servicing its customers. The latter means reaching out to the customers, improving relationships with them, making each one of them feel privileged and enhancing a new approach to banking and changing the face of conventional banking.



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Dato' Agil Natt

*Independent Non-Executive Director
(appointed w.e.f. 8 November 2019)*

DIRECTORS

En. Mohd Suffian bin Haji Haron

Non-Independent Non-Executive Director

Tan Sri Mohd Ghazali bin Mohd Yusoff

Independent Non-Executive Director

Dato' Mohd Hata bin Robani

Independent Non-Executive Director

Dato' Abdul Aziz bin Abu Bakar

Independent Non-Executive Director

Mr. Ignatius Chan Tze Ching

Non-Independent Non-Executive Director

Dato' Rozalila binti Abdul Rahman

Independent Non-Executive Director

Mr. Peter Yuen Wai Hung

*Non-Independent Non-Executive Director
(appointed w.e.f. 1 November 2019)*

Pn. Marzida binti Mohd Noor

*Independent Non-Executive Director
(appointed w.e.f. 1 March 2020)*

Mr. Gregory Jerome Gerald Fernandes

*Independent Non-Executive Director
(appointed w.e.f. 1 April 2020)*

COMPANY SECRETARY

Nimma Safira Khalid

LS0009015

Tel : 603-2055 9019

E-mail : nimma@affinbank.com.my

REGISTERED OFFICE

17th Floor, Menara AFFIN

80, Jalan Raja Chulan

50200 Kuala Lumpur

Malaysia

Tel : 603-2055 9000

Fax : 603-2026 1415

HEAD OFFICE

Menara AFFIN

80, Jalan Raja Chulan

50200 Kuala Lumpur

Malaysia

Tel : 603-2055 9000

Fax : 603-2026 1415

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32

Tower A Vertical Business Suite Avenue

Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

Tel : 603-2783 9299

Fax : 603-2783 9222

E-mail : is.enquiry@my.tricorglobal.com

Tricor Customer Service Centre

Unit G-3, Ground Floor Vertical Podium

Avenue 3 Bangsar South

No 8, Jalan Kerinchi

59200 Kuala Lumpur

Malaysia

AUDITORS

PricewaterhouseCoopers PLT

LLP0014401-LCA& AF1146

Level 10, 1 Sentral

Jalan Rakyat

Kuala Lumpur Sentral

50706 Kuala Lumpur

Malaysia

WEBSITE

www.affinbank.com.my

INVESTOR RELATIONS

E-mail : ir@affinbank.com.my

AGM HELPDESK

Tel : 603-2783 9299

(Tricor Investor & Issuing House Services

Sdn Bhd)

STOCK EXCHANGE

Bursa Malaysia Securities Berhad

Stock Code : 5185

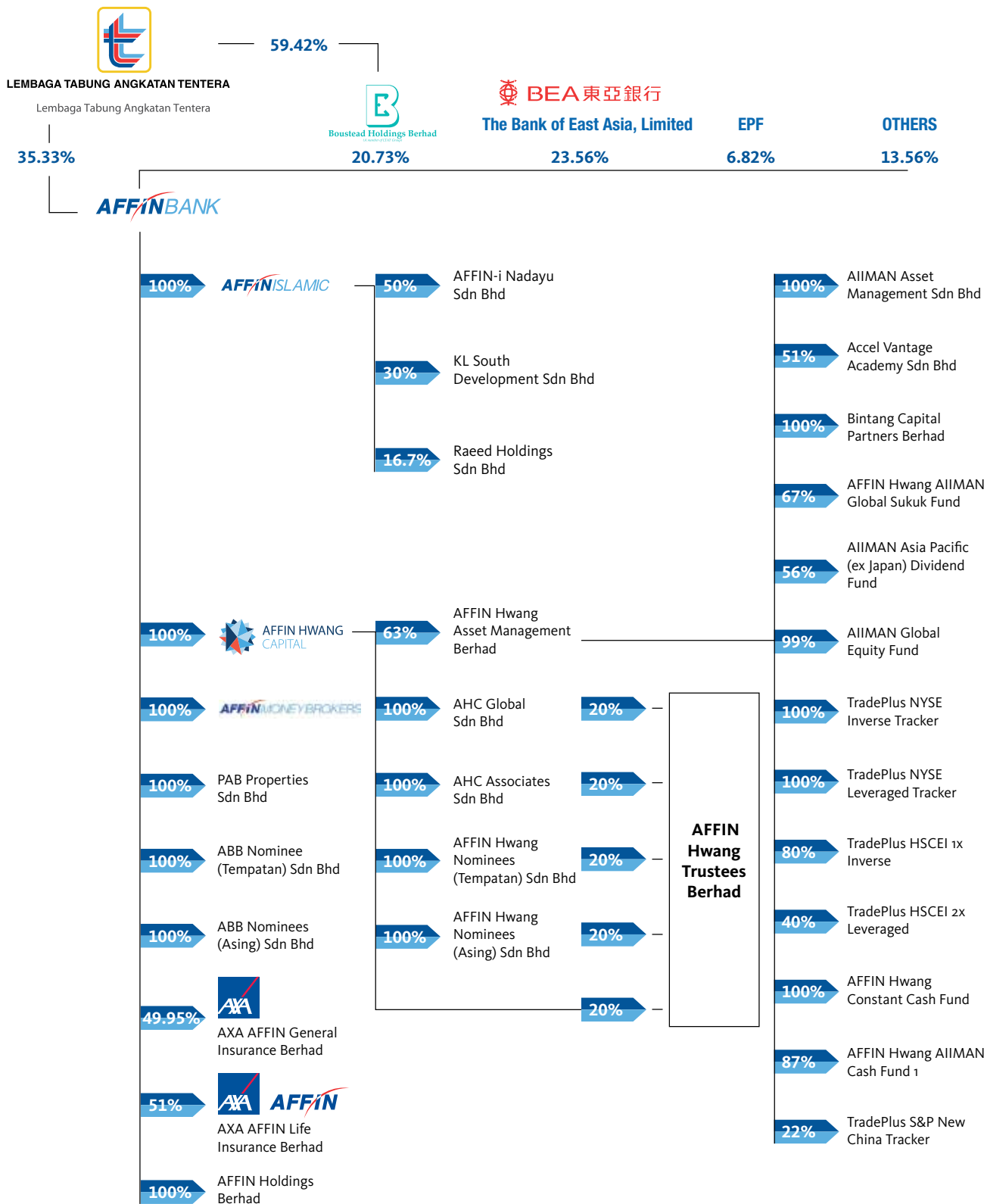
Stock Name : AFFIN

Listed on Main Market of Bursa Malaysia

Securities Berhad on 2 February 2018

CORPORATE STRUCTURE

as at 30 April 2020



AWARDS & RECOGNITION

AFFIN BANK BERHAD



June 2019

CX Sales and Marketing Performer Award - Genesys



August 2019

Best Growth in New Accounts - Mastercard



September 2019

Omni-Experience Innovation - IDC Digital Transformation Awards

August 2019

Top 100 Companies for Corporate Governance Disclosure in 2018 – Minority Shareholders Watch Group

September 2019

Best SME Banking Initiative for Start-ups – International Finance Magazine

October 2019

Digital Opportunity/Inclusion (Merit Award) – WITSA Global ICT Excellence Awards

February 2020

Overall ranking by Bursa Malaysia of Tier 1 – Setting The Pace for sustainability practices and disclosures in 2018 Annual Report



December 2019

Mobile Category: Banking Industry - Malaysia Technology Excellence Awards

AWARDS & RECOGNITION

AFFIN HWANG CAPITAL

January 2019

- The EDGE – Best Call Awards 2018
- CEO of the Year (Malaysia) – Best of the Best Awards 2019 by Asia Asset Management



February 2019

Best Asset Management (Malaysia) – Private Banking and Wealth Management Survey 2019 by Euromoney



April 2019

Best Overall Equities Participating Organisation (Champion) - Bursa Excellence Awards 2018 by Bursa Malaysia Berhad



April 2019

Most Outstanding Sustainable Sukuk Product - Kuala Lumpur Islamic Finance Forum (KLIFF) Islamic Finance Awards 2019 by Centre for Research & Training (CERT)



March 2019

Lipper Fund Awards 2019 by Refinitiv

- Best Mixed Assets Group – Malaysia Pension, 3 years
- Best Fund in Equity Asia Pacific ex Japan – Malaysia Pension, 3 years
- Best Fund in Equity Malaysia Diversified – Malaysia Pension, 3 years
- Best Fund in Equity Malaysia Diversified – Malaysia Pension, 5 years
- Best Fund in Equity Malaysia Diversified – Malaysia Pension, 10 years
- Best Fund in Mixed Asset MYR Balanced – Global – Malaysia Pension, 3 years
- Best Fund in Mixed Asset MYR Balanced – Global – Malaysia Pension, 10 years



April 2019

Malaysia Best Employer Brand Awards 2019 by World HRD Congress

- Malaysia Best Employer Brand
- Continuous Innovation in HR Strategy
- Talent Management
- CEO with HR Orientation

March 2019

- Category Winner for Best Asia-Pacific Equity Fund - Morningstar Malaysia Fund Awards 2019 by Morningstar
- External Portfolio Managers Annual Awards 2019 by Employees Provident Fund (EPF)
 - Best Global Bond Portfolio Manager 2018
 - Best Domestic Equity Fund Manager (Shariah) 2018
 - Best 3-Year ROI Domestic Equity Fund Manager (Shariah) 2018



April 2019

Programme Value (2nd), Sukuk – RAM Lead Manager Award 2018 by RAM Rating Services Berhad



April 2019

Number of Issues (3rd) – RAM Lead Manager Award 2018 by RAM Rating Services Berhad



April 2019

Number of Issues (3rd), Sukuk – RAM Lead Manager Award 2018 by RAM Rating Services Berhad

AWARDS & RECOGNITION

AFFIN HWANG CAPITAL



May 2019

Fixed Income Fund Manager of the Year (Malaysia) – Asset Servicing, Institutional Investor and Insurance Awards by The Asset Triple A



June 2019

Islamic Asset Management of the Year (Malaysia) – Islamic Finance Awards 2019 by The Asset Triple A



July 2019

Best Bank Capital Sukuk (Asia Pacific) – Islamic Finance Awards 2019 by The Asset Triple A



July 2019

Best Sustainable & Responsible Investment (SRI) Sukuk - Islamic Finance Awards 2019 by The Asset Triple A



August 2019

Issue Count (2nd Runner Up) - Lead Managers League Table 2018 by Malaysian Rating Corporation Berhad (MARC)



October 2019

Excellence in HR Innovation - HR Excellence Awards 2019 by Human Resource Online



September 2019

Best Securities House (Malaysia) - The Asiamoney Awards 2019 by Asiamoney

November 2019

- The Asset Benchmark Research Awards 2019 by Asset Benchmark Research (ABR)
 - Top Sellside Firms in Secondary Market (Corporate Bonds, MYR)
 - Top Arrangers in Investors' Choice for Primary Issues (Corporate Bonds, MYR)
 - Best Individual, Trading (Highly Commended)
 - Best Individual, Sales (Highly Commended)



January 2020

Best Bond (Malaysia) - The Asset Triple A Country Awards 2019 by The Asset Triple A

July 2019

- Best Bond (Malaysia) - Islamic Finance Awards 2019 by The Asset Triple A

August 2019

- 2019 Asia's Dream Companies to Work For by World HRD Congress
 - CEO of the Year
 - Organisation with Innovative HR Practices

October 2019

- HR Excellence Awards 2019 by Human Resource Online
 - Excellence in Total Rewards Strategy
 - Excellence in HR Communication Strategy
 - Most People-focused CEO
 - Excellence in Workplace Culture

January 2020

- International Finance Awards 2019 by International Finance (IFM)
 - Most Innovative Sukuk Structures (Malaysia)
 - Best Funded Water/Wastewater Project (Malaysia)

AWARDS & RECOGNITION

AXA AFFIN GENERAL INSURANCE BERHAD



Global HR Excellence Awards 2019
(2 consecutive years)

- CEO of the Year
(for 2nd consecutive year)
- 101 Global HR Heroes

Global Best Employer Brand
Awards 2019

- Continuous Innovation in HR
Strategy at Work



Golden Globe Tiger Awards 2019

- Malaysia Best Brands
Award 2019
- Malaysia Best Employer Brands
Award 2019
(for 4th consecutive year)



Asia Recruitment Awards 2019
Best Use of Recruitment Technology
Tools Gold Award



Asian Legal Business Malaysia Law
Awards 2019

- Banking and Financial Services
In-House Team of the Year Award



Asian Banking & Finance Insurance
Asia Awards 2019

4th consecutive year

- International General Insurer
of the Year - Malaysia
- New Insurance Product of the
Year - Malaysia (for Merchand
Trade Insure)

2nd consecutive year

- Claims Initiative of the Year
– Malaysia (for Travel
Claims Insurance Journey project)



HR Excellence Awards 2019

- Silver award for Excellence in
HR Innovation



Malaysian Employers Federation
Employer Excellence Award 2019

- Gold Award



HR Asia Best Companies to
Work For in Asia Awards 2019
(3rd consecutive year)



19th Malaysia-International HR
Awards 2019 (MIHRM Awards)

- Grand Award for Employer
of Choice
- Gold Award for Employer
of Choice (Private Sector)

AWARDS & RECOGNITION

AXA AFFIN LIFE INSURANCE BERHAD

2019 Achievements (Non-Financial)

- Number One Digital Insurer in Malaysia with clear market dominance and recognition for InsurTech thought leadership
- Employee Net Promoter Score (eNPS) moved from +6 in 2018 to +33 in 2019
- The first-in-the-market revolutionary insurer to offer online medical card with low barrier to entry, custom built for millennials and young Malaysian families
- The first insurer to offer complete agile human resource proposition
- The first insurer to offer discounts linked to steps
- Implemented Get Ubat (DoctorOnCall), an online doctor consultation, specialist booking online and medicine delivery to home with Wealth Protect Assure campaign
- Executed more than 40 Robotic Process Automation (RPA) to improve operational efficiency
- Enhanced presence in Seremban by opening the 10th branch in Seremban, Negeri Sembilan with the aims to increase the customer contact frequency by offering the Seremban community in-branch solutions and providing an extensive array of products

Award won and finalists



Most Innovative Marketing Campaign – Step It Up+ - Insurance 2019



Top 100 Asia's Best Employer Brand Award 2019



Company of the Year Award (Blood Donation Drive & Breast Cancer Awareness) – CSR Malaysia Award 2019



Best Brand Experience Award 2019 – CX Asia Excellence Award 2019 (Silver Award)



Excellence in HR Through Technology & CEO with HR Orientation 2019 – Malaysia Best Brand Award 2019

CHAIRMAN'S STATEMENT



Dear Shareholders,

Despite the stiff operating environment, where sustainability and competition in the industry are changing the way banks operate, Affin Bank Berhad (“AFFINBANK” or “the Group”) has continued to make modest headway to register another year of sustainable growth and progress.

While the financial year has indeed been difficult, given various global and domestic economic, social and political factors, our response to prevailing macro-operating conditions has been strategic and timely, which has placed us firmly on track towards realising our set goals and objectives.

**AFFINBANK CONTINUED TO
CARVE A NICHE AMIDST A
HIGHLY COMPETITIVE OPERATING
ENVIRONMENT.**

DATO' AGIL NATT
Chairman

CHAIRMAN'S STATEMENT



AFFINBANK
is presently
constructing a
sustainability
roadmap to
determine its
short, medium
and long-term
plans towards
creating value for
stakeholders

Importantly, we have continued to pursue and achieve our agenda of Banking without Barriers towards creating true value for customers, shareholders, our workforce and other stakeholders.

On this note, I am pleased to share with you the highlights and achievements for the financial year ended 31 December 2019 ("FY2019").

NAVIGATING THROUGH A COMPETITIVE OPERATING ENVIRONMENT

The year 2019 brought numerous changes and challenges for Malaysia and the banking industry. Macroeconomic conditions remained volatile and the banking sector continued to accommodate and adjust to regulatory and industry changes. Business and household lending were tepid, while deposits growth moderated further. The Overnight Policy rate ("OPR") cut by Bank Negara Malaysia ("BNM") in May 2019 placed further pressure on bank's margins, although the asset quality remained stable.

In response, Banks sought sustainable growth by remaining disciplined in pricing and focusing on targeted segments. These were supported by stringent risk management with priority placed on improving liquidity and capital strength. The market still has opportunities for growth, provided banks are agile, swift and innovative in responding proactively to evolving customer trends and other emerging forces such as the digital technology.

RESPONDING TO MARKET CHALLENGES

Given the dynamic changes in the operating environment, AFFINBANK's response was to continue empowering Malaysians to achieve their goals and aspirations through our financial products and solutions. We are continuing to create value for our stakeholders while staying on track with our larger agenda of contributing to nation-building and socio-economic growth for Malaysians.

This, we have done effectively by further embracing digitalisation towards harnessing greater efficiency and market reach. I am pleased to say that we have achieved a measure of success in our endeavours. In FY2019, we have made further inroads in bringing the AFFINBANK brand closer to a wide range of customers, be it in retail, SME, or corporate. We continued to strengthen our go-to-market capabilities and operating efficiencies with a specific emphasis on enhancing digital experience.

We rolled out the new AffinOnline internet banking platform in September 2019. AffinOnline offers a more convenient, connected and empowered online banking experience for customers. New features and functionalities afford customers faster and greater ease-of-use. The total subscribers of AffinOnline increased by 12.7% from December 2018 to December 2019, while financial transactions increased by 49.2% for the same period. We foresee numbers increasing further once the AFFINBANK mobile internet banking application is launched, tentatively in the 4th Quarter 2020.



CHAIRMAN'S STATEMENT



On the SME Banking front, we are pleased to mention that SMEColony, the first mobile app made available in the market for the development of SME community through a digital ecosystem, was successfully rolled out and has subsequently won several awards. This is a true testament of our commitment in realising the government's aspiration for progressive development of SMEs.

AFFINBANK is continuously upgrading its capabilities and operating efficiencies, specifically on the digital front. In 2019, the Bank launched a new corporate internet banking channel, AFFINMAX, that allows for more robust products and services being offered and ultimately enhance both SME and corporate customers' experience.

We have kick-started the development of our virtual bank mobile app, namely Genius Pocket ("GP"). The mobile experience of GP and the convenience it affords will support our market growth strategies, notably in customer acquisition

and retention. In a similar vein, we have continued to drive our digital agenda with closer collaboration with various fintech partners towards enhancing our value proposition and staying ahead of the market across all segments.

As we always say, banking is not a privilege, but it is a privilege to be in banking. It is on this agenda of financial inclusion and empowerment that AFFINBANK continued to carve a niche amidst a highly competitive operating environment.

On this note, I wish to highlight that our Priority Islamic Policy ("PIP") has seen the Bank further align itself with BNM's 10-year Financial Sector Strategic Blueprint. As of 31 December 2019, the Group achieved 41% of our total portfolio, exceeding the target by 1%, one year ahead of BNM's schedule. Various products and campaigns were launched during the year to support this policy such as the Flexi Trade Financing-i, Skim Rumah Pertamaku-i ("SRP-i"), SMEmerge-i, Great

Invest and Edu and more. Efforts were also centred on promoting high yield products and growing fee-based services such as SME Remittance and Bancatakafu.

The full details of our highlights and achievements are given in the Management Discussion and Analysis section of this Annual Report.



**Banks have a
significant role
to play in the
economic value
chain**

CHAIRMAN'S STATEMENT

DRIVING VALUE CREATION

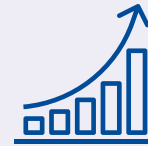
The dynamics of today's banking sector calls for banks to be and do more than just lenders of capital or provide financial solutions. Banks have a significant role to play in the economic value chain and therefore are vital to building a better community, country and the world.

Consequently, responsible financing is essential in developing a more sustainable future and in creating value across all identified capitals such as people and talent, social, intellectual, environmental and financial capitals.

Towards this end, we at AFFINBANK have continued to align our business model and objectives with sustainability related outcomes and targets. Our sustainability aspirations are aligned with the United Nations Sustainable Development Goals ("UN SDG"), Eleventh Malaysia Plan ("11MP") and the Value-Based Intermediation ("VBI") framework by BNM.

AFFINBANK is presently constructing a sustainability roadmap to determine its short, medium and long-term plans towards creating value for stakeholders. With the roadmap, we will be better placed to address the Environmental, Social and Governance ("ESG") issues of our business. The roadmap will provide for measurable outcomes and strategic milestones to track the progress of our value creation journey.

At the Board of Directors level, we continue to uphold strong corporate governance policies and practices to ensure corporate integrity, accountability and transparency. These will ultimately lead to the robustness and sustainability of our business model and strategies. Our efforts are guided by the principles of the Malaysian Code of Corporate Governance 2017 ("MCCG 2017"), BNM's guidelines and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").



AFFINBANK has continued to make headway and push forward to register another year of sustainable growth and progress



CHAIRMAN'S STATEMENT



OUTLOOK & PROSPECTS

FY2020 is expected to be another demanding year amid concerns of slower global growth, brought on by prolonged trade conflicts and other factors. These include geopolitical risks, weaker-than-expected growth from major economies, heightened financial volatility and domestic factors such as continued lack of infrastructure projects and foreign direct investments, as well as flatter export performance, especially with regards to commodity-related sectors.

The gloomy outlook is further impacted by the Covid-19 coronavirus outbreak globally which is still an evolving situation and creating uncertainty in the mid and long term global economic outlook, thus adding more pressure to Malaysia's economy.

The banking sector will be impacted by the negative outlook in other economic sectors. Loan growth will likely be subdued with added headwinds from rising gross impaired loans and net interest margin contractions due to a more accommodative monetary policy in 2020.

Given the uneasy business environment, banks will need to work harder to sustain profitability and the focus would be on improving fee-based income, boosting productivity and efficiency and strengthening asset quality apart from improving capital management. Banks will also need to focus on organic growth towards developing resilience.

APPRECIATION & ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to express my sincere appreciation to our major stakeholders for their continued support of AFFINBANK and its Group of Companies. This includes our principal shareholders, namely Lembaga Tabung Angkatan Tentera, Boustead Holdings Berhad, The Bank of East Asia, Limited and the Employees Provident Fund as well as our clients and business partners. Given the highly competitive and dynamic industry we operate in, your contributions have been invaluable to the Group.

We would like to commend and acknowledge the commitment and dedication of our employees in facing up to the many challenges in today's highly competitive operating environment.

I also wish to extend our sincere gratitude to BNM, the Securities Commission, Bursa Malaysia and other relevant regulatory bodies for their continued support and cooperation over the years.

On this note and on behalf of the Group, my deepest appreciation to my fellow Board of Directors, the Board members of our subsidiary and associate companies as well as our senior management team for their dynamic leadership through these challenging times. It is my hope that we will continue to work together as a team in the year ahead.

Dato' Agil Natt
Chairman

DIRECTORS PROFILE

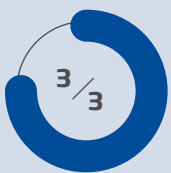


YBHG. DATO' AGIL NATT

Chairman/Independent Non-Executive Director

68/Male

Date of Appointment: 8 November 2019



**Attendance in
2019**

Nationality

Malaysian

Academic/Professional Qualification

- Bachelor of Science in Economics (Hons), Brunel University, UK
- Master of Science (Finance), Cass Business School, City, University of London, UK
- Advanced Management Program, Harvard Business School, USA

Past Working Experience

- Director, Cagamas Bhd
- Director, Sogo (KL) Sdn Bhd
- Independent Director, Export-Import Bank of Malaysia Bhd
- Chairman/Independent Director, Sumitomo Mitsui Banking Corporation Malaysia Bhd

- President & CEO, International Centre for Education in Islamic Finance (INCEIF)
- Executive Director & Deputy President, Maybank
- MD/CEO, Aseambankers Bhd (now known as Maybank Investment Bank)
- Senior GM, Corporate Banking, Maybank
- Regional Chief Representative, Kleinwort Benson Ltd (Investment Bank), Malaysia & UK
- Senior GM, Finance, Island & Peninsular Bhd
- Corporate Finance Manager, Bumiputra Merchant Bankers Berhad

Directorship(s) in Other Public/Public Listed Companies

- Chairman, Credit Guarantee Corporation Malaysia Bhd
- Chairman, Manulife Insurance Bhd
- Chairman, Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Bhd)

External Professional Commitments

- Investment Panel member of the Employees Provident Fund Board

Membership of Board Committees

- Chairman of AFFIN Group Oversight Committee
- Member of Board Nomination and Remuneration Committee
- Member of Group Board Credit Review and Recovery Committee
- Member of Group Board Information Technology Committee

DIRECTORS PROFILE



EN. MOHD SUFFIAN BIN HAJI HARON

Non-Independent Non-Executive Director

74/Male

Date of Appointment: 15 August 2009

Nationality

Malaysian

Academic/Professional Qualification

- Bachelor of Economics, University of Malaya
- Master of Business Administration, University of Oregon, USA

Past Working Experience

- Director, Pharmaniaga Berhad
- Managing Director, Willis Faber (M) Sdn Bhd (an Insurance Broking Company)
- Director, Far East Computers (India)
- Director, Affin Discount Berhad
- Director, Fraser's Hill Development Corporation
- Director, State Development Corporations of Perak, Pahang and Terengganu
- Director, Bank Pembangunan Malaysia Berhad
- Director, Kompleks Kewangan Malaysia Berhad
- Director, HICOM
- Council Member of Majlis Amanah Rakyat (MARA)
- Diplomatic and Administrative Officer attached to the Prime Minister's Department and the Ministry of Public Enterprises
- Assistant to the Special Economic Adviser to the Government
- Vast experience in general trading, power generation and transmission, aircraft maintenance as well as the oil and gas services sectors

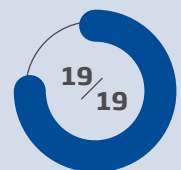
Directorship(s) in Other Public/Public Listed Companies

- Chairman, Affin Islamic Bank Berhad
- Director, Lonpac Insurance Bhd

Membership of Board Committees

- Member of Board Nomination and Remuneration Committee
- Member of Group Board Credit Review and Recovery Committee
- Member of AFFIN Group Oversight Committee

* En. Suffian is a nominee of Lembaga Tabung Angkatan Tentera (LTAT), a major shareholder of Affin Bank Berhad



**Attendance in
2019**

DIRECTORS PROFILE

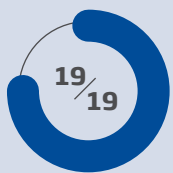


YBHG. TAN SRI MOHD GHAZALI BIN MOHD YUSOFF

Independent Non-Executive Director

74/Male

Date of Appointment: 20 June 2014



**Attendance in
2019**

Nationality

Malaysian

Academic/Professional Qualification

Degree of the Utter Bar from Middle Temple, Inns-of-Court, London

Past Working Experience

- Joined the Malaysian Judicial and Legal Service in 1974 as a Magistrate
- Judge of the Federal Court, Court of Appeal and High Court
- Solicitor General
- Chief Registrar of the Supreme Court
- State Legal Adviser of Pahang
- Registrar of Companies
- State Legal Adviser of Negeri Sembilan
- Deputy Public Prosecutor

Directorship(s) in Other Public/Public Listed Companies

- Nil

External Professional Commitments

- Member of the Permanent Court of Arbitration, Netherlands (Representing Malaysia)

Membership of Board Committee

- Chairman of Group Board Credit Review and Recovery Committee

DIRECTORS PROFILE



YBHG. DATO' MOHD HATA BIN ROBANI

Independent Non-Executive Director

67/Male

Date of Appointment: 17 October 2017

Nationality

Malaysian

Academic/Professional Qualification

- Bachelor of Economics (Business Administration), University of Malaya
- Management Development Programme, University of Harvard, USA

Past Working Experience

- Advisor, Agenda Harmoni Sdn Bhd
- Director, Affin Holdings Berhad
- Executive Chairman, Excellent Tank Treatment Services Sdn Bhd
- Managing Director, Malaysian Electronic Payment System Sdn Bhd (MEPS)
- Executive Director, BSN Commercial Bank (M) Berhad
- Director, Seacorp Schroeder Asset Management Berhad
- General Manager, the Financial Services Division of Amanah Capital Partners Group
- Group Chief Operating Officer, Amanah Capital Partners Group
- Director, Short Deposits Malaysia Berhad
- Director, Asia Unit Trust Berhad
- Director, Taisho Marine & Fire Insurance (M) Berhad
- Director, Fulton Preborn Sdn Bhd
- Director, Banking Department of Bank Negara Malaysia (BNM)

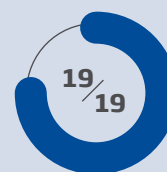
- Director, IT Department of BNM
- Senior Assistant Manager, Bank Inspection Department, BNM

Directorship(s) in Other Public/Public Listed Companies

- Nil

Membership of Board Committees

- Chairman of Group Board Compliance Committee
- Member of Group Board Audit Committee
- Member of Board Nomination and Remuneration Committee



Attendance in
2019

DIRECTORS PROFILE



YBHG. DATO' ABDUL AZIZ BIN ABU BAKAR

Independent Non-Executive Director

65/Male

Date of Appointment: 17 October 2017



**Attendance in
2019**

Nationality

Malaysian

Academic/Professional Qualification

- Bachelor of Economics (Honours), University of Malaya
- Senior Management Development Programme (SMDP), Harvard Business School

Past Working Experience

- Alternate Director, SOCSO
- Director, ALKHAIR International Islamic Bank Malaysia Bhd (AKIIB)
- CEO/ED of Malaysian Directors Academy (MINDA)
- Chief Human Capital Officer of Telekom Malaysia Berhad (TM)
- Executive VP, Human Resources of RHB Bank Berhad

- Various management positions including Internal & IT Audit, Marketing Economics, Sales & Distribution, Supply & Planning and Human Resource (HR) in Shell Malaysia for 20 years
- Managing Director of INTRIA Berhad (currently known as UEM Builders)
- Director, Costain Group PLC (UK)
- Director, Rangkaian Segar Sdn Bhd
- Director, FCW Holdings Berhad
- Fleet Planning Coordinator of Malaysian Airlines System (MAS)
- Shareholders' representative at Shell Group HQ, London overseeing Shell's business interest in Hong Kong and China

Awards

- National HR Leader Award by the Ministry of Human Resources and Malaysian Institute of HR Management

Directorship(s) in Other Public/Public Listed Companies

- Director, Merchant Trade Asia Bhd

Other Appointment (s)

- Director, Institute of Corporate Directors of Malaysia (ICDM)

Membership of Board Committees

- Chairman of Board Nomination and Remuneration Committee
- Member of Group Board Credit Review and Recovery Committee

DIRECTORS PROFILE



MR. IGNATIUS CHAN TZE CHING

Non-Independent Non-Executive Director

63/Male

Date of Appointment: 1 December 2017

Nationality

Chinese

Academic/Professional Qualification

- Bachelor of Business Administration, University of Hawaii, USA
- Master of Business Administration, University of Hawaii, USA
- Certified Public Accountant, American Institute of Certified Public Accountants

Past Working Experience

- Member of Standing Commission on Civil Service Salaries and Conditions of Service (SCCS)
- Director, Rizal Commercial Banking Corporation
- Member of Hong Kong Tourism Board
- Chairman of Hong Kong Polytechnic University Council
- Member of Executive Committee of Investor Education Centre, Securities and Futures Commission
- Director of Affin Holdings Berhad
- Member of Hong Kong Open University Sponsorship and Development Fund Committee
- Director of Larry Jewelry International Company Limited
- Member of Greater Pearl River Delta Business Council (Convener of Services Industry Development & Human Resources Sub-group)
- Member of HKSAR Advisory Committee on Bond Market Development
- Chairman of Financial & Treasury Services Committee, Hong Kong General Chamber of Commerce
- Chairman of HKSAR Travel Industry Compensation Fund Management Board
- Chairman of HKSAR Advisory Committee on Human Resources Development in the Financial Services Sector
- Deputy Chief Executive of Bank of China (Hong Kong)
- Honorary Chairman of Hong Kong Chinese Bankers Club
- Head of Corporate and Investment Banking Business, Citibank, Greater China



Attendance in 2019

- Council member of Hong Kong Treasury Markets Association
- Council member of Employer's Federation of Hong Kong
- Country Officer of Citibank, Taiwan
- Chief Operating Officer of Citibank, Greater China
- Director of Hong Kong Export Credit Insurance Corporation
- Country Officer of Citibank, Hong Kong
- Member of HKSAR Small and Medium Size Enterprises Committee

- Head of Corporate Banking Business, Citibank, Hong Kong
- Country Treasurer and Head of Sales and Trading, Citibank, Hong Kong
- Vice President, Citibank, Japan
- Management Associate of Citibank, Hong Kong and Japan
- Vice President and Fellow of Hong Kong Institute of Bankers
- Member of Banking Advisory Committee of the Hong Kong Monetary Authority

Directorship(s) in Other Public/Public Listed Companies

- Chairman of Prasac Microfinance Institution Limited (Cambodia) (PRASAC)
- Director of Mongolian Mining Corporation (MMC)
- Director of Hong Kong Exchanges and Clearing Limited

External Professional Commitments

- Senior Advisor at The Bank of East Asia, Limited (BEA) and CVC Capital Partners

Other appointment(s)

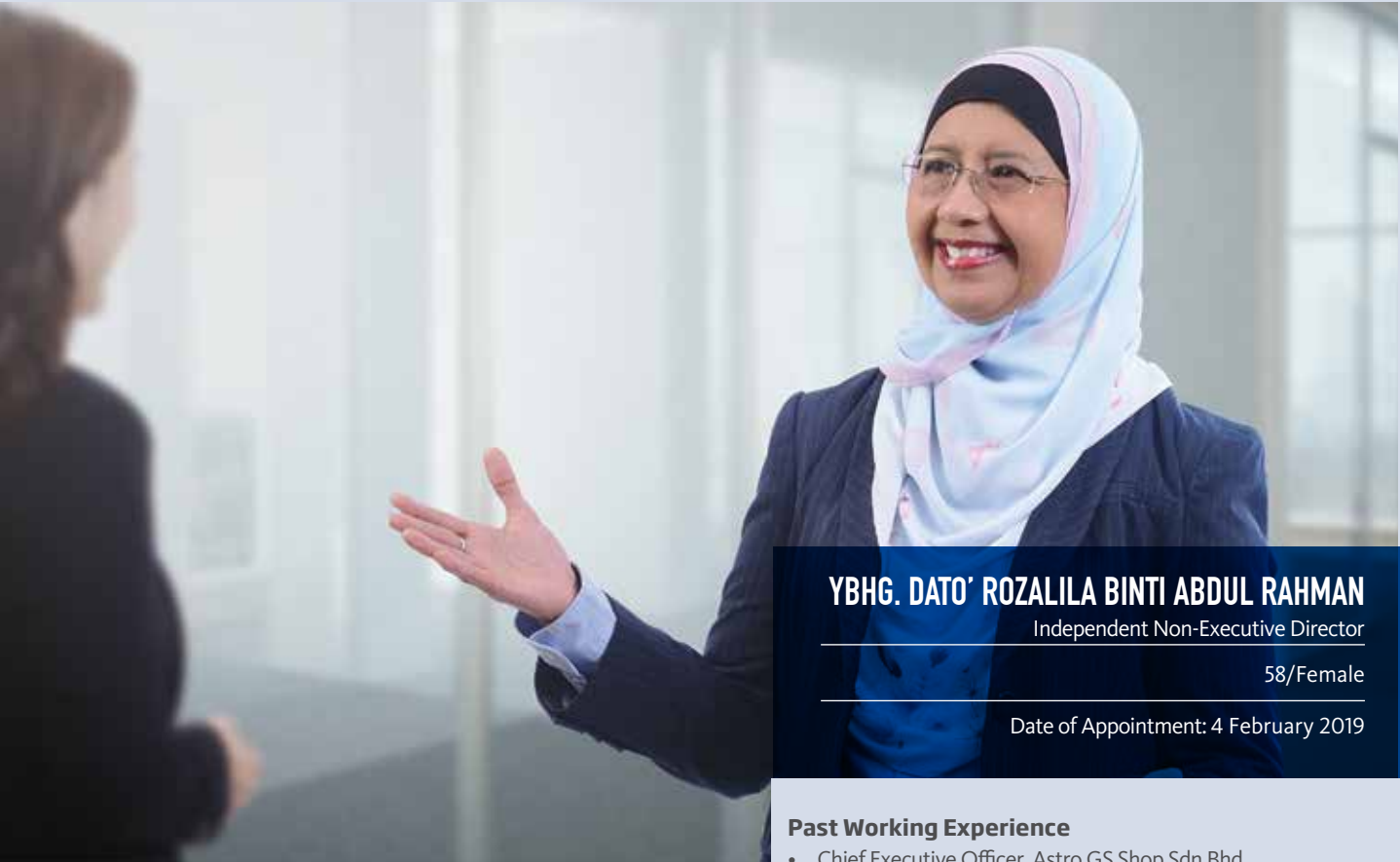
- Honorary Advisory Vice President of Hong Kong Institute of Bankers
- Member of The Hong Kong Community Chest Board (Chairman of Investment Sub-committee)
- Member of Hong Kong Red Cross Council
- Member of Standing Committee on Judicial Salaries and Conditions of Service
- Member of The Board of the Financial Reporting Council (FRC)

Membership of Board Committee

- Member of Group Board Audit Committee

* Mr. Ignatius Chan is a nominee of BEA, a major shareholder of Affin Bank Berhad

DIRECTORS PROFILE

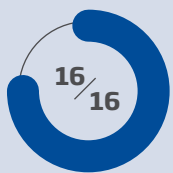


YBHG. DATO' ROZALILA BINTI ABDUL RAHMAN

Independent Non-Executive Director

58/Female

Date of Appointment: 4 February 2019



**Attendance in
2019**

Nationality

Malaysian

Academic/Professional Qualification

- Bachelor of Science, Food Science & Technology from Universiti Pertanian Malaysia
- Certificate of Merit from Sophia University, Japan
- Diploma of Science with Education (Math Major), Universiti Pertanian Malaysia

Past Working Experience

- Chief Executive Officer, Astro GS Shop Sdn Bhd
- Chief Marketing Officer, TM Berhad
- General Manager, Maxis Berhad
- Sales & Marketing Director, Bank Simpanan Nasional
- Marketing Manager, Reckitt Benckiser of Malaysia & Singapore
- Marketing Manager, Kellogg Asia Inc. of South East Asia
- Various managerial positions at Unilever (M) Holdings Sdn Bhd, Malaysia & Singapore
- Cold Room Supervisor, Perwira Niaga Malaysia, PERNAMA

Directorship(s) in Other Public/Public Listed Companies

- Director of MISC Berhad

Membership of Board Committees

- Chairman of Group Board Risk Management Committee
- Member of Group Board Audit Committee

DIRECTORS PROFILE



MR. PETER YUEN WAI HUNG

Non-Independent Non-Executive Director

57/Male

Date of Appointment: 1 November 2019

Nationality

American

Academic/Professional Qualification

- Master of Business Administration, University of Houston, USA
- Bachelor of Business Administration (Major in Finance), University of Hawaii, USA

Past Working Experience

- General Manager & Head of Strategic Partnerships Group, The Bank of East Asia, Limited (BEA)
- Head of Financial Institutions Department, BEA

Directorship(s) in Other Public/Public Listed Companies

- Nil

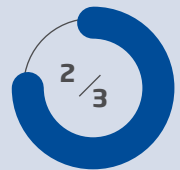
Other Appointment(s)

- General Manager and Head of Strategic Partnership Group, BEA

Membership of Board Committee

- Member of Group Board Risk Management Committee

* Mr. Peter Yuen Wai Hung is a nominee of BEA, a major shareholder of Affin Bank Berhad



**Attendance in
2019**

DIRECTORS PROFILE



PN. MARZIDA BINTI MOHD NOOR

Independent Non-Executive Director

56/Female

Date of Appointment: 1 March 2020

Appointed in 2020

Nationality
Malaysian

Academic/Professional Qualification

- Master of Science in Management Information Systems from United States International University, San Diego, California (USA)
- Bachelor of Science in Business from Indiana University Bloomington, Indiana (USA)

Past Working Experience

- HRIT Competency Centre Manager, Shell Business Operations Oil & Gas
- Programme Manager, SAP Business Objects Software License Management, Shell Business Operations Oil & Gas
- Programme Manager, Global Retail Site Systems Support Services, Shell Business Operations Oil & Gas

- Downstream IT Global Strategy & Planning and Programme Manager, Shell Business Operations Oil & Gas
- Chief Information Officer, Malaysia Airlines Air Transportation
- Senior General Manager, Programme Management Office, Malaysia Airlines Air Transportation
- Programme Manager, Support Services Business Improvement Programme, Malaysia Airlines Air Transportation
- Vice President IT Planning & Development, Malaysia Airlines Air Transportation
- Y2K Corporate Programme Director, Malaysia Airlines Air Transportation
- Business Information Controller, Corporate Planning Department, Malaysia Airlines Air Transportation
- IT Management Consultant, KPMG Peat Marwick Management Consulting
- IT Executive, Head of Department, Intradagang Merchant Bank Banking

Directorship(s) in Other Public/Public Listed Companies

- Nil

Membership of Board Committee

- Chairman of Group Board Information Technology Committee

DIRECTORS PROFILE



MR. GREGORY JEROME GERALD FERNANDES

Independent Non-Executive Director

64/Male

Date of Appointment: 1 April 2020

Nationality

Malaysian

Academic/Professional Qualification

- Registered Accountant from Malaysian Institute of Accountants
- Associate, Institute of Chartered Accountants in England & Wales
- Fundamentals of Accounting, North East London Polytechnic, United Kingdom

Past Working Experience

- Corporate Advisor, Offshore Works Sdn Bhd
- Consultant, Platinum Energy Sdn Bhd
- Senior Vice President, Scomi Engineering Berhad
- Chief Financial Officer, Scomi Engineering Berhad
- Director, Scomi Engineering Berhad
- Associate Director, Innovation Associates
- Team Director, Nikkei Pacific Corporate Advisors Sdn Bhd
- Principal, AJ Shah & Associates (EY Technical Associate Firm)
- Manager-Principal, Ernst & Young, Kuala Lumpur
- Trainee Supervisor, Ernst & Young, London

Directorship(s) in Other Public/Public Listed Companies

- Director, Chubb Insurance Malaysia Berhad

Appointed in 2020

Other Appointment(s)

- Corporate Advisor

Membership of Board Committees

- Chairman of Group Board Audit Committee
- Member of Group Board Risk Management Committee

Save as disclosed, none of the Director has:-

- Any family relationship with any Director and/or major shareholders of AFFINBANK
- Any conflict of interest with AFFINBANK
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2019

GROUP MANAGEMENT TEAM PROFILE



En. Wan Razly Abdullah Bin Wan Ali

Group Chief Executive Officer, Affin Bank Berhad

Malaysian

48/Male

Date of Appointment: 2 April 2020

Academic/Professional Qualification(s)

- Bachelor of Arts in Law and Accounting from the University of Manchester, United Kingdom
- Member of Institute of Chartered Accountants in England and Wales (ICAEW)

Past Working Experiences

- Senior Managing Director, with a leading Bank Group in Malaysia
- Chief Financial Officer, CIMB Niaga
- CIMB Investment Bank as Director, Corporate Client Solutions
- Head, Business Development, Aseambankers Malaysia (now known as Maybank Investment Bank Berhad)
- Audit Services Department Northern Trust, London, United Kingdom PricewaterhouseCoopers, London, United Kingdom

Other Appointments

- Nil

** Wan Razly Abdullah bin Wan Ali has no interest in the share of the Bank and its subsidiaries*



En. Nazlee Bin Khalifah

Chief Executive Officer, Affin Islamic Bank Berhad

Malaysian

52/Male

Date of Appointment: 3 June 2015

Academic/Professional Qualifications

- Bachelor of Business Administration Degree, majoring in Accounting & Finance, Simon Fraser University, Canada
- Chartered Islamic Finance Professional (CIFP) from International Centre for Education in Islamic Finance (INCEIF)
- Financial Institutions Directors' Education (FIDE) Core Programme from The ICLIF Leadership and Governance Centre

Past Working Experience

- Started his career in Banking industry with Maybank for 17 years in various capacity, focusing on Strategic Management
- Joined Affin Bank Berhad as Head, Business Strategy & Support, Business Banking Division in February 2009
- In April 2011, Nazlee was appointed as the Chief Corporate Strategist, Affin Bank Berhad

Other Appointments

- Director for IAP Integrated Sdn Bhd and Raed Holdings Sdn Bhd
- Council member of The Association of Islamic Banking Institutions Malaysia (AIBIM)
- Board Member of Islamic Banking & Finance Institute Malaysia (IBFIM)
- Appointed to the Charter Governing Panel of Chartered Institute of Islamic Finance (CIIF) in 2016
- Appointed as a permanent member of the Masters of Business Administration Program Committee, Faculty of Economics and Management, Universiti Putra Malaysia (UPM) in 2018

GROUP MANAGEMENT TEAM PROFILE



Mr. Emmanuel Jean Louis Nivet

Country Head, AXA Malaysia
Chief Executive Officer, AXA AFFIN General Insurance Berhad

French

61/Male

Date of Appointment: 14 September 2012

Academic/Professional Qualification(s)

- Master of Management of Normandy Business School

Past Working Experiences

- Mr. Emmanuel has strong technical expertise in commercial line underwriting. He started his career as an underwriter in Groupe Victoire and had assumed multiple roles at various AXA entities before being appointed as the Chief Underwriting Officer
- In 2007, Mr. Emmanuel moved to a leadership role as the Chief Executive Officer of AXA Corporate Solutions UK Branch
- In 2012, he was appointed as the Chief Executive Officer of AXA Affin General Insurance Berhad in Malaysia. His leadership and underwriting expertise have brought the Company from Number 8 in 2012 to Number 4 in 2019 in the marketplace, receiving multiple prestigious awards and achievements including International General Insurer of the Year-Malaysia award for the 4th consecutive year at Asian Banking and Finance Insurance Asia Awards 2019

Other Appointments

- PIAM Management Committee in 2015 and 2018



Mr. Yip Kit Weng

Deputy Group Managing Director
Affin Hwang Investment Bank Berhad

Malaysian

48/Male

Date of Appointment: 1 October 2019

Academic/Professional Qualification(s)

- Bachelor of Commerce Degree in Accounting & Finance, University of Western Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Fellow of CPA Australia
- Certified Financial Planner (CFP) of Financial Planning Association of Malaysia
- Associate of Taxation Institute Incorporated (ATII) of Chartered Tax Institute of Malaysia

Past Working Experiences

- Executive Director and Head of Investment Banking at Nomura Securities Malaysia from 2014 until September 2019
- Director, Corporate and Investment Banking Services at RHB Investment Bank Berhad
- Director/Team Head of Equity Capital Markets at CIMB Investment Bank Berhad

Other Appointments

- Director of Affin Hwang Asset Management Berhad
- Director of Affin Hwang Trustee Berhad
- Director of AIIMAN Asset Management Sdn Bhd
- Director of AHC Associates Sdn Bhd
- Director of AHC Global Sdn Bhd

GROUP MANAGEMENT TEAM PROFILE



Mr. Rohit Chandrasekharan Nambiar

Chief Executive Officer, AXA AFFIN Life Insurance Berhad

Indian

40/Male

Date of Appointment: 15 December 2017

Academic/Professional Qualification(s)

- Post Graduate Programme in Entrepreneurship and Management
- Associate from the Insurance Institute of India
- Fellowship from Malaysian Insurance Institute

Past Working Experience

- Conferred with 'Young Leader of the Year' Award at Asia Insurance Industry Awards and 'CEO with HR Orientation' Award at Malaysia's Best Employer Brand Award in 2019
- Experience of working across various departments and roles within India, Singapore, Malaysia, Hong Kong and board member experience in Vietnam with Bao Minh Insurance (of which AXA is a minority shareholder)
- Led AXA Asia's successful customer experience transformation programme covering 17 entities. He also won the AXA Group Chairman's Award for 2015
- Chief Transformation & Operations Officer at AXA Affin General Insurance from January 2016 and was in charge of Transformation, Operations, IT and Big Data
- Under his leadership, AXA AFFIN Life Insurance has launched several industry's first including AXA eMedic: the first online medical card in Malaysia and Step It Up+: the first-in-the-market transformational wellness programme which motivates Malaysians to be healthier



Mr. Chandra Nair

Chief Executive Officer, AFFIN Moneybrokers Sdn Bhd

Malaysian

66/Male

Date of Appointment: 1 June 2004

Academic/Professional Qualification(s)

- Master in Business Administration (MBA), RMIT University Melbourne, Australia

Past Working Experience

- Senior Manager/Head of Money Market Section in 1995
- Assistant General Manager in year 2000 to monitor and supervise the domestic money market activities
- In year 2003 he was appointed as General Manager/Head of Treasury
- In September 2003, he was appointed as the acting CEO, managing the overall company operations and functions. Mr. Chandra has more than 3 decades of experience in the industry

Other Appointments

- Chairman of the Association of Money Brokers Malaysia

GROUP MANAGEMENT TEAM PROFILE



Mr. Teng Chee Wai

Managing Director and Executive Director
Affin Hwang Asset Management Berhad

Malaysian

53/Male

Date of Appointment: 22 September 2014

Academic/Professional Qualification(s)

- Bachelor of Science, National University of Singapore
- Post-Graduate Diploma in Actuarial Studies, City University, London

Past Working Experience

- He began his career in the financial industry as an Investment Manager with NTUC Income, Singapore
- He subsequently assumed the role of Assistant General Manager of Investments at Overseas Assurance Corporation and was responsible for the investment function of the Overseas Assurance Corporation Group
- Prior to his current position, he was the Chief Executive Officer of Hwang Investment Management Berhad



En. Akmal Bin Hassan

Managing Director and Executive Director
AIIIMAN Asset Management Sdn Bhd

Malaysian

47/Male

Date of Appointment: 18 November 2010

Academic/Professional Qualification(s)

- Degree in Business Administration, Oklahoma State University, USA
- Master of Business Administration, University of the Sunshine Coast, Queensland, Australia

Past Working Experience

- Prior to his current appointment, Akmal was the Chief Investment Officer at a subsidiary of a local Islamic Bank
- He has more than 20 years' experience in the investment management industry primarily in portfolio management, investment research and marketing strategy

None of the Management has:-

- Any family relationship with any Director and/or major shareholders of AFFINBANK
- Any conflict of interest with AFFINBANK

- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2019

MANAGEMENT TEAM PROFILE



En. Zulkanain Bin Kassim

Chief Operating Officer

Malaysian

50/Male

En. Zulkanain Kassim joined Affin Bank Berhad on 1 October 2016 as Chief Operating Officer. He is responsible for planning, organising and controlling of all operational activities of Affin Bank Berhad and Affin Islamic Bank Berhad, which includes IT Services, Digital Banking, Property & Logistic, Contact Centre, eChannel, Payments and Loan Administration & Documentation. Prior to Affin Bank Berhad, Zulkanain held the position as Group Managing Director of MEPS.

Zulkanain is the recipient of the coveted Leadership Award - Individual 2015 by Cards and Electronic Payments International Asia (CEPI Asia) in modernising Malaysia's payment infrastructure. He is also awarded Transformation Corporate Leader Brand ICON Leadership Award 2015 by Asia Pacific Brands Foundation.

Zulkanain brings with him more than 28 years of experience in financial services industry, primarily in Information Technology, Banking Operations, Customer Solutions and Payments from both local and foreign banks.



Ms. Lee Yoke Kiow

Chief Corporate Services Officer/Acting Chief Financial Officer

Malaysian

60/Female

Ms. Lee Yoke Kiow joined Affin Bank Berhad on 1 April 2018 as Chief Corporate Services Officer upon the completion of the AFFIN Bank Group Reorganisation. She is also the Executive Director of AFFIN Holdings Berhad.

Ms. Lee is an accountant by profession and a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysia Institute of Accountants (MIA). She has more than 38 years of experience in auditing, accounting, banking and finance.

Her career with AFFIN Group began in 1991 when she was first appointed as Manager, Finance and Treasury by AFFIN Finance Berhad. Prior to joining AFFIN Holdings Berhad in June 2015, she was the Head, Finance and Treasury of AFFIN-ACF Finance Berhad and also the Financial Controller of AFFIN-ACF Holdings Berhad from 2000 to 2005.

MANAGEMENT TEAM PROFILE



En. Nazri Bin Othman

Director, Consumer Banking

Malaysian

58/Male

En. Nazri Othman was appointed as Director of Consumer Banking on 1 December 2019. Nazri is responsible for all aspects of the Bank's Consumer Banking business including the development and implementation of strategies to achieve business growth, profit, operational efficiency and customer service. As Director of Consumer Banking, Nazri also oversees and supervises Consumer Credit, Consumer Operations, Consumer Strategy and Consumer Loans Collection. He is also responsible for ensuring compliance with all regulations that impact Consumer Banking business.

Nazri brings with him more than 28 years of working experience in the banking industry. He has served in both local and foreign banks and assumed various roles as Chief Operating Officer, Head of Group Retail Business, and Head of Cards and Unsecured Loans among others.

Nazri holds a Bachelor of Science (Hons.) in Civil Engineering from the University of Leeds, United Kingdom.



Mr. Tan Kok Toon

Director, Group Treasury

Malaysian

58/Male

Mr. Tan Kok Toon joined Affin Bank Berhad as Head of Treasury in October 2004 and is responsible for managing all aspects of Group Treasury businesses. He is the Honorary Secretary of Financial Market Association Malaysia (Association Cambiste Internationale) and Chair to the Seminar and Education Committee from June 2007 to June 2019. He is also Economic Council member of Federation of Chinese Association Malaysia (Huazong). Tan was appointed as Central Working Council (CWC) of Malaysia China Chamber of Commerce (MCCC) and the Deputy Chairman of Business, Economic and Investment Committee in June 2019.

Prior to AFFINBANK, Tan was with a leading bank in Malaysia. Tan has more than 30 years of banking experience, particularly in Treasury Operations. He has served as Treasury Manager with the New York Branch, and was the Treasury Business Advisor to turn around a business project in the Philippines. Tan graduated from University of Malaya in 1987 with Bachelor of Science (Hons) in Mathematics and obtained Certification of Financial Accounting from New York Institute of Finance.

MANAGEMENT TEAM PROFILE



En. Mohammed Nizar Faisal

Director, Corporate Banking

Malaysian

49/Male

En. Mohammed Nizar Faisal joined Affin Bank Berhad on 1 October 2016 as Director, Corporate Banking Division (f.k.a Corporate & Public Sector Business). He is responsible for developing and implementing strategies to drive the growth of Corporate Banking Division for AFFIN Bank Group, which include among others, to drive revenue and growth, deepen business relationship with all stakeholders involved, to implement strategies aligned to new products, clients and markets, to bring best practice tools to enhance the existing model, to ensure good corporate governance and practices and lastly to build a sustainable and cohesive wholesale banking proposition within Affin Bank Berhad.

Nizar holds a Bachelor of Arts (Hons) in Marketing from Middlesex University, United Kingdom. Nizar brings with him more than 24 years of experience in the financial services industry, primarily in Wholesale Banking and Public Sector Banking. He spent 18 years of his career mainly in foreign banks in Malaysia under Client Coverage for both Public Sector and Large Local Corporate names operating in Malaysia. As part of the wholesale proposition, Nizar has been involved in various dealings related to Credit Policy, Corporate Banking, Debt Capital Markets, Capital Markets and Advisory, Project and ECA Financing, Islamic Banking and Business Banking.



Mr. Lim Kee Yeong

Director, SME Banking

Malaysian

50/Male

Mr. Lim Kee Yeong joined Affin Bank Berhad on 1 September 2016 and is responsible for developing and implementing strategies to drive the growth of SME and Commercial Business for the Bank.

Lim brings with him more than 24 years of experience in banking and finance, primarily in Commercial & SME business at both local and foreign banks. Prior to joining Affin Bank Berhad, he was the Vice-President of SME & Commercial Banking and a member of the Board of Directors of a Singapore-based financial holdings company, focusing on investments and financial services in the ASEAN region.

Lim also served as Senior Vice-President of SME Business at a local bank, where he was instrumental in the impressive growth of the Bank's SME Business, resulting in several local and regional awards.

Lim holds a Master of Business Administration and Bachelor of Business Administration, both from Wichita State University, Kansas, USA.

MANAGEMENT TEAM PROFILE



Mr. Steven Low Weng Haw

Group Chief Risk Officer

Malaysian

50/Male

Mr. Steven Low Weng Haw was appointed as Group Chief Risk Officer on 1 September 2019. Steven is responsible for directing and implementing the Bank's risk management programs, policies and procedures. He is also entrusted to oversee the Bank's governance and strategy for risk management and compliance, including relationships with key regulators and supervisory institutions.

Steven brings with him more than 28 years working experience in the Financial Services Industry, encompassing Risk and Credit Management, Credit Evaluation, Account Management, Research and Data Analytics. He has served in both local and foreign banks as Chief Risk Officer.

Steven holds the professional qualification in ICSA from the Institute of Chartered Secretaries and Administrators, and a Diploma in Commerce (Business Management) from Universiti Tunku Abdul Rahman.



Pn. Norhazlizawati Binti Mohd Razali

Group Chief Credit Officer

Malaysian

52/Female

Pn. Norhazlizawati joined Affin Bank in August 2015 as Group Chief Credit Officer. She is a Certified Credit Professional (Business) from the Asian Institute of Chartered Bankers.

She obtained her Bachelor of Arts (Hons) in Business Studies majoring in Accounting and Statistics from Leeds Metropolitan University, United Kingdom. She started her career as Management Trainee in a manufacturing-based company in the United Kingdom. Upon her return to Malaysia, she joined a local financial institution holding key senior positions in various capacities and disciplines. Her portfolio coverage includes corporate, commercial, SME and Retail Lending. Prior to joining Affin Bank, she was the Head of Risk Management for the Retail Banking of a local bank.

Pn. Liza brings with her more than 21 years of experience in the financial services industry specialising in credit underwriting, credit policies and processes, development of credit models and analytics, portfolio management capabilities and project management involving mergers and acquisitions.

MANAGEMENT TEAM PROFILE



Pn. Wahdania Binti Mohd Khir

Group Chief Internal Auditor

Malaysian

50/Female

Puan Wahdania Binti Mohd Khir was appointed as Group Chief Internal Auditor of Affin Bank Berhad on 1 May 2020. In her role as the Group Chief Internal Auditor, she is responsible for providing independent and objective assurance on the effectiveness of internal controls and governance, as well as, consulting services to add value and improve the Group's operations. Her scope covers Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Moneybrokers, Affin Hwang Investment Bank and Affin Hwang Asset Management.

Wahdania brings with her more than 24 years working experience in the Financial Services Industry, serving both the banking industry, as well as, the regulatory body. She was an Investigation Officer and thereafter Manager for Offshore & Islamic Market at Bursa Malaysia. In the banking industry, she has held various senior roles as the Head of Global Market Compliance & Treasury Operations and Senior Director of Group Audit at a major financial institution.

Wahdania holds a Master of Science in Quantitative Finance from the University of Westminster, London, a Bachelor of Business in Accountancy from the Queensland University of Technology, Australia and Certificate of Islamic Law from the International Islamic University Malaysia. She is also a member of the Financial Markets Association Malaysia and a Chartered Banker.



Pn. Adzamimah Binti Adzmi

Group Chief Compliance Officer

Malaysian

43/Female

Pn. Adzamimah Adzmi (Mimi) joined Affin Bank Berhad on 17 July 2018 as Group Chief Compliance Officer with the Group Compliance division. Her overall responsibilities are to coordinate the identification and management of compliance risks, and to ensure compliance monitoring and testing are carried out consistently across the Banking Group.

She has over 16 years of experience in the financial services industry, primarily in managing and leading compliance at both local and foreign banks. Prior to joining the Bank, Mimi was a Chief Compliance Officer at a foreign based Japanese bank operating in Malaysia.

Mimi graduated from Bryant University in Rhode Island, USA with Bachelor of Science in Business Administration. She also holds the Certificate in Associate Qualification in Islamic Finance from Islamic Banking and Finance Institute Malaysia (IBFIM), and the Certificate in Islamic Law from International Islamic University Malaysia (IIUM).

MANAGEMENT TEAM PROFILE



Pn. Nimma Safira Binti Dato' Khalid

Chief Legal Officer and Company Secretary

Malaysian

51/Female

Pn. Nimma Safira Binti Dato' Khalid joined Affin Bank Berhad in January 2001 as Manager, Legal & Secretarial Division. She then assumed the role of Executive Assistant to the President/CEO in 2003. She became the Company Secretary at Affin Bank Berhad in 2005 and later at AFFIN Holdings Berhad in 2011. Nimma was designated the Chief Legal Officer and Company Secretary of Affin Bank Berhad and Affin Islamic Bank Berhad on 1 January 2012.

Nimma graduated with Bachelor of Laws (Hons) in 1992 and Bachelor of Laws (Shariah) (Hons) in 1993; both from the International Islamic University, Malaysia. In 2017, Nimma attained her Professional Postgraduate Diploma in Governance, Risk and Compliance from the International Compliance Association (ICA), UK.

Nimma holds Certificate of Mediation and Advanced Mediation by The Accord Group, Australia. She is an Affiliate member of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and a Fellow Member of the ICA.



En. Ferdaus Toh Bin Abdullah

Deputy Chief Executive Officer, Affin Islamic Bank Berhad

Malaysian

59/Male

En. Ferdaus Toh Bin Abdullah was appointed as the Deputy Chief Executive Officer of Affin Islamic Bank Berhad on 3 June 2015. Prior to this appointment, he held several key positions in both Affin Bank Berhad and Affin Islamic Bank Berhad.

He holds a Master's Degree in Strategic Management from Universiti Teknologi Malaysia and Chartered Islamic Finance Professional (CIFP) from INCEIF.

He joined Perwira Affin Bank Berhad in 1995 and moved to Affin Islamic Bank in 2005 and brings with him more than 35 years of experience in banking, primarily in Audit, Risk Management and Business Development.

None of the Management has:-

- Any family relationship with any Director and/or major shareholders of AFFINBANK except for En. Mohammed Nizar Faisal who has a family relationship with a Director of AFFINBANK
- Any conflict of interest with AFFINBANK
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2019

MANAGEMENT DISCUSSION & ANALYSIS



AGAINST A BACKDROP OF GLOOMY ECONOMIC OUTLOOK DUE TO THE RECENT COVID-19 OUTBREAK GLOBALLY, STIFF INDUSTRY COMPETITION AND CHANGING REGULATORY REQUIREMENTS, AFFIN BANK BERHAD (“AFFINBANK” OR “THE GROUP”) HAS CONTINUED TO MAKE HEADWAY AGAINST THE HEADWINDS TOWARDS REALISING GROWTH, PROFITABILITY AND SUSTAINABILITY.

THE BANK IS MORE FOCUSED AND ALIGNED IN ADDRESSING THE MANY CHALLENGES AND OPPORTUNITIES AMIDST A DISRUPTED AND DYNAMIC MARKETPLACE AND IN THE PROCESS, HAS REGISTERED VARIOUS BUSINESS AND OPERATIONAL ACHIEVEMENTS.

MANAGEMENT DISCUSSION & ANALYSIS

2019 OPERATIONAL REVIEW

GROUP STRATEGIC THRUSTS

AFFINITY Programme

The AFFINITY Transformation Programme (“AFFINITY”) is a three-year strategic programme towards transforming AFFINBANK and Affin Islamic Bank Berhad (“AFFIN ISLAMIC”) into vibrant financial services players that create value for all their key stakeholders.

The strategic aspirations of AFFINITY are:-

- 

Strengthening the franchise through new and innovative business and operating models to drive and capture greater growth, profitability and sustainability;
- 

Creating greater focus and alignment as a business to address the market holistically;
- 

Establishing a right mix of distribution channels and service touch-points to optimise delivery costs and effectiveness;
- 

Strengthening risk and sustaining portfolio health;
- 

Enhancing service levels to create a unique and consistent customer experience across all interactions with customers;
- 

Investing in appropriate infrastructural and human resource capabilities to support efficiency, effectiveness and capacity building objectives;
- 

Enhancing performance visibility to enable more predictable management

MANAGEMENT DISCUSSION & ANALYSIS

AFFINITY comprises eight key pillars that cut across all functions and departments and consists of 33 projects and 26 quick wins identified as key to building banking capabilities and our people.

As at 31 December 2019, 28 projects have been completed and transferred to the respective business units. The remaining projects are achieving encouraging progress and targeted to be completed in stages by mid-2021.

Through AFFINITY, significant progress has been achieved in many operational areas. These include improvement in turnaround time, customer experience, establishment of new departments and new policies and procedures.

The AFFINITY programme has introduced various changes to the Bank's core operating structure.		
9 New Methodologies	4 New Forums	7 New Divisions/Departments
<ul style="list-style-type: none"> Customer Experience New RM Model for Biz Banking Branch-Hub Management Product Economics Product Development & Innovation New Credit Management Model IT Architecture Data Governance Ethics, Risk & Compliance 	<ul style="list-style-type: none"> Branch/Hub/Business Centre Monthly Collaboration Meeting Quarterly Digital Forum Data Governance Council Product Development & Innovation Committee 	<ul style="list-style-type: none"> SME Banking Corporate Banking Islamic Client Solution IT Retained Organisation Data Governance Affin Digital Customer Experience

Strategic Risk Program

In early 2018, AFFINBANK had also commenced a Strategic Risk Program aimed at evolving the Group's risk function from a conventional approach, centred on regulatory compliance, controls, risk mitigation, to a more proactive and desired "specialist" disposition or role. This encompasses advanced capabilities in terms of sophistication, analytics and systems focused on enabling risk-reward decision making as well as a more proactive approach to risk management and business advisory/strategic functions across the Group.

The Strategic Risk Program encompasses 24 initiatives and 36 projects to be undertaken over a three-year period. The Strategic Risk Program is presently in the mid-way through its implementation and progressing well.

The present status of the Program is as follows:-

- Twelve initiatives led by AFFINBANK had been completed and moved to Business Units (BUs) for operationalisation;
- Eight initiatives led by the appointed consultant had also been completed and moved to BUs for operationalisation;
- Eight initiatives led by AFFINBANK are on-going;
- The remaining eight initiatives have not started as there are some pre-requisites to be completed before the commencement.

MANAGEMENT DISCUSSION & ANALYSIS

Priority Islamic Policy

AFFINBANK's Priority Islamic Policy ("PIP") is the Group's strategic alignment with BNM's 10-year Financial Sector Strategic Blueprint on the direction of financial institutions to enhance its Islamic financing portfolio to 40% by 2020. We are pleased to report that in 2019, AFFIN ISLAMIC's contribution to Group portfolio stood at 41%, thereby fulfilling BNM's target one year ahead of schedule.

Big Six DNA

AFFINBANK's Big Six DNA values which was launched on 14 March 2018 has continued to drive transformation within the Bank towards achieving the end goal of a strengthened brand reputation as Malaysia's most admired bank.

The Big Six DNA represents the key characteristics and traits that identify who AffinBankers are and how AffinBankers should perform. It embodies the desired culture for the Group besides building a distinctive brand for AFFINBANK and its workforce. The Affin's culture is based on 6 tenets, which form the 'DNA' of AffinBankers as follows:-

AFFIN 1st	We prioritise Affin above all else
Resourceful	We seek to grow and develop ourselves and those around us
Synergistic	We value our differences and leverage on our diversity
Risk Culture	We watch over each other and are mindful of risks and consequences
Ethical	We are guided by our moral compass, and what is right
Customer Focus	We exist to serve our customers, both internal and external

The Bank has implemented several initiatives to inculcate a performance driven culture in the Bank and to internalise the Affin DNA in all AffinBankers. The Bank will continue to identify new initiatives to strengthen its sustainability and transform its workforce.

Digital Banking

Putting customer centricity at heart and simplicity in mind, Digital Banking has crafted an Affin Digital roadmap to build a comprehensive suite of digital banking solutions throughout the Bank. With the ease of use, security and reliability, we strive towards bringing customer experience to the next level.

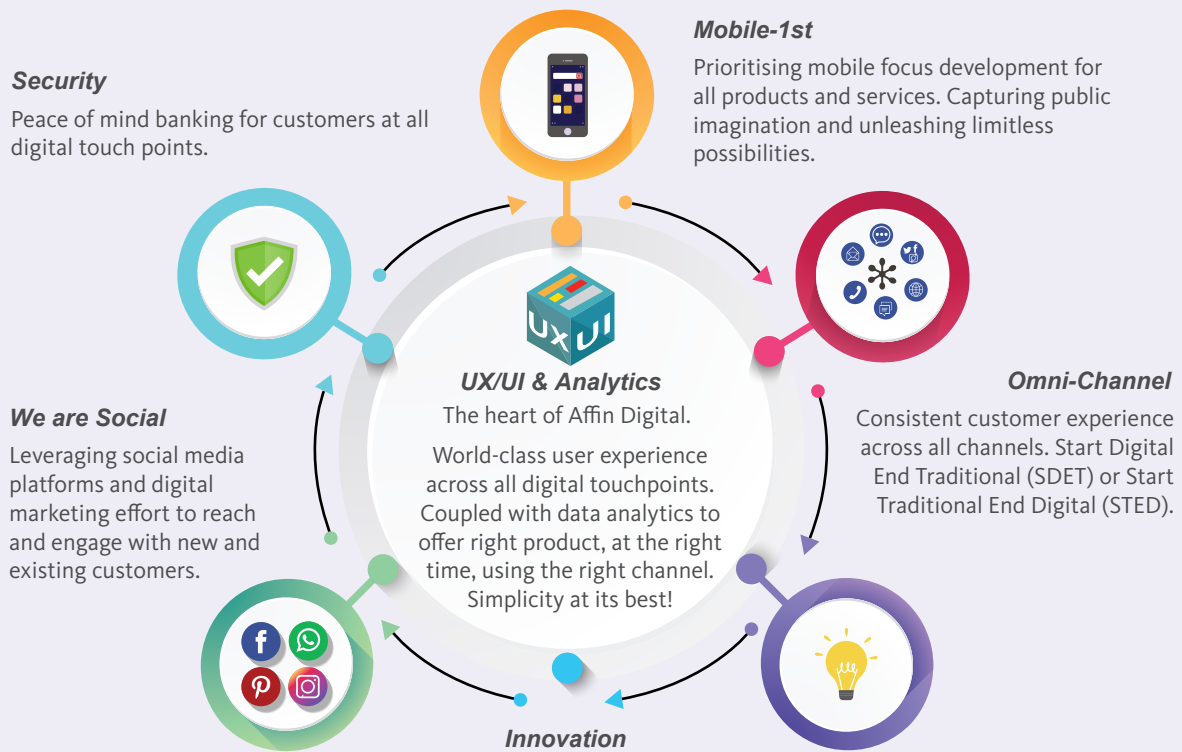
“Build, transform and innovate”,

The three main phases of our digital transformation revolve around our value proposition:-

- Creating lasting impression and top of mind awareness towards AFFINBANK
- Introducing new and exciting technology to banking services
- Simplifying customer journey
- Strategic partnership to create value-added banking products and services
- Leveraging on social media to reach to customers

MANAGEMENT DISCUSSION & ANALYSIS

The transformation agenda is as follows:-



Exploring next day technology and collaborate with various fintechs to spur innovation thinking and culture. In turn, this will also help fast-track innovation adoption in the organisation.

Some of our notable achievements alongside our journey includes the new AffinOnline, the new Contact Centre, AffinPay, the implementation of Digital Imaging System and MyTown Digital Concept Branch. We were also bestowed with several awards throughout the year. These were not only testaments to our relentless effort to uplift AFFINBANK digital presence, but also a boost of confidence to our customers on AFFINBANK's capability.

With the evolving technology and partnership with viable fintechs, customers can expect new enhancements coming their way to improve banking experience. Being equipped with what it takes to succeed, we are stepping forward boldly towards re-engineering banking business to be customer centric, pursuing our ultimate goal to become a premiere digital bank in Malaysia.

IT Initiatives

IT continues to drive our technology innovation to help us achieve digital leadership, deliver superior customer experience, and penetrate into new markets to support AFFINBANK's growth. To instil customers' trust and confidence in our products and services and safeguard our stakeholders' data and information, our information security management is in line with BNM's Risk Management in Technology (RMIT) framework to increase resiliency and minimise cyber threats.

Whilst we continue to offer more and better-quality service to our customers, we also focus on our staff through workplace transformation and technology to improve office productivity, collaboration and communication.

MANAGEMENT DISCUSSION & ANALYSIS

Review of Group's Financial Performance

AFFINBANK recorded a consolidated profit before tax (PBT) of RM677.0 million for the financial year ended 31 December 2019, an increase of RM2.0 million or 0.3% as compared to the previous financial year while profit after tax (PAT) for the financial year stood at RM516.1 million.

Net income expanded by RM111.1 million, mainly attributable to higher other operating income of RM100.9 million and income from Islamic Banking of RM12.5 million which cushioned the reduction of net interest income of RM102.3 million.

The Group's operating expenses increased slightly by RM6.4 million or 0.5%, mainly due to rise in personnel costs. Nevertheless the cost to income ratio improved slightly to 63.36% from 63.39% in FY2018.

For FY2019, earnings per share was 24.6 sen as compared to 25.9 sen the previous year while the net return on equity was at 5.42%.

The total assets of the Group reduced by RM7.6 billion or 10.0% to RM68.3 billion mainly attributable to the reduction in both loans, advances and financing portfolio and financial assets at FVOCI. Gross loans, advances and financing shrunk by RM3.0 billion or 6.1% to RM46.0 billion as at 31 December 2019 due to rebalancing of portfolios. In line with the reduction in loans, advances and financing, total customer deposits also decreased by RM6.3 billion or 10.9% to RM51.1 billion.



Maintained a Total
Capital Ratios of
23.3%



RM2.0 million
increase in
Consolidated Profit
before Tax

On the asset quality, the gross impaired loan ratio stood at 3.00% (2018: 3.25%) while the loan loss coverage remained healthy at 96.9% (2018: 97.3%).

As at 31 December 2019, the Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital ratios of all the banking entities in the Group remained sturdy and well above the regulatory requirements, a testament to the Group's financial strength. The Group maintained a Total Capital Ratios of 23.3%, while CET 1 and Tier 1 ratios stood at 14.5% and 16.2% respectively.

At the Bank's level, AFFINBANK recorded a PBT of RM460.1 million in 2019 as compared to RM674.9 million in the previous year, mainly due to the special dividends totalling RM190.0 million received from subsidiaries which is non-recurring.

The 100% owned Islamic banking subsidiary, AFFIN ISLAMIC recorded a lower PBT of RM93.2 million for 2019 as compared to RM155.4 million for 2018. The higher net gain on financial instruments by RM77.0 million, was not sufficient to cushion lower net finance income, higher overhead expenses and allowance for credit impairment losses.

Notwithstanding the challenging capital market environment, Affin Hwang Capital managed to marginally grow its fee income and brokerage income. PBT increased 8.7% from RM160.5 million



RM11.1 million
increase in Net Income

in FY2018 to RM174.5 million in FY2019 driven by higher gain of RM64.8 million on sale of its financial instruments at FVOCI but partially offset by the reduction in both net fee, commission income and net interest income.

Affin Moneybrokers Sdn Bhd contributed a higher PBT of RM2.5 million in 2019 as compared to RM1.5 million in 2018 mainly due to higher brokerage income, net of higher overhead expenses.

As for its 51% owned Joint Venture Company, AXA AFFIN Life Insurance Berhad, the Group shared a higher share of loss of RM3.9 million as compared to RM3.1 million in 2018. The Company reported a loss after tax of RM7.6 million for 2019 as compared to loss after tax of RM6.1 million in the previous year, mainly due to higher underwriting profit and investment income. During the financial year, there was an improvement of 8.4% in New Business Value (NBV) from RM32.2 million to RM34.9 million, mainly contributed by higher Annual Premium Equivalent.

The 49.95% associated company, AXA AFFIN General Insurance Berhad contributed a lower share of profit of RM34.0 million in 2019 as compared to RM50.0 million in 2018. The company reported a profit after tax of RM67.2 million as compared to RM100.2 million largely attributable to lower earned premium and higher claims incurred in Motor and Personal Accident policies.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL MANAGEMENT

Overview

AFFIN Bank Group capital management approach focuses on the following key objectives :-

Compliance with regulatory capital requirements

Alignment of capital levels to the Group's risk appetite and strategic business plan

Maintaining a healthy capital position to support the Group's business growth whilst optimizing returns to shareholders

The Group continuously reviews its capital position, capital mix and capital allocation taking into consideration the Group's strategic and organisational requirements as well as the regulatory and business movement in which the Group operates.

Capital Adequacy Ratios

The Common Equity Tier ("CET"), Tier 1 and Total Capital Ratios of all banking entities in the Group as at 31 December 2019 remained sturdy and well above the regulatory requirements, a testament to the Group's financial strength.

After Deducting Proposed Final Dividends:-	AFFIN Bank Group		AFFINBANK	
	2019 %	2018 %	2019 %	2018 %
CET I capital ratio	14.459	11.924	12.958	9.786
Tier I capital ratio	16.241	13.559	14.644	11.307
Total capital ratio	23.262	18.996	22.280	16.561

Key Capital Management Initiatives

AFFIN Bank places great emphasis in ensuring its capital position meets regulatory capital requirements and able to withstand stressed economic and market conditions. Key capital management initiatives undertaken by AFFIN Bank Group for the past years include the following:-

- (a) **Dividend and Dividend Reinvestment Plan (DRP)**
A DRP had been established by the Bank following the approval of the shareholders at the Extraordinary General Meeting held on 15 May 2018. The DRP is part of AFFINBANK's strategy to preserve equity capital whilst providing healthy dividend income to shareholders.
- (b) **Perpetual medium-term notes (MTN) programme of up to RM6.0 billion in nominal value for the issuance of subordinated MTN and/or senior MTN ("MTN Programme")**
AFFINBANK had in 2017 established the MTN Programme and issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each in the same year.
- (c) **Perpetual Additional Tier 1 Capital Securities Programme of RM3.0 billion in nominal value ("ATICS Programme")**
AFFINBANK had in 2018 established the ATICS Programme and issued RM500 million in nominal value of ATICS in July 2018.
- (d) **Perpetual Sukuk Programme of up to RM5.0 billion in nominal value for the issuance of Senior Sukuk Wakalah, Tier 2 Sukuk Murabahah ("T2 Sukuk Murabahah") and/or Additional Tier 1 Sukuk Wakalah ("AT1 Sukuk") ("Sukuk Programme")**
AFFIN ISLAMIC had in 2018 established the Sukuk Programme and issued RM300 million in nominal value of AT1 Sukuk and RM800 million in nominal value of T2 Sukuk Murabahah in October 2018.

MANAGEMENT DISCUSSION & ANALYSIS

There were no new issuances of the MTN, AT1CS or Sukuk during the financial year 2019 as AFFINBANK and AFFIN ISLAMIC had raised sufficient Tier 1 and Tier 2 capital as at to date.

Capital Management and Planning

AFFINBANK pro-actively assesses and manages capital adequacy in order to meet the regulatory requirements, various stakeholders' expectations and support the Group's strategic business objectives.

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

The Group's capital management is also supplemented by the Annual Capital Plan to facilitate efficient capital utilisation and with the objective to maintain healthy capital ratios. The plan is updated on an annual basis and covering at least a three year horizon and approved by the Board for implementation at the beginning of the financial year. Status update on the Annual Capital Plan is reviewed by the Board in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans.

Capital Management Committee is responsible to monitor and manage the capital position of AFFINBANK and AFFIN ISLAMIC to ensure that the capital levels are maintained at appropriate level that is in line with the overall risk profile and business strategy.

The key capital management actions that were undertaken during 2019 include the following:-

- risk-weighted assets optimisation largely through loan/financing portfolio rebalancing, disposal of certain treasury assets to take advantage of the rising interest rate and intensified efforts to reclassify certain major impaired loan/financing as performing.
- capital injection of RM15.3 million into AXA AFFIN Life Insurance Berhad in May 2019 to further strengthen its capital base.

MARKET RISKS AND OPPORTUNITIES FOR GROWTH IN 2019

During the financial year, the Malaysian GDP growth moderated to 4.6%, underpinned by various global and domestic factors. There were a few key events that has caused further volatility in the market, namely the continued trade tension between the US and its major trading partners; the volatility of oil price and other commodities; global growth moderating across developed and emerging economies; and as well as the geopolitical tensions.

These headwinds and others translated to flattish loan growth, NIM compression and deteriorating asset quality in the banking industry. The following are the other risks and challenges that were identified by the Group during the financial year:-

a) Digital Disruption

The rise of digital technologies and fintech have been a wake-up call for the banking industry. Mass market consumers are, and have become, receptive and agile in using alternative financial products and service offerings.

With the participation of non-bank players, the competition has heightened, especially with emerging digital or virtual banks. Hence, AFFINBANK will continue to partner with viable fintech partners in order



Successful implementation of Retail and Corporate Internet Banking platforms

to increase offerings and improve customer experience.

The digital ambition of the Group is to continuously provide customers with a simpler and more efficient banking experience. As a bank that places customers at the core, the Group has embarked and implemented relevant digital technology to offer meaningful financial products and services that fulfil customers' needs.

The challenges faced by individuals and businesses in their banking needs today are identified and used as opportunities to address customer needs tomorrow. Leveraging on this, the Bank has successfully implemented the new Retail Internet Banking (RIB) and Corporate Internet Banking (CIB) platforms as well as AffinPay throughout year 2019.

b) Property Market Uncertainty

Despite initiatives introduced by the government to stimulate the property market, Malaysia is still facing substantial supply-and-demand imbalance, perceived unaffordability as well as a prolonged real estate sector market downturn. If left unchecked, it may lead to deeper imbalances that could adversely impact the real estate market with the negative effects spilling over to impact the financial sector and the overall economy.

MANAGEMENT DISCUSSION & ANALYSIS

c) Evolving Regulatory Requirements

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

d) Business and Operational Risks

Cyber security and data privacy are significant concerns for AFFINBANK.

Lapses or compromises in the Bank's systems could create risks and expose the Bank and its stakeholders to commercial losses and reputational damage. To minimise system failures or security compromises such as data breaches, hacking and malware attacks, the Bank continuously adopts sophisticated systems and methodologies to prevent and neutralise potential threats.

The Bank's Group Risk Management continues to strengthen its risk management functions and practices in accordance with the group structure and strategic priorities under the AFFINITY Transformation Program as well as implementing the identified initiatives under the Strategic Risk Program. These include the following focus areas:-

- Supporting the group's strategic growth through enhanced risk management on enterprise-wide basis;
- Aligning and institutionalisation of Risk Appetite across the Group as well as strengthening the measurement and applicable thresholds;
- Strengthening risk infrastructure as well as enhancing risk management models and processes, including stress testing and independent model validations;
- Reinforcing a healthy ethics, risk and compliance culture, and strengthening risk oversight and governance; and

- Review, build and upskill risk management capacity and capability, including the management of IT & Cyber Risks.

OUTLOOK AND PROSPECTS IN 2020

The Covid-19 pandemic has significantly impacted the economy on a global scale, especially in sectors relating to travel, tourism, sports, entertainment, retail, property, construction and manufacturing. While Malaysia has been vigilant and dynamic in managing the outbreak, the local economy is still expected to slow down and will take some time to recover.

The International Monetary Fund (IMF) in its latest issue of World Economic Outlook has forecasted that the world economy will shrink by -3.0% in 2020. The Malaysia's economy is projected to grow at -2.0% to 0.5% this year from the earlier official projection of 3.2% to 4.2%. The World Bank has recently forecasted Malaysia's GDP for 2020 to contract by -0.1% to -4.6% while IMF projected a drop of -1.7%. AFFIN is projecting a -3.5% shrink in Malaysia's economic growth this year. The Movement control order (MCO) imposed from 18 March to 12 May 2020 (and any extension thereof) is expected to have severe impact to the domestic economy. However, the Prihatin Rakyat RM250 billion Stimulus package and additional RM10 billion SME package announced by the government recently will help to cushion any negative impact of the MCO.

Year 2020 is going to be an exceptionally challenging year for the banking sector due to the global economic environment and the on-going Covid-19 pandemic with

the risk of contraction in credit growth and deteriorating asset quality. The sector is likely to record a lower loan growth this year as compared to 3.9% recorded in 2019. The weak domestic and global economy, the Covid-19 pandemic, loan moratorium and prolonged MCO will cause the banks' loan growth to decline and spike in non-performing loans. The banking sector loan growth will also be impacted by the negative sector outlook mainly in the residential and commercial properties, automotive, trade financing, oil and gas as well as retail sectors.

BNM has announced a regulatory relief, a 6-month moratorium automatically accorded to all loans made by individuals and SMEs to help individuals and businesses to cope with the negative impact of the pandemic. BNM has also lowered the statutory reserve requirement by 100bps from 3% to 2% to release almost RM30 billion liquidity into the banking system. BNM has also reduced the overnight policy rate (OPR) thrice totaling 100 bps in January, March and May 2020 to 2.00% to provide a more accommodative monetary environment to support economic growth. This move may exert more pressure on banks' profit margins.

Given the challenging economic landscape, AFFIN Bank Group trusts that asset preservation and liquidity management are essential to withstand the downside risks. As such, the Group has identified and is taking proactive measures to address the potential surge in impaired loans as well as impact to its profitability after the 6-month moratorium period. Nevertheless, the Group continues to strive in remaining agile and is ever committed to fulfil the stakeholders' needs, especially the customers.



MANAGEMENT DISCUSSION & ANALYSIS



CONSUMER BANKING

CONSUMER BANKING - 2019 OPERATIONAL REVIEW

The strategic priorities for Consumer Banking in FY2019 were to attract deposits, drive the Islamic First initiative and to increase digitalisation initiatives.

The Consumer Banking Division achieved robust deposit growth in 2019 derived primarily from Fixed Deposits growth. The Division achieved outstanding deposit growth of 44.4% or RM7.4 billion, despite facing stiff industry competition for funds.

Given the larger deposit base achieved in FY2019, loan to deposit ratio ("LDR") reduced from 150.4% in 2018 to 102.3% in 2019.

With regards to loans and advances, our mortgage portfolio saw 11% growth whilst our cards portfolio grew by 24%. However, overall loans, advances and financing declined marginally by 1.8% due to a 15% contraction in auto financing loans.

DEPOSITS

Deposits have shown positive growth in 2019 at 44%, outperforming average industry growth of 5%. In comparison with Corporate Banking, the Division also hit a milestone in deposits composition from both Corporate and Consumer Banking divisions contributing a total stake from 35% in 2018 to 53% in 2019.

We have received favourable response from customers through various campaign and promotion packages, which were launched during the year. Through AFFINITY, we have also acquired a new customer base of 72,049.

The expanding affluent Malaysian population has created opportunities to increase the number of bank depositors. We aim to offer more innovative products and services to enhance customer experience and capture further deposits moving forward.

MANAGEMENT DISCUSSION & ANALYSIS

MORTGAGE

Despite the sluggish property market, we saw continued strong growth in mortgages in 2019. Mortgages had grown by 11% or RM1.1 billion to reach RM11.7 billion in FY2019 (FY2018: RM10.6 billion).

As mentioned earlier, mortgages increased by 11% as we targeted younger first time home buyers, looking to purchase affordable homes. The affordable home segment, generally categorised as homes below RM400,000 continued to see growth in demand and in tandem with market trends, our focus was to support this particular demographic segment by providing them with innovative home loan offerings that would enable them to become homeowners.

Consumer Banking also focused on financing owner occupied properties and upgraders eyeing from available stock in the market. The secondary property market take-up rate has been encouraging with the Home Ownership Campaign (“HOC”) 2019 introduced to alleviate the current glut of unsold properties in the market.



11%
growth of Mortgages



CARDS

Affin Cards achieved a healthy growth in the financial year for both card issuing and merchant acquiring businesses despite the challenging and competitive market conditions. Double digit growth was recorded in all key business drivers – Billings at 33%, 26% for Receivables and Merchant Sales achieving a commendable growth of 15% YOY compared to industry. Asset Quality also improved with Gross Impaired Loan (GIL) ratio dropping from 0.78% to 0.54%, far below the Industry ratio of 0.89%.

In July 2019, we launched the Affin Signature Card targeting the affluent market segment with follow up promotional activities to support the launch that included a Golf Challenge, heightened social media presence, enhanced bonus point rewards and balance transfer and spending incentives. As a result, the penetration rate for High Net Worth and Affluent customer has increased from 22% to 25% to generate additional income for the Bank.

In the debit card portfolio, Debit billings registered a huge growth of 32% in FY2019 from the previous year as more customers converted to cashless purchases in line with BNM’s direction towards a cashless society.

For our efforts and the strong support from our customers and commitment of our staff, we have received the following awards and recognition from:-

- MasterCard International (Best Growth in New Accounts)
- Visa International (The Highest Card Growth for Debit Consumer)

MANAGEMENT DISCUSSION & ANALYSIS

HIRE PURCHASE

The automotive market's Total Industry Volume ("TIV") peaked in 2015 at 666,674 units and after three consecutive years in a row hovering below 600,000 units, the TIV rose above the 600,000 mark to reach 604,287 units in 2019 against 598,598 units in 2018 due to a strong fourth quarter. Overall industry loan base for vehicle financing has been declining from RM173.2 billion in 2015 to RM167.2 billion in 2019.

We made a conscious decision to reduce exposure to this segment in FY2019 due to thinning margins. As a result, we saw a 15% contraction in hire purchase financing. Despite the contraction, our GIL ratio remains resilient and below the industry average of 0.77%.

AMANAH SAHAM NASIONAL BERHAD

The Amanah Saham Nasional Berhad ("ASNB") business continues to grow in 2019 and the Division successfully achieved its allotted target of RM200 million in the first eight months of the year.

Bulk sign up by Army personnel is one of the strategies employed to induce take-up of the scheme, besides public roadshows, direct sales, corporate presentations and referrals from branches.

The increased public awareness generated by the scheme was an effective strategy to achieve long-term wealth creation product and has resulted in greater public demand and an increased take-up. This has led to larger commission incomes received by the Bank from ASNB.

CONSUMER BANKING – MANAGING RISKS AND OPPORTUNITIES

In terms of mortgage business perspective, we are revisiting the collection strategies to be prepared for the impact due to economic slowdown arising from the US-China Trade War, Corona Virus outbreak and overhang of properties in the country.

In the coming financial year 2020, we anticipate the cards business to remain sluggish and continue to face heightened competition from all other major banks. AFFINBANK will continue to target the Mass Affluent and Emerging Affluent segments to drive the growth of our cards business and thus avoid the vulnerable segment/high risk customers.

The 2020 Hire Purchase business is already impacted by the present Covid-19 pandemic with sales at a standstill during the Movement Control Order period. We will see an industry wide spike in impairment this year as consumers continued to struggle with reduced or loss of income during this pandemic. The BNM's 6-month repayment moratorium will provide temporary relief but it will take time for consumers to recover. Moving forward, we will be more cautious in our new bookings during this economic uncertainty. At the same time, we will implement pro-active measures to help our existing customers tide over this period so that they can continue making payments.

Based on the trend of dividend payout over the past years which has been on the downward trend, we foresee a change in customers' demand for investment in ASNB products. Customers seeking safer and secure investment products with fixed returns may place their money back into the Bank to avoid facing the adverse risks in other alternative avenues.

ASNB on the other hand is expecting agent banks to offer competitive loan/financing rates to the customers in view of the lower dividend declared. The challenges would be to convince the public that investment in ASNB products through financing is still worthwhile. As long as the returns are above the deposit rates, we are optimistic that the challenges can be overcome.

CONSUMER BANKING – OUTLOOK AND PROSPECTS

Our preference will still be on offering mortgage financing for the employed sector under growing industries such as education, healthcare and Information Technology & Communication, to name a few.

Moving forward for the cards business, we anticipate customers will be more sophisticated with high expectations on innovative offerings, convenience and real time processing with better and differentiating value propositions. In response, Affin Cards will continue to focus on product innovation to enhance our cards' value proposition to suit our customers' lifestyles and their needs.

We will see a contraction in Hire Purchase for 2020 with sales projected to reduce by 20% to 30% from last year's TIV of 604,287. We believe that consumers will be cautious in their big ticket item spending especially with job security at stake in this uncertain economic environment. Despite the shrinking size, the market continues to be dictated by pricing and risk appetite. On our part, we will focus on businesses that provide better yields and/or better cross selling opportunities.

We are confident that with ASNB's returns still above deposit rates, the outlook will remain positive going forward. Although the dividend payout over the years has been on the decline, investment of ASNB funds through loan/financing is still attractive considering the lower rate charged by banks with dividend rates remaining above deposit rates.

In the long term, we are confident that this type of investment will remain as an avenue of wealth creation in the long run, taking into consideration the multiplier effect of accumulated dividends for disciplined investors and the variables in a normal cycle of investment.

MANAGEMENT DISCUSSION & ANALYSIS



SME BANKING

SME BANKING - 2019 OPERATIONAL REVIEW

Formerly established as the SME & Commercial Business in January 2017, the Division was renamed SME Banking in August 2019 in line with enhancements made in differentiating its proposition to support SMEs throughout their business life cycle. The Division's overall presence is further strengthened through its 35 locations established nationwide.

The Division's strategy to improve and enable customisation over a wide range of financial offerings resulted in 9,000 new-to-bank customers acquired or 25% growth YOY, of which 7,000 are start-ups. The Division has also managed to maintain a healthy NIM of just under 5% despite pressure from higher deposit rates and OPR movements while still sustaining a strong CASA ratio of nearly 50%.

FY2019 initiatives continued to concentrate on enhancing digital and automated solutions as well as improving financial offerings to serve the SMEs better.

SMEColony, a mobile app developed in-house, is SME Banking's flagship digital tool complementing the SME ecosystem. The App was rolled-out in October as a comprehensive resource and business reference platform tailored to serve the development of SME community. This unique digital tool bridges SMEs and start-ups for an inclusive and financially holistic ecosystem while also serves as a touch-point for SMEs to network and raise their presence in the digital world.

In 2019, SME Banking introduced four new products, including a new lending product for start-ups known as SMEmerge Start-Up Financing. Since its introduction

in April 2019, the Bank had approved more than RM5.0 million of financing for this sector as part of the Bank's holistic proposition for start-ups, comprising of solutions ranging from transaction, protection, financing, advisory and support.

Also unique to the market is SMElixir Protect, a business recovery insurance introduced in August 2019 that has been well received with 100 policies taken up. Similarly, subscriptions to our popular business risk protection SMEasy Protect plan, introduced in August 2018, rose to 4,000 policyholders compared to 600 in 2018.

MANAGEMENT DISCUSSION & ANALYSIS

In addition to the Bank's digital platform, three SME BizChat events were held in Penang, Johor Bahru and Kuala Lumpur, including one specifically for start-ups. These engagement sessions were aimed at increasing the Bank's brand visibility and to add value to the SME community by providing an avenue to gain knowledge from industry experts and opportunities for networking. The programme has entered its second year of implementation and had benefitted over 2,000 SMEs and start-ups.



The Division had also participated in multiple national-level trade events and exhibitions, as well as served patronage for SME100 Awards and Asia Halal Brand Awards for 2019. Strong performance from SME Banking enabled AFFINBANK to receive several noteworthy industry awards in 2019 with the "AFFIN Start-Up Banking" initiative receiving the Best SME Banking Initiative for Start-Ups (Malaysia) from United Kingdom's International Finance Awards 2019.

SMEColony too had received several awards, including the Malaysia Technology Excellence Awards 2019 for Mobile Technology in Banking Industry by Singapore Business Review. This mobile app is gaining momentum in fostering SME development with plans to further enhance its digital customer experience in 2020.

SME BANKING – MANAGING RISKS AND OPPORTUNITIES

The start of the new decade foresees an unusually challenging outlook with the current global happenings and volatile stock markets. In the domestic landscape, economic growth in 2020 will be affected by the global outbreak of the novel coronavirus.

SMEs in Malaysia are worried over the impact of a slowdown in business, particularly those in the retail, tourism and distribution trade. It is foreseen that

growth for the year as a whole will be supported by household spending, factored in by continued income and employment growth. In facing these challenges, SMEs are rigorously tapping opportunities offered by digital technologies to boost product visibility, market penetration and expand market share through online retail and trading.

The Bank, through SME Banking's start-up initiatives and SMEColony will be in a strong position to play a leading role to assist SMEs and start-ups. The sharing and digital economy has boosted the growth of many start-ups and the Division's differentiated propositions are able to cater to growing market needs with tailored financing products and services.

SME Banking remains committed to play a significant role in supporting the objectives of the national entrepreneurship agenda to enable SMEs in contributing 50% to the GDP by 2030. The Division continues to take steps to remain relevant by understanding consumer needs and market dynamics.

Depending on the duration and spread of the outbreak as well as policy responses by authorities amid uncertainties in global economic and financial conditions, a prolonged impact of the coronavirus may impact many SMEs in finances and servicing loan payments. SME Banking is very committed to help provide all essential services in easing their financial burdens stemmed from the crisis.

SME BANKING – OUTLOOK AND PROSPECTS

Following the Budget 2020 incentives announced by the Government to encourage businesses of all sectors to pursue digitalisation and automation, the Division foresees opportunities to engage more SMEs by continuing to cater to the segment with comprehensive financing and digital solutions.

For 2020, SME Banking will continue to pursue a prudent yet meaningful go-to-market approach to ensure a sustainable path of growth while bearing the challenges and economic conditions faced in the wake of a global pandemic. The Division is well positioned to enhance our offerings to start-ups as well as make inroads into new segments with new products targeting the affluent and selected niches.

The Division plans to upgrade its digital proposition by elevating the user experience of SMEColony; develop an app for its frontliners; improve key internal processes through greater adoption of digital technology; and dive deeper into customer insights via improved data analytics.

Externally, the Division will continue to leverage on opportunities to build and strengthen relationships with key strategic partners and influencers for brand visibility, customer engagements and marketplace opportunities.

MANAGEMENT DISCUSSION & ANALYSIS



CORPORATE BANKING

CORPORATE BANKING - 2019 OPERATIONAL REVIEW

In 2019, Corporate Banking (“CBD”) continued to be the main contributor of AFFINBANK’s and AFFIN ISLAMIC’s profitability. CBD has continued to realign its business to focus on growing contingent asset-based facilities, stabilising net interest margin (“NIM”) and cost of funds (“COF”) by actively managing liabilities portfolio and readying our new Corporate Internet Banking channel, named AFFINMAX.

LOANS, ADVANCES AND FINANCING

CBD’s total loans and financing represent about 35.0% of our commercial banking segment. We have successfully reduced our exposure to impaired loans, advances and financing by 34.8% as compared to the previous year. The strong recovery was achieved on the back of active managing and close monitoring of our loans and financing portfolio. A major portion of the impaired loans and financing were those originating prior to 2012 and we have worked closely with customers on remediation plans and fostered a positive attitude towards risks in the market outlook.

We have also continued to exercise prudence by selectively expanding our market share in sectors that are growing with acceptable level of risks and continued to pare down our exposure in the real estate and other high-risk industries to manage our risk concentration.

Overall, we have realised higher returns on risk-adjusted capital and strengthened our position by diversifying our assets portfolio to protect us against industry-specific threats in the near future.

TRADE

Trade revenue for the year ended 31 December 2019 increased by 20.2% YOY supported by the increase in trade outstanding of about 5.5% and a higher average trade utilisation rate. Active relationship management and close monitoring of unutilised trade limits, helped to achieve this and will be our new engine for growth as most of the facilities are capital-lite based.

MANAGEMENT DISCUSSION & ANALYSIS

DEPOSITS

CBD's total current account deposits grew significantly by about 22.3% as compared to the previous year. This is in line with the Group's direction to aggressively grow stable funding to meet the BNM's net stable funding ratio requirement.

COST-TO-INCOME RATIO

In 2019, CBD continued to reduce its operating costs and ultimately lowered its cost-to-income ratio to 20.3% from 21.7% the year before. We managed to improve our cost-to-income ratio mainly due to the significant drop in branch costs and direct expenditure despite having had increased manpower in 2019.

NEW INITIATIVES

In 2019, a new product – Flexi Trade Loan/Flexi Trade Financing-i was introduced to enable our trade customers to finance their trade related foreign and local sales & purchases as well as financing of services payables, applicable for working capital purposes only.

AFFINMAX, the Bank's new Corporate Internet Banking channel, went live in August 2019. The new channel provides an integrated transaction-banking proposition, which is secured and easy to use to support a complete business ecosystem for Corporate and SME Commercial banking customers. It encompasses cash management, liquidity management, financial supply chain and foreign exchange ("FX"). This initiative is in line with AFFINBANK's Digital Banking Roadmap to enhance our digital presence, customer experience and allow the Bank to compete in the digital space.

BENEFITS OF AFFINMAX

AFFINMAX



1. COMPLETE & HOLISTIC TRANSACTION BANKING PROPOSITION

Encompassing Cash Management, Liquidity Management, Financial Supply Chain and FX



2. REVENUE POTENTIAL

From fee, fund, and float income



3. STRONGER VALUE PROPOSITION

Increase customers' satisfaction, wallet share and facilitate acquisition of new customers



4. IMPROVES CUSTOMERS' LOYALTY

Provides the bank with healthy source of operating balances for stable funding



5. IMPROVES PRODUCTIVITY AND EFFICIENCY

Translates to cost savings and higher Straight-Through-Processing (STP)



6. TO ACQUIRE, FINANCE AND CAPTURE TRADING ACTIVITIES WITHIN SUPPLY CHAIN COMMUNITY

Allows competition in market space in ensuring speed and continuity of supply and payments



7. IN LINE WITH AFFIN DIGITAL BANKING ROAD MAP

Brings AFFIN Bank Group to the next level in terms of service delivery and customer experience

MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE BANKING - RISKS AND OPPORTUNITIES

2020 will be exceptionally challenging than previous year due to unexpected Covid-19 pandemic and oil price decline that hits us globally. These have weakened the growth prospects of the global economy and disrupted most businesses as they struggle to generate sufficient sales and meeting their financing obligations.

Challenges in 2020

We have identified the following challenges that we will be facing:-

- Heightened credit risks due to demand-supply chain disruption and dampen economic activity amid the Movement Control Order (MCO) coming from specific sectors such as Tourism, Aviation, Oil & Gas and Wholesale & Retail Trade that directly impacted from the outbreak.
- Further compression on NIM given forecasted OPR rate reductions in 2020.
- Continuous volatility in geo-political backdrop.
- Digital disruption that creates stiff competition within the banking industry especially with the introduction of virtual banking and other funding platforms such as P2P lending and crowdfunding.
- Escalation of compliance costs from new regulatory requirements and concerns such as climate change and recovery planning.

Opportunities in 2020

We foresee positive opportunities in 2020 by leveraging on AFFINMAX channel. This enables us to:-

- Attract new users to register and use the new channel that can provide integrated financial solutions as many businesses now recognise the importance of having the ability to manage financials online in light of the Covid-19 outbreak;
- Introduce new products such as financial supply chains, a community-based financing programme that provides working capital solutions throughout the whole supply chain/ecosystem; and
- Grow stable funding i.e. current account.

2020 Key Strategic Objectives

For 2020, CBD will be focusing on minimise the impact of the downside risks from the virus outbreak and fall in oil price.

The Key Strategic Objectives to meet our goals are as follows:-

- Proactively manage and safeguard the Bank's asset quality by focusing on rehabilitation of Corporate Customers accounts with any early warning signal or deterioration in their credit quality to ensure timely detection and maximise recovery.
- Support and assist eligible corporations that are impacted by the Covid-19 and seeking for temporary relief on case-by-case basis to maintain their business viability until the conditions improve as part of the Bank Negara Malaysia's (BNM) directive.
- Accelerate our digital readiness and encourage our customer to use AFFINMAX to manage their transaction banking business activities online thus indirectly attracts more stable funding deposits.

CORPORATE BANKING – OUTLOOK AND PROSPECTS



As we are considered small compared to other banks, we are agile by having started from a lower base. Safeguarding our asset quality is our main priority for this year.

Once the economy recovers, we will look at growth opportunities within AFFIN Bank Group to maximise the full potential of our Group synergy. We are proud of our strong customer relationships and continue to prioritise in maximising customer satisfaction that would ultimately contribute to the Bank's sustainable revenue growth.

MANAGEMENT DISCUSSION & ANALYSIS



TREASURY

TREASURY - 2019 OPERATIONAL REVIEW

Despite being a volatile year in 2019 for Treasury and Capital Market, AFFINBANK was able to capitalise on prevailing conditions to more than triple its year-on year fee base income. In FY2019, fee base income has jumped by 265% on the back of aggressive strategies to expand the Bank's fixed income assets in anticipation of a favourable bond market in 2019.

The continuation of trade tensions between the US and its major trading partners, particularly that of China and the prolonged Brexit issue had dragged down financial markets activities on both trading sides.

The market sentiment was further dampened by FTSE Russell's move to review Malaysia's bonds participation which came a week after Norway's USD1 trillion sovereign wealth fund announced cutting holdings of emerging-market government and corporate bonds. The cuts included holdings of Malaysian bonds which were estimated at a value close to USD2.0 billion.

As a response to these uncertainties, BNM cut the OPR by 25bps in May 2019 to provide a more accommodative environment for business growth. The statutory reserve requirement was also lowered by 50bps from 3.50% to 3.00%. These moves lifted bond prices and market sentiments.

MANAGEMENT DISCUSSION & ANALYSIS

The AFFINITY risk adjusted performance base reward framework introduced in 2019 continued to support a prudent risk-taking culture by the Treasury Division towards achieving results set out by the Management. The principal focus for Group Treasury Division continued to be as follows:-

- Managing foreign exchange (“FX”) and interest rate risk of the Banking Group;
- Satisfying customers’ needs for Treasury related products and services;
- Fulfilling liquidity needs and asset and liability (ALM) functions of the Group;
- Ensuring prudent cost of fund management across the Banking Group;
- Complying with regulatory and internal requirements; and
- Operating profitable trading/arbitraging/investment businesses.

TREASURY – MANAGING RISKS AND OPPORTUNITIES

The present Covid-19 pandemic has dampened global economic outlook where governments around the world responded by announcing various stimulus packages while central banks put up easier monetary policies. Bank Negara Malaysia has cut overnight policy rate by 100 bps thus far while statutory reserve requirement was reduced by 1% which released approximately RM30 billion liquidity into the system.

IMF declared a world recession while World Bank cut Malaysia 2020 GDP growth forecast to -0.10 to -4.5% from 4.50 % reported earlier. Likewise, BNM also revised our 2020 GDP growth to -2 % to +0.50 % range quoting challenging global growth outlook and weakening crude oil prices. The dropped in crude oil prices due to production war will also put further pressure to our budget deficit ratio as revenue is likely to be impacted where budget 2020 pricing was fixed at USD 62 per barrel.



The above economic backdrop coupled with supply chain shocks due to movement control order has also drained the trade finance and FX volume tremendously.

The uncertainty from Covid-19 will remain for the foreseeable future and we must remain hyper vigilant and rewrite our business plan according to the changes in yield curves and systemic improvement of cost management, including cost of funding, until we see clarity on how these actions taken by governments and central banks will stabilise markets and accelerate the path to normalcy. Likewise, we will also take this opportunity to diversify our source of foreign exchange income and nimble any opportunities that may present before us.

In anticipation of greater volatility and the potential downside risk of global economic growth, Group Treasury will continue to be vigilant and adopt a more agile stance to best position AFFINBANK to capitalise on potential opportunities that may arise going forward.

Effectively, a more strategic approach will be adopted towards enhancing the Group Asset and Liability Management functions for compliance purposes and at the same time, to achieve desired cost of fund levels to support business units in pricing their products competitively on a risk informed basis.

TREASURY – OUTLOOK AND PROSPECTS

In view of the gloomy economic outlook and expected volatility, more focus strategies will be adopted to unleash the Group Treasury Division’s potential as well as to employ our resources in the target customer segments where the niche market is to achieve the desired results.

Global monetary policy is also expected to remain accommodative and supportive of economic activities where the synchronised easing of monetary and fiscal policies by central banks will provide a lift in global growth prospects to a more sustainable and above-trend growth in the later part of 2020. Hence, emerging market fixed income market duration trades and the expected total return is still cheap and attractive to explore.

Moving forward, the Group Treasury Division will continue to complement AFFINBANK’s role to consistently deliver reliable and quality financial services and solutions to our customers as guided by the industry’s best practices and code of conduct for Malaysia’s wholesale financial markets.

MANAGEMENT DISCUSSION & ANALYSIS



AFFIN ISLAMIC BANK BERHAD

2019 KEY OBJECTIVES

The Bank focused on:-

- A balanced growth strategy, financing growth to accelerate and drive investments in proprietary banking technologies
- Expanding the commercial platforms, strengthening fee-based income from digital banking, unit trust and credit card to mitigate the impact of margin compression on net profit income
- Grow assets through prudent underwriting standards and active recovery efforts
- Contributing financing portfolio up to 40% to AFFIN BANK Group with major focus on the SME segments and generating sustainable returns
- Priority on strengthening the bank's liquidity and funding profile while managing resources with effective operational costs

2020 STRATEGIC PRIORITIES

To align with the Group's theme of "**Building Long-Term Sustainability through Strategic Niches**" to ensure an efficient allocation of capital amongst the business segments resulting in a shift of the Bank's asset mix.

The plan involved all business segments of the Group:-

SME Banking

- Financing growth in targeted sectors
- Focus on growing fee-based income
- Deposits growth in tandem with financing growth

Corporate Banking

- Targeted financing growth in selected sectors
- Focus on aggressively growing fee-based income
- Grow low cost deposits

Consumer Banking

- Growth in selected segment of Mortgage & Hire Purchase
- Aggressive growth in other consumer products e.g. credit card, personal financing and education financing
- Significant shift in focus from financing growth towards CASA acquisition
- Cost management and optimisation

In 2019, AFFIN ISLAMIC continued to focus on upgrading its go-to-market capability and operating efficiencies, specifically on the digital front to enrich customer experience. The Bank strived to maximise the synergistic opportunities within the Group and implemented differentiated strategies to drive its next phase growth.

The following is a condensed review of the operational highlights and business performance of AFFIN ISLAMIC. A more detailed report is provided in the separate AFFIN ISLAMIC Annual Report for the financial year ended 31 December 2019.

MANAGEMENT DISCUSSION & ANALYSIS

AFFIN ISLAMIC - 2019 OPERATIONAL REVIEW

In FY2019, the OPR remained stable at 3%, consistent with BNM's monetary policy stance of supporting a steady growth path amid price stability. The implementation of Malaysian Financial Reporting Standard ("MFRS") 9 had also affected our capital ratios but the transition was still manageable.

Our priority on increasing deposits to strengthen our liquidity and funding profile had resulted in higher funding costs. In mitigation, we have increased our focus on asset and liability management, current and savings account ("CASA") growth and competitive pricing for financing and deposits. As we sought to grow, we placed strong emphasis on regulatory compliance.

One of our major highlights in 2019, was the achievement of 41% portfolio contribution to the Group. This achievement exceeded the 40% portfolio contribution target set by BNM in its 10-year Financial Sector Strategic Blueprint.

In FY2019, we continued to adopt a balanced growth strategy. We expanded our commercial platforms, growing high-yield products and strengthening fee-based income from digital banking and credit card businesses. We focused on growing fee-based income from our SME, Remittance and Bancatakaful business.



We focused on increasing CASA deposits and managed the Top 10 Depositors' concentration risks while providing retention offers for customers via special packages/offers. We also continued to target the SME segment via SMEColony and SMEngage.

In providing financing solutions, we focused on education financing to selected higher learning institutions and personal financing to employees of approved corporate companies. We grew our assets via prudent underwriting and active recovery efforts. Tapping on synergy with the AFFIN Bank Group, we looked to develop more cross-collaboration opportunities and cross selling of products.

As a result of our strategic efforts, we launched several new products into the market in FY2019. Following are some of our product highlights introduced during the financial year:-

- Flexi Trade Financing-i launched on 15 February 2019
- Skim Rumah Pertamaku-i (SRP-i) launched on 1 March 2019
- SMEmerge-i launched on 28 March 2019
- AFFIN Grow-i Saving Account & Current Account launched on 4 June 2019
- AFFIN ISLAMIC Visa Signature Credit Card-i launched on 24 July 2019
- AFFIN Corporate MyDebit Card-i launched on 25 July 2019

We continued to actively engage customers with a wide range of consumer or retail-based campaigns:-

- Everyone Can Win CIB Autopay Campaign (January 2019 until December 2019)
- CNY Triple Prosperity (January 2019 until May 2019)
- Save for Gold (June 2019 until December 2019)

¹ The BNM 10-Year Financial Sector Strategic Blueprint calls for financial institutions to further enhance its Islamic financing portfolio to 40%.

MANAGEMENT DISCUSSION & ANALYSIS

AFFIN ISLAMIC – FINANCIAL REVIEW

AFFIN ISLAMIC posted a Profit before Taxation of RM93.2 million for FY2019 as compared to RM155.4 million in FY2018. Total income was at RM1.32 billion, higher by RM166.2 million or 14.3% with Net Profit Margin recovering by 2bps at 1.74%.

Operating expenses increased by 17.3% YOY to RM261.9 million while cost-to-income ratio stood at 62.7%. The increase in operating expenses were attributed to digitalisation initiatives and shared cost movements from Group synergies that will help us to optimise cost efficiencies in the long run.

Total assets as at 31 December 2019, reduced by RM2.1 billion or 8.4% YOY to RM23.2 billion. The decrease was mainly due to cash and short-term funds amounting to RM1.6 billion and a reduction in financial investment assets of RM0.4 billion.

Gross financing, advances and other financing increased marginally at 0.03% to RM18.75 billion mainly from the retail segment. Customer deposits reduced by 12.1% to RM17.3 billion and support for CASA deposits expanded by 12.6%.

Higher allowances for financing impairment on several large corporate accounts with changes in models or risk parameters of macro-economic variables (“MEV”) impacted Gross Impaired Financing (“GIF”) ratio at 2.47% despite marginal financing growth. We achieved a return on equity (“ROE”) of 5.01% and continue to maintain a strong capital position with CET 1, Tier 1 and Total Capital Ratios at 11.72%, 13.83% and 20.63% respectively.

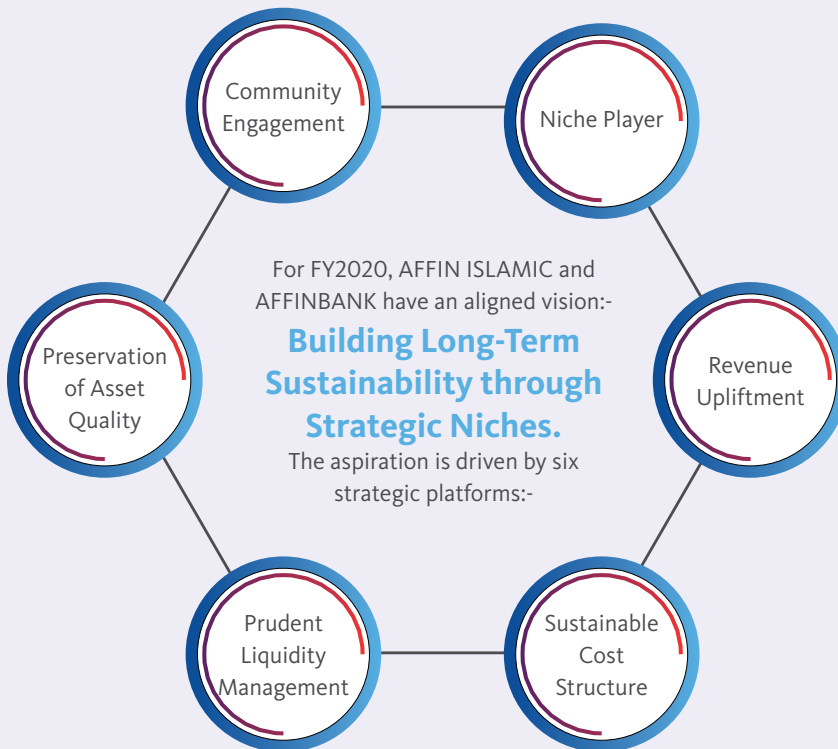


AFFIN ISLAMIC – MANAGING RISKS AND OPPORTUNITIES

We will continue to implement initiatives and refine policies and processes to improve our risk management capabilities as highlighted in our Strategic Risk Program. Our business strategies are aligned to the Risk Appetite Statement and Annual Credit Plan with tools and processes for every business or activity undertaken. This is to ensure adequate capacity and capabilities to process, underwrite, service and collect, whilst managing and tracking performance to support portfolio analysis.

The inclusion of risk into performance management and compensation decisions helps ensure clear Key Performance Indicators (KPIs) and Key Result Indicators (KRIs) are aligned across the Bank. Together with the Group, we will be proactive in the identification, management and coordination of Technology/ Cyber Risks, Operational Risks, Shariah Risks and Business Continuity Management.

MANAGEMENT DISCUSSION & ANALYSIS



AFFIN ISLAMIC – OUTLOOK AND PROSPECTS

2020 is expected to be an exceptionally challenging year for the global economy as the global economy prospect has weakened by the ongoing Covid-19 pandemic. Malaysia's Gross Domestic Product ("GDP") growth is expected to be between -2.0% to 0.5%, in line with the global economy prospect. Banking sector is expected to remain resilient and orderly backed by ample liquidity and strong capital buffer. For FY2020, AFFIN ISLAMIC will continue to assess the impact of Covid-19 to our financing and deposit portfolio for all segment under Corporate, SME and Consumer banking. This is to ensure effective implementation of financial measures announced by BNM and Government for the benefit of our customers.

AFFIN ISLAMIC and AFFINBANK have an aligned vision: Building Long-Term Sustainability through Strategic Niches. The aspiration is driven by six strategic platforms: Niche Player, Revenue Upliftment, Sustainable Cost Structure, Prudent Liquidity Management, Preservation of Asset Quality and Community Engagement.

We have established a strong growing presence in SME segment, and we shall continue to be in position as the preferred financial partner for start-ups. The Bank will continue to strengthen its relationship with selected organisation and collaborate as a strategic partner in becoming a niche player in growing sectors. We will continue focusing on our SME community engagement and development channel and tapping on digitalisation to deliver unique solutions beyond banking for the SME segment.

In Consumer segment, we have evolved our branches nationwide from being transactional based to sales and customer oriented. We will continue to evaluate our future branch network rollout plans to position ourselves in strategic locations, to deliver optimum customer experiences while developing long-lasting sustainable relationships with the communities. In utilising big data analytics and business intelligence tools, our focus on the consumer segment would be to fulfil the lifestyle aspirations of students, millennials, newlyweds and young families. The Bank will further emphasise in enhancing customers

experience through digital initiatives such as Genius Pocket, which is a lifestyle banking service built based on customers' needs. The focus also includes revenue upliftment by accelerating fee and fund-based income through the offering of unique integrated products for various customer segment. In addition to this, the Bank will also be aiming for generating fee-based services through Wealth and Bancatakaful Business.

For our Corporate clients, we have developed an integrated solution to facilitate and improve our service delivery in cash management, trade business and corporate liability management. Optimising cash management and trade business will enable us to increase fee and float revenues and control our business risks. We continue to invest on the digital front and leverage on the Group Digital Initiatives for product innovation and enhanced operational efficiency. Major digital initiatives to be implemented in 2020 such as an integrated credit management system called OSCAR.

Improving operating income through sustainable cost structure and operating efficiency is one of the strategies outlined in FY2020. To support this initiative, the Bank will continue to reduce its funding expenses by offering lower funding options and enhancement of cost optimisation. The Bank will further strengthen its liquidity management by having constant assessment in compliance to the regulatory requirement. In ensuring profitability, the Bank's key concentration in 2020 will be on preservation of assets by maintaining lower level of Gross Impaired Ratio (GIR) as it will provide a positive impact to the overall profitability position.

Giving back to the community has always been a priority by AFFIN ISLAMIC. This element will be further increased by social media engagement and participation in the community events to strengthen the bank identity within the community. Due to the current Covid-19 pandemic, the Bank is taking measures to avoid mass gathering and practice social distancing during community works. The Bank stays optimistic for the year 2020 and will continue to support AFFIN Bank Group's strategic vision in providing excellent banking services to meet our customer needs and expectations.

MANAGEMENT DISCUSSION & ANALYSIS



AFFIN HWANG CAPITAL

2019 STRATEGIC PRIORITIES

- Drive digital initiatives.
- Sustaining growth through:-
 - Further development and expansion in new capabilities
 - Development and expansion in new and untapped markets
 - More effective brand and reputation building through market recognition
 - Embedding Core Values to strengthen organisational culture

2020 KEY INITIATIVES

- Capturing identified growth areas within Advisory, Equity & Debt Markets amidst continuing uncertainty and volatility
- Building the eco-system for diversification and sustainability
- Enhancing digital customer experience
- Unlocking new market segments
- Strengthening corporate culture through Core Values

Affin Hwang Capital, the capital markets arm comprising of the Investment Banking, Securities and Asset Management businesses of AFFIN Bank Group, continued to “Out Think” and “Out Perform” admirably despite the challenging environment that has adversely impacted the capital markets, both domestically and globally, since 2018.

MANAGEMENT DISCUSSION & ANALYSIS

AFFIN HWANG CAPITAL – 2019 OPERATIONAL REVIEW

2019 was a continuation of the challenges that the capital markets have faced since 2018, much to the dismay and chagrin of the general public but mainly as predicted by those in the industry. Prolonged uncertainties, from worsening geopolitical tensions, continued policy uncertainties, market volatility especially with supply disruption in the commodity-related sectors, as well as soft corporate earnings further compounded the dismal performance of capital markets throughout the year.

The FBMKLCI unsurprisingly continued its downward momentum where it shed 6% from 1,690 in 2018 to 1,588 by the end of 2019. Moreover, there was a large net foreign funds outflow of USD2.68 billion from the market, while total funds raised from initial public offering (IPO) and the secondary market on Bursa Malaysia declined by 28% over the same period. The average daily value for on-market trades was correspondingly down by 19% where trading velocity dipped 4% to 28% from 32% previously.

Yields on local Government securities fell to multi-year lows in 2019 due to funds' "flight to safety". BNM, during the year also lowered its OPR to 3.00% in May 2019 and statutory reserve requirement ratio from 3.50% to 3.00% in November 2019 in line with the easing of monetary policies adopted by central banks.

On the other hand, foreign holdings for local bonds increased by RM19.9 billion to RM204.7 billion in 2019, thus reversing the net foreign outflow of RM21.9 billion in 2018. It was at the highest level recorded since 2012.

Investment Banking

In 2019, competition amongst players in the domestic equity advisory and debt fund raising businesses were very tight and intense, with deals being few and far in between. Under this tough and challenging environment, Affin Hwang Capital remained resolute in striving to deliver value and quality services to its clients.

One of the key highlights in 2019 was Affin Hwang Capital's role as the Joint Lead Arranger and Bookrunner, in partnership with Daiwa Securities Group Inc. of Japan, for the Malaysian government's JPY200 billion (RM7.34 billion) Samurai Bond, the first Japanese yen bond by Malaysia since 1989. Affin Hwang Capital was the only Malaysian bank participating in the deal.

The landmark bond was the largest Japan Bank for International Cooperation (JBIC)-guaranteed sovereign bond issuance in the market and the first JBIC guarantee undertaken by Malaysia under its "Guarantee and Acquisition toward Tokyo Market Enhancement (GATE)" programme. The issuance was well received across the investor spectrum, being oversubscribed by 1.6 times or 324.7 billion yen (RM11.9 billion). The bond was also awarded the prestigious 'Best Bond' in the 'Best Deals in Malaysia' category at The Asset Triple A Country Awards 2019 held in Hong Kong on 16 January 2020.

In addition to the Samurai Bond, Affin Hwang Capital was also the Principal Adviser, Joint Lead Arranger and Joint Lead Manager for the RM1.0 billion Sukuk Wakalah by Konsortium KAJV Sdn Bhd to finance the State of Terengganu's water treatment plants project. The transaction leveraged on the State's AA- rating, and its innovative sukuk structure was awarded the Most Innovative Sukuk Structures in Malaysia and Best Funded Water/Wastewater Project in Malaysia awards at the International Finance Awards 2019.

Subsequently, Affin Hwang Capital also received three awards at The Asset Triple A Islamic Finance Awards 2019. These recognitions solidify Affin Hwang Capital's role as a forerunner in the growing Islamic finance industry.

The awards were the Best SRI Sukuk for UiTM Solar Power Sdn Bhd's RM222.3 million Green Sustainable Responsible Investment (SRI) Sukuk as Lead Manager, Best New Sukuk for Serba Dinamik Holdings Berhad's RM800.0 million dual-tranche Sukuk as Lead Manager, and Best Bank Capital Sukuk in Asia Pacific for Affin Islamic Bank Berhad's RM1.1 billion AT1 Sukuk Wakalah and T2 Sukuk Murabahah as Principal Adviser, Lead Arranger and Lead Manager.

On the equity advisory side, Affin Hwang Capital was the Principal Adviser, Sponsor, Underwriter and Placement Agent for the IPO of DPI Holdings Berhad, which was also Affin Hwang Capital's inaugural IPO listing on the ACE Market of Bursa Malaysia.

Market volatility in 2019 also provided Affin Hwang Capital with the opportunity to realise substantial gains in its fixed income trading and investment activities.

Securities

Competition in the institutional and retail securities trading business was similarly difficult and harsh, especially with the increasing number of new entrants into the market, and the emergence of technological disruptors.

With the intense pressure in rates compression, Affin Hwang Capital still emerged to improve its market share from 12.58% in 2018 to 12.92% in 2019, consequently holding on to the top spot of Bursa Malaysia's Broking Ranking for 2019, thus maintaining its position as the leading brokerage house in Malaysia for the fifth consecutive year since 2014.

MANAGEMENT DISCUSSION & ANALYSIS



Even with this achievement, it did not rest on its laurels and instead pushed forward in providing more quality and innovative products and services to clients in 2019. Subsequent to the launch of the Islamic Securities Selling and Buying - Negotiated Transaction (ISSBNT) product in 2018, Affin Hwang Capital launched the Retail Securities Borrowing & Lending (SBL) product on 17 January 2019.

The comprehensive SBL system, coupled with an identified need for more product offerings in the retail securities marketplace have enabled it to expand its SBL business further to retail investors, in line with Bursa Malaysia's mission to offer investors and traders with diverse and innovative products.

This ensued with the launch of Affin Hwang Capital's upgraded online trading platform called 'eInvest' (einvest.affinhwang.com) in August 2019. eInvest is part of its digitalisation initiative into new markets to contribute towards its trajectory for continued growth.

As a testament of Affin Hwang Capital's forward-sightedness, it entered into a strategic collaboration with MIMOS Berhad to develop a digital analytical platform for the Malaysian capital market. The collaboration aims to develop a high-speed, intelligent and automated analytical platform to screen undervalued

small and mid-cap stocks, thus opening up opportunities for Affin Hwang Capital to accelerate the development of innovative products in the investment banking space.

Besides product innovations, Affin Hwang Capital was recognised by acclaimed bodies and institutions for its achievements in the capital market and upholding its position as the leading investment bank in the country. Amongst the highlights of its business achievements, Affin Hwang Capital has received the award for Best Securities House in Malaysia by AsiaMoney for the third consecutive year and accorded Champion in the Best Overall Equities Participating Organisation category by Bursa Malaysia for the fifth consecutive year.

Asset Management

The asset management business focused on increasing its Assets under Administration ("AUA") through sustained efforts in building and expanding its distribution channel including its own internal sales force. The AUA at the end of FY2019 was RM57.7 billion.

Throughout the financial year, Affin Hwang Capital maintained a strong pipeline of product launches including 21 new funds which span different strategies and market exposure to help clients

diversify in a low-growth environment. To bolster its passive offerings, it also launched 5 exchange traded funds (ETF) in the financial year including the country's first leveraged and inverse ETF. Client experience remains embedded as a strategic pillar through active marketing and branding campaigns that would engender brand loyalty and generate awareness surrounding investing.

Besides this, Affin Hwang Capital also received several awards in recognition of its achievements and standing as one of the leading asset management in Malaysia in 2019.

It received awards for Best Institutional House in Malaysia at the Asia Asset Management 2019 Best of the Best Awards for the second consecutive year; the Highly Commended for Best ETF Provider in Malaysia at The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2019 for the second consecutive year; and seven awards at the Lipper Fund Awards from Refinitiv 2019.

Similarly, Affin Hwang Capital's Islamic asset management subsidiary, AIIMAN Asset Management Sdn Bhd (AIIMAN), received the Islamic Asset Management of the Year in Malaysia at The Asset Triple A Islamic Finance Awards 2019 for the fourth consecutive year.

MANAGEMENT DISCUSSION & ANALYSIS

AFFIN HWANG CAPITAL – FINANCIAL REVIEW

Notwithstanding a challenging 2019, Affin Hwang Capital commendably still managed to register a respectable growth of 6.8% in net income of RM556.18 million for 2019 as compared to RM520.83 million in the previous financial year. Affin Hwang Capital managed to deliver a strong performance within the Group and Bank recording a higher YOY PBT of RM174.51 million and RM125.39 million, respectively, compared to RM160.49 million and RM91.27 million, respectively, in FY2018.

Despite the lacklustre market in 2019, our Securities business was able to increase our market share from 12.58% in FY2018 to 12.92% in FY 2019 on the back of a decline in the Average Daily Traded Value in Bursa Malaysia of 19% YOY.

AFFIN HWANG CAPITAL – MANAGING RISKS AND OPPORTUNITIES

The outbreak of Covid-19 has caused global turmoil and disruptions to the financial market. Government intervention is necessary to help the economy and businesses through this period of time. While we are optimistic that the Malaysian Economy and the domestic capital markets will improve due to the Government's Fiscal and Monetary Policy, the recent Bantuan Prihatin Nasional (BPN) package announced by Prime Minister YAB Tan Sri Muhyiddin Yassin and the allowance of increase in Operation Capacity by the Ministry of International Trade and Industry (MITI), we will continue to take cognisance of the development of the Malaysian market as there may be time lag in the Government's effort to be monetised.

In addition, we are still vulnerable to the global macro factors, such as the US Presidential Election, US-China trade war, and the crash in oil price due to the price war between Saudi Arabia and Russia.

These factors will continue to dominate the sentiment and direction of Malaysia's currency and asset prices as well.



Despite the challenges, we are positive that opportunities exist for Affin Hwang Capital to capitalise and drive our business growth. For example, Affin Hwang Capital led the private placement of Serba Dinamik Holdings Bhd (Serba Dinamik) on 24 April 2020, representing the largest fund raising exercise in Malaysia since January 2018, during the movement control order (MCO) period. The private placement involved the issuance of 394 million new shares, which represented 10% of Serba Dinamik's total number of issued shares. The Investment Banking business seeks to provide a comprehensive and value-added advisory support to clients through Fund Raising, Merger & Acquisitions (M&A), Corporate and Project Advisory, while the Securities Business will continue developing new capabilities and expanding its market foothold on untapped markets.

AFFIN HWANG CAPITAL – OUTLOOK AND PROSPECTS

Moving forward, we were cautiously optimistic going into the new year as similar themes were expected to continue from before. Economic outlook for 2020 was positive, supported mainly by domestic demand, with downside risks dominated mainly by external factors. However, the recent outbreak of Covid-19 has since escalated into a global pandemic with many countries including Malaysia implementing unprecedented

containment measures. These measures had resulted in concurrent demand and supply shocks that are now pointing to a sharp contraction of economic activities in advanced and emerging economies as well as in Malaysia.

With global growth expected to contract from this unprecedented health crisis, and weak domestic demand, Affin Hwang Capital forecasts Malaysia's GDP to contract by -3.5% in 2020. The expected output loss from the MCO and commodities supply disruptions are partially mitigated by ongoing large-scale infrastructure projects, economic stimulus and monetary measures. The resilience of the Malaysian economy will benefit from its diversified sources of growth, strong fundamentals and robust policy framework, and is expected to come out of this episode stronger in 2021.

Affin Hwang Capital is committed to striving for sustainable growth through the provision of comprehensive and value added advisory support to clients, enhancing clients' experience and continuing to develop new capabilities and expanding its markets, as well as embarking on a series of digital initiatives as its business strategy aimed at future-proofing business and to create seamless investing journeys.

MANAGEMENT DISCUSSION & ANALYSIS



AFFIN MONEYBROKERS SDN BHD

2019 KEY OBJECTIVES

- To strive for higher market share
- To reward shareholder by maximising profit target
- To be the market leader in the industry

2020 STRATEGIC PRIORITIES

- To strive for higher market share
- To reward shareholder by maximising profit target
- To enhance IT operations, to improve product, process and information
- To employ talented staff

AFFIN MONEYBROKERS – 2019 OPERATIONAL REVIEW

The higher brokerage income performance for year 2019 was mainly due to active market conditions and the strategic initiatives implemented to capture a larger market share. Affin Moneybrokers Sdn Bhd (“AMB”) is among three broking houses in the Money Broking Industry in Malaysia. Our continued financial growth is attributed to the various marketing and promotion activities undertaken during the financial year as well as the introduction of new services.

The management continues to encourage enhancement in knowledge and skills of employees through training and courses. To further enhance the human capital of the company, management remains active in the recruitment and retainment of talented individuals that can add value to the business, improve performance management processes and accountability, redesign financial rewards and incentives and enhance effectiveness of the Senior Management Team.

We also leverage on new technologies to improve operational efficiency and to reduce working costs. Our continued expansion of strategic alliances with foreign partners have also contributed to our improved performance.

MANAGEMENT DISCUSSION & ANALYSIS

AFFIN MONEYBROKERS – FINANCIAL REVIEW

In 2019, AMB posted a significantly improved financial performance with net profit surging by 78.8% to post at RM1.9 million. Stronger net profit was underpinned by expanded income of RM12.8 million, 26.1% higher YOY (FY2018: RM10.1 million).

Income growth stemmed from improved top line performance from all desks:-

DESK	INCOME (RM' 000)	YOY CHANGE
Forward/Deposit	4,213	18%
Money Market	1,945	23%
Derivatives	1,662	6%
Fixed Income	2,770	124%
Islamic	828	17%

The strong financial performance was realised despite a difficult operating environment with declining market volumes, a reduced brokerage structure and tremendous volatility in the financial markets.

AFFIN MONEYBROKERS – MANAGING RISKS AND OPPORTUNITIES

With the possible consolidation or merger of money broking companies and the globalisation of financial markets, the resulting borderless trading will see the entry of large international foreign money broking companies competing in the domestic inter-bank market. These companies have a wide network and are superior in term of technology and technical expertise. Their innovative skills to introduce new products and services will have an impact on local money broking companies.

BNM will be allowing more e-trading platforms to operate in the wholesale inter-bank market that will severely impact the revenue of the industry. The company is engaging with partners to provide similar services to overcome competition posed by electronic trading.

AFFIN MONEYBROKERS – OUTLOOK AND PROSPECTS

It is evident that current economic and geo-political concerns, both globally and domestically, have caused grave volatility in financial markets forcing governments and regulatory authorities to impose several measures to regulate market activities. Companies would have to employ experienced, talented and fresh graduate staff to enhance the company's performance and boost the company's profits.

The above situation would inevitably lead to rising operational costs and reduction in brokerage fee structures with opportunities to remain competitive becoming much sort after. These include innovative marketing and promotional activities; investment in latest technologies for effectiveness and efficiency; and the formation of strategic alliances with foreign partners.

Additionally, some changes in the government regulations have been seen as a threat to the industry. The possibilities of international money broking companies competing in the domestic market and BNM's encouragement on the use electronic trading will have adverse impacts on the money broking industry's revenue.

Moving forward, we have set our year 2020 strategic priorities to strive for higher market share through improving broking skills, and to improve customer engagement through knowledge and professionalism. We are also focused on enhancing our IT operations in order to improve product, process, and information processes to maximise profits and be a leader in the industry.

MANAGEMENT DISCUSSION & ANALYSIS



AXA AFFIN LIFE INSURANCE BERHAD

2019 OBJECTIVES

Transformation into the preferred Health & Protection player driven by:-

- Sustained build of professional agency force
- Strong partnership proposition for emerging customers as a leading digital insurer
- Building a high-performance culture
- Streamlining and transforming operations with focus on being a customer centric insurer

2020 STRATEGIC PRIORITIES

- Build and reinforce our distribution networks with a more differentiated approach on agents by having 25% full time agents by 2023
- Deepen existing Bancassurance relationships with Affin and Citibank
- Building AXA as a strong partner of choice for delivering innovative solutions to emerging customers and being the leading digital insurer
- Digital initiatives to reach the Young and Emerging population and to target the Millennials segment
- Becoming the most customer centric insurer in Malaysia
- Becoming the most inspiring company to work for

AXA AFFIN LIFE – 2019 OPERATIONAL REVIEW

AXA AFFIN Life Insurance Berhad (“AALI”) grew at 74% in the life insurance market that is growing at 15% in 2019 which is five times the market growth and was the fastest growing life insurer in Malaysia. AALI was also the Number One Digital Insurer in Malaysia with clear market dominance and recognition for InsurTech thought leadership, which focuses on offering low barrier to entry e-medical cards, custom built for millennials and young families.

AALI was the only insurer from Malaysia to be shortlisted for Top 3 Health Insurer of The Year at the Asia Insurance Review Awards 2019. AALI has also implemented more than 40 Robotic Process Automation (RPA) to improve operational efficiency and innovation enhancement.

The company has a strong team with significantly lower attrition versus 2018 and has a great AXA culture as evidenced in the strong employee net promoter score for the year.

MANAGEMENT DISCUSSION & ANALYSIS

Strategies that were initiated

Transformation into the preferred Health & Protection player was driven by:-

- Sustained building of professional agency force
- Strong partnership proposition for emerging customers as a leading digital insurer
- Building a high-performance culture
- Streamlining and transforming operations with focus on being a customer centric insurer

2019 Achievements (Financial)

- Break-even of underlying earnings for 2019 one year ahead of our budget
- Annualised Premium Equivalent (APE) grew by 74% of previous year
- Gross Revenue Protection and Health (GR P&H) grew by 25% of previous year
- Improvement in New Business Value (NBV) from RM 32.2 million in 2018 to RM 34.9 million in 2019

2019 Achievements (Non-Financial)

- Number One Digital Insurer in Malaysia with clear market dominance and recognition for InsurTech thought leadership
- Employee Net Promoter Score (eNPS) moved from +6 in 2018 to +33 in 2019
- The first-in-the-market revolutionary insurer to offer online medical card with low barrier to entry, custom built for millennials and young Malaysian families
- The first insurer to offer complete agile human resource proposition
- The first insurer to offer discounts linked to fitness tracker steps
- Implemented “Get Ubat” (DoctorOnCall), an online doctor consultation, specialist booking and medicine delivery to home with Wealth Protect Assure campaign
- Executed more than 40 Robotic Process Automation (RPA) to improve operational efficiency
- Enhanced presence in Seremban by opening a branch in Seremban, Negeri Sembilan with the aim to increase the customer contact frequency by offering the Seremban community in-branch solutions and providing an extensive array of products

Awards Won and Finalists

- Most Innovative Marketing Campaign – Step It Up+ - Insurance 2019
- Top 3 Health Insurer by Asia Insurance Review 2019
- Best Brand Experience Award 2019 – CX Asia Excellence Award 2019 (Silver Award)
- Top 100 Asia’s Best Employer Brand Award 2019
- Excellence in HR through Technology and CEO with HR Orientation 2019
- Company of the Year Award (Blood Donation Drive & Breast Cancer Awareness) – CSR Malaysia Award 2019

AXA AFFIN LIFE – FINANCIAL REVIEW

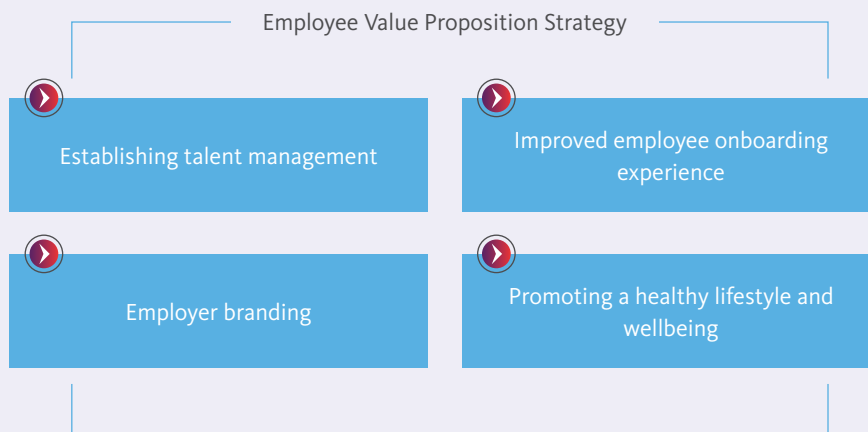
In the financial year, AALI saw its Annualised New Business Premium (“APE”) grew by 74% in 2019 and 31% above the budget. Underlying Earnings (“UE”) improved from previous year by breaking even, attributed to better operational performance.

Loss after tax for FY2019 increased to RM7.6 million (FY2018: Loss after tax of RM6.1 million) mainly driven by higher reserves due to downward shift of the yield curve.

AXA AFFIN LIFE – MANAGING RISKS AND OPPORTUNITIES

The rapid spread of Covid-19 has been declared a pandemic. Globally, increasing measures are being taken to contain it and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity. However, this pandemic could create an opportunity for life insurers to boost life insurance sales and hopefully, increase insurance penetration among Malaysians. AALI aspires to grow the business and measures taken to reduce this risk include being vigilant and to develop the agility to rapidly respond to overcome challenges and seize opportunities common or unique to any particular channel.

AALI Strategic Plan 2020 to 2023



MANAGEMENT DISCUSSION & ANALYSIS

Economic assumptions, particularly interest rates, have significant impact on life insurance companies. To lessen the risks, AALI will continuously focus on improving asset-liability management as well as tactical asset allocations. AALI business focus on Protection and Health businesses reduces the impact of equity volatility on the financial performance of the Company. Maintaining continuous and regular monitoring of solvency and the implementation of trigger alerts to take the appropriate corrective management actions safeguards our stakeholders' interests and our promotion of a risk-based approach to the conduct of our business.

AALI Strategic Plan 2020 to 2023 addresses skill gaps that need to be closed via an employee value proposition strategy of building a high-performance culture and the strengthening of capabilities. This include establishing talent management, improved employee onboarding experience, employer branding, and

promoting a healthy lifestyle and wellbeing amongst employee through continuous employee engagement. The International Accounting Standards Board in March 2020 has decided to defer the International Financial Reporting Standard (IFRS)/MFRS 17 to 1 January 2023, this will change the way how insurance companies recognise their revenue and profit. To lessen the impact, AALI will remain focused on increasing the scale of its Protection and Health business.

AXA AFFIN LIFE – OUTLOOK AND PROSPECTS

In meeting the standards of more sophisticated and informed consumers, traditional distributors need to enhance their capabilities and be digitally enabled to address the rising specific needs of emerging customer segments. Established players with developed agency forces and big bancassurance deals had better opportunities to invest and influence market movements.

AALI will adopt a 3-pronged approach of direct online/e-commerce, digital partnerships, and online to offline partnerships to build a sustainable InsurTech ecosystem to penetrate the underserved lower income emerging customer market segment to drive growth. The company is focused on product innovation and continuous improvement through robotics process automation (RPA) across the channels to improve efficiency and processes. We will also continue to enhance traditional distributors by providing digital support to enrich their productivity and service quality to serve the emerging customer needs. We will continue to strengthen governance and risk management standards in managing risks, particularly in light of changing regulatory environment, evolving business models and the greater adoption of technology.

AXA AFFIN GENERAL INSURANCE BERHAD

2019 FOCUS

- Selective growth: Shift in business mix towards commercial lines, lifestyle and individual health segments
- Efficiency: Drive efficiency through LEAN methodology/Robotics
- Customer Experience: Number of customers to reach two million by financial year 2020
- Building Capabilities: Structural re-alignment to optimise resources while continuing to maintain the headcount at the same level through efficiency drive

2020 STRATEGIC PRIORITIES

- Profitability – Building a sustainable business portfolio
- Growth – Focus on growing preferred segments
- Customer centricity – Provide better customer experience through simplification and payer-to-partner initiatives
- Efficiency – Reduce claims cost and optimise expenses

2019 has been a challenging year amidst the impact of de-tariffication and slow economic activities particularly on infrastructure investments.

RM'000	2019	2018	% Growth
Gross Premium	1,349	1,462	(7.7)
Profit After Tax	67.2	100.2	(32.9)

MANAGEMENT DISCUSSION & ANALYSIS

AXA AFFIN GENERAL - 2019 OPERATIONAL REVIEW

The general insurance sector in 2019 continued to be impacted by the phased implementation of de-tariffication of motor and fire insurance, resulting in a 1% contraction as of third quarter of 2019. However, we managed to make good progress on our strategic priorities in selective growth, efficiency, customer experience and building capabilities.

Driven by a strong purpose to empower people to live a better life, AXA recognises that its business goals and commitment to customers are engendered through the actions of its People. In 2019, we focused on talent development to accelerate our people's capabilities to develop their full potential to support and deliver greater value to our customers and partners.

The AXAPRENEUR programme was launched to accelerate employees' skills in preparation for Industry 4.0. This initiative was executed to foster and drive a culture of innovation and agility in AXA to enhance customer experience and more importantly, to deliver customer value. As a result, we have implemented various cutting-edge projects across different functions to achieve a total targeted innovation value of RM8.3 million.

We have also launched an industry first in Alex the Robot, which has successfully reduced recruitment turnaround time by 70% allowing employees to focus on value-added tasks instead of manual administrative work. Similarly, Amber – the CEO's artificial intelligence chatbot assistant, was deployed to seek employees' feedback throughout their career journey with the Company.

On a separate note, we have continued to implement existing strategies that have proven effective. In our effort to continue

to drive efficiency and to enhance customer experience, we have launched AXA Travel Insurance Claims Journey to review and improve the claims experience for our travel insurance customers. End-to-end customer journey and feedback were reviewed, and the findings had provided valuable insights into service gaps, identification of 'pain points' and opportunity to improve industry practice. As a result, we created the Travel Online Claims Portal as a one-stop centre for customers to submit their travel claims online in an easy, fast and paperless manner.

AXA AFFIN GENERAL – FINANCIAL REVIEW

As part of our strategy for profitable growth, we were more focused on the preferred business segments and hence there was an overall decline of 7.5% in gross written premium. We closed the year with a gross written premium (GWP) of RM1.35 billion (2018: RM1.46 billion), registering a PAT of RM67.2 million (2018: RM100.2 million).

AXA AFFIN GENERAL – MANAGING RISKS AND OPPORTUNITIES

The evolving consumer preferences and transformation in distribution channels may pose as challenges to some players but these are viewed as opportunities for us. We will be investing resources in this area of customer segmentation with digital capabilities enabled to ensure we are at the forefront of innovation.

Digitalisation is the key and way forward for our journey to transform and grow. We embraced lean processes and automation to serve our customers more efficiently and have invested in robotic process automation (RPA) and deployed more than 100 bots across the Company.

This investment has manifested itself into a 95% improvement in quality and the speed of everything we do. It has also reduced labour intensive work with value-added activities that focused on developing employees to achieve our Payer-to-Partner strategy.

AXA AFFIN GENERAL – OUTLOOK AND PROSPECTS

Moving forward, the Motor segment business is expected to remain the largest contributor to the market in terms of gross written premiums. As such, it is our ambition to remain not only strong in this segment but to be more selective with focus on the profitable segments.

Commercial lines as well as Lifestyle and Individual Health segments will be our focus for greater profitability, to complement the overall portfolio mix. The main foreseeable trends identified for 2019 to 2020 are disruptive technology, lifestyle, wellness wearables and increase in demand for usage-based insurance.

In essence, our 2020 focus is centred on building a sustainable business portfolio to ensure sustainable profitability and expanding our market share in our preferred segments. We remain committed to providing better customer experiences through process simplification and payer-to-partner initiatives and driving greater efficiency to reduce claims costs and operating expenses towards boosting the competitiveness of our offerings.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

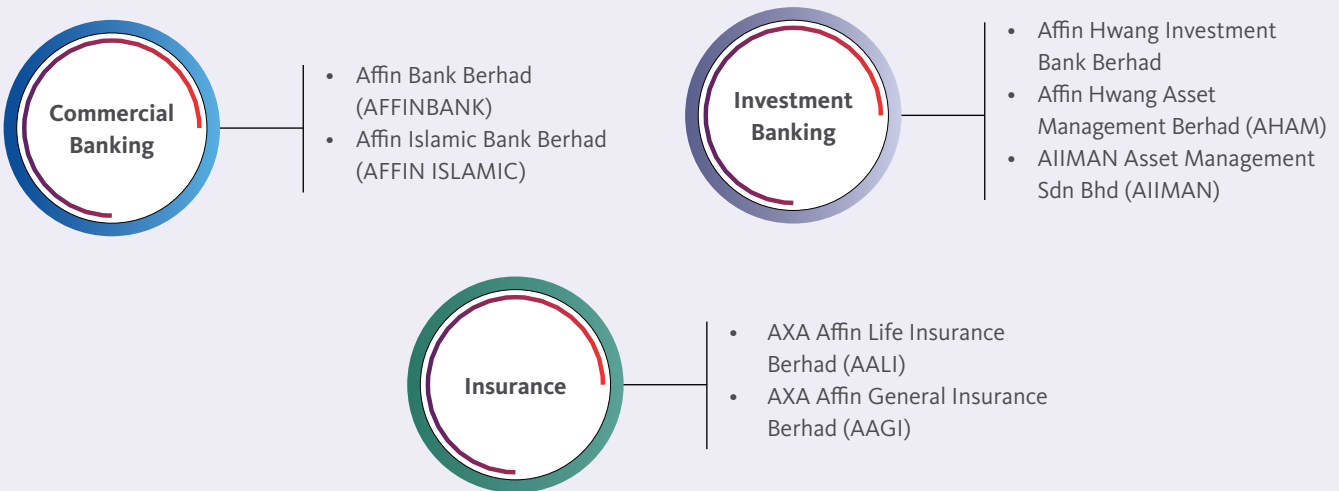
THIS IS OUR FOURTH ANNUAL SUSTAINABILITY STATEMENT (THE STATEMENT), REPRESENTING OUR SUSTAINABILITY PERFORMANCE, INITIATIVES AND ACHIEVEMENTS FOR THE REPORTING YEAR 1 JANUARY 2019 TO 31 DECEMBER 2019 (FYE2019). THIS YEAR, WE HAVE ALSO MADE DISCLOSURES, AS GUIDED BY THE MAIN MARKET LISTING REQUIREMENTS ON SUSTAINABILITY REPORTING BY BURSA MALAYSIA AND THE GLOBAL REPORTING INITIATIVES (GRI) STANDARDS IN DEMONSTRATING OUR REFRESHED PERSPECTIVES, APPROACHES AND PROGRESS IN MANAGING THE ECONOMIC, ENVIRONMENTAL AND SOCIAL (EES) IMPACTS ARISING FROM OUR BUSINESS OPERATIONS.



SUSTAINABILITY STATEMENT

Data and information disclosed in this Statement covers the following entities collectively referred to as the “AFFIN Bank Group” or the “Group” across three business segments, i.e. Commercial Banking, Investment Banking and Insurance, operating in Malaysia, unless otherwise stated.

Our reporting scope for this reporting period is similar to the previous Sustainability Statement. We will continue to enhance the disclosure of our sustainability performance of these entities before we expand our reporting scope across our value chain in future reporting.



Our sustainability aspirations are aligned with the United Nations Sustainable Development Goals (SDGs), the Value-Based Intermediation (VBI) framework by Bank Negara Malaysia (BNM), Sustainable & Responsible Investment (SRI) Roadmap for the Malaysian Capital Market and Shared Prosperity Vision 2030 where appropriate. The United Nations SDGs are universal targets set to be achieved in 2030 for global sustainable development. Our main objective is to play a role in supporting Malaysia’s economic growth by aligning applicable SDGs that our business operations have greatest impact on.

AFFIN Bank Group contributes to the relevant SDGs through the management of eleven (11) established sustainability matters across Economic Environmental and Social (EES) aspects. These SDGs are represented by their icons for every identified sustainability matter throughout the statement.

VALUE-BASED INTERMEDIATION (VBI) SCORECARD AND SRI FRAMEWORK ISSUED BY BANK NEGARA MALAYSIA (BNM)

In accordance with the strategic management tool – the VBI Scorecard, allows us to realign our current business priorities and practices through integration of the key underpinning thrusts of VBI into:-



Performance assessments are required for the compilation of relevant information and data that can measure the progression of Islamic Banking Institutions (IBI) in advancing VBI.

* Source: Value-based Intermediation Scorecard Consultative Document by BNM

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

The roles and responsibilities of the leadership team and various governing bodies within the Group is crucial, to stimulate the transformation of sustainability culture, seamless integration of the Group's values and effective implementation of sustainability initiatives across the business operations. In 2018, we established a Sustainability Governance Structure that consists of the Board of Directors, Group Board Risk Management Committee, Management Committee, and the Sustainability Working Group.

1. BOARD OF DIRECTORS (BOD or the Board)

- Promote sustainability through appropriate EES considerations in the Group's business strategy
- Accountable for reviewing, adopting & monitoring the implementation of the Group's overall sustainability strategies, by taking into account the EES impacts arising from business operations & strategic decisions



2. GROUP BOARD RISK MANAGEMENT COMMITTEE (GBRMC)

- Established by the Board, the GBRMC is responsible for the overall implementation and management of the Group's sustainability performance
- Identify, implement and monitor key activities related to managing sustainability matters across the Group's operations
- Provide oversight, monitor & implement sustainability related policies and objectives as approved by the Board
- Monitor and track the Group's sustainability performance and issues to be reported and advised to the Board
- Review the Group's sustainability disclosures prior to submission for BOD's approval before publishing



3. MANAGEMENT COMMITTEE (MCM)

- Chaired by the Group Chief Executive Officer (GCEO), the MCM is supported by MCM sub-committees on matters such as Governance, Risk & Compliance, Branch Performance & IT, Operations, Digital & Customer Experience
- Assist the Board in managing the day-to-day operations, formulating tactical plans and business strategies while monitoring the Group's entities' overall performance
- Ensure all business activities conducted are in accordance with the Group's corporate objectives, strategies, policies as well as Annual Business Plan and Budget
- Approve corporate sustainability objectives and review its progress in achieving them



4. SUSTAINABILITY WORKING GROUP (SWG)

- Chaired by the Corporate Services Division and supported by respective Heads of Divisions/sustainability representatives from various functions, across all business segments in the reporting scope
- Identify, assess, evaluate, manage and report on current emerging sustainability risks and opportunities relevant to the Group's operations
- Develop the Group's sustainability disclosures to ensure compliance with regulatory requirements and subsequently recommending for Board's approval
- Monitor and provide progress updates on the Group's sustainability activities, performance and initiatives based on the strategies and policies set by the Board, supervised by the GBRMCC
- Monitor the implementation and the action plans of the Group's Sustainability Roadmap

Figure 1 – Sustainability Governance Structure

SUSTAINABILITY STATEMENT

AFFIN BANK GROUP'S SUSTAINABILITY ROADMAP

In the past 5 years, the move towards sustainability in Malaysia has grown through implementation measures by BNM and Securities Commissions Malaysia ("SC"). Most recent efforts include BNM's announcement of new reporting requirements for financial institutions to report exposure to climate-related risks and impacts. Similarly, the SC and World Bank has released the SRI Roadmap to facilitate the development of SRI for the Malaysian Capital Market.

The SRI Roadmap provides the strategic directions and recommendations for the creation of a facilitative ecosystem to accelerate the development of Malaysia as a regional SRI centre. In charting the SRI Roadmap, thorough assessment of the global sustainable investment markets as well as the domestic landscapes has been undertaken to formulate the recommendations. We are continuously exploring the opportunities to deliver the intended outcome of these national and global sustainability aspirations through business practices and product offerings to generate positive impact to the economy, environment and society.

Internally, we have embarked on constructing a sustainability roadmap to determine short, medium and long-term plans in creating value for our various business and stakeholders of AFFIN Bank Group. Following the establishment of this roadmap, we would effectively address Economic, Social and Governance (ESG) issues with regards to our operations, offerings, internal procedures and procurement activities at various stages with measurable outcomes and strategic milestones to track our progress, adjusting our approach whenever necessary.

Across our subsidiaries, we are striving for improved, standardised disclosures of our ESG impacts and strategies to address them. With regards to this, we are guided by the United Nations Sustainability Development Goals, Global Reporting Index standards for sustainability reporting and the FTSE4Good Bursa Malaysia Index.

STAKEHOLDER ENGAGEMENT

As a financial services provider, we are fully aware of the substantial impact we have on our customers and other stakeholders. The Group plays a pivotal role in contributing beyond the development of the industry and empowering the community in which we operate through our EES considerations. This is aligned with the Group's mission in creating value for our stakeholders.

Effective communication is also an essential part of enhancing, understanding and instilling greater appreciation amongst a wider group of stakeholders on our impact and value creation to the economy, community and environment. We acknowledge that the Group's continuous success is hugely driven by our active engagements with our stakeholders. By understanding their needs and addressing their concerns, we are able to incorporate them into our business goals.

In 2018, we conducted a structured stakeholder prioritisation exercise to evaluate the significance of each stakeholder group to the Group's operations, in order to better understand and strengthen our approaches in engaging and effectively responding to our stakeholder's expectations.

Stakeholder Groups	Engagement Method	Matters of Interest	Our Response (refer to the respective sections of this statement)
INTERNAL STAKEHOLDERS			
Board of Directors	<ul style="list-style-type: none"> Board meetings Annual General Meeting Email correspondences 	<ul style="list-style-type: none"> Overall performance and strategic direction Corporate governance practices Responsible investments Human capital management Environmental practices 	<ul style="list-style-type: none"> Sustainable Financial Services Socially Responsible Employer Supportive Community Development
Senior Management	<ul style="list-style-type: none"> Performance assessment and feedback Meetings Townhall sessions Intranet Group corporate events 	<ul style="list-style-type: none"> Overall performance and strategic direction Operational efficiency Innovative services and products Good rapport with stakeholders Corporate governance practices Human capital management Environmental practices 	<ul style="list-style-type: none"> Sustainable Financial Services Socially Responsible Employer Supportive Community Development

SUSTAINABILITY STATEMENT

Stakeholder Groups	Engagement Method	Matters of Interest	Our Response (refer to the respective sections of this statement)
INTERNAL STAKEHOLDERS			
Employees	<ul style="list-style-type: none"> Employee Engagement Surveys Performance assessment and feedback Intranet Meetings Townhall sessions Group corporate events Grievance handling systems 	<ul style="list-style-type: none"> Talent and succession planning Employee welfare Career progression Ethical business practice Information and data security Environmental practices 	<ul style="list-style-type: none"> Sustainable Financial Services Socially Responsible Employer Supportive Community Development
EXTERNAL STAKEHOLDERS			
Investors/ Shareholders	<ul style="list-style-type: none"> Roadshows Investor Relations Annual General Meeting Corporate website 	<ul style="list-style-type: none"> Overall performance and strategic direction Impact of products and services Corporate governance practices Strategic collaborations/partnerships 	<ul style="list-style-type: none"> Sustainable Financial Services Socially Responsible Employer
Regulators/ Government Bodies	<ul style="list-style-type: none"> Meetings Forums Regulatory briefings Programmes organised by regulators/government bodies 	<ul style="list-style-type: none"> Products & services Ethical business practice Overall performance Regulatory compliance Information & data security Corporate governance practices 	<ul style="list-style-type: none"> Sustainable Financial Services Socially Responsible Employer
Individual and Non-Individual Customers	<ul style="list-style-type: none"> Customer Satisfaction Surveys Social media Customer service channels Meetings/site visits Corporate website 	<ul style="list-style-type: none"> Products & services Streamlined customer services Ethical business practice Personal data protection Transparency in sales & marketing 	<ul style="list-style-type: none"> Sustainable Financial Services Socially Responsible Employer
Analysts/ Rating Agencies	<ul style="list-style-type: none"> Meetings Analysts briefings/forums 	<ul style="list-style-type: none"> Products & services Ethical business practice Regulatory compliance Financial performance 	<ul style="list-style-type: none"> Sustainable Financial Services
Media	<ul style="list-style-type: none"> Meetings Media releases Press conferences 	<ul style="list-style-type: none"> Good governance practices Societal impact Open and transparent communication 	<ul style="list-style-type: none"> Sustainable Financial Services Supportive Community Development
Business Partners/IT Outsource Partners	<ul style="list-style-type: none"> Corporate website Meetings 	<ul style="list-style-type: none"> Strategic collaborations/partnerships Products and services Transparency in sales and marketing Regulatory compliance Financial performance 	<ul style="list-style-type: none"> Sustainable Financial Services
Employee Unions	<ul style="list-style-type: none"> Meetings Townhall sessions Group corporate events 	<ul style="list-style-type: none"> Regulatory compliance Financial performance Human capital development Fair employment practices 	<ul style="list-style-type: none"> Socially Responsible Employer
Vendors/ Suppliers/ Contractors	<ul style="list-style-type: none"> Meetings Corporate website 	<ul style="list-style-type: none"> Regulatory compliance Financial performance Supply chain management 	<ul style="list-style-type: none"> Sustainable Financial Services
Industry/Trade Associations	<ul style="list-style-type: none"> Meetings Public partnerships 	<ul style="list-style-type: none"> Strategic collaborations/partnerships Products & services 	<ul style="list-style-type: none"> Sustainable Financial Services
Local Communities/ Non-Government Organisations (NGO)	<ul style="list-style-type: none"> Meetings Volunteer activities Forums Corporate Social Responsibilities programmes 	<ul style="list-style-type: none"> Ethical business practices Societal and environmental impact Indirect economic contribution 	<ul style="list-style-type: none"> Sustainable Financial Services Supportive Community Development

Table 1 – Summary of stakeholder engagements

SUSTAINABILITY STATEMENT

MATERIALITY ASSESSMENT

In 2018, we also conducted a materiality assessment process to identify and prioritise sustainability matters with significant impact to our business operations and stakeholders. In identifying the sustainability matters we have considered both internal and external factors, including the current and emerging global risks and opportunities associated with the financial services industry. This is also based on industry-specific references and publications such as the UN SDG Industry Matrix for Financial Services and sustainability-related disclosures by peer organisations. A total of 11 sustainability matters, that represent the Group’s key areas of managing EES were identified.

We conducted a Sustainability Impact Assessment to determine the level of importance of each sustainability matter to the Group. Participated by the members of the SWG, where relevant, we leveraged on our existing business risks evaluation parameters to rate the likelihood and impact of occurrences of risks events and materialisation of opportunities associated with the sustainability topics.

In 2018, we also conducted a stakeholder prioritisation exercise to identify the key internal and external stakeholder groups to AFFIN Bank Group. Based on the outcome of the stakeholder prioritisation exercise, we engaged with both our key internal and external stakeholders to gauge their perception on the identified sustainability matters.

The Group still observes the materiality assessment which is still relevant to the current economic environment. We analysed the outcome of the Sustainability Impact Assessment (which represents the business perspective) and survey responses (which represents the stakeholders perspective), resulting in a materiality matrix that depicts the sustainability matters of significance to our business and stakeholders, as shown in Figure 2.

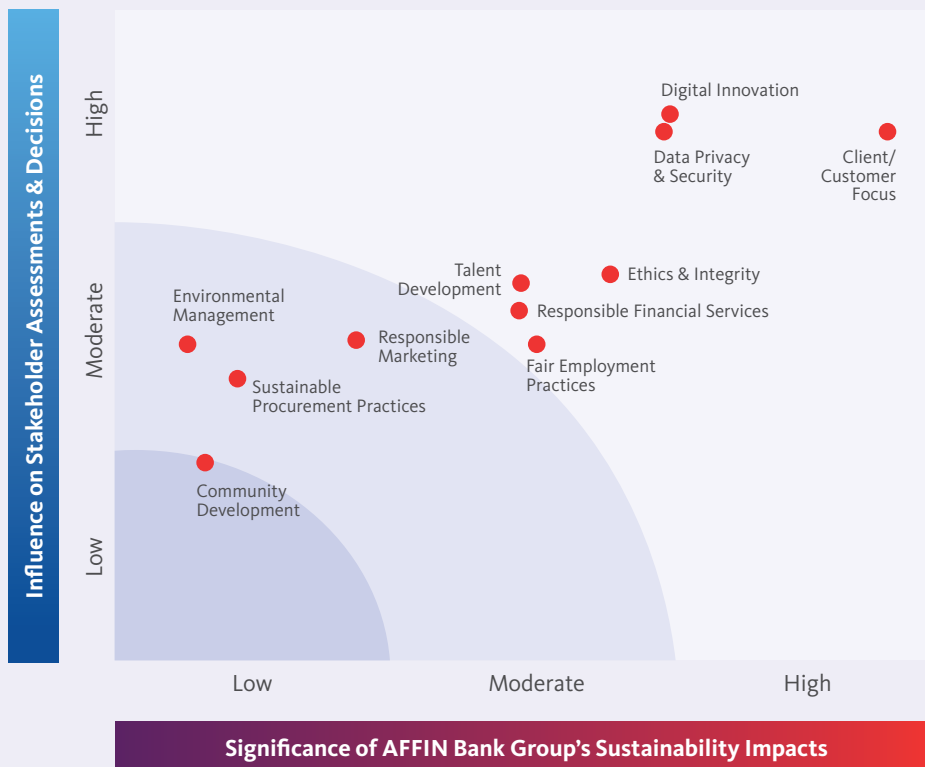


Figure 2 – Materiality Matrix

SUSTAINABILITY STATEMENT

The Materiality Matrix, as approved by the Board, shows that Client and Customer Focus, Digital Innovation, Data Privacy and Security, Ethics and Integrity and Talent Development have emerged as the Group's top five sustainability matters.

As shown in Figure 3 below, our sustainability matters are grouped into three themes – Sustainable Financial Services, Socially Responsible Employer and Supportive Community Development. Backed by AFFINITY, our strategic transformation programme – Figure 4 on the following page, further illustrates on how these sustainability matters act as key enablers, in support of our holistic strategic vision, governance structure and operations, in transforming our various capitals (e.g. in the form of financials, skilled talent, infrastructure/technology, etc.) into bringing value to both our business and stakeholders. Efforts to manage and monitor the Group's performance of these sustainability matters are discussed in the following sections of our Sustainability Statement.



Figure 3– AFFIN Bank Group's sustainability matters

SUSTAINABILITY STATEMENT

CREATING VALUE

In embracing the challenge to embed sustainability practices within the Group, we allocated capitals into our operations across various business segments. These strategic allocations allow us to ensure we sustain profitable growth as well as continuously create value for the Group and all of our stakeholders. Our journey towards value creation is represented by how we connect and address the said capitals with the management of our sustainability matters. Throughout the remaining sections of the statement, icons representing the relevant UN SDGs to identify its intrinsic connection with the sustainability matters being discussed.

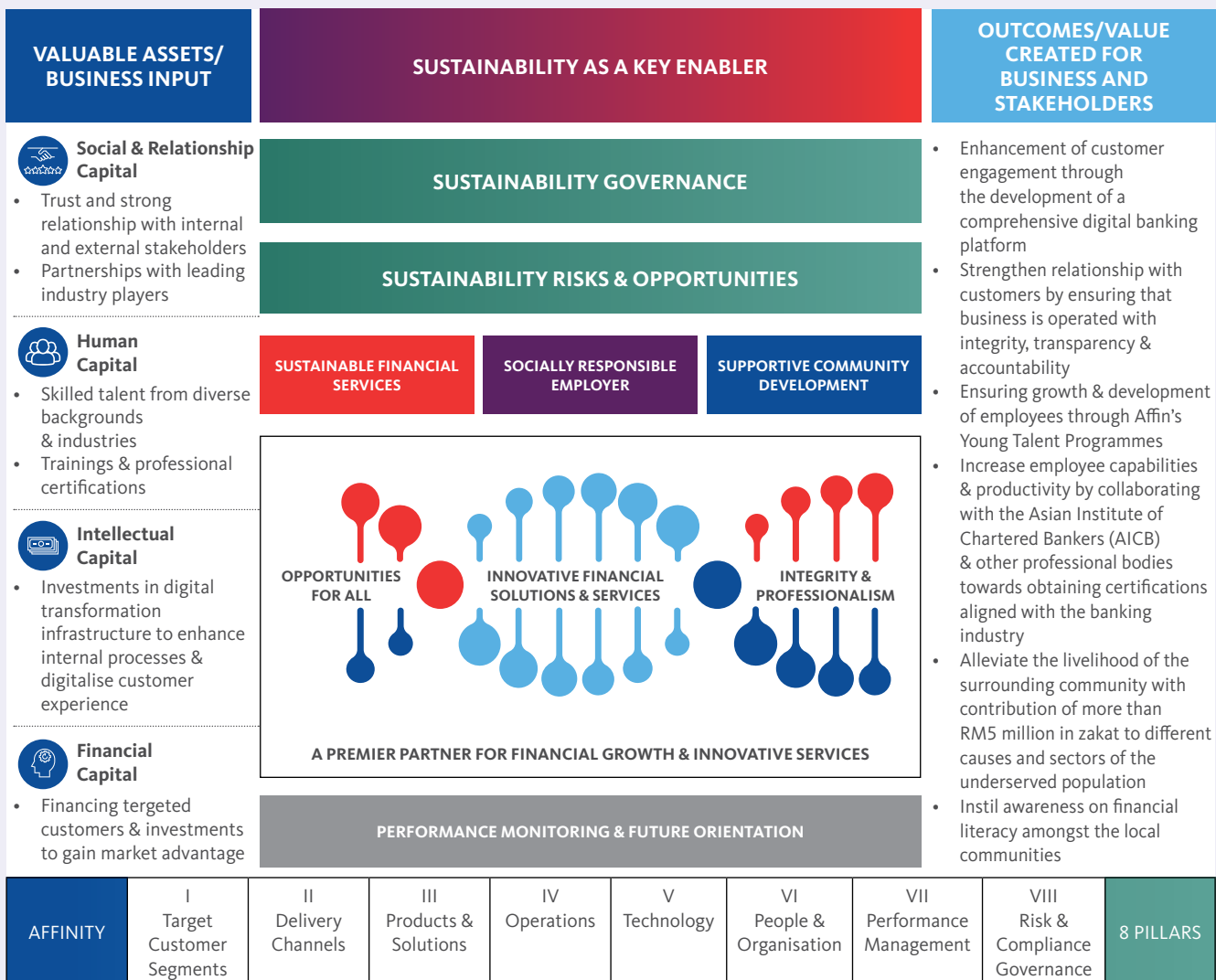
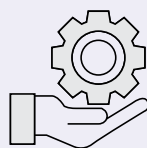


Figure 4 – How AFFIN Bank Group creates value

SUSTAINABILITY STATEMENT



THEME 1

SUSTAINABLE FINANCIAL SERVICES

Financial institutions are facing increasingly stringent and complex local and global regulatory environment. This situation demands us to strengthen internal controls and operating effectiveness of business processes, including the risk culture and reporting practices. By addressing these challenges, the Group is committed towards delivering sustainable and responsible products and services to meet the financial needs of all. We remain focused on cultivating and building the trust and credibility with our existing and potential customers. We understand the importance of staying abreast with technological innovation and we embrace digital evolution in a transparent, inclusive and responsible manner.

Sustainability Matters	Sustainability Initiatives	Outcomes	Value Created
Client/Customer Focus	<ul style="list-style-type: none"> Customer Satisfaction Surveys Policies & frameworks in regards to monitoring & managing customers' satisfaction Regular engagement with customers 	<ul style="list-style-type: none"> Simplified & improved customer experience Promote customer-centricity mind-sets 	<ul style="list-style-type: none"> Increase customer loyalty & trust Increase brand reputation
Digital Innovation	<ul style="list-style-type: none"> Digital Roadmap & Strategies Robotic Process Automation ("RPA") application 	<ul style="list-style-type: none"> Enhance operational efficiency Maximise operational cost efficiency & productivity 	<ul style="list-style-type: none"> Enhance customer service for faster and simpler transaction & experience Expand customer reach Faster & simpler business transactions
Data Privacy & Security	<ul style="list-style-type: none"> Establishment of Information Technology ("IT") Risk Framework, IT Security Policy, Data Management Framework & Governance Group Internal Audit conduct independent review 	<ul style="list-style-type: none"> Enhance & secure customer data management 	<ul style="list-style-type: none"> Increase stakeholders' trust & confidence
Ethics & Integrity	<ul style="list-style-type: none"> Compliance with BNM guidelines Adherence to Code of Conduct, Code of Ethics, Whistleblower Policy, Anti-bribery & Corruption Policy Inculcate AFFIN's DNA and AXA's policies (for AALI & AAGI) in our employees. Awareness trainings 	<ul style="list-style-type: none"> Promote an ethics, risk & compliance culture awareness amongst employees Close monitoring of data breaches incidents 	<ul style="list-style-type: none"> Build stakeholders' relationship by ensuring that business is operated with integrity, transparency & accountability Showcase high standards of professional conduct amongst employees
Responsible Financial Services	<ul style="list-style-type: none"> EES considerations when making investments Compliance with Shariah standards Partnerships with financial institutions 	<ul style="list-style-type: none"> Knowledge-sharing with other industry players Delivery of new & innovative products 	<ul style="list-style-type: none"> Gain market and competitive advantage Increase stakeholders' trust & confidence
Responsible Marketing	<ul style="list-style-type: none"> Internal & external frameworks on marketing responsibly Extensive marketing campaigns 	<ul style="list-style-type: none"> Deliver transparent & effective communication on products & services 	<ul style="list-style-type: none"> Expand customer-reach Increase brand reputation
Sustainable Procurement Practices	<ul style="list-style-type: none"> Hiring of local suppliers & vendors Evaluate performance of new suppliers based on EES aspects 	<ul style="list-style-type: none"> Increased purchasing from local suppliers Promotes paperless transactions with suppliers 	<ul style="list-style-type: none"> Develop local economic growth Ensure sustainable practice across the value chain

Table 2 – Summary of Theme 1: Sustainable Financial Services

SUSTAINABILITY STATEMENT

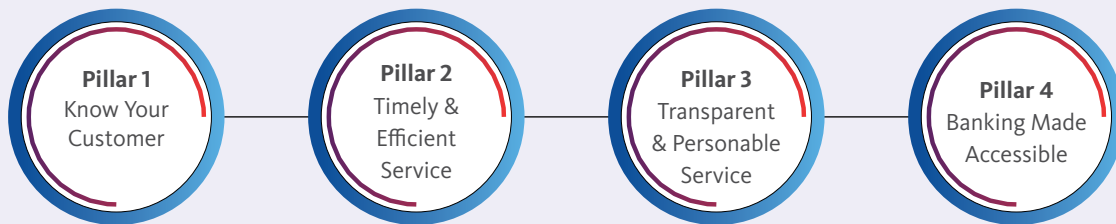
CLIENT/CUSTOMER FOCUS



Customers demand for fast, secured and convenient services, with the privilege to select products and services personalised to their individual needs. These demands will continue to expand the application of more extensive and diverse financial services. Our primary focus is driving customer satisfaction through increased efficiency and improved interaction. We have taken various initiatives to actively engage with our customers and guide them through their financial journey while we discover opportunities to enhance their experience.

Client/Customer Service Charter AFFINBANK, AFFIN ISLAMIC & AAGI

Rolled out in August 2017, AFFINBANK's Customer Service Charter is an industry-wide agreement which outlines key commitments and standards of service for all banks. The Charter's four main pillars are:-



AAGI's Client Charter outlines our commitments to gain customer trust by being the preferred insurance service provider

- Allows us to manage & respond to customers' complaints & claims

Complaint Management Policy/Procedures

AFFINBANK, AFFIN ISLAMIC & Affin Hwang Investment Bank Berhad

- Ensures a suitable mechanism exists for receiving & addressing customer complaints
- Specific emphasis on resolving complaints fairly & expeditiously with compliance to relevant regulations & guidelines
- Affin Hwang Investment Bank Berhad developed a Customer Complaint guideline based on products, services, activities & operations, taking into account the following governing guidelines, rules & regulations covering the best standards of practice in the handling of complaints which are applicable to the Securities Division & other relevant Divisions
- Complaint procedures includes a Complaints Handling Unit & Complaint Mechanism, Branch Complaint Officers at Investment Banking Division & Securities Division

Affin Hwang Asset Management Berhad

Customer Satisfaction Policy

- Governs us to continuously improve our processes in accordance with customers' changing demands & expectations
- Goal of building long-term relationships with our customers

Feedback Management Policy

- Step-by-step guide on how we treat & process feedback received, from acknowledgement to execution of solutions
- Ensure the feedback process is completed within an agreed timeline

Scheduled 'Call Back' Policy

- Customers waiting on the call queue are provided with the option for our contact center to schedule a call at a later time without having them to continue waiting in line
- Agents are required to complete all scheduled calls on the same day or latest by the next business day
- All calls must be logged in the Customer Relationship Management ("CRM") system

SUSTAINABILITY STATEMENT

Imposition of Fees & Charges Policy

AFFINBANK, AFFIN ISLAMIC & Affin Hwang Investment Bank Berhad

Committed to the promoting fairness in the treatment of customers when imposing any fees & charges in the conduct of business activities & offerings of products & services by:-

- ensuring fees & charges levied on financial products & services offered to individuals and Small and Medium Enterprises (“SME”) are equitable to both the customer and the Bank
- standing guided by & comply with the principles & requirements of BNM and other relevant authorities in the pricing of fees & charges to customers
- dealing fairly & honestly with customers at all stages of their relationship



Established as part of AFFINBANK’s AFFINITY Programme, the Customer Experience (CX) Department is responsible for enabling customer driven mind-sets, end-to-end customer service oversight & implementation of AFFIN’s Customer Experience models & frameworks. We have an internal complaint management system where emphasis is placed on improving systems to resolve customers’ complaints & increase efficiency.

CX Department continues to drive service improvement through Customer Onboarding project where we review end-to-end customer journey and aim to improve customer experience for our customers.



The Securities Division’s Retail Business & Corporate Planning, Sales & Marketing (CPSM) Department are responsible for ensuring the customer satisfaction of Affin Hwang Investment Bank Berhad’s operations. Customers’ feedback are collated physically & digitally by the Customer Service (CS) & e-Services (ES) Departments.

Customer Service Project – Examples of Key Initiatives

Create a standardised process flow for CS journey	Upgrade to UC phone, install auto call answering	Reduce unanswered calls & customer complaints
Appoint 1 CS representative at each branch	Reduce Turn Around Time	Setup CS team in centralised location in the next phase

At Affin Hwang Asset Management Berhad, the CX Department is assisted by our Customer Service Department to enhance customer experience by adhering with policies that manage increasing customer demands. Affin Hwang Asset Management Berhad Contact Centre Unit assists the CX Department in driving customer experience initiatives.

SUSTAINABILITY STATEMENT



AALI's Customer Contact Centre acts as the central department to collate and resolve customer complaints & formulating action plans for improvement. The Customer Care team will attend to customers enquiries and concerns from multiple channels including email, web, hotline and escalation from social media.

The CX Department is responsible to drive companywide Customer Net Promoter Score improvement through driving close-gap actions to remove painpoints in key customer journey and promoting implications and paperless initiatives including introducing customer self-service platform.

AAGI's CX Department is responsible for driving a customer focus mindset, identify opportunity to improve the end-to-end customer journey & implementation of Customer Experience Models & Frameworks across the entity.

We take our customers' concerns very seriously and endeavour to minimise the number of complaints. Through engagements with respective business owners, all complaints are analysed and responded in a timely manner. Any gaps found are addressed and measures for process improvements are undertaken, especially on recurring complaints. Complaints from external customers are also accessible and we have established frameworks on internal avenues for complaint appeals. Due to the complexity of some cases, pending complaints have to await resolution through further investigation. The customers are informed of the progress on timely basis. The effective management of customer complaints in the Group is audited by Group Internal Audit on an annual basis.

PERCENTAGE OF CUSTOMER COMPLAINTS RESOLVED

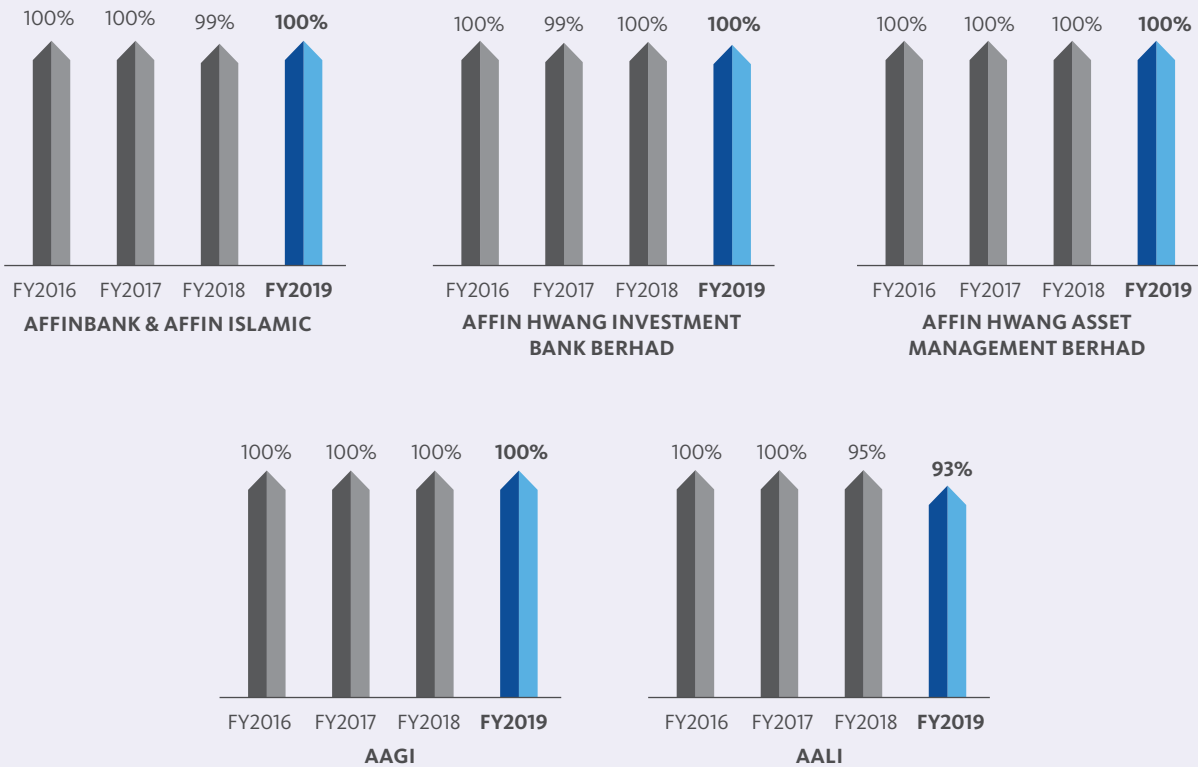


Figure 5 – AFFIN Bank Group's customer complaints statistics

SUSTAINABILITY STATEMENT

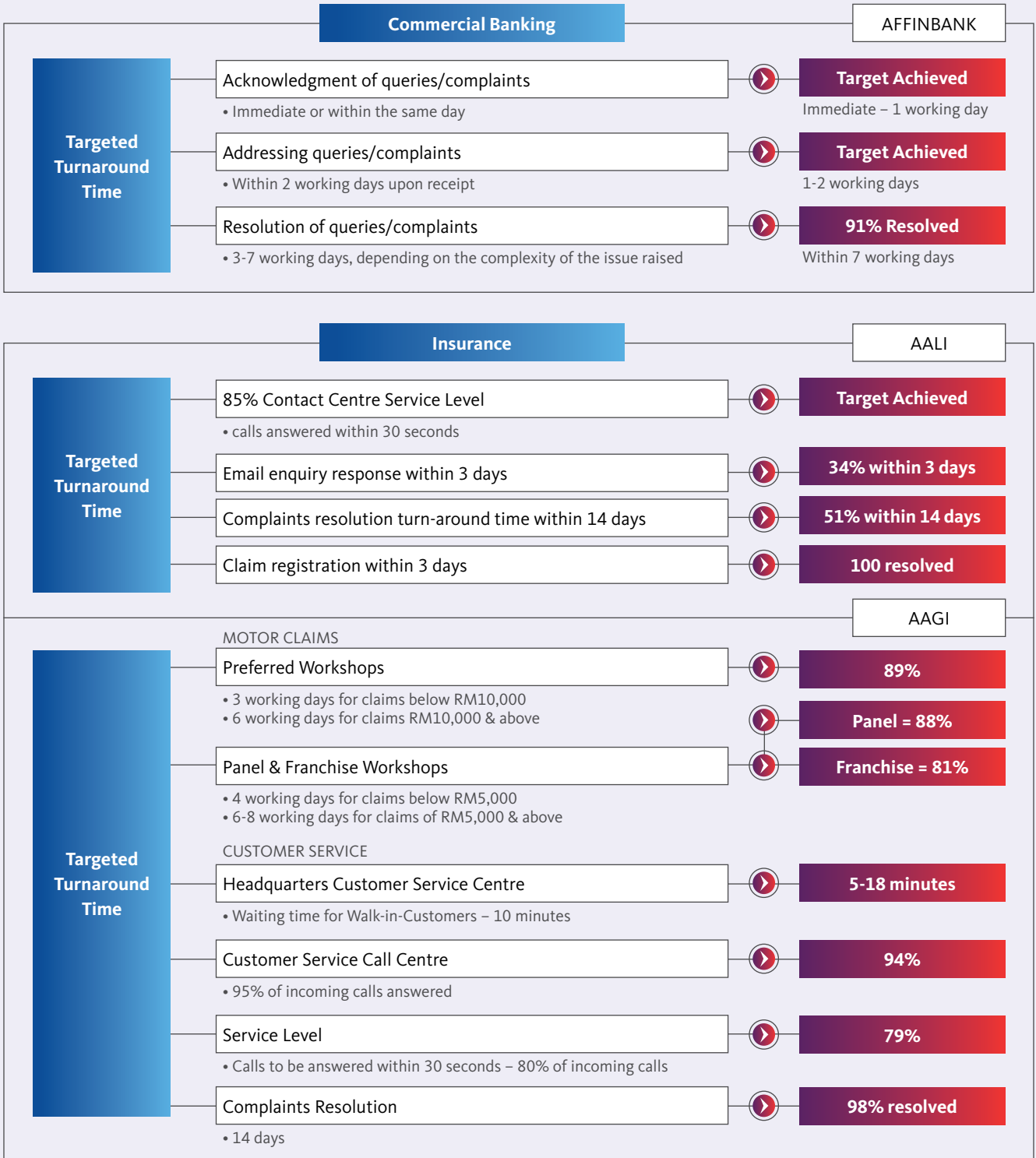


Figure 6 – AFFIN Bank Group turnaround times

SUSTAINABILITY STATEMENT

AALI intends to up-skill our contact centre executives and improve processes to deliver a better customer experience, while AAGI strives to improve customer experience in claims approval process and turnaround time (TAT). We will continue to improve and progress further in the areas mentioned.

Key Initiatives	Description	Achievements
AFFINBANK/AFFIN ISLAMIC		
Customer Experience (“CX”)	<ul style="list-style-type: none"> Introduced Colours of AFFIN for uniformity of dress code for frontline personnel CX Buzz sessions to create awareness on customer focus mindset through interactive session and motivational talk Customer Focus Week to create awareness on CX attributes 	<ul style="list-style-type: none"> Improved customer service Create professional image to staff Embedding CX attributes into day to day life of staff
Affin Hwang Asset Management Berhad		
Contact Center	<ul style="list-style-type: none"> Automated call distribution to agents with no rejections Interactive Voice Response (IVR) option with a self-service function that allows callers to perform routine functions such as i-access password reset Automated ‘call back’ on abandoned calls 	<ul style="list-style-type: none"> Reduced call waiting time Reduced abandoned calls Improved compliance with Service-Level Agreement (SLA) Improved customer call experience
WhatsApp Line	<ul style="list-style-type: none"> Provide alternative channels for customers who are not conveniently reached through voice calls Send notifications to investors before our call to ensure call is answered Faster follow-up for investors or customers or clients who have rejected transactions 	<ul style="list-style-type: none"> Reduced incoming voice calls & emails Faster response time from clients More interactive Allows investors or customers or clients to share certain error pages or request for assistance
Saturday Shifts	<ul style="list-style-type: none"> Provide service calls for customers on Saturdays Provide phone updates & service assistance 	<ul style="list-style-type: none"> Improve rate of answered calls & reach out rate of outbound team Enhance relationship with customers
PRS Reminder & Awareness	<ul style="list-style-type: none"> Provide reminders to PRS Investors to maximise their annual tax relief Promote retirement saving awareness amongst the youth 	<ul style="list-style-type: none"> Customers are able to enjoy tax relief despite busy work schedules Retirement saving plan from a young age & enjoy youth incentives
Loyalty Programme	<ul style="list-style-type: none"> Reward & retain investors Provide perks & privileges to eligible members Provide first hand market insights & VIP access to market events 	<ul style="list-style-type: none"> Build loyalty Improve advocacy Enhance value proposition for new investors or customers or clients acquisition
Investment Literacy Sharing – LTAT Investors	<ul style="list-style-type: none"> Educate Lembaga Tabung Angkatan Tentera (LTAT) investors on the structure of Unit Trust investments 	<ul style="list-style-type: none"> Investors stay on & invest after retired from LTAT
Affin Hwang Investment Bank Berhad & Affin Hwang Asset Management Berhad		
Customer Relationship Management (“CRM”)	<ul style="list-style-type: none"> A centralised platform to store all customer data Provide front liners a customised screen that allows viewing of all customer information such as personal details, investment accounts, last contact date, past activities & service request histories 	<ul style="list-style-type: none"> Enhanced communication between different functional units Improved customer service Greater efficiency for multiple teams Improved analytical data & reporting

SUSTAINABILITY STATEMENT

Key Initiatives	Description	Achievements
AALI		
Simplification Programme	<ul style="list-style-type: none"> Reviewed & improved processes to simplify customers' journey & maximise customer value creation 	<ul style="list-style-type: none"> Reduce policy issuance turnaround time and paperless initiative through e-policy project implementation. Enhanced MyAXA customer portal by introducing self-service online functions include payment instruction alteration, switch fund, top-up premium, easy access to e-medical card and e-policy. Implemented robotic processing automation that reduced claims processing turnaround time. Enhance experience in Health Claims:- <ul style="list-style-type: none"> SMS notification of Guarantee Letter approval upon admission and discharge 90% first hour Guarantee Letter approval rate Reimbursement claims turn-around time improvement from 50% to 85% within 14 days
Customer First Cultural Drive	<ul style="list-style-type: none"> Encourage our employees to be more customer-centric & promote Customer First Culture & behaviour through trainings & employee engagement activities 	<ul style="list-style-type: none"> Implemented service excellence awards to promote customer first behaviour among frontliners. Periodic review and close-gap through tracking of Voice of Customer dashboard.
AAGI		
AXA Travel Insurance Claims Journey	<ul style="list-style-type: none"> To improve the claims experience for travel insurance based on customers' feedback through Customer Satisfaction survey Embark on initiatives to enhance both front and back end Create an easy-to-use Online Claims Portal for customers to submit their claims online on desktop or mobile Implement 'Straight through Processing' with 100% automated process 	<ul style="list-style-type: none"> Hassle-free and speedy claim submission process that will improve customers satisfaction Claims process time is reduced tremendously from 22 days to 5 days. 500 man-hours (3.5 staff) is saved per month through automation and process simplification Overall turnaround time improved by 67% for Travel Claims The turnaround time in finance/payment process reduced by half Automate repetitive work and enable employees to focus on high value tasks

Table 3 – AFFIN Bank Group's efforts in ensuring a customer-focused organisation

We strive to provide the most convenient customer experience for our valuable customers. They are free to provide their feedback on the services received from our employees. Our initiatives improve the processes of our customers' journey and maximise value creation. We also have efforts in place to showcase how we value our customers and trainings to improve our customer-centricity.

Customer Focus – Affin Hwang Investment Bank Berhad



Our segmentised client approach means we have specific desks and resources covering large-cap as well as mid-cap Corporates and the Government sector. We also have dedicated presence in the Klang Valley and Penang to better serve our core markets as well as in East Malaysia to develop markets there. Working seamlessly with products partners, we are developing and offering new products and services to our clients. Leveraging on our large distribution network, we are able to offer end-to-end Investment Banking capabilities and maintain our client-focused approach in providing detailed, tailored solutions to “Out Think. Out Perform.” the competition.

SUSTAINABILITY STATEMENT

We understand that customer satisfaction is driven through improved and efficient engagement. The Group has conducted various surveys and initiatives to gauge our customers' level of satisfaction to improve interaction and better address their needs.

Communication Channels	Description	Frequency of Engagement
AFFINBANK & AFFIN ISLAMIC		
Customer Engagement & Brand Equity Surveys	<ul style="list-style-type: none"> In-depth interviews, focus groups, Computer Aided Telephone Interviews (CATI) & online surveys Evaluates customer loyalty & strength of customers' relationship Derives Relationship Strength Index and Net Promoter Score Evaluates perception of the brand vis-à-vis competitors 	Annually/Biannually
Post-complaint Handling Satisfaction Survey	<ul style="list-style-type: none"> Evaluates the satisfaction of customers towards the overall handling of complaints in terms of responsiveness, employee handling of complaints & the complaint process Evaluates the effectiveness of the service recovery performed 	Monthly Emails
Mystery Shopping Exercise	<ul style="list-style-type: none"> Evaluates how well norms & standards are being conformed to by frontlines across key touchpoints for Consumer & SME Banking 	Annually/Biannually
Affin Hwang Asset Management Berhad		
Post-campaign Surveys	<ul style="list-style-type: none"> Evaluate satisfaction Gather ideas & feedback to improve participation rate Understand factors investors consider when choosing wealth management partners Likelihood of investors to share campaigns with friends & family 	Post Campaign Participation
New Client Welcome Call	<ul style="list-style-type: none"> Welcome new investors on-board & gather improvement feedback Understand customers' reach Level of service provided by sales consultants Compliance check on sales consultants Net Promoter Score 	Upon account opening
Walk-in Surveys	<ul style="list-style-type: none"> Evaluate service quality rendered by customer service Identify positive factors that make walk-in customers happy & areas of improvement through feedback Net Promoter Score 	Upon visit to headquarters office
Assets Under Management ("AUM") Service Call under RM10,000 clients	<ul style="list-style-type: none"> Get in touch with investors & update them on their portfolios Assist investors in areas such as i-access login, investment top-up, switching advice, update of contact details, etc. 	Biannually

SUSTAINABILITY STATEMENT

Communication Channels	Description	Frequency of Engagement
AALI		
Customer Satisfaction & Net Promoter Score Surveys	<ul style="list-style-type: none"> Active engagement with customers to improve their experience Touchpoint triggered surveys through Customer Satisfaction & Net Promoter Score measurements 	Timely surveys triggered by transactions/ touchpoints
Multi-channel Customer Response Platform	<ul style="list-style-type: none"> Customer Service Hotline, Customer Service Email AXA Facebook page, Livechat (online insurance platform) 	Daily (except weekends & Public Holidays)
AAGI		
Instant Customer Feedback (“ICF”)	<ul style="list-style-type: none"> Active customer engagement to improve their experience Instant Customer Feedback Survey to collect instant feedback after services are rendered (e.g. Roadside Assistance, Workshop Repair) 	Daily (except weekends & Public Holidays) via SMS
Customer Experience Tracking (“CXT”) Survey	<ul style="list-style-type: none"> Evaluates customer satisfaction levels 'I am a New Customer' – online survey that applies to new customers who bought a policy in the past 3 months 'i-Claim' – CATI targeted at existing customers who contacted AXA with regards to insurance claims in the last 3 months Feedback received provides information to address concerns Translates problems into opportunities & improves end-to-end customer journeys 	Quarterly
AXA Facebook Page	<ul style="list-style-type: none"> Communication channel via Facebook Messenger to assist customers' enquiries & collect feedback on product & services 	Daily (except weekends & Public Holidays)
AXA Generic Email Inbox	<ul style="list-style-type: none"> Provide alternative modes of communication for the customers customer.service@axa.com.my claims@axa.com.my 	Daily (except for weekends & Public Holidays) via email

Table 4- AFFIN Bank Group's customer engagement channels

DIGITAL INNOVATION



Technology is integrated in every aspect of our lives. In the financial services sector, digital innovation enables companies to drive efficiency, address evolving risks and sustain profitability. This is done by improving our products, offering value-added services, and more convenient customer experiences. We understand the need to invest in digital innovation to adapt with the evolving technological ecosystem, and better serve our customers through a wide range of products and services. Group Internal Audit conduct regular reviews and audits to validate the effectiveness of established controls, with significant issues are promptly remediated.

SUSTAINABILITY STATEMENT

MISSION				
Reform banking experience by capitalising on latest digital technology	Nurture a strong and innovative digital culture		Effective partnerships with relevant Fintechs to accelerate innovations and digital enablement	
AFFINONLINE PERFORMANCE & AWARD <ul style="list-style-type: none"> • Users:- 136% increase (787,632) • Sessions:- 179% increase (2,831,645) • Pageviews:- 127% increase (3,646,331) • Website of the Year Award (Asian Banking & Finance) 	SOCIAL RESPONSE PERFORMANCE <ul style="list-style-type: none"> • Average TAT for FB Comment: 15 mins 43 sec • Average TAT for FB PM: 5 mins 38 sec • 17,714 interactions for social media and live chat sessions 	MYTOWN AWARD <ul style="list-style-type: none"> • Omni-Experience Innovator Award (IDC Digital Transformation Awards 2019) • SMEColony Award • Malaysia Technology Excellence Awards 2019 	E-PAYMENT SERVICES & FEES (EPMCG) <ul style="list-style-type: none"> • 5/7 KPIs achieved as set by BNM 	SOCIAL MEDIA PERFORMANCE <ul style="list-style-type: none"> • AFFINBANK Social Media increase in:- <ul style="list-style-type: none"> - FB Followers: 8.56% - FB Engagement: 3.01% - IG Followers: 18% - IG Engagement: 3.80%
AFFINBANK DIGITAL BANKING ACHIEVEMENTS 2019				
CONTACT CENTRE IVR AND LAUNCH OF CASE MANAGEMENT FOR COMPLAINT HANDLING & AWARD <ul style="list-style-type: none"> • Self Service IVR & Debit/Credit Card PIN via IVR: Live on 1 Jun 2019 • Case Management: Live on 7 Sep 2019 • IVR TPIN: Live on 9 Nov 2019 • Genesys CX Sales and Marketing Performer Award 2019 	LAUNCH OF SOCIAL LISTENING <ul style="list-style-type: none"> • 1 Jul 2019 	LAUNCH OF NEW RIB <ul style="list-style-type: none"> • 3 Sep 2019 	LAUNCH OF DUITNOW VIA RIB <ul style="list-style-type: none"> • 3 Sep 2019 	TELESALES ACHIEVEMENT <ul style="list-style-type: none"> • Contributed RM26,542,234 • Overall channel contribution: 79%

Figure 7 – AFFINBANK's digital transformation plan & achievements

IT Strategy Plan AFFINBANK & AFFIN ISLAMIC

We are proactively upgrading our digital solutions to meet our aspirations of becoming a highly digital & innovative bank with customer-centricity at heart. Technological innovation is integrated within to enhance the efficiency of our internal processes, improve customer experience, as well as safeguard the data & information of our stakeholders.

SUSTAINABILITY STATEMENT

Robotics Governance Framework *AFFINBANK, AFFIN ISLAMIC & AAGI*

Efforts to transform into a digitally innovative company stems from compliance with Robotic Process Automation (RPA) governance. This ensures security monitoring, change management and other services in place to support the entire RPA platform.

Robotics Process Automation (RPA)

Invested in RPA across various operations to automate manual tasks and allow employees to focus on value-added tasks to better serve customers. Over 100 robots have been deployed successfully and it reduces processing time by 95%, improving quality and speed.



AFFINBANK & AFFIN ISLAMIC 's Information Technology (IT) is accountable for supporting business demands & implementing digital banking capabilities respectively. These online banking offerings for corporations as aligned with overall digital initiatives. They work closely with all business divisions to ensure new capabilities & functions can be deployed in a structured & organised manner. The department also manages IT applications to enable stability & smooth running of production systems. SMEColony is a comprehensive resource platform for SMEs to improve business knowledge, enhance financial well-being and expand commercial networking. It is the flagship initiative of AFFINBANK's digital roadmap delivered on a multi-partner and e-commerce SME mobile platform.

AFFINBANK target to roll out ASNB Loan Certificate System in 1Q2020 to speed up the loan/financing disbursement process.



The IT department at Affin Hwang Investment Bank Berhad delivers operational efficiency & stability through automation, innovation & reliable systems. They provide application development, project management and projects delivery to achieve system automation and innovation. Their efforts have strengthen our infrastructure for Business Continuity Planning (BCM) anywhere, through the development and adoption of several digital solutions to reduce costs and improve efficiency.

Affin Hwang Asset Management Berhad's Innovation Lab introduces digital solutions while our Information Services & Technology Department is the key development arm to assist in delivering the necessary requirements. Our Innovation Lab provides guidance on projects within our CX department to ensure it aligns with our firm-wide innovation strategy. The CX team also collaborates with the Information System department to understand user expectations & experiences for system enhancement. Affin Hwang Asset Management Berhad aims to integrate technology in our daily business operations to deliver better services to our customers.



AALI's Digital Department is involved in developing an e-commerce system to effectively deliver digital services & enhanced customer experiences.

The responsibility to embrace technological advancements at AAGI lies with the Digital, Operations Excellence & Customer Experience Departments. These departments ensure digital platforms enable operational efficiency that will enhance customer experience, ensure continuous product & allow channel digitisation. This offers seamless purchases & service experiences across all digital platforms, process improvements through RPA platforms to maximise cost efficiency & productivity, as well as a collaborative approach in digitising customer touch-points.

SUSTAINABILITY STATEMENT

CORPORATE INTERNET BANKING

At AFFINBANK and AFFIN ISLAMIC, we are changing our current Corporate Internet Banking services to a new cash management channel, AFFINMAX, which acts as a single ecosystem participation solution and Financial Supply Chain (FSC) solution. These solutions will be implemented in phases of which the first phase went live in August 2019. The FSC module will offer program lending on community basis designed for Buyer and Supplier to apply for Account Payable (AP) financing or Account Receivable (AR) financing.



Figure 8 – AFFINMAX product features

SUSTAINABILITY STATEMENT

AFFINMAX TIMELINE

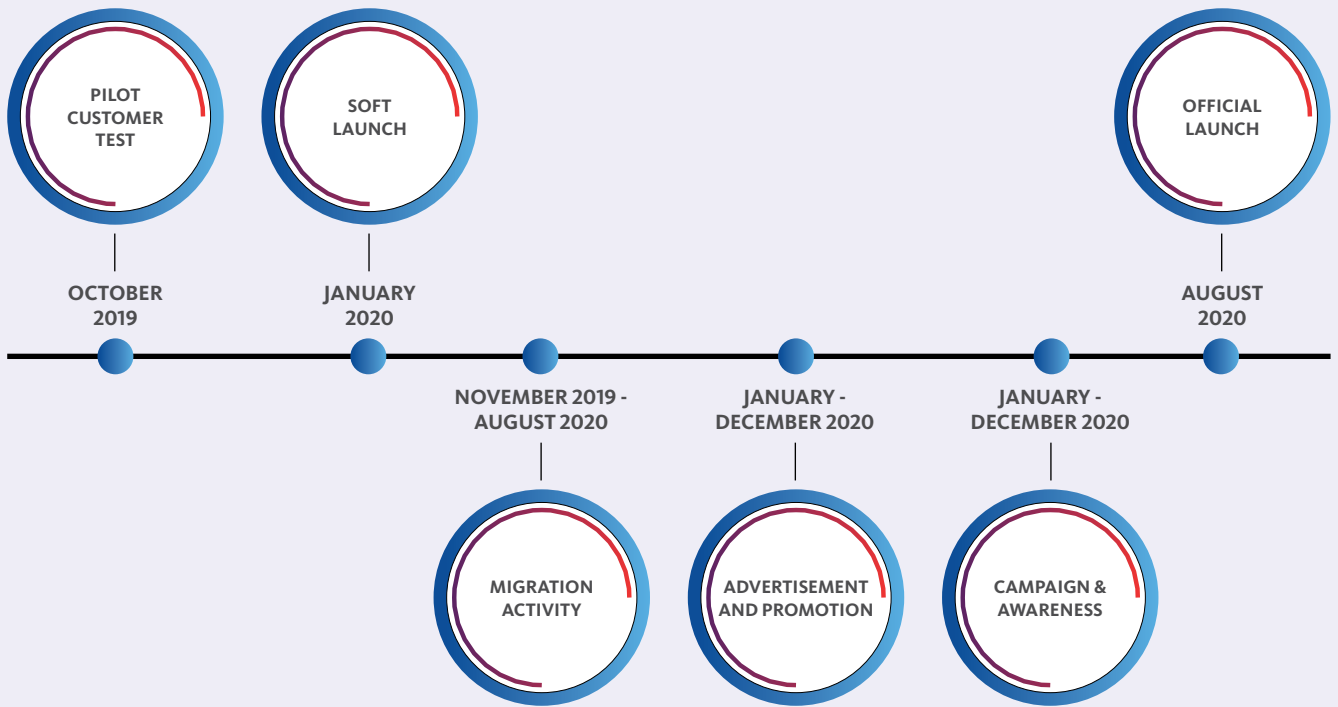


Figure 9 – AFFINMAX targeted milestones

Key milestone on our digital transformation journey and future plans of Amanah Saham Nasional Berhad (ASNB) Business & Unsecured Financing

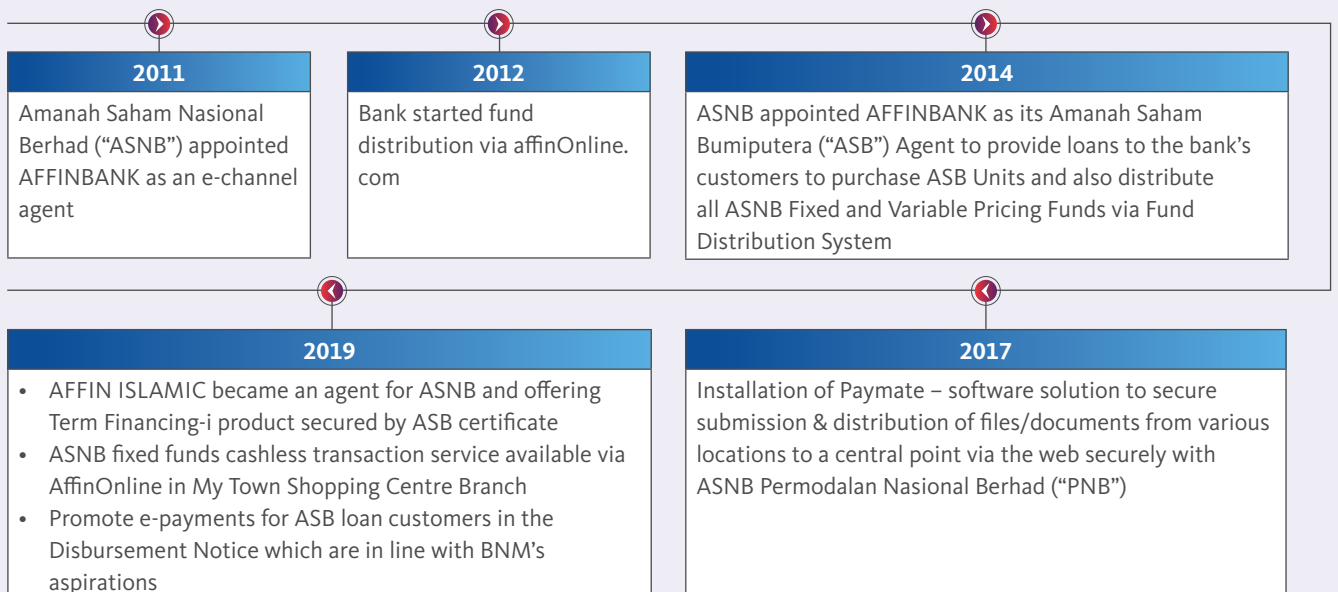


Figure 10 – Key milestones on our digital transformation journey and future plans of Amanah Saham Nasional Berhad (ASNB) Business & Unsecured Financing

SUSTAINABILITY STATEMENT

AFFIN Islamic Visa Debit card-i leveraged on latest payment technology with the provision of easy and secured access to customer’s deposit accounts for withdrawals or transactions at participating retail service outlets. We are able to build AFFIN’s brand via various card campaigns and have recorded notable increments in usage.

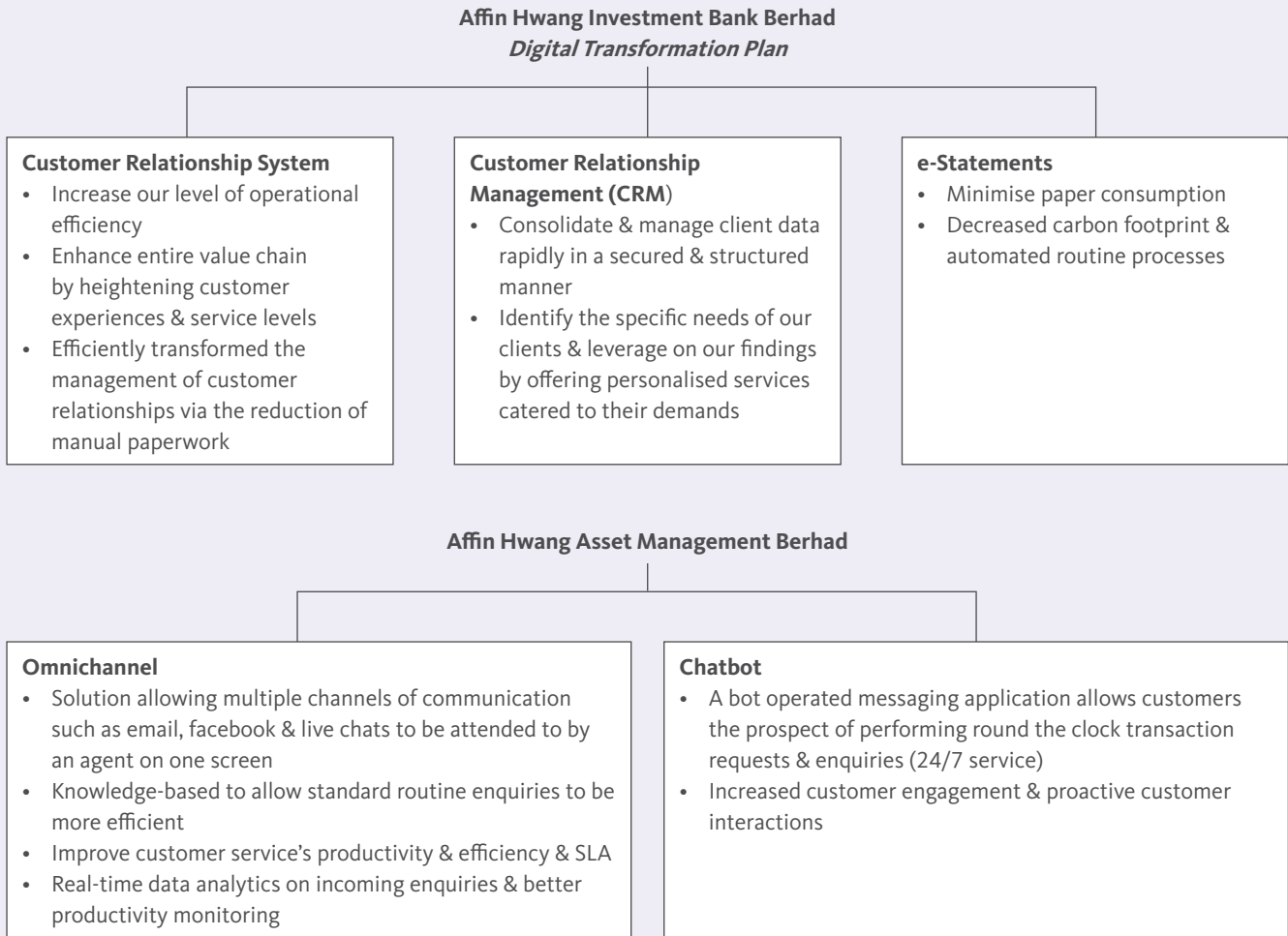


Figure 11 – Application of technological innovation to enhance customer experience

SUSTAINABILITY STATEMENT

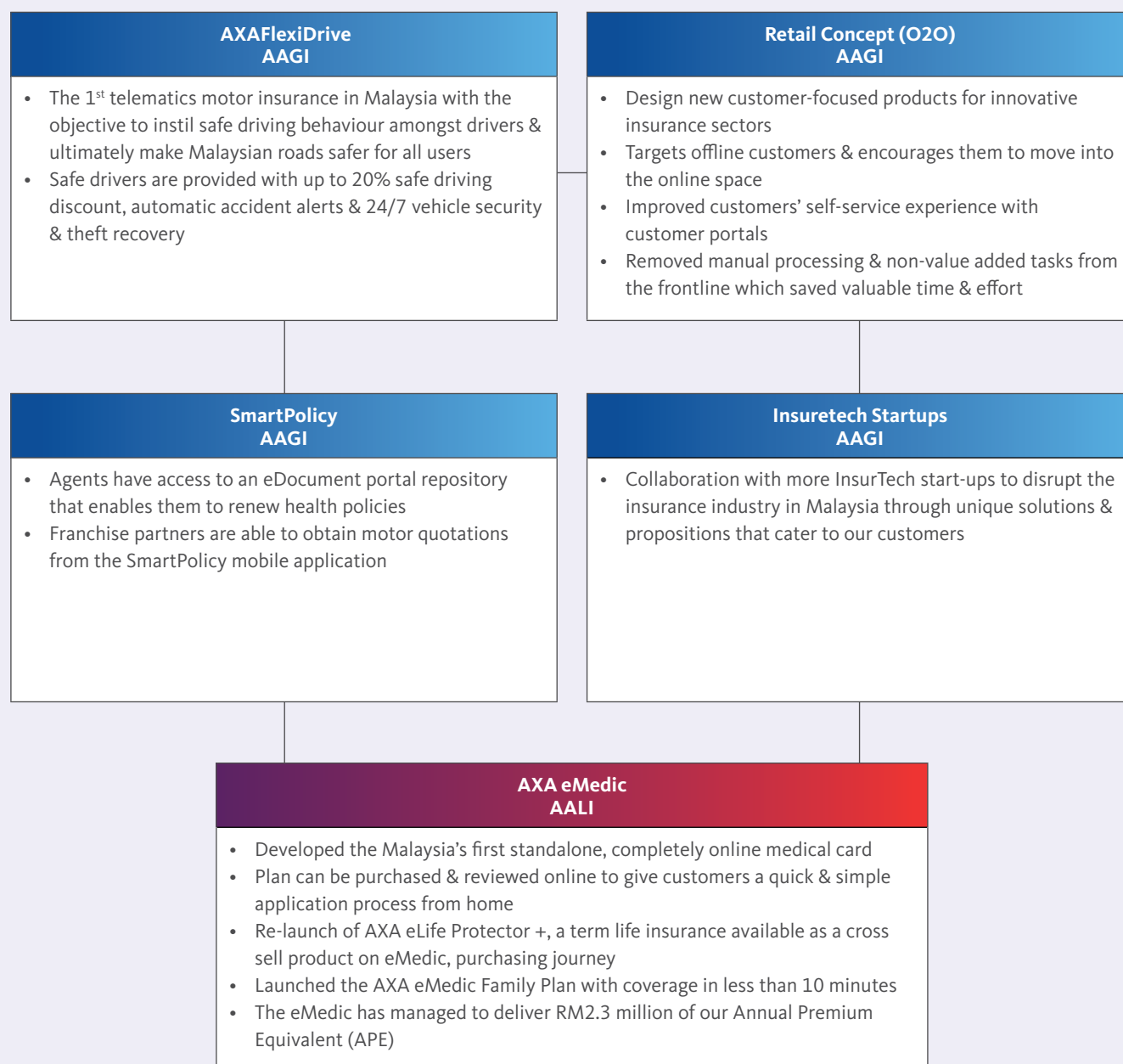


Figure 12 – Application of technological innovation in delivering products & services

SUSTAINABILITY STATEMENT

In March 2019, AAGI launched an online travel insurance claim submission service. It is a paperless and hassle-free experience, enabling customers and agents to submit claims online via our corporate website. Guidance on the type of benefits, supporting documents and information required to submit a claim is being provided. Back-end claims processing is also being improved with automation to increase efficiency and improve the end-to-end claims experience at every touch point. This will increase customer satisfaction and improve the ratings of our claims service.



Figure13 - Award received in relation to AFFIN Bank Group's digital innovation

SUSTAINABILITY STATEMENT

DATA PRIVACY & SECURITY



As we shape our technological infrastructures and processes to bring about competitive advantages, we are exposed to various risks such as cyber-attacks, data breaches and fraud. Our initiatives to ensure the security of our stakeholders' data and information is driven by numerous factors; the use of emerging technologies and connected customer channels, heightened public sensitivity to data privacy and protection, as well as evolving regulatory expectations. It is imperative for us to safeguard our stakeholders' data and information as it establishes customers' trust and confidence in our products and services.

AFFINBANK & AFFIN ISLAMIC

IT Risk Management Framework

- Covers end-to-end process of managing IT Risk
- Risk identification, risk analysis, risk mitigation as well as risk monitoring & reporting

Information Security Baseline & Control Objectives

- Outlines information security management in line with BNM on Managing Cyber Risks & PayNet Guidelines on Cyber Resiliency
- Ensure confidentiality, integrity & availability of data & system resources
- Clean Desk Guidelines

Guidelines on Management of Confidential Customer Information for Portable Devices, Digital Media, Emails & Social Websites

- Defines standard guidelines on usage of portable computing & storage devices for bank infrastructure
- Protect confidential information from theft, loss, misuse and unauthorised access via digital media
- Covers all digital media where data is stored or transmitted

Outsourcing Policy

- Improve operational flexibility & minimise the need for capital investment
- Enables AFFINBANK to focus on core business & enhance efficiency levels
- Manage exposure on information security risks & procurement associated with outsourcing

Data Management Framework

- Establish sound policies, systems & procedures to capture, manage, disseminate & safeguard data in an effective & efficient manner to achieve the characteristics of data quality
- Governs all data in all forms (including raw & processed data), stored in all media (electronically & physically), within the premises or third party storage & data generated internally or belonging to a third-party in the bank's possession

Affin Hwang Investment Bank Berhad

Personal Data Protection Act (PDPA) Compliance Programme

- Benchmark for compliance and serves as a guide to achieve and maintain continued compliance with the PDPA
- Outlines the 7 data protection principles of the Act
- Sets out operational procedures for compliance

Management of Customer Information

- Guiding principles and operational procedures to safeguard customer information and permitted disclosure
- Provides for regular training in respect of observation and compliance with the secrecy provision of the FSA and relevant BNM's circulars
- Sets out escalation process and independent review in respect of any alleged breach

SUSTAINABILITY STATEMENT

Code of Practice on Personal Data Protection for the Insurance & Takaful Industry AAGI

- Sets out best practices for insurers/operators to assist in meeting requirements under the Personal Data Protection Act 2010 (PDPA)

AALI

Data Privacy Policy

- Employees shall ensure that confidentiality of data is protected at all times & processed in compliance with PDPA 2010
- Each system/data owner has the responsibility to safeguard and limit access to customer data
- Provides processes, procedures and systems to protect data stored

Personal Data Retention Policy

- Rules set out regarding retention data may therefore cover all relating to customers, suppliers, employees, etc.
- Applies to Personal Data in whatever form retained, whether electronically, in hardcopy or other media & all AALI employees

AFFINBANK's Standard Operating Procedures (SOP) on the management of security breaches serve as a guide for employees to manage escalations and reporting of incidences relating to customers' information breach upon detection.

AFFINBANK, AFFIN ISLAMIC and Affin Hwang Asset Management Berhad conduct Vulnerability Assessments (VA) and Penetration Testing (PT) annually. The VA & PT are undertaken by an independent external party to ensure system vulnerabilities detected are addressed accordingly. We also implemented security solutions and systems to ensure processes are safeguarded from possible threats.

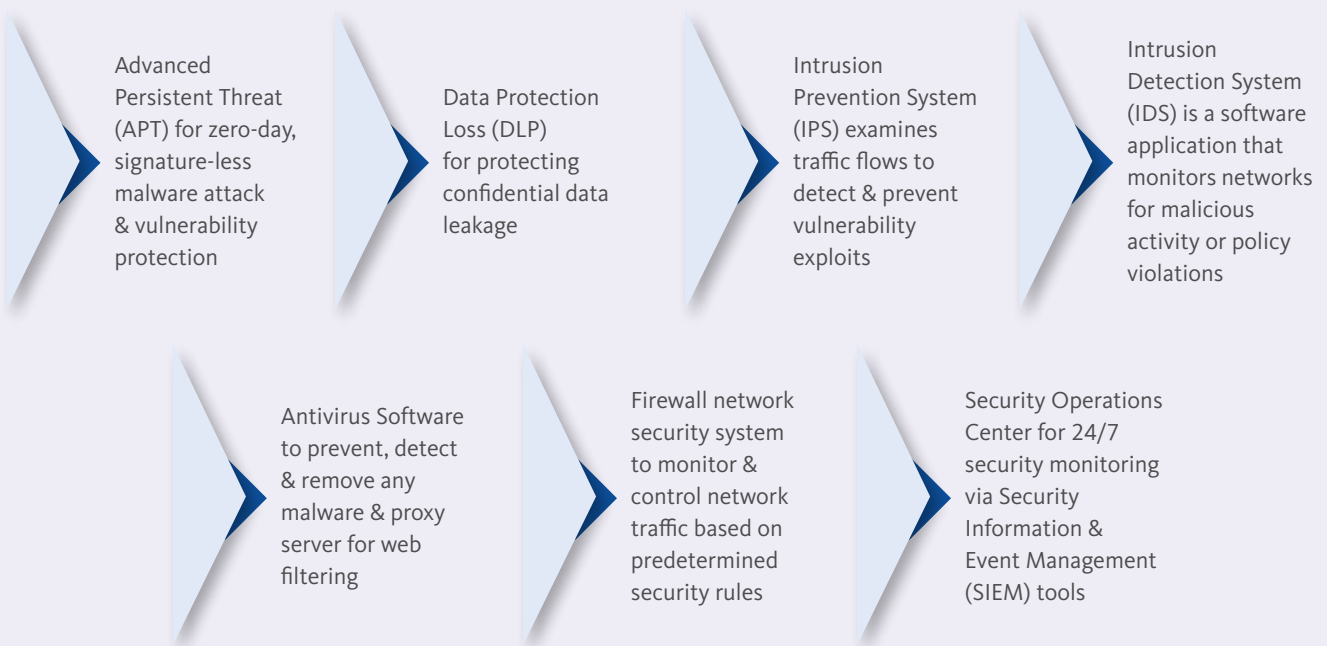


Table 5 – AFFINBANK's security solutions & possible threats

SUSTAINABILITY STATEMENT

AFFINBANK, AFFIN ISLAMIC and Affin Hwang Investment Bank Berhad have a Disaster Recovery Plan to ensure business operations are up and running in the event of a tragedy. Our Business Continuity Risk Management Department governs the management of service continuity issues across AFFINBANK, AFFIN ISLAMIC and Affin Hwang Investment Bank Berhad, in line with BNM Guidelines on Business Continuity Management (BCM). A Crisis Management Team was established to enable the activation of BCM when immediate response to a major incident is required. Rigorous testing on business continuity and disaster recovery are performed to ensure effective and smooth execution of the plans for resumption of disrupted services.

Information/Cyber Security Awareness Training	Compliance & Personal Data Protection Act (PDPA) 2010	Clean Desk Requirement
<ul style="list-style-type: none"> Part of the Group requirements to ensure employees are communicated & aware of the procedure on information security Provide security awareness & alert to all staff All employees annually and/or all users if & when required 	<ul style="list-style-type: none"> Ensure all employees are aware of data protection measures and requirements under PDPA Act 2010 Declaration on Data Privacy & PDPA for new employees to understand & be aware of the Group's procedure on data privacy & PDPA For all new employees to attend quarterly/during on-boarding 	<ul style="list-style-type: none"> Checked regularly by Compliance Officer for compliance with Clean Desk Requirement and applies to all users

Table 6 – Examples of AFFIN Bank Group's trainings on data & information security

At AAGI, we created a platform to communicate awareness through periodic data management and security audits, hence ensuring ongoing governance. As part of our Information Security requirement, we conduct awareness training for all of our employees to ensure they are aware of information security procedures.

There were no incidents on security breaches during the reporting year for most entities, and we intend to remain diligent in improving our current processes. To ensure there are no repeated offences, we will improve the management of data loss, and enhance detection, monitoring and reaction capabilities.

AALI is in compliance with BNM's BCM guideline in which to conduct a minimum of two disaster recovery yearly and had completed the Disaster Recovery activities successfully for year 2019 with annual review on the plan.

SUSTAINABILITY STATEMENT

ETHICS & INTEGRITY



The Group places utmost importance on ethics and integrity as it plays a substantial role in building and maintaining stakeholders' trust and confidence. All employees are required to strictly abide to the highest standards of corporate governance as they act as ambassadors for the Group to maintain our reputation as we move towards sustainable business growth. The Bank adopts good corporate governance practices that conform to the BNM's Policy Document on Corporate Governance, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance issued by Securities Commission.

The Corporate Governance Overview Statement of the Bank is presented separately in this Annual Report.

Fit & Proper Policy

AFFINBANK, AFFIN ISLAMIC, Affin Hwang Investment Bank Berhad, AHAM, AIIMAN & AALI

- Formalised by guidelines set out by BNM to ensure key positions in the Group are led by personnel who fulfil certain criteria:-



- Aims to ensure the person undertaking capital market activities are fit & proper to perform business activities & functions
- Aimed at preserving integrity & promoting confidence while ensuring licensed representatives carry out permitted activities

Code of Conduct & Code of Ethics

AFFINBANK, AFFIN ISLAMIC, Affin Hwang Investment Bank Berhad, AHAM, AALI & AAGI

for further information please refer to the Corporate Governance Overview Statement on page 139 to 155

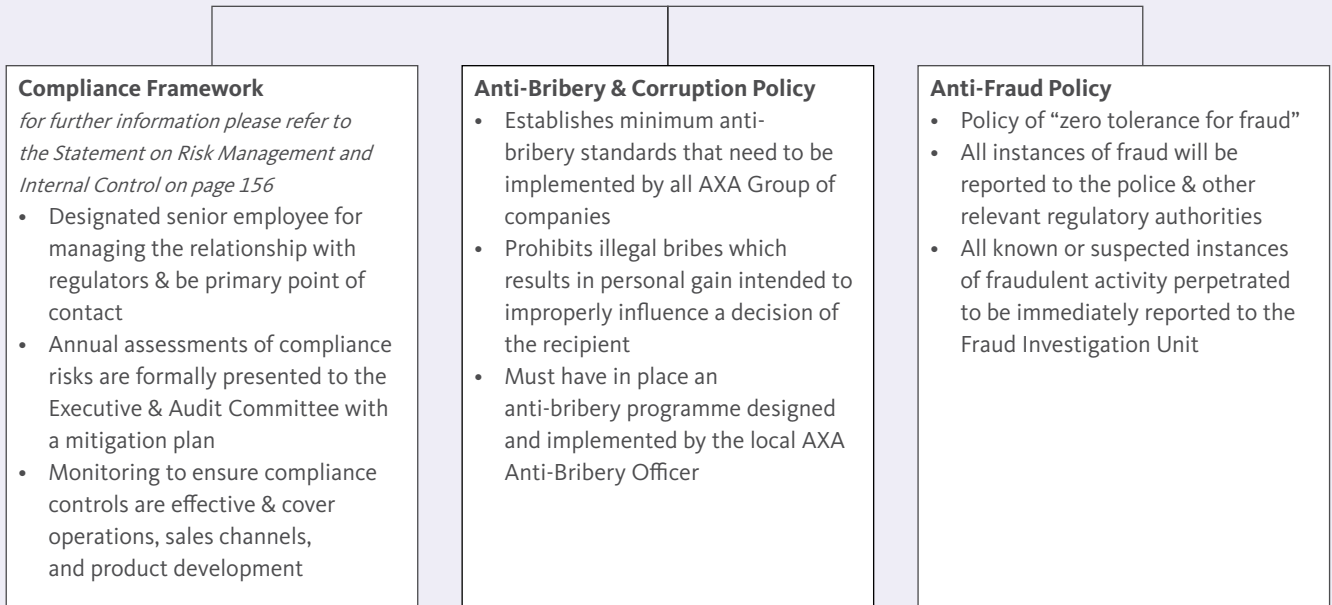
- Ensures employees are committed to uphold, maintain & demonstrate high levels of integrity & professionalism at all times
- Employees are encouraged to provide feedback on any concerns regarding misconduct and/or wrong doings
- Ensures employees consistently practice high standards of professionalism & ethics to serve legitimate interests of customers
- Ensure compliance with laws & regulations applicable to our business activities, good conduct rules & standards established by BNM/SC & internal principles as set out in our Compliance & Ethics Guide; Integrity, Professionalism, Innovation, Pragmatism & Team Spirit
- Written procedures governing the giving or receipt of gifts & entertainment
- Employee screening procedures to be conducted to ensure compliance with BNM/SC requirements:-
 - Greater transparency on conduct histories of prospective employees to facilitate in making informed hiring decisions
 - Strengthening of the screening practices for recruitment to promote an ethical workforce
- Annual or semi-annual declaration of compliance by all regarding the Compliance & Ethics Guide & Conflict of Interest Policy

SUSTAINABILITY STATEMENT

Anti-Money Laundering/Counter Financing Terrorism Policy (AML/CFT) AFFINBANK, AFFIN ISLAMIC, Affin Hwang Investment Bank Berhad, AHAM, AALI & AAGI

- Create an environment & culture of vigilance of money laundering & terrorist financing activities
- Provide employees with guidelines relating to functional areas exposed to money laundering & terrorist financing activities
- Automated & documented screening of new & existing customers are regularly conducted
- Guards, detects and reports suspicious transactions
- All employees are required to attend trainings on ethics, AML/CFT conducted annually that describes the general overview of money laundering & challenges that a financial services provider may face
- Aims to inculcate best practices in all level of employees

AALI & AAGI



Whistleblower Policy AFFINBANK, AFFIN ISLAMIC, Affin Hwang Investment Bank Berhad & AALI *for further information please refer to the Corporate Governance Overview Statement on page 139 to 155*

- Support the reporting of suspected instances with improper practices which may implicate ethical standards or integrity
- Outline the mechanisms & infrastructure in place for the reporting & investigation of matters raised by a Whistleblower
- Outline the measures in place to protect employees against reprisal or recriminatory action from within the organisation

AFFIN Bank’s Group Operational Risk Management Framework is in place to prevent losses resulting from failure with laws and prudent ethical standards, and govern the management of operational risk across the Group. Our GBRMCC approves all policies and policy changes relating to operational risk, reviews the monitoring of operational risk, and provide a forum to discuss all aspects of operational risk. The Compliance Department oversees all regulatory matters of the Group and ensures all circulars, policies and guidelines issued are disseminated to our stakeholders and requirements are complied with.

SUSTAINABILITY STATEMENT

Key Initiatives	Description	Outcome
AFFINBANK & AFFIN ISLAMIC		
Compliance & Functional Training Programs	<p>Compliance trainings are scheduled and conducted regularly to increase awareness, communicate expectations and adherence to the regulatory requirements.</p> <p>Customised Functional trainings are carried out to close skill gaps, strengthen efficiency and to overall build a competent and capable workforce.</p>	<p>For 2019, Compliance and Functional training remained the main focus which represented 80% of the total training participation for the year.</p> <p>Application of training in these areas were reflected through, among others, the success of 54 Branch Managers who attained the relevant competency standards via Finance Accreditation Agency assessment and accreditation.</p> <p>In addition, workplace application were also implemented and validated through various post assessments.</p>
Certification & Professional Qualification Programs	Enrolment for various certifications and banking professional qualification to encourage staff towards upskilling and enhanced staff qualification	The Bank saw an increase in staff enrolment for certification and professional qualification by 143% in 2019 as compared to the previous year.
e-Learning Programmes	Various initiatives have been implemented through the Bank's e-Learning platform ranging from interactive learning on various topics to post-training assessments and surveys.	In 2019, staff participation in eLearning programs had doubled compared to the preceding year. New programs were introduced to include topics on Ethics, FEA and awareness on Shariah. More than 21,000 of various e-learning compliance topics were completed in the year.

Table 7 – Examples of AFFIN Bank Group training related to ethics & integrity

RESPONSIBLE FINANCIAL SERVICES



As the financial services sector has the impact to create shared value for society at large, we are under great scrutiny to respond to stakeholders' expectations and deliver products and services with EES aspects. This has driven the Group to review and revise our traditional suite of products and service offerings to meet stakeholder demands. Our business segments generally abide to specific standards and policies to ensure compliance throughout the development stages, addressing various requirements;

- Ensure products & services meet market needs
- Further improve the introduction of new products or make changes to existing products
- Ensure compliance with relevant guidelines and governance for products & services
- Promote sound risk management practices in managing & controlling product risk
- Ensure products & services developed & marketed fill the needs, resources & financial capability of targeted segments

AFFINBANK is ready to contribute towards providing holistic financial solutions and services beyond banking to various segments of the community. We are committed to provide comprehensive banking solutions and services that create positive impact to our community, economy, environment and stakeholders in line with the UN SDG Goals.

SUSTAINABILITY STATEMENT

Responsible Financing Policy AFFINBANK & AFFIN ISLAMIC

- Drive towards more effective engagements through better disclosures & advice to customers
- Promotes a sustainable retail finance market by requiring engagement in prudent, responsible & transparent financing
- Encourage financial prudence & reinforce responsible lending/financing practices that will support a sustainable property market
- Contributes to the continued affordability of homes for the public in line with encouraging home ownership in Malaysia
- Benefit from profitable growth through the increase in the number of sales from new developers & projects empaneled

Product Programme Policy AFFINBANK, AFFIN ISLAMIC & AALI

- Ensures relevant stakeholders agree & sign off duly obtained prior formalisation of new products
- Guarantees compliance towards relevant guidelines through reviews & feedback received from relevant stakeholders

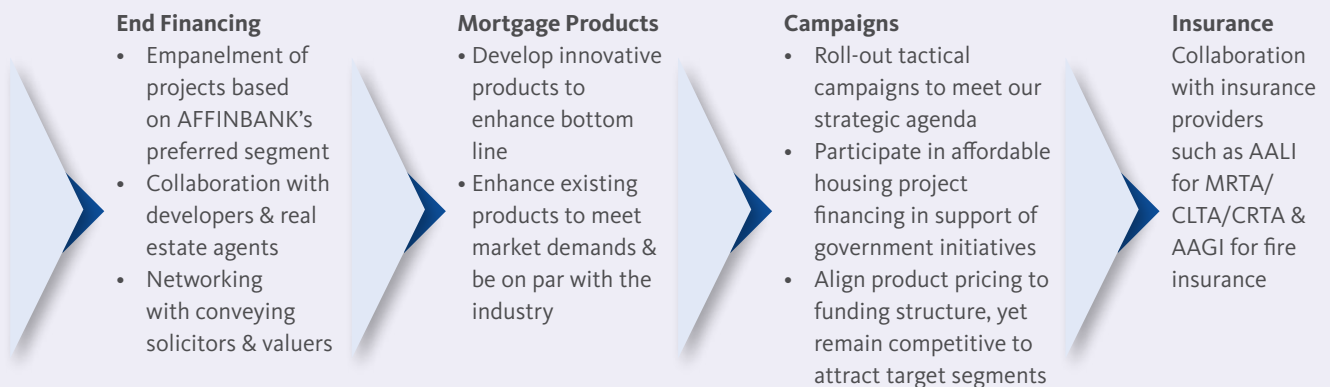


Figure 14 – AFFINBANK's contribution towards a sustainable property market

Our Group Credit Management (GCM) evaluates and mitigates identified risks, and makes credit decisions for business and consumer loans/financing based on prevailing policies, manuals and guidelines issued by the bank, BNM or regulators. The Annual Credit Plan (ACP) issued by GCM is aligned with the bank's Risk Appetite Statement. The ACP emphasises on supporting the assets growth with strict disciplines to be prudent, cautious and selective in our calculated risk-taking activities. Aside from this, it also focuses on upholding "Responsible Lending" and embracing "Environmental, Social and Governance (ESG)" disciplines as part of our credit culture.

Our Shariah Supervisory Department ensures product and services comply with Shariah requirements, BNM Shariah Standards and other guidelines including Guidelines on Responsible Financing. Through AFFIN ISLAMIC's Shariah Supervision and Compliance Framework (SSCF), we undertake in Shariah research and study to facilitate new Shariah compliant product concepts and applications to be endorsed by Shariah Committee. This is subsequently developed by designated product owners. Through these efforts, we offer targeted customers customised products and services that benefits all stakeholders.

SUSTAINABILITY STATEMENT

Environmental, Social & Governance (ESG) Principles Affin Hwang Asset Management Berhad & AIIMAN

- Pledged commitment in embracing ESG principles in our underlying investment process as signatories to the Malaysian Code for Institutional Investors in 2017
- Joined a list of 20 other local institutional investors, pension funds and asset managers who have pledged to uphold the 6 principles stated; Disclosing Policies on Stewardship, Monitoring Investee Companies, Engaging Investee Companies, Managing Conflicts of Interest, Incorporating Sustainability Considerations & Publishing a Voting Policy. Our compliance statement is published here - <http://www.iicm.org.my/compliance-statements/>
- Subscribed to Morgan Stanley Capital International (MSCI) ESG Research for Asia and Glass Lewis for proxy voting and research services since 2017. Our voting statistics are available from 1 January 2018
- The research supplements the usual investment analyses carried out by our analysts & portfolio managers & provides us critical insights to identify risks & opportunities our traditional research may overlook for non-financial data

AFFIN ISLAMIC	
SMEmerge-i Start-Up Financing Scheme	<ul style="list-style-type: none"> • Acts as financial support for SME Start-ups business expansion • Provide initial working capital financing solution for SME start-up businesses
AFFIN Education Financing-i	<ul style="list-style-type: none"> • Acts as an alternative for students seeking financial assistance for education plans • Shariah-compliant scheme designed for qualified individuals of selected tertiary institutions
AFFIN Barakah Charity Account-i	<ul style="list-style-type: none"> • Unique selling point of “Save & Donate” • Variety of percentage donation to charity to nurture a charitable habit amongst the public • Automatic charity transfer from Saving Account-i to selected organisations
Mywakaf	<ul style="list-style-type: none"> • Collaboration between 6 Malaysian Islamic Banks with the State Islamic Religious Council (SIRC) • Joint effort in standardising Waqf Fund initiative action plan in developing the potential of Waqf & empower the economy of Ummah in Malaysia
AAGI	
AXA SmartDrive – Sharing	<ul style="list-style-type: none"> • A motor insurance add-on that provides e-hailing drivers with 24/7 comprehensive protection • Drivers can also enjoy a suite of value-added services such as fast claims approval in 5 working days upon full document submission, 24/7 hotline & roadside assistance with AXA SmartDrive Assistance Plan
AXA SmartCare Xtra	<ul style="list-style-type: none"> • Provide long-term healthcare protection specifically for employees of Corporate Clients • Easy top-up plan that is affordable, flexible & customisable to one’s medical needs • Assist customers when purchasing suitable medical & health policies with the rising cost of healthcare
AXA SmartHome Optimum	<ul style="list-style-type: none"> • Simple way of getting the right protection for both home & valuable contents • Easy plan designed with options that fit any budget & requirements for properties • Empowers customers with a plan that is simple & flexible & tailored to the customers’ budget & needs
AXA SmartAid	<ul style="list-style-type: none"> • Personal accident plan that is specially curated for the visually impaired individuals with core benefits • Collaboration with Malaysian Association for the Blind (“MAB”) for visually impaired customers to get protection • Empowers visually impaired individuals by protecting them with affordable protection plans

Table 8 – Examples of AFFIN Bank Group’s sustainable products & services

SUSTAINABILITY STATEMENT

AAGI	
Partnership with Merchantrade Asia Sdn Bhd	<ul style="list-style-type: none"> • Launching of new & innovative microinsurance, Merchantrade Insure • Merchantrade Insure is the first microinsurance product that caters to migrant workers • Strategic partnership has gradually grown as a sustainable portfolio & exploration of new opportunities & markets • Cross-sell other products and services to Merchantrade Asia Sdn Bhd employees • Successfully insured more than 18,600 migrant workers within 7 months from its launch • Successfully rolled out to 87 Merchantrade branches nationwide within 5 months from its launch
Partnership with Hap Seng Trucks Distribution Sdn. Bhd. (HSTD) and Hap Seng Credit Sdn. Bhd. (HSC)	<ul style="list-style-type: none"> • Launch of AXA Flexi <i>Truck</i> as the 1st telematics commercial vehicle insurance in Malaysia • Inculcate safe driving behaviour among FUSO light commercial vehicle truck drivers and help them understand their driving habits better through the installation of telematics security device. • AXA Flexi <i>Truck</i> will be financed by HSC under FUSO Ez-Own, also the 1st telematics financing programme in Malaysia. • AXA Flexi <i>Truck</i> will be promoted at HSTD FUSO dealership network branches and HSC offices nationwide, with all Mitsubishi Fuso Cater trucks sold to be fitted with a telematics device.

Table 9 – Strategic collaborations with various institutions to expand vast opportunities in delivering our products & services

RESPONSIBLE MARKETING



Customers are increasingly challenged by the growing diversity and complexity in making informed decisions when acquiring financial products and services. There is a need to give rise to product specific transparency and disclosure whilst encouraging product innovation and maintaining flexibility. All consumers are entitled to relevant, reliable, and comparable information that will enable them to make informed choices and best meet their financial circumstances and needs.

The Group emphasises on communicating our product and services through meticulous marketing efforts to gain trust, build confidence and good reputation from our customers. Apart from BNM's standard guidelines, we have in place policies and frameworks to serve as a guidance and promote customer awareness and understanding. This facilitates consistency in the disclosure of essential information to enable comparison, minimise deception, and allow informed decision-making.

Product Transparency & Disclosure Policy *Affin Hwang Investment Bank Berhad*

- Aware of the ever-increasing knowledgeable investing public & is committed to implementing an effective & practical disclosure regime for all financial products & services offered to individuals & SME customers
- As its governance responsibility, the Bank's Board and Senior management have:-
 - Set out a clear expectation for the adoption of the transparency & disclosure requirements while ensuring adequate resources are allocated to relevant business units to incorporate the requirements of the BNM Guidelines into the Bank's practices & culture
 - Ensured processes for the development & review of product disclosure materials to ensure compliance with BNM Guidelines
 - Ensured that employees who are directly involved in the marketing & selling of the Bank's products & services are adequately trained & have sufficient knowledge of the disclosure requirements, the product & its features

SUSTAINABILITY STATEMENT

Product Transparency & Disclosure Policy *Affin Hwang Asset Management Berhad*

- Continue to digitise prospectuses, product highlight sheets, reports and other fund related documents including communiques to investors and encourage our distributors to participate in this initiative. As a result, we manage to reduce printing cost by more than 40%

Product Transparency & Disclosure Policy *AALI*

All marketing materials are prepared carefully to ensure content can be easily understood by customer and brochures are digitalised for easy access by customers which were uploaded into AALI's website.

Programme	Description	Outcome
Launch of AFFINBANK & AFFINI SLAMIC Visa Signature Credit Card.	<ul style="list-style-type: none"> • The product aims at driving higher Credit Card acquisition efforts by penetrating into younger segment • The key product feature focuses on Contactless CashBack where cardmember gets 3% Cash Back on Contactless transactions (except Government and Charity transactions) capped up to RM960 p.a. or RM80 per month • The product was launched on 24 July 2019 	<ul style="list-style-type: none"> • Billings at 33% vs Industry at 6% • Receivables at 26% vs Industry at 3% • Merchant Sales at 15% vs Industry at 6% • AFFINBANK received award and recognition from:- <ul style="list-style-type: none"> - MasterCard International (Best Growth in New Accounts) - Visa International (The Highest Card Growth for Debit Consumer)
“Scootvaganza is Back” Cards Usage and Activation programme by AFFINBANK/AFFIN ISLAMIC	<ul style="list-style-type: none"> • The Usage and Activation campaign ran from 3 June to 16 September 2019 • The core objective was to spur continuous credit and debit card usage by means of rewarding Cardmembers with Vespa scooters as the main prizes and Specialized Allez Road Bikes as the monthly prizes 	
“Apply, Spend & Win 2.5 million Enrich Miles” Cards Usage and Activation programme by AFFINBANK/AFFIN ISLAMIC	<ul style="list-style-type: none"> • The campaign runs from 1 November 2019 – 29 February 2020. • Objective was to push for higher Credit Card Billings and Receivables from cardmembers. Prizes up for grabs is up to 2.5 million Enrich Miles points 	
Auto Pay Campaign by AFFINBANK/AFFIN ISLAMIC	<ul style="list-style-type: none"> • Joint campaign with Branches and Sales Channel • Focus to branch staff to promote autopay using Corporate Internet Banking • To utilise internal sales staff in promoting salary crediting via Corporate Internet Banking 	<ul style="list-style-type: none"> • Notable increase in autopay transaction by 30% comparing to year 2018
Zero Cheque Campaign by AFFINBANK/AFFIN ISLAMIC	<ul style="list-style-type: none"> • Joint campaign with SME Banking Division • Focus to Business Centre, Alternate Channel and Corporate Relationship Manager to engage and encourage customer to reduce the cheque issued 	<ul style="list-style-type: none"> • Notable reduction in yearly cheque issued by 16%

SUSTAINABILITY STATEMENT

Programme	Description	Outcome
E-Payment Roadshow by AFFINBANK/AFFIN ISLAMIC	<ul style="list-style-type: none"> Joint campaign with SME Banking Division to conduct awareness session on digital payment solution i.e Retail Internet Banking and Corporate Internet Banking Focus to new-to-bank and existing bank customers 	<ul style="list-style-type: none"> 3 sessions conducted nationwide attracted more than 30 clients
Financial Supply Chain Product Briefing/Roadshow by AFFINBANK/AFFIN ISLAMIC	<ul style="list-style-type: none"> Collaborate with Business Units to Identify potential Customers/Borrowers (Principal Borrower) for FSC facility Conduct briefing to selected FSC Community i.e Principal Customers/Borrowers and its buyer/suppliers on the community based financing programme 	<ul style="list-style-type: none"> Successfully onboard identified Principal Customers/Borrowers to be offered with either FSC/FSC-i Payable or FSC/FSC-i Receivable facility
AXA General Brand Visibility Programme	<ul style="list-style-type: none"> Multiple campaigns rolled-out under the Brand Visibility programme 	<ul style="list-style-type: none"> Huge marketing success & recorded a notable increase in sales productivity by more than 50%
AXA Life AXA eMedic	<ul style="list-style-type: none"> Enhancement of AXA eMedic to extend age eligibility to 49 years old Launch of AXA eMedic Family Plan enabling families to purchase medical plan in a single package online Event, campaign & ATL initiatives were rolled out 	<ul style="list-style-type: none"> Notable increase in brand presence and positioned as one of the pioneers in digital disruption in Malaysia with more than 70% digital life protection market share (Source: Figures as of June 2019 based on LIAM New Business Statistics – Direct Distribution Channel)
AXA Life Step It Up + Programme: Fitter Me & Better Me	<ul style="list-style-type: none"> Fitter Me campaign motivates customers to meet desired fitness goal by increasing their step counts and be rewarded when they achieve their goals. Better Me campaign empowers customer who are overweight and with identified disease such as hypertension, diabetes and cholesterol to improve their health and rewarded when they achieve their health milestones 	<ul style="list-style-type: none"> Encouraging trend in our customers' steps taken have been moving progressively towards the higher tier
AXA Life Get 'Ubat' Campaign	<ul style="list-style-type: none"> Get 'Ubat' Campaign enable us to extend healthcare convenience such as online doctor consultation as well as medical delivery to customers 	<ul style="list-style-type: none"> Notable increase of customer interest and successfully enriches customer experience

Table 10 – AFFIN Bank Group marketing efforts

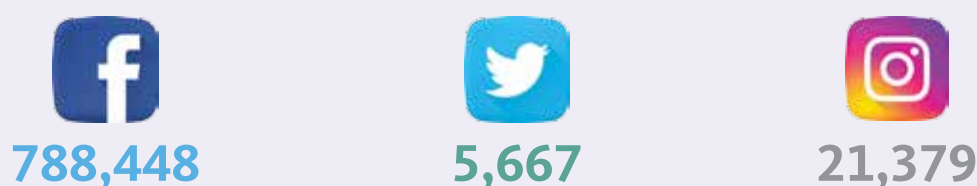


Figure 15– AFFIN Bank Group social media statistics (follower count) in 2019

SUSTAINABILITY STATEMENT

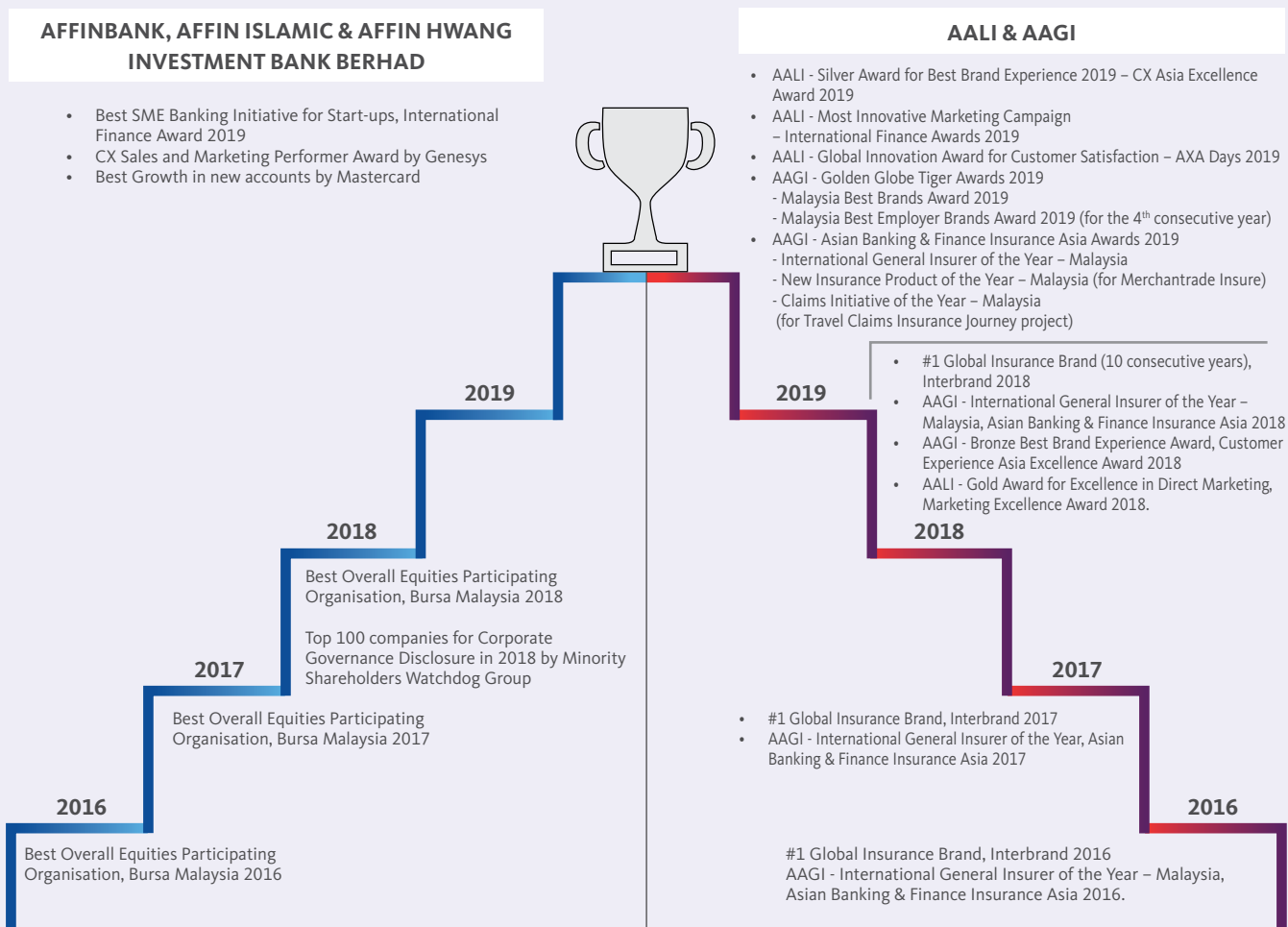


Figure 16 – Awards received in relation to AFFIN Bank Group's responsible marketing

SUSTAINABLE PROCUREMENT PRACTICES



Our sustainability management extends to how we integrate ethical and responsible practices into the Group's supply chain as well as support the growth of local businesses. We strictly believe the basis of responsible procurement practices is to ensure comprehensive long-term sustainable value for all stakeholders throughout the delivery of our product and services.

The Group's procurement processes are restricted to a set of policies and procedures across our business segments that provide guidance on the purchase and approval of supplies, equipment and services at the lowest cost or exceeded specifications for performance, or the quality and availability at the time of purchase. We take into account the capability, capacity and historical performance of our suppliers. At AFFINBANK, AFFIN ISLAMIC and AALI, environmental impacts of our suppliers is assessed as part of our sourcing consideration besides the requirement to acknowledge the Code of Conduct.

We promote the transition towards paperless transactions and operations amongst our suppliers. The submission of purchase requests for consumables at AFFINBANK, AFFIN ISLAMIC and AAGI are made through a Computerised Maintenance Management System and E-Procurement platform that also encourages the issuances of Purchase Orders (PO) and Job Orders (JO) to vendors via email. The sourcing of products and services is very much depended on the suitability of our sourcing requirements. We place an emphasis on suppliers and vendors with local setups and implementations to ensure quick and timely responses at lower operating costs.

SUSTAINABILITY STATEMENT

FYE 2019

Total Amount Spent on Local Suppliers RM159,957,067



Commercial Banking

10.7%



Investment Banking

15.4%

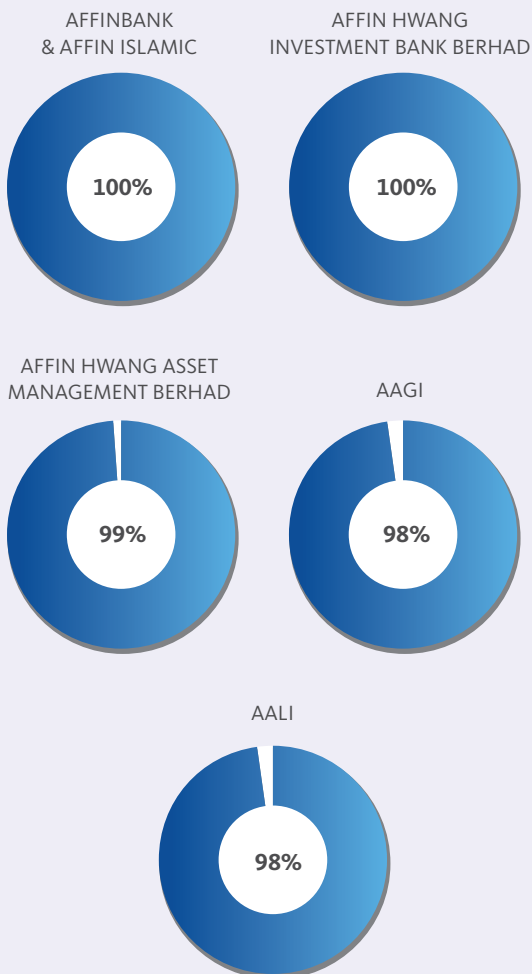


Insurance

1.9%

Percentage of Local Suppliers

Non-IT Procurement



IT Procurement

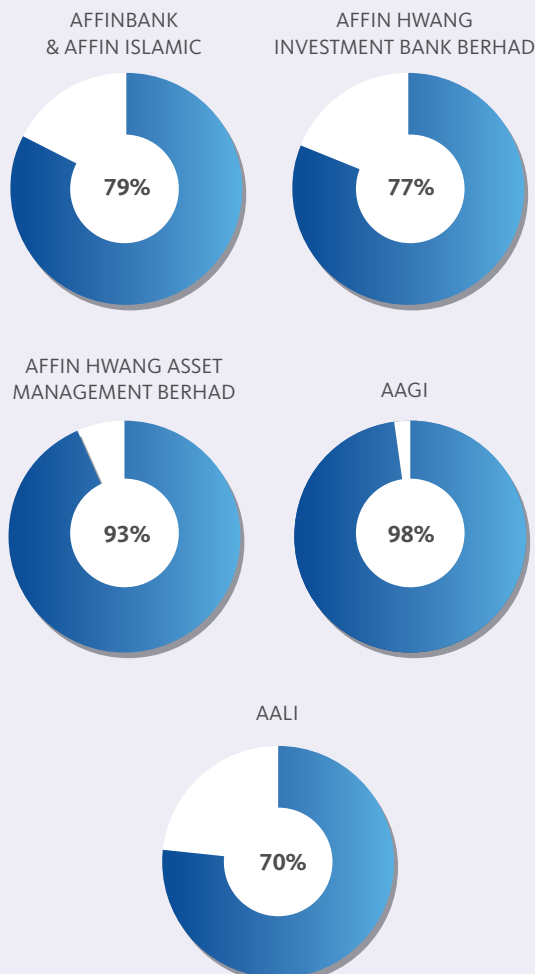


Figure 17 – AFFIN Bank Group local supplier statistics

SUSTAINABILITY STATEMENT



THEME 2

SOCIALLY RESPONSIBLE EMPLOYER

Our employees highly contribute to our daily operations and are a valuable asset to the Group with the aim of leading us to achieving business success. We place great emphasis on their welfare and career development to ensure we have a resilient, agile and adaptable workforce for the challenging future of the industry.

Sustainability Matters	Sustainability Initiatives	Outcomes	Value Created
Fair Employment Practices	<ul style="list-style-type: none"> Recruitment of local talent from diverse backgrounds Conduct regular employee engagements Regular trainings & awareness campaigns on health and safety 	<ul style="list-style-type: none"> Benefit the sharing of diverse ideas & values Increase motivation level of employees Create awareness on healthy and safe working environment 	<ul style="list-style-type: none"> Establish an agile and efficient workforce to better serve the customers Providing a healthy, safe & conducive working conditions Establish a positive & competitive workplace
Talent Development	<ul style="list-style-type: none"> Invest in technical & non-technical internal & external trainings Sponsorship in industry-related certifications 	<ul style="list-style-type: none"> Equip talent with various industry related knowledge and skills Instil confidence in our employee 	<ul style="list-style-type: none"> Strengthening employee loyalty to the Group Create a more customer centricity workforce

Table 11 – Summary of Theme 2: Socially Responsible Employer

FAIR EMPLOYMENT PRACTICES



We have over 6,000 employees across our operations and are deeply committed to ensuring they have a positive working environment where every individual is treated with respect and are free to uphold their fundamental rights. Our workforce consists of talent from various backgrounds, experiences and cultures. In embracing diversity and inclusivity, we contribute towards greater productivity and efficiency.

Policy on Key Performance Indicators (“KPI”)

Affin Hwang Investment Bank Berhad

Provides the importance of KPIs & frameworks by relevant regulatory authorities

Periodically assess progress & take corrective action if progress is not achieved against target set (short-term & long-term targets)

Manage employee performance & remuneration system

SUSTAINABILITY STATEMENT

The unemployment rate in Malaysia is a growing concern, and the government is focused on reducing this by encouraging companies to prioritise the recruitment of local talent. We have numerous programmes across the Group to build a sustainable pool of young, high potential talent. Their capabilities will support the growth and transformation of the organisation through technological capabilities and essential business skills.

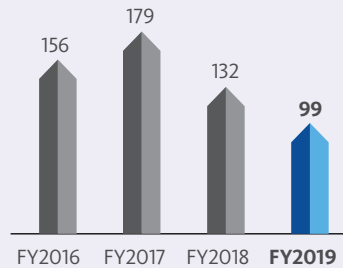


Figure 18 – Number of trainees/interns enrolled in AFFIN Bank Group's management programmes

The number of trainees/interns enrolled in the Group's management programmes is on a down trend as more experienced staff are needed to support the Group's business.

Programmes	Objectives	Outcomes
AFFINBANK & AFFIN ISLAMIC Young Talent Programme	<ul style="list-style-type: none"> The programme is part of AFFINBANK & AFFIN ISLAMIC's Human Capital Development strategy & Talent Management Programme. The programme comprises of a holistic curriculum designed to ensure quality, competitiveness & retention of young talents in the organisation 	<ul style="list-style-type: none"> Graduates obtain valuable exposure to Corporate Social Responsibility ("CSR") initiatives, sales & marketing campaigns, cross-functional projects & assignments. The programme enables AFFINBANK & AFFIN ISLAMIC to develop a leadership pipeline to sustain current & future business growth. It also provides a platform & opportunity to learn & develop in a structured manner, towards becoming dynamic leaders
Affin Hwang Investment Bank Berhad Management Trainee Programme	<ul style="list-style-type: none"> Our Management Trainee Program is a talent nourishing program tied with Bank's aspirations and objectives for future successions to middle or senior management. Aiming to develop high potential individuals with drive to contribute to and align personal objectives with the Bank's growth, the 12-month Management Trainee Program offers a solid all-round foundation and pave progressive pathway to focused areas. 	<ul style="list-style-type: none"> Graduates develop the right capabilities, experiences & competencies in line with Affin Hwang Investment Bank Berhad's Talent Management objectives which is to build a leadership pipeline. Graduates obtain valuable exposure on a myriad of experiences from Investment Banking, Securities & Support Functions
Affin Hwang Asset Management Berhad Internship & Management Trainee Programme	<ul style="list-style-type: none"> The programme targeted to ensure trainees are guided, coached & ready for a career in financial institutions 	<ul style="list-style-type: none"> 1 to 2 year-programme designed to nurture aspiring & professional management talent for the future development of Affin Hwang Asset Management Berhad. We recruit, train & develop a team of middle management talent to support business challenges. This will provide a fast-tracked pool of talent, capable of assuming Executive/Senior Executive positions across the functions
AXA Graduate Trainee Programme	<ul style="list-style-type: none"> Collaboration with General Insurance Association of Malaysia to market & attract talent for internships Accelerated high potential programme for fresh graduates & those who have less than a year of working experience focused on technical & soft skills training, rotation review, networking with Executive Committee ("EXCO"), mentoring, participation in CSR/sports club related activities 	<ul style="list-style-type: none"> Graduates experience hands on exposure in understanding operations & business challenges of core business components within an accelerated time frame (12 months)

Table 12 – Management trainee programmes for young talent

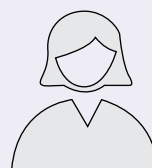
SUSTAINABILITY STATEMENT

We cherish the valuable contribution and hard work of all our employees. We demonstrate our appreciation by providing our employees with attractive benefits that encompass all areas of medical, sports memberships, insurance, employee loans/financings, amongst others. Our investment and insurance business segments offer flexible working hours for all employees and also the privilege to work at any location one day in a week.

PERCENTAGE OF AFFIN BANK GROUP'S EMPLOYEES BY GENDER 2019

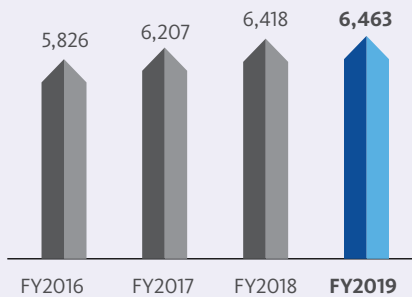


38%

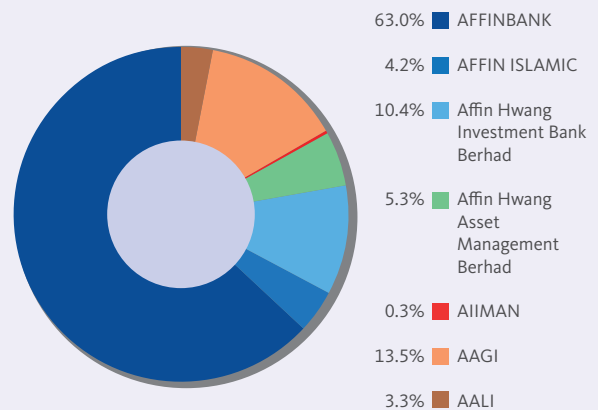


62%

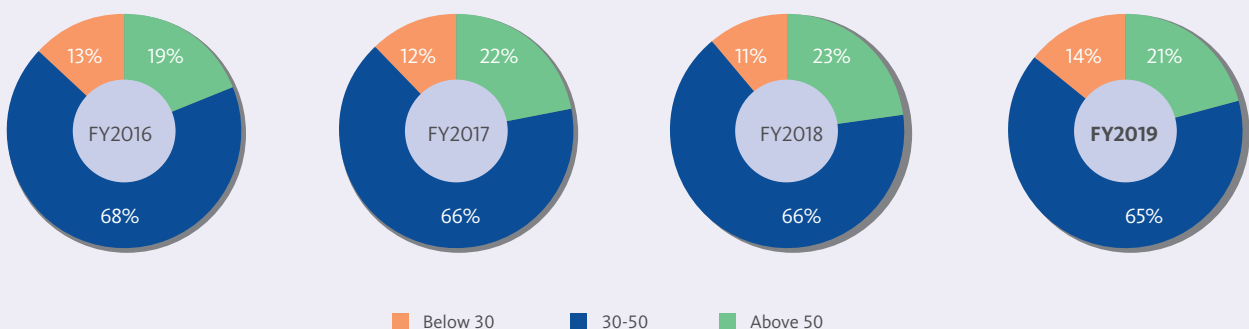
NUMBER OF AFFIN BANK GROUP'S TOTAL EMPLOYEES



PERCENTAGE OF AFFIN BANK GROUP'S EMPLOYEES BY OPERATING ENTITIES 2019

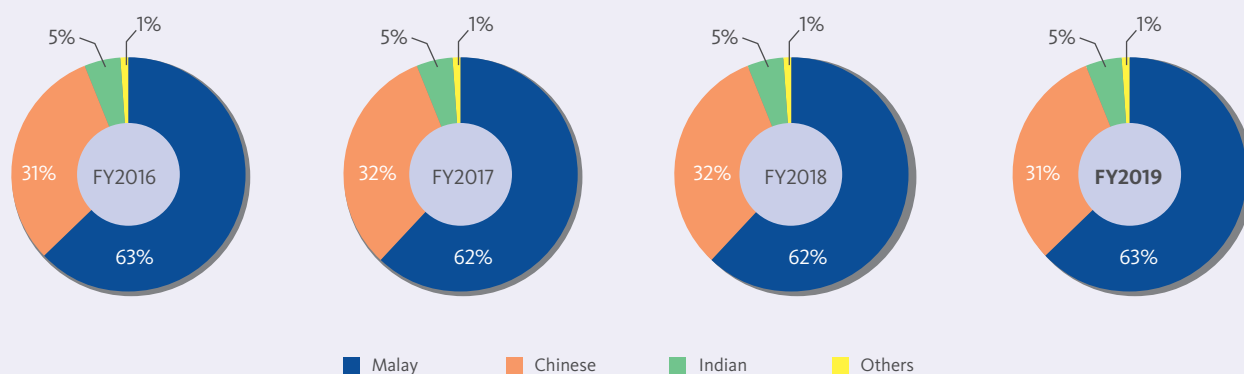


PERCENTAGE OF AFFIN BANK GROUP'S EMPLOYEES BY AGE



SUSTAINABILITY STATEMENT

PERCENTAGE OF AFFIN BANK GROUP'S EMPLOYEES BY ETHNICITY



PERCENTAGE OF AFFIN BANK GROUP'S EMPLOYEES BY POSITION

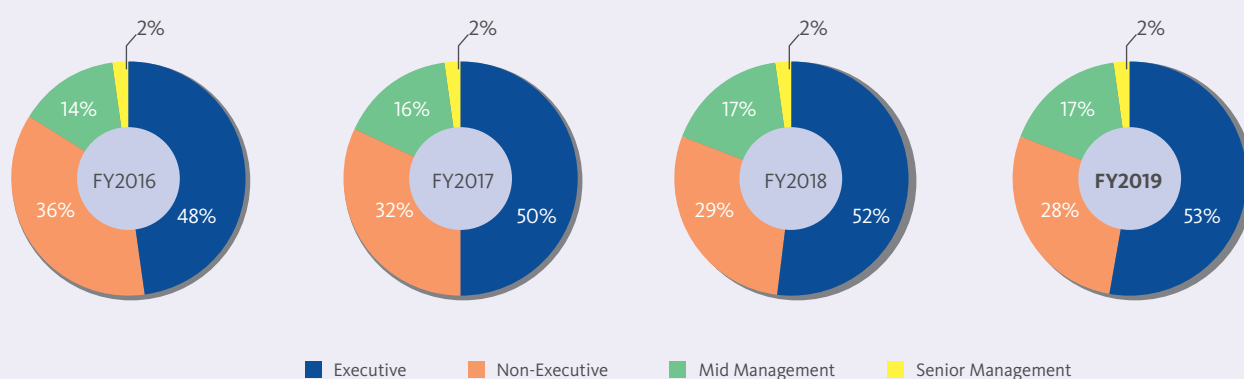


Figure 19 – AFFIN Bank Group's employee composition across gender, age, ethnicity & position level

Operating Entities	Rate of New Employee Hires (%)				Rate of Employee Attrition (%)			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2016	FYE 2017	FYE 2018	FYE 2019
AFFINBANK	13%	24%	21%	14%	6%	9%	11%	13%
AFFIN ISLAMIC	8%	13%	7%	5%	8%	7%	9%	11%
Affin Hwang Investment Bank Berhad	1%	1%	3%	1%	14%	8%	8%	9%
Affin Hwang Asset Management Berhad	17%	11%	15%	11%	14%	8%	11%	7%
AIIMAN	16%	6%	6%	18%	16%	5%	15%	13%
AAGI	16%	16%	14%	14%	9%	10%	15%	12%
AALI	37%	31%	36%	31%	31%	32%	26%	20%

Table 13 – AFFIN Bank Group's rate of new employee hires & employee attrition

SUSTAINABILITY STATEMENT

Succession Planning

Our industry is facing constant changes in stakeholder expectations, digitalisation as well as more stringent regulatory compliance, thus our organisation must always be equipped with capable leaders & knowledge to respond to these demands & challenges.



Affin Hwang Investment Bank Berhad

Affin Hwang Investment Bank Berhad has in place a Succession Planning Framework that comprises of all Succession Planning processes. This includes identifying pivotal positions especially those identified under the Senior Management category; in accordance with BNM Corporate Governance Statement. We recently started to roll out a 3-year development programme which is an end-to-end Talent Management Roadmap to close current gaps which include leadership, technical, certification & coaching programmes which involved 29 employees in 2019

Affin Hwang Asset Management Berhad

Affin Hwang Asset Management Berhad's Succession Planning Policy & Procedure covers the process of identifying potential replacements for key personnel holding critical positions & formulating a plan to develop & train these successors to build the capabilities they need to advance into key roles

AALI

AALI has a structured Succession Plan framework that covers the overall Talent Management strategy. This includes from the identification of high potential talent to be developed as future successors for Senior Management role until leadership development needs for each identified talent. This is to ensure current & future key positions have successors and all of them are ready to take up the role when the time comes

AAGI

AAGI has a structured process to identify key positions to be filled & potential successors for the positions. The current & future state of the organisation were discussed to review which key positions are critical & in demand to remain competitive. Managers & Talent Managers are responsible to identify potential successors for the key positions depending on the requirements & their readiness level that include the nature of key positions, experience & skills required & competencies of talent. In 2019, a total number of 16 employees were involved in the succession planning programme

We place great importance on an effective employee engagement process to understand and respond to their concerns and expectations as it will lead towards the establishment of a productive, loyal and committed workforce. The Group collates and analyses the feedback received from our employees through Employee Engagement Surveys conducted across the Group. This reflects our overall performance as an employer and help us strategise in improvement areas to govern our workforce.

SUSTAINABILITY STATEMENT

Employee Engagement Channels



A grievance mechanism is a formal complaint process to be used by employees that are being negatively affected by business activities and operations. The Group undertakes the necessary efforts to resolve any misunderstandings and grievances put forward by employees in an equitable manner. During the reporting year, our investment banking segment and AALI reported no cases of grievances.

Operating Entities	Total Number of Grievance Cases			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
AFFINBANK & AFFIN ISLAMIC	10	4	11	9
AAGI	5	5	16	8

Table 14 – AFFIN Bank Group's grievance cases

We understand financial services offer a fluid, fast-paced and challenging career. As an accountable organisation, we take full responsibility for the health and safety of our employees. The provision of a safe working environment comes hand-in-hand with conducive and comfortable working spaces. Our Human Resources (HR) related policies and procedures are in place to ensure ethical standards, welfare, and health and safety of our employees are properly managed and monitored.

AALI's Safety & Health Committee is responsible for conducting Occupational Health and Safety (OSH) trainings annually to equip fire marshals with the necessary knowledge for emergency, and ensure the security and safety of our employees. Similar initiatives are undertaken by Affin Hwang Asset Management Berhad, Affin Hwang Investment Bank Berhad and AAGI. In 2019, AFFINBANK trained a total of 94 staff comprising of Fire Marshalls and an Emergency Response Team on First Aid and Bomba ERT Training. The trainings aim to equip and ensure readiness of the relevant officials.

SUSTAINABILITY STATEMENT

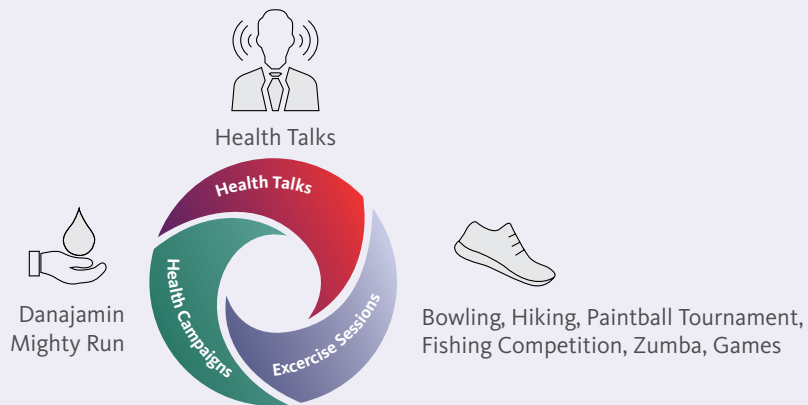


Figure 20 – Affin Hwang Investment Bank Berhad's 2019 activities to ensure a healthy & conducive workplace

2019	
AFFINBANK	AAGI
<ul style="list-style-type: none"> Human Resources Excellence Award 2019 - Excellence in Retention Strategy - Bronze Winner Human Resources Asia Recruitments Award 2019 - Best Candidate Assessment Process (Silver Winner) Human Resources Excellence Award 2019 - Most Innovative Recruitment Strategy - Finalist (Top 10) Human Resources Excellence Award 2019 - In-House Recruitment Team of the Year - Finalist (Top 10) Human Resources Excellence Award 2019 - Best Diversity & Inclusion Strategy - Finalist (Top 10) 	<ul style="list-style-type: none"> Global Best Employer Brand Awards 2019 <ul style="list-style-type: none"> - Continuous Innovation in HR Strategy at Work Global HR Excellence Awards 2019 (2 consecutive years) <ul style="list-style-type: none"> - CEO of the Year (for 2nd consecutive years) - 101 Global HR Heroes Malaysia Best Brands Awards 2019 Malaysia Best Employer Brands Award 2019 (for the 4th consecutive year) Asia Recruitment Awards 2019 <ul style="list-style-type: none"> - Best Use of Recruitment Technology Tools Gold Award Asian Legal Business Malaysia Law Awards 2019 Banking and Financial Services In-House Team of the Year Award Asian Banking & Finance Insurance Asia Awards 2019 4th consecutive year:- <ul style="list-style-type: none"> - International General Insurer of the Year - Malaysia - New Insurance Product of the Year - Malaysia (for Merchandtrade Insure) 2nd Consecutive Year:- <ul style="list-style-type: none"> Claims Initiative of the Year - Malaysia (for Travel Claims Insurance Journey Project) HR Excellence Awards 2019 - Silver award for Excellence in HR Innovation Malaysian Employers Federation Employer Excellence Award 2019 (Gold Award) HR Asia Best Companies to Work For in Asia Awards 2019 (3rd consecutive year) 19th Malaysia-International HR Awards 2019 (MIHRM Awards) Awards <ul style="list-style-type: none"> - Grand Award for Employer of Choice - Gold Award for Employer of Choice (Private Sector)
Affin Hwang Investment Bank Berhad	
<p>HR Excellence Awards 2019</p> <ul style="list-style-type: none"> Excellence in HR Innovation Most People Focused CEO Excellence in HR Communication Strategy Excellence in Total Rewards Strategy Excellence in Workplace Culture <p>Employer Branding Awards</p> <ul style="list-style-type: none"> Award for Talent Management Award for Continuous Innovation in HR Strategy at Work Best Employer Brand Awards 2019 CEO with HR Orientation 	
AALI	
<ul style="list-style-type: none"> Top 100 Asia's Best Employer Brand 2019 (Held in Singapore on 15 August 2019) Asia's Women Leaders Award by World Women Leadership Congress (Won by AALI's CHRO) Company of the Year Award (Blood Donation Drive & Breast Cancer Awareness) at CSR Malaysia Award 2019 Excellence in HR Through Technology (Malaysia Best Brand Awards 2019) CEO with HR Orientation Award – Malaysia Best Employer Brand Awards 2019 Young Leader of The Year (CEO of AALI) – 23rd Asia Insurance Industry Awards 2019 	

Figure 21 – Awards received in relation to AFFIN Bank Group's fair employment practices

SUSTAINABILITY STATEMENT

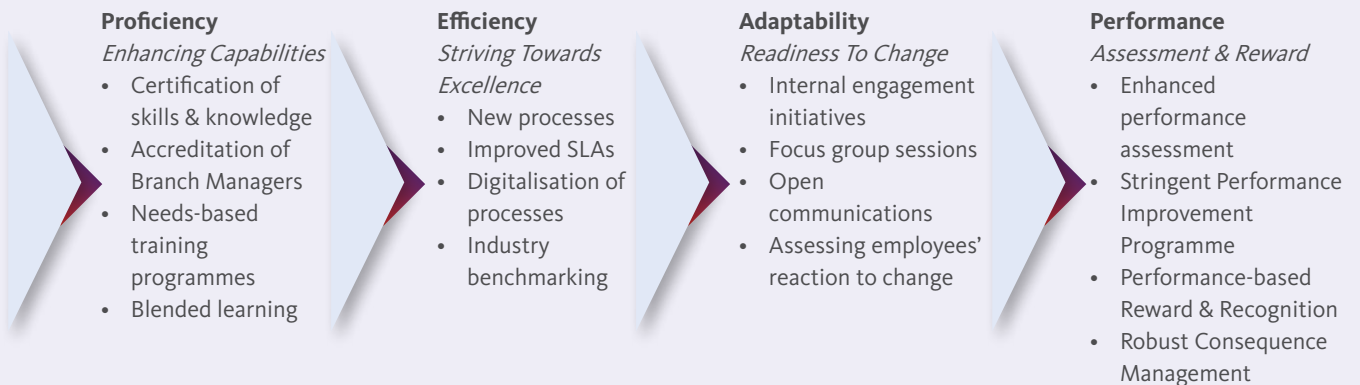
TALENT DEVELOPMENT



The Group recognises the importance of developing our talent across all operations as it indirectly affects the performance of our customer experience. We established various platforms to ensure our talent have the right tools and techniques to maximise their competencies and make sound decisions to deliver better services and exceed customer expectations.

AFFINBANK and AFFIN ISLAMIC’s Learning and Organisation Development Department oversees the initiatives to strategise and coordinate employee development initiatives in line with strategic plans and objectives via both internal and external resources. This is to ensure employees are equipped with the relevant skills and exposure to perform well, build a career in banking and nurture a culture of achievement, accountability and learning. In line with Pillar 6 of the AFFINTY Programme, we have been inculcating a performance-driven culture called The Big Six – Living the AFFIN DNA. The initiative was launched by the Chairman of AFFINBANK in 2018, and kick-started this Workforce Transformation initiative.

Inculcating AFFIN’s DNA: Workforce Transformation Initiatives



SUSTAINABILITY STATEMENT

Affin Hwang Investment Bank Berhad's Training and Development Manual provides the framework for training and development of all employees to develop their knowledge, skill and abilities in supporting the business objectives. Similar to AHAM and AIIMAN, AHIB's Talent Management under the Group Human Resource Department is responsible for delivery of organisational objectives and goals through strategic and targeted execution of talent management, learning and development solutions. One of the key areas highlighted in the HR Policies and Procedures by Affin Hwang Asset Management Berhad and AIIMAN is talent management that guides employee development and succession planning. It also includes training programmes where a dedicated Learning Academy Department is responsible for training needs and formulating specific programmes catered to address their needs.

At Affin Hwang Asset Management Berhad, there is a library initiative for employees with books curated by the Chief Learning Officer to encourage a lifelong learning culture. Activities that are carried out in 2019 include educational movie nights and public speaking sessions to upskill the staff capabilities.

The HR Organisation Performance & Learning Development ("OPLD") team manages end-to-end talent management and development for the entirety of AXA General. Their responsibilities include Strategic Workforce Planning (Capability Gaps) where Subject Matter Experts ("SME") will identify current skill levels versus the predicted skill levels required in 2020 for both technical and non-technical matters. The Group invested in the long-term growth of our talent across various programmes that include customer centricity, product innovation and leadership trainings.

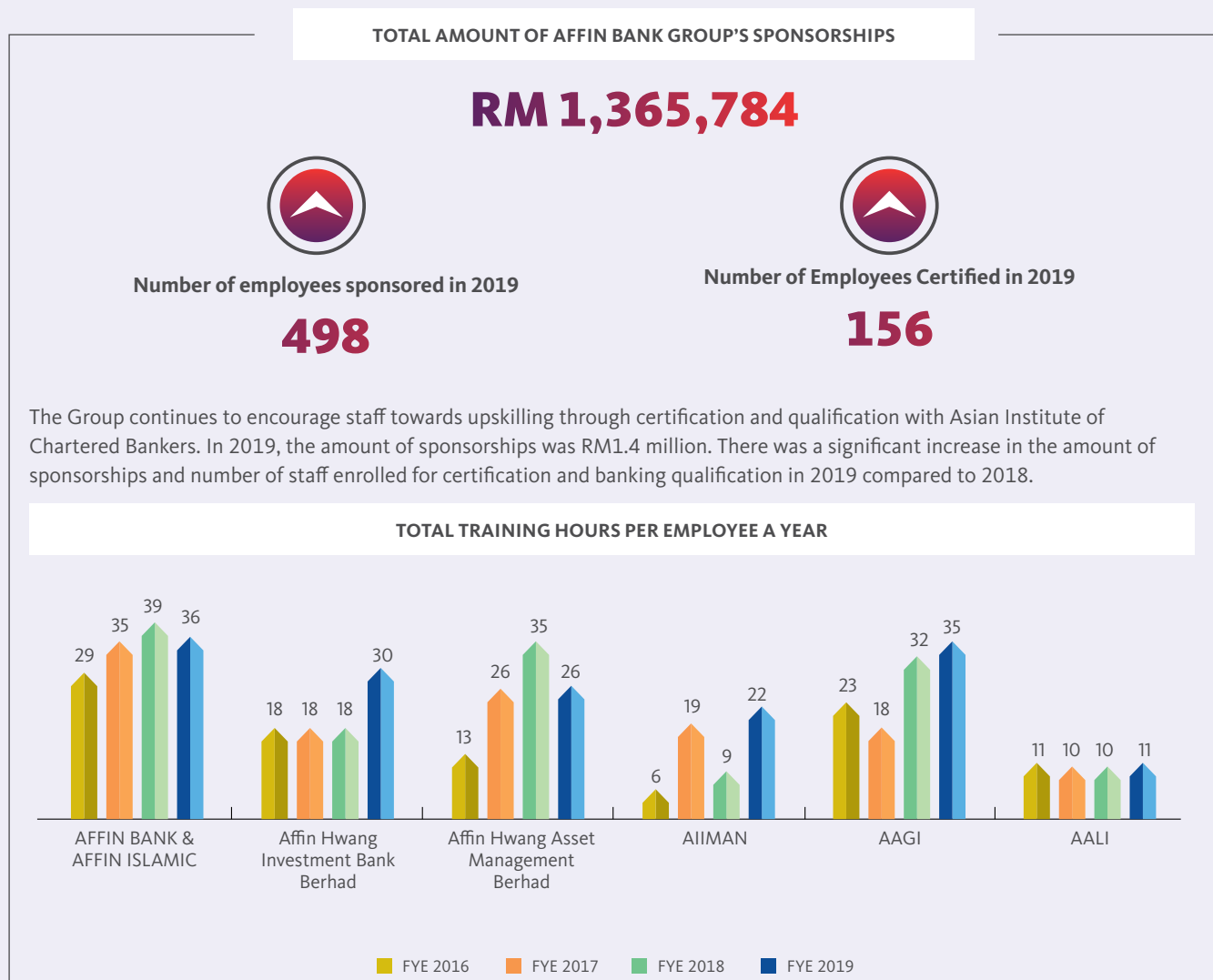


Figure 22 – AFFIN Bank Group's total training hours

SUSTAINABILITY STATEMENT

We take pride in the capabilities of our people and encourage them to reach their full potential by investing in industry related certifications. In support of our employees' pursuing higher education, the Group provides sponsorship programmes to encourage obtaining industry professional certifications such as ACCA Professional Programme, Insurance and Actuarial Studies as well as certification programmes organised by the Asian Institute of Chartered Bankers ("AICB").

Programmes	Objectives	Value Created
e-Learning Programmes	<ul style="list-style-type: none"> AAGI provides employees with industrial knowledge & exposure through Coursera Platform that offers courses from more than 150 university partners around the globe 	<ul style="list-style-type: none"> With over 300 course sign ups, the Coursera Platform has provided an opportunity for employees to manage their own learning needs instantly
BSV Key Drivers Programme	<ul style="list-style-type: none"> A 3-month programme developed by Affin Hwang Investment Bank Berhad to provide a structure of intense challenge & support for key drivers (selected high performance, high potential employees) to achieve career development goals while balancing the unique dynamics of their respective business areas 	<ul style="list-style-type: none"> Participants experienced personal breakthroughs in leadership & performance goals Participants became highly energised & interactive at work which strengthen the bonds amongst the team to achieve common goals
Step Up Programme	<ul style="list-style-type: none"> AAGI encourages all employees to initiate & propose improvement & automation projects to support organisation digital transformation efforts Selected projects will then be funded by the organisation & the winning project with the best improvements will be awarded 	<ul style="list-style-type: none"> Ran for 2 cycles & has created an awareness for all employees on organisational transformation Enabled the identification for more measurable impacts through partnerships with external vendors to enhance the structure & bring in professionals to monitor & coach project executions

Table 14 – Key programmes established across business segments

SUSTAINABILITY STATEMENT



THEME 3

SUPPORTIVE COMMUNITY DEVELOPMENT

Our business activities have great impact to various stakeholders. There is always room for promising business growth where operate. However, at AFFIN Bank Group we believe to reach sustainable excellence, we must vigilantly consider our environmental impacts from our business operations, as well as how we interact with the wider community.

Sustainability Matters	Sustainability Initiatives	Outcomes	Value Created
Environmental Management	<ul style="list-style-type: none"> Environmental awareness campaigns Installation of energy saving light bulbs Shift to e-Statements 	<ul style="list-style-type: none"> Efficient energy, water & paper consumption 	<ul style="list-style-type: none"> Establish an agile & efficient workforce to better serve the customers Provide a healthy, safe & conducive working condition Establish a positive & competitive workplace
Community Development	<ul style="list-style-type: none"> Sponsorship in communities' health, sports, entrepreneurship & environmental protection programmes Monetary contributions in local charity organisations Participation in financial literacy workshops 	<ul style="list-style-type: none"> Encourage positive employees participation in CSR programmes Contribute to the nation's development plans Equip the youth with financial literacy 	<ul style="list-style-type: none"> Strengthen employees' loyalty Create a more customer-centric workforce

Table 15 – Summary of Theme 3: Supportive Community Development

ENVIRONMENTAL MANAGEMENT



We aspire to be good corporate citizens by minimising our environmental footprint across our assets and offices. The Group strives to improve how we manage and monitor our environmental impacts. Each employee is accountable for contributing towards utilising our electricity, water and paper consumption in a responsible manner. Various efforts have been taken to raise awareness and be more environmentally-friendly.



Employees of Affin Hwang Asset Management Berhad had voluntarily established a Green Team. The Green Team is dedicated in advocating & educating employees on sustainable workplace through the organisation of various workplace sustainability efforts. This includes the 'Bring Your Own Coffee Cup' programme. To reduce the usage of disposable paper cups, employees are encouraged to bring their own coffee cups or be charged an additional RM2 for a cup of coffee. All collections are channeled to a Green Fund for future CSR activities.

SUSTAINABILITY STATEMENT

Environmental Mitigation Activities

AFFINBANK, AFFIN ISLAMIC, AAGI & AALI

Electricity Consumption

- Air conditioner is set from 8am to 6pm on Monday to Friday only
- Sequencing of chiller operational to reduce maximum demand
- Power grid system implemented according to zone for each floor
- Opted to use energy efficient light bulbs/LED lights
- More laptop users compared to desktop with hibernation features
- Common printer provided
- Power saving campaign includes last person to switch off the light
- Earth Hour
- AAGI KL Head Office accumulated more than 60 hours of "Lights Off" in conjunction with the global Earth Hour Movement in July 2019.

Water Consumption

- Water saving campaign organised to increase awareness & reduce wastage

Paper Usage

- Printer set to double-sided printing, black & white & password protected
- The respective entities encourage the usage of digital platform to replace the usage of physical papers via online transactions and submissions, sharing of documents and other similar initiatives

Recycling Program

- Over 250 kg of recyclable items and 120 units of IT Assets were contributed by employees of AAGI during the CR Fundraising Bazaar in November 2019.

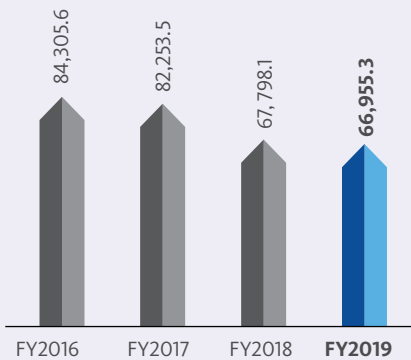
AAGI has developed an environmental policy and strategy which covers both business and operational issues. AAGI's environmental footprint management also contributes to improve operational eco-efficiency, notably through cost savings on energy, fuel, travel, paper and water. As part of this policy, AAGI has:-

1. Established an environmental reporting process to measure and reduce the environmental impact of business operations;
2. Developed a due-diligence process to ensure an adequate governance is implemented at entity level;
3. Set the 2020 environmental performance targets.

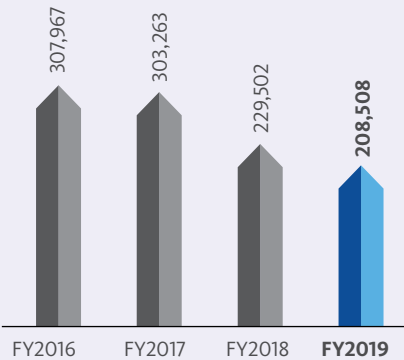
As we rapidly shift towards digital transformation, our employees are required to leverage on technological platforms in carrying out their day-to-day activities. This is in hope of minimising waste in the form of paper consumption, while increasing operational productivity and efficiency. We also advocate this objective to our customers by encouraging the shift to e-Statements.

SUSTAINABILITY STATEMENT

TOTAL ELECTRICITY CONSUMPTION (MWH)



TOTAL WATER CONSUMPTION (M³)



TOTAL PAPER USAGE (KG)

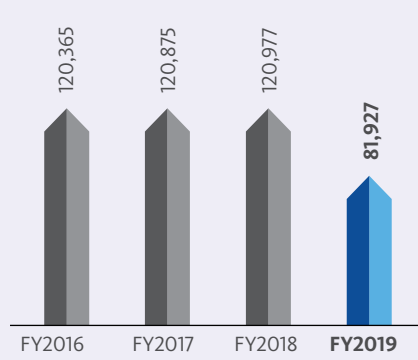
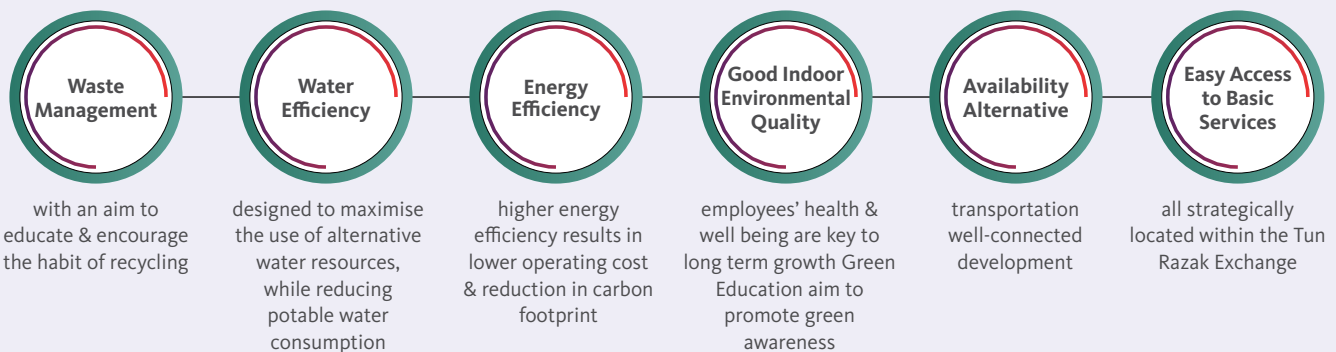


Figure 23 – Electricity, Water Consumption & Paper Consumption for AFFIN Bank Group

AFFIN New Corporate TRX Headquarters

Our new up-and-coming AFFIN Bank Group corporate headquarters will be located within the Financial District of Tun Razak Exchange (TRX) in the heart of Kuala Lumpur. The building consists of 3 basement car parks, 4 podium floors & 43 floors of Grade A office space. It is designed with focus on the 3Ps – People, Planet, Profit & pursuing two green building certifications – the globally recognised LEED certification by US Green Building Council & the locally renowned Green Building Index (GBI) certification, with a target rating of Gold level.

AFFIN New Corporate TRX Headquarters



Since 2015, Affin Hwang Investment Bank Berhad's IT Department has implemented Go-Green initiatives as part of our effort to reduce paper consumption. This was done through e-statements of remisers' monthly commissions & a remiser portal to eliminate the need for printing physical statements & manual forms for withdrawal or processing. For similar reasons, e-statements also enhance the delivery of daily contract notes & monthly statements to clients, and enable them to retrieve historical statements via the portal. The implementation of our Finance in Digital Automation (FiDA) allows electronic posting of invoices that go straight to the Financial System. Our Ktree meeting room module replaces agendas previously provided through emails & physical notifications.

SUSTAINABILITY STATEMENT

COMMUNITY DEVELOPMENT



As a financial institution with vast operations, the Group understands that we play a significant role in empowering and creating positive impacts for our surrounding communities. We extend our financial aid and industrial expertise in various social activities with the objective to help uplift the standards of living and create an inclusive society. Through various policies and frameworks on CSR, we deploy our resources to benefit these communities through numerous programmes and sponsorships in areas of health, sports, entrepreneurship and environmental protection.

AFFINBANK & AFFIN ISLAMIC

Soup Kitchen with PERTIWI

A series of 4 soup kitchen sessions were held in 2019, involving 160 staff in total. Each soup kitchen session provides food for about 700 homeless urban communities in the Klang Valley. The Bank has been involved in this activity for three years, starting in 2017.

Blood Donation Drive

A series of 3 blood donation drives were held at Menara AFFIN, and successfully collected blood from 150 employees. This activity has run since 2005 and AFFINBANK has built a very close relationship & reputation with the National Blood Bank.

Financial Literacy Initiatives

In 2019, AFFINBANK partnered with Multimedia University to organise a financial literacy programme in Kelantan for 500 secondary school students from 4 schools. AFFINBANK also supported the annual Karnival Kewangan, an awareness initiative curated by Bank Negara Malaysia on Financial Literacy. The Bank participated in 6 editions of the initiative in Melaka, Perlis, Terengganu, Sabah and Sarawak.

Tabung Zakat Angkatan Tentera Malaysia (ATM)

Tabung Zakat ATM was set up as a fund to assist veterans and citizens of ATM. In 2019, AFFIN ISLAMIC has contributed RM500,000 to this fund. This contribution by AFFIN ISLAMIC started since 2012.

Festive Charity Activities

For 2019, AFFINBANK organised an annual buka puasa with 135 children from 3 orphanages located in the Klang Valley area. For Chinese New Year, we organised a festive lunch with 60 residents of the Ampang Old Folks Home while for Deepavali, we also organised a festive lunch for 40 children in Ipoh.

#InspirasiBersamaAFFIN CSR Program

#InspirasiBersamaAFFIN aimed to inspire Malaysians to be involved in community outreach by championing corporate sustainability initiatives. The program, in collaboration with ASTRO was executed by three organisations/individuals at Perkampungan Orang Asli Kg Terlimau Cameron Highlands, Rumah Kak Ogy at Tanjung Karang and Selangor & Federal Territory Association for the Mentally Handicapped.

Harian Metro Kotak Rezeki 2019

A charity campaign with New Straits Times Publication, held in the month of Ramadhan. A total of 10,000 'Kotak Rezeki'/charity boxes were distributed to a total of 50 welfare homes, orphanages, religious 'madrasah' and 'tahfiz schools' in Peninsular Malaysia. Each 'Kotak Rezeki' comes with a 10kg bag of rice, cooking oil, flour, sugar and milk, among others.

'Program Seorang Sekampit Beras'

AFFIN ISLAMIC was one of the main sponsors of 'Program Seorang Sekampit Beras' organised by Association of Islamic Banking Institutions Malaysia (AIBIM). The program involved presentation of Zakat and food necessities to over 400 residents of Projek Perumahan Rakyat (PPR) Kota Damansara and Desa Mentari, Petaling Jaya.

Contribution of 'Sahala Wudu' to Sultan Ahmad Shah Mosque, IIUM

AFFIN ISLAMIC donated a wheelchair-accessible wudu' station (Sahala Wudu) which has a comprehensive washing system to Sultan Ahmad Shah Mosque at the International Islamic University of Malaysia (IIUM) in Gombak, Selangor. Sahala Wudu' is specially designed for the disabled with an ergonomic sink design to prevent water from over-flowing while providing comfort for users to take turns using a multi-directional fountain system to ensure a thorough wash.

Zakat Presentation to Mercy Mission Malaysia

Mercy Mission Malaysia, a community development organisation received Zakat contribution from AFFIN ISLAMIC and distributed the contribution to two Rohingya refugee homes - Maahad Tahfiz Al-Quran Al-Ikhwaniah and Akademi Rohingya Malaysia under the Back to School initiative.

'Program Santuni Asnaf'

AFFIN ISLAMIC, in a collaboration with Lembaga Zakat Kedah, hosted 'Program Santuni Asnaf' in Kedah. Through this collaboration, AFFIN ISLAMIC and Lembaga Zakat Kedah visited 10 'Asnaf' houses and handed cash together with basic necessities consists of rice, cooking oil and flour.

SUSTAINABILITY STATEMENT

Beach Cleaning

In 2019, AFFINBANK conducted Beach Cleaning programme at Pantai Merdeka, Kedah. The Beach Cleaning activity was led by Group Chief Executive Officer and Chief Executive Officer of AFFIN ISLAMIC along with 42 staff based in Kedah. The activity successfully gathered and cleaned 19kg of garbage at the beach.

'Back to School' Program

For the year 2019, AFFINBANK organised three 'Back to School' programs in Jitra and Sungai Petani, Kedah and in Kuala Krai, Kelantan. A total of 161 underprivileged school students in both states received school supplies consisting school uniforms, bags, and shoes.

Affin Hwang Investment Bank Berhad

The Second Chance Project

Caring for the less fortunate – The Senior Management Committee partnered with Second Chance Project in an event during Ramadhan month, where the homeless people are given an incubation period to acquire surviving skills, transitioning from spoon-fed culture to self-cultivating interest to make a change for themselves.

Support for the Underprivileged

A Financial Literacy Program, an initiative by Management Trainee Cohort 7 was held at Rumah Anak-Anak Yatim Damai, Klang with the aim to raise awareness on the importance of financial literacy among the local community namely the youths. The program also included a contribution of RM30,000 worth of computers, a projector, projector screen, WiFi booster and printer for the Home's Audio-Visual room.

Contribution to Army Veterans

A contribution of RM600,000 was made to assist deserving or injured army personnel and army veterans through Tabung Zakat Angkatan Tentera Malaysia (ATM) and Tabung Zakat Yayasan Veteran ATM.

Donations to the Community and State Army Veteran Organisations

Zakat contributions were made to 13 organizations, including centres for the physically challenged, old folks, orphans as well as mosques, surau & tahfiz schools and students from low income families, to assist them in terms of education and living expenses. In addition, a total of RM300,000 was donated to five State Associations of Malaysian Armed Forces Veterans to assist army veterans who are in need of medical support as well as families of veterans in need of financial support to sustain their everyday lives.

Affin Hwang Asset Management Berhad

Beyond the Classroom Workshop

Beyond the Classroom 2019 series utilised financial board games to reach out to more participants in a fun and engaging learning experience. The company reached out to 650 students across 3 workshops held in Kuala Lumpur, Penang and Kota Kinabalu. It was designed to encourage learning through gamification giving them the opportunity to make their own decisions & develop a culture of continuous learning & accountability. The Workshop is an AHAM's flagship Financial Literacy and CSR series of experimental workshops, especially created to instil awareness surrounding Financial Literacy amongst young adults.

Fundraising for Happiness Centre Malacca

The Company's operation's Division fundraised RM23,000 along with some daily necessities for Happiness Centre, Malacca. The centre accommodates more than 20 residents, aged between 8 to 40 years old who are mentally and severely disabled and totally dependent on care-givers. Most of the residents are diagnosed with Cerebral Palsy, down syndrome and muscular dystrophy.

Underwater Clean Up Dive at Perhentian Island

The Company sent licensed Scuba Divers to Perhentian Island to clean up the marine trash. Across 2 days, 60 kg of trashes were collected. The scuba divers also worked on other conservation activities such as planting corals and removing coral-eating starfishes. RM7,500 was donated to the partner dive resort to support turtle conservation efforts and eco-friendly business practices.

Partnership with Tropical Rainforest Conservation and Research Centre (TRCRC)

The Company continued to partnership with TRCRC through a RM25,000 sponsorship for 30,000 seedlings and 10 nursery experts. As part of the program, volunteers spent time to plant trees at Taman Tugu and learn more about Malaysia's rainforest through a nature hike.

SUSTAINABILITY STATEMENT

AAGI & AALI

AXA's 5-Year Sustainability Plan

Spearheaded by the Brand, Communications & Corporate Responsibility (CR) Department, the 5-Year Sustainability Plan aims to protect & deliver true impact for the community, customers & environment through collaborative efforts & partnerships with our stakeholders.

AXA Hearts in Action Corporate Responsibility Programme

A global Corporate Responsibility programme for employees to carry out volunteering activities in the form of giving time, sharing skills and raising funds. The programme focuses on 3 key pillars, i.e Social Inclusion, Environment and Health Risk Prevention to deliver true impact to the community through collaborative effort and partnership with stakeholders.

AAGI: AXA Hearts in Action Run 2019

AXA Hearts in Action Run was introduced since 2015 to engage with the community and encourage Malaysians to live a healthy lifestyle through partnerships with local NGOs. Held for the 5th consecutive year at the iconic Dataran Merdeka, Kuala Lumpur

on 21 July 2019, AXA Hearts in Action Run 2019 had gathered 6,500 runners to support 5 social causes (Environment, Children, Kidney, Cancer & Heart) and contributed a total of RM100,000 to WWF-Malaysia, World Vision Malaysia, National Kidney Foundation of Malaysia, National Cancer Society Malaysia and Yayasan Jantung Malaysia.

AAGI: CR Fundraising Bazaar 2019

The inaugural CR Fundraising Bazaar 2019 successfully raised more than RM15,000 from employees to support Back to School funds. The proceeds were contributed to 4 children charity homes, during which a total of 130 children were treated to lunch and game sessions before being presented with Back to School pocket money to prepare for their upcoming school year.

AALI's Blood Donation Drive

80 employees including other tenants in the building were involved in this donation drive. 4 volunteers from the local community. 80 packs of blood were donated successfully & all samples were donated to National Blood Bank.

AXA Corporate Responsibility (CR) Week

The CR Week programme is a week-long activity to support various causes and give back to society. It is held to engage with internal employees and reinforce commitments to empower lives & build a sustainable society. The programme promotes employee volunteering & awareness & develops them into socially responsible corporate citizens.

AAGI CR Week 2019 Highlights

- 70 employees donated blood to the National Blood Bank
- Close to RM10,000 worth of groceries contributed to 4 charity homes
- Contributed reusable sanitary pads to Orang Asli students from SK (Asli) Bukit Kemandol K9, Banting and conducted the Menstrual Hygiene Management Programme in collaboration with Athena Empowers
- Approximately 60 hours of lights switched off during AXA Earth Hour
- 180 employees attended the stress management talk and did their health check

AALI CR Week 2019 Highlights

- 80 blood donors
- 403 volunteer hours
- RM4000 collected and donated to Rumah Perlindungan Safiyah & Pertubuhan Kebajikan Thangam Illam (both are orphanage homes)
- Collected RM1,050.00 (equivalent to 15 kits of reusable sanitary pad price) where the amount were channelled to Athena Empowers and the pads will be donated via Athena Empowers to Orang Asli community.
- A total number of 30 employees volunteered themselves to attend the CSR activity at the National Zoo of Malaysia where 3 groups cleaned the cages of lion, tapir and butterfly.
- Electricity were shut down for 1 hour to support the Earth Hour campaign where we ran for 5 consecutive days during CR week 2019.

SUSTAINABILITY STATEMENT

Core ideologies

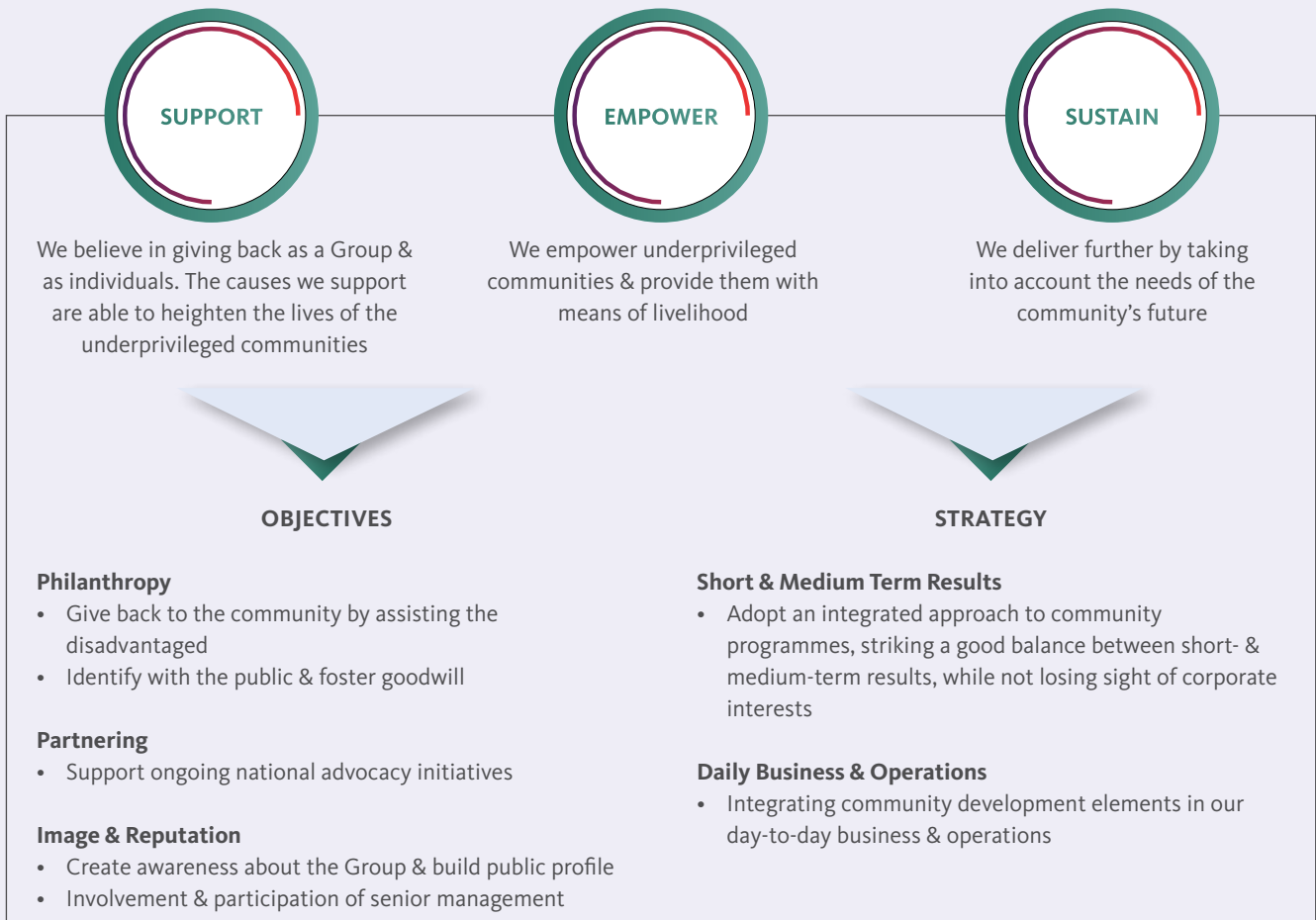


Figure 24 – Affin Hwang Investment Bank Berhad's Corporate Responsibility

In accordance to Islamic principles, we take our obligation to contribute a proportion of our revenue towards the underprivileged group or asnaf. Driven by our policies, we distribute zakat monies to State Islamic Religious Councils, armed forces, education, contribution during the Ramadhan month, assistance to needy families, business aid, various organisations, schools, homes and individuals.

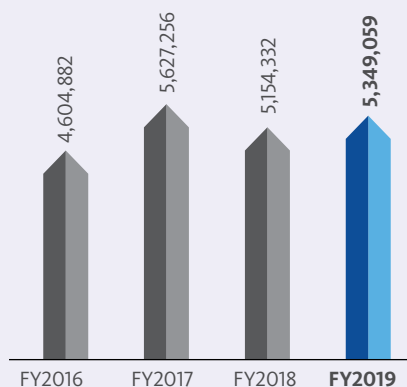


Figure 25 – AFFIN Bank Group's zakat payment (RM)

FIVE-YEAR GROUP FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Revenue	1,932	1,921	1,560	1,936	1,802
Profit before taxation and zakat	682.5	679.1	554.1	741.8	519.3
Net profit attributable to equity holders of the Company	487.8	503.1	417.9	564.0	369.3
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Loans, advances and financing	45,388	48,392	45,722	43,747	43,345
Total assets	68,341	75,976	70,009	68,886	67,414
Deposits from customers	51,089	57,346	50,920	51,506	50,549
Total liabilities	58,945	67,235	61,680	60,155	59,087
Commitments and contingencies	30,851	30,873	32,286	26,952	27,996
Paid-up capital	4,775	4,685	4,685	1,943	1,943
Shareholders' equity attributable to the equity holders of the Company	9,337	8,672	8,271	8,682	8,282
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average shareholders' funds	5.42	5.94	4.93	6.65	4.55
Net return on average assets	0.68	0.69	0.60	0.83	0.55
Net return on average risk-weighted assets	1.01	1.02	0.88	1.22	0.82
Cost to income ratio	63.36	63.39	59.87	59.04	60.23
Asset Quality Ratios					
Gross impaired loans ratio	3.00	3.25	2.53	1.67	1.90
Net impaired loans ratio	2.28	2.59	2.10	1.08	1.02
Loan loss coverage	96.88	97.08	98.50	94.34	98.09

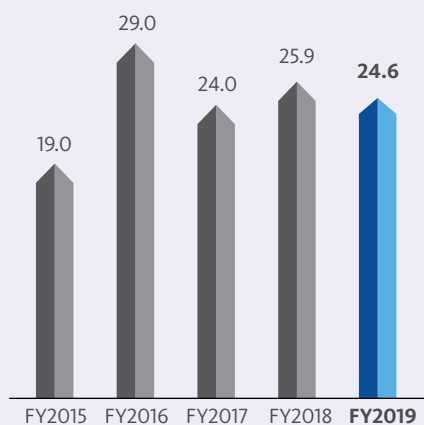
FIVE-YEAR GROUP FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
SHARE INFORMATION - Per share (sen)					
Earnings - Basic	24.59	25.89	23.98	29.03	19.01
Earnings - fully diluted	23.85	25.33	23.98	29.03	19.01
Gross Dividend	5.00	5.00	2.34	5.00	7.99
Net assets	470	446	426	447	426
Share price - high	191	226	234	241	300
Share price - low	189	222	231	237	210
Share price as at 31 December	190	223	231	239	234
Market capitalisation (RM'million)	3,773	4,333	4,488	4,644	4,547
SHARE VALUATION					
Gross dividend yield (%)	2.63	2.24	1.01	2.09	3.41
Dividend payout ratio (%):-					
- based on Group's profit after tax	20.33	19.31	9.77	34.45	42.03
- based on Company's profit after tax	26.68	16.35	16.09	86.76	67.17
Price to earnings multiple (times)	7.73	8.61	9.63	8.23	12.31
SEGMENT INFORMATION					
Profit before taxation and zakat by activity (RM'million)					
Commercial banking	555	802	502	603	461
Investment banking	165	150	40	102	60
Insurance (net of tax)	30	47	13	49	8
Others	(67)	(320)	(1)	(12)	(10)
	683	679	554	742	519

FIVE-YEAR GROUP FINANCIAL SUMMARY

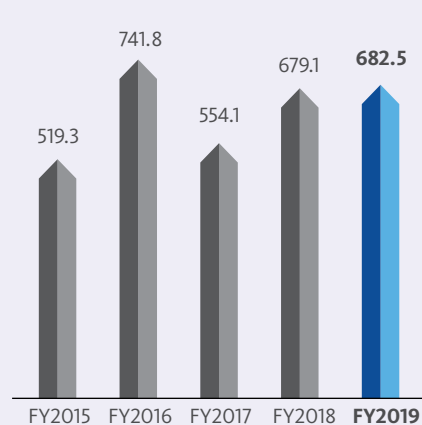
EARNINGS PER SHARE (EPS)

(Sen)



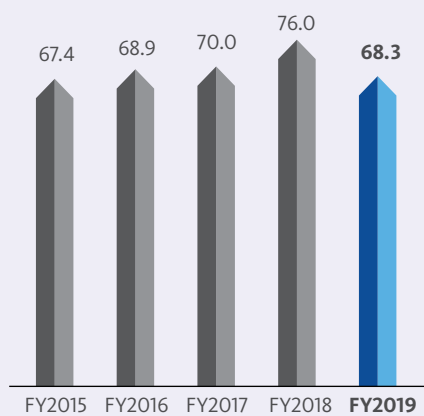
PROFIT BEFORE ZAKAT AND TAXATION

(RM'million)



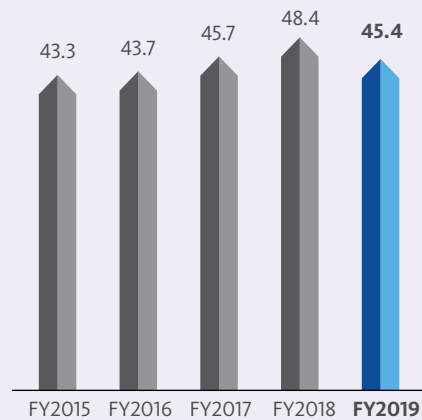
TOTAL ASSETS

(RM'billion)



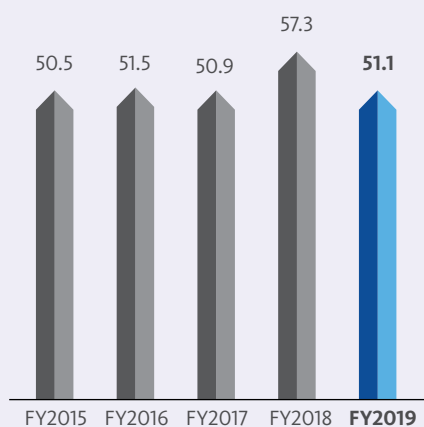
NET LOANS, ADVANCES & FINANCING

(RM'billion)



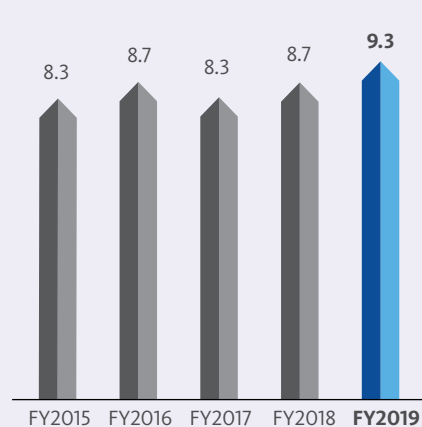
DEPOSITS FROM CUSTOMERS

(RM'billion)



SHAREHOLDERS' EQUITY

(RM'billion)



CORPORATE DIARY

AFFIN BANK BERHAD



28 January 2019

LAUNCH OF COLOURS OF AFFIN - CORPORATE TIE & SCARF

The Bank launched Colours of Affin, its Corporate Tie and Scarf for all staff.



28 February 2019

MOU SIGNING CEREMONY BETWEEN WALLET2U EZPAY & AFFIN BANK BERHAD

Affin Bank Berhad signed a Memorandum of Understanding with Wallet2U Ezpay Sdn in efforts to provide a secure, convenient, and seamless payment ecosystem for consumers nationwide.



18 March 2019

7TH EDITION O.M.G CAMPAIGN PRIZE GIVING CEREMONY

The 7th Edition O.M.G Campaign Prize Giving Ceremony celebrated 92 lucky winners with prizes worth RM 700,000.



21 February 2019

CHINESE NEW YEAR 2019 CHARITY ACTIVITY

The Bank hosted a CNY lunch reception with the elderly residents of Ampang Old Folks Home.



8 March 2019, 26 April 2019, 19
July 2019 and 18 October 2019

CSR ACTIVITY 2019 - SOUP KITCHEN

The Bank organised four Soup Kitchen activities throughout the year. The activity was organised together with Pertiwi Soup Kitchen. Free food supplies, medical checks and other necessities were provided to the underprivileged living within the area.



26 March 2019

2019 LANGKAWI INTERNATIONAL MARITIME AND AEROSPACE EXHIBITION

AFFIN Bank Group became the Official Bank for the 15th Langkawi International Maritime and Aerospace Exhibition (LIMA). The event was launched by Prime Minister YAB Tun Dr Mahathir Mohamad.



23 February 2019

KARNIVAL KEWANGAN MIRI 2019

AFFIN Bank Group participated in Bank Negara's Carnival Kewangan held in Miri, Sarawak. The 2-day carnival was part of BNM's initiative to provide financial awareness to the public.

CORPORATE
DIARY

AFFIN BANK BERHAD



4 April 2019

KARNIVAL KEWANGAN KUALA TERENGGANU 2019

AFFIN Bank Group participated in this 3-day event which attracted some 20,000 visitors. The Bank brought 80 primary students from SK Wakaf Mempelam and SK Kepong in Kuala Terengganu to increase financial literacy amongst the students.



2 May 2019

“YEAR END USAGE” CAMPAIGN PRIZE GIVING CEREMONY

Winners of the “Year End Usage” and “Supplementary Credit Card Usage” campaigns were celebrated with prizes worth RM300,000.



17 May 2019

MAJLIS BERBUKA PUASA BERSAMA ANAK YATIM

The Bank hosted an iftar session for 135 children from 3 different orphanages: Rumah Amal Permata Hatiku in Gombak, Pusat Perniagaan Anak Yatim Nur Iman in Setapak, and Rumah Perlindungan Nur Qaseh in Taman Melawati.



16 April 2019

SITE VISIT TO TUN RAZAK EXCHANGE (TRX)

Senior Management Members of AFFIN Bank Group visited the Tun Razak Exchange (TRX) for the first time on 16 April 2019.



9-10 May 2019

BUKA PUASA MEALS WITH MEDIA 2019

In conjunction with the holy month of Ramadhan, the Bank celebrated 600 members of the Media by distributing packed meals to them. The Bank collaborated with a social entrepreneur, Picha Project which partners with Syrian refugees in traditional food catering.



30 May 2019

PERTANDINGAN MENGANYAM KETUPAT AFFINITY

In ushering Eid, a ketupat making competition was held at Menara Affin.

11 April 2019, 27 August 2019
and 3 December 2019**BLOOD DONATION DRIVE 2019**

The Bank organised three blood donation drives throughout the year. The drive was in collaboration with the National Blood Bank.

CORPORATE DIARY

AFFIN BANK BERHAD



21 June 2019

STAFF HARI RAYA 2019 CELEBRATION

A Hari Raya event was hosted in Johor Bahru for all staff from the Southern Region. An array of Hari Raya delicacies typically from the Southern region, were served, amidst performances by staff from various branches.



13-14 July 2019

KARNIVAL KEWANGAN MELAKA

AFFIN Bank Group participated in the 2-day Karnival Kewangan Melaka which was part of Bank Negara Malaysia's efforts in increasing financial awareness among the general public.



24 July 2019

OFFICIAL LAUNCH OF AFFIN VISA SIGNATURE CREDIT CARD AND AFFINPAY

AFFINBANK launched its Visa Signature Credit Card at TGV Cinemas, 1 Utama Shopping Centre. The newly launched AFFIN Visa Signature Credit Card offers 3% cash back for contactless transactions performed at retail outlets*. During the same event, the Bank also launched AffinPay, a mobile application to propel cashless transaction in our increasingly digital age.



26 June 2019

CORPORATE HARI RAYA OPEN HOUSE 2019

The Bank hosted its annual Hari Raya Open House for valued stakeholders at Royale Chulan, Kuala Lumpur. The event was graced by the Minister of Defence, YB Tuan Mohamad Sabu.



6 July 2019

PROGRAM SEKOLAH@MMU PERDANA - KELANTAN

AFFIN Bank Group partnered with Multimedia University for a Financial Literacy program Sekolah@MMU Perdana which was held in Jeli, Kelantan. Some 500 students participated in the program.



12 October 2020

KARNIVAL KEWANGAN SANDAKAN

AFFIN Bank Group participated in the 2-day Karnival Kewangan Sandakan which was part of Bank Negara Malaysia's efforts in increasing financial awareness among the public.



26 March 2019

KARNIVAL KEWANGAN PERLIS

AFFIN Bank Group participated in the 2-day Karnival Kewangan Perlis which was part of Bank Negara Malaysia's efforts in increasing financial awareness among the general public.

CORPORATE
DIARY

AFFIN BANK BERHAD



20 October 2020

BACK TO SCHOOL PROGRAM - JITRA

The Bank contributed school supplies to the underprivileged students of Sekolah Kebangsaan Hakim Teh. Chief Executive Officer of Affin Islamic Bank Berhad, En. Nazlee Khalifah represented the Bank during the contribution ceremony held at the school.



25 October 2019

DEEPAVALI CHARITY ACTIVITY

In conjunction with the Festival of Light, Affin Bank Berhad management and staff celebrated Deepavali with the underprivileged children of Persatuan Kebajikan Kanak-Kanak Yatim Rumah Visi (Vision Home), Ipoh.



16 December 2019

SCOOTVAGANZA PRIZE GIVING CEREMONY 2019

Winners of "Scootvaganza" campaigns organised by Affin Bank Berhad were celebrated with giveaway of prizes worth more than RM100,000.



24 December 2020

PROGRAM 'BACK TO SCHOOL' - KUALA KRAI

The Bank contributed school supplies to the underprivileged students of Sekolah Kebangsaan Kuala Krai, Kelantan. Chief Operating Officer, En. Zulkanain Kassim represented the Bank during the contribution ceremony held at the school.



12 November 2019

LAUNCH OF "COMPLIANCE AWARENESS WEEK & NO GIFT POLICY"

The Bank launched the Compliance Awareness Week & No Gift Policy at the Auditorium which is to create awareness in achieving the highest standard of integrity and ethics in future banking operations.



23 November 2019

"BACK TO SCHOOL" PROGRAM & BEACH CLEANING ACTIVITY

The Bank contributed school supplies aids to 130 underprivileged students from Sekolah Kebangsaan Bukit Kecil and SK Haji Sulaiman, Kota Kuala Muda, Kedah which consisted of school uniforms, bags and shoes. The Bank also collaborated with Trash Hero, an environmental NGO to conduct an environmental talk for the students.



28 December 2020

LIVING IN FUTURE TIMES (LIFT) FESTIVAL 2019 - PUTRAJAYA

AFFIN Bank Group participated in a two-day L.I.F.T Festival 2019 organised by the Ministry of Finance held at Menara Perkeso, Putrajaya. The 2-day festival focused on Literacy in Financial Technology and Living in Future Times.

CORPORATE DIARY

AFFIN ISLAMIC BANK BERHAD



14 January 2019

ISLAMIC FINANCE RENDEZVOUS SERIES - PENANG

AFFIN ISLAMIC participated in Islamic Finance Rendezvous Series (IFRS) at Eastin Hotel, Penang which was officiated by YAB Chief Minister of Penang, Chow Kon Yeow.



27 February 2019

PROGRAM SANTUNI ASNAF

AFFIN ISLAMIC, in a collaboration with Lembaga Zakat Kedah hosted Program Santuni Asnaf in Kedah and handed RM400 cash together with basic necessities worth RM100 to each family.



9 - 11 April 2019

KL ISLAMIC FINANCE FORUM (KLIFF 2019)

KL Islamic Finance Forum (KLIFF 2019) was held at Royale Chulan Hotel, Kuala Lumpur. Officiated by the former Prime Minister of Malaysia, YAB Tun Dr. Mahathir Mohamad, the theme for KLIFF 2019 was 'Technology Face and Sustainability Voice of Islamic Finance'.



30 & 31 March 2019

FACON EDUCATION FAIR 2019

AFFIN ISLAMIC participated in the FACON Education Fair 2019. The event acts as a platform for the public and students to explore and gain knowledge on AFFIN Education Financing-i.



24 January 2019

ZAKAT PRESENTATION TO MERCY MISSION MALAYSIA

Mercy Mission Malaysia, a community development organisation received Zakat contribution from AFFIN ISLAMIC under Back to School initiative.



3 - 6 April 2019

MALAYSIA INTERNATIONAL HALAL SHOWCASE

AFFIN ISLAMIC participated in Malaysia International Halal Showcase (MIHAS 2019) held at MITEC KL.



24 April 2019

ZAKAT PRESENTATION TO RUMAH RAUDHATUS SAKINAH

AFFIN Bank Group presented zakat contribution to Rumah Raudhatus Sakinah. Apart from the zakat contribution, the one-day event was filled with activities such as motivational talk, wall painting and other interesting activities which were participated by AFFINBANK and AFFIN ISLAMIC employees.

CORPORATE
DIARY

AFFIN ISLAMIC BANK BERHAD



30 April 2019

AFFIN ISLAMIC SIGNS MOU WITH
MATA ON AFFIN EDUCATION
FINANCING-i

AFFIN ISLAMIC signed a memorandum of understanding (MOU) on AFFIN Education Financing-i with the Malaysian Aviation Training Academy (MATA). The MoU was signed by En. Nazlee Khalifah, Chief Executive Officer of AFFIN ISLAMIC and Dato' Sulaiman bin Dahlan, Group Chief Executive Officer/Director of MATA.



28 May 2019

SUMBANGAN HARI RAYA
AIDILFITRI TO ANGKATAN
TENTERA MALAYSIA

AFFIN ISLAMIC was a zakat contributor to 'Tabung Zakat Angkatan Tentera Malaysia', presented by former AFFIN Bank Group Chief Executive Officer, En. Kamarul Ariffin to Minister of Defence, YB Mohamad Sabu during 'Majlis Penyampaian Sumbangan Hari Raya Aidilfitri' held at the Ministry of Defence, Kuala Lumpur.



30 May 2019

AFFIN ISLAMIC CONTRIBUTES
SAHALA WUDU TO SULTAN
AHMAD SHAH MOSQUE, IIUM

AFFIN ISLAMIC donated a wheelchair-accessible wudu' station (Sahala Wudu) which has a comprehensive washing system to the Sultan Ahmad Shah Mosque at the International Islamic University of Malaysia (IIUM) in Gombak, Selangor. Sahala Wudu is specially designed for the disabled with an ergonomic sink design to prevent water from overflowing while providing comfort for users to take turns using a multi-directional fountain system to ensure a thorough wash.



18 May 2019

PROGRAM SEORANG SEKAMPIT
BERAS AT PPR KOTA DAMANSARA
& DESA MENTARI, PETALING JAYA

AFFIN ISLAMIC was the main sponsor of Program Seorang Sekampit Beras, organised by Association of Islamic Banking Institutions Malaysia (AIBIM). AFFIN ISLAMIC presented packages of food necessities to over 200 residents of PPR Kota Damansara and Desa Mentari PJ respectively.



31 May 2019

ZAKAT CONTRIBUTION TO RUMAH
PENGASIH WARGA PRIHATIN

150 children from Rumah Pengasih Warga Prihatin were overjoyed to receive 'baju raya' and Zakat contribution from AFFIN ISLAMIC.



18 May 2019

AFFIN ISLAMIC DISTRIBUTES
#HMKOTAKREZEKI 2019

AFFIN ISLAMIC kicked off its #HMKotakRezeki2019 charity box programme to deliver a total of 11,000 aid packs to individuals and welfare homes throughout Peninsular Malaysia. The CSR activity was carried out in collaboration between AFFIN ISLAMIC & NSTP.

CORPORATE DIARY

AFFIN ISLAMIC BANK BERHAD



8 July 2019

ZAKAT PRESENTATION TO MAJLIS UGAMA DAN ADAT RESAM MELAYU PAHANG (MUIP)

AFFIN ISLAMIC participated in the zakat presentation ceremony to Majlis Ugama dan Adat Resam Melayu Pahang (MUIP). En. Nazlee Khalifah, AFFIN ISLAMIC's CEO presented a mock cheque to Yang di-Pertuan Agong DYMM Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah.



26 July 2019

AFFIN ISLAMIC #INSPIRASIBERSAMAAFFIN CSR PROGRAM

AFFIN ISLAMIC created the #InspirasiBersamaAFFIN video production series, specially for broadcast on all ASTRO TV channels and online platforms. #InspirasiBersamaAFFIN features a group of ordinary people doing extraordinary things to give back to the community, and was recorded at Perkampungan Orang Asli Kg Terlimau in Cameron Highlands, Rumah Kak Ogy in Kuala Selangor. The Selangor and Federal Territory Association for the Mentally Handicapped (SAMH) in Wisma Harapan KL.



23 July 2019

ZAKAT PRESENTATION TO LEMBAGA ZAKAT NEGERI KEDAH

AFFIN ISLAMIC had the honour to contribute zakat to Lembaga Zakat Negeri Kedah through its Chief Executive Officer En. Nazlee Khalifah, which was received by Sahibus Samahah Dato' Paduka Syeikh Fadzil Haji Awang, the Mufti of Kedah who is also the Board Member of Lembaga Zakat Negeri Kedah in a ceremony held in Alor Setar, Kedah.



2 July 2019

RECORDING OF TMJ FOR ASTRO OASIS IN KEM TERENDAK MELAKA, MSU & UPNM

AFFIN Bank Group, the main sponsor of Tazkirah Malam Jumaat (TMJ) program on Astro Oasis collaborated with four institutions i.e. Bank Negara Malaysia (BNM), Markas Kem Terendak, Management & Science University (MSU) and Universiti Pertahanan Nasional Malaysia (UPNM) to host the recording of six TMJ episodes. The first recording was held at Kem Terendak, Melaka followed by second recording at MSU while the final recording was hosted at UPNM.



20 August 2019

SIGNING OF EDUCATION FINANCING-i MOU WITH ROYAL COLLEGE SURGEON IRELAND (RCSI) AND UNIVERSITY COLLEGE DUBLIN (UCD) MALAYSIA CAMPUS (RUMC)

AFFIN ISLAMIC signed a memorandum of understanding (MOU) with the Royal College of Surgeons in Ireland (RCSI) and University College Dublin (UCD) Malaysia Campus (RUMC) for AFFIN Education Financing-i in August. During the signing ceremony, AFFIN ISLAMIC was represented by En. Nazlee Khalifah, CEO of AFFIN ISLAMIC while RUMC was represented by Professor David Whitford, CEO of RUMC.

CORPORATE
DIARY

AFFIN ISLAMIC BANK BERHAD



22 August 2019

ZAKAT PRESENTATION TO MASJID
POLITEKNIK MUADZAM SHAH

AFFIN ISLAMIC is proud to be the official sponsor of Karnival Rahmah Muadzam Shah 2019 organised by Politeknik Muadzam Shah and Yayasan Dakwah Islamiah Malaysia (YADIM).



4 - 8 September 2019

HALFEST JAKIM 2019 EVENT

AFFIN ISLAMIC participated in Halal Fiesta HALFEST JAKIM 2019 held at MIECC Kuala Lumpur.



26 October 2019

MALAM AMAL KESENIAN &
KEBUDAYAAN 2019

AFFIN ISLAMIC & AFFINBANK were proud sponsors of Malam Amal Kesenian & Kebudayaan 2019 organised by Persatuan Wanita Islam Prihatin (PWIP).



18 October 2019

EDUCATION FINANCING-i
AGREEMENT WITH UNIVERSITY
MALAYA

AFFIN ISLAMIC signed an appointment agreement with Universiti Malaya (UM) for AFFIN Education Financing-i at Bangunan Canseleri UM.



18 October 2019

AFFIN ISLAMIC BAGGED TWO
AWARDS AT THE ASSETS TRIPLE A'S
ISLAMIC FINANCE AWARDS 2019

AFFIN ISLAMIC bagged two awards at The Assets Triple A's Islamic Finance Awards 2019 which fall under two categories, namely Issuer/ Adviser Awards: Islamic Issuer of the Year under Financial Institution, and Best Deal Regional - Capital Market for Best Bank Capital Sukuk Asia Pacific. The Islamic Finance Awards recognises organisations that contributed significantly to the development of Islamic banking and finance industry.



6 December 2019

ASIA HALAL BRAND AWARDS 2019

AFFIN Bank Group was the proud sponsor of Asia Halal Brand Awards (AHBA 2019) held at Shangri-La Hotel Kuala Lumpur

CORPORATE DIARY

AXA AFFIN GENERAL INSURANCE BERHAD



8 March 2019

INTERNATIONAL WOMEN'S DAY

AXA organised its inaugural Women Entrepreneurs Bazaar in conjunction with International Women's Day to support homegrown businesses developed by female entrepreneurs across the country. Amy Zheng, co-founder of Amazin' Graze (a local homegrown healthier food alternative company) was also invited to join the event and share her success story. The Company had also hosted the first ever visit of AXA Group CEO, Thomas Buberl who join the International Women's Day pre-luncheon celebration with women leaders in the industry.

AXA had also joined the global HeForShe movement, which successfully contributed a total of 20k€ to Plan International, a development and humanitarian organisation that advances children's rights and equality for girls.



18 March 2019

GO RED FOR WOMEN CAMPAIGN

AXA continued its commitment to play a more active role in risk prevention by collaborating with Yayasan Jantung Malaysia in Go Red for Women campaign to raise awareness on cardiovascular diseases and educate women about the importance of prevention and protection. The campaign was mobilised nationwide with a series of engagement and educational activities held, including informative talks on heart health, insurance awareness, comprehensive health check and nutritional advice. AXA has also contributed RM 39,000 to Yayasan Jantung Malaysia to continue driving awareness on cardiovascular disease at areas that lacked awareness



24 June 2019

HARI RAYA CELEBRATION WITH SENIOR CITIZENS OF MESRA HOME

Building on its goal to promote employee volunteering in support of social inclusion, AXA organised a visit to Mesra Home at Ampang to delight the senior citizens with a heartwarming Raya celebration. Mesra Home was also presented with a total monetary aid of RM3,200 to support its daily necessities.



1 - 5 July 2019

CORPORATE RESPONSIBILITY WEEK

AXA reinforced its commitment to build a sustainable society with week-long activities held during its Corporate Responsibility Week from 1 - 5 July 2019.

The annual programme aimed to give employees the opportunity to dedicate an hour, a day or a week in support of social inclusion, environment and health.

Activities Highlights:-

- 70 employees donated blood to the National Blood Bank
- Close to RM10,000 worth of groceries contributed to 4 charity homes
- Contributed reusable sanitary pads to orang asli students from SK (Asli) Bukit Kemandol K9, Banting and conducted the Menstrual Hygiene Management Programme in collaboration with Athena Empowers
- Approximately 60 hours of lights switched off during AXA Earth Hour
- 180 employees attended the stress management talk and did their health check

CORPORATE
DIARY

9 July 2019

AXA EMPOWERS ENTREPRENEURS TO TAKE CONTROL

Launched in July 2019, AXA #TakeControl SME Challenge aimed to empower 3 most aspirational entrepreneurs with the skills, funding and know-how to take control of their business growth and future.

10 finalists were shortlisted to undergo a structured business coaching to refine their ideas.

Me Books Asia, Bondahaven & ArtVenture with Sarah emerged as the top 3 winners after the final face-to-face pitch with the panel of judges. Winners were each rewarded with cash and prizes worth more than RM100,000 to take their business to greater heights.

In conjunction with the Challenge, AXA had also organised the inaugural AXA SME Forum 2019: Take Control in collaboration with MALAYSIA SME® Media Group. The event had gathered a panel of speakers and business leaders to share their invaluable experience and expertise with over 350 SME owners.



21 July 2019

AXA HEARTS IN ACTION RUN 2019

With overwhelming support and participation this year, AXA Hearts in Action Run 2019 (in its 5th consecutive year) had successfully attracted over 6,500 runners and contributed a total of RM100,000 to 5 NGOs (WWF - Malaysia, World Vision Malaysia, National Kidney Foundation of Malaysia, National Cancer Society Malaysia and Yayasan Jantung Malaysia), marking a total contribution of RM600,000 over the past 5 years.

The run was held in support of AXA's purpose in becoming a trusted partner, by encouraging Malaysians to run for better health, and at the same time champion a noble social cause close to their heart.



15 August 2019

AXA PARTNERS BLUEDUCK TO EMPOWER HOUSEOWNERS & TENANTS WITH PEACE OF MIND

AXA partnered with BlueDuck, an online one-stop home rental solution platform to provide tailored protection to both homeowners and tenants for their home and valuables. This initiative demonstrated AXA's commitment to achieve its Payer-to-Partner strategy by continuously investing in strategic partnerships and expanding its digital distribution channels in an effort to deliver superior customer experience.

28 August 2019

LAUNCH OF MALAYSIA'S 1ST TELEMATICS COMMERCIAL VEHICLE INSURANCE & FINANCING

AXA continued to expand its Payer-to-Partner strategy through its strategic partnership with Hap Seng Trucks Distribution Sdn. Bhd. and Hap Seng Credit Sdn. Bhd.

This collaborative initiative aimed to introduce AXA FlexiTruck as the first telematics commercial vehicle insurance in Malaysia to inculcate safe driving behaviour among FUSO light commercial vehicle truck drivers and help them better understand their driving habits through the installation of telematics security device.

AXA FlexiTruck will be financed by HSC under FUSO Ez-Own, also the first telematics financing programme in Malaysia.

CORPORATE DIARY

AXA AFFIN GENERAL INSURANCE BERHAD



29 August 2019

EMPOWERING ORANG ASLI WITH MENSTRUAL HEALTH KNOWLEDGE

AXA visited the Orang Asli students at SK (A) Bukit Kemandol, Jenjarum to facilitate the Menstrual Hygiene Management Programme alongside social enterprise Athena Empowers. During the 2-hour long session, students were engaged with various interactive games, video and activities that focuses on menstrual health and the use of safe and healthy menses items. They were also taught how to use the Switch Kits (reusable sanitary pads), which were contributed via the fundraising activity held during AXA CR Week 2019.



5 & 6 November 2019

AXA SUPPORTS "BACK TO SCHOOL" INITIATIVE

AXA organised its inaugural CR Fundraising Bazaar and successfully collected more than RM15,000 from the sales of goods and recycling initiatives.

The contribution was contributed to 130 children from 4 charity homes to help with their year-end "Back to School" expenses.



12 December 2019

INTERNATIONAL DAY OF PEOPLE WITH DISABILITY 2019

AXA is committed to cultivate a workplace that is inclusive and accessible for people of all abilities. The Company organised "The Future is Accessible" event to increase awareness, understanding and reduce stigma about disability at workplace.

The event was made more memorable with speakers from Damai Disabled Persons Association, Malaysian Association for the Blind and YMCA invited to share life experiences and valuable tips on how to assist and interact with disabled, blind and deaf people.

6 employees with visible and invisible disabilities had also been invited to share their own experiences and stories through powerful portraits and inspiring quotes.

AFFIN HWANG CAPITAL



8 February 2019

Official opening ceremony of Affin Hwang Asset Management's Government & Public Sector Office in Ayer@8, Putrajaya



20 July 2019

Affin Hwang Asset Management's Investment Forum "Wealth and Beyond"

CORPORATE
DIARY

AFFIN HWANG CAPITAL



24 April 2019

SECOND CHANCE PROJECT

In collaboration with Second Chance Project, the Senior Management Committee participated in making handicrafts with homeless people. The Second Chance Project is founded with an objective to provide an incubation period for the homeless, transitioning from spoon-fed culture to self-cultivating interest to make a change for themselves.



26 April 2019

MAJLIS ZAKAT KORPORAT

20 selected organisations were invited for the Majlis Korporat Zakat 2019. The beneficiaries include Persatuan Veteran ATM Malaysia, Akademi Remaja Islam Autisma, Pusat Jagaan Suci Rohani, PERKIM and other organisations for the disabled, orphanages, and old folks. A total of RM1.62 million was distributed in 2019.



28 May 2019

MAJLIS PENYAMPAIAN
SUMBANGAN ZAKAT

In conjunction with Hari Raya Aidilfitri, Affin Hwang Capital, together with other charitable organisations contributed RM600,000 to Persatuan Kebajikan Angkatan Tentera Malaysia and Persatuan Kebajikan Veteran Angkatan Tentera Malaysia.

The Zakat contribution was presented by our Chairman, En. Abd Malik bin A Rahman to YB Tuan Haji Mohamad bin Sabu, Minister of Defense, Malaysia.



25 June 2019

WE-CONNECT

We-Connect is a combination of our previous Townhall and Facetime, which allowed us to have a total connection experience by using digital infra and tools, enabling the entire organization to participate in it together, at the same time, from all different locations. Staff were able to raise questions and participate in the polling sessions through an interactive online tool called "Sli.do".



14 September 2019

FINANCIAL LITERACY

With the aim to raise awareness on the importance of financial literacy among the local community namely the youths, Management Trainee Cohort 7 organised a Financial Literacy Program with Rumah Anak-anak Yatim Damai, Kuang as part of the Community Engagement initiative.

The two-hour Finance Education Program focused on Savings, Insurance and Fixed Deposit using a "Live Monopoly" concept. The main objective of the project was to encourage and inculcate better learning development of financial literacy for the youths. 33 children from the Home participated and benefited from the program. The project also included a contribution of RM30,000 worth of computers, a projector, projector screen, wifi booster and printer for the Home's Audio Visual room.



29 November 2019

Launch of the Country's first TradePlus Leveraged and Inverse (L&I) Exchange Traded Fund (ETF)

CORPORATE DIARY

AXA AFFIN LIFE INSURANCE BERHAD



1 January 2019

AXA STEP IT UP +

First in the market transformational wellness programme which motivates Malaysians to be healthier. This new upgraded health campaign composed of “Fitter Me” where customers will be rewarded with cash back by staying active and “Better Me” offers a dedicated online health coach to help customers improve their health.



1 – 5 July 2019

CORPORATE RESPONSIBILITY (CR) WEEK 2019

CR week is an AXA Global initiative dedicated to offers AXA employees a great opportunity to give back to communities by devoting time to enabling people to live better lives. Taking place from 1 to 5 July, AXA AFFIN Life once again organises a series of activities with the aims to reinforce the commitment in making a difference and to build a sustainable society.

- Earth Hour Campaign – lights off for an hour daily
- Food Charity Bazaar – all sales proceeds are channelled to Rumah Perlindungan Safiyyah and Pertubuhan Kebajikan Thangam Illam
- Donate-A-Pad Campaign to the Orang Asli Community
- GLC Fest Awareness Talk
- Blood Donation Drive
- Zoo Negara Clean-up Project



26 July 2019

AXA KNOW YOU CAN

AXA AFFIN Life Insurance further strengthens its brand positioning in Malaysia with the new ambition and global brand promise by AXA Group, “Know You Can”. The new tagline perfectly symbolises AXA AFFIN’s continuous ambition to be the partner capable of empowering our customers to believe that a better life is within their reach. The key message behind the “Know You Can” tagline was strongly incorporated in an interactive launch held at MyTOWN Shopping Centre over 4 days from 25 – 28 July, 2019. The overall set-up was divided into four zones (Healthy zone, Happy zone, Upgrade zone and Stress-free zone) with each having activities to meet the objective of AXA’s new brand promise.



17 July 2019

AXA AFFIN LIFE INSURANCE NEW BRANCH IN SEREMBAN

AXA AFFIN Life Insurance enhances presence in Seremban by opening it’s 10th branch in Seremban 2, Negeri Sembilan with the aim to increase the customer contact frequency by offering the Seremban community in-branch solutions and providing an extensive array of medical, health, savings and life protection products.



1 OCTOBER 2019

AXA EMEDIC FAMILY PLAN

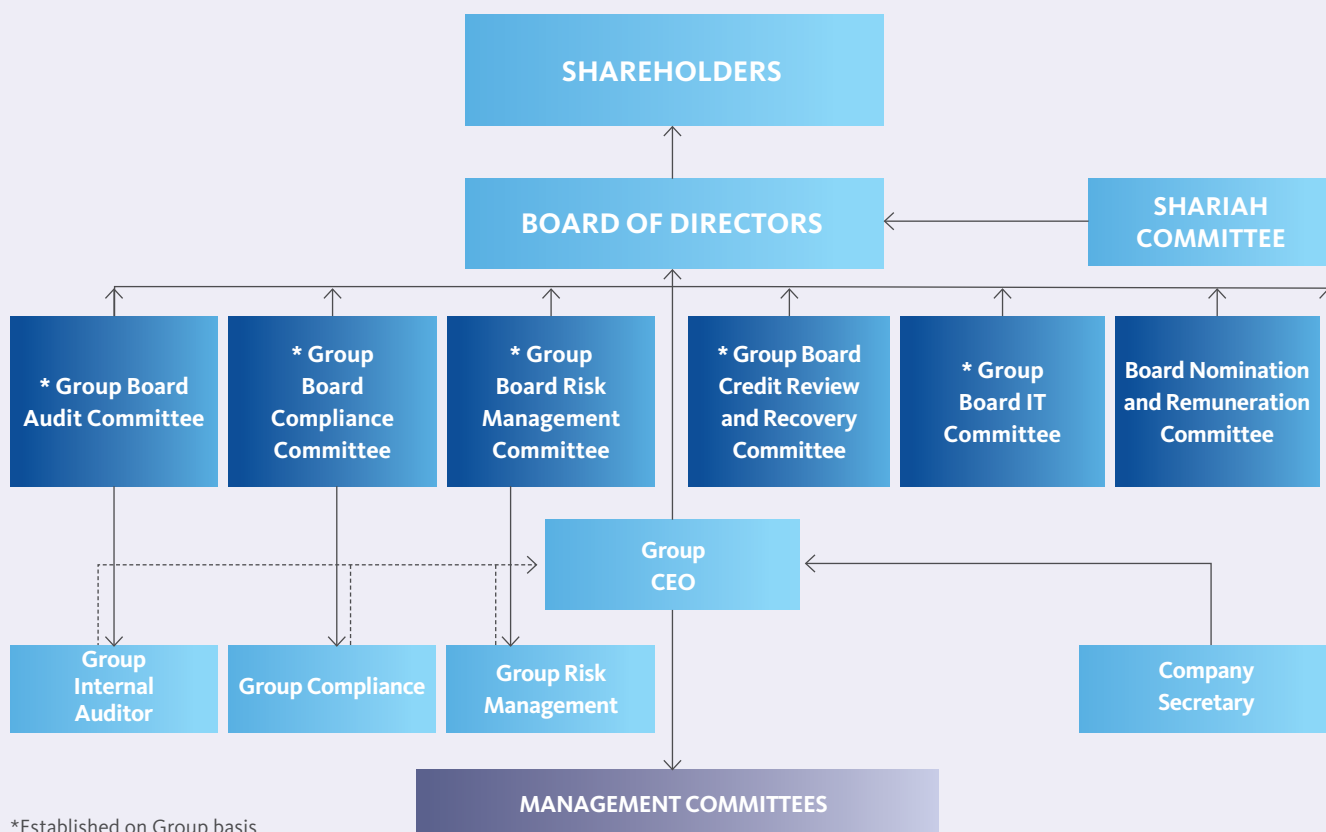
Another first-in-the-market revolutionary online medical card offering fast, easy and affordable protection for the young Malaysian families in a single package in less than 10 minutes via www.AXAeMedic.com. Families can now get protected for as low as RM150 per month for a family of four with coverage up to RM100,000 each individual per year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Affin Bank Berhad (“Bank” or the “Company”) supports the principles of good governance and both the Board as well as Management are fully committed to achieving the highest standard in the areas of corporate governance and business conducts.

The Bank adopts corporate governance practices that conform to the Bank Negara Malaysia (“BNM”) Policy Document on Corporate Governance, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements and Malaysian Code on Corporate Governance issued by Securities Commission.

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



The Corporate Governance Framework of the Bank is premised upon the following:-

- Companies Act, 2016
- Main Market Listing Requirements of Bursa Malaysia (MMLR)
- Policy Document on Corporate Governance issued by BNM (BNM CG)
- Malaysian Code on Corporate Governance issued by Securities Commission (MCCG)
- Other relevant guidelines/circulars/Practice Notes issued by relevant regulatory authorities

The Corporate Governance Framework will be continuously reviewed to ensure that it remains relevant and aligned with the Companies Act, 2016, MMLR, MCCG and based on best practices and guidelines.

This statement provides an overview of the Bank’s application of the three (3) key principles of good corporate governance as set out in the MCCG. The Board’s application of each of the practices set out in the MCCG is disclosed in the Corporate Governance Report which is available on the Bank’s website at www.affinbank.com.my

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Clear roles and responsibilities

The Board is the principal decision-making body for all significant matters affecting the Bank and is accountable to shareholders for creating and delivering sustainable value. This includes the formulating and reviewing the Bank's strategic plans and key policies, as well as the Bank's business operations. The Board and Management hold an annual strategic meeting to set the Bank's strategies and review the strategic direction of the Bank.

The Board exercises overall responsibilities in promoting good corporate governance and ensuring sound framework of internal controls, risk management and compliance practices are maintained throughout the Bank. The Board ensures that the system of internal control is sound and sufficient to safeguard shareholders' investment, customers' interest and the Bank's assets. Notwithstanding this, there are ongoing reviews to ensure the effectiveness, adequacy and integrity of the systems.

In order to promote a culture of integrity and transparency throughout the Bank, all Directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern Directors' conduct and their relationship with the Bank's shareholders and stakeholders.

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

2. Separation of Positions of the Chairman and Chief Executive Officer

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

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

The CEO focuses on the business and day-to-day management of the Bank and responsible for developing business strategies and ensure implementation of such strategies and policies.

The balance of responsibilities between the Chairman and the CEO will be regularly reviewed to ensure the division of functions remains appropriate to the needs of the Bank.

3. Company Secretary

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

The Board has direct access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company Secretary attends the Board and certain Board Committees' meetings which she is the appointed Secretary and is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary provides counsel to the Board on governance matters and facilitates the communication of key decisions and policies between the Board, Board Committees and Management. The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group. The Board is also advised by the Company Secretary on the proposed contents and timing of material announcements to be made to regulatory authorities.

4. Code of Ethics/Conduct

The Bank has put in place a Code of Ethics and Code of Conduct. The Code of Ethics is to ensure that staff is to consistently adhere to a high standard of professionalism and ethics in the conduct of business and professional activities to serve the legitimate interest of Bank's customers and clients with the highest standards of professional and ethical behavior.

The Code of Conduct is to ensure that staff is fully committed to uphold, maintain and demonstrate a high level of integrity and professionalism at all times. The Bank prescribes certain values and principles which staff is expected to uphold and abide. The Code of Conduct specifies the minimum standards of conduct expected of staff of the Bank.

All Directors and employees of the Bank are expected to exercise caution and due care to safeguard confidential and price-sensitive information of the Bank and its business associates from being misused including for personal benefits, at all times. In managing the exposure of such misuse of price-sensitive information to trading of shares or other securities, the Directors and Senior Management are reminded periodically of the prohibition of insider trading and the dealings in securities during closed periods in accordance with the relevant provisions of the MMLR.

5. Whistleblowing Policy

Whistleblowing Policy is developed to promote whistleblowing in a positive manner that provides an avenue to escalate concerns on improper conduct and to handle such concerns appropriately, in line with the fundamental objectives of Whistleblower Protection Act 2010. This includes the following:-

- i. Safeguard the Bank's reputation by minimising unfavorable surprise events in relation to improper conduct.
- ii. Encourage Whistleblower to divulge pertinent information on improper activity occurring within the Bank and subsequently to curtail the possible detrimental impact.
- iii. Exhibit better corporate governance on managing whistleblowing issue, which is to be managed in a transparent manner by creating awareness on the protection, confidentiality and enforceability of whistleblowing.

The Whistleblowing Policy is available on the Bank's website at www.affinbank.com.my.

II. BOARD COMPOSITION

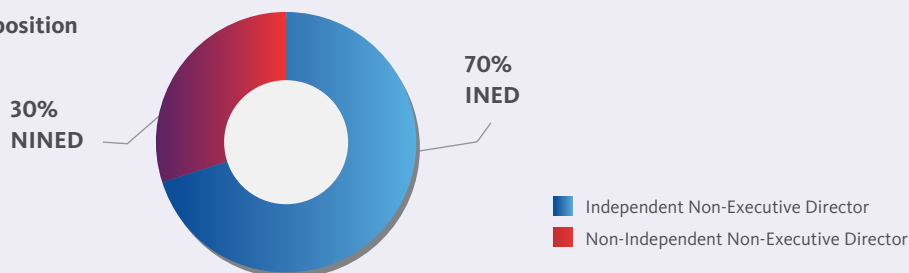
1. Board Composition and Balance

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The appointment of new Chairman, Dato' Agil Natt with effect from 8 November 2019, Mr. Peter Yuen Wai Hung, nominee of The Bank of East Asia, Limited with effect from 1 November 2019, Pn. Marzida binti Mohd Noor with effect from 1 March 2020 and Mr Gregory Jerome Gerald Fernandes with effect from 1 April 2020 further strengthen the size and composition of the Board. The Board comprises ten (10) Directors, three (3) of whom are Non-Independent Non-Executive Directors and the remaining seven (7) are Independent Non-Executive Directors. The current Board composition of which majority is Independent Directors exceeds the MMLR and BNM CG requirements. The Directors fulfill the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria.

Board Composition



The size and composition of the Board are reviewed from time to time in order to ensure that the Board comprises of strong and dynamic individuals with relevant skills and competencies necessary to drive the Bank towards achieving sustainability and viability. The existing size and composition of the Board is able to promote effective deliberation, encourages the active participation of all Directors and allows the work to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

Board Independence

To ensure the independence of the Board as well as to encourage fresh views and ideas at the Board level, the Board had set the maximum tenure of an Independent Director which shall not exceed nine (9) years of service as Independent Director within the AFFIN Bank Group.

The Independent Director shall, upon reaching the maximum tenure of nine (9) years of service and subject to the approval of BNM for his/her re-appointment as Director, remain as a Director but shall be re-designated as Non-Independent Non-Executive Director.

Represented on the Board are seven (7) Independent Non-Executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Bank to ensure that a balanced, robust and unbiased deliberation process is in place to safeguard the interests of other stakeholders.

Board Diversity

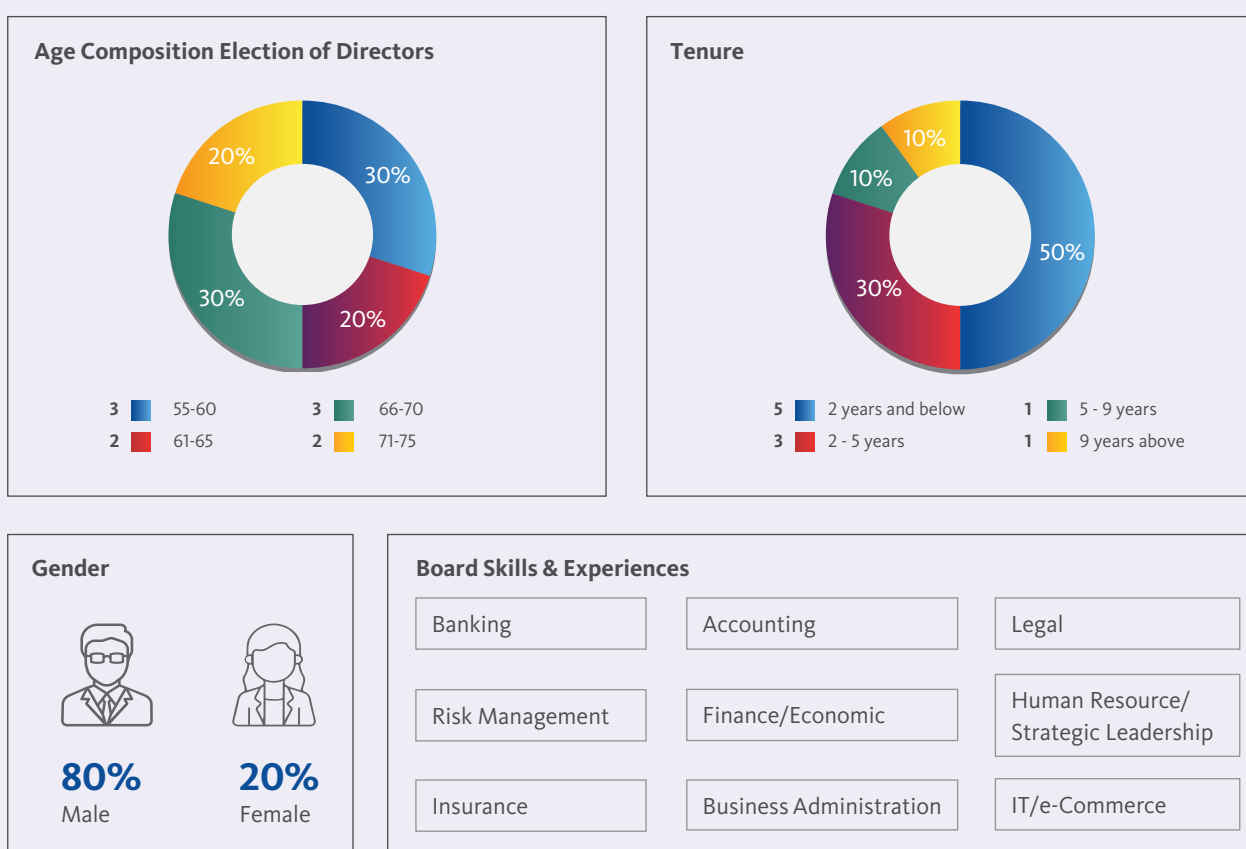
The Bank promotes diversity in Board as it recognises the values and the unique contribution from Directors with diversified individual background, skills, experiences, perspectives and nationality. They possess the skills, knowledge, experience and competencies to address risks and other major issues relating to the Bank's business, policies and strategies. Currently, there are two (2) foreign nationals on the Board, namely Mr. Ignatius Chan Tze Ching and Mr. Peter Yuen Wai Hung, both are from Hong Kong with wealth of experience in banking business.

In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience, age, gender, cultural background and knowledge required of its members, in the context of the needs of the Bank's businesses and strategies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board acknowledges the recommendation of the MCCG pertaining to the establishment of boardroom gender diversity policy. The Board had appointed two female Directors, namely Dato' Rozalila binti Abdul Rahman and Pn. Marzida binti Mohd Noor as Independent Non-Executive Directors of the Bank with effect from 4 February 2019 and 1 March 2020, respectively.

The Board has escalated its efforts to establish a more diverse Board which bears a variety in the dimensions of skills, experience, age, cultural background and gender.



Appointments, Removals and Re-Election of Directors

New Appointment of Directors

All appointments of Directors are subject to the approval of BNM and the BNM approval will be for a specific term of appointment.

The BNRC is responsible for assessing the candidate(s)' qualifications and experiences and whether he/she fulfills the minimum requirements as set out in the BNM Policy Document on Corporate Governance, BNM Fit & Proper Criteria and any other relevant regulations. The BNRC thereafter submits its recommendation to the Board for decision on submission of application to BNM for the proposed new appointment as Director.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

Re-Appointment of Directors

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

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

Removal of Directors

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

Re-Election of Directors

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

The Constitution of the Bank further provides that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

2. Board Evaluation

In line with MCCG's recommendation, the BNRC will be engaging an external consultant on periodical basis to conduct the Board and Board Committee's evaluation on the overall effectiveness of the Board, Board Committees and individual Directors.

Both BNRC and the Board continuously carry out review of the composition of the Board and Board Committees of the Bank and Group, with the objective to assess the Board's effectiveness in discharging their expected duties as well as to ensure that the composition complies with the requirements by regulators and supports any additional best practices expected of the Bank and Group.

Apart from the above, detailed assessments were also conducted on the Director(s) who are due for re-appointment and those newly appointed Directors, as required by BNM CG.

The Board's assessment includes amongst others the following:-

- A description of how the candidate is expected to address any gaps in the specific skills, knowledge or experience of the existing board members, if any;
- In the case of a candidate who lacks specific skills, knowledge or experience, a description of the gaps and steps that will be taken to support the candidate in addressing the gaps; and
- In the case of a reappointment, objective assessments of the candidate's past performance on the Board.

3. Delegation by the Board

The Board delegates certain functions to several committees, namely the Board Nomination and Remuneration Committee, Group Board Audit Committee, Group Board Credit Review and Recovery Committee, Group Board Risk Management Committee, Group Board Compliance Committee and Group Board Information Technology Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

These Board Committees operate under the approved terms of reference or guidelines set by the Board which are in accordance with the BNM CG and consistent with the MMLR and the recommendations of the MCCG.

The deliberations and decisions at the Board Committees meetings are escalated to the Board via minutes which are tabled to the Board meeting and reports from the respective Chairman of the committees.

(a) Group Board Credit Review and Recovery Committee (“GBCRRC”)

GBCRRC was established to assist the functions of the Board in respect of its inherent authority over approval on financing application/proposals which are considered by the Group Management Credit Committee (“GMCC”).

The GBCRRC operates in accordance with the powers and authorities delegated under the terms of reference. Generally, the GBCRRC provides assistance to the Board as follows:-

- i. To critically review loans and other credit facilities upon recommendation by the Group Credit Management Division;
- ii. To provide an independent oversight of credits by ensuring that there are adequate lending policies, procedures and operating strategies are adhered to;
- iii. Generally to ensure that the GMCC has discharged its responsibilities in a proper manner; and
- iv. To monitor the progress of recovery efforts.

(b) Board Nomination and Remuneration Committee (“BNRC”)

The Board had approved the centralization of the BNRC functions at Group level subject to Bank Negara Malaysia’s approval. The establishment of Group BNRC is to provide a centralised platform in setting the Group principles, procedures and framework relating to the composition of the Board and Management including their appointment/re-appointment, effectiveness and performance as well as remuneration policy for the Board, Management and the Group as a whole. This Group approach would promote compensation philosophy which would drive performance of the Group as a whole.

The Group BNRC would be able to review the diversity, matrix skills of the Board and Management from broader perspective to ensure that it aligns with the Group’s strategy and placement of human capital at entity level with the right skills set. Group BNRC will be chaired by an Independent Non-Executive Director, with the objective of providing a formal and transparent procedure in respect of the following:-

- i. The selection and appointment of all new Directors and CEO as well as assessment of effectiveness of individual Directors, Board as a whole, Board Committees and performance of CEO and key Senior Management officers; and
- ii. Develop remuneration policy for Directors, CEO and key Senior Management officers and ensuring that compensation is competitive and consistent with the Bank’s culture, objectives and strategies.

The BNRC carries out its roles and responsibilities as stipulated in the terms of reference. The BNRC is not delegated with decision-making powers but reports its recommendations to the Board for decision.

The main activities of the BNRC in 2019 included the following:-

- Review the overall composition of the Board and Board Committees.
- Performance assessment of Key Senior Management Officers for contract renewal.
- Assessment of fitness and propriety of Directors for re-appointment.
- Assessment of fitness and propriety of new candidates for proposed appointment as new Directors.
- Review the remuneration of Directors and Senior Management.
- Recommendation to the Board on promotion and appointment of key responsible persons.

(c) Group Board Risk Management Committee (“GBRMC”)

The primary objective of the GBRMC is to oversee, assess and examine the adequacy of group risk management frameworks including the policies, procedures and processes of the Bank and its subsidiaries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The GBRMC is established to assist the Board in respect of the following:-

- i. ensuring that the Group wide enterprise risk management framework, policies and guidelines adequately protect the Group against all relevant risks, comprising but not limited to, credit risk, market and liquidity and interest rate risks, operational risks including legal risk, regulatory risks, reputational risk, information technology (“IT”), cyber risks and Shariah non-compliance risk.
- ii. overseeing the management of IT and cyber risks including ex-ante risk assessments on e-banking services at the Group; and
- iii. implementing a sound remuneration system by examining whether incentives provided take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Nomination & Remuneration Committee.

(d) Group Board Compliance Committee (“GBCC”)

The primary objective of the GBCC is to oversee, assess and examine the adequacy of group compliance management frameworks including the policies, procedures and processes of the Bank and its subsidiaries.

The GBCC is established to assist the Board in respect of the following:-

- i. overseeing the management of the Group’s compliance risk by ensuring compliance process is in place and functioning in line with the expectations of the regulators namely Bank Negara Malaysia, Securities Commission and Bursa Malaysia Securities Berhad;
- ii. reviewing and recommending compliance risk management philosophy and strategy for Board’s approval; and
- iii. ensuring clear and independent reporting lines and responsibilities for the overall business activities and compliance functions and recommending organizational alignments where necessary to the Board.

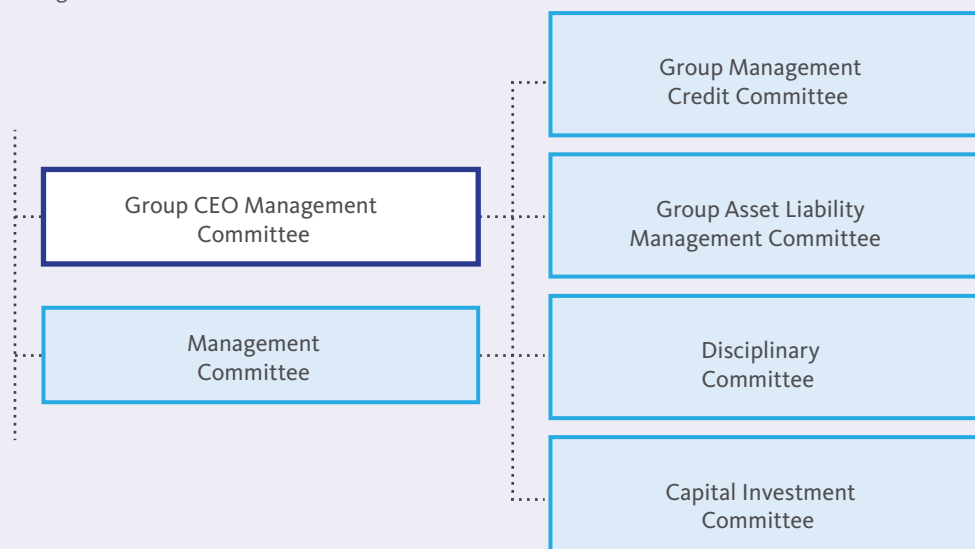
(e) Group Board Information Technology Committee (“GBITC”)

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 Bank Group.

The GBITC is established to assist the Board in respect of the following:-

- 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.

(f) Management Committees



CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. Board Meetings Supply of Information to Board

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

The Board holds regular monthly meeting. Special Board meetings may be convened as and when necessary to consider urgent proposals that require the Board's expeditious review or consideration.

The Bank ensures that attendance at a board meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations. Circular Resolution is not a perfect substitute for board meetings since it does not offer the opportunity for board members to actively debate the issues circulated and to raise immediate questions or resolutions, which may lead to inappropriate decisions being made.

The Board has full and timely access to information on Board matters via materials distributed in advance at least 5 business days from the date of meetings to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings. All Board members are required to devote sufficient time to prepare for and attend Board meetings.

5. Access to Third Party Experts

In discharging Directors' duties, each Director is entitled to obtain independent professional advice from third party experts at the cost of the Bank.

Independent professional advice shall include legal, accounting or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the Directors, unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

6. Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) pursuant to the MMLR.

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

The Board is satisfied that each Director has committed sufficient time to the Bank as evident from the Directors' record of attendance at Board meetings held in the financial year ended 31 December 2019. The details of Board and Board Committee meetings attendance are as set out in Corporate Governance Report.

7. Continuing Education and Development

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

All new Directors are required to attend the Mandatory Accreditation Programme organised by Bursa Malaysia within four (4) months from the date of appointment and Financial Institutions Directors' Education Programme (FIDE) organised by BNM within one (1) year from the date of appointment.

All existing Directors are also required to attend the Islamic Finance for Board Programme organised by BNM in collaboration with ISRA by 2020, and new Directors are required to attend the said programme within 2 years from the date of appointment.

Apart from the mandatory training programmes, Directors Orientation Programme is being organised internally to familiarise new Directors with the Bank's organisation structure, business and the financial industry. 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.

The Directors Orientation Programme is designed to broaden Directors' understanding of the Bank's business operations and its related risk, strategic priorities, people, culture and legal requirements and compliance controls.

The Board will via BNRC, on a continuing basis, evaluate and determine the training plan for Directors, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the financial year ended 31 December 2019, the Directors have attended the following courses/training programmes:-

DATO' AGIL NATT			
No.	Organised By	Training	Date
1.	Franklin Tempelton	2019 Investment Outlook – Volatile Markets	29 Jan 2019
2.	Chartered Institute of Islamic Finance Professionals	Islamic Finance Masterclass	12 -13 Feb 2019
3.	Nomura	Islamic Asset Management	18 Feb 2019
4.	Saïd Business School, Oxford University UK	The Future of Retailing	4-6 March 2019
5.	FIDE Forum	Reading the signs: The next financial crisis and its potential impact on Asia	14 March 2019
6.	FIDE Forum	Digital Assets: Global Trends, Legal Requirements and opportunities for financial Institutions	26 Mar 2019
7.	Cagamas/World Bank	Constructing & Financing Affordable Housing across Asia	2-3 April 2019
8.	Insight	Software Market trends	13 May 2019
9.	ICLIF	Resolving conflict in the Boardroom	15 July 2019
10.	SIDC	Going big with big data	17 July 2019
11.	ISRA	Value Based Intermediation: Directors role	1 August 2019
12.	Chartered Institute of Islamic Finance Professionals	Re-imagining Home Ownership	28 Aug 2019
13.	CGC	Anti-Bribery and Corruption Awareness Programme	14 Nov 2019
14.	EPF	International Social Well-Being Conference 2019	21 and 22 November 2019

EN. MOHD SUFFIAN HAJI HARON			
No.	Organised By	Training	Date
1.	MICG	Preparation for Corporate Liability on Corruption	30 January 2019
2.	AFFIN Bank Group	Cryptocurrency & Blockchain	13 March 2019
3.	Centre for Research & Training (CERT)	15 th Kuala Lumpur Islamic Forum (KLIFF 2019)	10 April 2019
4.	ISRA	Islamic Finance for Board of Directors Programme	10 & 11 July 2019
5.	Bursa Malaysia	Bursa Malaysia Diversity Experience: The Board “Agender”	2 October 2019
6.	AFFIN Bank Group	Cyber Security Awareness Training	3 October 2019
7.	LTAT/MACC/IIM	Talk on Corporate Governance, National Anti-Corruption & Role of Private Sector, Section 17A & Its Implication, Budget 2020 & The Economy	29 October 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

TAN SRI MOHD GHAZALI BIN MOHD YUSOFF

No.	Organised By	Training	Date
1.	AFFIN Bank Group	Cryptocurrency & Blockchain	13 March 2019
2.	ISRA	Islamic Finance for Board of Directors Programme	10 April 2019 & 14 November 2019
3.	FIDE Forum	Dialogue with the Deputy Governor on the draft Risk Management in Technology Policy	8 April 2019
4.	FIDE Forum	Dialogue – Key Aspects of Fintech & Regulation	19 September 2019
5.	AFFIN Bank Group	Cyber Security Awareness Training	3 October 2019
6.	FIDE Forum	Digital To The Core	4 October 2019
7.	FIDE Forum	Leadership in a Disruptive World – The Changing Role of Board	17 October 2019
8.	AFFIN Bank Group	Directors Induction Course	21 October 2019
9.	LTAT/Boustead	Directors Training Programme	29 October 2019

DATO' ABDUL AZIZ BIN ABU BAKAR

No.	Organised By	Training	Date
1.	ISRA	Islamic Finance for Board of Directors Programme	13 February & 11 April 2019
2.	AFFIN Bank Group	Cryptocurrency & Blockchain	13 March 2019
3.	BURSA	Invitation to the Ring the Bell for Gender Equality 2019	14 March 2019
4.	Securities Commission	Demystifying The Diversity Conundrum: The Road to Business Excellence	5 July 2019
5.	MICG	Whistleblowing, Fraud and Cyber Security	6 August 2019
6.	BURSA	Bursa Malaysia Diversity Xperience: The Board “Agender”	2 October 2019
7.	AFFIN Bank Group	Cyber Security Awareness Training	3 October 2019
8.	ICDM	International Directors Summit 2019 (Registered under ICDM)	14 & 15 October 2019

DATO' MOHD HATA BIN ROBANI

No.	Organised By	Training	Date
1.	ISRA	Islamic Finance for Board of Directors Programme	13 & 14 February 2019
2.	AFFIN Bank Group	Cryptocurrency & Blockchain	13 March 2019
3.	AFFIN Bank Group	Cyber Security Awareness Training	3 October 2019
4.	MSWG	The New Section 17A on Corporate Liability in the MACC Act	15 October 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MR. IGNATIUS CHAN TZE CHING			
No.	Organised By	Training	Date
1.	The Bank of East Asia, Limited	Economic & Market Outlook 2018	14 January 2019
2.	The Government of the HKSAR and Hong Kong Trade Development Council	Asian Financial Forum	14 – 15 January 2019
3.	The Hongkong and Shanghai Banking Corporation Limited	HSBC Flagship Sustainable Finance Event	15 January 2019
4.	ISRA	Islamic Finance for Board of Directors Programme	10 April 2019
5.	Hong Kong Exchanges and Clearing Limited	HKEX Biotech Summit	29 May 2019
6.	KPMG Hong Kong	KPMG Independent Non-Executive Directors Forum	3 June 2019
7.	PricewaterhouseCoopers Limited	Asia Pacific Risk Symposium 2019	5 June 2019
8.	Hong Kong Exchanges and Clearing Limited	Bond Connect Anniversary Summit	3 July 2019
9.	PricewaterhouseCoopers Limited	Non-Executive Director Programme: Cyber Risk Quantification – What every Board should know and understand	9 September 2019
10.	KPMG Hong Kong	KPMG Independent Non-Executive Directors Forum	16 September 2019
11.	The Hong Kong Institutes of Bankers	HKIB Invitation – Annual Banking Conference	26 September 2019
12.	EgonZehnder	Harrison Young Speak	22 October 2019

DATO' ROZALILA BINTI ABDUL RAHMAN			
No.	Organised By	Training	Date
1.	AFFIN Bank Group	Cryptocurrency & Blockchain	13 March 2019
2.	ICLIF	Understanding the Evolving Cybersecurity Landscape	23 April 2019
3.	Bank Negara Malaysia	MyFintech Week	17 – 19 June 2019
4.	FIDE Forum	BNM FIDE Core Programme – Banks	1 – 4 July 2019 (Module A) 21 – 24 October 2019 (Module B)
5.	ICLIF	Anti Money Laundering/Counter Financing of Terrorism – Banking Sector	17 July 2019
6.	BURSA & ICDM	Bursa Malaysia Thought Leadership Series Sustainability Inspired Innovation: Enablers of the 21 st Century	23 September 2019
7.	AFFIN Bank Group	Cyber Security Awareness Training	3 October 2019
8.	ICDM	International Directors Summit 2019	14 & 15 October 2019
9.	MICG	Enterprise Risk Management – The Essential Building Blocks For A Holistic & Robust ERM Framework	31 October 2019
10.	ISRA	Islamic Finance For Board of Directors Programme	13 & 14 November 2019
11.	Securities Commission (SC)	Audit Oversight Board Conversation With Audit Committee	22 November 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MR. PETER YUEN WAI HUNG			
No.	Organised By	Training	Date
1.	The Bank of East Asia, Limited	Training on Fraud Risk Management	2 January 2019
2.	The Bank of East Asia, Limited	Information Security Training 2019	25 April 2019
3.	The Bank of East Asia, Limited	New HKMA's Requirements & Credit Lessons Learnt	15 May 2019
4.	The Bank of East Asia, Limited	Code of Conduct Refresher 2019 (English Version)	23 May 2019
5.	The Bank of East Asia, Limited	Conduct Risk Champion Town Hall 2019	26 June 2019
6.	The Bank of East Asia, Limited	Personal Data Protection Refresher Training 2019	28 June 2019
7.	The Bank of East Asia, Limited	Enterprise Risk Management 2.0 Refresher	12 July 2019
8.	The Bank of East Asia, Limited	Cyber Security Risk Training (Security Best Practice) 2019	12 July 2019
9.	The Bank of East Asia, Limited	Reputation Risk Management 2019	8 August 2019
10.	The Bank of East Asia, Limited	Refresher Training on Operational Risk Incident Reporting 2019	8 August 2019
11.	The Bank of East Asia, Limited	Treat Customers Fairly Training 2019	16 September 2019
12.	The Bank of East Asia, Limited	Foreign Account Tax Compliance Act of the U.S. ("FATCA") Refresher Training 2019	17 September 2019
13.	The Bank of East Asia, Limited	Anti-Money Laundering and Counter-Terrorist Financing Refresher Training 2019 (Comprehensive Version)	17 September 2019
14.	The Bank of East Asia, Limited	Talent Development Communication Session	11 October 2019
15.	The Bank of East Asia, Limited	Compliance with Regulatory Requirements - An Overview and Ongoing Refresher for the Bank's Staff 2019 (Course B)	18 October 2019
16.	The Bank of East Asia, Limited	Cyber Security Risk Training (Common Cyber Threat and Basic Security) 2019	22 October 2019
17.	The Bank of East Asia, Limited	Common Reporting Standard (CRS) Refresher Training 2019	18 November 2019
18.	The Bank of East Asia, Limited	Fraud Risk Management – Internal Fraud	18 November 2019
19.	The Bank of East Asia, Limited	2019 Senior Management Townhall - Building a Healthy Risk Culture within BEA	18 December 2019

III. REMUNERATION

1. Board Remuneration

The BNRC recommends specific remuneration packages for non-executive Directors, and is structured such that it is competitive and consistent with the Bank's culture, objectives and strategies as well as ensuring that it commensurates with the level of responsibilities undertaken and contributions made by the Directors to the effective functioning of the Board and drive the Bank's long-term objectives.

The remuneration package for the Directors of the Bank comprise the following:-

Directors' Fees	The Directors are entitled to annual Directors' fees
Board Committees Fees	Directors who sit on Board Committees are entitled to receive Board Committee fees
Meeting Allowances	Directors are also entitled to Meeting allowances when they attend any Board/Board Committee meetings

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

The details of the Directors' remuneration are set out in the Financial Statements in this Annual Report 2019.

2. Senior Management Appointments and Removals

Senior Management is responsible and accountable for the sound and prudent day-to-day management of the Bank, in accordance with the direction of the Board. They are appointed to key positions of the Bank to provide strategic leadership which influences the financial position and future direction of the Bank.

Persons in these key positions must have the necessary qualities, competencies and experience that will allow them to perform their duties and carry out the responsibilities required of their position in the most effective manner.

The Bank shall submit to the Board for deliberation/approval on new appointment, re-appointment and removal of CEO and Senior Management.

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

3. Senior Management Remuneration

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

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

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Group Board Audit Committee (“GBAC”)

The GBAC established by the Board comprises of five (5) members with majority of Independent Non-Executive Directors. The GBAC members have the relevant accounting or related financial management experience or expertise. The Chairman of GBAC, Mr Gregory Jerome Gerald Fernandes has vast experience in accounting.

The roles and responsibilities of the GBAC are set out under the Board Audit Committee Report on pages 164 to 173.

With the wide range of skills, knowledge and experience, the GBAC members are able to understand, analyse and challenge the financial reporting process and discharge their duties effectively. The members had attended relevant professional trainings during the year and will continue to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and regulatory requirements.

2. Group Board Risk Management Committee (“GBRMC”)

The GBRMC is responsible for overseeing management activities in managing credit, market, liquidity, operational, legal, reputational and other material risks as well as ensuring that the risk management process and framework are in place and functioning effectively.

It is responsible for setting the overall tone of the Group and the Bank’s strategy and ensuring effective communication and integration of risk appetite and compliance within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management and strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management and policies, guidelines and reports.

3. Independence of External Auditors

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

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

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

The amount of non-audit fees payable to the external auditors and their associates during the financial year 2019 is RM782,000.

4. Risk Management and Internal Control Framework

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

The Bank’s Statement on Risk Management and Internal Control which provides an overview of the state of internal controls of the Bank is set out on pages 156 to 163.

5. Internal Audit Function

The Bank has an Internal Audit function that is supported by the Group Internal Audit Division. The Bank’s internal audit provides independent and objective assurance of the adequacy and effectiveness of the internal controls framework. The IA staff is placed under direct authority and supervision of the GBAC to preserve its independence. The Chief Internal Auditor reports functionally to GBAC and administratively to GCEO. Details of the Internal Audit function, together with the state of the Group’s internal controls, are set out in the Board Audit Committee Report on pages 164 to 173 and Statement on Risk Management and Internal Control on pages 156 to 163 of the Annual Report 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

1. Effective Communication with Shareholders

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

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

Annual General Meeting is an important platform for the shareholders to interact and communicate directly with the Board and Management. Shareholders are furnished with the Bank's Annual Report which include amongst others, Directors' Report, Financial Statements and operational performance of the Bank.

The notice of the Annual General Meeting together with the Annual Report are sent to the shareholders 28 days ahead before the Annual General Meeting so as to give sufficient time for the shareholders to consider the resolutions that will be discussed and voted at the Annual General Meeting. During the Annual General Meeting, shareholders are given the opportunity to raise questions or seek clarifications on the agenda items as well as other matters concerning the Bank.

All resolutions deliberated during the General Meetings will be put to vote by way of poll and the voting results will be released to Bursa Malaysia on the same day.

2. Focus Areas on Corporate Governance

The Board had in 2019 directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders. Corporate Governance areas which gained heightened attention from the Board during the financial year ended 31 December 2019 are as follows:-

Board Composition

Recognising the importance of boardroom diversity, the Bank welcomed two female Directors on the Board in 2019 and the beginning of 2020, namely Dato' Rozalila binti Abdul Rahman and Pn. Marzida binti Mohd Noor who serve as Independent Non-Executive Director with effect from 4 February 2019 and 1 March 2020, respectively. The Bank had also appointed Mr Gregory Jerome Gerald Fernandes as Independent Non-Executive Director to the Board with effect from 1 April 2020 as part of the Board succession planning. During the year, BNRC and the Board have escalated its effort to identify and source for potential Board candidates with accountancy, IT, banking or risk management background, including female Directors, from the industry's talent pool, available databases on female Directors and the Group Directors' existing networks. The composition of the Board will be in line with the Securities Commission's goal for female Directors in the near future.

The current composition of the Board fairly represents the ownership structure of the Bank, with appropriate representations of minority interests through the Independent Non-Executive Directors. The Independent Directors fulfills a pivotal role in providing unbiased and independent views, advice and judgement, taking into account the interest not only of the Bank but also shareholders, employees, customers and communities in which the Bank conducts business.

The profile of each Director is set out on pages 16 to 25 of this Annual Report.

The Board believes that having objectivity in the boardroom extends beyond quantitative measures such as number of Independent Directors. Private sessions were held between Independent Directors, Management and key gatekeepers of the Group such as external and internal auditors. These sessions provided Independent Directors with the opportunity to candidly share concerns about the Group and exchange views on potential improvements in governance. The Independent Directors who are of high calibre and possess wealth of experience ensure that there are robust discussions during the Board or Board committee meetings. They exercise strong independent judgement and do not shy away from asking hard and uncomfortable questions during deliberations and willing to challenge Management if answers provided are not satisfactory.

Sustainability Report

The Bank has established a sustainability report in accordance with the Sustainability Guide issued by Bursa Malaysia and other guidance in identifying, evaluating and managing Economic, Environmental and Social (ESS) risks and opportunity of the Bank.

The Board views that the sustainability report is significant as stakeholders which include investors, customers, employees, suppliers, NGOs, local communities, etc. are now more aware of the impact that businesses have on the economy, environment and society.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE PRIORITIES

The Bank has applied all recommended practices in MCCG save for the following:-

- Practice 4.5 (the Board must have at least 30% women Directors)
- Practice 7.2 (the remuneration of Top-5 key Senior Management)
- Practice 11.2 (Integrated Reporting)
- Practice 12.3 (to facilitate voting in absentia)

Moving forward, the Bank will continue to refine and work towards achieving high quality outcomes in the realm of corporate governance. The Board has identified the following forward-looking action items that will help to achieve its corporate governance objectives:-

1. Board Diversity

The Board will escalate its efforts to establish a more diverse Board which bears a variety in the dimensions of skills, experience, age, cultural background and gender. In the near future, the Board will undertake to formalise policies on gender diversity, along with specific targets and measures to meet the target.

In line with the national target of having 30% women on the boards of listed issuers, the Board will seek to maintain a register of potential directors which include high-calibre female candidates.

2. Disclosure of Directors and Senior Management's Remuneration

The Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of the Bank's performance as it is benchmarked against the market. The remuneration packages of Senior Management are based on experience, expertise, skills and industry benchmark. Total remuneration of its employees are also set out in the Audited Financial Statements for financial year ended 31 December 2019 which allow shareholders to assess whether the remuneration of Directors and Senior Management commensurate with their performance taking into consideration of the Bank's performance. The Board may consider disclosing the aggregate of the top 5 Senior Management's remuneration component including salary, bonus, benefits in-kinds and other emoluments.

3. Integrated Reporting

The Company has yet to adopt an integrated reporting. The Board acknowledges that integrated reporting goes beyond a mere combination of the reports in the Annual Report into a single document. Nevertheless, there are coordination efforts among cross-functional departments in preparing the various statements and reports in the Annual Report. The Board may consider adopting integrated reporting in future.

4. Voting in Absentia/Remote Shareholders Participation at General Meetings

The Company continues to leverage technology and adopt e-polling as the preferred medium for shareholders to cast their votes. The Company will consider the recommendation by MCCG on the use of technology for remote shareholders participation and voting in absentia in 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. CORPORATE GOVERNANCE & BOARD'S OVERSIGHT

- a. The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Bank and its subsidiaries ("the Group").
- b. The Group's Corporate Governance Framework is consistent and complies with the following requirements and guidelines:-
 - Malaysian Code of Corporate Governance 2018 (MCCG 2018)
 - BNM Corporate Governance Policy (BNM CG Policy 2016)
- c. The Board is of the view that the system of internal controls instituted by the Group's operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets.
- d. Notwithstanding this, there are on-going reviews to ensure the effectiveness, adequacy and integrity of the system. The control procedures are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.
- e. The Board meets regularly to discuss matters related to system of internal controls which cover inter alia financial, operational, compliance controls and risk management procedures.
- f. The Board extended the responsibilities of the Group Board Audit Committee ("GBAC"), Group Board Risk Management Committee ("GBRMC") and Group Board Compliance Committee ("GBCC") to include the role of oversight of financial reporting, disclosures, internal controls, compliance and risk management strategies, policies and other risk related matters.
- g. GBAC, GBRMC and GBCC comprised of majority Independent Non-Executive Directors.
- h. Regular reports received from the Group's management on financial performance, key operating statistics, legal and regulatory compliance, breach of law or regulations unauthorised activities and fraud are reviewed by the Board.

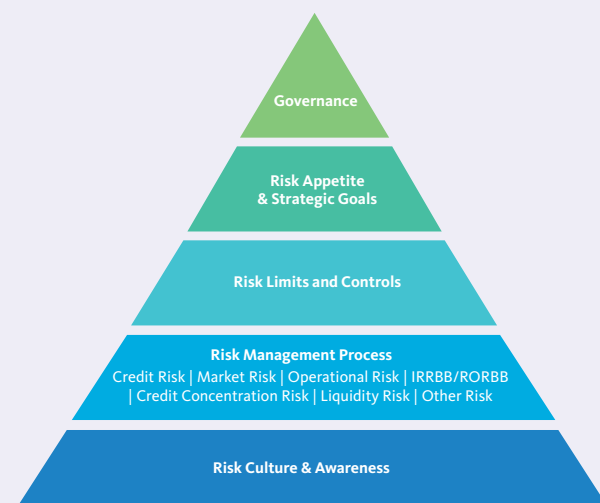
2. GROUP BOARD AUDIT COMMITTEE ("GBAC") AND GROUP INTERNAL AUDIT ("GIA")

- a. Group Board Audit Committee ("GBAC") comprises of four (4) independent non-executive directors and one (1) non-independent non-executive director. GBAC is a Board delegated committee in charge of the oversight on financial reporting, disclosures and internal controls.
- b. The principal responsibility of GBAC is to provide independent appraisal on the adequacy, efficiency and effectiveness of risk management, control and effectiveness of risk management, control and governance processes implemented by Management.
- c. In evaluating internal controls, GIA adopts the 5 components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities. COSO is an internationally recognised organisation providing thought leadership and guidance on internal control, enterprise risk management and fraud deterrence.
- d. The GBAC regularly review and hold discussions with management on the action taken on internal control issues identified by Group Internal Audit, external auditors and regulatory authorities.
- e. All significant and material findings by GIA, external auditors and regulators are reported to GBAC for reviews and deliberation and subsequently escalated to the BOD.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- f. The GBAC, through GIA, follow up and monitor the status of actions on recommendations made by Group Internal Audit, the external auditors and regulatory authorities. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety which have material impact on the Group.
- g. The GBAC conducts annual reviews on the adequacy of the scope of work and resources of Group Internal Audit Division.
- h. Shariah related findings are escalated to the Shariah Committee.
- i. GIA also undertakes investigations into suspected fraudulent activities, staff misconduct, whistleblowing cases and other incidences, as and when required, and recommends appropriate improvements to prevent recurrence and actions against persons responsible.
- j. GIA has unrestricted access to information required in the course of its work. GIA's scope of work is established in accordance with The Institute of International Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and relevant regulatory guidelines.
- k. GIA continuously conduct awareness programs/training on controls and compliance including controls certification programs to further strengthen staff knowledge (inter & intra department) in creating a robust control and compliance environment.
- l. As a means to objectively evaluate its service quality and to ensure it continues to improve its service delivery, an external assessment of GIA's internal audit activity was conducted by qualified external independent reviewer in 2019. The purpose was to assess its conformance with The Institute of Internal Auditors (IIA) International Standards for Professional Practice of Internal Auditing and the pertinent regulations. Based on the assessment, GIA has fulfilled its key objectives in accordance with the IIA's Standards by obtaining the rating of "Generally Conforms". Apart from achieving the rating of "Generally Conforms", GIA was noted to be operating at both "Optimised" and "Managed" levels against the Internal Audit Maturity Assessment ("AIMA").
- m. The management of business and support departments that are rated "Needs Improvement" and "Unsatisfactory" by GIA are required to attend the GBAC meeting and present their action plans to improve the audit rating.
- n. All related party transactions and audit and non-audit related fees proposed by external auditors or Chief Financial Officer are reviewed by GBAC.

3. GROUP RISK MANAGEMENT FRAMEWORK



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The risk management approach of the Group is underpinned by a sound and robust Group Risk Management Framework (“GRMF”), which is continuously enhanced to remain relevant and resilient in ensuring effective management of risk. The GRMF is supported by the following elements:

a. Governance

- A robust risk governance structure is in place to proactively manage risk within the Group through the establishment of risk appetite and risk management policy as well as the implementation of risk management policy and risk compliance.
- GRMF is governed by a strong oversight function comprising of the Board, Board and Management Committees.
- The governance of risk is further supported by the Three Line of Defense Model which outlines the functional segregation and key responsibilities of the independent oversight functions and business units.

b. Risk Appetite & Strategic Goals

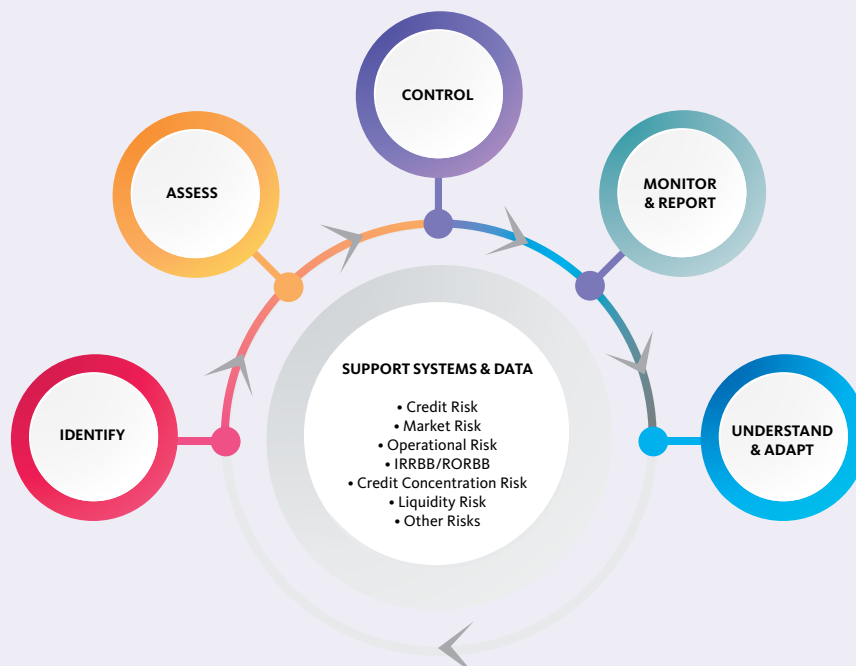
- The Group’s risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives.
- It sets out the level of risk tolerance and limits to govern, manage and control the Group’s risk-taking activities.
- The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.
- The processes for assessing, setting, controlling, monitoring and reporting risk appetite are outlined in the Risk Appetite Framework.

c. Risk Limits and Controls

- Risk Limits and Controls are mitigation measures.
- Establishment of risk control parameters by risk type is based on the approved risk appetite and set in accordance with regulatory limits, internal prudential thresholds and management action triggers.

d. Risk Management Process

- The management of risk is facilitated by Risk Management Process which sets out the methodology for management of inherent risks across the Group.
- The process is depicted in the diagram below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

e. Risk Culture & Awareness

- The effective implementation of the framework is further grounded on a robust and healthy risk culture and awareness program.
- The inculcation of risk culture and awareness is driven with a strong tone from the top.
- The Risk & Compliance Management Pillar of the AFFINITY Transformation Program is intended to embed deep appreciation and understanding of ethics, risk and compliance into day-to-day business activities and processes.

4. IT RISK MANAGEMENT FRAMEWORK (INCLUDING CYBER RISK)

- The IT Risk Management Framework (ITRMF) sets out the Group's expectations in managing technology risks and enhance technology resilience. The mission of ITRMF is "to provide a framework that ensures the confidentiality, integrity and availability of the Group's information infrastructure and the underlying data".
- The ITRMF covers the control objectives and minimum standards to guide the Group and entities' IT department, third party service providers and other technology related services/functions/departments in managing the technology risk involved in daily operations. It is imperative that employee at all levels understands their roles and responsibilities in managing technology risk, that is, the risk associated with the operation and use of information systems to support the missions and business functions of the Group.
- Technology Risk Management Department plays an advisory role in fostering an organisational climate where technology risk is considered within the context of the design of business process, enterprise system architecture and system development life cycle.

5. GROUP COMPLIANCE FRAMEWORK

The respective significant operating entities have put in place a Compliance Framework. The compliance main function is to facilitate advice, monitor and educate the business and support units/entities to act in accordance with laws, regulations and guidelines. In line with good governance, Compliance Division reports independently to Group Board Compliance Committee ("GBCC").

- Compliance Framework : Policies and Procedures
 - Policies and Procedures are reviewed on a periodic basis or as and when required to reflect current practices and the applicable legal/regulatory requirements.
- Compliance Culture
 - The compliance culture is driven with a strong tone from the top, complemented by the tone from the middle, to embed the expected values and principles of conduct that shape the behavior and attitude of employees at all level of business and activities across the Group.
- Training
 - Scheduled trainings are regularly conducted to create compliance awareness amongst the staff.
- Compliance Matrix
 - Compliance Matrix has been established. It is a document that encompasses relevant laws, regulations and guidelines that apply to the business and support units/entities.
- Compliance Plan
 - The respective Compliance Division has drawn-up the plan which was tabled and approved by the GBCC.
- Anti-Money Laundering/Counter Financing Terrorism (AML/CFT)
 - AFFIN Bank Group continues to strengthen its enterprise wide AMLCFT programme by enhancing its risk based approach to ensure that the key measures emplaced to prevent and mitigate money laundering and terrorist financing commensurate with the business and compliance risks that have been identified and assessed. AFFIN Bank Group will remain vigilant over the level of compliance at the business segments with regards to AMLCFT rules and measures. Thematic audits will continue to be carried out on branches and subsidiaries for AMLCFT compliance, on a regular basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

6. SHARIAH GOVERNANCE FRAMEWORK

- a. The Shariah Committee (“SC”) of the respective subsidiaries are responsible for overseeing all Shariah matters of the Group. The Shariah Committee, amongst others, ensures that the Shariah rulings relating to Islamic banking and capital market products and services comply with the fundamental Shariah percepts and resolutions by the relevant Shariah authorities.
- b. Shariah Committee acts as an adviser on Shariah matters to all business and support units within the subsidiaries in carrying out their Islamic financial activities.
- c. The Shariah Governance Framework (SGF) is the enterprise-wide Shariah management plan consisting of Shariah governance mechanisms to be undertaken by relevant sections across the Group. The implementation of the SGF is inline with BNM’s requirements effected through the following functions at the subsidiaries:-
 - Shariah Research
 - The Shariah Research Unit comprises qualified Shariah officers who conduct the pre-product approval process, research, vetting of issues for submission and undertake administrative duties relating to the Shariah Committee.
 - Shariah Review
 - The Shariah Compliance Review comprising of qualified Shariah officers, is responsible for conducting the Shariah compliance review function.
 - The Shariah Compliance Review has established the Policy and Procedures Manual which sets out the Shariah compliance review function, encompassing regular assessment on Shariah compliance in the activities and operations of the subsidiaries, including examining and evaluating the level of compliance to the Shariah, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences.
 - Shariah Risk Management
 - Shariah Non-Compliance (“SNC”) risk is identified as one of the material risks under its Islamic banking business. In this regard, AFFIN Bank Group has established a dedicated Shariah Risk Management team to facilitate a systematic and consistent approach in managing SNC.
 - Shariah Audit
 - Group Internal Audit Division provides independent assurance on the efficiency and effectiveness of the internal control systems and related policies and procedures implemented by management governing Islamic products and services. Findings related to Shariah products and services including non-shariah compliant risk are reported to the Shariah Committee of the respective subsidiaries and GBAC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

7. SYSTEM OF INTERNAL CONTROLS

To ensure adequacy and integrity of the Group's system of internal controls, the Board and Senior Management have established the following processes:-

- a. Clearly defined delegation of responsibilities to committees of the Board and to Management, including organisation structures, functions and appropriate authority levels;
- b. Risk management framework, business continuity management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- c. Defined policies and procedures to control applications, environment and security of information systems/technologies/ infrastructure;
- d. Regular review/updates of internal policies and procedures, to adapt to dynamic risk profiles and mitigating operational deficiencies;
- e. Periodic self-assessment of controls and processes by all business and support units for managing key risks;
- f. Regular senior management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues/risks;
- g. Regular and comprehensive management reports/updates are made available to the Board on various frequencies, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans; and
- h. Regular reviews of the Group's activities by the Group Internal Audit, to assess the effectiveness of the control environment and to highlight significant control gaps impacting the Group.
- i. Escalation Process
 - The channels of communication and procedures have been established for reporting immediately to the Board and appropriate levels of management 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, Group Internal Audit and regulators, if any, have also been escalated to Group Management Committee Meeting ("GMCM"), GBAC, Shariah Committee (on Islamic Banking only) and BOD.
- j. Policies/Procedures including Empowerment and Approving Authority Policies
 - Policies and Procedures covering all functions have been developed throughout the Group and approvals have been obtained from the relevant committees and Board. The policies and procedures are updated timely to incorporate changes to systems, work environment and guidelines issued by regulators.
 - Empowerment and Approving Authority Policies
There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, gift policy, etc.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

k. Whistleblowing Policy

- AFFIN Bank Group Whistleblowing Policy (Policy) encapsulates the governance and standards to promote an ethical, responsible and secure whistleblowing practice. This is in line with the requirements of BNM's Corporate Governance Policy and the principles as prescribed in the Whistleblower Protection Act 2010. The core of the Policy is aimed to provide a proper and secured avenue for AFFIN Bank Group employee and/or member of the public who has knowledge or is aware of any improper conduct to report any suspected fraud, corruption, criminal activity or unethical conduct/behaviour by any staff of the Bank, without facing any adverse consequences, such as retaliation.
- All Whistleblowing (WB) cases are being reported to the WB Committee.
- The Bank and its subsidiaries ("the Group") is wholly committed to ensure strict confidentiality and will not only protect the identity of the complainant but will also protect the complainant from any harassment and victimization at work due to the disclosure.

l. Annual Business and Capital Plan

- The significant operating entities' annual business plan and financial budget is tabled and approved at their respective Boards.
- A structured framework and processes with regards to capital expenditure and revenue is in place.
- The internal capital targets are being set on a yearly basis.
- 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.

m. Anti-Fraud Policy

- The Anti-Fraud Policy outlines the vision, principles and strategies for the Group to instil a culture of vigilance to effectively manage fraud from detection to remedy, and to deter future occurrences. Robust and comprehensive tools and programmes are employed to reinforce the Policy, with clear roles and responsibilities outlined at every level of the organisation in promoting high standards of integrity in every employee. Stern disciplinary action is taken against employees involved in fraud.

n. Human Resources

- The Group acknowledges that people development is critical in ensuring that employees have the right competencies for the tasks they are entrusted with, and are able to exercise sound judgment when fulfilling those responsibilities.
- HR Policies and Procedures ("HRPP")
 - HRPP is in place and provide clarity for the organisation in all aspects of human resource management in the Group.
 - Periodically, the HRPP is reviewed to ensure policies and procedures remain relevant and appropriate controls are in place to manage operational risks. Changes, if any, are communicated to all employees via intranet.
- Code of Ethics
 - The Group's Code of Ethics and Conduct sets out sound guiding principles and standards of good practice to be observed by all.
 - The Group has adopted and institutionalised Bank Negara Malaysia's Code of Ethics for banking institutions in all its entities. It is the minimum code of conduct that is expected from all employees encompassing all aspects of its daily business operations.
- Human Resources has in place various initiatives and training programs to address the human capital requirement, including knowledge management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- A performance-based appraisal system to evaluate and compensate/reward its employees accordingly is in place. Staff performance assessment is done annually.
- Consequence Management (CM)
 - The Group has in place and adopts CM process in dealing with business or support units (or staff) whom failed to maintain its standard of internal control and compliance, to a level acceptable by the Board, GBAC and Management.
 - Current Policy and Process also links consequence of misconduct and disciplinary action vis-a-vis staff annual performance rating and compensation.
- The recruitment process including screening process is in place.
- The e-learning facility at Affin Bank and Affin Islamic Bank provides staff the freedom of time and space to learn and update their knowledge at their convenience while meeting the organisation's needs for its employees who are spread across geography to be competent in key areas.

8. ASSURANCE FROM MANAGEMENT

- The Board has received reasonable assurance from the Group Chief Executive Officer and Chief Financial Officer that the Group's risk management and system of internal control is operating adequately and effectively in all material aspects during the financial year under review based on Shariah requirements, Risk Management and Internal Control system adopted by the Group.
- Taking into consideration the assurance from the management and input from the relevant assurance providers, it is viewed that the Group's Risk management and Internal Control system are operating adequately and effectively to safeguard shareholders' investments, customers' interests and the company's assets.

9. REVIEW OF STATEMENT BY EXTERNAL AUDITORS

- The Statement on Risk Management and Internal Control has been reviewed by the external auditors for inclusion in the annual report for the financial year ended 31 December 2019. It is in line with Recommended Practice Guide ("RPG") 5 (Revised) by Malaysia Institute of Internal Accountants (MIA) and para 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing requirements.

GROUP BOARD AUDIT COMMITTEE REPORT

The Board of AFFIN Bank Group (ABG) is pleased to present the Report on Group Board Audit Committee (GBAC) for the Financial Year ended 31 December 2019.

GROUP BOARD AUDIT COMMITTEE

The GBAC comprises of the following Directors and majority are Independent Non-Executive Directors:-

- 1. Mr. Gregory Jerome Gerald Fernandes**
Chairman/Independent Non-Executive Director
(Appointed as Chairman on 01 May 2020)
- 2. YBhg. Dato' Mohd Hata Bin Robani**
Member/Independent Non-Executive Director
(Redesignated as Chairman on 16 February 2020 and subsequently as member on 1 May 2020)
- 3. Encik Abd Malik Bin A Rahman**
Member/Non-Independent Non-Executive Director
(Retired as Chairman on 16 February 2020 and subsequently as member on 15 April 2020)
- 3. Associate Prof Dr Said Bouheraoua**
Member/Independent Non-Executive Director of Affin Islamic Bank Berhad
- 4. YBhg. Dato' Rozalila Binti Abdul Rahman**
Member/Independent Non-Executive Director
(Appointed as member on 28 March 2019)
- 5. Mr. Ignatius Chan Tze Ching**
Member/Non-Independent Non-Executive Director
(Appointed as member on 01 November 2019)

TERMS OF REFERENCE

1. OBJECTIVE

GBAC is established as a Committee of the Board of Directors. The primary objectives of GBAC are to:-

- a. Establish the framework for and oversee the audit function of AFFIN Bank Group;
- b. Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the AFFIN Bank Group;
- c. Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit (GIA); and
- d. Ensure that Internal and External Audit functions are properly conducted and audit recommendations are implemented timely and effectively.

GROUP BOARD AUDIT COMMITTEE REPORT

2. COMPOSITION AND APPOINTMENT

- a. GBAC shall have at least three (3) members of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Committee shall be an Independent, Non-Executive Director. No Alternate Director shall be appointed to the GBAC;
- b. At least one (1) member of the Committee must be a qualified accountant;
- c. The members shall collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control. Since the responsibilities of the audit committee evolve in response to regulatory, economic and reporting developments, it is important to periodically re-evaluate member's competencies and the overall balance of skills on the committee in response to emerging needs;
- d. GBAC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee;
- e. The Board shall review the GBAC Charter, Terms of Reference and performance of the GBAC and each of its members at least once every three (3) years to determine whether the GBAC has carried out its duties in accordance with its Terms of Reference;
- f. If a member of the Committee resigns or for any reason ceases to be member in the GBAC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required;
- g. The GBAC shall have no executive powers; and
- h. The composition of AFFIN Bank Group's GBAC is in compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia, at all times throughout the year 2019 and as at the date of this report.

3. QUORUM

The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being Independent, Non-Executive Directors. If the Chairman is unable to attend any meeting, any other Independent, Non-Executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman shall have a second or casting vote.

4. ATTENDANCE OF MEETINGS

- a. The notice of meeting shall be served to the GBAC members at least seven (7) days before the meeting. The agendas and GBAC papers are to be circulated at least five (5) days before each meeting;
- b. The Group Chief Internal Auditor (GCIA) is invited to attend all meetings of the GBAC;
- c. The Committee may invite other Board members, members of Management, External Auditors or any employees as applicable to participate in the GBAC meetings as necessary to carry out the Committee's responsibilities; and
- d. All the original Minutes of GBAC meetings are in the custody of the Company Secretary and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting. The signed minutes shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to the GBAC members and all other members of the Board.

GROUP BOARD AUDIT COMMITTEE REPORT

5. FREQUENCY OF MEETINGS

- a. The GBAC shall meet at least six (6) times in a financial year with the objective of reviewing the internal audit reports and AFFIN Bank Group's financial reporting. The interval between meetings shall not exceed four (4) months. The GBAC complements this through regular meetings with the Senior Management and both the Internal and External Auditors to review the AFFIN Bank Group's overall state of governance and internal controls;
- b. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the GBAC meetings are convened before the Board meetings. The GBAC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary; and
- c. Besides the minimum of six (6) GBAC meetings in a year, additional meetings shall be scheduled whenever deemed necessary by the GBAC's Chairman or the majority of the Committee members.

6. AUTHORITY

The GBAC is authorised by the Board to:-

- a. Investigate any activity or matter within its Terms of Reference;
- b. Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
- c. Have full and unrestricted access to any information pertaining to the Group;
- d. Maintain direct communication channels with the External Auditors, GIA and all employees within the Group;
- e. Be able to convene meetings with the External Auditors and GIA; excluding the attendance of the members of management Committee at least twice a year; and
- f. Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

7. FUNCTIONS AND DUTIES

The functions and duties of GBAC shall include, but not limited to the following:-

- a. To review the Quarterly Financial Results and Year-End Financial Statement prior to the approval by the Board focusing on the following:-
 - Changes in or implementation of major accounting policy;
 - Significant and unusual events or any going concern assumption;
 - Significant adjustments arising from the audit; and
 - Compliance with accounting standards, disclosure requirements and other legal requirements.
- b. To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts;
- c. To review any related party transactions that may arise within the AFFIN Bank Group;
- d. To act upon any request from the Board to investigate and report on any issues of concern as regard to the Management of the Group;

GROUP BOARD AUDIT COMMITTEE REPORT

- e. To consider the major findings of internal investigations and Management response;
- f. To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary;
- g. To recommend to the Board the appointment of External Auditors and their audit fees;
- h. To review with the External Auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letter and Management response), the assistance given by the Management, any findings or action to be taken;
- i. To meet with the External Auditors without the presence of members management at least twice a year;
- j. To review and recommend for Board's approval, the proposals for appointment and fees on non-audit services rendered by the External Auditors or 3rd parties. If the External Auditors are engaged, the GBAC is responsible for evaluating and ensuring that such engagement does not compromise the independence and objectivity of the External Auditors, in their roles as Statutory Auditors of the Group;
- k. To review the adequacy and effectiveness of the Group's control environment and existing policies, procedures and practices within the Group, in order to regulate and streamline the same to ensure uniformity;
- l. To provide oversight on the effectiveness of internal control mechanism implemented by the Management, in establishing and maintaining high ethical standards for all employees of the Group;
- m. To oversee Management's arrangements for the prevention and deterrence of fraud and ensure that appropriate action is taken against known perpetrators of fraud;
- n. To 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;
- o. Oversight of the Internal Audit activity, performance and to review the adequacy of the scope, functions, competency and resources of the GIA and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and Management implementation of agreed actions as recommended by GCIA. Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the GIA's recommendations and suggestions for improvements; and
- p. To review the findings of any examinations by regulatory authorities, the Management responses and monitor implementation of corrective actions adopted by the Group.

GROUP BOARD AUDIT COMMITTEE REPORT

AUDIT COMMITTEE MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

During the financial year ended 31 December 2019, a total of ten (10) GBAC meetings were held. The GBAC members and details of the attendance of each member at the meetings are as follows:-

NAME OF COMMITTEE MEMBER	ATTENDANCE
Mr. Gregory Jerome Gerald Fernandes Chairman/Independent Non-Executive Director (Appointed as Chairman on 01 May 2020)	-
YBhg. Dato' Mohd Hata Bin Robani Independent Non-Executive Director (Redesignated as Chairman on 16 February 2020 and subsequently as member on 1 May 2020)	10/10
Encik Abd Malik Bin A Rahman Non-Independent Non-Executive Director (Retired as Chairman on 16 February 2020 and subsequently as member/Non-Independent Non-Executive Director on 15 April 2020)	10/10
Associate Prof Dr Said Bouheraoua Independent Non-Executive Director	9/10
YBhg. Dato' Rozalila Abdul Rahman Independent Non-Executive Director (Appointed as member on 28 March 2019)	7/7
Mr. Ignatius Chan Tze Ching Non-Independent Non-Executive Director (Appointed as member on 01 November 2019)	2/2

The GBAC is in compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance. The GBAC members comprised individuals with a diversity of skills, knowledge and caliber in providing independent, objectivity and effective oversight.

The GBAC meetings' agendas, relevant GBAC papers and audit reports were distributed to the GBAC members five (5) days prior to the date of the meetings.

All GBAC meetings were also attended by GCIA together with the GIA Departmental Heads, while attendance of other Senior Management staff is by invitation depending on the matters deliberated by the GBAC.

The Company's External Auditors attended six (6) GBAC meetings during the period. There were discussions between the GBAC and the External Auditors with regards to significant audit issues, changes in the implementation of major accounting policies, compliance with accounting standards and other legal requirements including regulatory requirements and business issues highlighted by them for financial year ended 31 December 2019. The GBAC had also reviewed the External Auditors' Audit Plan for the Financial Year Ending 31 December 2019.

In addition, the External Auditors were invited to attend the annual general meeting to respond to shareholders' question on audit related issues. The GBAC also had direct and unrestricted access to the GIA and had ad-hoc discussions with the GIA without the presence of Management.

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

GROUP BOARD AUDIT COMMITTEE REPORT

TRAINING PROGRAMS/SEMINARS ATTENDED IN 2019

GBAC members had attended various seminars/training programs in the financial year ended 2019, to keep abreast of the latest developments. Listed below are the seminars/training events attended by the GBAC members:-

GBAC MEMBER	TRAININGS ATTENDED
En. Abd Malik bin A Rahman	<ul style="list-style-type: none"> • Islamic Finance for Board of Directors Programme • Cryptocurrency & Blockchain • Reading The Signs: The Next Financial Crisis and Potential Impact on Asia • Presentation by BNM Governor on 2018 Annual Report & Financial Stability and Payment Systems Report • Dialogue with the Deputy Governor on the draft Risk Management in Technology Policy • MyFintech Week (Registered under AHIB) • Investment Forum 2019 – Wealth & Beyond • MACC (Amendment) Act 2018 – Section 17A Offence by Commercial Organisation • Corporate Liability (Section 17A of MACC Act) – Preparation For Corporate Liability on Corruption • Cyber Security Awareness Training • Leadership in a Disruptive World • Talk on Corporate Governance, National Anti-Corruption & Role of Private Sector, Section 17A & Its Implication, Budget 2020 & The Economy • Audit Oversight Board Conversation with Audit Committee
Dato' Mohd Hata bin Robani	<ul style="list-style-type: none"> • Islamic Finance for Board of Directors Programme • Cryptocurrency & Blockchain • Cyber Security Awareness Training • The New Section 17A on Corporate Liability in the MACC Act
Associate Professor Dr. Said Bouheraoua	<ul style="list-style-type: none"> • Cryptocurrency & Blockchain • Islamic Finance for Board of Directors Programme • Certified Shariah Advisor (CSA) • Emerging Risk in Takaful • Enterprise Risk Management (ERM) – Part 1 • Enterprise Risk Management (ERM) – Part 2 • Risk Sharing financial instruments: Challenges & Prospect (Arabic) – 3rd International Islamic Finance Conference • Islamic Finance and Ownership Rights: Challenges and Opportunities, “Shariah Issues in Ownership transfer in Sukuk Issuances” • The London Summit 2019, Reimagining Islamic Finance, “Islamic Social Finance – Customer expectation & the role for non-banking institutions providing ethically/socially aligned solutions • Islamic Social Finance and Malaysian Shared Prosperity Vision 2030 – The 7th International Conference of Entrepreneurial Finance (CIFEMA'2019)
Dato' Rozalila binti Abdul Rahman	<ul style="list-style-type: none"> • Cryptocurrency & Blockchain • Understanding the Evolving Cybersecurity Landscape • MyFintech Week • BNM FIDE Core Programme – Banks • Anti Money Laundering/Counter Financing of Terrorism – Banking Sector • Bursa Malaysia Thought Leadership Series Sustainability Inspired Innovation: Enablers of the 21st Century • Cyber Security Awareness Training • International Directors Summit 2019 • Enterprise Risk Management – The Essential Building Blocks For A Holistic & Robust ERM Framework • Islamic Finance For Board of Directors Programme • Audit Oversight Board Conversation With Audit Committee

GROUP BOARD AUDIT COMMITTEE REPORT

GBAC MEMBER	TRAININGS ATTENDED
Mr. Ignatius Chan Tze Ching	<ul style="list-style-type: none"> • Economic & Market Outlook 2019 • Asian Financial Forum • HSBC Flagship Sustainable Finance Event • Islamic Finance for Board of Directors' Programme • HKEX Biotech Summit • KPMG Independent Non-Executive Directors Forum • Asia Pacific Risk Symposium 2019 • Bond Connect Anniversary Summit • Non-Executive Director Programme: Cyber Risk Quantification - What every Board should know and understand • KPMG Independent Non-Executive Directors Forum • HKIB Invitation - Annual Banking Conference • Harrison Young Speak

SUMMARY OF ACTIVITIES OF THE GROUP BOARD AUDIT COMMITTEE

The GBAC has carried out the following activities in discharging its duties and responsibilities for the financial year ended 31 December 2019:-

1. EXTERNAL AUDIT

- a. Reviewed and approved the 2019 Audit Plan to ensure the scope of work adequately covered the activities of AFFIN Bank Group, which comprised the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment, areas of audit emphasis for the financial year and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters;
- b. Held 6 meetings with the External Auditor to review the financial results, MFRS related issues and results of other non-audit engagement activities;
- c. Reviewed the significant audit, accounting, taxation and other matters raised by the external auditors;
- d. Evaluated and satisfied itself with the independence, performance and effectiveness of the external auditors based on the criteria set out in BNM's Policy Document on External Auditors and recommended to the Board for the reappointment of the external auditors. Among the criteria evaluated and taken into consideration by the GBAC were:-
 - Independence, Objectivity, Familiarity Threats and Professional Scepticism;
 - Ability to demonstrate unbiased stance when interpreting the standards/policies adopted by the licensed institutions.
 - Qualification criteria;
 - Level of knowledge, capabilities, experience and quality of previous work;
 - Level of engagement with the Board and GBAC;
 - Ability to provide constructive observations, implications and recommendations in areas which require improvements;
 - Appropriateness of audit approach, man-hours and the effectiveness of overall audit planning; and
 - Ability to perform the audit work within the agreed duration given.

GROUP BOARD AUDIT COMMITTEE REPORT

2. NON-AUDIT SERVICES

Reviewed and recommended to the Board the non-audit services rendered by the External Auditors or 3rd parties and the fees involved.

3. GROUP INTERNAL AUDIT

- a. Reviewed and approved the GIA Annual Plan (proposed by GCIA) and Budget for Year 2019 in ensuring that adequate scope and comprehensive coverage on the audit activities and critical risk areas are adequately identified and covered;
- b. Performed fit and proper assessment of the GCIA, to ensure that she satisfies the fitness and propriety criteria set out in the Group Policy on Fit and Proper for Key Responsible Persons on a continuous basis;
- c. Approved the KPIs for GCIA and her direct reports;
- d. Evaluated annual and overall performance of GCIA and GIA respectively; and provided written feedback for improvements;
- e. Reviewed and evaluated the adequacy of resources and the competencies of staff within the GIA to execute the plan as well as the audit programmes used in the execution of GIA's job to ensure satisfactory performance of GIA;
- f. Reviewed significant internal control issues (including fraud) identified by GIA, as well as Management responses to audit recommendations and implementation of agreed action plans with particular attention on the following:-
 - Control environment (integrity, ethical values and competency of the personnel);
 - Control activities (policies and procedures);
 - Risk assessment (identified and assessed relevant risks and its preventive measure);
 - Compliances with regulatory and statutory requirements; and
 - Monitor the status of corrective actions taken by Management to rectify any deficiencies identified by GIA as well as ensuring that all issues are adequately resolved on a timely basis.
- g. Reviewed the status report of GIA activities for the financial year ended 31 December 2019 to ensure all the planned activities were satisfactorily carried out;
- h. Reviewed quarterly status update on issues highlighted in the Regulators and External Auditors' Audit Reports compiled by the GIA based on submissions by the significant operating entities to ensure that significant issues were addressed and resolved on a timely basis; and
- i. Reviewed and approved the GIA Charter, Internal Control Framework and GIA Manual.

4. FINANCIAL RESULTS AND REPORTING

- a. Reviewed with the senior Management the quarterly and interim unaudited financial results before recommending to the Board for their approval; and
- b. Reviewed with the senior Management and External Auditors the annual audited financial statements of the Bank and its subsidiaries (the Group) before recommending to the Board for their approval. The review is focusing on the matters set out in the following Requirements, Acts and Standards:-
 - Provisions of the Companies Act;
 - Financial Services Act and Islamic Financial Services Act;
 - Applicable approved accounting standards in Malaysia; and
 - Other relevant legal and regulatory requirements.

GROUP BOARD AUDIT COMMITTEE REPORT

- c. In reviewing the financial reporting of the Group, the GBAC discussed and made enquiries on, among others:-
- changes in or implementation of major accounting policy changes;
 - significant accounting and audit matters highlighted; including financial reporting, credit, treasury, taxation, impairment related matters, information technology, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards and other legal requirements.
- d. In its meeting held on 23 January 2020, GBAC was briefed by the External Auditors on the key audit matters included in their Independent Auditors' Report for the financial statements for the financial year ended 31 December 2019. Overall, the GBAC is satisfied that based on the audit procedures performed by the External Auditors, no material exceptions were noted on these Key Audit Matters.

5. RELATED PARTY TRANSACTIONS (RPTS) AND CONFLICT OF INTEREST

- a. Reviewed related party transactions and recurrent related party transactions and the appropriateness of such transactions to avoid potential or actual conflict of interest. This is also to ensure that decisions are based on the best interest of the company and its shareholders, before making recommendation to the Board for approval; and
- b. Pursuant to MFRS 124 on Related Party Disclosures, significant RPT balances and transactions were reviewed on quarterly basis, with explanations provided for exceptional trend or transactions.

6. OTHERS

- a. Reviewed the Statement on Internal Control and Audit Committee Report for inclusion in the Year 2019 Annual Report before recommending to the Board for approval;
- b. Reviewed the Statement on Risk Management and Internal Control for the Board's approval to be included in the Annual Report; and
- c. Provided oversight over the preparation and implementation of the Malaysian Financial Reporting Standard 9 (MFRS 9), which came into effect on 1 January 2019, including the review of the gap analysis, process/system enhancement and the potential impact to the Group.

GROUP INTERNAL AUDIT FUNCTION

1. INDEPENDENCE

- a. The GIA function is established by the Board to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management, control and governance processes implemented by the Management. GIA reports functionally to the GBAC and administratively to the GCEO. It is independent from the activities or operations of other operating units in the Group; and
- b. The GIA function is guided by its Audit Charter (as approved by the GBAC) which defines the mission & objective, responsibility, accountability, authority, independence & objectivity and professionalism & ethical standards of the GIA function of the Group.

GROUP BOARD AUDIT COMMITTEE REPORT

2. PROFILE AND QUALIFICATION

- a. Effective 1 May 2020, GIA is headed by Puan Wahdania Mohd Khir, replacing Puan Khatimah Mahadi who retired on 31 March 2020. Wahdania who holds a Master of Science in Quantitative Finance from the University of Westminster London is also a Chartered Banker and a member of the Financial Markets Association Malaysia. She brings with her more than 24 years working experience in the Financial Services Industry and has served both in the banking sector as well as, the regulatory body. In the banking industry, she has held various senior roles as the Head of Global Market Compliance & Treasury Operations and Senior Director of Group Audit at a major financial institution;
- b. She is assisted by 57 qualified internal auditors from various disciplines mainly operations, credit, information technology, risk management, Islamic banking, fraud and investigation, treasury, finance/ accounting, investment banking, stockbroking and asset management;
- c. In order to perform its functions effectively, the internal auditors have regularly and continuously attended a number of training courses to equip themselves with the requisite knowledge and skills. In line with BNM's expectation and GIA's 3 years professional development plan to equip the internal auditors with various professional certifications such as Certification of Bank Auditors, Chartered Banker, AML/CFT, Professional Credit Certification, Bank Risk Management, Pasaran Kewangan Malaysia Certificate, Certified Information System Auditor, Master in Islamic Finance and etc, GIA has progressively enrolled its staff with AICB, ISACA and INCEIF to attain these qualifications. Majority of the internal auditors are certified with either one (1) or more of the aforementioned qualifications; and
- d. In the recent Quality Assurance Review conducted by The Institute of Internal Auditors (IIA) Malaysia in December 2019, GIA was accredited full conformance with the IIA's International Standards for Professional Practice of Internal Auditing and the pertinent regulations. In addition, GIA is also recognised to be operating at both "Optimised" and "Managed" levels against the Internal Audit Maturity Assessment ("AIMA").

3. RESPONSIBILITY

- a. Its primary role/responsibility is to assist the GBAC to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control, compliance and governance processes; in order to provide reasonable assurance that such frameworks and systems continue to operate efficiently and effectively and in line with the relevant regulatory requirements;
- b. The GIA's processes and activities are governed by the regulatory guidelines as well as the Group's Code of Ethics and The Institute of International Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing;
- c. GIA adopts the 5 components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities. COSO is an internationally recognised organisation providing thought leadership and guidance on internal control, enterprise risk management and fraud deterrence;
- d. GIA's scope of coverage encompassed all key business and operation/ support units. Areas audited comprised retail & non-retail credit, distribution channels, back office operations, IT operations & security, treasury related matters, Islamic Banking, subsidiaries, Head Office functions and also special focus areas such as AML/CFT, NSFR, LCR, product transparency, outsourced functions and business continuity.
- e. GIA also undertakes investigations into suspected fraudulent activities, staff misconduct, whistleblowing cases and other incidences, as and when required, and recommends appropriate improvements to prevent recurrence and actions against persons responsible;
- f. The GIA closely monitored the rectification of audit findings and implementation of the audit recommendations, in order to obtain assurance that all major risk and control concerns have been duly addressed. GIA reports were presented to the management and GBAC;
- g. GIA worked closely with the external auditors to ensure that significant issues are duly addressed and resolved on a timely basis; and
- h. The total GIA's cost for year 2019 is approximately RM8.62 million, comprising mainly salaries, staff training and development, travelling, accommodation expenses and subsistence allowances for audit assignments.



120000
100000
80000
60000
40000
20000

19%

FINANCIAL

STATEMENTS

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

AFFIN Bank Berhad

(Incorporated in Malaysia)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Agil Natt
(Chairman)
(appointed w.e.f. 8.11.2019)

En. Mohd Suffian bin Haji Haron
Tan Sri Mohd Ghazali bin Mohd Yusoff

Dato' Abdul Aziz bin Abu Bakar

Dato' Mohd Hata bin Robani

Mr. Ignatius Chan Tze Ching

Dato' Rozalila binti Abdul Rahman

Mr. Peter Yuen Wai Hung

(appointed w.e.f. 1.11.2019)

Pn. Marzida binti Mohd Noor

(appointed w.e.f. 1.3.2020)

Mr. Gregory Jerome Gerald Fernandes

(appointed w.e.f. 1.4.2020)

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin
Haji Zainuddin (Retired)

(Chairman)(completed his tenure of directorship
w.e.f. 1.7.2019)

Mr. Joseph Yuk Wing Pang

(completed his tenure of directorship w.e.f. 30.6.2019)

En. Abd Malik bin A Rahman

(completed his tenure of directorship w.e.f. 15.4.2020)

GROUP CHIEF EXECUTIVE OFFICER

En. Wan Razly Abdullah bin Wan Ali
(appointed w.e.f. 2.4.2020)

En. Kamarul Ariffin bin Mohd Jamil
(completed his contract of service w.e.f. 1.4.2020)

COMPANY SECRETARY

Pn. Nimma Safira Khalid

REGISTERED OFFICE

17th Floor, Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)

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DIRECTORS' REPORT

for the financial year ended 31 December 2019

The Directors hereby submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Bank during the financial year are banking and related financial services. The principal activities of the subsidiaries are Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management, property management services, nominee and trustee services.

The details of the subsidiary companies are disclosed in Note 17 of the financial statements.

The principal activities of the joint ventures are underwriting of life insurance business and property development while the associates are principally engaged in the underwriting of general insurance business and investment holding.

Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles. 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	682,501	460,124
Zakat	(5,530)	–
Profit before taxation	676,971	460,124
Taxation	(160,880)	(96,003)
Net profit for the financial year	516,091	364,121

DIVIDENDS

The dividends on ordinary shares paid or declared by the Bank since 31 December 2018 were as follows:-

In respect of the financial year ended 31 December 2018:

	RM'000
Single-tier interim dividend of 5 sen per share paid on 22 January 2019	97,147

On 27 April 2020, the Board of Directors proposed a single-tier interim dividend of 5 sen per share amounting to RM99,301,006 in respect of the financial year ended 31 December 2019, based on the Bank's issued and paid-up capital of 1,986,020,123 ordinary shares at 31 December 2019.

On the same day, the Board of Directors resolved that Dividend Reinvestment Plan ('DRP') as disclosed in Note Z be applied to the said interim dividend and the entire interim dividend can be elected and reinvested in new ordinary shares of the Bank.

RESERVES AND PROVISIONS

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There is no significant event during the financial year.

SUBSEQUENT EVENTS

Events subsequent to the reporting date are disclosed in Note 59 to the financial statements.

DIRECTORS' REPORT

for the financial year ended 31 December 2019

DIRECTORS

The Directors of the Bank in office since the date of the last report and at the date of the report are:-

Dato' Agil Natt
Chairman/Independent Non-Executive Director
(appointed w.e.f. 8.11.2019)

En. Mohd Suffian bin Haji Haron
Non-Independent Non-Executive Director

Tan Sri Mohd Ghazali bin Mohd Yusoff
Independent Non-Executive Director

Dato' Abdul Aziz bin Abu Bakar
Independent Non-Executive Director

Dato' Mohd Hata bin Robani
Independent Non-Executive Director

Mr. Ignatius Chan Tze Ching
Non-Independent Non-Executive Director

Dato' Rozalila binti Abdul Rahman
Independent Non-Executive Director

Mr. Peter Yuen Wai Hung
Non-Independent Non-Executive Director
(appointed w.e.f. 1.11.2019)

Pn. Marzida binti Mohd Noor
Independent Non-Executive Director
(appointed w.e.f. 1.3.2020)

Mr. Gregory Jerome Gerald Fernandes
Independent Non-Executive Director
(appointed w.e.f. 1.4.2020)

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)
Chairman/Non-Independent Non-Executive Director
(completed his tenure of directorship w.e.f. 1.7.2019)

Mr. Joseph Yuk Wing Pang
Non-Independent Non-Executive Director
(completed his tenure of directorship w.e.f. 30.6.2019)

En. Abd Malik bin A Rahman
Non-Independent Non-Executive Director
(re-designated w.e.f. 16.2.2020 and completed his tenure of directorship w.e.f. 15.4.2020)

In accordance with Article 118 of the Bank's Constitution, the following Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:

1. Dato' Mohd Hata bin Robani
2. Dato' Abdul Aziz bin Abu Bakar

In accordance with Article 124 of the Bank's Constitution, the following Directors retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:-

- | | |
|----------------------------|--|
| 1. Dato' Agil Natt | 3. Pn. Marzida binti Mohd Noor |
| 2. Mr. Peter Yuen Wai Hung | 4. Mr. Gregory Jerome Gerald Fernandes |

The Directors' names of the subsidiaries and their remuneration details are set out in the subsidiaries' statutory accounts and the said names and details are deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REPORT

for the financial year ended 31 December 2019

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 state of affairs of the Group and of the Bank as at 31 December 2019 and of the financial results and cash flows 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 380 of the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of the Directors in office at the end of the financial year held in the Bank or its subsidiaries or its related companies during the financial year are as follows:-

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

* Indirect shares

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

DIRECTORS' REPORT

for the financial year ended 31 December 2019

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 the fees and other emoluments shown in the Note 41 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

OTHER STATUTORY INFORMATION

Statutory information regarding the Group and the Bank

(a) As at the end of the financial year

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

- to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts and financing had been written-off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, 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 had been written down to an amount which the current assets might be expected so to realise.

(b) From the end of the financial year to the date of this report

The Directors are not aware of any circumstances:-

- which would render the amounts written-off for bad debts and financing or the amount of the allowance for doubtful debts and financing inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Group and of the Bank misleading; and
- which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(c) As at the date of this report

- (i) there are no charges on the assets of the Group and of the Bank which have arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) there are no contingent liabilities in the Group and in the Bank which have arisen since the end of the financial year other than in the ordinary course of banking business or activities of the Group.
- (iii) the Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

(d) No contingent or other liability of any company in the Group 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 the Directors, will or may affect the ability of the Bank and its subsidiaries to meet their obligations when they fall due.

DIRECTORS' REPORT

for the financial year ended 31 December 2019

OTHER STATUTORY INFORMATION

Statutory information regarding the Group and the Bank (continued)

- (e) 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 which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:-
 - (i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) 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 financial year in which this report is made.

BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The year 2019 brought numerous changes and challenges for Malaysia and the banking industry. Macroeconomic conditions remained volatile and the banking sector continued to accommodate and adjust to regulatory and industry changes. Business and household lending were tepid, while deposits growth moderated further.

In response, the Group maintained its sustainable growth by remaining disciplined in pricing and focusing on targeted segments. These were supported by stringent risk management with priority placed on improving liquidity and capital strength and also being innovative in responding proactively to evolving customer expectations, trends and other emerging forces such as the digital technology.

For the financial year ended 31 December 2019, the Group recorded a consolidated profit before tax ('PBT') of RM677.0 million, an increase of RM2.0 million or 0.3% as compared to the previous financial year while profit after tax ('PAT') for the financial year stood at RM516.1 million. Net income expanded by RM11.1 million, mainly attributable to higher other operating income of RM100.9 million and income from Islamic Banking of RM12.5 million which cushioned the reduction of net interest income of RM102.3 million.

The Group's operating expenses increased slightly by RM6.4 million or 0.5%, mainly due to rise in personnel costs. Nevertheless, the cost to income ratio improved slightly to 63.36% from 63.39% in FY2018. For FY2019, earnings per share was 24.6 sen as compared to 25.9 sen the previous year while the net return on equity was at 5.42%.

The total assets of the Group reduced by RM7.6 billion or 10.0% to RM68.3 billion mainly attributable to the reduction in both loans, advances and financing portfolio and financial assets at FVOCI. Gross loans, advances and financing shrunk by RM3.0 billion or 6.1% to RM46.0 billion as at 31 December 2019 due to rebalancing of portfolios. In line with the reduction in loans, advances and financing, total customer deposits also decreased by RM6.3 billion or 10.9% to RM51.1 billion.

The Group's Total Capital ratio was at 23.262%, while Common Equity Tier 1 and Tier 1 ratios stood at 14.459% and 16.241% respectively as at 31 December 2019.

ECONOMIC AND BUSINESS OUTLOOK FOR 2020

The International Monetary Fund ('IMF') in its latest issue of World Economic Outlook has forecasted that the world economy will shrink by -3.0% in 2020. The Covid-19 pandemic will severely impact the global economic activities, trading and global value-chain linkages and affect sectors such as traveling, hospitality, entertainment, tourism and others. This will mark the sharpest decline in the world economy since the Great Depression in the 1930s where the global Gross Domestic Product ('GDP') declined by 10%.

Malaysia's economy is projected to grow at -2.0% to 0.5% this year from the earlier official projection of 3.2% to 4.2%. The World Bank has recently forecasted Malaysia's GDP for 2020 to contract by -0.1% to -4.6% while IMF projected a drop of -1.7%. The Bank is projecting a -3.5% shrink in Malaysia's economic growth this year. The Movement Control Order ('MCO') imposed from 18 March to 12 May 2020 is expected to have severe impact to the domestic economy. However, the Prihatin Rakyat RM250 billion Stimulus package and additional RM10 billion SME package announced by the Government recently will help to cushion any negative impact of the MCO. Meanwhile, the country's fiscal deficit is now projected to rise by another 0.7% to 4.7% of GDP from the earlier projection of 4.0%. Inflation rate is expected to average between -1.5% to 0.5% mainly reflecting significantly lower global oil and commodity prices. Households are likely to be cautious on their spending due to the uncertain employment situation as well as affected by lower real disposable income.

DIRECTORS' REPORT

for the financial year ended 31 December 2019

ECONOMIC AND BUSINESS OUTLOOK FOR 2020

Year 2020 is going to be an exceptionally challenging year for the banking sector due to the global economic environment and the on-going Covid-19 pandemic with the risk of contraction in credit growth and deteriorating asset quality. The sector is likely to record lower loan growth this year as compared to 3.9% recorded in 2019. The weak domestic and global economy, the Covid-19 pandemic, loan moratorium and prolonged MCO will cause the banks' loan growth to decline and spike in non-performing loans. The banking sector loan growth will also be impacted by the negative sector outlook mainly in the residential and commercial properties, automotive, trade financing, oil and gas as well as retail sectors. A few key banks' exposure to the oil & gas sector may also pose downside risks as the oil price stays low. Banks are more likely to focus on active restructuring and rescheduling the loans of borrowers impacted by the Covid-19 pandemic.

BNM has announced a regulatory relief, a 6-month moratorium automatically accorded to all loans made by individuals and SMEs to help individuals and businesses to cope with the negative impact of the pandemic. BNM has also lowered the Statutory Reserve Requirement ('SRR') by 100 bps from 3% to 2% to release almost RM30 billion liquidity into the banking system. BNM has also reduced the Overnight Policy Rate ('OPR') twice totaling 50 bps in January and March 2020 to 2.50% to provide a more accommodative monetary environment to support economic growth. BNM is likely to reduce the OPR further by another 25 bps to stimulate the economy. This move may exert more pressure on the banks' profit margins.

BUSINESS STRATEGY MOVING FORWARD

In line with BNM's directive, Corporate Banking will be focusing to support and assist eligible corporations that are impacted by the Covid-19 pandemic and seeking temporary financial relief on a case-by-case basis in order for them to maintain their business viability until conditions improve. Meanwhile, the Bank will proactively manage and preserve its asset quality by focusing on rehabilitation of corporate customers accounts with any early warning signal or deterioration on their credit quality. This will be done through more frequent credit assessment and timely engagement with the customers.

SME Banking is presently focusing on the asset quality to ensure that our borrowers stay afloat during trying times whilst adhering to the 6-month moratorium for all the facilities as imposed by BNM whilst supporting the national agenda in providing Covid-19 pandemic funds to both existing and new Bank customers as part of our efforts to support the SMEs such as Special Relief Facility ('SRF'), Automation & Digitalisation Facility ('ADF') and Agrofood Facility ('AF'). Albeit the pandemic situation, we are also looking into opportunities for new facilities that will support the Bank's business.

On the Consumer Banking side, the billings for cards business are low due to significantly reduced spending by customers in view of the MCO. The Bank is looking at opportunities for increasing fee based income through wealth management/investment products such as unit trusts. There are also initiatives to cross sell credit cards, advances and deposits to existing and potential customers apart from following up with those cases in the pipeline.

We are also using robust online and digital platforms during this difficult time to continue providing relevant customer services, making available mobile access to all key stakeholders to ensure operational efficiency and ensure that all centers are properly equipped and functional during this crisis. We will also accelerate our digital readiness and encourage our customers to use our new corporate internet banking platform to manage their banking transactions online.

The Bank will continue to assess the impact of Covid-19 pandemic to its financing and deposits portfolio and will ensure effective implementation of financial measures announced by BNM and Government for the benefit of the customers. The Bank will further emphasise in enhancing customers experience through digital initiatives such as AFFINMax, Genius Pocket and SMEColony. The focus also includes revenue upliftment by accelerating fee and fund-based income with the offering of unique integrated products, including wealth and bancassurance products to various customer segments.

RATING BY EXTERNAL RATING AGENCY

The Bank has been rated by the following external rating agency:-

Name of rating agency:	RAM Rating Services Berhad
Date of rating:	5 July 2019
Rating classifications:	
– Long term:	AA ₃
– Short term:	P1

RAM has reaffirmed the Bank's long-term and short-term financial institution ratings, at AA₃ and P1, respectively, with a stable outlook.

'AA' rating is defined by RAM as an entity has a strong capacity to meets its financial obligations and is resilient against adverse changes in circumstances, economic condition and/or operating environments. The subscript 3 in this category indicates the lower end of its generic rating in the AA category.

A P1 rating is defined by RAM as obligations which are supported by superior ability with regards to timely payment of obligations.

DIRECTORS' REPORT

for the financial year ended 31 December 2019

ZAKAT OBLIGATION

The Bank's subsidiary, AFFIN Islamic Bank Berhad ('AFFIN Islamic') is obliged to pay zakat to comply with the principles of Shariah. AFFIN Islamic does not pay zakat on behalf of its depositors.

HOLDING CORPORATE BODY

The holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration and total amount of indemnity given are set out in Note 41 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 40 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:-

DATO' AGIL NATT

Chairman

DATO' MOHD HATA BIN ROBANI

Director

Kuala Lumpur
29 April 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

	Note	The Group		The Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Cash and short-term funds	2	4,605,357	6,331,798	2,317,369	2,569,003
Deposits and placements with banks and other financial institutions	3	–	71,801	41,368	113,610
Investment accounts due from designated financial institutions	4	–	–	1,912,415	2,366,711
Financial assets at fair value through profit or loss ('FVTPL')	5	662,132	606,462	170,216	373,638
Derivative financial assets	6	164,868	88,805	118,225	61,831
Financial investments at fair value through other comprehensive income ('FVOCI')	7	12,496,846	15,361,758	6,373,844	9,144,507
Financial investments at amortised cost ('AC')	8	145,066	163,027	100,499	114,646
Loans, advances and financing	9	45,387,865	48,392,012	25,730,059	28,498,149
Trade receivables	10	534,388	369,651	–	–
Commodity Gold at FVTPL		–	42,733	–	–
Other assets	11	159,950	138,884	60,883	60,423
Amount due from subsidiaries	12	–	–	1,318	420
Amount due from joint ventures	13	28,402	31,295	–	–
Amount due from associates	14	31,787	57,717	30,887	57,217
Tax recoverable		121,595	62,271	67,940	31,182
Deferred tax assets	15	22,520	114,830	12,690	70,239
Statutory deposits with Bank Negara Malaysia	16	1,534,777	1,946,669	857,377	1,238,069
Investment in subsidiaries	17	–	–	3,053,899	3,053,899
Investment in joint ventures	18	171,913	158,051	178,940	163,640
Investment in associates	19	659,527	611,996	548,482	548,482
Property and equipment	20	641,867	520,644	607,322	482,708
Right-of-use assets	21	57,709	–	43,416	–
Intangible assets	22	914,693	906,068	202,670	182,235
TOTAL ASSETS		68,341,262	75,976,472	42,429,819	49,130,609
LIABILITIES AND EQUITY					
Deposits from customers	23	51,088,962	57,346,447	30,135,250	33,561,219
Investment accounts of customers	24	1,447	875	–	–
Deposits and placements of banks and other financial institutions	25	1,763,252	4,846,912	646,085	4,300,848
Obligation on securities sold under repurchase agreements		–	142,477	–	–
Derivative financial liabilities	26	186,791	113,132	136,439	85,660
Bills and acceptances payable		32,903	32,585	32,903	32,585
Trade payables	27	787,563	600,974	–	–
Lease liabilities	28	58,650	–	44,219	–
Other liabilities	29	1,398,837	1,082,148	418,548	571,575
Amount due to subsidiaries	30	–	–	55,899	109,399
Provision for taxation		41	8,748	–	–
Deferred tax liabilities	15	19,080	7,126	–	–
Borrowings	31	3,607,143	3,053,812	2,548,379	2,548,379
TOTAL LIABILITIES		58,944,669	67,235,236	34,017,722	41,209,665
Share capital	32	4,774,772	4,684,752	4,774,772	4,684,752
Reserves	33	4,562,398	3,986,931	3,637,325	3,236,192
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Non-controlling interest		9,337,170	8,671,683	8,412,097	7,920,944
		59,423	69,553	–	–
TOTAL EQUITY		9,396,593	8,741,236	8,412,097	7,920,944
TOTAL LIABILITIES AND EQUITY		68,341,262	75,976,472	42,429,819	49,130,609
COMMITMENTS AND CONTINGENCIES	48	30,851,233	30,873,074	19,679,897	20,469,123

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

INCOME STATEMENTS

for the financial year ended 31 December 2019

	Note	The Group		The Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	34	2,231,836	2,419,367	2,013,073	2,154,823
Interest expense	35	(1,488,719)	(1,573,967)	(1,341,293)	(1,398,061)
Net interest income		743,117	845,400	671,780	756,762
Income from Islamic banking business	36	410,683	398,190	-	-
		1,153,800	1,243,590	671,780	756,762
Fee and commission income	37(a)	594,734	620,874	103,036	109,839
Fee and commission expense	37(b)	(153,327)	(164,009)	(7,850)	(9,103)
Net fee and commission income	37	441,407	456,865	95,186	100,736
Net gains on financial instruments	38	287,088	146,037	139,071	62,808
Other income	39	49,455	74,110	110,873	413,347
Other operating income		777,950	677,012	345,130	576,891
Net income		1,931,750	1,920,602	1,016,910	1,333,653
Other operating expenses	40	(1,223,933)	(1,217,509)	(582,959)	(633,933)
Operating profit before allowances		707,817	703,093	433,951	699,720
(Allowances for)/write-back of credit impairment losses	42	(49,859)	(58,668)	26,173	(24,811)
Allowances for impairment losses on other assets	43	(5,617)	(12,243)	-	-
Operating profit		652,341	632,182	460,124	674,909
Share of results of a joint venture		(3,860)	(3,098)	-	-
Share of results of associates		34,020	50,025	-	-
Profit before zakat and taxation		682,501	679,109	460,124	674,909
Zakat		(5,530)	(4,113)	-	-
Profit before taxation		676,971	674,996	460,124	674,909
Taxation	45	(160,880)	(147,576)	(96,003)	(80,903)
Net profit after zakat and taxation		516,091	527,420	364,121	594,006
Attributable to:-					
Equity holders of the Bank		487,766	503,086	364,121	594,006
Non-controlling interest		28,325	24,334	-	-
		516,091	527,420	364,121	594,006
Earnings per share attributable to equity holders of the Bank (sen):-					
- Basic	46	24.6	25.9	18.4	30.6
- Diluted	46	23.8	25.3	17.8	29.9

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

	Note	The Group		The Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit after zakat and taxation		516,091	527,420	364,121	594,006
Other comprehensive income					
<u>Items that may be reclassified subsequently to profit or loss:-</u>					
Net fair value change in financial investments at FVOCI (debt instruments)		436,704	59,465	164,706	31,362
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		(5,712)	14,156	(1,235)	2,001
Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)		(282,674)	(18,812)	(126,152)	(8,141)
Exchange differences on translation of foreign operations		(727)	631	-	-
Deferred tax on financial investments at FVOCI	15	(36,967)	34,853	(9,253)	39,036
Share of other comprehensive income of a joint venture		2,422	555	-	-
Share of other comprehensive income/(loss) of an associate		10,376	(4,307)	-	-
<u>Items that may not be reclassified subsequently to profit or loss:-</u>					
Net fair value change in financial investments designated at FVOCI (equity instruments)		14,791	(22,069)	8,946	15,477
Deferred tax on financial investments at FVOCI	15	(1,899)	2,784	-	-
Other comprehensive income for the financial year, net of tax		136,314	67,256	37,012	48,781
Total comprehensive income for the financial year		652,405	594,676	401,133	642,787
Total comprehensive income for the financial year attributable to:-					
Equity holders of the Bank		624,349	570,153	401,133	642,787
Non-controlling interest		28,056	24,523	-	-
		652,405	594,676	401,133	642,787

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

The Group	Note	Attributable to Equity Holders of the Bank									Non-controlling interest RM'000	Total equity RM'000
		Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves * RM'000	Other reserves RM'000	Retained profits RM'000	Shareholders' equity RM'000			
At 1 January 2019		4,684,752	110,371	939,055	593	8,328	-	2,928,584	8,671,683	69,553	8,741,236	
Net profit for the financial year		-	-	-	-	-	-	487,766	487,766	28,325	516,091	
Other comprehensive income (net of tax)		-	-	-	-	-	-	-	-	-	-	
- Financial investments at FVOCI		-	124,243	-	-	-	-	-	124,243	-	124,243	
- Share of other comprehensive income of a joint venture		-	2,422	-	-	-	-	-	2,422	-	2,422	
- Share of other comprehensive income of an associate		-	10,376	-	-	-	-	-	10,376	-	10,376	
- Exchange differences on translation of foreign operations		-	-	-	(458)	-	-	-	(458)	(269)	(727)	
Total comprehensive income		-	137,041	-	(458)	-	-	487,766	624,349	28,056	652,405	
Issuance of new shares		90,020	-	-	-	-	-	-	90,020	-	90,020	
Net loss on disposal of financial investment designated at FVOCI (equity instruments)		-	3,249	-	-	-	-	(3,249)	-	-	-	
Issuance of new shares from exercise of employee stock option incentive scheme **	54	-	-	-	-	(8,328)	-	20,456	12,128	32,646	44,774	
Obligation to buy subsidiary's shares from non-controlling interest	29	-	-	-	-	-	(61,010)	-	(61,010)	(35,831)	(96,841)	
Transfer from regulatory reserves		-	-	(206,516)	-	-	-	206,516	-	-	-	
Dividends		-	-	-	-	-	-	-	-	(35,001)	(35,001)	
At 31 December 2019		4,774,772	250,661	732,539	135	-	(61,010)	3,640,073	9,337,170	59,423	9,396,593	

* The stock option reserves represents the fair value of the options of a subsidiary's employee stock option incentive scheme.

** On 8 March 2019, the options holders have fully exercised the employee stock option incentive scheme.

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

STATEMENTS OF CHANGES IN EQUITY for the financial year ended 31 December 2019

The Group	Note	Attributable to Equity Holders of the Bank								Non-controlling interest RM'000	Total equity RM'000
		Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves RM'000	Retained profits RM'000	Shareholders' equity RM'000	Total Shareholders' equity RM'000		
At 1 January 2018		4,684,752	43,746	564,564	151	-	-	2,798,528	8,091,741	58,001	8,149,742
Net profit for the financial year		-	-	-	-	-	-	503,086	503,086	24,334	527,420
Other comprehensive income (net of tax)		-	-	-	-	-	-	-	-	-	-
- Financial investments at FVOCI		-	70,377	-	-	-	-	-	70,377	-	70,377
- Share of other comprehensive income of a joint venture		-	555	-	-	-	-	-	555	-	555
- Share of other comprehensive loss of an associate		-	(4,307)	-	-	-	-	-	(4,307)	-	(4,307)
- Exchange differences on translation of foreign operations		-	-	-	442	-	-	-	442	189	631
Total comprehensive income		-	66,625	-	442	-	-	503,086	570,153	24,523	594,676
Options charged during the year		-	-	-	-	8,328	-	-	8,328	3,569	11,897
Obligation to buy a subsidiary's shares	29	-	-	-	-	-	-	(3,822)	(3,822)	(1,638)	(5,460)
Dilution of interest in subsidiaries		-	-	-	-	-	-	867	867	98	965
Transfer to regulatory reserves		-	-	374,491	-	-	-	(374,491)	-	-	-
Effects of predecessor accounting	58	-	-	-	-	-	-	101,563	101,563	-	101,563
Dividends	47	-	-	-	-	-	-	(97,147)	(97,147)	(15,000)	(112,147)
At 31 December 2018		4,684,752	110,371	939,055	593	8,328	2,928,584	8,671,683	69,553	8,741,236	

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Note	Share capital RM'000	Non-distributable		Distributable	Total equity RM'000
			FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
The Bank						
At 1 January 2019		4,684,752	111,161	716,313	2,408,718	7,920,944
Net profit for the financial year		-	-	-	364,121	364,121
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		-	37,012	-	-	37,012
Total comprehensive income		-	37,012	-	364,121	401,133
Issuance of new shares		90,020	-	-	-	90,020
Transfer from regulatory reserves		-	-	(244,388)	244,388	-
At 31 December 2019		4,774,772	148,173	471,925	3,017,227	8,412,097
The Bank						
At 1 January 2018		4,684,752	62,380	472,531	2,155,641	7,375,304
Net profit for the financial year		-	-	-	594,006	594,006
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		-	48,781	-	-	48,781
Total comprehensive income		-	48,781	-	594,006	642,787
Transfer to regulatory reserves		-	-	243,782	(243,782)	-
Dividends	47	-	-	-	(97,147)	(97,147)
At 31 December 2018		4,684,752	111,161	716,313	2,408,718	7,920,944

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	676,971	674,996	460,124	674,909
Adjustments for items not involving the movement of cash and cash equivalents:-				
Interest income:-				
– financial investments at FVOCI	(410,781)	(502,419)	(276,213)	(349,298)
– financial investments at AC	(8,265)	(8,366)	(5,725)	(5,725)
Dividend income:-				
– financial assets at FVTPL	(8,022)	(5,899)	(732)	(732)
– financial investments at FVOCI	(5,946)	(4,552)	(2,392)	(238)
– subsidiaries	–	–	(71,000)	(323,000)
Gain on sale:-				
– financial assets at FVTPL	(62,096)	(72,154)	–	(23,737)
– financial investments at FVOCI	(281,800)	(17,863)	(125,007)	(7,175)
Unrealised loss/(gain) on revaluation:-				
– financial assets at FVTPL	15,295	(7,863)	(4,590)	(10,355)
– derivatives	6,596	(5,567)	5,549	(4,582)
– foreign exchange	(11,727)	8,540	(7,235)	7,236
Depreciation of property and equipment	26,768	24,578	16,193	14,497
Depreciation of Right-of-use assets	35,786	–	25,086	–
Property and equipment written-off	107	193	50	157
Loss/(Gain) on sale of property and equipment	207	(6,052)	380	(5,921)
Amortisation of intangible assets	32,702	27,661	17,921	13,164
Gain on sale of foreclosed properties	(877)	(111)	(877)	–
Share of results of a joint venture	3,860	3,098	–	–
Share of results of associates	(34,020)	(50,025)	–	–
Expected credit losses made/(written-back) on:-				
– loans, advances and financing	78,656	92,206	7,107	64,430
– trade receivables	(260)	(246)	–	–
– securities and placements	(2,423)	15,571	(1,723)	3,472
– loans and financing commitments and financial guarantee	2,156	(22,363)	(6,758)	(17,471)
Bad debt and financing written-off	6,914	4,281	6,117	3,682
Allowances for impairment losses on other assets	5,617	12,243	–	–
Interest expense on borrowings	188,312	122,469	133,800	117,035
Interest expense on the lease liability	2,512	–	1,885	–
Zakat	5,530	4,113	–	–
Gain on winding up of a subsidiary	–	–	–	(31,031)
Operating profit before changes in working capital	261,772	286,469	171,960	119,317

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
(Increase)/decrease in operating assets:-				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	30,399	291,063	(41,023)	265,627
Investment accounts due from designated financial institutions	-	-	454,268	382,371
Financial assets at FVTPL	(8,869)	(421,265)	208,013	(207,305)
Commodity Gold at FVTPL	42,733	(10,535)	-	-
Loans, advances and financing	2,918,577	(2,977,636)	2,754,865	379,840
Other assets	(60,023)	(72,022)	(5,818)	24,013
Trade receivables	(164,477)	181,086	-	-
Derivative financial instruments	(9,000)	(60,657)	(11,165)	(61,647)
Statutory deposits with Bank Negara Malaysia	411,892	(174,029)	380,692	(35,069)
Amount due to subsidiaries	-	-	(54,398)	(339,168)
Amount due from joint ventures	2,893	7,554	-	-
Amount due (to)/from associate	(598)	88,976	-	-
Increase/(decrease) in operating liabilities:-				
Deposits from customers	(6,257,485)	6,426,218	(3,425,969)	266,066
Investment accounts of customers	572	426	-	-
Deposits and placements of banks and other financial institutions	(3,083,660)	(859,687)	(3,654,763)	320,543
Obligation on securities sold under repurchase agreements	(142,477)	(908,458)	-	(954,922)
Bills and acceptances payable	318	(9,567)	318	(9,567)
Trade payables	186,589	(76,048)	-	-
Other liabilities	251,693	(13,224)	(139,140)	2,704
Cash (used in)/generated from operations	(5,619,151)	1,698,664	(3,362,160)	152,803
Zakat paid	(4,202)	(5,394)	-	-
Tax refund	-	104	-	-
Tax paid	(162,994)	(184,501)	(84,466)	(95,677)
Net cash (used in)/generated from operating activities	(5,786,347)	1,508,873	(3,446,626)	57,126
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received:-				
- financial investments at FVOCI	444,921	474,135	298,820	336,931
- financial investments at AC	8,265	8,366	5,717	5,725
Dividend income:-				
- financial assets at FVTPL	8,022	5,899	732	732
- financial investments at FVOCI	5,946	4,552	2,392	238
- subsidiaries	-	-	71,000	323,000
Purchase of:-				
- financial investments at FVOCI	(12,617,136)	(8,692,150)	(4,632,067)	(6,218,632)
- financial investments at AC	-	(38,988)	-	-

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)				
Redemption/Disposal of:-				
– financial investments at FVOCI	15,894,647	8,020,158	7,548,887	5,492,815
– financial investments at AC	14,444	4,600	14,444	4,600
Proceeds from disposal of:-				
– property and equipment	379	43,323	238	43,144
– foreclosed properties	9,837	307	9,837	–
Purchase of property and equipment	(184,023)	(139,711)	(176,401)	(131,956)
Purchase of intangible assets	(5,988)	(2,767)	(3,288)	(1,075)
Subscription of shares in a joint venture	(15,300)	–	(15,300)	–
Repayment of subordinated loan from an associate	26,528	–	26,528	–
Acquisition of an equity interest in an associate	(3,135)	–	–	–
Cash flow arising from Group Reorganisation (Note 58)	–	15,545	–	–
Subordinated loan to an associate	–	(57,453)	–	(57,453)
Net cash generated from/(used in) investing activities	3,587,407	(354,184)	3,151,539	(201,931)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	550,000	1,000,000	–	500,000
Interest payment on borrowings	(184,981)	(104,800)	(133,800)	(104,800)
Payment of dividend to the equity holders of the Bank	(7,127)	–	(7,127)	–
Payment of dividend to non-controlling interest	(35,001)	(15,000)	–	–
Issuance of new shares	90,020	–	90,020	–
Exercise of employee stock option incentive scheme	44,774	–	–	–
Lease payments	(37,261)	–	(26,169)	–
Net cash generated from/(used in) financing activities	420,424	880,200	(77,076)	395,200
Net (decrease)/increase in cash and cash equivalents	(1,778,516)	2,034,889	(372,163)	250,395
Effects of foreign exchange	11,727	(8,540)	7,235	(7,236)
Cash and cash equivalents at beginning of the financial year	6,324,663	4,298,314	2,653,725	2,410,566
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	4,557,874	6,324,663	2,288,797	2,653,725
Cash and cash equivalents comprise the following:-				
Cash and short-term funds (Note 2)	4,605,357	6,331,798	2,317,369	2,569,003
Deposits and placements of banks and other financial institutions (Note 3)	–	71,801	41,368	113,610
	4,605,357	6,403,599	2,358,737	2,682,613
Less:-				
Amount held on behalf of commissioned dealer's representatives (Note 29)	(47,483)	(48,537)	–	–
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	–	(30,399)	(69,940)	(28,888)
	4,557,874	6,324,663	2,288,797	2,653,725

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

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

(A) BASIS OF PREPARATION

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by AFFIN Islamic, a wholly owned subsidiary of the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

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 period. It also requires Directors to exercise their judgment in the process of applying the Group and Bank's accounting policies. Although these estimates and judgment 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 AF.

Standards, amendments to published standards and interpretations that are effective

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(A) BASIS OF PREPARATION

Standards, amendments to published standards and interpretations that are effective (continued)

(i) Change in accounting policies – adoption of MFRS 16 'Leases'

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

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

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(A) BASIS OF PREPARATION

Standards, amendments to published standards and interpretations that are effective (continued)

(i) Change in accounting policies – adoption of MFRS 16 'Leases' (continued)

As at 1 January 2019, the change in accounting policies has affected the following items:-

- ROU assets and lease liabilities increased by RM70,741,000 (The Group) and RM57,893,000 (The Bank)
- No deferred tax assets/liabilities

No impact on retained earnings on 1 January 2019.

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

	The Group	The Bank
	RM'000	RM'000
Description		
Operating lease commitments disclosed as at 31 December 2018	35,933	24,768
Discounted using the incremental borrowing rate at the date of initial application	(4,186)	(3,461)
Less: short-term leases recognised on a straight-line basis as expense	(1,027)	-
Less: low-value leases recognised on a straight-line basis as expense	(35)	-
Add: adjustments as a result of a different treatment of extension and termination options	40,056	36,586
ROU assets and lease liabilities as at 1 January 2019	70,741	57,893

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

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

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

In particular, the amendments clarify:-

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(A) BASIS OF PREPARATION

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

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

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

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

The amendments shall be applied prospectively.

- The MASB has issued a revised Conceptual Framework (effective 1 January 2020) which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting;
 - reinstating prudence as a component of neutrality;
 - defining a reporting entity, which may be a legal entity, or a portion of an entity;
 - revising the definitions of an asset and a liability;
 - removing the probability threshold for recognition and adding guidance on derecognition;
 - adding guidance on different measurement basis; and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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

- The MASB has made limited scope amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures'.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(B) CONSOLIDATION

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

(i) 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 relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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 remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in 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 profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but 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, 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 income statements, statements of comprehensive income, statement of changes in equity and statements of financial position respectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(B) CONSOLIDATION

(ii) 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.

(iii) 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 as finance charges in the income statement.

In the separate financial statements, subsidiary's shares are other entity's shares and not considered own equity instrument. 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 I.

(iv) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured 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 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 profit or loss.

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

(v) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(B) CONSOLIDATION

(v) Joint arrangements (continued)

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, 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 an associate or 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 a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(vi) 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(B) CONSOLIDATION

(vi) Associates (continued)

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 the profit or loss.

(C) INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES IN SEPARATE FINANCIAL STATEMENTS

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

Investment in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note H.

(D) INTANGIBLE ASSETS

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 the 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 indicate 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 are 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(D) INTANGIBLE ASSETS

Identifiable intangible assets arising from business combination

Identifiable intangible assets arising from business combination are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. The fair value of intangible assets are generally determined using income approach methodologies such as the discounted cash flow method. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets within an indefinite useful life are not amortised. Generally, the identified intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whether there is an indication that the asset may be impaired

The identifiable intangible assets arising from business combination consist of brand and customer relationship. Brand and customer relationship are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows as follows:-

Brand	- 3 years
Customer relationship	- 7 years

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 products 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(E) 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 groups 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 income statement 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 income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(F) RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSE

Interest and financing income and expense for all interest/profit-bearing financial instruments are recognised within 'interest income', 'interest expense' and 'income from Islamic banking business' respectively in the income statement using the effective interest/profit method. Interest/profit income from financial assets at FVTPL is recognised as part of net gains and losses on financial instrument.

Interest/profit income is calculated by applying effective interest/profit rate to the gross carrying amount of a financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest/profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

(G) 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 finance transactions, brokerage income, arrangement fees and initial service charges. 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 will be billed periodically over time. Such fees include portfolio management fees, financial guarantees fee, agency fees and initial service charges on close ended funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(G) RECOGNITION OF FEES AND OTHER INCOME

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 brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) 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 net disposal proceeds and the carrying amount of the securities.
- (c) Other income are recognised on an accrual basis.

(H) 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 payments for principal and interest/profit ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows characteristics of the asset. The Group reclassifies 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 its debt instruments:-

- (i) Amortised cost ('AC')

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest/profit income from these financial assets is included in 'interest income' and 'income from Islamic banking business' using the effective interest/profit 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(H) FINANCIAL ASSETS

(c) Measurement (continued)

Debt instruments (continued)

(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/profit income from these financial assets is included in 'interest income' and 'income from Islamic banking business' using the effective interest/profit 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.

(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 objectives are 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 (i.e. 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 Group's and the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows with no resulting derecognition by the Group and the Bank. Another example is the liquidity portfolio of assets, which is held by the Group and the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities 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/profit (the 'SPPI test'). In making this assessment, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(H) FINANCIAL ASSETS

(c) Measurement (continued)

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. 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 instruments at FVTPL are recognised in 'net gains and losses on financial instruments' in the income statement.

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group and the Bank assess on a forward looking basis the expected credit losses ('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 measures 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 49 sets out the measurement details of ECL. The Group applies 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 2019

(H) FINANCIAL ASSETS

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

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

The following indicators are incorporated:-

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

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

Definition of default and credit-impaired financial assets

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

(i) Mandatory indicators:-

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(H) FINANCIAL ASSETS

(d) Subsequent measurement – Impairment (continued)

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

(ii) Judgmental indicators:-

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

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

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

Write-off policy

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

Indicators that there is no reasonable expectation of recovery include:-

- ceasing enforcement activity; and
- where the Group's and the Bank's recoveries method are foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(H) FINANCIAL ASSETS

(d) Subsequent measurement – Impairment (continued)

Modification of loans/financing

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

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

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest/profit 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/profit rate (or credit-adjusted effective interest/profit rate for purchased or originated credit-impaired financial assets).

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(H) FINANCIAL ASSETS

(e) Regulatory reserve requirements

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

(f) Temporary exemption from applying MFRS 9 for an associate and a joint venture

The Group has applied the temporary exemption for AXA AFFIN General Insurance Berhad (associate) and AXA AFFIN Life Insurance Berhad (joint venture) in accordance with MFRS 17 Insurance Contracts as both entities will adopt MFRS 9 together with the adoption of MFRS 4 effective from the reporting period of 1 January 2021.

(I) 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 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 J).

Derecognition

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

(J) FINANCIAL GUARANTEE CONTRACTS AND LOAN/FINANCING COMMITMENTS

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(J) FINANCIAL GUARANTEE CONTRACTS AND LOAN/FINANCING COMMITMENTS

For loan/financing commitments and financial guarantee contracts, the loss allowance is recognised as provision. However, for contracts that include both a loan/financing and 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/financing component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan/financing. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan/financing, 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 losses 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.

(K) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement 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.

(L) 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 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 include 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 profit or loss during the financial period in which they are incurred.

Buildings	50 years
Leasehold buildings	50 years or over the remaining lease period, whichever is shorter
Renovation and leasehold premises	5 to 10 years or the period of the lease whichever is greater
Office equipment and furniture	3 to 10 years
Computer equipment and software	5 years
Motor vehicles	5 years

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

Residual value 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 or 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(M) LEASES

Accounting policies applied by lessee from 1 January 2019

From 1 January 2019, leases are recognised as ROU assets 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 assets is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

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;
- Viable lease payments depend on index or rate;
- The exercise price of a purchase options if the group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option; and
- The amount expected to be payable by the Group and the Bank under residual value guarantees.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(M) LEASES

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

Lease liabilities (continued)

Lease payments are discounted using the interest/profit 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 assets 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/profit 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/profit 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 basis as an operating expense in profit or loss.

Accounting policies applied by lessee until 31 December 2018

Operating leases

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

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

(N) FOREIGN CURRENCY TRANSLATIONS

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, which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange 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 income statement. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(N) FOREIGN CURRENCY TRANSLATIONS

Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investment at FVOCI 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) 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.

(P) CURRENT AND DEFERRED INCOME TAXES

Current tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statement, 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 and branch 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(P) CURRENT AND DEFERRED INCOME TAXES

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 also 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 unused tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of 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, associates and joint venture except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future. Generally, the investor or joint venture is unable to control the reversal of the temporary differences for joint ventures. Only where there is an agreement in place that gives the investor or joint venture the ability to control the reversal of the temporary differences, a deferred tax liability is not recognised.

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

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

(Q) ZAKAT

Zakat represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank's subsidiary, AFFIN Islamic only pays zakat on its business and does not pay zakat on behalf of depositors. Zakat provision is calculated based on 2.5775% of the prior year's asset growth method.

(R) CASH AND CASH EQUIVALENTS

Cash and short-term funds consists of cash in 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(S) FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell.

(T) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combination, but disclose its existence in the financial statements. A contingent liability is possible obligation 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 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.

(U) BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable, which are financial liabilities, represent the Bank's own bills and acceptances rediscounted and outstanding in the market (Note I).

(V) PROVISIONS

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(W) EMPLOYEE BENEFITS

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.

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 employee benefits relating to employee service in the current and prior periods.

The Group's contribution to defined contribution plans are charged to the income statement in the financial 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.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payments

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(W) EMPLOYEE BENEFITS

Share-based payments (continued)

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

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

(X) SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which 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 statement 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 yield method.

(Y) RESTRICTED INVESTMENT ACCOUNTS ('RIA')

These deposits are used to fund specific financing. The RIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared-based on pre-agreed ratios with the Bank as Mudarib (manager or manager of funds), and losses shall be borne solely by capital provider.

(Z) SHARE CAPITAL

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.

Share issue costs

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(Z) SHARE CAPITAL

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 are recognised directly in equity.

In declaring dividend, DRP is offered to the Shareholders. Where the Electable Portion is not reinvested by the Shareholders, the remaining portion of the dividend will be paid in cash.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:-

- the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial 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:-

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(AA) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest/profit method.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(AB) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined the Group Chief Executive Officer ('CEO') of the respective operating segments as its chief operating decision-maker.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2019

(AC) TRUST ACTIVITIES

The Group 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.

(AD) TRADE RECEIVABLES

In accordance with the Rules of Bursa Malaysia, clients' accounts are classified as impaired accounts under the following circumstances:-

<u>Types</u>	<u>Criteria for classification of accounts as impaired</u>
Contra losses	When an account remains outstanding for 16 calendar days or more from the date of contra transaction.
Overdue purchase contract	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 H) for balances due from clients which are considered doubtful or 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 Malaysia.

(AE) 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 de-recognised when the risks and rewards of ownership have been substantially transferred.

(AF) 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the financial year ended 31 December 2019

(AF) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Measurement of the expected credit losses ('ECL') allowance

The measurement of the expected credit losses 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 (i.e. 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 49, which also sets out key sensitivities of the ECL to changes in these elements.

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

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

Estimated impairment of goodwill

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

The recoverable amounts of the cash generating units to which goodwill are allocated were determined based on discounted cash flows valuation model. The calculations require the use of estimates as set out in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

1 GENERAL INFORMATION

There have been no significant changes in the principal activities of the Group and the Bank during the financial year.

The Bank is principally engaged in all aspects of banking and related financial services. The principal activities of the Bank's subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management, property management services, nominee and trustee services. The principal activities of the joint ventures are underwriting of life insurance business and property development while the associates are principally engaged in general insurance business and investment holding.

The holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia as at 31 December 2019.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances with banks and other financial institutions	1,057,541	948,692	494,922	472,229
Money at call and deposit placements maturing within one month	3,547,839	5,383,165	1,822,482	2,096,841
Less: Expected credit losses	(23)	(59)	(35)	(67)
	4,605,357	6,331,798	2,317,369	2,569,003

The cash and short-term funds is inclusive of remisiers' trust monies of RM47,483,000 (2018: RM48,537,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	–	65,948	41,385	107,768
Licensed investment banks	–	5,855	–	5,855
Less: Expected credit losses	–	(2)	(17)	(13)
	–	71,801	41,368	113,610

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

4 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

	The Bank	
	2019 RM'000	2018 RM'000
Licensed banks	1,912,516	2,366,784
Less: Expected credit losses	(101)	(73)
	1,912,415	2,366,711

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instruments:-				
Malaysian Government securities	-	50,387	-	-
Malaysian Government investment issues	137,242	10,115	-	-
Negotiable Instruments of Deposit	60,977	264,667	60,977	254,660
	198,219	325,169	60,977	254,660
Quoted securities:-				
Exchange traded fund	5,006	-	-	-
Shares, warrants and REITs in Malaysia	49,478	21,531	-	-
Shares, warrants and REITs outside Malaysia	35,101	-	-	-
Unit Trusts in Malaysia	231,777	120,143	-	-
	321,362	141,674	-	-
Unquoted securities:-				
Shares in Malaysia	94,207	88,928	94,207	88,928
Corporate bonds/Sukuk in Malaysia	21,857	34,415	15,032	30,050
Corporate bonds/Sukuk outside Malaysia	26,487	16,276	-	-
	142,551	139,619	109,239	118,978
	662,132	606,462	170,216	373,638

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

6 DERIVATIVE FINANCIAL ASSETS

	The Group 2019		The Group 2018	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:-				
– Currency forwards	505,367	10,419	1,582,572	26,980
– Cross currency swaps	4,724,700	87,448	2,840,411	24,117
– Currency swaps	1,688,734	28,504	982,612	14,998
Interest rate derivatives:-				
– Interest rate swaps	1,995,000	38,497	2,391,000	22,710
	8,913,801	164,868	7,796,595	88,805

	The Bank 2019		The Bank 2018	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:-				
– Currency forwards	143,656	1,279	828,905	14,436
– Cross currency swaps	5,032,355	93,790	3,337,872	28,228
Interest rate derivatives:-				
– Interest rate swaps	695,000	23,156	1,171,000	19,167
	5,871,011	118,225	5,337,777	61,831

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Money market instruments:-				
Malaysian Government treasury bills	-	79,728	-	-
Malaysian Government securities	731,623	726,620	182,017	479,538
Malaysian Government investment issues	2,948,863	2,026,362	989,435	644,531
Cagamas Bonds/Sukuk	25,965	228,728	-	121,661
Sukuk Perumahan Kerajaan	-	320,790	-	230,042
Negotiable Instruments of Deposit and Islamic Debt Certificates	7,073	649,090	1,016,287	1,658,485
Khazanah Bonds/Sukuk	309,411	401,634	256,336	238,462
	4,022,935	4,432,952	2,444,075	3,372,719
Quoted securities:-				
REITs in Malaysia *	-	18,406	-	-
REITs outside Malaysia *	-	41,126	-	-
Unquoted securities:-				
Shares in Malaysia *	180,881	171,383	157,818	149,501
Corporate bonds/Sukuk in Malaysia #	8,031,818	10,267,617	3,638,627	5,343,312
Corporate bonds/Sukuk outside Malaysia	261,212	430,274	133,324	278,975
	12,496,846	15,361,758	6,373,844	9,144,507

Included in the Group's financial investments at FVOCI are corporate bonds/sukuk amounting to RM Nil in 2019 (2018: RM148.9 million) which are pledged as collateral for obligation on the securities sold under repurchase agreements.

* Equity securities designated at FVOCI.

Certain unquoted perpetual bonds are designated at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

Debt instruments at FVOCI

Movement in allowances for impairment which reflect the ECL model on impairment are as follows:-

	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
The Group				
2019				
At beginning of the financial year	5,307	39	17,515	22,861
Total transfer between stages due to change in credit risk:-	(34)	34	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(34)	34	-	-
Financial assets derecognised (other than write-offs)	(1,948)	-	(7,073)	(9,021)
New financial assets originated or purchased	566	-	-	566
Changes due to change in credit risk	464	550	1,724	2,738
Changes in models/risk parameters	35	(29)	-	6
Other adjustments				
- Foreign exchange and other movements	(2)	1	-	(1)
At end of the financial year	4,388	595	12,166	17,149

	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
The Group				
2018				
At beginning of the financial year	4,525	4,180	-	8,705
Total transfer between stages due to change in credit risk:-	(22)	(4,072)	4,094	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(22)	22	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(4,094)	4,094	-
Financial assets derecognised (other than write-offs)	(1,334)	-	-	(1,334)
New financial assets originated or purchased	2,011	-	-	2,011
Changes due to change in credit risk	127	(79)	13,421	13,469
Other adjustments				
- Foreign exchange and other movements	-	10	-	10
At end of the financial year	5,307	39	17,515	22,861

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

Movement in allowances for impairment which reflect the ECL model on impairment are as follows:- (continued)

	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
The Bank				
2019				
At beginning of the financial year	5,399	-	-	5,399
Total transfer between stages due to change in credit risk:-	(34)	34	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(34)	34	-	-
Financial assets derecognised (other than write-offs)	(1,421)	-	-	(1,421)
New financial assets originated or purchased	292	-	-	292
Changes due to change in credit risk	(684)	550	-	(134)
Changes in models/risk parameters	57	(27)	-	30
Other adjustments				
- Foreign exchange and other movements	(2)	-	-	(2)
At end of the financial year	3,607	557	-	4,164

	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
The Bank				
2018				
At beginning of the financial year	3,398	-	-	3,398
Financial assets derecognised (other than write-offs)	(682)	-	-	(682)
New financial assets originated or purchased	2,754	-	-	2,754
Changes due to change in credit risk	(70)	-	-	(70)
Other adjustments				
- Foreign exchange and other movements	(1)	-	-	(1)
At end of the financial year	5,399	-	-	5,399

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

Movement in the gross carrying amount of financial investment at FVOCI that contributed to changes in the ECL:-

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2019				
At beginning of the financial year	14,949,190	73,595	26,540	15,049,325
Total transfer between stages due to change in credit risk:-	(14,949)	14,949	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(14,949)	14,949	-	-
Financial assets derecognised (other than write-offs)	(15,474,115)	(15,439)	(27,906)	(15,517,460)
New financial assets originated or purchased	12,617,136	-	-	12,617,136
Changes in interest/income accrual	(33,181)	(479)	(480)	(34,140)
Other adjustments				
- Foreign exchange and other movements	(3,755)	-	(127)	(3,882)
- Changes in fair value	147,480	61	6,489	154,030
At end of the financial year	12,187,806	72,687	4,516	12,265,009

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2018				
At beginning of the financial year	13,927,017	103,914	-	14,030,931
Total transfer between stages due to change in credit risk:-	(2,053)	(40,178)	42,231	-
- Transfer to 12-month ECL (Stage 1)	10,213	(10,213)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(12,266)	12,266	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(42,231)	42,231	-
Financial assets derecognised (other than write-offs)	(7,683,934)	-	(1,660)	(7,685,594)
New financial assets originated or purchased	8,637,375	-	-	8,637,375
Changes in interest/income accrual	29,147	(902)	39	28,284
Other adjustments				
- Foreign exchange and other movements	(2,393)	-	69	(2,324)
- Changes in fair value	44,031	10,761	(14,139)	40,653
At end of the financial year	14,949,190	73,595	26,540	15,049,325

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

Movement in the gross carrying amount of financial investment at FVOCI that contributed to changes in the ECL:- (continued)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2019				
At beginning of the financial year	8,995,006	-	-	8,995,006
Total transfer between stages due to change in credit risk:-	(14,949)	14,949	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(14,949)	14,949	-	-
Financial assets derecognised (other than write-offs)	(7,423,251)	-	-	(7,423,251)
New financial assets originated or purchased	4,632,067	-	-	4,632,067
Changes in interest/income accrual	(22,788)	181	-	(22,607)
Other adjustments				
- Foreign exchange and other movements	(3,743)	-	-	(3,743)
- Changes in fair value	38,902	(348)	-	38,554
At end of the financial year	6,201,244	14,782	-	6,216,026

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2018				
At beginning of the financial year	8,228,576	-	-	8,228,576
Financial assets derecognised (other than write-offs)	(5,485,640)	-	-	(5,485,640)
New financial assets originated or purchased	6,218,632	-	-	6,218,632
Changes in interest/income accrual	12,367	-	-	12,367
Other adjustments				
- Foreign exchange and other movements	(2,150)	-	-	(2,150)
- Changes in fair value	23,221	-	-	23,221
At end of the financial year	8,995,006	-	-	8,995,006

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

Equity instruments designated at FVOCI

The Group and the Bank designated certain equity instruments at FVOCI, which include equity instruments made for strategic and socio-economic purpose rather than with a view to perform subsequent sale.

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Quoted securities:-</u>				
Al-Aqar Healthcare REIT	-	631	-	-
AM First Real Estate Investment Trust	-	4,788	-	-
Hektar Real Estate Investment Trust	-	2,175	-	-
YTL Hospitality REIT	-	10,812	-	-
RHT Health Trust	-	3,203	-	-
Cache Logistics Trust	-	7,001	-	-
Mapletree North Asia Commercial Trust	-	11,770	-	-
AIMS AMP Capital Industrial REIT	-	5,893	-	-
First REIT	-	4,173	-	-
Capitaretail China Trust	-	9,086	-	-
	-	59,532	-	-
<u>Unquoted securities:-</u>				
Corporate bonds – perpetual bonds:-				
Mah Sing Group Berhad	50,956	51,032	-	-
Aeon Credit Services (M) Bhd	-	30,486	-	-
Shares in Malaysia:-				
Credit Guarantee Corporation	35,249	38,668	35,249	38,668
Cagamas Berhad	19,410	18,314	-	-
PayNet	35,874	24,238	35,874	24,238
TPPT Sdn Bhd	81,419	80,997	81,419	80,997
RAM Holdings Berhad	7,098	6,828	4,621	4,448
Malaysian Rating Corporation Berhad	1,115	1,127	-	-
Others *	716	1,211	655	1,150
	231,837	252,901	157,818	149,501
	231,837	312,433	157,818	149,501

* Other socio-economic

During the financial year, due to change in investment strategy, AFFIN Hwang Investment Bank Berhad had disposed all quoted equity instruments at a value amounting to RM64.4 million of which the total realised loss of RM3.3 million have been reclassified from FVOCI revaluation reserves to retained profits during the financial year. There was also a redemption of unquoted equity investments at value amounting to RM30.0 million.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost				
Unquoted securities:-				
Corporate bonds/Sukuk in Malaysia	141,119	160,550	100,622	120,053
Loan stock in Malaysia	15,000	15,000	-	-
	156,119	175,550	100,622	120,053
Less: Expected credit losses	(11,053)	(12,523)	(123)	(5,407)
	145,066	163,027	100,499	114,646

Movement in expected credit losses for financial investment at AC

	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
The Group				
2019				
At beginning of the financial year	578	-	11,945	12,523
Changes due to change in credit risk	(323)	-	3,830	3,507
Changes in models/risk parameters	18	-	-	18
Write-offs	-	-	(4,995)	(4,995)
At end of the financial year	273	-	10,780	11,053

	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
The Group				
2018				
At beginning of the financial year	819	-	10,487	11,306
Financial assets derecognised (other than write-offs)	(487)	-	-	(487)
New financial assets originated or purchased	487	-	-	487
Changes due to change in credit risk	(241)	-	1,458	1,217
At end of the financial year	578	-	11,945	12,523

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

Movement in expected credit losses for financial investment at AC (continued)

	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
The Bank				
2019				
At beginning of the financial year	412	–	4,995	5,407
Changes due to change in credit risk	(302)	–	–	(302)
Changes in models/risk parameters	13	–	–	13
Write-offs	–	–	(4,995)	(4,995)
At end of the financial year	123	–	–	123

	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
The Bank				
2018				
At beginning of the financial year	584	–	3,537	4,121
Changes due to change in credit risk	(172)	–	1,458	1,286
At end of the financial year	412	–	4,995	5,407

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

Movement in the gross carrying amount of financial investment at AC that contributed to changes in the ECL:-

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2019				
At beginning of the financial year	141,111	–	34,439	175,550
Financial assets derecognised (other than write-offs)	–	–	(14,444)	(14,444)
Changes in interest/income accrual	8	–	–	8
Write-offs	–	–	(4,995)	(4,995)
At end of the financial year	141,119	–	15,000	156,119

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2018				
At beginning of the financial year	141,143	–	38,480	179,623
Financial assets derecognised (other than write-offs)	(200,034)	–	(4,000)	(204,034)
New financial assets originated or purchased	200,018	–	–	200,018
Changes in interest/income accrual	(16)	–	(41)	(57)
At end of the financial year	141,111	–	34,439	175,550

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2019				
At beginning of the financial year	100,614	–	19,439	120,053
Financial assets derecognised (other than write-offs)	–	–	(14,444)	(14,444)
Changes in interest/income accrual	8	–	–	8
Write-offs	–	–	(4,995)	(4,995)
At end of the financial year	100,622	–	–	100,622

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2018				
At beginning of the financial year	100,630	–	23,439	124,069
Financial assets derecognised (other than write-offs)	–	–	(4,000)	(4,000)
Changes in interest/income accrual	(16)	–	–	(16)
At end of the financial year	100,614	–	19,439	120,053

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Overdrafts	1,855,094	1,874,549	1,385,715	1,500,470
Term loans/financing				
– Housing loans/financing	11,708,126	10,562,367	4,356,953	4,128,165
– Hire purchase receivables	10,649,579	12,470,551	6,829,179	8,226,889
– Syndicated financing	1,526,987	1,826,729	630,179	897,168
– Business term loans/financing	12,968,923	14,806,235	8,083,567	9,214,982
– Other term loans/financing	341,452	643,887	–	–
Bills receivables	118,753	67,569	107,085	62,418
Trust receipts	172,125	219,522	141,893	203,193
Claims on customers under acceptances credits	1,766,513	1,508,583	1,319,027	1,156,149
Staff loans/financing (of which RM Nil to Directors)	191,604	173,261	122,788	125,543
Credit cards	178,991	144,065	148,162	132,657
Revolving credits	3,971,565	4,335,508	2,980,764	3,289,095
Margin financing	503,486	336,644	–	–
Factoring	8,696	3,334	8,696	3,334
Gross loans, advances and financing	45,961,894	48,972,804	26,114,008	28,940,063
Less: Expected credit losses	(574,029)	(580,792)	(383,949)	(441,914)
Total net loans, advances and financing	45,387,865	48,392,012	25,730,059	28,498,149

Included in the Group's business term loans/financing as at reporting date is RM53.7 million (2018: RM53.7 million) of term financing disbursed by AFFIN Islamic to joint venture AFFIN-i Nadayu Sdn Bhd.

(ii) By maturity structure

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'0w00	2018 RM'000
Maturing within one year	9,265,484	9,644,235	6,422,116	6,732,081
One year to three years	3,899,297	4,404,240	3,062,584	3,357,228
Three years to five years	6,424,181	6,473,231	4,521,683	4,933,303
Over five years	26,372,932	28,451,098	12,107,625	13,917,451
	45,961,894	48,972,804	26,114,008	28,940,063

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) By type of customer

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic banking institutions	–	330	–	330
Domestic non-banking institutions				
– Others	527,411	669,959	445,100	457,191
Domestic business enterprises				
– Small medium enterprises	7,704,132	9,105,395	5,696,493	7,000,688
– Others	13,796,119	14,837,156	8,953,138	9,600,947
Government and statutory bodies	797,185	1,140,619	31,018	76,472
Individuals	22,544,174	22,600,736	10,731,724	11,594,485
Other domestic entities	1,324	2,333	533	1,113
Foreign entities	591,549	616,276	256,002	208,837
	45,961,894	48,972,804	26,114,008	28,940,063

(iv) By interest/profit rate sensitivity

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate				
– Housing loans/financing	339,073	357,863	292,374	309,886
– Hire purchase receivables	10,652,049	12,473,377	6,829,178	8,226,889
– Other fixed rate loans/financing	2,106,359	2,887,471	751,957	1,357,723
Variable rate				
– BLR and BR	23,258,002	22,183,810	11,544,901	11,796,822
– Cost plus	9,570,276	10,961,346	6,695,598	7,248,743
– Other variable rate	36,135	108,937	–	–
	45,961,894	48,972,804	26,114,008	28,940,063

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(v) By economic sectors

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Primary agriculture	1,577,980	1,602,401	590,752	627,262
Mining and quarrying	339,360	432,848	42,254	108,752
Manufacturing	2,539,605	2,789,571	1,832,096	1,913,017
Electricity, gas and water supply	562,189	670,798	156,068	141,971
Construction	2,012,826	2,204,057	1,354,803	1,547,936
Real estate	6,653,855	7,878,494	4,423,255	5,694,222
Wholesale, retail trade, hotels and restaurants	3,402,916	3,484,431	2,795,481	2,806,868
Transport, storage and communication	1,721,650	1,765,261	1,316,332	1,342,780
Finance, insurance and business services	2,227,531	2,549,744	1,797,562	1,930,638
Education, health and others	2,199,982	2,853,306	997,278	1,149,443
Household	22,677,326	22,740,086	10,808,127	11,675,555
Others	46,674	1,807	-	1,619
	45,961,894	48,972,804	26,114,008	28,940,063

(vi) By economic purpose

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	1,512,781	1,615,833	612,250	763,647
Purchase of transport vehicles	11,161,312	12,799,056	7,247,930	8,457,093
Purchase of landed property of which:-				
– Residential	11,502,926	10,435,105	4,006,366	3,862,137
– Non-residential	6,339,626	6,654,767	4,041,513	4,399,872
Fixed assets other than land and building	334,695	343,047	247,367	207,634
Personal use	833,904	776,714	742,358	712,097
Credit card	178,991	144,065	148,162	132,657
Consumer durable	108	310	105	263
Construction	2,706,006	3,459,827	1,506,381	2,172,802
Merger and acquisition	64,054	76,571	64,054	76,571
Working capital	10,277,342	11,354,983	7,082,634	7,678,538
Others	1,050,149	1,312,526	414,888	476,752
	45,961,894	48,972,804	26,114,008	28,940,063

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(vii) By geographical distribution

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Perlis	216,197	214,640	18,817	21,659
Kedah	1,363,555	1,547,761	557,738	765,727
Pulau Pinang	2,545,147	2,687,196	1,639,084	1,872,124
Perak	1,517,296	1,714,148	932,493	934,576
Selangor	13,973,439	14,810,884	7,549,256	8,518,433
Wilayah Persekutuan	10,982,619	12,290,647	6,448,886	7,402,196
Negeri Sembilan	1,524,855	1,501,126	575,543	598,463
Melaka	879,939	997,552	606,936	711,373
Johor	5,869,188	5,961,598	3,456,325	3,527,873
Pahang	1,396,971	1,337,285	747,361	736,399
Terengganu	941,221	932,494	418,330	436,746
Kelantan	262,813	250,314	58,249	65,086
Sarawak	2,201,225	2,304,544	1,662,405	1,784,917
Sabah	2,062,110	2,246,427	1,314,711	1,500,876
Labuan	43,890	45,759	16,239	3,763
Outside Malaysia	181,429	130,429	111,635	59,852
	45,961,894	48,972,804	26,114,008	28,940,063

(viii) Movements of impaired loans/financing

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	1,589,897	1,165,880	978,218	958,254
Classified as impaired	791,557	1,340,576	434,820	765,110
Reclassified as non-impaired	(747,009)	(629,919)	(551,848)	(512,689)
Amount written-back	(168,790)	(208,680)	(121,876)	(172,774)
Amount written-off	(86,503)	(77,960)	(66,256)	(59,683)
At end of the financial year	1,379,152	1,589,897	673,058	978,218

Ratio of gross impaired loans, advances and

financing to gross loans, advances and financing *

3.00%

3.25%

3.08%

3.75%

* For the Bank, Restricted Investment Accounts included in the ratio calculation amounting to RM1,919.3 million (2018: RM2,369.7 million) with impaired financing amounting to RM191.3 million (2018: RM195.3 million).

The Group and the Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year amounting to RM86,503,000 (2018: RM77,960,000) for the Group and RM66,256,000 (2018: RM59,683,000) for the Bank respectively. The Group and the Bank still seek to recover amounts that is legally owed in full, but which have been partially written-off due to no reasonable expectation of full recovery.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(ix) Impaired loans by economic sectors

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Primary agriculture	16,082	14,165	16,041	14,165
Mining and quarrying	7,896	14,738	5,315	12,157
Manufacturing	90,844	84,989	13,248	22,250
Electricity, gas and water supply	105	–	58	–
Construction	164,948	121,166	119,790	72,675
Real estate	343,127	363,440	56,048	39,975
Wholesale, retail trade, hotels and restaurants	40,012	53,427	38,195	47,558
Transport, storage and communication	170,710	418,564	85,055	418,149
Finance, insurance and business services	63,845	72,910	62,806	58,683
Education, health and others	84,024	86,122	63,180	64,905
Household	397,559	360,376	213,322	227,701
	1,379,152	1,589,897	673,058	978,218

(x) Impaired loans by economic purpose

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	90	65	51	58
Purchase of transport vehicles	60,975	233,957	42,355	208,161
Purchase of landed property of which:-				
– Residential	340,382	252,180	174,198	137,110
– Non-residential	317,923	306,676	102,381	83,017
Fixed assets other than land and building	3,692	497	3,692	435
Personal use	17,589	19,384	16,387	18,400
Credit card	878	1,025	615	1,012
Consumer durable	–	10	–	10
Construction	287,934	445,679	166,321	316,912
Working capital	330,709	317,693	162,201	208,040
Others	18,980	12,731	4,857	5,063
	1,379,152	1,589,897	673,058	978,218

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(xi) Impaired loans by geographical distribution

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Perlis	2,997	2,677	455	542
Kedah	126,192	56,420	118,113	49,500
Pulau Pinang	38,602	37,318	30,558	34,043
Perak	178,887	101,432	75,901	73,703
Selangor	284,131	249,607	146,530	158,944
Wilayah Persekutuan	342,922	407,353	56,026	78,447
Negeri Sembilan	81,863	82,395	65,086	68,712
Melaka	13,990	18,594	9,096	16,411
Johor	49,416	45,830	29,505	32,849
Pahang	34,616	21,520	32,086	20,364
Terengganu	69,522	397,855	64,856	392,516
Kelantan	6,149	7,961	3,782	5,393
Sarawak	56,628	59,103	19,502	22,388
Sabah	23,461	31,266	21,562	24,406
Outside Malaysia	69,776	70,566	-	-
	1,379,152	1,589,897	673,058	978,218

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

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

	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
The Group				
2019				
At beginning of the financial year	194,335	47,629	338,828	580,792
Total transfer between stages due to change in credit risk:-	48,598	116,925	(165,523)	-
- Transfer to 12-month ECL (Stage 1)	63,693	(59,983)	(3,710)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(14,568)	184,880	(170,312)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(527)	(7,972)	8,499	-
Loans/financing derecognised (other than write-offs)	(72,944)	(7,915)	(83,106)	(163,965)
New loans/financing originated or purchased	60,887	2,757	83,701	147,345
Changes due to change in credit risk	(99,360)	(67,430)	242,858	76,068
Changes in models/risk parameters	7,810	2,393	9,005	19,208
Write-offs	-	-	(82,488)	(82,488)
Other adjustments	-	-	(2,931)	(2,931)
At end of the financial year	139,326	94,359	340,344	574,029

	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
The Group				
2018				
At beginning of the financial year	229,571	111,656	232,863	574,090
Total transfer between stages due to change in credit risk:-	79,520	(29,368)	(50,152)	-
- Transfer to 12-month ECL (Stage 1)	112,223	(107,863)	(4,360)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(28,409)	131,537	(103,128)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(4,294)	(53,042)	57,336	-
Loans/financing derecognised (other than write-offs)	(80,832)	(16,547)	(3,376)	(100,755)
New loans/financing originated or purchased	92,354	5,117	1,144	98,615
Changes due to change in credit risk	(126,278)	(23,229)	243,853	94,346
Write-offs	-	-	(75,973)	(75,973)
Other adjustments	-	-	(9,531)	(9,531)
At end of the financial year	194,335	47,629	338,828	580,792

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

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

	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
The Bank				
2019				
At beginning of the financial year	139,978	36,542	265,394	441,914
Total transfer between stages due to change in credit risk:-	42,553	91,485	(134,038)	-
- Transfer to 12-month ECL (Stage 1)	54,559	(52,603)	(1,956)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(11,567)	148,555	(136,988)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(439)	(4,467)	4,906	-
Loans/financing derecognised (other than write-offs)	(41,139)	(5,050)	(81,197)	(127,386)
New loans/financing originated or purchased	30,624	1,055	73,020	104,699
Changes due to change in credit risk	(88,182)	(48,263)	160,854	24,409
Changes in models/risk parameters	2,442	743	2,200	5,385
Write-offs	-	-	(62,994)	(62,994)
Other adjustments	-	-	(2,078)	(2,078)
At end of the financial year	86,276	76,512	221,161	383,949

	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
The Bank				
2018				
At beginning of the financial year	169,286	99,906	174,519	443,711
Total transfer between stages due to change in credit risk:-	71,847	(30,424)	(41,423)	-
- Transfer to 12-month ECL (Stage 1)	98,866	(94,668)	(4,198)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(23,560)	97,677	(74,117)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(3,459)	(33,433)	36,892	-
Loans/financing derecognised (other than write-offs)	(46,135)	(13,238)	(3,155)	(62,528)
New loans/financing originated or purchased	49,843	3,987	1,137	54,967
Changes due to change in credit risk	(104,863)	(23,689)	200,543	71,991
Write-offs	-	-	(57,748)	(57,748)
Other adjustments	-	-	(8,479)	(8,479)
At end of the financial year	139,978	36,542	265,394	441,914

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(xiii) Movement in the gross carrying amount of loans, advances and financing that contributed to changes in the ECL

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2019				
At beginning of the financial year	45,454,847	1,928,060	1,589,897	48,972,804
Total transfer between stages due to change in credit risk:-	(1,108,728)	1,122,493	(13,765)	-
- Transfer to 12-month ECL (Stage 1)	1,855,549	(1,824,659)	(30,890)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,820,783)	3,537,052	(716,269)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(143,494)	(589,900)	733,394	-
Loans/financing derecognised (other than write-offs)	(17,545,199)	(464,815)	(334,716)	(18,344,730)
New loans/financing originated or purchased	18,874,524	349,648	351,403	19,575,575
Changes due to change in credit risk	(3,629,125)	(389,876)	(137,805)	(4,156,806)
Write-offs	-	-	(86,503)	(86,503)
Other adjustments				
- Unwind of discount	(60)	(8,660)	10,641	1,921
- Foreign exchange and other movements	(367)	-	-	(367)
At end of the financial year	42,045,892	2,536,850	1,379,152	45,961,894

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2018				
At beginning of the financial year	42,488,656	2,358,099	1,165,880	46,012,635
Total transfer between stages due to change in credit risk:-	(826,558)	161,621	664,937	-
- Transfer to 12-month ECL (Stage 1)	2,761,243	(2,472,516)	(288,727)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(3,357,538)	3,708,949	(351,411)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(230,263)	(1,074,812)	1,305,075	-
Loans/financing derecognised (other than write-offs)	(15,667,838)	(500,690)	(80,598)	(16,249,126)
New loans/financing originated or purchased	22,595,737	253,148	1,268	22,850,153
Changes due to change in credit risk	(3,135,900)	(334,424)	(97,619)	(3,567,943)
Write-offs	-	-	(77,960)	(77,960)
Other adjustments				
- Unwind of discount	(43)	(9,694)	13,989	4,252
- Foreign exchange and other movements	793	-	-	793
At end of the financial year	45,454,847	1,928,060	1,589,897	48,972,804

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

9 LOANS, ADVANCES AND FINANCING

(xiii) Movement in the gross carrying amount of loans, advances and financing that contributed to changes in the ECL (continued)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2019				
At beginning of the financial year	26,773,272	1,188,573	978,218	28,940,063
Total transfer between stages due to change in credit risk:-	(657,533)	783,318	(125,785)	-
- Transfer to 12-month ECL (Stage 1)	1,414,880	(1,403,696)	(11,184)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,969,333)	2,509,998	(540,665)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(103,080)	(322,984)	426,064	-
Loans/financing derecognised (other than write-offs)	(8,134,970)	(138,732)	(321,743)	(8,595,445)
New loans/financing originated or purchased	8,904,769	41,019	308,372	9,254,160
Changes due to change in credit risk	(3,110,641)	(202,816)	(103,893)	(3,417,350)
Write-offs	-	-	(66,256)	(66,256)
Other adjustments				
- Unwind of discount	(18)	(5,291)	4,145	(1,164)
At end of the financial year	23,774,879	1,666,071	673,058	26,114,008

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2018				
At beginning of the financial year	26,802,668	1,630,490	958,254	29,391,412
Total transfer between stages due to change in credit risk:-	(251,991)	32,082	219,909	-
- Transfer to 12-month ECL (Stage 1)	1,797,043	(1,528,537)	(268,506)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,908,577)	2,162,022	(253,445)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(140,457)	(601,403)	741,860	-
Loans/financing derecognised (other than write-offs)	(7,731,060)	(321,765)	(74,229)	(8,127,054)
New loans/financing originated or purchased	10,989,734	125,396	1,281	11,116,411
Changes due to change in credit risk	(3,036,038)	(270,346)	(75,603)	(3,381,987)
Write-offs	-	-	(59,683)	(59,683)
Other adjustments				
- Unwind of discount	(41)	(7,284)	8,289	964
At end of the financial year	26,773,272	1,188,573	978,218	28,940,063

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

10 TRADE RECEIVABLES

	The Group	
	2019 RM'000	2018 RM'000
Amount due from stock-broking clients:-		
– performing accounts	231,679	179,766
– impaired accounts (i)	139	424
Amount due from brokers	59,478	60,879
Amount due from Bursa Securities Clearing Sdn Bhd	–	40,142
Management fees receivable on fund management	243,249	88,908
Others	51	–
	534,596	370,119
Less: Expected credit losses (ii)	(208)	(468)
	534,388	369,651

(i) Movements of impaired trade receivables

	The Group	
	2019 RM'000	2018 RM'000
At beginning of the financial year	424	1,366
Classified as impaired	419	295
Amount written-back	(704)	(654)
Reclassified to other assets	–	(583)
At end of the financial year	139	424

(ii) Movements in expected credit losses in trade receivables

	The Group	
	2019 RM'000	2018 RM'000
At beginning of the financial year	468	1,134
Allowance made	505	366
Amount written-back	(765)	(612)
Reclassified to other assets	–	(420)
At end of the financial year	208	468

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

11 OTHER ASSETS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other debtors	79,397	51,811	12,603	13,386
Prepayments and deposits	22,108	16,126	21,425	15,384
Cheque clearing accounts	42,653	45,267	13,911	10,475
Foreclosed properties (i)	17,817	26,051	12,944	21,178
Collaterals pledged for derivative transactions	33	1,298	-	-
	162,008	140,553	60,883	60,423
Less: Expected credit losses (ii)	(2,058)	(1,669)	-	-
	159,950	138,884	60,883	60,423

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) Foreclosed properties				
At beginning of the financial year	26,051	19,912	21,178	17,271
Purchased	726	6,335	726	3,907
Disposal	(8,960)	(196)	(8,960)	-
At end of the financial year	17,817	26,051	12,944	21,178

	The Group	
	2019 RM'000	2018 RM'000
(ii) Expected credit losses		
At beginning of the financial year	1,669	725
Classified as impaired	1,489	1,439
Amount written-back	(562)	(915)
Amount write-off	(538)	-
Reclassified to other assets	-	420
At end of the financial year	2,058	1,669

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

12 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2019 RM'000	2018 RM'000
Advances to other subsidiaries	1,318	420

The advances to subsidiaries are unsecured, bear no interest/profit rate and repayable on demand.

13 AMOUNT DUE FROM JOINT VENTURES

	The Group	
	2019 RM'000	2018 RM'000
Advances to joint ventures	57,140	55,343
Less: Expected credit losses (i)	(28,738)	(24,048)
	28,402	31,295

The advances to joint ventures are unsecured, bear no interest/profit rate and repayable on demand.

(i) Movements in expected credit losses in amount due from joint ventures

At beginning of the financial year	24,048	12,329
Expected credit losses	4,690	11,719
At end of the financial year	28,738	24,048

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

14 AMOUNT DUE FROM ASSOCIATES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
10-year Subordinated Loan II (a)	30,925	57,453	30,925	57,453
Advances to an associate (b)	900	500	-	-
Less: Expected credit losses	(38)	(236)	(38)	(236)
	31,787	57,717	30,887	57,217

- (a) The 10-year Subordinated Loan II to an associate is unsecured and carries a fixed interest rate of 6.50% per annum during the financial year. The Subordinated Loan II has a bullet repayment on 28 March 2027.

	The Group and The Bank Stage 1	
	2019 RM'000	2018 RM'000
Movement in gross carrying amount of subordinated loan that contributed to changes in the ECL:-		
At beginning of the financial year	57,453	-
Amount derecognised/new loans originated or purchased	(26,528)	57,453
At end of the financial year	30,925	57,453

	The Group and The Bank 12 - Month ECL (Stage 1)	
	2019 RM'000	2018 RM'000
Movement in expected credit losses for subordinated loan:-		
At beginning of the financial year	236	-
Amount written-back/new loans originated or purchased	(198)	236
At end of the financial year	38	236

- (b) The advances to an associate are unsecured, bear no profit rate and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

15 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against 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 statement of financial position:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	22,520	114,830	12,690	70,239
Deferred tax liabilities	(19,080)	(7,126)	-	-
	3,440	107,704	12,690	70,239
Deferred tax assets:-				
– settled more than 12 months	1,251	7,871	-	-
– settled within 12 months	39,146	121,855	12,690	74,268
Deferred tax liabilities:-				
– settled more than 12 months	(28,174)	(20,859)	-	(4,029)
– settled within 12 months	(8,783)	(1,163)	-	-
	3,440	107,704	12,690	70,239

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	107,704	(275)	70,239	(17,841)
Recognised in income statement (Note 45)	(65,398)	70,342	(48,296)	49,044
Recognised in equity	(38,866)	37,637	(9,253)	39,036
At end of the financial year	3,440	107,704	12,690	70,239

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

15 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Property and equipment RM'000	Lease rental RM'000	Intangible assets RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Foreign exchange translation gain RM'000	Unutilised business tax losses and unabsorbed capital allowances RM'000	Financial investment at AC RM'000	Financial investment at FVOCI RM'000	Total RM'000
The Group										
2019										
At beginning of the financial year	(5,506)	-	(11,576)	53,355	72,394	(9,216)	527	117	7,609	107,704
Recognised in income statement	(130)	196	1,500	(47,566)	(16,987)	(951)	257	(121)	(1,596)	(65,398)
Recognised in equity	-	-	-	-	-	-	-	-	(38,866)	(38,866)
At end of the financial year	(5,636)	196	(10,076)	5,789	55,407	(10,167)	784	(4)	(32,853)	3,440
The Group										
2018										
At beginning of the financial year	(6,864)	-	(15,125)	-	62,795	(9,511)	-	-	(31,570)	(275)
Recognised in income statement	1,358	1,358	3,549	53,355	9,599	295	527	117	1,542	70,342
Recognised in equity	-	-	-	-	-	-	-	-	37,637	37,637
At end of the financial year	(5,506)	(5,506)	(11,576)	53,355	72,394	(9,216)	527	117	7,609	107,704

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

15 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Property and equipment RM'000	Lease rental RM'000	Intangible assets RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Financial investment at AC RM'000	Financial investment at FVOCI RM'000	Total RM'000
The Bank 2019								
At beginning of the financial year	(3,226)	-	(4,540)	38,956	37,030	99	1,920	70,239
Recognised in income statement	(328)	193	(1,478)	(34,160)	(11,195)	(99)	(1,229)	(48,296)
Recognised in equity	-	-	-	-	-	-	(9,253)	(9,253)
At end of the financial year	(3,554)	193	(6,018)	4,796	25,835	-	(8,562)	12,690
The Bank 2018								
At beginning of the financial year	(3,985)	-	(5,605)	-	30,161	-	(38,412)	(17,841)
Recognised in income statement	759	-	1,065	38,956	6,869	99	1,296	49,044
Recognised in equity	-	-	-	-	-	-	39,036	39,036
At end of the financial year	(3,226)	-	(4,540)	38,956	37,030	99	1,920	70,239

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

16 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

17 INVESTMENT IN SUBSIDIARIES

	The Bank	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	3,056,778	3,056,778
Less: Allowance for impairment losses	(2,879)	(2,879)
	3,053,899	3,053,899
Movement of investment in subsidiaries		
At beginning of the financial year	3,056,778	3,066,341
Disposal/winding up of subsidiaries	–	(9,563)
At end of the financial year	3,056,778	3,056,778
Movement in allowance for impairment losses		
At beginning/end of the financial year	2,879	2,879

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

Name	Principal Activities	Issued and Paid-up share capital RM'000	Percentage of equity held		Non-controlling interest	
			2019 %	2018 %	2019 %	2018 %
AFFIN Islamic	Islamic banking business	1,060,000	100	100	–	–
PAB Properties Sdn Bhd	Property management services	8,000	100	100	–	–
ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	100	100	–	–
ABB Nominee (Asing) Sdn Bhd	Dormant	@	100	100	–	–
AFFIN Hwang Investment Bank Berhad	Provision of investment banking services	999,800	100	100	–	–
– AFFIN Hwang Asset Management Berhad ('AHAM')	Asset management, management of unit trust and private retirement schemes	54,773	63	70	37	30
– AFFIN Hwang Nominees (Asing Sdn Bhd)	Nominee services	1,126	100	100	–	–
– AFFIN Hwang Nominees (Tempatan) Sdn Bhd	Nominee services	1,131	100	100	–	–
– AHC Global Sdn Bhd	Investment holding	1,132	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

17 INVESTMENT IN SUBSIDIARIES

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

Name	Principal Activities	Issued and Paid-up share capital RM'000	Percentage of equity held		Non-controlling interest	
			2019 %	2018 %	2019 %	2018 %
AFFIN Hwang Investment Bank Berhad (continued)						
- AHC Associates Sdn Bhd	Investment holding	1,132	100	100	-	-
- AFFIN Hwang Trustee Berhad	Trustee services	5,500	100	100	-	-
- Bintang Capital Partners Berhad ^^	Private equity management	12,000	100	100	-	-
- AIIMAN Asset Management Sdn Bhd ('AIIMAN') ^^	Islamic fund management	10,000	100	100	-	-
- Accel Vantage Academy Sdn Bhd ('AVA') ^^	Training and coaching services	408	51	51	49	49
- AFFIN Hwang AIIMAN Global Sukuk Fund **	Investment in Shariah-compliant fixed income instruments	**	67	44	33	56
- AIIMAN Asia Pacific (ex Japan) Dividend Fund **	Investment in Shariah-compliant equities	**	56	-	44	-
- AIIMAN Global Equity Fund**	Investment in Shariah-compliant equities	**	99	-	1	-
- TradePlus NYSE Inverse Tracker **	Investment in Equity instruments	**	100	-	-	-
- TradePlus NYSE Leveraged Tracker **	Investment in Equity instruments	**	100	-	-	-
- TradePlus Shariah Gold Tracker **	Investment in Shariah-Gold bar	**	-	47	-	53
- TradePlus HSCEI 1x Inverse**	Investment in Equity instruments	**	80	-	20	-
- TradePlus HSCEI 2x Leveraged**	Investment in Equity instruments	**	40	-	60	-
- AFFIN Hwang Constant Cash Fund**	Investment in Islamic money market instruments and deposits	**	100	-	-	-
- AFFIN Hwang AIIMAN Cash Fund 1**	Investment in Islamic money market instruments and deposits	**	87	-	13	-
AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	100	100	-	-
AFFIN Holdings Bhd	Investment holding	@	100	100	-	-

^^ Direct subsidiaries of AHAM.

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

@ Subsidiary with issued and paid up share capital of RM2.00 each.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

17 INVESTMENT IN SUBSIDIARIES

Details of a subsidiary which has material non-controlling interests ('NCI').

Name	Proportion of ownership interests and voting rights held by non-controlling interest	
	2019 RM'000	2018 RM'000
Affin Hwang Asset Management Berhad ('AHAM')	37%	30%

The summarised financial information of the asset management subsidiary, 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.

	2019 RM'000	2018 RM'000
Summarised financial position		
Total assets	898,855	655,828
Total liabilities	(734,733)	(423,247)
Net asset	164,122	232,581
NCI	59,423	69,553
Summarised financial results		
Profit before taxation and zakat	110,307	105,598
NCI share of amortisation of Intangible Asset in AHAM at ABB Group level	(5,600)	(5,600)
Profit before taxation and zakat	104,707	99,998
Taxation and zakat	(25,785)	(18,788)
Other comprehensive income	(727)	631
Total comprehensive income	78,195	81,841
Summarised cash flows		
Net cash generated from operating activities	131,666	96,344
Net cash used in financing activities	(53,660)	(50,015)
Net cash (used in)/generated from investing activities	(11,375)	9,629
Net increase in cash and cash equivalents	66,631	55,958
Profit allocated to NCI of the Group	28,325	24,334
Dividends paid to NCI of the Group	(35,001)	(15,000)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

17 INVESTMENT IN SUBSIDIARIES

	2019 RM'000	2018 RM'000
Movements in NCI at Group level		
At beginning of the financial year	69,553	58,001
Profit for the financial year	28,325	24,334
Other comprehensive income	(269)	189
Options charged	-	3,569
Obligation to buy a subsidiary's shares	-	(1,638)
Dilution of interest in subsidiaries	-	98
Obligation to buy back shares from employee share option holders	(35,831)	-
Issuance of new shares from exercise of employee stock options incentive scheme	32,646	-
Dividends paid	(35,001)	(15,000)
At end of the financial year	59,423	69,553

18 INVESTMENT IN JOINT VENTURES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	164,290	164,290	163,640	163,640
Acquisition of additional shares (a)	15,300	-	15,300	-
Share of post acquisition retained losses	(11,678)	(7,818)	-	-
Share of post acquisition reserve	4,001	1,579	-	-
	171,913	158,051	178,940	163,640

(a) During the financial year, the Bank on 17 May 2019 subscribed 15,300,000 (2018: Nil) new ordinary shares at RM1.00 each in AXA AFFIN Life Insurance Bhd ('AALI').

The joint ventures, all of which are incorporated in Malaysia, are as follows:-

Name	Principal Activities	Issued and Paid-up share capital RM'000	Percentage of equity held	
			2019 %	2018 %
AXA AFFIN Life Insurance Bhd *	Underwriting of life insurance business	428,000	51	51
AFFIN-i Nadayu Sdn Bhd #	Property development	1,000	50	50
KL South Development Sdn Bhd #	Property development	500	30	30

* Shareholding held directly by the Bank.

Shareholding held directly by AFFIN Islamic.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

18 INVESTMENT IN JOINT VENTURES

	The Group	
	2019 RM'000	2018 RM'000
The summarised financial information of the material joint venture namely AALI is as follows:-		
Total assets	2,243,850	1,938,810
Total liabilities	(1,906,766)	(1,628,906)
Net assets	337,084	309,904

The above amounts of assets and liabilities include the following:-

Cash and cash equivalent	60,723	110,070
Total liabilities (non trade)	(52,627)	(19,010)
Revenue	500,177	463,377
Loss after taxation	(7,569)	(6,075)
Other comprehensive income	4,749	1,089
Total comprehensive loss	(2,820)	(4,986)

The above loss after taxation for the financial year include the following:-

Interest income	52,690	46,422
Interest expense	(202)	-
Taxation	(3,314)	(730)
Depreciation and amortisation	(7,873)	(4,703)

	The Group	
	2019 RM'000	2018 RM'000
Reconciliation of the summarised financial information to the carrying amount of the interest in AALI recognised in the consolidated financial statements:-		
Opening net assets at beginning of the financial year	309,904	314,890
Loss for the financial year	(7,569)	(6,075)
Other comprehensive income	4,749	1,089
Proceeds from issuance of shares	30,000	-
Closing net assets at end of the financial year	337,084	309,904

Interest in AALI:-

- In percentage (%)	51	51
- In thousand (RM'000)	171,913	158,051
- Share of results of a joint venture	(3,860)	(3,098)

The financial information of AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd is not significant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

18 INVESTMENT IN JOINT VENTURES

Allowance for impairment of investment in joint ventures

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. When an objective evidence of impairment is identified, the investment in joint venture is tested for impairment. An impairment loss is recognised for the amount by which the carrying amount of the joint ventures exceed its recoverable amount. The recoverable amount is assessed based on higher of the fair value less costs to sell and value in use.

AXA AFFIN Life Insurance Berhad ('AALI')

For the financial year ended 31 December 2019 and 2018, the recoverable amount (i.e. value in use) of AALI is assessed using the European Embedded Value ('EEV'). EEV is a measure of the consolidated value of shareholders' interests in the covered business of a life insurance company at a particular point in time.

The EEV components consist of free surplus allocated to the covered business, required capital less the cost of holding required capital, and the present value of future shareholder cash flows from in-force covered business.

Swap rates with ultimate forward rates of 3.90% (2018: 4.05%) is used as discount and earning rates.

Investment in AALI is not sensitive to impairment assessment as at 31 December 2019 and 31 December 2018.

Joint Venture Arrangement

Based on the joint venture agreement between AXA S.A. and the Bank, noted that both parties have joint control over the arrangement despite of 51% ownership in investment in AALI by the Bank. This was due to:-

- a) Both ventures can appoint equal number of directors to the board whereby AXA S.A. and the Bank have the right to nominate, appoint, remove and replace three Directors who shall be senior executives of the joint ventures;
- b) That all resolutions passed during shareholders' meeting regarding shareholders' reserved matters shall only be passed if approved by both ACA S.A. and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

19 INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted share at cost	549,232	549,232	548,482	548,482
Additional investments in funds	3,135	-	-	-
Share of results of an associate, net of tax	459	-	-	-
Group's share of post acquisition reserves	106,701	62,764	-	-
	659,527	611,996	548,482	548,482

The associates, all of which are incorporated in Malaysia, are as follows:-

Name	Principal Activities	Issued and Paid-up share capital RM'000	Percentage of equity held	
			2019 %	2018 %
AXA AFFIN General Insurance Bhd ('AAGI')*	Underwriting of general insurance business	190,645	49.95	49.95
Raeed Holdings Sdn Bhd #	Investment holding company	4,500	16.67	16.67
TradePlus S&P New China Tracker ^	Investment in equity instruments	^	22.00	-

* Shareholding held directly by the Bank.

A consortium formed by six Islamic banking institutions and the shareholding is directly held by AFFIN Islamic.

^ The fund is being treated as an associate in the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

19 INVESTMENT IN ASSOCIATES

	The Group	
	2019 RM'000	2018 RM'000

The summarised financial information of the material associate namely AAGI is as follows:-

Total assets	3,559,857	3,551,916
Total liabilities	(2,347,259)	(2,427,286)
Net assets	1,212,598	1,124,630
Capital commitment for property and equipment	13,337	8,122
Uncertain tax position	-	20,460

The above amounts of assets and liabilities include the following:-

Cash and cash equivalent	68,953	48,542
Revenue	1,349,147	1,462,303
Profit after taxation	67,193	100,156
Other comprehensive income	20,775	(8,623)
Total comprehensive income	87,968	91,533

	The Group	
	2019 RM'000	2018 RM'000

Reconciliation of the summarised financial information to the carrying amount of the interest in AAGI recognised in the consolidated financial statements:-

Opening net assets at beginning of the financial year	1,124,630	1,033,097
Profit for the financial year	67,193	100,156
Other comprehensive income	20,775	(8,623)
Closing net assets at end of the financial year	1,212,598	1,124,630

Interest in associate:-

- in percentage (%)	49.947	49.947
- in thousand (RM'000)	605,656	561,719
- premium on acquisition	49,527	49,527
	655,183	611,246

Share of results of an associate	33,561	50,025
Share of other comprehensive income/(loss) of an associate	10,376	(4,307)

The financial information of Raeed Holdings Sdn Bhd and TradePlus S&P New China Tracker are not significant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

20 PROPERTY AND EQUIPMENT

	Freehold land RM'000	←-----Leasehold land-----→		Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000								
The Group											
2019											
Cost											
At beginning of the financial year	278,905	9,787	5,900	23,740	26,969	145,555	75,596	154,800	9,881	127,302	858,435
Additions	-	-	-	-	-	5,117	2,748	10,345	855	164,958	184,023
Disposals	-	-	-	-	-	-	(196)	(2,845)	(1,708)	-	(4,749)
Write-off	-	-	-	-	-	(1,091)	(2,538)	(692)	-	-	(4,321)
Reclassification	-	-	-	-	-	-	-	9,201	-	(44,540)	(35,339)
At end of the financial year	278,905	9,787	5,900	23,740	26,969	149,581	75,610	170,809	9,028	247,720	998,049
Accumulated depreciation and impairment losses											
At beginning of the financial year	140	1,843	2,462	13,162	11,346	120,542	62,190	120,826	5,280	-	337,791
Charge	-	77	128	386	547	7,169	3,648	13,336	1,477	-	26,768
Disposal	-	-	-	-	-	-	(196)	(2,783)	(1,184)	-	(4,163)
Write-off	-	-	-	-	-	(1,077)	(2,449)	(688)	-	-	(4,214)
At end of the financial year	140	1,920	2,590	13,548	11,893	126,634	63,193	130,691	5,573	-	356,182
Net book value at end of the financial year	278,765	7,867	3,310	10,192	15,076	22,947	12,417	40,118	3,455	247,720	641,867

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

20 PROPERTY AND EQUIPMENT

	Freehold land RM'000	←-----Leasehold land-----→		Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000								
The Group 2018											
Cost											
At beginning of the financial year	278,905	11,822	5,900	23,740	80,982	147,346	81,177	145,849	9,567	33,650	818,938
Additions	-	-	-	-	-	7,503	1,982	10,005	2,603	117,618	139,711
Disposals	-	(2,035)	-	-	(54,013)	(7,693)	(409)	(476)	(2,289)	-	(66,915)
Write-off	-	-	-	-	-	(1,601)	(7,154)	(1,437)	-	-	(10,192)
Reclassification	-	-	-	-	-	-	-	859	-	(23,966)	(23,107)
At end of the financial year	278,905	9,787	5,900	23,740	26,969	145,555	75,596	154,800	9,881	127,302	858,435
Accumulated depreciation and impairment losses											
At beginning of the financial year	140	2,298	2,334	12,777	29,163	122,491	65,700	111,783	6,170	-	352,856
Charge	-	78	128	385	547	7,344	3,868	10,944	1,284	-	24,578
Disposal	-	(533)	-	-	(18,364)	(7,693)	(408)	(472)	(2,174)	-	(29,644)
Write-off	-	-	-	-	-	(1,600)	(6,970)	(1,429)	-	-	(9,999)
At end of the financial year	140	1,843	2,462	13,162	11,346	120,542	62,190	120,826	5,280	-	337,791
Net book value at end of the financial year	278,765	7,944	3,438	10,578	15,623	25,013	13,406	33,974	4,601	127,302	520,644

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

20 PROPERTY AND EQUIPMENT

	Freehold land RM'000	←-----Leasehold land-----→		Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000								
The Bank											
2019											
Cost											
At beginning of the financial year	276,397	7,897	5,900	22,441	26,061	110,974	56,199	103,168	1,663	127,184	737,884
Additions	-	-	-	-	-	3,949	1,388	6,039	145	164,880	176,401
Disposals	-	-	-	-	-	-	-	-	(440)	-	(440)
Write-off	-	-	-	-	-	(196)	(1,149)	(194)	-	-	(1,539)
Reclassification to intangible assets	-	-	-	-	-	-	-	9,201	-	(44,540)	(35,339)
Reclassification (to)/from subsidiaries	-	-	-	-	-	(1)	-	(43)	-	143	99
At end of the financial year	276,397	7,897	5,900	22,441	26,061	114,726	56,438	118,171	1,368	247,667	877,066
Accumulated depreciation and impairment losses											
At beginning of the financial year	-	1,559	2,462	12,241	10,716	101,201	47,045	79,229	723	-	255,176
Charge	-	70	128	359	529	3,761	2,124	9,026	196	-	16,193
Disposal	-	-	-	-	-	-	-	-	(129)	-	(129)
Write-off	-	-	-	-	-	(196)	(1,102)	(191)	-	-	(1,489)
Reclassification to subsidiaries	-	-	-	-	-	-	-	(7)	-	-	(7)
At end of the financial year	-	1,629	2,590	12,600	11,245	104,766	48,067	88,057	790	-	269,744
Net book value at end of the financial year	276,397	6,268	3,310	9,841	14,816	9,960	8,371	30,114	578	247,667	607,322

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

20 PROPERTY AND EQUIPMENT

	Freehold land RM'000	←-----Leasehold land-----→		Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000								
The Bank											
2018											
Cost											
At beginning of the financial year	276,397	9,932	5,900	22,441	80,074	113,946	58,523	95,084	2,149	33,322	697,768
Additions	-	-	-	-	-	5,320	1,068	7,355	848	117,365	131,956
Disposals	-	(2,035)	-	-	(54,013)	(7,693)	-	-	(1,334)	-	(65,075)
Write-off	-	-	-	-	-	(596)	(3,396)	(12)	-	-	(4,004)
Reclassification	-	-	-	-	-	(3)	4	741	-	(23,503)	(22,761)
At end of the financial year	276,397	7,897	5,900	22,441	26,061	110,974	56,199	103,168	1,663	127,184	737,884
Accumulated depreciation and impairment losses											
At beginning of the financial year	-	2,023	2,334	11,881	28,552	105,804	47,876	72,108	1,800	-	272,378
Charge	-	69	128	360	528	3,686	2,408	7,133	185	-	14,497
Disposal	-	(533)	-	-	(18,364)	(7,693)	-	-	(1,262)	-	(27,852)
Write-off	-	-	-	-	-	(596)	(3,239)	(12)	-	-	(3,847)
At end of the financial year	-	1,559	2,462	12,241	10,716	101,201	47,045	79,229	723	-	255,176
Net book value at end of the financial year	276,397	6,338	3,438	10,200	15,345	9,773	9,154	23,939	940	127,184	482,708

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

21 RIGHT-OF-USE ASSETS

	Properties RM'000	Equipment RM'000	Total RM'000
The Group			
2019			
Cost			
At beginning of financial year, on adoption of MFRS 16	70,295	446	70,741
Additions	22,116	742	22,858
Termination of contracts	–	(140)	(140)
At end of the financial year	92,411	1,048	93,459
Less: Accumulated depreciation			
At beginning of financial year, on adoption of MFRS 16	–	–	–
Charge	35,522	264	35,786
Termination of contracts	–	(36)	(36)
At end of the financial year	35,522	228	35,750
Net book value at end of the financial year	56,889	820	57,709

	Properties RM'000	Equipment RM'000	Total RM'000
The Bank			
2019			
Cost			
At beginning of financial year, on adoption of MFRS 16	57,893	–	57,893
Additions	10,609	–	10,609
At end of the financial year	68,502	–	68,502
Less: Accumulated depreciation			
At beginning of financial year, on adoption of MFRS 16	–	–	–
Charge	25,086	–	25,086
At end of the financial year	25,086	–	25,086
Net book value at end of the financial year	43,416	–	43,416

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

22 INTANGIBLE ASSETS

	Goodwill RM'000	Brand RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
The Group					
2019					
Cost					
At beginning of the financial year	826,944	5,415	83,622	235,674	1,151,655
Additions	-	-	-	5,988	5,988
Reclassification from property and equipment (Note 20)	-	-	-	35,339	35,339
At end of the financial year	826,944	5,415	83,622	277,001	1,192,982
Less: Accumulated amortisation					
At beginning of the financial year	-	5,415	56,747	183,425	245,587
Amortised	-	-	11,952	20,750	32,702
At end of the financial year	-	5,415	68,699	204,175	278,289
Net book value at end of the financial year	826,944	-	14,923	72,826	914,693

	Goodwill RM'000	Brand RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
The Group					
2018					
Cost					
At beginning of the financial year	823,051	5,415	83,622	209,808	1,121,896
Amount arising from winding up of a subsidiary	3,893	-	-	-	3,893
Additions	-	-	-	2,767	2,767
Write-off	-	-	-	(8)	(8)
Reclassification from property and equipment (Note 20)	-	-	-	23,107	23,107
At end of the financial year	826,944	5,415	83,622	235,674	1,151,655
Less: Accumulated amortisation					
At beginning of the financial year	-	5,415	44,796	167,723	217,934
Amortised	-	-	11,951	15,710	27,661
Write-off	-	-	-	(8)	(8)
At end of the financial year	-	5,415	56,747	183,425	245,587
Net book value at end of the financial year	826,944	-	26,875	52,249	906,068

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

22 INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Total RM'000
The Bank			
2019			
Cost			
At beginning of the financial year	137,323	198,743	336,066
Additions	-	3,288	3,288
Reclassification from property and equipment (Note 20)	-	35,339	35,339
Reclassification to a subsidiary	-	(291)	(291)
At end of the financial year	137,323	237,079	374,402
Less: Accumulated amortisation			
At beginning of the financial year	-	153,831	153,831
Amortised	-	17,921	17,921
Reclassification to a subsidiary	-	(20)	(20)
At end of the financial year	-	171,732	171,732
Net book value at end of the financial year	137,323	65,347	202,670

	Goodwill RM'000	Computer software RM'000	Total RM'000
The Bank			
2018			
Cost			
At beginning of the financial year	137,323	175,332	312,655
Additions	-	1,075	1,075
Write-off	-	(8)	(8)
Reclassification from property and equipment (Note 20)	-	22,761	22,761
Reclassification to a subsidiary	-	(417)	(417)
At end of the financial year	137,323	198,743	336,066
Less: Accumulated amortisation			
At beginning of the financial year	-	140,675	140,675
Amortised	-	13,164	13,164
Write-off	-	(8)	(8)
At end of the financial year	-	153,831	153,831
Net book value at end of the financial year	137,323	44,912	182,235

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

22 INTANGIBLE ASSETS

Goodwill

The carrying amount of the Group's and the Bank's goodwill has been allocated to the following business segments, which represent the Bank's cash-generating units ('CGUs'):-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Business banking	123,591	123,591	123,591	123,591
Consumer banking	13,732	13,732	13,732	13,732
Investment banking	266,884	266,884	-	-
Asset management	180,931	180,931	-	-
Stock-broking	230,686	230,686	-	-
Money-broking	11,120	11,120	-	-
	826,944	826,944	137,323	137,323

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flows projections based on 3 years financial budgets for Business banking, Consumer banking and Money-broking and 5 years for Investment banking, Asset management and Stock-broking, which were approved by Directors. The cash flows beyond the third and fifth year are assumed to grow on perpetual basis based on forecasted GDP growth rate of Malaysia, adjusted for specific risk of the CGUs.

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

During the financial year, impairment was not required for goodwill arising from all the business segments. The impairment charge is most sensitive to discount rate and the Directors are of the view that any reasonable possible changes to each of the assumptions applied below are not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

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

	Discount rate		Terminal growth rate	
	2019 %	2018 %	2019 %	2018 %
Business banking	8.21	10.44	4.50	4.70
Consumer banking	8.20	10.45	4.50	4.70
Investment banking	8.06	9.64	4.50	4.70
Asset management	8.06	9.64	4.50	4.70
Stock-broking	8.06	9.64	4.50	4.70
Money-broking	8.95	10.74	4.50	4.70

For Investment banking and Stock-broking CGUs, the estimated recoverable amount will be equal to the carrying value by adjusting the assumptions below respectively:-

	Investment banking		Stock-broking	
	2019 %	2018 %	2019 %	2018 %
Discount rate	11.25	10.83	9.28	9.56
Terminal growth rate	1.47	3.57	2.05	3.74
Cash flows	55.79	83.88	60.04	86.24

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

23 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) By type of deposit				
Demand deposits	7,417,574	6,830,259	4,468,875	4,245,815
Savings deposits	2,334,653	2,109,239	1,687,588	1,508,539
Fixed deposits	39,137,401	42,820,134	22,194,938	22,702,344
Commodity Murabahah	402,074	395,167	-	-
Money market deposits	1,278,950	1,256,223	1,278,950	1,256,223
Negotiable instruments of Deposit ('NID')	485,021	3,838,419	504,899	3,848,298
Others	33,289	97,006	-	-
	51,088,962	57,346,447	30,135,250	33,561,219

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(ii) Maturity structure of fixed deposits, NID and others				
Due within six months	20,975,454	29,459,431	10,939,740	16,890,847
Six months to one year	16,480,637	14,371,113	10,245,509	7,579,649
One year to three years	1,886,591	2,521,315	1,477,277	2,054,033
Three years to five years	313,029	403,700	37,311	26,113
	39,655,711	46,755,559	22,699,837	26,550,642

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(iii) By type of customer				
Government and statutory bodies	8,022,642	12,148,553	1,024,448	2,205,373
Business enterprise	12,585,286	15,343,682	7,284,828	9,111,267
Individuals	23,504,126	16,220,138	18,197,263	14,289,446
Domestic banking institutions	494,213	3,915,899	513,669	3,932,579
Domestic non-banking financial institutions	5,060,498	8,446,052	2,050,604	3,133,150
Foreign entities	716,175	547,452	567,667	431,780
Other entities	706,022	724,671	496,771	457,624
	51,088,962	57,346,447	30,135,250	33,561,219

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

24 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2019 RM'000	2018 RM'000
(i) By type of deposit		
Mudharabah	1,447	875

	The Group			
	Average Profit Sharing Ratio (PSR)		Average Rate of Return (ROR)	
	2019 %	2018 %	2019 %	2018 %
(ii) Profit Sharing Ratio ('PSR') and Rate of Return ('ROR')				
Due within:-				
Six months to one year	85	–	7.06	–
One year to three years	85	85	6.43	7.19

25 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	614,958	2,371,858	227,497	2,154,065
Licensed investment banks	395,889	153,398	–	–
Bank Negara Malaysia	4,675	361,359	4,675	361,359
Other financial institutions	747,730	1,960,297	413,913	1,785,424
	1,763,252	4,846,912	646,085	4,300,848
Maturity structure of deposits				
Due within six months	1,763,252	4,772,885	646,085	4,226,821
Six months to one year	–	74,027	–	74,027
	1,763,252	4,846,912	646,085	4,300,848

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

26 DERIVATIVE FINANCIAL LIABILITIES

	The Group 2019		The Group 2018	
	Contract/ Notional amount RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives:-				
– Currency forwards	4,423,356	82,743	1,905,296	23,653
– Cross currency swaps	2,205,315	58,768	3,450,846	63,889
– Currency swaps	380,379	3,718	648,049	7,198
Interest rate derivatives:-				
– Interest rate swaps	2,888,148	41,562	2,380,148	18,392
	9,897,198	186,791	8,384,339	113,132

	The Bank 2019		The Bank 2018	
	Contract/ Notional amount RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives:-				
– Currency forwards	2,589,703	51,418	794,141	5,532
– Cross currency swaps	2,253,742	59,325	3,712,078	64,701
Interest rate derivatives:-				
– Interest rate swaps	1,078,148	25,696	1,065,148	15,427
	5,921,593	136,439	5,571,367	85,660

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

27 TRADE PAYABLES

	The Group	
	2019 RM'000	2018 RM'000
Amount due to unit trust funds	327,451	260,864
Amount due to unit holders	197,807	47,089
Amount due to clients	169,333	151,463
Amount due to brokers	73,126	141,558
Amount due to Bursa Securities Clearing Sdn Bhd	19,846	-
	787,563	600,974

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

28 LEASE LIABILITIES

	The Group 2019 RM'000	The Bank 2018 RM'000
At beginning of financial year, on adoption of MFRS 16	70,741	57,893
Additions	22,762	10,610
Termination of contracts	(104)	-
Interest/Profit expense	2,512	1,885
Lease payment	(37,261)	(26,169)
At end of the financial year	58,650	44,219

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 to extend the lease beyond the date.

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

	The Group 2019 RM'000	The Bank 2018 RM'000
Lease liabilities recognised (discounted)	58,650	44,219
Potential future lease payments not included in lease liabilities (undiscounted):-		
Payable in 2020 to 2024	148,924	131,129
Payable in 2025 to 2029	6,330	4,005
	155,254	135,134

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

29 OTHER LIABILITIES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation				
Funding programmes	21,012	32,009	19,373	31,009
Margin and collateral deposits	100,180	127,948	83,202	114,120
Other creditors and accruals	140,022	166,410	37,737	64,776
Sundry creditors	231,666	179,958	187,374	151,274
Treasury and cheque clearing accounts	342,244	25,808	–	7,874
Provision for zakat	3,082	2,397	260	320
Defined contribution plan (a)	20,008	21,098	18,777	19,761
Accrued employee benefits	110,661	113,960	42,480	43,021
Unearned income	27,375	31,969	20,816	26,986
Commissioned dealer's representatives trust balances	47,483	48,537	–	–
Collaterals pledged for derivative transactions	2,830	29	–	–
Securities borrowings and lending – borrow	160,358	127,194	–	–
Amounts payable to commissioned and salaried dealer's representatives	37,854	37,874	–	–
ESOS liabilities	–	8,028	–	–
Puttable liabilities (b)	124,452	34,328	–	–
Dividend payable	–	97,147	–	97,147
Expected credit losses (c) – loan/financing commitments and financial guarantees	29,610	27,454	8,529	15,287
	1,398,837	1,082,148	418,548	571,575

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

29 OTHER LIABILITIES

- (a) The Group and the Bank contribute to EPF, the national defined contribution plan. Once the contributions have been paid, the Group and the Bank have no further payment obligations.
- (b) Puttable liabilities are in respect of the following:-

	The Group	
	2019 RM'000	2018 RM'000
Obligations to buy subsidiaries shares from non-controlling interest:-		
- AVA (i)	6,694	5,460
- AHAM (ii)	96,841	-
Investment in funds (iii)	20,917	28,868
At end of the financial year	124,452	34,328

- (i) This represents the present value of an option to purchase AVA's share pursuant to the terms of the exit mechanism in a shareholders agreement entered into between the Bank's subsidiary, AHAM and GV Capital Dynamic Sdn Bhd ('GVCD'). 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 recognised initially at the present value of the redemption amount and accreted through finance charges in the income statement over the contract period, up to the final redemption amount.

- (ii) On 8 March 2019, the options holders have fully exercised the employee stock option incentive scheme (Note 54). As a result, AHAM has increased its share capital and issued 1,111,000 units of ordinary shares at RM40.30 each. Pursuant to the exercise of the employee stock option incentive scheme, there is a Selective Capital Reduction ('SCR') provision within the scheme which requires AHAM to buy back the ordinary shares issued to the option holders from 1 March 2021 to 1 March 2023 at a certain price, if the conditions within the SCR provision are not met by 31 December 2020.

The SCR provision represents a purchase of the subsidiary's own equity instrument and a liability equal to the present value of the estimated future redemption amount is reclassified from equity on initial recognition. The liability is then subsequently measured at amortised cost with the unwinding of the present value of the redemption amount recognised as interest expense in the income statements.

- (iii) This represents the units held by other investors of the funds which have been consolidated by the Group as disclosed in Note 17. The amount is equal to a proportion of the Net Asset Value of the funds not held by the Group.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

29 OTHER LIABILITIES

(c) Movement in expected credit losses:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	27,454	49,817	15,287	32,758
Net remeasurement of loss allowance	(7,965)	(40,668)	(13,672)	(29,635)
New loan commitments and financial guarantees issued	10,205	18,305	7,535	12,164
Changes in model/risk parameters	(84)	-	(621)	-
At end of the financial year	29,610	27,454	8,529	15,287

30 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries are relating to intercompany transactions which are unsecured, bear no interest/profit rate (2018: Nil) and repayable on demand.

31 BORROWINGS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Tier-2 Subordinated Medium Term Notes ('MTN')	2,036,143	2,036,144	2,036,143	2,036,144
(b) Additional Tier-1 Capital Securities ('AT1CS')	512,236	512,235	512,236	512,235
(c) Additional Tier-1 Sukuk Wakalah ('AT1S')	303,425	303,483	-	-
(d) MTN Tier-2 Sukuk Murabahah	755,339	201,950	-	-
	3,607,143	3,053,812	2,548,379	2,548,379

(a) The Bank had, on 7 February 2017 and 20 September 2017, issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a coupon rate of 5.45% and 5.03% respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of the Bank.

(b) The Bank had, on 31 July 2018, issued AT1CS of RM500.0 million out of its approved BASEL III Compliant AT1CS programme of up to RM3.0 billion in nominal value. The AT1CS was on perpetual non-callable 5-year basis, at a coupon rate of 5.80%. The AT1CS was issued for the purpose of general banking business and working capital requirements of the Bank.

(c) AFFIN Islamic had, on 18 October 2018, issued a tranche of AT1S of RM300.0 million out of its approved BASEL III Compliant MTN programme ('Sukuk Programme') of up to RM5.0 billion in nominal value. The Sukuk Wakalah was on a perpetual non-callable 5 year basis, at a coupon rate of 5.65%. The Sukuk Wakalah was issued for the purpose of general banking business and working capital requirements of AFFIN Islamic.

(d) AFFIN Islamic had, on 23 October 2018, issued a MTN Tier-2 Sukuk Murabahah of RM800.0 million out of its Sukuk Programme. The Sukuk Murabahah was issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a coupon rate of 5.05%. The Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of AFFIN Islamic.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

31 BORROWINGS

	At 1 January 2019 RM'000	Cash flows RM'000	Interest/ Profit expense RM'000	At 31 December 2019 RM'000
The Group				
Tier-2 Subordinated MTN	2,036,143	(104,800)	104,800	2,036,143
AT1CS	512,236	(29,000)	29,000	512,236
AT1S*	303,483	(16,950)	16,892	303,425
MTN Tier-2 Sukuk Murabahah*	201,950	515,769	37,620	755,339
	3,053,812	365,019	188,312	3,607,143

	At 1 January 2018 RM'000	Cash flows RM'000	Interest/ Profit expense RM'000	At 31 December 2018 RM'000
The Group				
Tier-2 Subordinated MTN	2,036,144	(104,800)	104,800	2,036,144
AT1CS	–	500,000	12,235	512,235
AT1S*	–	300,000	3,483	303,483
MTN Tier-2 Sukuk Murabahah*	–	200,000	1,950	201,950
	2,036,144	895,200	122,468	3,053,812

* inclusive of profit expense on MTNs and AT1CS from Islamic banking business.

	At 1 January 2019 RM'000	Cash flows RM'000	Interest expense RM'000	At 31 December 2019 RM'000
The Bank				
Tier-2 Subordinated MTN	2,036,143	(104,800)	104,800	2,036,143
AT1CS	512,236	(29,000)	29,000	512,236
	2,548,379	(133,800)	133,800	2,548,379

	At 1 January 2018 RM'000	Cash flows RM'000	Interest expense RM'000	At 31 December 2018 RM'000
The Bank				
Tier-2 Subordinated MTN	2,036,144	(104,800)	104,800	2,036,144
AT1CS	–	500,000	12,235	512,235
	2,036,144	395,200	117,035	2,548,379

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

32 SHARE CAPITAL

	The Group and The Bank			
	2019 Number of ordinary shares '000	2019 RM'000	2018 Number of ordinary shares '000	2018 RM'000
Ordinary share issued and fully paid:-				
At beginning of the financial year	1,942,949	4,684,752	1,942,949	4,684,752
Issued during the financial year	43,072	90,020	-	-
At end of the financial year (shares with no par value)	1,986,021	4,774,772	1,942,949	4,684,752

33 RESERVES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
FVOCI revaluation reserves (b)	250,661	110,371	148,173	111,161
Regulatory reserves (c)	732,539	939,055	471,925	716,313
Stock option reserves (d)	-	8,328	-	-
Other reserves (e)	(61,010)	-	-	-
Foreign exchange reserves	135	593	-	-
Retained profits	3,640,073	2,928,584	3,017,227	2,408,718
	4,562,398	3,986,931	3,637,325	3,236,192

- (a) As at 31 December 2019, the Bank has a tax exempt account balance of RM11.0 million (2018: RM11.0 million) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.
- (b) FVOCI revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments at FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities become impaired.
- (c) 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.
- (d) The stock option reserves represent the fair value of the options of a subsidiary's employee stock option incentive scheme arising from the modification of the vesting period as detailed in Note 54.
- (e) This represents corresponding debit arising from the Group's obligation to purchase the subsidiary's shares held by non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

34 INTEREST INCOME

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing	1,701,584	1,835,797	1,523,832	1,620,788
Money at call and deposit placements with financial institutions	105,733	66,883	203,666	176,391
Financial investments at FVOCI	410,781	502,419	276,213	349,298
Financial investments at AC	8,265	8,366	5,725	5,725
Others	5,473	5,902	3,637	2,621
	2,231,836	2,419,367	2,013,073	2,154,823
of which:-				
Interest income earned on impaired loans, advances and financing	6,226	7,428	913	2,790

35 INTEREST EXPENSE

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits from customers	1,300,528	1,301,777	1,130,061	1,135,427
Deposits and placements of banks and other financial institutions	46,726	145,966	75,181	142,314
Securities sold under repurchase agreements	790	4,128	-	2,752
Subordinated medium term notes	133,800	117,035	133,800	117,035
Foreign currency borrowing	506	1,986	-	-
Interest expense on lease liabilities	2,460	-	1,885	-
Others	3,909	3,075	366	533
	1,488,719	1,573,967	1,341,293	1,398,061

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

36 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	1,024,350	839,148
Income derived from investment of investment account funds	98,765	106,694
Income derived from investment of shareholders' funds	96,204	80,491
Total distributable income	1,219,319	1,026,333
Income attributable to depositors and others	(808,636)	(628,143)
	410,683	398,190
of which:-		
Financing income earned on impaired financing, advances and other financing	3,409	3,658

37 OTHER OPERATING INCOME

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Fee and commission income				
Net brokerage	70,365	78,131	-	-
Portfolio management fees	301,149	293,269	-	-
Corporate advisory fees	9,822	9,883	-	-
Commission	31,167	26,723	25,719	23,319
Service charges and fees	51,775	65,378	51,426	64,510
Guarantee fees	29,151	22,712	25,891	22,010
Arrangement fees	1,768	2,814	-	-
Agency fees	2,310	1,199	-	-
Initial service charges	88,528	103,619	-	-
Other fee income	8,699	17,146	-	-
	594,734	620,874	103,036	109,839
(b) Fee and commission expenses				
Commission and referral expense	(153,327)	(164,009)	(7,850)	(9,103)
Net fee and commission income	441,407	456,865	95,186	100,736

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

38 NET GAINS ON FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income from financial instruments:-				
Gain/(Loss) arising on financial assets at FVTPL:				
– net gain on disposal	62,096	72,154	–	23,737
– unrealised (losses)/gains	(15,295)	7,863	4,590	10,355
– interest income	26,238	35,414	6,860	15,801
– gross dividend income	8,022	5,899	732	732
	81,061	121,330	12,182	50,625
(Loss)/Gain on derivatives instruments:-				
– realised	4,435	492	4,435	546
– unrealised	(6,596)	5,567	(5,549)	4,582
– interest income/(expense)	874	(310)	604	(358)
	(1,287)	5,749	(510)	4,770
Gain arising on financial investments at FVOCI:-				
– net gain on disposal	201,368	14,406	125,007	7,175
– gross dividend income	5,946	4,552	2,392	238
	207,314	18,958	127,399	7,413
Net gain on financial instruments	287,088	146,037	139,071	62,808

39 OTHER INCOME

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign exchange gain/(loss):-				
– realised	26,658	64,598	23,353	53,121
– unrealised	11,727	(8,540)	7,235	(7,236)
Rental income	23	136	117	246
(Loss)/Gain on sale of property and equipment	(207)	6,052	(380)	5,921
Gain on disposal of foreclosed properties	877	111	877	–
Other non-operating income	10,377	11,753	8,671	7,264
Gross dividend received from subsidiaries	–	–	71,000	323,000
Gain on winding up of a subsidiary	–	–	–	31,031
	49,455	74,110	110,873	413,347

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

40 OTHER OPERATING EXPENSES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs (a)	806,981	782,765	354,055	369,898
Establishment costs (b)	271,025	262,276	154,358	165,526
Marketing expenses (c)	53,842	59,995	26,735	34,790
Administrative and general expenses (d)	92,085	112,473	47,811	63,719
	1,223,933	1,217,509	582,959	633,933

Shared services cost amounting to RM26.9 million (2018: RM22.3 million) is charged to AFFIN Islamic, a subsidiary for services rendered in Malaysia.

(a) Personnel costs

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and bonuses	604,862	590,348	262,779	272,200
Defined contribution plan ('EPF')	99,351	96,263	43,652	44,525
Other personnel costs	102,768	96,154	47,624	53,173
	806,981	782,765	354,055	369,898

(b) Establishment costs

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental of premises	–	40,015	–	18,819
Equipment rental	2,942	2,992	1,572	2,086
Repair and maintenance	55,916	45,143	32,696	29,630
Depreciation of property and equipment	26,768	24,578	16,193	14,497
Depreciation of right-of-use assets	35,786	–	25,086	–
Amortisation of intangible assets	32,702	27,661	17,921	13,164
IT consultancy fees	44,866	38,077	25,538	27,841
Dataline rental	14,375	16,851	5,374	12,616
Security services	20,303	18,582	9,275	13,168
Electricity, water and sewerage	12,666	13,116	4,788	7,482
Insurance/Takaful and indemnities	16,194	30,441	12,981	22,299
Other establishment costs	8,507	4,820	2,934	3,924
	271,025	262,276	154,358	165,526

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

40 OTHER OPERATING EXPENSES

(c) Marketing expenses

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Business promotion and advertisement	23,406	21,197	11,860	12,466
Entertainment	5,525	7,158	1,340	3,569
Traveling and accommodation	8,951	10,532	3,496	4,831
Dealers' handling charges	606	1,200	-	-
Commission and brokerage expenses	10,030	14,561	8,280	12,165
Other marketing expenses	5,324	5,347	1,759	1,759
	53,842	59,995	26,735	34,790

(d) Administration and general expenses

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Telecommunication expenses	14,751	14,541	3,198	3,621
Auditors' remuneration (a)	3,337	4,830	1,733	2,446
Professional fees	17,414	27,529	11,163	23,456
Property and equipment written-off	107	193	50	157
Mail and courier charges	3,145	4,180	2,158	3,214
Stationery and consumables	10,494	13,439	6,999	8,531
Directors' fees and allowances	3,416	3,576	2,664	2,287
Donations	1,820	2,053	1,634	1,598
Settlement, clearing and bank charges	15,699	13,160	12,225	9,919
Stamp duties	310	1,006	265	722
Operational and litigation write-off expenses	2,398	-	2,398	-
Subscription fees	11,657	10,448	-	-
GST input tax non-recoverable	358	7,204	349	4,337
Other administration and general expenses	7,179	10,314	2,975	3,431
	92,085	112,473	47,811	63,719

Included in other operating expenses of the Group and the Bank are Group CEO and Directors' remuneration totalling RM7,362,000 (2018: RM7,595,000).

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

40 OTHER OPERATING EXPENSES

The expenditure includes the following statutory disclosure:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 41)	7,362	7,595	6,610	6,306
Auditors' remuneration: (a)				
(i) Statutory audit fees	2,226	3,161	1,166	1,614
(ii) Regulatory related fees	654	602	351	318
(iii) Tax fees	153	285	32	107
(iv) Non audit fees	304	782	184	407

(a) There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

41 GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

The Group CEO and Directors of the Bank who have held office during the financial year are as follows:-

Group CEO

En. Kamarul Ariffin bin Mohd Jamil (completed his contract of service w.e.f 1.4.2020)

Non-Executive Directors

Dato' Agil Natt (Chairman) (appointed w.e.f. 8.11.2019)

En. Mohd Suffian bin Haji Haron

Tan Sri Mohd Ghazali bin Mohd Yusoff

Dato' Abdul Aziz bin Abu Bakar

Dato' Mohd Hata bin Robani

Mr. Ignatius Chan Tze Ching

Dato' Rozalila binti Abdul Rahman

Mr. Peter Yuen Wai Hung (appointed w.e.f. 1.11.2019)

Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)(Chairman)
(completed his tenure of directorship w.e.f. 1.7.2019)

Mr. Joseph Yuk Wing Pang (completed his tenure of directorship w.e.f. 30.6.2019)

En. Abd Malik bin A Rahman (completed his tenure of directorship w.e.f. 15.4.2020)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

41 GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

The aggregate amount of remuneration for the Directors of the Group and the Bank for the financial year are as follows:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group CEO				
Salaries	1,800	1,740	1,800	1,740
Bonuses	1,475	1,520	1,475	1,520
Defined contribution plan ('EPF')	534	531	534	531
Other employee benefits	98	61	98	61
Benefits-in-kind	39	167	39	167
Non-Executive Directors				
Fees and other emoluments	3,364	3,567	2,643	2,280
Benefits-in-kind	52	9	21	7
Directors' remuneration (Note 40)	7,362	7,595	6,610	6,306
Directors of subsidiaries	2,571	1,603	-	-
Total Directors' remuneration	9,933	9,198	6,610	6,306

The Directors' remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of the Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

Included in the Directors' emoluments are benefits-in-kind (based on estimated monetary value) receivable from the Bank and its subsidiaries of RM52,000 (2018: RM9,000) and RM21,000 (2018: RM7,000) respectively.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM40.0 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Bank was RM875,923 (2018: RM968,839) and RM53,005 (2018: RM55,018) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

41 GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the Group CEO and Directors are as follows:-

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
The Group						
2019						
Group CEO						
En. Kamarul Ariffin bin Mohd Jamil	1,800	1,475	-	* 632	39	3,946
Total	1,800	1,475	-	632	39	3,946
Non-Executive Directors						
Dato' Agil Natt	-	-	46	-	13	59
En. Mohd Suffian bin Haji Haron	-	-	615	-	-	615
Tan Sri Mohd Ghazali bin Mohd Yusoff	-	-	418	-	-	418
En. Abd Malik bin A Rahman	-	-	754	-	31	785
Dato' Abdul Aziz bin Abu Bakar	-	-	321	-	-	321
Dato' Mohd Hata bin Robani	-	-	387	-	-	387
Mr. Ignatius Chan Tze Ching	-	-	225	-	-	225
Dato' Rozalila binti Abdul Rahman	-	-	257	-	-	257
Mr. Peter Yuen Wai Hung	-	-	36	-	-	36
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	-	-	172	31	8	211
Mr. Joseph Yuk Wing Pang	-	-	84	18	-	102
Total	-	-	3,315	49	52	3,416
Grand total	1,800	1,475	3,315	681	91	7,362

* Includes allowances and EPF

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

41 GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the Group CEO and Directors are as follows:- (continued)

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
The Group 2018						
Group CEO						
En. Kamarul Ariffin bin Mohd Jamil	1,740	1,520	–	* 592	167	4,019
Total	1,740	1,520	–	592	167	4,019
Non-Executive Directors						
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)	–	–	300	276	7	583
En. Mohd Suffian bin Haji Haron	–	–	566	–	2	568
Tan Sri Mohd Ghazali bin Mohd Yusoff	–	–	484	15	–	499
En. Abd Malik bin A Rahman	–	–	645	105	–	750
Mr. Tang Peng Wah	–	–	48	15	–	63
Dato' Mohd Hata bin Robani	–	–	356	15	–	371
Dato' Abdul Aziz bin Abu Bakar	–	–	256	–	–	256
Mr. Ignatius Chan Tze Ching	–	–	229	60	–	289
Mr. Joseph Yuk Wing Pang	–	–	152	45	–	197
Total	–	–	3,036	531	9	3,576
Grand total	1,740	1,520	3,036	1,123	176	7,595

* Includes allowances and EPF

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

41 GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the Group CEO and Directors are as follows:-

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
The Bank						
2019						
Group CEO						
En. Kamarul Ariffin bin Mohd Jamil	1,800	1,475	-	* 632	39	3,946
Total	1,800	1,475	-	632	39	3,946
Non-Executive Directors						
Dato' Agil Natt	-	-	46	-	13	59
En. Mohd Suffian bin Haji Haron	-	-	360	-	-	360
Tan Sri Mohd Ghazali bin Mohd Yusoff	-	-	319	-	-	319
En. Abd Malik bin A Rahman	-	-	387	-	-	387
Dato' Abdul Aziz bin Abu Bakar	-	-	321	-	-	321
Dato' Mohd Hata bin Robani	-	-	387	-	-	387
Mr. Ignatius Chan Tze Ching	-	-	225	-	-	225
Dato' Rozalila binti Abdul Rahman	-	-	257	-	-	257
Mr. Peter Yuen Wai Hung	-	-	36	-	-	36
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	-	-	172	31	8	211
Mr. Joseph Yuk Wing Pang	-	-	84	18	-	102
Total	-	-	2,594	49	21	2,664
Grand total	1,800	1,475	2,594	681	60	6,610

* Includes allowances, EPF and token of appreciation

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

41 GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

A summary of the total remuneration of the Group CEO and Directors are as follows:- (continued)

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
The Bank						
2018						
Group CEO						
En. Kamarul Ariffin bin Mohd Jamil	1,740	1,520	–	*592	167	4,019
Total	1,740	1,520	–	592	167	4,019
Non-Executive Directors						
Gen Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	–	–	258	72	7	337
En. Mohd Suffian bin Haji Haron	–	–	321	–	–	321
Tan Sri Mohd Ghazali bin Mohd Yusoff	–	–	338	–	–	338
En. Abd Malik bin A Rahman	–	–	355	–	–	355
Mr. Tang Peng Wah	–	–	48	15	–	63
Dato' Mohd Hata bin Robani	–	–	303	–	–	303
Dato' Abdul Aziz bin Abu Bakar	–	–	256	–	–	256
Mr. Ignatius Chan Tze Ching	–	–	192	–	–	192
Mr. Joseph Yuk Wing Pang	–	–	122	–	–	122
Total	–	–	2,193	87	7	2,287
Grand total	1,740	1,520	2,193	679	174	6,306

* Includes allowances, EPF and token of appreciation

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

42 ALLOWANCES FOR/(WRITE-BACK OF) CREDIT IMPAIRMENT LOSSES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Expected credit losses made/(written-back) on:-				
– loans, advances and financing	78,656	92,206	7,107	64,430
– trade receivables	(260)	(246)	–	–
– securities and placements	(2,423)	15,571	(1,723)	3,472
– loans and financing commitments and financial guarantee	2,156	(22,363)	(6,758)	(17,471)
Bad debts and financing				
– recovered	(35,184)	(30,781)	(30,916)	(29,302)
– written-off	6,914	4,281	6,117	3,682
	49,859	58,668	(26,173)	24,811

43 ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Expected credit losses:-				
– other debtors	927	524	–	–
– amount due from joint ventures	4,690	11,719	–	–
	5,617	12,243	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties that have transactions and their relationship with the Bank are as follows:-

Related parties	Relationship
Lembaga Tabung Angkatan Tentera ('LTAT')	Ultimate holding corporate body, which is Government-Linked Investment Company of the Government of Malaysia
Subsidiaries and associates of LTAT	Subsidiaries and associate companies of the ultimate holding corporate body
Subsidiaries of AFFIN Bank Berhad as disclosed in Note 17	Subsidiaries
Joint ventures as disclosed in Note 18	Joint ventures
Associates as disclosed in Note 19	Associates
Key management personnel	The key management personnel of the Group and the Bank consist of:- – Directors – Group CEO – Members of Senior Management team and the company secretary
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, jointly controlled 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. Key management personnel include the Group CEO of the Bank in office during the financial year and his remuneration for the financial year are disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Group and the Bank do not have any individually or collectively 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 other significant related party transactions and balances.

(a) Related parties transactions and balances

	Ultimate holding corporate body		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
The Group										
Income										
Interest on NID purchased	-	-	5,983	6,060	-	-	-	-	-	-
Interest on loans, advances and financing	28	-	63,986	59,273	-	-	4,491	9,657	590	88
Interest on Corporate bond/Sukuk (PDS)	-	-	36,000	27,846	-	-	-	-	-	-
Interest rate derivatives	-	-	-	17,436	-	880	-	7,551	-	-
Interest on subordinated term loan	-	-	-	-	3,637	5,965	-	-	-	-
Commission income	-	-	503	764	11,156	6,691	-	-	-	-
Other income	478	1,088	8,836	8,569	1,417	488	-	530	-	-
	506	1,088	115,308	119,948	16,210	14,024	4,491	17,738	590	88
Expenditure										
Interest on deposits and placements of banks and other financial institutions	217	2,996	16,909	19,925	10,020	1,248	6,028	9,968	413	92
Insurance premium	-	-	-	73	2,801	4,109	-	-	-	-
Brokerage fees	-	-	-	671	-	-	-	-	-	-
Rental	318	318	21,316	21,163	-	-	-	-	60	60
Other expenditure	165	-	29,953	22,017	1,772	1,188	-	-	-	-
	700	3,314	68,178	63,849	14,593	6,545	6,028	9,968	473	152

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties transactions and balances (continued)

	Ultimate holding corporate body		Other related companies		Joint ventures / Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
The Group										
Amount due from										
Corporate bonds/Sukuk/NID	-	-	711,813	712,488	-	-	-	-	-	-
Loans, advances and financing	-	-	1,403,121	1,803,036	-	-	60,351	114,860	14,754	3,733
Unquoted Equities	-	-	15,032	30,050	-	-	-	-	-	-
Security deposits	-	-	5,279	5,448	-	-	-	-	11	11
Subordinated Loans	-	-	-	-	30,936	57,453	-	-	-	-
Other assets	69	65	760	7	379	193	-	260	-	-
	69	65	2,136,005	2,551,029	31,315	57,646	60,351	115,120	14,765	3,744
Amount due to										
Demand and savings deposits	110,086	18,056	499,300	348,864	12,917	15,292	4,702	5,755	10,065	9,918
Fixed deposits	-	-	314,268	314,822	205,629	219,858	131,667	309,014	12,044	1,507
Money market deposits	190,927	89,629	301,411	395,805	-	-	-	-	-	-
Sales of securities	-	1,199	-	1,413	-	-	-	-	-	-
Other liabilities	-	-	323	153	181	-	-	-	-	-
	301,013	108,884	1,115,302	1,061,057	218,727	235,150	136,369	314,769	22,109	11,425
Commitments and contingencies	-	-	1,155,451	1,501,345	21,255	81,870	1,672	46	-	265

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties transactions and balances (continued)

	Ultimate holding corporate body		Subsidiaries		Other related companies		Joint ventures / Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
The Bank												
Income												
Interest on deposits and placements with banks and other financial institutions	-	-	1,702	1,827	-	-	-	-	-	-	-	-
Interest on R/A	-	-	94,505	115,603	-	-	-	-	-	-	-	-
Interest on NID	-	-	42,219	41,945	-	-	-	-	-	-	-	-
Interest on loans, advances and financing	-	-	-	-	36,008	34,606	-	-	-	-	152	107
Interest rate derivatives	-	-	-	1,202	-	-	-	-	-	-	-	-
Interest on corporate bond/Sukuk	-	-	-	11,125	36,000	27,846	-	-	-	-	-	-
Interest on subordinated term loan	-	-	2,226	7,487	-	-	3,637	2,621	-	-	-	-
Other income	-	-	275,879	158,960	2,256	1,840	11,156	6,691	-	-	-	-
	-	-	416,531	338,149	74,264	64,292	14,793	9,312	-	-	152	107
Expenditure												
Interest on fixed deposits	-	-	1,878	1,238	4,114	3,650	8,509	4,972	3,979	909	282	271
Interest on NID	-	-	15,152	15,650	-	-	-	-	-	-	-	-
Interest on deposits and placements of banks and other financial institutions	-	-	407	755	-	-	-	-	-	-	-	-
Interest on money market deposits	6,696	2,867	5,769	5,038	6,183	2,908	-	-	-	-	-	-
Interest rate derivatives	-	-	-	1,155	-	-	-	-	-	-	-	-
Interest on subordinated term loan	-	-	-	515	-	-	-	-	-	-	-	-
Brokerage fees	-	-	390	532	-	-	-	-	-	-	-	-
Rental	318	318	407	407	13,029	12,418	-	-	-	-	60	60
Other expenditure	23	-	150	1,932	1,939	3,130	2,190	3,628	-	-	-	-
	7,037	3,185	24,153	27,222	25,265	22,106	10,699	8,600	3,979	909	342	331

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties transactions and balances (continued)

	Ultimate holding corporate body		Subsidiaries		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank												
Amount due from												
Restricted investment accounts	-	-	1,912,516	2,366,784	-	-	-	-	-	-	-	-
Negotiable instruments of deposit	-	-	1,009,214	1,009,395	-	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	763,627	934,111	-	-	-	-	4,543	3,399
Deposits and placements with banks and other financial institutions	-	-	69,968	70,708	-	-	-	-	-	-	-	-
Intercompany balances	-	-	-	9	-	-	-	-	-	-	-	-
Subordinated term loan	-	-	50,483	600,000	-	-	30,925	57,453	-	-	-	-
Corporate bond/Sukuk	-	-	-	-	611,458	611,423	-	-	-	-	-	-
Unquoted equities	-	-	-	-	15,032	30,050	-	-	-	-	-	-
Security deposits	-	-	-	-	3,428	3,308	-	-	-	-	11	11
	-	-	3,042,181	4,046,896	1,393,545	1,578,892	30,925	57,453	-	-	4,554	3,410
Amount due to												
Demand and savings deposits	109,948	17,399	74,482	71,405	377,729	286,829	12,068	15,129	414	907	5,141	5,890
Fixed deposits	-	-	61,599	83,105	185,842	159,286	161,881	171,522	67,131	65,814	8,107	6,745
Negotiable instruments of deposit	-	-	405,190	353,662	-	-	-	-	-	-	-	-
Money market deposits	186,992	89,629	148,375	185,460	291,888	210,345	-	-	-	-	-	-
Intercompany balances	-	-	54,582	108,979	-	-	-	-	-	-	-	-
	296,940	107,028	744,228	802,611	855,459	656,460	173,949	186,651	67,545	66,721	13,248	12,635
Commitments and contingencies	-	-	-	-	952,125	1,419,475	21,255	81,870	12	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(b) Key management personnel compensation

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' fees, other emoluments and benefits				
Fees	3,315	3,036	2,594	2,193
Other emoluments	49	531	49	87
Benefits-in-kind	52	9	21	7
	3,416	3,576	2,664	2,287
Short-term employment benefits				
Salaries	24,155	22,850	10,041	9,383
Bonuses	20,334	22,591	6,452	5,892
Defined contribution plan ('EPF')	7,717	9,804	2,848	2,642
Other employee benefits	3,100	2,731	1,851	1,497
Benefits-in-kind	559	601	392	446
	55,865	58,577	21,584	19,860

Included in the above table is the Group CEO and Directors' remuneration as disclosed in Note 41.

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

45 TAXATION

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax				
Current tax	152,177	211,722	90,284	120,200
(Over)/Under provision in prior financial year	(56,695)	6,196	(42,577)	9,747
Deferred tax (Note 15)	65,398	(70,342)	48,296	(49,044)
Tax expense for the financial year	160,880	147,576	96,003	80,903

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

45 TAXATION

	The Group		The Bank	
	2019 %	2018 %	2019 %	2018 %
<u>Statutory tax rate in Malaysia</u>	24.00	24.00	24.00	24.00
Tax effect in respect of:-				
Non-allowable expenses	0.92	1.47	0.79	0.61
Non taxable income	(2.43)	(4.00)	(4.14)	(13.86)
Effect of different tax rate	0.46	(0.20)	(0.08)	(0.20)
(Over)/Under provision in prior financial year	(8.35)	0.93	(9.25)	1.44
Other temporary differences not recognised in prior financial year	9.15	(0.34)	9.55	-
Average effective tax rate	23.75	21.86	20.87	11.99

46 EARNINGS PER SHARE

(a) Basic

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

	The Group		The Bank	
	2019	2018	2019	2018
Net profit attributable to equity holders of the Bank (RM'000)	487,766	503,086	364,121	594,006
Weighted average number of ordinary shares in issue ('000)	1,983,542	1,942,949	1,983,542	1,942,949
Basic earnings per share (sen)	24.6	25.9	18.4	30.6

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

46 EARNINGS PER SHARE

(b) Diluted

The diluted earnings per ordinary share has been calculated by dividing the net profit attributable to equity holders of the Group and the Bank as stated above by the weighted average number of shares in issue during the financial year including the dilution from the potential issuance of new ordinary shares arising from DRP.

	The Group		The Bank	
	2019	2018	2019	2018
Basic weighted average number of ordinary shares in issue ('000)	1,983,542	1,942,949	1,983,542	1,942,949
Number of potential ordinary shares in issue ('000)	61,768	43,071	61,768	43,071
Diluted weighted average number of ordinary shares in issue ('000)	2,045,310	1,986,020	2,045,310	1,986,020
Net profit attributable to equity holders of the Bank (RM'000)	487,766	503,086	364,121	594,006
Diluted weighted average number of ordinary shares in issue ('000)	2,045,310	1,986,020	2,045,310	1,986,020
Diluted earnings per share (sen)	23.8	25.3	17.8	29.9

47 DIVIDENDS

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

	The Group and The Bank 2019		The Group and The Bank 2018	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
Ordinary shares				
Single-tier dividend:-				
- Interim dividend	-	-	5.00	97,147

Ordinary shares

Single-tier dividend:-

- Interim dividend

On 27 April 2020, the Board of Directors proposed a single-tier interim dividend of 5 sen per share amounting to RM99,301,006 in respect of the financial year ended 31 December 2019, based on the Bank's issued and paid-up capital of 1,986,020,123 ordinary shares at 31 December 2019.

On the same day, the Board of Directors resolved that DRP as disclosed in Note Z be applied to the said interim dividend and the entire interim dividend can be elected and reinvested in new ordinary shares of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

48 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are not secured over the assets of the Group and the Bank.

The commitments and contingencies consist of:-

	The Group		The Bank	
	2019 Principal amount RM'000	2018 Principal amount RM'000	2019 Principal amount RM'000	2018 Principal amount RM'000
Direct credit substitutes *	556,462	613,796	445,758	415,834
Transaction-related contingent items	1,969,168	1,943,980	1,494,531	1,662,775
Short-term self-liquidating trade-related contingencies	454,792	432,728	175,032	113,759
Obligations under an on-going underwriting agreement	–	27,000	–	–
Irrevocable commitments to extend credit:-	7,934,474	10,445,260	5,354,533	6,816,492
– maturity less than one year	6,020,758	7,690,157	4,556,911	6,060,241
– maturity more than one year	1,913,716	2,755,103	797,622	756,251
Foreign exchange related contracts #-:	13,927,851	11,409,786	10,019,456	8,672,996
– less than one year	13,000,360	11,009,067	9,812,356	8,576,966
– one year to less than five years	927,491	400,719	207,100	96,030
– more than five years	–	–	–	–
Interest/Profit rate related contracts #-:	4,883,148	4,771,148	1,773,148	2,236,148
– less than one year	873,148	946,000	23,148	251,000
– one year to less than five years	3,710,000	2,800,148	1,480,000	990,148
– more than five years	300,000	1,025,000	270,000	995,000
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	578,072	615,870	37,322	133,561
Unutilised credit card lines	547,266	613,506	380,117	417,558
	30,851,233	30,873,074	19,679,897	20,469,123

* Included in direct credit substitutes above are financial guarantee contracts of RM556.5 million and RM445.8 million at the Group and the Bank respectively (2018: RM582.0 million and RM445.8 million at the Group and the Bank respectively), of which fair value at the time of issuance is zero.

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 Note 6 and Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted within its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

(i) 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 Group and the Bank. The Group's and the Bank's exposure to credit risks arises primarily from stockbroking trade receivables, share margin financing, corporate/inter-bank lending activities, bonds investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the Group Board Risk Management and Compliance Committee ('GBRMCC'), a sub-committee of the Board that reviews the adequacy of the Group's and the Bank's risk policies and framework. The Group's and the Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the Group Management Credit Committee ('GMCC') and the Group Board Credit Review and Recovery Committee ('GBCRRC'). The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC 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 Group and the Bank recognise 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 Group and the Bank are supportive of credit officer in taking the Professional Credit Certification ('PCC') programme offered by the Asian Institute of Chartered Bankers ('AICB'). Upon attaining the PCC certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

Credit risk evaluation

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group's and the Bank's underwriting criteria and the ability of the Group and 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 Group and the Bank have developed internal rating models to support the assessment and quantification of credit risk.

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

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

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at loans, advances and financing origination. 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 Group's and 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Risk limit control and mitigation policies

The Group and the Bank employ various policies and practices to control and mitigate credit risk.

Lending/Financing limits

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

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

Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and given value by the Group and the Bank are:-

- mortgage over residential;
- charges over commercial real estate or vehicles financed;
- charges over business assets such as properties, equipment, fixed deposits, debentures, personal guarantees and corporate guarantees; and
- charges over financial instruments such as marketable securities.

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

Term loan financing and lending to corporate entities are generally secured, revolving individual credit facilities are generally unsecured.

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

The Group's and the Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group and the Bank since the prior period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

The Group and the Bank closely monitor collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group and 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:-

	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
The Group				
2019				
Consumer Banking				
– Overdraft	7,270	(1,703)	5,567	31,637
– Credit cards	878	(575)	303	–
– Term loans/financing	120,090	(19,239)	100,851	108,405
– Mortgages	324,460	(71,744)	252,716	403,855
– Hire purchase	61,055	(42,683)	18,372	225,038
Corporate Banking	668,748	(171,411)	497,337	1,060,350
SME Banking	196,651	(32,989)	163,662	361,476
Total credit-impaired assets	1,379,152	(340,344)	1,038,808	2,190,761

	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
The Group				
2018				
Consumer Banking				
– Overdraft	8,506	(3,184)	5,322	27,322
– Credit cards	1,025	(669)	356	–
– Term loans/financing	93,448	(9,832)	83,616	110,670
– Mortgages	264,329	(44,986)	219,343	339,185
– Hire purchase	89,892	(68,759)	21,133	292,402
Corporate Banking	892,458	(150,304)	742,154	850,228
SME Banking	240,239	(61,094)	179,145	469,904
Total credit-impaired assets	1,589,897	(338,828)	1,251,069	2,089,711

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
The Bank				
2019				
Consumer Banking				
– Overdraft	6,956	(1,593)	5,363	30,657
– Credit cards	615	(402)	213	–
– Term loans/financing	9,691	(1,826)	7,865	25,955
– Mortgages	163,692	(34,322)	129,370	231,085
– Hire purchase	42,435	(30,041)	12,394	176,356
Corporate Banking	265,139	(121,139)	144,000	621,048
SME Banking	184,530	(31,838)	152,692	345,381
Total credit-impaired assets	673,058	(221,161)	451,897	1,430,482

	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
The Bank				
2018				
Consumer Banking				
– Overdraft	8,379	(3,116)	5,263	27,042
– Credit cards	1,012	(660)	352	–
– Term loans/financing	7,704	(2,607)	5,097	23,981
– Mortgages	155,767	(24,581)	131,186	215,255
– Hire purchase	66,680	(51,740)	14,940	237,464
Corporate Banking	516,946	(124,183)	392,763	439,808
SME Banking	221,730	(58,507)	163,223	447,245
Total credit-impaired assets	978,218	(265,394)	712,824	1,390,795

The financial effect of collateral held for loans, advances and financing of the Group and the Bank are 78.5% (2018: 77.6%) and 76.5% (2018: 77.1%) respectively. The financial effects of collateral for the other financial assets are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

Collateral and other credit enhancements obtained

The Group and the Bank obtained assets by taking possession of collateral held as security or calling upon other credit enhancements.

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Nature of assets</u>				
Industrial and residential properties	17,817	26,051	12,944	21,178

Foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The carrying amount of foreclosed properties held by the Group and the Bank as at reporting date has been classified as 'Other assets' as disclosed in Note 11.

Collateral for financial assets at FVTPL

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivatives	33	1,298	-	-

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

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. In terms of credit risk, the Group and the Bank are potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk measurement

Credit risk grades

The Group and the Bank allocate 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 risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

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 ('PD') 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 the Group and the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using expert credit judgement and, where possible, relevant historical experience, the Group and the Bank may determine that an exposure has undergone a Significant Increase in Credit Risk ('SICR') 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 Group and the Bank consider that a significant increase in credit risk is presumed if a borrower/ issuer is more than 30 days or 1 month past due. Days or months past due are determined by counting the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group and the Bank monitor 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).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('ECL')

The Group and the Bank use three categories for financial instruments at amortised cost for recognising ECL.

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	<ul style="list-style-type: none"> 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 accounts where one that has risk or potential weakness which if left unchecked, may result in significant deterioration of repayment prospect and transfer to Underperforming status (Stage 2) or worse. 	12 - Months ECL
Underperforming accounts (Stage 2)	<ul style="list-style-type: none"> An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; Accounts past due more than 30 days or 1 month but less than 90 days or 3 months; Account demonstrating critical level of risk and therefore, credit graded to 14 and place under Watchlist; 	Lifetime ECL – not credit impaired
Impaired accounts (Stage 3)	<ul style="list-style-type: none"> Impaired credit; Credit grade 15 or worse; Accounts past due more than 90 days or 3 months. All Restructure and Rescheduling ('R&R') account due to credit deterioration are to be classified as impaired. 	Lifetime ECL – credit impaired
Write-off	<ul style="list-style-type: none"> Evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or; Assets unable to generate sufficient future cash flows to repay the amount. 	Asset is written off

The Group and the Bank have not used the low credit risk exemption for any financial instrument for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('ECL') (continued)

The key inputs into the measurement of ECL are the term structure of the following variables:-

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD is the likelihood of a counterparty defaulting on its contractual obligations to a financial institution over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes or changes in past due status, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group and the Bank collect 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 Group and the Bank employ 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 flows basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group and the Bank derive 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 are 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.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('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 Group and 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 Group and the Bank have 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 grading;
- collateral type;
- date of initial recognition; and
- remaining term 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 techniques or significant assumptions made during the reporting period that have material impact to ECL.

Incorporation of forward-looking information

The Group and the Bank incorporate 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 Group and the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group and the Bank carry out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group and the Bank have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk measurement (continued)

Incorporation of forward-looking information (continued)

The economic scenarios used for the 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:-

Measurement variables - MEV change	2019 %	2018 %
Overnight Policy Rate ('OPR')	1.33	1.00
USD/MYR exchange rate	* N/A	0.70
Kuala Lumpur Composite Index ('KLCI')	* N/A	1.40
3 months KLIBOR	0.31	0.45
Housing price index	1.04	1.19
Unemployment rate	1.47	0.27
GDP of Malaysia	4.11	0.10
Malaysia Economic Indicator Leading Index	0.01	* N/A
Private consumption expenditure	4.23	* N/A
Base lending/financing rate	0.04	* N/A
Applied hire purchase	1.48	* N/A

*N/A: Not applicable as a results of change in model/risk parameters made during the financial year.

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

	2019		2018	
	RM'000 +	RM'000 -	RM'000 +	RM'000 -
The Group				
Impact on expected credit losses	(13,211)	14,244	835	1,150

	2019		2018	
	RM'000 +	RM'000 -	RM'000 +	RM'000 -
The Bank				
Impact on expected credit losses	(10,458)	11,279	1,181	172

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Significant Increase in Credit Risk Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

The Group and the Bank have 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 the 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 Group and the Bank conduct 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 Group Risk Management ('GRM') to ensure that credit decision-making is consistent with the Group and the Bank's overall credit risk appetite and strategy.

Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the guarantee was to be called upon. For loan commitments and other 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 financial investments at FVOCI, as well as non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) 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 statement of financial position as at reporting date, except for the followings:-

	The Group		The Bank	
	2019 Maximum credit risk exposure RM'000	2018 Maximum credit risk exposure RM'000	2019 Maximum credit risk exposure RM'000	2018 Maximum credit risk exposure RM'000
Credit risk exposures of on-balance sheet assets:-				
Cash and short-term funds *	4,351,333	6,064,780	2,063,387	2,302,115
Financial assets at FVTPL **	246,563	375,860	76,009	284,710
Financial investments at FVOCI #	12,265,009	15,049,325	6,216,026	8,995,006
Other assets @	123,117	99,839	34,006	30,944
	16,986,022	21,589,804	8,389,428	11,612,775
Credit risk exposure of off-balance sheet items:-				
Financial guarantees	556,462	613,796	445,758	415,834
Loan commitments and other credit related commitments	11,483,772	14,078,344	7,441,533	9,144,145
	12,040,234	14,692,140	7,887,291	9,559,979
Total maximum credit risk exposure	29,026,256	36,281,944	16,276,719	21,172,754

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

- * Cash in hand
- ** Investment in exchange traded fund, shares, unit trusts and REITs
- # Investment in unquoted shares, REITs and perpetual bonds
- @ Prepayment and foreclosed properties

Whilst the Group's 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 far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) 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:-

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Group										
2019										
Agriculture	-	-	-	-	61,713	-	1,572,573	-	1,634,286	230,518
Mining and quarrying	-	-	-	-	12,602	-	332,792	-	345,394	102,777
Manufacturing	-	-	-	714	114,871	4,220	2,522,804	234	2,642,843	1,939,702
Electricity, gas and water supply	-	-	-	-	620,384	-	559,096	724	1,180,204	106,002
Construction	-	-	-	-	632,698	-	1,977,958	23	2,610,679	2,284,990
Real estate	-	-	-	-	331,416	-	6,574,379	132	6,905,927	799,410
Transport, storage and communication	-	-	-	-	259,190	-	1,594,142	645	1,853,977	389,134
Finance, insurance and business services	963,775	-	94,288	163,588	1,345,732	140,846	2,215,828	274,283	5,198,340	598,527
Government and government agencies	3,387,558	-	137,243	-	7,160,052	-	796,229	17	11,481,099	1,314,358
Wholesale, retail trade, hotel and restaurants	-	-	15,032	566	746,077	-	3,370,507	306	4,132,488	1,605,834
Others	-	-	-	-	980,274	-	23,871,557	441,330	25,293,161	2,668,981
Total assets	4,351,333	-	246,563	164,868	12,265,009	145,066	45,387,865	717,694	63,278,398	12,040,233

^ Others include amount due from associate, joint ventures, trade receivables and other assets.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) 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.

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables (continued):-

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	^Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Group										
2018										
Agriculture	-	-	-	-	61,356	-	1,595,469	5	1,656,830	304,474
Mining and quarrying	-	-	-	-	12,402	-	424,456	-	436,858	239,694
Manufacturing	-	-	-	1,425	118,568	8,050	2,762,905	736	2,891,684	2,292,678
Electricity, gas and water supply	-	-	-	-	867,792	-	666,493	904	1,535,189	217,793
Construction	-	-	-	-	819,116	-	2,167,724	1,406	2,988,246	2,867,126
Real estate	-	-	-	-	273,761	-	7,774,441	169	8,048,371	1,062,546
Transport, storage and communication	-	-	-	-	453,121	-	1,651,095	716	2,104,932	445,199
Finance, insurance and business services	1,019,682	71,801	285,308	85,607	2,919,349	140,533	2,509,960	96,454	7,128,694	1,080,877
Government and government agencies	5,045,098	-	60,502	-	7,561,086	-	1,138,398	98	13,805,182	1,298,709
Wholesale, retail trade, hotel and restaurants	-	-	30,050	1,773	767,906	14,444	3,443,145	20	4,257,338	1,438,405
Others	-	-	-	-	1,194,868	-	24,257,926	457,994	25,910,788	3,444,639
Total assets	6,064,780	71,801	375,860	88,805	15,049,325	163,027	48,392,012	558,502	70,764,112	14,692,140

^ Others include amount due from associate, joint ventures, trade receivables and other assets.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) 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.

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables (continued):-

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment accounts due from designated financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Bank											
2019											
Agriculture	-	-	-	-	-	-	-	588,264	-	588,264	152,629
Mining and quarrying	-	-	-	-	-	-	-	37,334	-	37,334	23,287
Manufacturing	-	-	-	-	714	41,274	-	1,818,948	-	1,860,936	1,710,442
Electricity, gas and water supply	-	-	-	-	-	144,718	-	153,550	-	298,268	56,146
Construction	-	-	-	-	-	31,451	-	1,322,048	-	1,353,499	1,472,411
Real estate	-	-	-	-	-	91,982	-	4,395,624	-	4,487,606	576,507
Transport, storage and communication	-	-	-	-	-	31,537	-	1,201,535	-	1,233,072	334,378
Finance, insurance and business Services	254,302	41,368	1,912,415	60,977	117,008	1,666,289	100,499	1,790,194	-	5,943,052	489,948
Government and government agencies	1,809,085	-	-	-	-	3,583,660	-	30,605	-	5,423,350	680,296
Wholesale, retail trade, hotel and restaurants	-	-	-	15,032	503	604,918	-	2,765,831	-	3,386,284	1,384,481
Others	-	-	-	-	-	20,197	-	11,626,126	66,211	11,712,534	1,006,766
Total assets	2,063,387	41,368	1,912,415	76,009	118,225	6,216,026	100,499	25,730,059	66,211	36,324,199	7,887,291

^ Others include amount due from subsidiaries, associate and other assets.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) 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.

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables (continued):-

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment accounts due from designated financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	^ Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Bank											
2018											
Agriculture	-	-	-	-	-	-	-	623,684	-	623,684	185,763
Mining and quarrying	-	-	-	-	-	-	-	102,007	-	102,007	232,246
Manufacturing	-	-	-	-	1,425	40,268	-	1,890,339	-	1,932,032	2,010,679
Electricity, gas and water supply	-	-	-	-	-	164,446	-	138,723	-	303,169	32,889
Construction	-	-	-	-	-	36,137	-	1,515,952	-	1,552,089	2,057,260
Real estate	-	-	-	-	-	86,352	-	5,626,782	-	5,713,134	713,672
Transport, storage and communication	-	-	-	-	-	65,999	-	1,231,753	-	1,297,752	371,083
Finance, insurance and business services	462,558	113,610	2,366,711	254,660	59,678	3,440,371	100,202	1,895,828	-	8,693,618	904,725
Government and government agencies	1,839,557	-	-	-	-	4,478,971	-	75,281	-	6,393,809	635,211
Wholesale, retail trade, hotel and restaurants	-	-	-	30,050	728	616,991	14,444	2,769,463	-	3,431,676	1,258,067
Others	-	-	-	-	-	65,471	-	12,628,337	88,581	12,782,389	1,158,384
Total assets	2,302,115	113,610	2,366,711	284,710	61,831	8,995,006	114,646	28,498,149	88,581	42,825,359	9,559,979

^ Others include amount due from subsidiaries, associate and other assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Total loans, advances and financing – credit quality

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

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

Loans, advances and financing are classified impaired when they fulfill any of the following criteria:-

- the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;
- where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is 'unlikely to repay' its credit obligations; or
- the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System ('CCRIS').

Distribution of loans, advances and financing by credit quality

	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
The Group				
2019				
Neither past due nor impaired	40,620,629	1,377,505	–	41,998,134
Past due but not impaired	1,425,263	1,159,345	–	2,584,608
Impaired	–	–	1,379,152	1,379,152
Gross loans, advances and financing	42,045,892	2,536,850	1,379,152	45,961,894
Less: Expected credit losses	(139,326)	(94,359)	(340,344)	(574,029)
Net loans, advances and financing	41,906,566	2,442,491	1,038,808	45,387,865

	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
The Group				
2018				
Neither past due nor impaired	43,447,169	714,336	–	44,161,505
Past due but not impaired	2,007,678	1,213,724	–	3,221,402
Impaired	–	–	1,589,897	1,589,897
Gross loans, advances and financing	45,454,847	1,928,060	1,589,897	48,972,804
Less: Expected credit losses	(194,335)	(47,629)	(338,828)	(580,792)
Net loans, advances and financing	45,260,512	1,880,431	1,251,069	48,392,012

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Total loans, advances and financing – credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

	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
The Bank				
2019				
Neither past due nor impaired	23,045,190	999,390	–	24,044,580
Past due but not impaired	729,689	666,681	–	1,396,370
Impaired	–	–	673,058	673,058
Gross loans, advances and financing	23,774,879	1,666,071	673,058	26,114,008
Less: Expected credit losses	(86,276)	(76,512)	(221,161)	(383,949)
Net loans, advances and financing	23,688,603	1,589,559	451,897	25,730,059
The Bank				
2018				
Neither past due nor impaired	25,475,083	393,432	–	25,868,515
Past due but not impaired	1,298,189	795,141	–	2,093,330
Impaired	–	–	978,218	978,218
Gross loans, advances and financing	26,773,272	1,188,573	978,218	28,940,063
Less: Expected credit losses	(139,978)	(36,542)	(265,394)	(441,914)
Net loans, advances and financing	26,633,294	1,152,031	712,824	28,498,149

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group and the Bank's maximum exposure to credit risk on these assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Total loans, advances and financing – credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group and the Bank's maximum exposure to credit risk on these assets.

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2019				
Credit grade				
Satisfactory	19,039,193	514,110	1,622	19,554,925
Special mention	109,901	687,270	–	797,171
Default/impaired	–	–	885,800	885,800
Unrated	22,896,798	1,335,470	491,730	24,723,998
Gross loans, advances and financing	42,045,892	2,536,850	1,379,152	45,961,894
Less: Expected credit losses	(139,326)	(94,359)	(340,344)	(574,029)
Total net loans, advances and financing	41,906,566	2,442,491	1,038,808	45,387,865

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2018				
Credit grade				
Satisfactory	21,554,749	237,274	4,163	21,796,186
Special mention	533,262	345,624	300,487	1,179,373
Default/impaired	–	–	903,422	903,422
Unrated	23,366,836	1,345,162	381,825	25,093,823
Gross loans, advances and financing	45,454,847	1,928,060	1,589,897	48,972,804
Less: Expected credit losses	(194,335)	(47,629)	(338,828)	(580,792)
Total net loans, advances and financing	45,260,512	1,880,431	1,251,069	48,392,012

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Total loans, advances and financing – credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group and the Bank's maximum exposure to credit risk on these assets (continued):-

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2019				
Credit grade				
Satisfactory	12,181,693	390,402	1,622	12,573,717
Special mention	2,479	548,828	–	551,307
Default/impaired	–	–	444,156	444,156
Unrated	11,590,707	726,841	227,280	12,544,828
Gross loans, advances and financing	23,774,879	1,666,071	673,058	26,114,008
Less: Expected credit losses	(86,276)	(76,512)	(221,161)	(383,949)
Total net loans, advances and financing	23,688,603	1,589,559	451,897	25,730,059

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2018				
Credit grade				
Satisfactory	14,094,124	175,781	3,759	14,273,664
Special mention	34,633	164,440	63,376	262,449
Default/impaired	–	–	665,650	665,650
Unrated	12,644,515	848,352	245,433	13,738,300
Gross loans, advances and financing	26,773,272	1,188,573	978,218	28,940,063
Less: Expected credit losses	(139,978)	(36,542)	(265,394)	(441,914)
Total net loans, advances and financing	26,633,294	1,152,031	712,824	28,498,149

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating:-

	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
The Group				
2019				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	3,387,558	-	-	3,387,558
AAA	524,404	-	-	524,404
AA- to AA+	218,323	-	-	218,323
A- to A+	123,923	-	-	123,923
Lower than A-	79,309	-	-	79,309
Unrated	17,839	-	-	17,839
Expected credit losses	(23)	-	-	(23)
	4,351,333	-	-	4,351,333
Financial assets at FVTPL				
Sovereigns	137,242	-	-	137,242
AAA	61,991	-	-	61,991
AA- to AA+	861	-	-	861
A- to A+	14,464	-	-	14,464
Lower than A-	11,116	-	-	11,116
Unrated	20,889	-	-	20,889
	246,563	-	-	246,563
Derivative financial assets				
AAA	98,839	-	-	98,839
AA- to AA+	35,809	-	-	35,809
A- to A+	14,755	-	-	14,755
Lower than A-	5,929	-	-	5,929
Unrated	9,536	-	-	9,536
	164,868	-	-	164,868

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Group				
2019				
Financial investments at FVOCI				
Sovereigns	8,968,618	-	-	8,968,618
AAA	1,384,410	-	-	1,384,410
AA- to AA+	576,711	57,905	-	634,616
A- to A+	172,969	-	-	172,969
Lower than A-	40,635	14,782	-	55,417
Unrated	1,044,463	-	4,516	1,048,979
	12,187,806	72,687	4,516	12,265,009
Financial investments at AC				
Unrated	141,119	-	-	141,119
Impaired	-	-	15,000	15,000
Expected credit losses	(273)	-	(10,780)	(11,053)
	140,846	-	4,220	145,066

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Group				
2018				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	5,045,098	–	–	5,045,098
AAA	272,737	–	–	272,737
AA- to AA+	413,331	–	–	413,331
A- to A+	231,732	–	–	231,732
Lower than A-	89,329	–	–	89,329
Unrated	84,415	–	–	84,415
Expected credit losses	(61)	–	–	(61)
	6,136,581	–	–	6,136,581
Financial assets at FVTPL				
Sovereigns	60,502	–	–	60,502
AAA	265,662	–	–	265,662
AA- to AA+	204	–	–	204
A- to A+	8,867	–	–	8,867
Lower than A-	8,910	–	–	8,910
Unrated	31,715	–	–	31,715
	375,860	–	–	375,860
Derivative financial assets				
AAA	30,493	–	–	30,493
AA- to AA+	17,348	–	–	17,348
A- to A+	5,751	–	–	5,751
Lower than A-	3,797	–	–	3,797
Unrated	31,416	–	–	31,416
	88,805	–	–	88,805

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Group				
2018				
Financial investments at FVOCI				
Sovereigns	9,904,511	-	-	9,904,511
AAA	2,297,287	-	-	2,297,287
AA- to AA+	1,539,732	73,595	-	1,613,327
A- to A+	142,547	-	-	142,547
Lower than A-	37,862	-	-	37,862
Unrated	1,027,251	-	26,540	1,053,791
	14,949,190	73,595	26,540	15,049,325
Financial investments at AC				
Unrated	141,111	-	-	141,111
Impaired	-	-	34,439	34,439
Expected credit losses	(578)	-	(11,945)	(12,523)
	140,533	-	22,494	163,027

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Bank				
2019				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	1,809,085	-	-	1,809,085
AAA	2,095	-	-	2,095
AA- to AA+	74,023	-	-	74,023
A- to A+	192,188	-	-	192,188
Lower than A-	27,416	-	-	27,416
Expected credit losses	(52)	-	-	(52)
	2,104,755	-	-	2,104,755
Investment accounts due from designated financial institution				
Unrated	1,912,516	-	-	1,912,516
Expected credit losses	(101)	-	-	(101)
	1,912,415	-	-	1,912,415
Financial assets at FVTPL				
AAA	60,977	-	-	60,977
Unrated	15,032	-	-	15,032
	76,009	-	-	76,009
Derivative financial assets				
AAA	60,521	-	-	60,521
AA- to AA+	37,301	-	-	37,301
A- to A+	13,246	-	-	13,246
Lower than A-	5,929	-	-	5,929
Unrated	1,228	-	-	1,228
	118,225	-	-	118,225

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Bank				
2019				
Financial investments at FVOCI				
Sovereigns	3,583,660	-	-	3,583,660
AAA	412,251	-	-	412,251
AA- to AA+	1,306,029	-	-	1,306,029
A- to A+	109,188	-	-	109,188
Lower than A-	40,635	14,782	-	55,417
Unrated	749,481	-	-	749,481
	6,201,244	14,782	-	6,216,026
Financial investments at AC				
Unrated	100,622	-	-	100,622
Impaired	-	-	-	-
Expected credit losses	(123)	-	-	(123)
	100,499	-	-	100,499

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Bank				
2018				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	1,839,557	–	–	1,839,557
AAA	264,123	–	–	264,123
AA- to AA+	70,345	–	–	70,345
A- to A+	205,909	–	–	205,909
Lower than A-	35,871	–	–	35,871
Expected credit losses	(80)	–	–	(80)
	2,415,725	–	–	2,415,725
Investment accounts due from designated financial institution				
Unrated	2,366,784	–	–	2,366,784
Expected credit losses	(73)	–	–	(73)
	2,366,711	–	–	2,366,711
Financial assets at FVTPL				
AAA	254,660	–	–	254,660
Unrated	30,050	–	–	30,050
	284,710	–	–	284,710
Derivative financial assets				
AAA	18,971	–	–	18,971
AA- to AA+	15,972	–	–	15,972
A- to A+	4,101	–	–	4,101
Lower than A-	3,471	–	–	3,471
Unrated	19,316	–	–	19,316
	61,831	–	–	61,831

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):-

	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
The Bank				
2018				
Financial investments at FVOCI				
Sovereigns	4,478,971	-	-	4,478,971
AAA	1,215,121	-	-	1,215,121
AA- to AA+	1,759,287	-	-	1,759,287
A- to A+	695,539	-	-	695,539
Lower than A-	37,862	-	-	37,862
Unrated	808,226	-	-	808,226
	8,995,006	-	-	8,995,006
Financial investments at AC				
Unrated	100,614	-	-	100,614
Impaired	-	-	19,439	19,439
Expected credit losses	(412)	-	(4,995)	(5,407)
	100,202	-	14,444	114,646

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Other financial assets - credit quality

Other financial assets of the Group and the Bank are neither past due nor impaired are summarised as below:-

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
The Group			
2019			
Trade receivables	534,387	1	534,388
Other assets	123,083	34	123,117
Amount due from associates	31,787	–	31,787

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
The Group			
2018			
Trade receivables	369,641	10	369,651
Other assets	99,836	3	99,839
Amount due from associates	57,717	–	57,717

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Other financial assets - credit quality (continued)

Other financial assets of the Group and the Bank are neither past due nor impaired are summarised as below (continued):-

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
The Bank			
2019			
Other assets	34,006	–	34,006
Amount due from subsidiaries	1,318	–	1,318
Amount due from associate	30,887	–	30,887

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
The Bank			
2018			
Other assets	30,944	–	30,944
Amount due from subsidiaries	420	–	420
Amount due from associate	57,217	–	57,217

	Lifetime ECL credit impaired	
	2019 RM'000	2018 RM'000
The Group		
<u>Impaired</u>		
Amount due from joint ventures	57,140	55,343
Allowance for impairment	(28,738)	(24,048)
	28,402	31,295

Other financial assets that are past due but not impaired or impaired are not significant.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Other financial assets - credit quality (continued)

Loans/Financing commitments and financial guarantees below represent the ECL being recognised.

	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
The Group				
2019				
Loans/Financing commitments and financial guarantees				
Satisfactory	12,803	694	–	13,497
Special mention	2	–	–	2
Default/impaired	–	–	16,111	16,111
	12,805	694	16,111	29,610

	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
The Group				
2018				
Loans/Financing commitments and financial guarantees				
Satisfactory	22,677	3,422	–	26,099
Special mention	4	–	–	4
Default/impaired	–	–	1,351	1,351
	22,681	3,422	1,351	27,454

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(i) Credit risk (continued)

Other financial assets - credit quality (continued)

Loans/Financing commitments and financial guarantees below represent the ECL being recognised. (continued)

	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
The Bank				
2019				
Loans/Financing commitments and financial guarantees				
Satisfactory	7,539	492	–	8,031
Default/impaired	–	–	498	498
	7,539	492	498	8,529

	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
The Bank				
2018				
Loans/Financing commitments and financial guarantees				
Satisfactory	13,089	1,713	–	14,802
Special mention	4	–	–	4
Default/impaired	–	–	481	481
	13,093	1,713	481	15,287

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's exposure to market risk results largely from interest/profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which are supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macro-economic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and Value-at-Risk ('VaR') risk parameters.

Interest/profit rate risk is quantified by analysing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ('EaR') or Net Interest/Profit Income simulation is conducted to assess the variation in short-term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on Economic Value of Equity ('EVE'), also known as Economic Value-at-Risk ('EVAR'). Thresholds are set for EaR and EVaR as management triggers.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

Risk Management Policies and Procedures

Risk management policies and procedures are reviewed and updated to ensure relevance to current business needs as well as current/applicable regulatory requirements such as BNM's policy documents on:-

1. Managing Unauthorised Trading & Market Manipulation;
2. Code of Conduct for Malaysia Wholesale Financial Markets; and
3. Principles for a Fair and Effective Financial Market for Malaysian Financial Market.

Value-at-Risk ('VaR')

VaR estimates the potential loss of a Trading portfolio from adverse market price movements which may occur over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in interest/profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR results is conducted to validate and reassess the accuracy of the risk measurement systems.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk

Other risk measures

- Mark-to-market valuation tracks the current market value of the outstanding financial instruments.
- Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values primarily arising from extreme movements in interest/profit rates and foreign exchange rates based on past experiences and simulated stress scenarios.

Interest/profit rate sensitivity

The table below shows the interest/profit sensitivity for the financial assets and financial liabilities held as at reporting date.

Impact on profit after tax is measured using Repricing Gap Simulation methodology based on 100 basis point parallel shifts in interest/profit rate.

Impact on equity represents the changes in fair value of fixed income instruments held in financial investments at FVOCI portfolio arising from the shifts in interest/profit rate.

	2019		2018	
	+100 basis point RM million	-100 basis point RM million	+100 basis point RM million	-100 basis point RM million
The Group				
Impact on profit after taxation	34.6	(34.6)	(18.2)	18.2
Impact on equity	(120.2)	162.4	(160.4)	185.0

	2019		2018	
	+100 basis point RM million	-100 basis point RM million	+100 basis point RM million	-100 basis point RM million
The Bank				
Impact on profit after taxation	26.8	(26.8)	(24.2)	24.2
Impact on equity	(240.8)	266.6	(264.3)	281.2

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposure to assess the impact of a 1% change in exchange rate to the profit after taxation.

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
+1%				
Euro	681	2,156	731	2,629
United States Dollar	46,117	43,720	43,525	38,448
Great Britain Pound	24	41	24	39
Australian Dollar	176	208	132	136
New Zealand Dollar	2	4	1	3
Japanese Yen	7	175	5	83
Others	1,316	2,210	311	719
	48,323	48,514	44,729	42,057
-1%				
Euro	(681)	(2,156)	(731)	(2,629)
United States Dollar	(46,117)	(43,720)	(43,525)	(38,448)
Great Britain Pound	(24)	(41)	(24)	(39)
Australian Dollar	(176)	(208)	(132)	(136)
New Zealand Dollar	(2)	(4)	(1)	(3)
Japanese Yen	(7)	(175)	(5)	(83)
Others	(1,316)	(2,210)	(311)	(719)
	(48,323)	(48,514)	(44,729)	(42,057)

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. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following 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's financial instruments at carrying amounts, categorised by currency.

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Group								
2019								
Assets								
Short-term funds	-	247,346	-	7,665	333	539	18,615	274,498
Financial assets at FVTPL	-	72,167	-	-	-	-	129	72,296
Derivative financial assets	750	58	59	938	9	4	484	2,302
Financial investments at FVOCI	-	135,979	-	-	-	-	125,156	261,135
Loans, advances and financing	6,267	619,607	-	-	-	-	189	626,063
Trade receivables	-	11,575	-	10,317	-	-	12,166	34,058
Other assets	-	22,289	-	-	-	-	587	22,876
Total financial assets	7,017	1,109,021	59	18,920	342	543	157,326	1,293,228
Liabilities								
Deposits from customers	60,316	448,350	6,153	4,759	536	150	29,902	550,166
Deposits and placements of banks and other financial institutions	-	242,045	-	30,538	-	-	18,320	290,903
Derivative financial liabilities	168	84,478	-	8	-	-	571	85,225
Trade payables	-	8,853	-	11,393	-	-	13,383	33,629
Other liabilities	31	147,930	68	692	6	-	1,407	150,134
Total financial liabilities	60,515	931,656	6,221	47,390	542	150	63,583	1,110,057
Net on-balance sheet financial position	(53,498)	177,365	(6,162)	(28,470)	(200)	393	93,743	183,171
Off balance sheet commitments	143,115	5,890,632	9,285	51,603	411	535	79,422	6,175,003

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following 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's financial instruments at carrying amounts, categorised by currency (continued):

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Group								
2018								
Assets								
Short-term funds	601	465,021	3,714	11,703	266	(208)	17,732	498,829
Deposits and placements with banks and other financial institutions	-	-	-	56,484	-	-	15,317	71,801
Financial assets at FVTPL	-	62,597	-	122	-	-	477	63,196
Derivative financial assets	769	20,853	19	5	-	93	501	22,240
Financial investments at FVOCI	115,642	109,447	-	-	-	-	246,313	471,402
Loans, advances and financing	-	616,025	-	-	-	-	-	616,025
Trade receivables	-	6,974	-	5,343	-	-	66,148	78,465
Other assets	-	1,674	-	-	-	-	-	1,674
Total financial assets	117,012	1,282,591	3,733	73,657	266	(115)	346,488	1,823,632
Liabilities								
Deposits from customers	175,462	244,704	5,202	6,292	607	155	30,955	463,377
Deposits and placements of banks and other financial institutions	-	303,753	-	50,629	-	-	73,863	428,245
Derivative financial liabilities	622	16,657	7	77	14	-	915	18,292
Trade payables	-	22,474	-	6,567	-	-	65,195	94,236
Other liabilities	44	124,584	55	460	11	-	527	125,681
Total financial liabilities	176,128	712,172	5,264	64,025	632	155	171,455	1,129,831
Net on-balance sheet financial position	(59,116)	570,419	(1,531)	9,632	(366)	(270)	175,033	693,801
Off balance sheet commitments	342,854	5,182,194	6,898	17,800	852	23,246	115,765	5,689,609

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following 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's financial instruments at carrying amounts, categorised by currency (continued).

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Bank								
2019								
Assets								
Short-term funds	-	247,511	-	142	291	306	2,247	250,497
Deposits and placements with banks and other financial institutions	-	41,367	-	-	-	-	-	41,367
Investment accounts due from designated financial institution	-	248,686	-	-	-	-	-	248,686
Derivative financial assets	774	20	59	938	9	4	484	2,288
Financial investments at FVOCI	-	102,080	-	-	-	-	31,167	133,247
Loans, advances and financing	6,267	299,935	-	-	-	-	189	306,391
Other assets	-	1,591	-	-	-	-	-	1,591
Total financial assets	7,041	941,190	59	1,080	300	310	34,087	984,067
Liabilities								
Deposits from customers	56,016	320,870	6,152	4,755	536	150	29,783	418,262
Deposits and placements of banks and other financial institutions	-	43,208	-	30,538	-	-	18,320	92,066
Derivative financial liabilities	168	84,699	-	8	-	-	571	85,446
Other liabilities	31	2,116	68	1	6	-	-	2,222
Total financial liabilities	56,215	450,893	6,220	35,302	542	150	48,674	597,996
Net on-balance sheet financial position	(49,174)	490,297	(6,161)	(34,222)	(242)	160	(14,587)	386,071
Off balance sheet commitments	145,420	5,236,675	9,285	51,541	411	535	55,453	5,499,320

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following 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's financial instruments at carrying amounts, categorised by currency (continued):

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Bank								
2018								
Assets								
Short-term funds	121	432,310	3,457	523	223	(387)	6,557	442,804
Deposits and placements with banks and other financial institutions	-	41,809	-	56,484	-	-	15,317	113,610
Investment accounts due from designated financial institution	-	277,562	-	-	-	-	-	277,562
Derivative financial assets	1,087	20,869	19	5	-	93	501	22,574
Financial investments at FVOCI	115,642	76,893	-	-	-	-	86,441	278,976
Loans, advances and financing	-	255,905	-	-	-	-	-	255,905
Other assets	-	1,609	-	-	-	-	-	1,609
Total financial assets	116,850	1,106,957	3,476	57,012	223	(294)	108,816	1,393,040
Liabilities								
Deposits from customers	136,558	218,135	5,183	6,238	607	150	30,836	397,707
Deposits and placements of banks and other financial institutions	-	262,315	-	50,629	-	-	73,863	386,807
Derivative financial liabilities	628	17,296	7	77	14	-	915	18,937
Other liabilities	44	2,492	55	-	11	-	-	2,602
Total financial liabilities	137,230	500,238	5,245	56,944	632	150	105,614	806,053
Net on-balance sheet financial position	(20,380)	606,719	(1,769)	68	(409)	(444)	3,202	586,987
Off balance sheet commitments	366,324	4,452,237	6,898	17,800	852	11,409	91,445	4,946,965

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk

Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of interest/profit rate risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:-

1. Next 12 months' Earnings - Interest/profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.
2. Economic Value - Measuring the change in the EVE is an assessment of the long-term impact to the Group and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long-term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

Interest/profit rate risk thresholds are established in line with the Group and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date.

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Group								
2019								
Assets								
Cash and short-term funds	4,090,595	-	-	-	-	514,762	-	4,605,357
Financial assets at FVTPL	-	-	15,000	-	154,648	200,648	291,836	662,132
Derivative financial assets	-	-	-	-	-	-	164,868	164,868
Financial investments at FVOCI	25,032	54,978	588,814	3,838,799	7,663,621	325,602	-	12,496,846
Financial investments at AC	703	-	844	142,523	-	996	-	145,066
Loans, advances and financing								
- non-impaired	23,618,524	3,530,875	2,549,615	10,078,485	4,805,243	(233,685)	-	44,349,057
- impaired	-	-	-	-	-	1,038,808	-	1,038,808
Others ⁽¹⁾	33	-	-	-	-	736,677	-	736,710
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,534,777	-	1,534,777
Total assets	27,734,887	3,585,853	3,154,273	14,059,807	12,623,512	4,118,585	456,704	65,733,621

[^] The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

[#] Net of ECL for impaired loans, advances and financing.

⁽¹⁾ Others include other assets, amount due from joint ventures and associate and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Group								
2019								
Liabilities								
Deposits from customers	14,550,271	5,742,460	25,167,302	2,192,113	-	3,436,816	-	51,088,962
Investment accounts of customers and placements of banks and other financial institutions	-	-	436	1,003	-	8	-	1,447
Derivative financial liabilities	1,324,858	420,983	14,046	-	-	3,365	-	1,763,252
Bills and acceptances payable	-	-	-	-	-	-	186,791	186,791
Lease liabilities	1,254	1,307	11,126	44,963	-	-	-	32,903
Borrowings	-	-	-	-	3,548,213	58,930	-	3,607,143
Other liabilities ⁽²⁾	2,830	-	-	-	-	2,183,570	-	2,186,400
Total liabilities	15,879,213	6,164,750	25,192,910	2,238,079	3,548,213	5,715,592	186,791	58,925,548
Net interest/profit sensitivity gap	11,855,674	(2,578,897)	(22,038,637)	11,821,728	9,075,299			

⁽²⁾ Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Group								
2018								
Assets								
Cash and short-term funds	5,501,861	-	-	-	-	829,937	-	6,331,798
Deposits and placements with banks and other financial institutions	-	71,749	-	-	-	52	-	71,801
Financial assets at FVTPL	-	-	-	158,083	232,616	122,123	93,640	606,462
Derivative financial assets	-	-	-	-	-	-	88,805	88,805
Financial investments at FVOCI	200,041	757,685	958,050	6,181,959	6,860,238	403,785	-	15,361,758
Financial investments at AC	-	-	1,330	146,512	-	15,185	-	163,027
Loans, advances and financing								
- non-impaired	23,173,220	2,878,636	4,076,465	11,312,788	5,941,798	(247,538) ^	-	47,135,369
- impaired	-	-	-	-	-	1,256,643 #	-	1,256,643
Commodity Gold at FVTPL	-	-	-	-	-	42,733	-	42,733
Others (1)	1,302	7	19	14	57,176	512,978	-	571,496
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,946,669	-	1,946,669
Total assets	28,876,424	3,708,077	5,035,864	17,799,356	13,091,828	4,882,567	182,445	73,576,561

^ The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of ECL for impaired loans, advances and financing.

(1) Others include other assets, amount due from joint ventures and associate and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Group								
2018								
Liabilities								
Deposits from customers	15,054,688	10,824,717	24,210,336	3,912,057	-	3,344,649	-	57,346,447
Investment accounts of customers	-	-	-	870	-	5	-	875
Deposits and placements of banks and other financial institutions	2,607,476	1,592,549	617,773	-	-	29,114	-	4,846,912
Obligation on securities sold under repurchase agreements	142,186	-	-	-	-	291	-	142,477
Derivative financial liabilities	-	-	-	-	-	-	113,132	113,132
Bills and acceptances payable	-	-	-	-	-	32,585	-	32,585
Borrowings	-	-	-	-	3,000,000	53,812	-	3,053,812
Other liabilities ⁽²⁾	29	-	-	-	-	1,683,093	-	1,683,122
Total liabilities	17,804,379	12,417,266	24,828,109	3,912,927	3,000,000	5,143,549	113,132	67,219,362
Net interest/profit sensitivity gap	11,072,045	(8,709,189)	(19,792,245)	13,886,429	10,091,828			

⁽²⁾ Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Bank								
2019								
Assets								
Cash and short-term funds	1,821,005	-	-	-	-	-	-	2,317,369
Deposits and placements with banks and other financial institutions	-	41,368	-	-	-	-	-	41,368
Investment accounts due from designated financial institutions	-	92,380	831	409,232	1,410,073	(101)	-	1,912,415
Financial assets at FVTPL	-	-	15,000	-	154,648	568	-	170,216
Derivative financial assets	-	-	-	-	-	-	118,225	118,225
Financial investments at FVOCI	5,001	49,968	176,569	3,035,404	2,882,472	224,430	-	6,373,844
Financial investments at AC	-	-	-	100,000	-	499	-	100,499
Loans, advances and financing	11,986,916	2,688,042	1,716,739	6,490,945	2,558,308	(162,787)	-	25,278,163
- non-impaired	-	-	-	-	-	451,896	-	451,896
- impaired	-	-	-	-	-	80,144	-	80,144
Others ⁽¹⁾	-	-	-	-	-	857,377	-	857,377
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Total assets	13,812,922	2,871,758	1,909,139	10,035,581	7,005,501	1,948,390	118,225	37,701,516

[^] The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

[#] Net of ECL for impaired loans, advances and financing.

⁽¹⁾ Others include other assets and amount due from associate and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Bank								
2019								
Liabilities								
Deposits from customers	7,281,310	2,963,426	15,227,118	1,501,768	-	3,161,628	-	30,135,250
Deposits and placements of banks and other financial institutions	585,867	39,123	20,000	-	-	1,095	-	646,085
Derivative financial liabilities	-	-	-	-	-	-	136,439	136,439
Bills and acceptances payable	-	-	-	-	-	32,903	-	32,903
Borrowings	-	-	-	-	2,500,000	48,379	-	2,548,379
Lease liabilities	462	119	5,882	37,756	-	-	-	44,219
Other liabilities	-	-	-	-	-	418,548	-	418,548
Amount due to subsidiaries	-	-	-	-	-	55,899	-	55,899
Total liabilities	7,867,639	3,002,668	15,253,000	1,539,524	2,500,000	3,718,452	136,439	34,017,722
Net interest sensitivity gap	5,945,283	(130,910)	(13,343,861)	8,496,057	4,505,501			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Bank								
2018								
Assets								
Cash and short-term funds	2,094,104	-	-	-	-	474,899	-	2,569,003
Deposits and placements with banks and other financial institutions	-	113,565	-	-	-	45	-	113,610
Investment accounts due from designated financial institutions	480,089	744,144	171,221	41,606	921,296	8,355	-	2,366,711
Financial assets at FVTPL	-	-	-	148,140	221,918	3,580	-	373,638
Derivative financial assets	-	-	-	-	-	-	61,831	61,831
Financial investments at FVOCI	160,015	614,943	598,732	3,885,151	3,642,843	242,823	-	9,144,507
Financial investments at AC	-	-	-	100,000	-	14,646	-	114,646
Loans, advances and financing								
- non-impaired	12,328,005	1,904,591	3,160,315	7,530,769	3,038,165	(176,520) ^	-	27,785,325
- impaired	-	-	-	-	-	712,824 #	-	712,824
Others (1)	-	-	-	-	57,176	39,706	-	96,882
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,238,069	-	1,238,069
Total assets	15,062,213	3,377,243	3,930,268	11,705,666	7,881,398	2,558,427	61,831	44,577,046

^ The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of ECL for impaired loans, advances and financing.

(1) Others include other assets and amount due from associate and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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/ profit sensitive RM'000		
The Bank								
2018								
Liabilities								
Deposits from customers	8,625,792	6,358,759	13,419,316	2,065,597	-	3,091,755	-	33,561,219
Deposits and placements of banks and other financial institutions	2,067,481	1,587,049	617,773	-	-	28,545	-	4,300,848
Derivative financial liabilities	-	-	-	-	-	-	85,660	85,660
Bills and acceptances payable	-	-	-	-	-	32,585	-	32,585
Borrowings	-	-	-	-	2,500,000	48,379	-	2,548,379
Other liabilities	-	-	-	-	-	571,575	-	571,575
Amount due to subsidiaries	-	-	-	-	-	109,399	-	109,399
Total liabilities	10,693,273	7,945,808	14,037,089	2,065,597	2,500,000	3,882,238	85,660	41,209,665
Net interest sensitivity gap	4,368,940	(4,568,565)	(10,106,821)	9,640,069	5,381,398			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Group and the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group and the Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

The Group and the Bank's short-term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') final standards. The LCR is a quantitative requirement which seeks to ensure that the Group and the Bank holds sufficient High Quality Liquid Assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long-term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Group and the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Group and the Bank also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group and the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Group and the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management and Compliance Committee ('GBRMCC') is responsible for the Group and the Bank's liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO'). The Liquidity Management Committee ('LMC'), which is a sub-committee of GALCO, augments the functions of GALCO by directing its focus specifically to liquidity issues. The GBRMCC is informed regularly on the liquidity position of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows

The table below provides analysis of cash flows 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 table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

	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						
2019						
Deposits from customers	17,503,162	5,936,882	26,347,007	2,503,915	-	52,290,966
Investment accounts of customers	8	16	502	1,035	-	1,561
Deposits and placements of banks and other financial institutions	1,379,066	365,205	22,896	-	-	1,767,167
Bills and acceptances payable	32,903	-	-	-	-	32,903
Trade payables	787,563	-	-	-	-	787,563
Lease liabilities	3,123	5,806	22,967	29,645	-	61,541
Other liabilities	181,188	38,578	859,902	173,457	15,043	1,268,168
Borrowings	14,692	52,659	121,723	1,508,554	3,189,017	4,886,645
	19,901,705	6,399,146	27,374,997	4,216,606	3,204,060	61,096,514

	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						
2018						
Deposits from customers	18,968,529	11,067,333	24,865,880	3,585,996	-	58,487,738
Investment accounts of customers	5	10	47	922	-	984
Deposits and placements of banks and other financial institutions	2,657,223	1,577,412	634,348	-	-	4,868,983
Obligation on securities sold under repurchase agreements	142,607	-	-	-	-	142,607
Bills and acceptances payable	32,585	-	-	-	-	32,585
Trade payables	600,974	-	-	-	-	600,974
Other liabilities	153,997	39,685	537,753	188,574	27,576	947,585
Borrowings	14,699	52,417	91,877	643,887	3,443,044	4,245,924
	22,570,619	12,736,857	26,129,905	4,419,379	3,470,620	69,327,380

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for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued)

	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 Bank						
2019						
Deposits from customers	10,176,943	3,078,052	15,948,267	1,609,752	-	30,813,014
Deposits and placements of banks and other financial institutions	586,371	39,426	20,810	-	-	646,607
Bills and acceptances payable	32,903	-	-	-	-	32,903
Lease liabilities	2,175	4,320	17,204	22,528	-	46,227
Other liabilities	-	-	329,390	19,373	8,528	357,291
Amount due to subsidiaries	55,899	-	-	-	-	55,899
Borrowings	14,692	52,659	66,809	1,006,167	2,287,413	3,427,740
	10,868,983	3,174,457	16,382,480	2,657,820	2,295,941	35,379,681

	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 Bank						
2018						
Deposits from customers	11,465,945	6,507,386	13,967,131	2,206,874	-	34,147,336
Deposits and placements of banks and other financial institutions	2,081,289	1,606,594	634,348	-	-	4,322,231
Bills and acceptances payable	32,585	-	-	-	-	32,585
Other liabilities	7,874	-	357,475	128,157	15,287	508,793
Amount due to subsidiaries	109,399	-	-	-	-	109,399
Borrowings	14,699	52,417	66,763	535,567	2,892,461	3,561,907
	13,711,791	8,166,397	15,025,717	2,870,598	2,907,748	42,682,251

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for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Derivative financial liabilities

Derivative financial liabilities based on contractual undiscounted cash flows:-

	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						
2019						
<u>Derivatives settled on net basis</u>						
Interest rate derivatives	(852)	(1,647)	(8,294)	(23,161)	(261)	(34,215)
<u>Derivatives settled on gross basis</u>						
Foreign exchange derivatives:-						
Outflow	(2,086,132)	(2,564,918)	(2,409,830)	(559,135)	-	(7,620,015)
Inflow	2,079,981	2,555,589	2,373,497	543,740	-	7,552,807
	(6,151)	(9,329)	(36,333)	(15,395)	-	(67,208)
The Group						
2018						
<u>Derivatives settled on net basis</u>						
Interest rate derivatives	(277)	(787)	(2,800)	(8,379)	(1,244)	(13,487)
<u>Derivatives settled on gross basis</u>						
Foreign exchange derivatives:-						
Outflow	(1,739,069)	(2,661,206)	(2,128,068)	(16,404)	-	(6,544,747)
Inflow	1,731,071	2,658,898	2,123,474	236,262	-	6,749,705
	(7,998)	(2,308)	(4,594)	219,858	-	204,958

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Derivative financial liabilities (continued)

Derivative financial liabilities based on contractual undiscounted cash flows (continued):-

	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 Bank						
2019						
<u>Derivatives settled on net basis</u>						
Interest rate derivatives	(443)	(749)	(3,367)	(11,955)	(261)	(16,775)
<u>Derivatives settled on gross basis</u>						
Foreign exchange derivatives:-						
Outflow	(1,269,738)	(1,851,521)	(1,755,030)	(209,939)	-	(5,086,228)
Inflow	1,270,216	1,851,687	1,729,891	214,607	-	5,066,401
	478	166	(25,139)	4,668	-	(19,827)
The Bank						
2018						
<u>Derivatives settled on net basis</u>						
Interest rate derivatives	(230)	(522)	(1,774)	(7,708)	(1,244)	(11,478)
<u>Derivatives settled on gross basis</u>						
Foreign exchange derivatives:-						
Outflow	(714,413)	(2,066,823)	(1,625,967)	127,396	-	(4,279,807)
Inflow	714,726	2,068,320	1,629,794	98,702	-	4,511,542
	313	1,497	3,827	226,098	-	231,735

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

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 Group and the Bank.

The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities.

	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
The Group							
2019							
Assets							
Cash and short-term funds	4,605,357	-	-	-	-	-	4,605,357
Financial assets at FVTPL	-	2,173	17,497	68,187	158,706	415,569	662,132
Derivative financial assets	24,551	60,230	37,764	36,280	6,043	-	164,868
Financial investments at FVOCI	35,844	109,232	617,438	3,854,821	7,698,630	180,881	12,496,846
Financial investments at AC	703	-	499	143,864	-	-	145,066
Loans, advances and financing	3,328,334	1,786,028	1,492,217	9,821,524	27,920,954	1,038,808	45,387,865
Trade receivables	534,388	-	-	-	-	-	534,388
Other assets	94,000	229	22,282	17,105	1,140	25,194	159,950
Amount due from joint ventures	28,402	-	-	-	-	-	28,402
Amount due from associate	900	11	-	-	30,876	-	31,787
Statutory deposits with Bank Negara Malaysia	1,534,777	-	-	-	-	-	1,534,777
Other non-financial assets ⁽¹⁾	14,038	117	21,806	37,250	-	2,516,613	2,589,824
	10,201,294	1,958,020	2,209,503	13,979,031	36,816,349	4,177,065	68,341,262

(1) Other non-financial assets include tax recoverable, deferred tax assets, investment in joint ventures, investment in associates, property and equipment, right-of-use assets and intangibles assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Group							
2019							
Liabilities							
Deposits from customers	17,471,093	5,857,417	25,540,509	2,219,943	-	-	51,088,962
Investment accounts of customers	-	-	439	1,008	-	-	1,447
Deposits and placements of banks and other financial institutions	1,326,780	421,678	14,794	-	-	-	1,763,252
Derivative financial liabilities	28,461	52,231	65,928	38,008	2,163	-	186,791
Bills and acceptances payable	32,903	-	-	-	-	-	32,903
Trade payables	787,563	-	-	-	-	-	787,563
Lease liabilities	2,164	1,307	11,059	44,055	65	-	58,650
Other liabilities	181,188	38,578	859,902	173,457	15,043	-	1,268,168
Borrowings	12,235	36,144	10,551	-	2,748,213	800,000	3,607,143
Other non-financial liabilities ⁽²⁾	133,273	-	-	-	-	16,517	149,790
	19,975,660	6,407,355	26,503,182	2,476,471	2,765,484	816,517	58,944,669
Net liquidity gap	(9,774,366)	(4,449,335)	(24,293,679)	11,502,560	33,050,865	3,360,548	

⁽²⁾ Other non-financial liabilities include deferred tax liabilities, provision for taxation, defined contribution plan and accrued employee benefits.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Group							
2018							
Assets							
Cash and short-term funds	6,331,798	-	-	-	-	-	6,331,798
Deposits and placements with banks and other financial institutions	-	71,801	-	-	-	-	71,801
Financial assets at FVTPL	1,285	727	1,576	228,585	113,688	260,601	606,462
Derivative financial assets	30,300	26,681	16,979	8,803	6,042	-	88,805
Financial investments at FVOCI	228,192	817,447	645,603	5,446,684	7,911,399	312,433	15,361,758
Financial investments at AC	14,444	-	1,954	146,629	-	-	163,027
Loans, advances and financing	3,674,905	1,945,475	1,735,631	9,700,401	30,076,394	1,259,206	48,392,012
Trade receivables	369,145	469	37	-	-	-	369,651
Other assets	76,269	470	13,967	16,016	1,169	30,993	138,884
Amount due from joint ventures	31,295	-	-	-	-	-	31,295
Amount due from associate	-	41	-	-	57,676	-	57,717
Statutory deposits with Bank Negara Malaysia	1,946,669	-	-	-	-	-	1,946,669
Other non-financial assets ⁽¹⁾	70,239	-	-	-	-	2,346,354	2,416,593
	12,774,541	2,863,111	2,415,747	15,547,118	38,166,368	4,209,587	75,976,472

⁽¹⁾ Other non-financial assets include commodity gold at FVTPL, tax recoverable, deferred tax assets, investment in joint ventures, investment in associates, property and equipment and intangibles assets.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Group							
2018							
Liabilities							
Deposits from customers	18,931,969	10,987,337	24,190,584	3,236,557	-	-	57,346,447
Investment accounts of customers	-	-	-	875	-	-	875
Deposits and placements of banks and other financial institutions	2,619,473	1,603,437	624,002	-	-	-	4,846,912
Obligation on securities sold under repurchase agreements	142,477	-	-	-	-	-	142,477
Derivative financial liabilities	24,633	22,870	24,419	38,853	2,357	-	113,132
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Trade payables	600,974	-	-	-	-	-	600,974
Other liabilities	153,502	39,685	537,753	188,574	27,420	651	947,585
Borrowings	12,236	36,143	5,433	-	2,200,000	800,000	3,053,812
Other non-financial liabilities ⁽²⁾	135,058	-	-	-	-	15,379	150,437
	22,652,907	12,689,472	25,382,191	3,464,859	2,229,777	816,030	67,235,236
Net liquidity gap	(9,878,366)	(9,826,361)	(22,966,444)	12,082,259	35,936,591	3,393,557	

⁽²⁾ Other non-financial liabilities include deferred tax liability, provision for taxation, defined contribution plan and accrued employee benefits.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Bank							
2019							
Assets							
Cash and short-term funds	2,317,369	-	-	-	-	-	2,317,369
Deposits and placements with banks and other financial institutions	-	41,368	-	-	-	-	41,368
Investment accounts due from designated financial institutions	-	-	831	460,665	1,450,919	-	1,912,415
Financial assets at FVTPL	-	536	15,032	-	60,441	94,207	170,216
Derivative financial assets	22,553	52,860	27,951	9,891	4,970	-	118,225
Financial investments at FVOCI	13,630	88,898	195,622	3,035,404	2,882,472	157,818	6,373,844
Financial investments at AC	-	-	499	100,000	-	-	100,499
Loans, advances and financing	2,195,353	1,234,613	1,077,260	7,467,331	13,303,605	451,897	25,730,059
Other assets	26,514	-	13,840	6,472	1,113	12,944	60,883
Amount due from subsidiaries	1,318	-	-	-	-	-	1,318
Amount due from associate	-	11	-	-	30,876	-	30,887
Statutory deposits with Bank Negara Malaysia	857,377	-	-	-	-	-	857,377
Other non-financial assets ⁽¹⁾	14,037	117	5,806	36,146	-	4,659,253	4,715,359
	5,448,151	1,418,403	1,336,841	11,115,909	17,734,396	5,376,119	42,429,819

⁽¹⁾ Other non-financial assets include tax recoverable, deferred tax assets, investment in subsidiaries, investment in joint ventures, investment in associates, property and equipment, right-of-use assets and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Bank							
2019							
Liabilities							
Deposits from customers	10,156,825	3,025,278	15,438,572	1,514,575	-	-	30,135,250
Deposits and placements of banks and other financial institutions	586,239	39,298	20,548	-	-	-	646,085
Derivative financial liabilities	22,534	43,062	56,312	12,368	2,163	-	136,439
Bills and acceptances payable	32,903	-	-	-	-	-	32,903
Lease liabilities	1,373	119	5,815	36,847	65	-	44,219
Other liabilities	-	-	329,390	19,373	8,528	-	357,291
Amount due to subsidiaries	55,899	-	-	-	-	-	55,899
Borrowings	12,235	36,144	-	-	2,000,000	500,000	2,548,379
Other non-financial liabilities ⁽²⁾	61,257	-	-	-	-	-	61,257
	10,929,265	3,143,901	15,850,637	1,583,163	2,010,756	500,000	34,017,722
Net liquidity gap	(5,481,114)	(1,725,498)	(14,513,796)	9,532,746	15,723,640	4,876,119	

⁽²⁾ Other non-financial liabilities include defined contribution plan and accrued employee benefits.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Bank							
2018							
Assets							
Cash and short-term funds	2,569,003	-	-	-	-	-	2,569,003
Deposits and placements with banks and other financial institutions	-	113,610	-	-	-	-	113,610
Investment accounts due from designated financial institutions	2,177,662	189,049	-	-	-	-	2,366,711
Financial assets at FVTPL	1,277	727	1,576	148,140	102,990	118,928	373,638
Derivative financial assets	15,586	24,376	13,531	2,530	5,808	-	61,831
Financial investments at FVOCI	178,650	663,197	625,165	3,885,151	3,642,843	149,501	9,144,507
Financial investments at AC	14,444	-	614	99,588	-	-	114,646
Loans, advances and financing	2,350,159	1,215,484	1,141,156	8,193,808	14,876,581	720,961	28,498,149
Other assets	23,854	7	8,215	6,055	1,114	21,178	60,423
Amount due from subsidiaries	420	-	-	-	-	-	420
Amount due from associate	-	41	-	-	57,176	-	57,217
Statutory deposits with Bank Negara Malaysia	1,238,069	-	-	-	-	-	1,238,069
Other non-financial assets ⁽¹⁾	70,238	-	-	-	-	4,462,147	4,532,385
	8,639,362	2,206,491	1,790,257	12,335,272	18,686,512	5,472,715	49,130,609

⁽¹⁾ Other non-financial assets include tax recoverable, deferred tax assets, investment in subsidiaries, investment in joint ventures, investment in associates, property and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

	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
The Bank							
2018							
Liabilities							
Deposits from customers	11,447,652	6,450,009	13,583,419	2,080,139	-	-	33,561,219
Deposits and placements of banks and other financial institutions	2,078,911	1,597,935	624,002	-	-	-	4,300,848
Derivative financial liabilities	12,981	21,701	17,657	30,964	2,357	-	85,660
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Other liabilities	7,874	-	357,475	128,157	15,287	-	508,793
Amount due to subsidiaries	109,399	-	-	-	-	-	109,399
Borrowings	12,236	36,143	-	-	2,000,000	500,000	2,548,379
Other non-financial liabilities ⁽²⁾	62,782	-	-	-	-	-	62,782
	13,764,420	8,105,788	14,582,553	2,239,260	2,017,644	500,000	41,209,665
Net liquidity gap	(5,125,058)	(5,899,297)	(12,792,296)	10,096,012	16,668,868	4,972,715	

⁽²⁾ Other non-financial liabilities include defined contribution plan and accrued employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(iv) Operational risk management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the Bank's activities, but excludes strategic business, reputational and systemic risks.

The Group Operational Risk Management Framework governs the management of operational risk across the Group and the Bank. GBRMCC approves all policies/policy changes relating to operational risk. Group Operational Risk Management Committee ('GORMC') supports GBRMCC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The Operational Risk Management ('ORM') function within GRM operates in independent capacity to facilitate business/support units managing the risks in activities associated with the operational function of the Bank.

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Group and the Bank employ the following standard operational risk tools for risk and control identification and assessment:-

- Risk Control Self Assessment ('RCSA').
- Key Control Standards ('KCS').
Note: Process to assist Business/Support Unit to identify and assess the operational risks, identify controls and assess controls effectiveness.
- Key Risk Indicator ('KRI').
Note: Process to monitor and manage key operational risk exposures over time, measured against a set of threshold levels (Red, Amber & Green).
- Loss Event Reporting ('LER').
Note: Process for reporting, evaluating and monitoring operational risk loss incidents including service disruption due to system failure, secrecy breach and Shariah Non-Compliance ('SNC').
- Scenario Analysis ('ScAn').
Note: Process to process in the creation of plausible operational risk events and has become an essential element in the operational risk management and measurement.

Introduction of new products or services are evaluated to assess suitability, potential risks and operational readiness.

Operational Risk Coordinators ('ORC') are appointed at business and support units as champions of ORM activities within respective units. The ORC is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results.

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49 FINANCIAL RISK MANAGEMENT

(v) Technology risk

Technology risk is any potential for technology failures and cyber threats that may disrupt business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the Group and the Bank.

The Group Technology Risk Management Framework governs the management of technology risk across the Group and the Bank.

The technology risk management function within GRM manages the risks associated with technology risk of the Group and the Bank. GORMC supports GBRMCC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMCC is responsible to provide oversight of overall technology related matters of the Group and the Bank.

The Group and the Bank use risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle ('SDLC'). The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (i.e. access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Non-technical 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.

(vi) Shariah non-compliance risk

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of BNM ('SAC'), standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA or decisions or advice of the Shariah Committee.

BNM has on 20 September 2019 reissued the Shariah Governance for Islamic Financial Institutions (BNM/RH/GL_028-100) which supercedes the Shariah Governance Framework issued on 22 October 2010. The Shariah Governance and the Bank's Shariah Risk Management Framework are the main reference for the Shariah Governance and Shariah risk management process within AFFIN Islamic.

The Bank's Shariah Committee ('AISC') is established to deliberate on Shariah issues presented to them and provide resolution as well as guidance. GORMC together with GBRMCC assist the Board in the overall oversight of Shariah risk management of the Group.

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for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vi) Shariah non-compliance risk (continued)

Shariah Risk Management is part of an integrated risk management control function to systematically identify all possible risks of SNC and where appropriate, to provide mitigating measures that need to be taken to reduce the risk. The scope covers overall business activities and operations, commencing from Islamic product origination until maturity.

SNC risk is proactively managed with the following tools:-

1. SNC Event Reporting to BNM to collect, evaluate, monitor and report Shariah loss data;
2. Shariah Risk and Control Self-Assessment ('RCSA')/Risk Profiling to assist business/functional unit to identify and assess risks and controls. RCSA will be performed annually or as and when there is occurrence of significant events either internal or external;
3. KRI to predict and highlight any potential high risk area. These indicators will be reviewed on a periodic basis (monthly or quarterly) to alert Management to changes that may have risk concerns; and
4. KCS to validate the effectiveness of control measures.

(vi) Business continuity risk

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Business Continuity Management Framework governs the management of business continuity issues, in line with BNM Guidelines on Business Continuity Management ('BCM').

GBRMCC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. GORMC supports GBRMCC in the review and monitoring of business continuity risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is an independent body overseeing the management of the overall business continuity risk.

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Group and the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vii) 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.

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 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 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 level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2018: Nil).

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for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

The following table presents financial assets and financial liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2019				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	-	198,219	-	198,219
- Corporate bonds/Sukuk	-	33,312	15,032	48,344
- Shares and unit trusts	321,362	-	94,207	415,569
Derivative financial assets	-	164,868	-	164,868
Financial investments at FVOCI				
- Money market instruments	-	4,022,935	-	4,022,935
- Corporate bonds/Sukuk	-	8,293,030	-	8,293,030
- Shares, unit trusts and REITs	-	61	180,820	180,881
Total	321,362	12,712,425	290,059	13,323,846
Financial Liabilities				
Derivative financial liabilities	-	186,791	-	186,791
Puttable liability - investment in funds	20,917	-	-	20,917
Other liabilities - equities trading	4,282	-	-	4,282
Total	25,199	186,791	-	211,990

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2018				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	-	325,169	-	325,169
- Corporate bonds/Sukuk	-	20,641	30,050	50,691
- Shares and unit trusts	141,674	-	88,928	230,602
Derivative financial assets	-	88,805	-	88,805
Financial investments at FVOCI				
- Money market instruments	-	4,432,952	-	4,432,952
- Corporate bonds/Sukuk	-	10,697,891	-	10,697,891
- Shares, unit trusts and REITs	59,532	61	171,322	230,915
Total	201,206	15,565,519	290,300	16,057,025
Financial Liabilities				
Derivative financial liabilities	-	113,132	-	113,132
Puttable liability - investment in funds	28,868	-	-	28,868
Other liabilities - equities trading	52	-	-	52
Total	28,920	113,132	-	142,052

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank				
2019				
Financial Assets				
Financial assets at FVTPL				
– Money market instruments	–	60,977	–	60,977
– Corporate bonds/Sukuk	–	–	15,032	15,032
– Unquoted shares	–	–	94,207	94,207
Derivative financial assets	–	118,225	–	118,225
Financial investments at FVOCI				
– Money market instruments	–	2,444,075	–	2,444,075
– Unquoted shares	–	–	157,818	157,818
– Corporate bonds/Sukuk	–	3,771,951	–	3,771,951
Total	–	6,395,228	267,057	6,662,285
Financial Liabilities				
Derivative financial liabilities	–	136,439	–	136,439
Total	–	136,439	–	136,439

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank				
2018				
Financial Assets				
Financial assets at FVTPL				
– Money market instruments	–	254,660	–	254,660
– Corporate bonds/Sukuk	–	–	30,050	30,050
– Unquoted shares	–	–	88,928	88,928
Derivative financial assets	–	61,831	–	61,831
Financial investments at FVOCI				
– Money market instruments	–	3,372,719	–	3,372,719
– Unquoted shares	–	–	149,501	149,501
– Corporate bonds/Sukuk	–	5,622,287	–	5,622,287
Total	–	9,311,497	268,479	9,579,976
Financial Liabilities				
Derivative financial liabilities	–	85,660	–	85,660
Total	–	85,660	–	85,660

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

The following table present the changes in Level 3 instruments for the financial year ended:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	290,300	279,853	268,479	259,242
Sales	(15,629)	-	(15,629)	-
Net changes in income accrued	(18)	20	(18)	20
Total gains recognised in other comprehensive income	15,406	10,427	14,225	9,217
At end of the financial year	290,059	290,300	267,057	268,479

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):-

Description	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	2019 RM'000	2018 RM'000			
Financial assets at FVTPL					
The Group/The Bank					
Unquoted shares	94,207	88,928	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
Corporate bond	15,000	30,000	Issue price of 100	-	-
Financial investments at FVOCI					
The Group					
Unquoted shares	180,820	171,322	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
The Bank					
Unquoted shares	157,818	149,501	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 2019

49 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Group					
2019					
Financial assets					
Financial investments at AC	145,066	-	147,153	-	147,153
Loans, advances and financing	45,387,865	-	46,009,411	-	46,009,411
	45,532,931	-	46,156,564	-	46,156,564
Financial liabilities					
Deposits from customers	51,088,962	-	51,163,791	-	51,163,791
Borrowings	3,607,143	-	3,711,530	-	3,711,530
	54,696,105	-	54,875,321	-	54,875,321

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Group					
2018					
Financial assets					
Financial investments at AC	163,027	-	164,911	-	164,911
Loans, advances and financing	48,392,012	-	49,024,369	-	49,024,369
	48,555,039	-	49,189,280	-	49,189,280
Financial liabilities					
Deposits from customers	57,346,447	-	57,367,236	-	57,367,236
Deposits and placements of banks and other financial institutions	4,846,912	-	4,847,167	-	4,847,167
Borrowings	3,053,812	-	3,095,750	-	3,095,750
	65,247,171	-	65,310,153	-	65,310,153

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Bank					
2019					
Financial assets					
Financial investments at AC	100,499	-	102,586	-	102,586
Loans, advances and financing	25,730,059	-	26,130,511	-	26,130,511
	25,830,558	-	26,233,097	-	26,233,097
Financial liabilities					
Deposits from customers	30,135,250	-	30,162,980	-	30,162,980
Borrowings	2,548,379	-	2,624,219	-	2,624,219
	32,683,629	-	32,787,199	-	32,787,199

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Bank					
2018					
Financial assets					
Financial investments at AC	114,646	-	116,492	-	116,492
Loans, advances and financing	28,498,149	-	28,923,103	-	28,923,103
	28,612,795	-	29,039,595	-	29,039,595
Financial liabilities					
Deposits from customers	33,561,219	-	33,592,563	-	33,592,563
Deposits and placements of banks and other financial institutions	4,300,848	-	4,301,103	-	4,301,103
Borrowings	2,548,379	-	2,587,929	-	2,587,929
	40,410,446	-	40,481,595	-	40,481,595

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.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

49 FINANCIAL RISK MANAGEMENT

(vii) Fair value of financial instruments (continued)

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 investments at AC

The fair values of financial investments at AC are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans, advances and financing

Loans, advances and financing of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans/financing, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans, advances and financing with similar credit ratings and maturities.

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

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, banks and other financial institutions, investment account of customers, bills and acceptances payable

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/profit bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Borrowings

For fixed rate borrowings, the estimate of fair value is based on discounted cash flows model using prevailing lending/financing rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

50 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/financing and borrowing/funding 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 amounts' presented below are not intended to represent the Group 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.

Related amount not offset

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 2019

50 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Effects of offsetting on the statements of financial position			Related amounts not offset 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 RM'000	Net amount RM'000
The Group						
2019						
Financial assets						
Derivative financial assets	164,868	-	164,868	(41,336)	(2,797)	120,735
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	527,416	(527,416)	-	-	-	-
Total assets	692,284	(527,416)	164,868	(41,336)	(2,797)	120,735
Financial liabilities						
Derivative financial liabilities	186,791	-	186,791	(41,336)	-	145,455
Trade payables						
- Amount due from Bursa Securities Clearing Sdn Bhd	547,262	(527,416)	19,846	-	-	19,846
Total liabilities	734,053	(527,416)	206,637	(41,336)	-	165,301

	Effects of offsetting on the statements of financial position			Related amounts not offset 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 RM'000	Net amount RM'000
The Group						
2018						
Financial assets						
Derivative financial assets	88,805	-	88,805	(43,283)	-	45,522
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	503,850	(463,708)	40,142	-	-	40,142
Total assets	592,655	(463,708)	128,947	(43,283)	-	85,664
Financial liabilities						
Obligation on securities sold under repurchase agreements	142,477	-	142,477	(142,477)	-	-
Derivative financial liabilities	113,132	-	113,132	(43,283)	(1,298)	68,551
Trade payables						
- Amount due from Bursa Securities Clearing Sdn Bhd	463,708	(463,708)	-	-	-	-
Total liabilities	719,317	(463,708)	255,609	(185,760)	(1,298)	68,551

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

50 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Effects of offsetting on the statements of financial position			Related amounts not offset 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 RM'000	Net amount RM'000

The Bank
2019

Financial assets

Derivative financial assets	118,225	–	118,225	(31,755)	–	86,470
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Financial liabilities

Derivative financial liabilities	136,439	–	136,439	(31,755)	–	104,684
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	Effects of offsetting on the statements of financial position			Related amounts not offset 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 RM'000	Net amount RM'000

The Bank
2018

Financial assets

Derivative financial assets	61,831	–	61,831	(35,436)	–	26,395
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Financial liabilities

Derivative financial liabilities	85,660	–	85,660	(35,436)	–	50,224
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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

51 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments under non-cancellable operating leases commitments are as follows:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	-	24,277	-	14,882
One year to five years	-	11,656	-	9,886

52 CAPITAL MANAGEMENT

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Group and the Bank are currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM'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 7.000% (2018: 6.375%) and 8.500% (2018: 7.875%) respectively for financial year 2019. The minimum regulatory capital adequacy requirement is 10.500% (2018: 9.875%) for Total Capital Ratio.

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

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

The Group and the Bank maintain a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management which takes into account the risk profile of the Group and the Bank.

The table in Note 53 below summarises the composition of regulatory capital and the ratios of the Group and the Bank for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

53 CAPITAL ADEQUACY

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
The components of CET 1, Tier 1 and Tier 2 capital:-				
CET 1				
Paid-up share capital	4,774,772	4,684,752	4,774,772	4,684,752
Retained profits	3,640,073	2,928,584	3,017,227	2,408,718
Unrealised gains on FVOCI instruments	250,661	110,371	148,173	111,161
Other disclosed reserves	(61,010)	8,328	-	-
Foreign exchange reserves	135	593	-	-
	8,604,631	7,732,628	7,940,172	7,204,631
Less: Regulatory adjustments:-				
– Goodwill and other intangibles	(914,693)	(906,068)	(202,670)	(182,235)
– Deferred tax assets	(3,440)	(107,704)	(12,690)	(70,239)
– 55% of cumulative unrealised gains on FVOCI instruments	(137,864)	(60,704)	(81,495)	(61,138)
– Investment in subsidiaries, joint ventures and associates	(831,440)	(770,047)	(3,781,321)	(3,766,021)
Total CET 1 capital	6,717,194	5,888,105	3,861,996	3,124,998
Additional Tier 1 capital				
Additional Tier 1 capital	800,000	800,000	500,000	500,000
Qualifying capital instruments held by third party	25,329	19,783	-	-
	825,329	819,783	500,000	500,000
Total Tier 1 capital	7,542,523	6,707,888	4,361,996	3,624,998
Tier 2 capital				
Subordinated medium term loans	2,750,000	2,200,000	2,000,000	2,000,000
Qualifying loss provisions #	533,058	583,115	344,781	383,532
Less: Regulatory adjustments:-				
– Investment in capital instruments of unconsolidated financial and insurance entities	(30,914)	(57,412)	(80,914)	(657,412)
Total Tier 2 capital	3,252,144	2,725,703	2,263,867	1,726,120
Total Capital	10,794,667	9,433,591	6,625,863	5,351,118
The breakdown of risk-weighted assets:-				
Credit risk	42,644,676	46,649,190	27,582,457	30,682,574
Market risk	488,422	523,804	290,399	272,300
Operational risk	3,184,235	2,962,066	1,774,869	1,899,866
Total risk-weighted assets	46,317,333	50,135,060	29,647,725	32,854,740

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

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

53 CAPITAL ADEQUACY

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000

Capital adequacy ratios:-

Before deducting proposed dividends:-

CET 1 capital ratio	14.503%	11.744%	13.026%	9.512%
Tier 1 capital ratio	16.284%	13.380%	14.713%	11.033%
Total capital ratio	23.306%	18.816%	22.349%	16.287%

After deducting proposed dividends (Note 1):-

CET 1 capital ratio	14.459%	11.924%	12.958%	9.786%
Tier 1 capital ratio	16.241%	13.559%	14.644%	11.307%
Total capital ratio	23.262%	18.996%	22.280%	16.561%

Note 1:-

Under the DRP, the amount of declared dividend to be deducted in the calculation of CET 1 Capital Ratio is determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) (Implementation Guidance) issued on 2 February 2018.

Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of the declared dividend to be deducted in the calculation of CET 1 Capital Ratio may be reduced as follows:-

- (i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or
- (ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates or if less than 3 preceding years, the available average historical take-up rates, subject to the amount being not more than 50% of the total electable portion of the dividend.

In arriving at the capital adequacy ratios, the portion of the proposed dividends where no irrevocable written undertaking from shareholders to reinvest the electable portion into new ordinary shares of the Bank is obtained, is assumed to be paid in cash and has been deducted from the calculation of CET 1 Capital Ratio.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk-weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 December 2019, RIA assets included in the Total Capital Ratios calculation amounted to RM1,919.3 million (2018: RM2,369.7 million).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

53 CAPITAL ADEQUACY

The capital adequacy ratios of the AFFIN Islamic is as follows:-

	Economic Entity		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Before deducting proposed dividend</u>				
CET 1 capital ratio	11.720%	10.869%	11.720%	10.869%
Tier 1 capital ratio	13.826%	12.882%	13.826%	12.882%
Total capital ratio	20.631%	19.438%	20.631%	19.438%
<u>After deducting proposed dividend</u>				
CET 1 capital ratio	11.720%	10.869%	11.720%	10.869%
Tier 1 capital ratio	13.826%	12.882%	13.826%	12.882%
Total capital ratio	20.631%	19.438%	20.631%	19.438%

The capital adequacy ratios of the AFFIN Hwang Investment Bank Berhad is as follows:-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Before deducting proposed dividend</u>				
CET 1 capital ratio	34.432%	30.644%	44.406%	34.177%
Tier 1 capital ratio	35.186%	31.194%	44.406%	34.177%
Total capital ratio	35.958%	32.005%	45.235%	35.099%
<u>After deducting proposed dividend</u>				
CET 1 capital ratio	33.238%	30.644%	42.745%	34.177%
Tier 1 capital ratio	33.991%	31.194%	42.745%	34.177%
Total capital ratio	34.764%	32.005%	43.574%	35.099%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

54 EMPLOYEE STOCK OPTION INCENTIVE SCHEME

A subsidiary of the Bank, AHAM, has established and implemented a stock option incentives scheme for its key employees. The shareholders of the subsidiary have approved the scheme on 24 July 2014 and the subsidiary has adopted the scheme which provides for key employees to be vested with options of the subsidiary.

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

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

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

Movements in the number of stock option awarded are as follows:-

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

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

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

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

After the options exercise, the option holders own a 10% equity stake in the enlarged issued share capital of AHAM. The issued share capital of AHAM prior to the options exercise is RM10.0 million comprising 10,000,000 AHAM shares. Following the options exercise, the issued share capital of AHAM has been increased to RM54.77 million, comprising 11,111,000 AHAM shares.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

55 LITIGATION AGAINST THE BANK

AFFIN Bank Berhad

A claim by the Plaintiff against the Bank vide Writ of Summons and Statement of Claim dated 22 January 2016 ('Writ') for the following:-

- i) RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
- ii) SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iii) RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his bankruptcy in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iv) RM500,000 as cost in respect of legal proceedings in Singapore.

The Bank had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ('Suria') a credit facility of RM21.6 million ('Facility') against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Pn. Norashikin Binti Abdul Latiff ('Guarantor').

Suria, the Plaintiff and the Guarantor ('All') defaulted in the Facility which led to the Bank filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ('Chenet') being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ('DGI') as receiver of Plaintiff's Estate. On 29 January 2018, the full trial of the suit has been fixed on 27, 28 and 29 August 2018. On 30 July 2018, the Court fixed the Case Management on 15 August 2018. Hearing was part heard on 27 August 2018 and was postponed to 2 October 2018 which was further postponed to 16 and 17 October 2018 as Plaintiff was admitted to hospital. On 16 October 2018, the trial dates were vacated as the presiding Judge informed that he will be transferred and a new Judge will take over the matter. On 5 December 2018, matter came up for Case Management before the new Judge, YA Dato' Ahmad bin Bache (who took over the matter from the previous Judge), whereby the Court fixed new trial dates on 25 to 28 March 2019 and 8 to 11 April 2019. On 11 April 2019, the Plaintiff requested for an adjournment as he was unwell. The High Court fixed 23 May 2019 for Case Management for parties to update on mediation efforts. Mediation was unsuccessful. However as the Federal Court reinstated his bankruptcy on 26 August 2019, the hearings at the High Court cannot proceed until sanction from the DGI has been obtained. Sanction of the DGI was obtained on 6 December 2019. Next Case Management date fixed on 22 January 2020. The trial dates on 13 to 15 April 2020 vacated due to the MCO. Pending directions/confirmation from the Court on whether the trial will proceed on 8 to 11 June 2020.

The Plaintiff's claim ('Claim') is premised on alleged wrongful acts by the Bank as follows:-

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ('NDSB shares') which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- the Bank had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between the Bank and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- the Bank had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- the Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

55 LITIGATION AGAINST THE BANK

AFFIN Bank Berhad (continued)

The Bank has a good defence ('Defence') on the merits with regard to each of the alleged wrongful act as follows:-

- the sale of NDSB shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of the Bank pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- the Bank's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- the Claim for cost is unreasonable as the Bank was not in any way involved in the Singapore proceedings.

The above Claim against the Bank by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the Bank are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialise if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the Bank for the period under review.

56 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

The following credit exposures are based on BNM's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008.

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	6,172,615	6,705,082	3,733,063	4,014,985
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	8%	8%	8%	8%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

57 SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal financial reporting system provided to the Chief Operating decision-maker, who is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined the Managing Director/CEO of the respective operating segments as its Chief Operating decision-maker.

The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented. The Group comprises the following main segments:-

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into three key areas, Corporate Banking, SME Banking and Consumer Banking.

Corporate Banking and SME Banking provide a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing and other fee-based services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans (i.e. hire purchase), housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and asset management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to corporate, institutional and individual investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on local and foreign stock exchanges, investment management and research services.

The fund and asset management arm provides the establishment, management and distribution of unit trust funds and private retirement as well as provision of fund management services to private clients.

Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

57 SEGMENT ANALYSIS

	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
2019						
Revenue						
External revenue	1,384,644	534,577	-	12,529	-	1,931,750
Intersegment revenue	50,062	21,606	-	1,295	(72,963)	-
Segment revenue	1,434,706	556,183	-	13,824	(72,963)	1,931,750
Operating expenses	(844,721)	(370,328)	-	(10,847)	1,963	(1,223,933)
of which:-						
Depreciation of property and equipment	(17,011)	(9,601)	-	(156)	-	(26,768)
Depreciation of right-of-use assets	(26,434)	(9,352)	-	-	-	(35,786)
Amortisation of intangible assets	(18,100)	(14,551)	-	(51)	-	(32,702)
Allowances for impairment losses on loans, advances, financing and trade receivables/ securities/other assets	(34,654)	(21,231)	-	-	409	(55,476)
Segment results	555,331	164,624	-	2,977	(70,591)	652,341
Share of results of a joint venture *	-	-	(3,860)	-	-	(3,860)
Share of results of an associate *	-	459	33,561	-	-	34,020
Profit before taxation and zakat	555,331	165,083	29,701	2,977	(70,591)	682,501
Zakat	(3,000)	(2,530)	-	-	-	(5,530)
Profit before taxation	552,331	162,553	29,701	2,977	(70,591)	676,971
Taxation						(160,880)
Net profit for the financial year						516,091
Segment assets						
ROU assets	44,971	12,738	-	-	-	57,709
Investment in joint ventures	-	-	171,913	-	-	171,913
Investment in associates	750	3,594	655,183	-	-	659,527
Total segment assets						68,341,262
Segment liabilities						
Total segment liabilities	53,162,863	5,779,477	-	2,329	-	58,944,669
Other information						
Capital expenditure	179,876	10,096	-	39	-	190,011

* net of tax

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

57 SEGMENT ANALYSIS

	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
2018						
Revenue						
External revenue	1,356,410	552,156	-	12,036	-	1,920,602
Intersegment revenue	357,282	(31,014)	-	1,776	(328,044)	-
Segment revenue	1,713,692	521,142	-	13,812	(328,044)	1,920,602
Operating expenses	(857,063)	(355,074)	-	(10,416)	5,044	(1,217,509)
of which:-						
Depreciation of property and equipment	(15,327)	(9,079)	-	(172)	-	(24,578)
Amortisation of intangible assets	(13,257)	(14,344)	-	(60)	-	(27,661)
Allowances for impairment losses on loans advances, financing and trade receivables/ securities/other assets	(54,429)	(16,482)	-	-	-	(70,911)
Segment results	802,200	149,586	-	3,396	(323,000)	632,182
Share of results of a joint venture *	-	-	(3,098)	-	-	(3,098)
Share of results of an associate *	-	-	50,025	-	-	50,025
Profit before taxation and zakat	802,200	149,586	46,927	3,396	(323,000)	679,109
Zakat	(3,061)	(1,052)	-	-	-	(4,113)
Profit before taxation	799,139	148,534	46,927	3,396	(323,000)	674,996
Taxation						(147,576)
Net profit for the financial year						527,420
Segment assets						
Investment in joint ventures	-	-	158,051	-	-	158,051
Investment in associates	750	-	611,246	-	-	611,996
Total segment assets						75,976,472
Segment liabilities						
Total segment liabilities	61,491,310	5,742,193	-	1,733	-	67,235,236
Other information						
Capital expenditure	134,423	8,050	-	5	-	142,478

* net of tax

NOTES TO THE FINANCIAL STATEMENTS for the financial year ended 31 December 2019

58 GROUP REORGANISATION IN PREVIOUS FINANCIAL YEAR

Subsequent to the Group Reorganisation in 2017, AFFIN Holdings Berhad ('AHB') implemented the Distribution and Subscription simultaneously which was completed on 30 January 2018.

The Distribution entailed the distribution of the entire shareholding in ABB held by AHB to its Entitled Shareholders on the basis of 1 ABB share for each AHB share held was completed on 30 January 2018 by way of distribution-in-specie via a reduction of the entire consolidated capital of AHB and the retained earnings of AHB.

ABB subscribed to 2 new ordinary shares of AHB for RM2.00 under the Subscription. Consequently, AHB had become a subsidiary of ABB upon the completion of the Distribution and the Subscription on 30 January 2018.

Upon completion of the Distribution and the Subscription, the Transfer of Listing Status from AHB to ABB was completed on 2 February 2018.

The effects of the predecessor accounting arising from the Group Reorganisation for the financial year ended 2018 are as follows:-

	2018 AHB RM'000
ASSETS	
Cash and short-term funds	15,545
Deposits and placements with banks and other financial institutions	57,634
Amount due from associate	88,740
Other assets	532
Tax recoverable	1,862
Amount due from subsidiary	3
TOTAL ASSETS	164,316
LIABILITIES	
Other liabilities	5,328
Deferred tax liabilities	5
Borrowings	57,420
TOTAL LIABILITIES	62,753
Net assets transferred to the Group	101,563
Effect of predecessor accounting	(101,563)
Total purchase consideration	-
Add: Cash and cash equivalent of the net assets transferred	15,545
Net cash inflow from Group Reorganisation	15,545

Note: ABB had on 30 January 2018 subscribed to 2 new ordinary shares of AHB for RM2.00 pursuant to the Subscription.

59 SIGNIFICANT EVENT AFTER YEAR END

Due to a significant worsening of the macro-economic outlook as a result of the Covid-19 situation, both domestically and globally, the Group and the Bank expect that the current situation to have a negative impact on the Group and the Bank's financial results for 2020.

In addition, in line with BNM's measures to assist individuals and SMEs, the Group and the Bank have offered a deferment of all loan/financing repayments for a period of 6 months with effect from 1 April 2020. This offer is applicable to performing loans and advances, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020, except for credit card facilities.

Based on preliminary assessment, the Group and the Bank expect the likely increase in the expected credit losses as a result of the negative macro-economic outlook as well as expected increase in default in loans and financing assets. As the current situation is unprecedented, and it is very difficult to objectively quantify the economic impact, the Group and the Bank are monitoring the situation closely, including cautiously monitor the performance of the loans/financing and continue to assess the impact on the Group and the Bank's performance as the situation develops.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, DATO' AGIL NATT and DATO' MOHD HATA BIN ROBANI, two of the Directors of AFFIN BANK BERHAD, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 183 to 379 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2019 and of the results and cash flows of the Group and the Bank for the financial year ended on the date in accordance with 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 a resolution of the Directors:-

DATO' AGIL NATT
Chairman

DATO' MOHD HATA BIN ROBANI
Director

Kuala Lumpur
29 April 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, LEE YOKE KIOW, the officer of AFFIN BANK BERHAD primarily responsible for the financial management of the Group and the Bank, do solemnly and sincerely declare that, in my opinion, the accompanying financial statements set out on pages 183 to 379, are correct and I make this solemn declaration conscientiously believing the same to be true, by virtue of the provisions of the Statutory Declarations Act, 1960.

LEE YOKE KIOW

Subscribed and solemnly declared by the above named LEE YOKE KIOW at Kuala Lumpur in Malaysia on 29 April 2020, before me.

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD

(Incorporated in Malaysia)

Company No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AFFIN Bank Berhad ('the Bank') and its subsidiaries ('the Group') give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 183 to 379.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

INDEPENDENT AUDITORS' REPORT

To The Members Of AFFIN BANK BERHAD

(Incorporated in Malaysia)

Company No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><i>Impairment of loans, advances and financing assets</i> - RM574,029,000 (expected credit losses)</p> <p>(Refer to Summary of Significant Accounting Policies Note H (d), Note AF and Note 9 to the financial statement).</p> <p>MFRS 9 requires an expected credit losses ('ECL') impairment model for financial assets measured at amortised cost and fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.</p> <p>We focused on the ECL for loans, advances and financing due to the significance of impairment allowance on loans, advances and financing assets balance. The Directors also exercised significant judgement on the following areas:-</p> <p><u>Timing of identification of Stage 2 and Stage 3 loans, advances and financing</u></p> <ul style="list-style-type: none"> Assessment of objective evidence of impairment of loans, advances and financing based on mandatory and judgemental triggers Identification of loans, advances and financing that have experienced a significant increase in credit risk 	<p>We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:-</p> <ul style="list-style-type: none"> Identification of loans displayed indicators of impairment or loans that have experienced significant increase in credit risk Governance over the impairment processes, including model development, model approval and model validation Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions into the ECL models Calculation, review and approval of the ECL calculation <p>Based on the test of control performed, we did not identify any material exceptions.</p> <p>Our detailed testing over the loans, advances and financing were as below:-</p> <p><u>Individual assessment</u></p> <p>We performed individual credit assessment on a sample of loans, advances and financing on those identified as Early Control, Rescheduled and Restructured, Stages 2 and 3 loans/financing accounts and formed our own judgement on whether the occurrence of loss event or significant increase in credit risk had been identified.</p>
<p><u>Individual assessment</u></p> <ul style="list-style-type: none"> Estimates on the amount and timing of futures cash flows based on realisation of collateral or borrowers' business cash flows 	<p>We found no material exceptions in these tests.</p> <p>Where individual impairment had been identified for loans, advances and financing, we assessed the reasonableness of the underlying assumptions of the cash flows forecasts prepared by management. For cash flows forecasts based on realisation of collateral, we agreed the collateral valuation to the current valuation report prepared by independent valuers. If current valuation report is not available, we compared the value used by management against the independent third party publicly available report on property market based on similar property type, location and size. For cash flow forecasts based on borrower's business cash flows, we assessed the reasonableness of the underlying key assumptions used by management and performed sensitivity analysis.</p>

INDEPENDENT AUDITORS' REPORT**To The Members Of AFFIN BANK BERHAD**

(Incorporated in Malaysia)

Company No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Key audit matters (continued)**

Key audit matters	How our audit addressed the key audit matters
<p><u>Collective assessment</u></p> <ul style="list-style-type: none"> Choosing the appropriate collective assessment models and assumptions for the measurement of ECL such as expected future cash flows and forward-looking macroeconomic factors as disclosed in Note 49 Financial Risk Management – credit quality of financial assets 	<p><u>Collective assessment</u></p> <p>Where ECL was calculated on a collective basis, our testing, on a sample basis, included the following:-</p> <ul style="list-style-type: none"> Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9 We re-performed the bucketing of loans into delinquency buckets (loans impairment migration) and re-computed the Probability of Default We agreed the loans recoveries data for Loss Given Default to supporting evidence We re-performed the calculation of ECL and agreed the results to the general ledger. We also checked the accuracy of posting of impairment allowance to the general ledger <p>We involved our financial risk modelling expertise and IT specialist in areas such as reviewing appropriateness of the ECL models and data reliability.</p> <p>Based on our work done, we noted certain differences in the quantum of individual assessment and collective impairment required. The differences were not material in the context of the overall financial statements.</p>

INDEPENDENT AUDITORS' REPORT

To The Members Of AFFIN BANK BERHAD

(Incorporated in Malaysia)

Company No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><i>Impairment assessment of goodwill</i> – RM826,944,000</p> <p>(Refer to Summary of Significant Accounting Policies Note D, Note AF and Note 22 to the financial statement)</p> <p>Goodwill amounting to RM826,944,000 arose from previous acquisitions and is allocated to Commercial Banking, Investment Banking, Stock-broking, Asset Management and Money-broking cash generating units ('CGUs').</p> <p>The Bank determines the recoverable amount of the CGUs based on the value-in-use calculations.</p> <p>We focused on this area due to the slowing down in loan growth and capital market activities of the Group. Given the materiality of the goodwill and sensitivity of the recoverable amount of Investment Banking and Stock-broking CGUs, impairment of goodwill could have significant impact on the financial statements. We also focused on this area due to the significant judgements made by the Directors over underlying assumptions in the impairment tests.</p>	<p>We satisfied ourselves with the procedures performed below on the management's assumptions used in the impairment model.</p> <p>We have compared cash flows projections to the budgets, which were approved by the respective subsidiaries' Board of Directors. We also held discussions with management to understand the basis for the assumptions used and compared the budgets against the actual results from prior years to assess the reliability of budgeting.</p> <p>We tested the assumptions used by management, in relation to the discounts rates, compounded annual and terminal growth rates for all CGUs. The discount rates used were based on the pre-tax weighted average cost of capital plus an appropriate risk premium, at the date of assessment of all the CGUs. We have assessed the reasonableness of the discount rates by independently re-calculating the pre-tax weighted average cost of capital based on data of comparable entities obtained from independent sources for each CGUs. The terminal growth rates were based on the forecasted Gross Domestic Product ('GDP') growth rate of Malaysia. We have compared the terminal growth rates used by management with the forecasted GDP growth rates independently obtained and assessed the reasonableness of the adjustments made to reflect the specific risk of the CGUs.</p>
	<p>We have assessed the sensitivity of the impairment assessment for each of the CGU by varying the following:-</p> <ul style="list-style-type: none"> • underlying assumptions applied on the budgeted cash flows in relation to compounded annual growth rates; • discounts rates; and terminal growth rates

INDEPENDENT AUDITORS' REPORT

To The Members Of AFFIN BANK BERHAD

(Incorporated in Malaysia)

Company No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 Annual Report 2019, 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 the Bank do 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 and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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 and the Bank's internal control.

INDEPENDENT AUDITORS' REPORT

To The Members Of AFFIN BANK BERHAD

(Incorporated in Malaysia)

Company No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditors' responsibilities for the audit of the financial statements (continued)

- (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 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 Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members 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

LLP0014401-LCA & AF 1146

Chartered Accountants

NG YEE LING

03032/01/2021 J

Chartered Accountant

Kuala Lumpur, Malaysia

29 April 2020

BASEL II PILLAR 3 DISCLOSURES

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BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

1 INTRODUCTION

1.1 Background

The Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by Bank Negara Malaysia ('BNM'), which is the equivalent of the Basel II issued by the Basel Committee of Banking Supervision and the Islamic Financial Services Board is structured around three fundamental pillars:-

- Pillar 1 defines the minimum capital requirement to ensure that financial institutions hold sufficient capital to cover their exposure to credit, market and operational risks.
- Pillar 2 requires financial institutions to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
- Pillar 3 requires financial institutions to establish and implement an appropriate disclosure policy that promotes transparency regarding their risk management practices and capital adequacy positions.

Pillar 3 disclosure is required under the BNM Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

Affin Bank Berhad ('the Bank') and its subsidiaries ('the Group') adopt the following approaches under Pillar 1 requirements:-

- Standardised Approach for Credit Risk
- Basic Indicator Approach for Operational Risk
- Standardised Approach for Market Risk

1.2 Scope of Application

This document contains the disclosure requirements under Pillar 3 for the Bank and its subsidiaries (the 'Group') for the year ended 31 December 2019. The disclosures are made in line with the Pillar 3 disclosure requirements under the Basel II framework as laid out by BNM.

The disclosures should be read in conjunction with the Group and the Bank's 2019 Annual Report for the year ended 31 December 2019.

The capital requirements of the Group and the Bank are generally based on the principles of consolidation adopted in the preparation of its financial statements.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

2 RISK GOVERNANCE STRUCTURE

2.1 Overview

The Board of Directors of the Bank is ultimately responsible for the overall performance of the Bank. The Board's responsibilities are congruent with the framework of BNM Guidelines. The Board also exercises great care to ensure that high ethical standards are upheld, and that the interests of stakeholders are not compromised. These include responsibility for determining the Bank's general policies and strategies for the short, medium and long term, approving business plans, including targets and budgets, and approving major strategic decisions.

The Board has overall responsibility for maintaining the proper management and protection of the Bank's interests by ensuring effective implementation of the risk management policy and process, as well as adherence to a sound system of internal control. The Board also recognises that risks cannot be eliminated completely. As such, the inherent system of internal control is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring. The system of internal controls encompasses controls relating to financial, operational, risk management and compliance with applicable laws, regulations, policies and guidelines.

The terms of reference of the Board Committees as disclosed in the Annual Report provide an outline of respective roles and functions. In carrying out its functions, the Board has delegated specific responsibilities to other Board Committees, which operate under approved terms of reference, to assist the Board in discharging their duties. The Chairmen of the various Committees report on the outcome of their Committee meetings to the Board and any further deliberation is made at Board level, if required. These reports and deliberations are incorporated into the Minutes of the Board meetings. The Board meets on a monthly basis.

2.2 Board Committees

Board Nomination and Remuneration Committee ('BNRC')

The BNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, Group Chief Executive Officer ('GCEO') and Senior Management. The BNRC develops the remuneration policy for Directors, GCEO, Senior Management and other material risk takers, whereby, it assesses the effectiveness of individual Director, the Board as a whole and the performance of the GCEO as well as Senior Management.

The Committee obtains advice from experts in compensation and benefits, both internally and externally.

Group Board Risk Management and Compliance Committee ('GBRMCC')

The GBRMCC is responsible for overseeing management activities in managing credit, market, liquidity, operational, legal, reputational, IT, cyber and other material risks as well as ensuring that the risk management process and compliance framework are in place and functioning effectively.

It is responsible for setting the overall tone of the Group and the Bank's strategy and ensuring effective communication and integration of risk appetite and compliance within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management and compliance strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management and compliance policies, guidelines and reports.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

2 RISK GOVERNANCE STRUCTURE

2.2 Board Committees (continued)

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

The GBCRRC is responsible for providing critical review of loans/financing, investment accounts and other credit facilities with high risk implications and vetoing loan/financing applications that have been approved by the Group Management Credit Committee ('GMCC') as appropriate.

Group Board Audit Committee ('GBAC')

The GBAC is responsible for providing oversight and reviewing the adequacy and integrity of the internal control systems as well as oversees the work of the internal and external auditors.

Reliance is placed on the results of independent audits performed primarily by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on their control self-assessment of all areas of their responsibility.

Minutes of GBAC meetings, which provide a summary of the proceedings, are circulated to Board members for notation and discussion. The Bank has an established Group Internal Audit Division ('GIA') which reports functionally to the GBAC and administratively to the GCEO.

Board Oversight Transformation Committee ('BOTC')

The BOTC is responsible for overseeing the transformation plan (Affinity Program) in the Bank, secure the consistency of strategic decision and ensure that the transformation plan is implemented effectively in a timely manner.

Shariah Committee ('SC')

The Shariah Committee is formed as legislated under the Islamic Financial Services Act 2013 and as per the Shariah Governance Framework for Islamic Financial Institutions.

The roles and responsibilities of the Shariah Committee include advising the Board on Shariah matters to ensure that the business operations of the Bank comply with Shariah principles at all times. SC is also responsible for endorsing and validating relevant documentations of the Bank's products to ensure that the products comply with Shariah principles, and advising the Bank on matters to be referred to the Shariah Advisory Council.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

2 RISK GOVERNANCE STRUCTURE

2.3 Management Committees

Management Committee ('MCM')

The MCM comprises the senior management team chaired by GCEO. MCM is responsible for assisting the Board in managing the day-to-day operations, formulating tactical plans and business strategies while monitoring the banking entities' overall performance, and ensuring all business activities conducted are in accordance with the Bank's corporate objectives, strategies, policies as well as Annual Business Plan and Budget.

The MCM is supported by the following sub-committees:-

- Governance, Risk and Compliance
- Branch Performance
- IT, Operations, Digital and Customer Experience

Group Management Credit Committee ('GMCC')

The GMCC is established within senior management to approve complex and large loans/financing and workout/recovery proposals beyond the delegated authority of the individual approvers.

Group Asset and Liability Management Committee ('GALCO')

The GALCO comprising the senior management team chaired by the GCEO, manages the Bank's asset and liability position by identifying, managing and controlling balance sheet risks and capital management in the execution of the business strategy, while implementing asset liability strategy and policy for the balance sheet of the respective subsidiary.

Liquidity Management Committee ('LMC')

The LMC is a sub-committee of the GALCO. The role of LMC is to augment the functions of GALCO by directing its focus specifically to liquidity issues.

Group Operational Risk Management Committee ('GORMC')

The GORMC is a senior management committee chaired by the Group Chief Risk Officer (GCRO), established to oversee the management of operational risks issues and control lapses while supporting GBRMCC in its review and monitoring of operational risk. It is also responsible for reviewing and ensuring that the operational risk programme, process and framework are implemented in accordance with regulatory requirement and manage loss incidents to an acceptable level.

Group Early Alert Committee ('GEAC')

The GEAC is a senior management committee, established to monitor credit quality through monthly reviews of the Early Control (MFRS 9 Stage 1) and Underperforming (MFRS 9 Stage 2) Accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

2 RISK GOVERNANCE STRUCTURE

2.4 Group Risk Management Function

Group Risk Management ('GRM'), headed by the GCRO is segregated from the lines of business, with direct reporting line to GBRMCC to ensure independence of risk management function.

The independence of risk function is critical towards controlling and managing the risk taking activities of the Group and the Bank to achieve an optimum return in line with the subsidiaries' risk appetite, with consideration to variations required due to differences in each subsidiary's business model.

Committees namely GBCRRC, SC, MCM, GMCC, GALCO, LMC, GORMC and GEAC assist GBRMCC in managing credit, market, liquidity, operational and other material risks in the Group and the Bank. The responsibilities of these Committees include risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring and reporting.

2.5 Internal Audit and Internal Control Activities

In accordance with BNM's guidelines on Corporate Governance, GIA conducts continuous reviews on auditable areas within the Bank. The reviews by GIA are focused on areas of significant risks and effectiveness of internal control in accordance with the audit plan approved by the GBAC.

Based on GIA's review, identification and assessment of risk, testing and evaluation of controls, GIA will provide an opinion on the effectiveness of internal controls maintained by each entity. The risks highlighted on the respective auditable areas as well as recommendation made by the GIA are addressed at GBAC and Management meetings on bi-monthly basis. The GBAC also conducts annual reviews on the adequacy of internal audit function, scope of work, resources and budget of GIA.

3 CAPITAL MANAGEMENT

3.1 Internal Capital Adequacy Assessment Process ('ICAAP')

In line with the BNM guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) - Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has put in place the ICAAP Framework to assess the capital adequacy to ensure that the level of capital maintained by the Bank is adequate at all times, taking into consideration the Bank's risk profile and business strategies.

The Bank's capital management approach is focused on maintaining an appropriate level of capital to meet its business needs and regulatory requirements as capital adequacy and risk management are closely aligned. The Bank operates within an agreed risk appetite whilst optimising the use of shareholders' funds to deliver sustainable returns.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

3 CAPITAL MANAGEMENT

3.2 Capital structure

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Group and the Bank are currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM'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 7.000% (2018: 6.375%) and 8.500% (2018: 7.875%) respectively for financial year 2019. The minimum regulatory capital adequacy requirement is 10.500% (2018: 9.875%) for Total Capital Ratio.

The following table sets forth further details on the capital resources and capital adequacy ratios for the Group and the Bank as at 31 December 2019.

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET 1				
Paid-up share capital	4,774,772	4,684,752	4,774,772	4,684,752
Retained profits	3,640,073	2,928,584	3,017,227	2,408,718
Unrealised gains on FVOCI instruments	250,661	110,371	148,173	111,161
Other disclosed reserves	(61,010)	8,328	-	-
Foreign exchange reserves	135	593	-	-
	8,604,631	7,732,628	7,940,172	7,204,631
Less: Regulatory adjustments:-				
- Goodwill and other intangibles	(914,693)	(906,068)	(202,670)	(182,235)
- Deferred tax assets	(3,440)	(107,704)	(12,690)	(70,239)
- 55% of cumulative unrealised gains on FVOCI instruments	(137,864)	(60,704)	(81,495)	(61,138)
- Investment in subsidiaries, joint ventures and associates	(831,440)	(770,047)	(3,781,321)	(3,766,021)
Total CET 1 capital	6,717,194	5,888,105	3,861,996	3,124,998
Additional Tier 1 capital				
Additional Tier 1 capital	800,000	800,000	500,000	500,000
Qualifying capital instruments held by third party	25,329	19,783	-	-
	825,329	819,783	500,000	500,000
Total Tier 1 capital	7,542,523	6,707,888	4,361,996	3,624,998
Tier 2 capital				
Subordinated medium term loans	2,750,000	2,200,000	2,000,000	2,000,000
Qualifying loss provisions #	533,058	583,115	344,781	383,532
Less: Regulatory adjustments:-				
- Investment in capital instruments of unconsolidated financial and insurance entities	(30,914)	(57,412)	(80,914)	(657,412)
Total Tier 2 capital	3,252,144	2,725,703	2,263,867	1,726,120
Total Capital	10,794,667	9,433,591	6,625,863	5,351,118
The breakdown of risk-weighted assets:-				
Credit risk	42,644,676	46,649,190	27,582,457	30,682,574
Market risk	488,422	523,804	290,399	272,300
Operational risk	3,184,235	2,962,066	1,774,869	1,899,866
Total risk-weighted assets	46,317,333	50,135,060	29,647,725	32,854,740

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

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

3 CAPITAL MANAGEMENT

3.2 Capital structure (continued)

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital adequacy ratios:-				
<u>Before deducting proposed dividends:-</u>				
CET 1 capital ratio	14.503%	11.744%	13.026%	9.512%
Tier 1 capital ratio	16.284%	13.380%	14.713%	11.033%
Total capital ratio	23.306%	18.816%	22.349%	16.287%
<u>After deducting proposed dividends (Note 1):-</u>				
CET 1 capital ratio	14.459%	11.924%	12.958%	9.786%
Tier 1 capital ratio	16.241%	13.559%	14.644%	11.307%
Total capital ratio	23.262%	18.996%	22.280%	16.561%

Note 1:-

Under the DRP, the amount of declared dividend to be deducted in the calculation of CET 1 Capital is determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) (Implementation Guidance) issued on 2 February 2018.

Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of the declared dividend to be deducted in the calculation of CET 1 Capital may be reduced as follows:-

- (i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or
- (ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates or if less than 3 preceding years, the available average historical take-up rates, subject to the amount being not more than 50% of the total electable portion of the dividend.

In arriving at the capital adequacy ratios, the portion of the proposed dividends where no irrevocable written undertaking from shareholders to reinvest the electable portion into new ordinary shares of the Bank is obtained, is assumed to be paid in cash and has been deducted from the calculation of CET 1 Capital Ratio.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 December 2019, RIA assets included in the Total Capital Ratios calculation amounted to RM1,919.3 million (2018: RM2,369.7 million).

3.3 Capital adequacy

The Group and the Bank have in place an internal limit for its CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio, which is guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses. The capital management process is monitored by senior management through periodic reviews.

Refer to Appendix I.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Bank are principally engaged in all aspects of banking and related financial services. The principal activities of the Bank's subsidiaries are Islamic banking business, investment banking, stockbroking activities, dealing in options and futures, property management services, nominee and trustee services.

The Group and the Bank's business activities involve the analysis, measurement, acceptance, and management of risks which operates within well defined risk acceptance criteria covering customer segments, industries and products. The Group and the Bank do not enter into risk it cannot administer, book, monitor or value, or deal with persons of questionable integrity.

The Group and the Bank have established robust and comprehensive risk management policies and framework, supported by Group Risk Management Framework and Policies based on best practices, to ensure that the salient risk elements in the operations of the Group and the Bank are adequately managed and mitigated. The risk management policies are established to identify, assess, measure, control and mitigate all key risks as well as manage and monitor the risk positions. The risk measurement tools employed are commonly used in market practices and commensurate with the size and complexity of the Group and the Bank's business operations.

The risk management policies and systems are reviewed regularly to reflect changes in markets, products and best practices in risk management processes. The Group and the Bank's aim are to achieve an appropriate balance between risk and return as well as minimise any potential adverse effects.

5 CREDIT RISK

5.1 Credit risk management objectives and policies

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

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the GBRMCC, a sub-committee of the Board that reviews the adequacy of the Group and the Bank's risk policies and framework. The Group and the Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the Group Management Credit Committee ('GMCC') and the GBCRRC. The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC 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 Group and the Bank recognise 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 Group and the Bank are supportive of credit officer in taking the Professional Credit Certification ('PCC') programme offered by the Asian Institute of Chartered Bankers ('AICB'). Upon attaining the PCC certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

5 CREDIT RISK

5.2 Application of Standardised Approach for credit risk

The Group and the Bank use the following External Credit Assessment Institutions ('ECAIs') to determine the risk weights for the rated credit exposures:-

- RAM Rating Services Berhad
- Malaysian Rating Corporation Berhad
- Standard & Poor's Rating Services
- Moody's Investors Service
- Fitch Ratings

The external ratings of the ECAIs are used to determine the risk weights of the following types of exposure: sovereigns, banks, public sector entities and corporates.

The mapping of the rating categories of different ECAIs to the risk weights is in accordance with BNM guidelines. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category.

Refer to Appendix II and Appendices III (i) to III (ii).

5.3 Credit risk evaluation

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group and the Bank's underwriting criteria and the ability of the Group and 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 Group and the Bank have developed internal rating models to support the assessment and quantification of credit risk.

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

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

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at loans, advances and financing origination. 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 Group and 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.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.4 Risk limit control and mitigation policies

The Group and the Bank employ various policies and practices to control and mitigate credit risk.

Lending/financing limits

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

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

Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and given value by the Group and the Bank are:-

- mortgage over residential;
- charges over commercial real estate or vehicles financed;
- charges over business assets such as properties, equipment, fixed deposits, debentures, personal guarantees and corporate guarantees; and
- charges over financial instruments such as marketable securities.

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

Term loan financing and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

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

The Group and the Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group and the Bank since the prior period.

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. In terms of credit risk, the Group and the Bank are potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Refer to Appendix IV (a) to (b).

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

5 CREDIT RISK

5.5 Credit risk measurement

Credit risk grades

The Group and the Bank allocate 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 judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

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 ('PD') 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 the Group and the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using expert credit judgment and, where possible, relevant historical experience, the Group and the Bank may determine that an exposure has undergone a Significant Increase in Credit Risk ('SICR') 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 Group and the Bank consider that a significant increase in credit risk is presumed if a borrower/ issuer is more than 30 days or 1 month past due. Days or months past due are determined by counting the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group and the Bank monitor 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).

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.5 Credit risk measurement (continued)

Measurement of expected credit losses ('ECL')

The Group and the Bank use three categories for financial instruments at amortised cost for recognising ECL.

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	<ul style="list-style-type: none"> Financial asset that do not have significant increase in credit risk since initial recognition of the asset therefore, less likely to default; Performing accounts with creditgrade 13 or better; Accounts past due less than or equal to 30 days or; For early control accounts where one that has 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 account (Stage 2)	<ul style="list-style-type: none"> 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; Account past due more than 30 days or 1 month but less than 90 days or 3 months; Account demonstrating critical level of risk and therefore, credit graded to 14 and place under Watchlist. 	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	<ul style="list-style-type: none"> Impaired credit; Credit grade 15 or worse; Accounts past due more than 90 days or 3 months; All restructure and rescheduling ('R&R') accounts due to credit deterioration are to be classified as impaired. 	Lifetime ECL - credit impaired
Write-off	<ul style="list-style-type: none"> Evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or; Assets unable to generate sufficient future cash flows to repay the amount. 	Asset is written off

The Group and the Bank have not used the low credit risk exemption for any financial instrument for the financial year ended 31 December 2019.

The key inputs into the measurement of ECL are the term structure of the following variables:-

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD is the likelihood of a counterparty defaulting on its contractual obligations to a financial institution over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes or changes in past due status, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group and the Bank collect 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.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

5 CREDIT RISK

5.5 Credit risk measurement (continued)

Measurement of expected credit losses ('ECL')

The Group and the Bank employ 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 Group and the Bank derive 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 are 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.

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 Group and 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 Group and the Bank have 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 grading;
- collateral type;
- date of initial recognition;
- remaining term 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 techniques or significant assumptions made during the reporting period that have material impact to ECL.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.5 Credit risk measurement (continued)

Incorporation of forward-looking information

The Group and the Bank incorporate 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 Group and the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group and the Bank carry out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group and the Bank have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years.

5.6 Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Significant Increase in Credit Risk process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

The Group and the Bank have 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 the 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 Group and the Bank conduct 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 Group Risk Management ('GRM') to ensure that credit decision-making is consistent with the Group and the Bank's overall credit risk appetite and strategy.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets

Total loans, advances and financing - credit quality

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

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

Loans, advances and financing are classified impaired when they fulfill any of the following criteria:-

- the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;
- where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is 'unlikely to repay' its credit obligations; or
- the loan/financing is classified as rescheduled and restructured in Central Credit Reference Information System ('CCRIS').

Analysed by economic sectors

Past due loans/financing

The Group	2019		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Primary agriculture	4,804	3,781	8,585
Mining and quarrying	302	173	475
Manufacturing	14,649	8,995	23,644
Electricity, gas and water supply	1,668	253	1,921
Construction	25,897	37,544	63,441
Real estate	88,350	50,243	138,593
Wholesale & retail trade and restaurants & hotels	61,225	41,196	102,421
Transport, storage and communication	42,347	21,002	63,349
Finance, insurance and business services	22,486	24,385	46,871
Education, health and others	67,719	18,052	85,771
Household	1,095,816	953,721	2,049,537
	1,425,263	1,159,345	2,584,608

The Group	2018		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Primary agriculture	10,284	2,893	13,177
Mining and quarrying	416	392	808
Manufacturing	12,007	8,265	20,272
Electricity, gas and water supply	1,519	466	1,985
Construction	69,994	36,908	106,902
Real estate	420,381	72,636	493,017
Wholesale & retail trade and restaurants & hotels	60,905	34,618	95,523
Transport, storage and communication	43,212	42,580	85,792
Finance, insurance and business services	28,232	29,083	57,315
Education, health and others	90,358	6,156	96,514
Household	1,270,370	979,727	2,250,097
	2,007,678	1,213,724	3,221,402

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by economic sectors (continued)

Past due loans/financing (continued)

The Bank	2019		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Primary agriculture	3,432	3,121	6,553
Mining and quarrying	302	173	475
Manufacturing	12,311	6,815	19,126
Electricity, gas and water supply	1,356	150	1,506
Construction	18,322	31,331	49,653
Real estate	58,357	39,766	98,123
Wholesale & retail trade and restaurants & hotels	52,783	33,601	86,384
Transport, storage and communication	23,571	18,256	41,827
Finance, insurance and business services	16,379	17,353	33,732
Education, health and others	8,068	16,489	24,557
Household	534,808	499,626	1,034,434
	729,689	666,681	1,396,370

The Bank	2018		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Primary agriculture	9,201	2,437	11,638
Mining and quarrying	417	392	809
Manufacturing	10,014	7,298	17,312
Electricity, gas and water supply	1,051	133	1,184
Construction	54,285	32,370	86,655
Real estate	393,061	69,903	462,964
Wholesale & retail trade and restaurants & hotels	52,576	27,987	80,563
Transport, storage and communication	23,368	25,635	49,003
Finance, insurance and business services	22,639	20,399	43,038
Education, health and others	86,257	5,383	91,640
Household	645,320	603,204	1,248,524
	1,298,189	795,141	2,093,330

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by economic sectors (continued)

Expected credit losses

	2019			
	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
The Group				
Primary agriculture	4,415	141	851	5,407
Mining and quarrying	1,215	674	4,678	6,567
Manufacturing	7,851	1,316	7,633	16,800
Electricity, gas and water supply	1,762	1,293	38	3,093
Construction	7,939	6,337	20,592	34,868
Real estate	24,818	11,428	43,232	79,478
Wholesale & retail trade and restaurants & hotels	11,951	3,057	17,400	32,408
Transport, storage and communication	5,097	37,304	85,105	127,506
Finance, insurance and business services	5,633	3,042	3,030	11,705
Education, health and others	5,008	14,853	48,404	68,265
Household	63,637	14,914	109,381	187,932
	139,326	94,359	340,344	574,029

	2018			
	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
The Group				
Primary agriculture	7,083	298	438	7,819
Mining and quarrying	3,860	1,241	3,289	8,390
Manufacturing	9,970	978	15,718	26,666
Electricity, gas and water supply	2,181	2,124	-	4,305
Construction	11,912	6,155	18,267	36,334
Real estate	55,092	10,815	38,240	104,147
Wholesale & retail trade and restaurants & hotels	15,154	7,752	19,356	42,262
Transport, storage and communication	9,186	3,842	101,136	114,164
Finance, insurance and business services	16,230	4,267	19,288	39,785
Education, health and others	11,161	262	15,338	26,761
Household	52,506	9,895	107,758	170,159
	194,335	47,629	338,828	580,792

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by economic sectors (continued)

Expected credit losses (continued)

	2019			
	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
The Bank				
Primary agriculture	1,528	134	826	2,488
Mining and quarrying	1,097	675	3,148	4,920
Manufacturing	5,506	612	7,029	13,147
Electricity, gas and water supply	1,207	1,291	21	2,519
Construction	6,687	6,248	19,820	32,755
Real estate	18,719	5,300	3,613	27,632
Wholesale & retail trade and restaurants & hotels	10,275	2,905	16,469	29,649
Transport, storage and communication	3,853	37,166	73,778	114,797
Finance, insurance and business services	4,570	507	2,291	7,368
Education, health and others	2,461	14,833	35,158	52,452
Household	30,373	6,841	59,008	96,222
	86,276	76,512	221,161	383,949

	2018			
	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
The Bank				
Primary agriculture	3,722	294	438	4,454
Mining and quarrying	3,745	1,241	1,759	6,745
Manufacturing	6,883	658	15,137	22,678
Electricity, gas and water supply	1,125	2,123	-	3,248
Construction	9,651	5,829	16,504	31,984
Real estate	46,751	8,888	11,893	67,532
Wholesale & retail trade and restaurants & hotels	12,169	7,690	17,547	37,406
Transport, storage and communication	7,316	2,835	100,876	111,027
Finance, insurance and business services	15,346	1,019	18,444	34,809
Education, health and others	5,747	253	11,207	17,207
Household	27,523	5,712	71,589	104,824
	139,978	36,542	265,394	441,914

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by economic sectors (continued)

Expected credit losses written-off

	The Group		The Bank	
	2019 Lifetime ECL credit impaired Stage 3 RM'000	2018 Lifetime ECL credit impaired Stage 3 RM'000	2019 Lifetime ECL credit impaired Stage 3 RM'000	2018 Lifetime ECL credit impaired Stage 3 RM'000
Primary agriculture	479	637	479	637
Mining and quarrying	-	227	-	161
Manufacturing	9,374	1,278	9,266	1,274
Electricity, gas and water supply	17	135	-	53
Construction	6,822	18,806	6,165	11,273
Wholesale & retail trade and restaurants & hotels	6,619	3,188	5,888	2,571
Transport, storage and communication	1,663	1,659	1,450	1,570
Finance, insurance and business services	2,680	1,194	365	1,097
Education, health and others	478	249	381	185
Household	58,371	50,587	42,262	40,862
	86,503	77,960	66,256	59,683

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by geographical area

Past due loans/financing

The Group	2019		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Perlis	58,146	1,544	59,690
Kedah	55,271	62,552	117,823
Pulau Pinang	60,528	68,225	128,753
Perak	54,830	64,056	118,886
Selangor	434,255	377,363	811,618
Wilayah Persekutuan	235,578	111,633	347,211
Negeri Sembilan	69,620	78,777	148,397
Melaka	42,538	35,934	78,472
Johor	193,614	143,453	337,067
Pahang	36,746	21,533	58,279
Terengganu	20,838	24,466	45,304
Kelantan	13,321	15,538	28,859
Sarawak	71,448	56,992	128,440
Sabah	75,594	97,265	172,859
Labuan	2,934	-	2,934
Outside Malaysia	2	14	16
	1,425,263	1,159,345	2,584,608

The Group	2018		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Perlis	1,314	2,471	3,785
Kedah	65,499	55,146	120,645
Pulau Pinang	86,763	49,322	136,085
Perak	61,438	61,752	123,190
Selangor	602,922	448,544	1,051,466
Wilayah Persekutuan	443,956	114,956	558,912
Negeri Sembilan	87,680	61,958	149,638
Melaka	39,302	39,775	79,077
Johor	372,349	140,149	512,498
Pahang	42,409	21,363	63,772
Terengganu	22,720	29,218	51,938
Kelantan	13,805	15,303	29,108
Sarawak	70,056	69,759	139,815
Sabah	95,739	103,990	199,729
Labuan	3	-	3
Outside Malaysia	1,723	18	1,741
	2,007,678	1,213,724	3,221,402

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by geographical area (continued)

Past due loans/financing (continued)

The Bank	2019		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Perlis	924	570	1,494
Kedah	18,365	23,554	41,919
Pulau Pinang	36,979	39,340	76,319
Perak	30,431	34,455	64,886
Selangor	168,776	214,589	383,365
Wilayah Persekutuan	151,953	64,002	215,955
Negeri Sembilan	21,249	29,289	50,538
Melaka	27,204	20,439	47,643
Johor	112,427	82,438	194,865
Pahang	15,162	9,214	24,376
Terengganu	1,287	1,857	3,144
Kelantan	3,194	3,707	6,901
Sarawak	68,920	53,472	122,392
Sabah	69,882	89,741	159,623
Labuan	2,934	-	2,934
Outside Malaysia	2	14	16
	729,689	666,681	1,396,370

The Bank	2018		
	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Perlis	499	1,168	1,667
Kedah	25,839	24,593	50,432
Pulau Pinang	50,847	31,041	81,888
Perak	29,236	33,129	62,365
Selangor	326,936	293,451	620,387
Wilayah Persekutuan	344,012	72,680	416,692
Negeri Sembilan	33,926	27,324	61,250
Melaka	24,466	26,174	50,640
Johor	283,661	102,842	386,503
Pahang	20,000	10,312	30,312
Terengganu	1,780	2,094	3,874
Kelantan	2,451	3,735	6,186
Sarawak	65,553	66,324	131,877
Sabah	87,257	100,256	187,513
Labuan	3	-	3
Outside Malaysia	1,723	18	1,741
	1,298,189	795,141	2,093,330

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by geographical area (continued)

Expected credit losses

The Group	2019			
	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
Perlis	1,148	25	301	1,474
Kedah	4,140	1,591	19,380	25,111
Pulau Pinang	8,019	3,375	11,494	22,888
Perak	4,436	1,755	66,254	72,445
Selangor	44,973	11,641	58,536	115,150
Wilayah Persekutuan	28,963	10,164	27,131	66,258
Negeri Sembilan	4,610	2,366	7,147	14,123
Melaka	3,859	2,564	4,654	11,077
Johor	19,597	18,949	18,577	57,123
Pahang	4,189	1,319	6,072	11,580
Terengganu	1,536	35,963	65,828	103,327
Kelantan	852	242	2,831	3,925
Sarawak	5,580	789	3,356	9,725
Sabah	7,108	3,615	9,184	19,907
Labuan	219	-	-	219
Outside Malaysia	97	1	39,599	39,697
	139,326	94,359	340,344	574,029

The Group	2018			
	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
Perlis	3,078	27	640	3,745
Kedah	4,720	878	13,236	18,834
Pulau Pinang	9,130	6,281	11,870	27,281
Perak	5,258	1,809	22,048	29,115
Selangor	53,638	14,076	61,038	128,752
Wilayah Persekutuan	57,409	9,277	41,102	107,788
Negeri Sembilan	3,764	1,207	22,520	27,491
Melaka	3,840	1,608	3,709	9,157
Johor	30,184	5,271	18,550	54,005
Pahang	4,618	3,060	4,447	12,125
Terengganu	1,475	345	92,235	94,055
Kelantan	639	182	4,550	5,371
Sarawak	7,556	1,106	5,363	14,025
Sabah	8,566	2,500	12,021	23,087
Labuan	421	-	-	421
Outside Malaysia	39	2	25,499	25,540
	194,335	47,629	338,828	580,792

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

5 CREDIT RISK

5.7 Credit quality of financial assets (continued)

Total loans, advances and financing - credit quality (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

	2019				Total RM'000
	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000		
The Bank					
Perlis	48	7	201		256
Kedah	1,555	434	16,697		18,686
Pulau Pinang	5,436	2,793	8,532		16,761
Perak	2,862	1,200	40,054		44,116
Selangor	26,435	6,728	34,904		68,067
Wilayah Persekutuan	20,809	5,220	19,273		45,302
Negeri Sembilan	1,657	1,476	2,102		5,235
Melaka	2,953	2,349	3,134		8,436
Johor	12,804	16,532	13,096		42,432
Pahang	2,374	1,094	5,289		8,757
Terengganu	141	35,661	64,156		99,958
Kelantan	197	64	1,782		2,043
Sarawak	4,321	736	3,240		8,297
Sabah	4,470	2,217	8,701		15,388
Labuan	117	-	-		117
Outside Malaysia	97	1	-		98
	86,276	76,512	221,161		383,949

	2018				Total RM'000
	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000		
The Bank					
Perlis	62	12	304		378
Kedah	2,258	242	9,989		12,489
Pulau Pinang	7,232	5,516	10,755		23,503
Perak	3,246	897	14,771		18,914
Selangor	35,008	9,686	42,006		86,700
Wilayah Persekutuan	48,589	8,334	37,184		94,107
Negeri Sembilan	1,705	825	18,640		21,170
Melaka	3,080	451	3,025		6,556
Johor	24,250	4,049	15,268		43,567
Pahang	2,627	2,960	3,709		9,296
Terengganu	160	104	89,960		90,224
Kelantan	193	51	3,308		3,552
Sarawak	5,679	1,068	5,337		12,084
Sabah	5,727	2,345	11,138		19,210
Labuan	124	-	-		124
Outside Malaysia	38	2	-		40
	139,978	36,542	265,394		441,914

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

6 MARKET RISK

6.1 Market risk management objectives and policies

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's exposure to market risk results largely from interest/profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which are supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macro-economic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and Value-at-Risk ('VaR') risk parameters.

Interest/profit rate risk is quantified by analysing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ('EaR') or Net Interest/Profit Income simulation is conducted to assess the variation in short-term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on Economic Value of Equity ('EVE'), also known as Economic Value-at-Risk ('EVAR'). Thresholds are set for EaR and EVaR as management triggers.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

Risk Management Policies and Procedures

Risk management policies and procedures are reviewed and updated to ensure relevance to current business needs as well as current/applicable regulatory requirements such as BNM's policy documents on:-

- a) Managing Unauthorised Trading & Market Manipulation,
- b) Code of Conduct for Malaysia Wholesale Financial Markets, and
- c) Principles for a Fair and Effective Financial Market for Malaysian Financial Market.

6.2 Application of Standardised Approach for market risk Capital Charge Computation

The Group and the Bank adopt the Standardised Approach for the purpose of calculating the capital requirement for market risk.

Refer to Appendix I.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

6 MARKET RISK

6.3 Market risk measurement, control and monitoring

The Group and the Bank's market risks are measured primarily using mark-to-market revaluation and VaR methodologies. Market risk parameters are the tolerance level of risk acceptance set by the Group and the Bank to confine losses arising from adverse rate or price movements. Market risk management parameters are established based on its risk appetite, market liquidity and business strategies as well as macro-economic conditions. These parameters are reviewed at least on an annual basis.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and VaR risk parameters.

The Group and the Bank quantify interest/profit rate risk by analysing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. EaR or Net Interest/Profit Income simulation is conducted to assess the variation in short term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on EVE, also known as EVaR. Thresholds are set for EaR and EVaR as management triggers.

In addition, periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

The GALCO and GBRMCC are regularly kept informed of the Group and the Bank's risk profile and positions.

6.4 Value-at-Risk ('VaR')

VaR estimates the potential loss of a trading portfolio from adverse market price movements which may occur over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in interest/profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR results is conducted to validate and reassess the accuracy of the risk measurement systems.

Other risk measures

- Mark-to-market
Mark-to-market valuation tracks the current market value of the outstanding financial instruments.
- Stress testing
Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values primarily arising from extreme movements in interest/profit rates and foreign exchange rates based on past experiences and simulated stress scenarios.

6.5 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. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

7 LIQUIDITY RISK

7.1 Liquidity risk management objectives and policies

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Group and the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group and the Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

7.2 Liquidity risk measurement, control and monitoring

The Group and the Bank's short term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') final standards. The LCR is a quantitative requirement which seeks to ensure that the Group and the Bank holds sufficient High Quality Liquid Assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long-term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Group and the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Group and the Bank also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group and the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Group and the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management Compliance Committee ('GBRMCC') is responsible for the Group and the Bank's liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO'). The Liquidity Management Committee ('LMC'), which is a sub-committee of GALCO, augments the functions of GALCO by directing its focus specifically to liquidity issues. The GBRMCC is informed regularly on the liquidity position of the Group and the Bank.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

8 OPERATIONAL RISK

8.1 Operational risk management objectives and policies

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the Bank's activities, but excludes strategic business, reputational and systemic risks.

The Group Operational Risk Management Framework governs the management of operational risk across the Group and the Bank. GBRMCC approves all policies/policy changes relating to operational risk. Group Operational Risk Management Committee ('GORMC') supports GBRMCC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The Operational Risk Management ('ORM') function within GRM operates in independent capacity to facilitate business/support units managing the risks in activities associated with the operational function of the Bank.

8.2 Application of Basic Indicator Approach for operational risk

The Group and the Bank adopt 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 average annual gross income over the previous three years.

8.3 Operational risk measurement, control and monitoring

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Group and the Bank employs the following standard operational risk tools for risk and control identification and assessment:-

- Risk Control Self Assessment ('RCSA')
- Key Control Standards ('KCS')
Note: Process to assist Business/Support Unit to identify and assess the operational risks, identify controls and assess controls effectiveness.
- Key Risk Indicator ('KRI')
Note: Process to monitor and manage key operational risk exposures over time, measured against a set of threshold levels (Red, Amber & Green).
- Loss Event Reporting ('LER')
Note: Process for reporting, evaluating and monitoring operational risk loss incidents including service disruption due to system failure, secrecy breach and Shariah Non-Compliance ('SNC').
- Scenario Analysis ('ScAn')
Note: Process to process in the creation of plausible operational risk events and has become an essential element in the operational risk management and measurement.

Introduction of new products or services are evaluated to assess suitability, potential risks and operational readiness.

Operational Risk Coordinators ('ORC') are appointed at business and support units as champions of ORM activities within respective units. The ORC is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results.

8.4 Certification

As an internal requirement, all ORC must satisfy an Internal Operational Risk (including business continuity management) Certification Program. These coordinators will first go through an online self learning exercise before attempting online assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

9 TECHNOLOGY RISK

9.1 Technology risk objectives and policies

Technology risk is any potential for technology failures and cyber threats that may disrupt business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the Group and the Bank.

The Group Technology Risk Management Framework governs the management of technology risk across the Group and the Bank.

The technology risk management function within GRM manages the risks associated with technology risk of the Group and the Bank. GORMC supports GBRMCC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMCC is responsible to provide oversight of overall technology related matters of the Group and the Bank.

9.2 Technology risk measurement, control and monitoring

The Group and the Bank use risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle ('SDLC'). The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (i.e. access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Non-technical 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.

10 SHARIAH NON-COMPLIANCE RISK

10.1 Shariah non-compliance risk objectives and policies

Shariah non-compliance ('SNC') risk is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ('SAC'), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the Islamic Financial Services Act, or decisions or advice of the Shariah Committee.

The Shariah Risk Management Framework governs the management of SNC risk within the Bank.

The Shariah Committee deliberates on Shariah issues presented to them, and provide resolution and guidance. GORMC together with GBRMCC assist the Board in the overall oversight of Shariah Risk Management of the Group.

Shariah Risk Management is part of an integrated risk management control function. It assists business units and functional lines to identify all possible SNC risk and its mitigating measures.

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

10 SHARIAH NON-COMPLIANCE RISK

10.2 Shariah non-compliance risk measurement, control and monitoring

SNC risk is proactively managed with the following tools:-

1. SNC Event Reporting to BNM
Shariah loss data are collected for evaluation, monitoring and reporting.
2. Shariah Risk and Control Self-Assessment ('RCSA')
To systematically assist business units and functional lines to identify and assess SNC risks and controls. RCSA is performed annually or when there is occurrence of significant events either internal or external.
3. Key Risk Indicator ('KRI')
By monitoring key SNC risk exposures over time, it provides the management early alert of changes in the risk and control environment.
4. Key Control Standard ('KCS')
To validate the effectiveness of control measures.

11 BUSINESS CONTINUITY RISK

11.1 Business continuity risk management objectives and policies

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Business Continuity Management Framework governs the management of business continuity issues, in line with BNM Guidelines on Business Continuity Management ('BCM').

GBRMCC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. GORMC supports GBRMCC in the review and monitoring of Business Continuity Risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is an independent body overseeing the management of the overall business continuity risk.

11.2 Business continuity risk measurement, control and monitoring

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Group and the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

Appendix I

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

The Group and the Bank have adopted Basel II - Risk Weighted Assets computation under the BNM's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operation risk computation.

The following information concerning the Group and the Bank's risk exposures are disclosed as accompanying information to the annual report, and does not form part of the audited accounts.

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

The Group 2019

Exposure Class	Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1 CREDIT RISK				
<u>On-Balance Sheet Exposures</u>				
Corporates	25,009,365	24,302,626	19,879,975	1,590,398
Regulatory Retail	14,435,610	13,443,974	10,155,049	812,404
Other Assets	3,465,960	3,465,960	1,445,803	115,664
Sovereigns/Central Banks	10,427,556	10,427,486	4,259	341
Banks, Development Financial Institutions & MDBs	1,061,931	1,061,931	215,524	17,242
Insurance Companies, Securities Firms & Fund Managers	193,172	193,172	169,150	13,532
Residential Mortgages	10,014,444	9,985,474	5,656,725	452,538
Higher Risk Assets	121,556	117,471	173,065	13,845
Defaulted Exposures	1,231,213	1,210,514	1,595,989	127,679
Total for On-Balance Sheet Exposures	65,960,807	64,208,608	39,295,539	3,143,643
<u>Off-Balance Sheet Exposures</u>				
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	4,408,852	4,408,852	3,317,637	265,411
Defaulted Exposures	21,752	21,752	31,500	2,520
Total for Off-Balance Sheet Exposures	4,430,604	4,430,604	3,349,137	267,931
Total for On and Off-Balance Sheet Exposures	70,391,411	68,639,212	42,644,676	3,411,574
2 MARKET RISK	Long Position	Short Position		
Interest Rate Risk	18,872,534	18,754,174	118,360	22,733
Equity Position Risk	47,527	4,289	43,238	10,666
Foreign Currency Risk	2,638,778	2,692,495	(53,717)	5,674
3 OPERATIONAL RISK				
Operational Risk			3,184,235	254,739
Total RWA and Capital Requirements			46,317,333	3,705,386

OTC 'Over The Counter'

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

Appendix I

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

The Group
2018

Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	<u>CREDIT RISK</u>				
	<u>On-Balance Sheet Exposures</u>				
	Corporates	29,408,781	28,397,054	22,205,335	1,776,428
	Regulatory Retail	15,250,688	14,491,691	10,992,556	879,404
	Other Assets	3,789,979	3,789,979	1,377,035	110,163
	Sovereigns/Central Banks	11,916,473	11,916,457	4,030	322
	Banks, Development Financial Institutions & MDBs	2,454,179	2,454,179	483,689	38,695
	Insurance Companies, Securities Firms & Fund Managers	218,915	218,914	194,931	15,594
	Residential Mortgages	9,318,235	9,287,628	5,290,653	423,252
	Higher Risk Assets	157,032	153,118	224,328	17,946
	Equity Exposure	15,902	15,902	15,902	1,272
	Defaulted Exposures	1,447,297	1,414,333	1,946,753	155,740
	Total for On-Balance Sheet Exposures	73,977,481	72,139,255	42,735,212	3,418,816
	<u>Off-Balance Sheet Exposures</u>				
	Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	5,086,745	5,090,127	3,842,718	307,417
	Defaulted Exposures	51,819	48,437	71,260	5,702
	Total for Off-Balance Sheet Exposures	5,138,564	5,138,564	3,913,978	313,119
	Total for On and Off-Balance Sheet Exposures	79,116,045	77,277,819	46,649,190	3,731,935
2	<u>MARKET RISK</u>				
	Interest Rate Risk	17,397,174	17,370,741	26,433	223,556
	Equity Position Risk	21,153	52	21,101	4,654
	Foreign Currency Risk	3,041,122	2,984,198	56,924	204,953
	Option Risk	27,000	-	27,000	37,125
3	<u>OPERATIONAL RISK</u>				
	Operational Risk			2,962,066	236,965
	Total RWA and Capital Requirements			50,135,060	4,010,805

OTC 'Over The Counter'

Appendix I

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

The Bank 2019

Exposure Class	Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1 CREDIT RISK				
<u>On-Balance Sheet Exposures</u>				
Corporates	17,541,740	16,971,847	14,201,190	1,136,095
Regulatory Retail	9,195,760	8,833,193	6,692,574	535,406
Other Assets	2,437,258	2,437,258	1,017,388	81,391
Sovereigns/Central Banks	3,781,791	3,781,721	-	-
Banks, Development Financial Institutions & MDBs	1,345,586	1,345,586	589,690	47,175
Insurance Companies, Securities Firms & Fund Managers	192,765	192,765	168,743	13,500
Residential Mortgages	2,837,807	2,823,150	1,342,063	107,365
Higher Risk Assets	4,279	4,279	6,418	513
Defaulted Exposures	895,716	875,159	1,196,582	95,727
Total for On-Balance Sheet Exposures	38,232,702	37,264,958	25,214,648	2,017,172
<u>Off-Balance Sheet Exposures</u>				
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	2,920,424	2,920,424	2,338,666	187,093
Defaulted Exposures	19,598	19,598	29,143	2,331
Total for Off-Balance Sheet Exposures	2,940,022	2,940,022	2,367,809	189,424
Total for On and Off-Balance Sheet Exposures	41,172,724	40,204,980	27,582,457	2,206,596
2 MARKET RISK	Long Position	Short Position		
Interest Rate Risk	11,328,535	11,344,483	(15,948)	270,941
Foreign Currency Risk	13,853	19,458	(5,605)	19,458
3 OPERATIONAL RISK				
Operational Risk			1,774,869	141,990
Total RWA and Capital Requirements			29,647,725	2,371,818

OTC 'Over The Counter'

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix I

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

The Bank
2018

Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	<u>CREDIT RISK</u>				
	<u>On-Balance Sheet Exposures</u>				
	Corporates	20,573,025	19,642,650	15,849,344	1,267,948
	Regulatory Retail	10,026,261	9,671,903	7,374,053	589,924
	Other Assets	2,672,961	2,672,961	882,798	70,624
	Sovereigns/Central Banks	3,935,142	3,935,127	-	-
	Banks, Development Financial Institutions & MDBs	2,833,092	2,833,092	862,619	69,010
	Insurance Companies, Securities Firms & Fund Managers	218,765	218,765	194,782	15,583
	Residential Mortgages	3,024,596	3,008,359	1,405,621	112,449
	Higher Risk Assets	9,697	9,648	14,271	1,142
	Equity Exposure	15,902	15,902	15,902	1,272
	Defaulted Exposures	1,090,421	1,059,077	1,446,415	115,713
	Total for On-Balance Sheet Exposures	44,399,862	43,067,484	28,045,805	2,243,665
	<u>Off-Balance Sheet Exposures</u>				
	Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	3,187,263	3,190,587	2,570,951	205,676
	Defaulted Exposures	47,415	44,092	65,818	5,265
	Total for Off-Balance Sheet Exposures	3,234,678	3,234,679	2,636,769	210,941
	Total for On and Off-Balance Sheet Exposures	47,634,540	46,302,163	30,682,574	2,454,606
2	<u>MARKET RISK</u>				
	Interest Rate Risk	10,840,416	10,864,312	(23,896)	151,998
	Foreign Currency Risk	645,900	753,348	(107,448)	120,302
3	<u>OPERATIONAL RISK</u>				
	Operational Risk			1,899,866	151,989
	Total RWA and Capital Requirements			32,854,740	2,628,379

OTC 'Over The Counter'

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's Capital-at-Risk ('CaR') is defined as the amount of the Group and the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in interest/profit and foreign exchange rates. A CaR reference threshold is set as a management trigger to ensure that the Group and the Bank's capital adequacy are not impinged upon in the event of adverse market movements. The Group and the Bank currently adopt BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the interest/profit rate risk in the Group and the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the following outstanding financial instruments:-

- Foreign Exchange ('FX')
- Interest Rate Swap ('IRS')
- Cross Currency Swap ('CCS')
- Fixed Income Instruments (i.e. Corporate bonds/Sukuk and Government Securities)
- FX Options

The Bank's Trading Book Policy Statement stipulates the policies and procedures for including or excluding exposures from the Trading Book for the purpose of calculating regulatory market risk capital.

Appendix II

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)
The Group
2019

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity			
0%	10,461,375	-	35,504	-	2,563,106	-	-	-	1,860,871	-	-	-	-	14,920,856	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	99,007	-	1,369,646	30,027	2,475,595	382	-	-	199,109	-	-	-	-	4,173,766	834,753
35%	-	-	-	-	-	-	5,504,280	-	-	-	-	-	-	5,504,280	1,926,498
50%	-	-	107,481	-	398,988	1,383	1,900,105	3,141	-	-	-	-	-	2,411,098	1,205,550
75%	-	-	-	-	-	13,686,402	36,649	-	-	-	-	-	-	13,723,051	10,292,288
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	14,699	197,070	21,978,795	254,085	3,096,388	291	1,405,981	-	-	-	-	26,947,309	26,947,309
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	694,224	72,580	72,444	119,604	-	-	-	-	-	958,852	1,438,278
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight															
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

PSE 'Public Sector Entities'
MDB 'Multilateral Development Banks'
FDI 'Financial Development Institutions'

BASEL III PILLAR 3 DISCLOSURES as at 31 December 2019

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

The Group
2018

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets		
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDI	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation			Equity	
0%	11,950,962	-	195,975	-	3,559,929	-	-	-	2,251,289	-	-	-	-	17,958,155	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	118,870	-	2,425,684	29,980	3,547,962	625	-	202,069	-	-	-	-	-	6,325,190	1,265,038
35%	-	-	-	-	-	-	5,792,683	-	-	-	-	-	-	5,792,683	2,027,439
50%	-	-	182,042	-	299,633	7,517	1,200,839	7,538	-	-	-	-	-	1,697,569	848,785
75%	-	-	-	-	-	14,716,600	37,139	-	-	-	-	-	-	14,753,739	11,065,304
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	13,704	215,601	24,602,697	232,382	2,949,294	-	1,336,621	-	-	15,902	-	29,366,201	29,366,201
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	962,303	101,019	162,503	158,457	-	-	-	-	-	1,384,282	2,076,423
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight												-	-		
Deduction from Capital Base												-	-		

PSE 'Public Sector Entities'

MDB 'Multilateral Development Banks'

FDI 'Financial Development Institutions'

Appendix II

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)
The Bank
2019

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets		
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDI	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation			Equity	
0%	3,782,021	-	25,404	-	2,075,443	-	-	-	1,269,380	-	-	-	-	7,152,248	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	22,474	-	470,462	30,027	1,053,410	382	-	188,113	-	-	-	-	-	1,746,868	352,974
35%	-	-	-	-	-	-	2,082,291	-	-	-	-	-	-	2,082,291	728,802
50%	-	-	1,154,986	-	197,124	289	273,168	-	-	-	-	-	-	1,625,567	812,783
75%	-	-	-	-	-	8,943,826	33,746	-	-	-	-	-	-	8,977,572	6,733,179
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	13,016	192,265	15,898,606	236,946	577,169	100	979,765	-	-	-	-	17,897,867	17,897,867
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	584,641	64,189	47,046	8,691	-	-	-	-	-	704,567	1,056,852
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight												-	-		
Deduction from Capital Base												-	-		

PSE 'Public Sector Entities'
MDB 'Multilateral Development Banks'
FDI 'Financial Development Institutions'

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

The Bank
2018

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDI	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation			Equity
0%	3,935,155	-	176,135	-	2,710,457	-	-	-	1,664,800	-	-	-	8,486,547	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	38,003	-	1,744,045	29,980	1,619,782	625	-	-	156,704	-	-	-	3,589,139	717,828
35%	-	-	-	-	-	-	2,286,827	-	-	-	-	-	2,286,827	800,389
50%	-	-	1,170,209	-	156,518	6,240	263,448	-	-	-	-	-	1,596,415	798,207
75%	-	-	-	-	-	9,733,387	33,086	-	-	-	-	-	9,766,473	7,324,855
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	13,704	2,11,860	17,783,100	224,402	547,273	-	85,1457	-	-	15,902	19,647,698	19,647,698
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	737,907	90,569	83,851	16,737	-	-	-	-	929,064	1,393,597
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
938%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base														

PSE 'Public Sector Entities'
MDB 'Multilateral Development Banks'
FDI 'Financial Development Institutions'

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

Appendix III

(i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Group
2018

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers Corporates		-	-	-	-	245,580
		2,702,431	143,238	8,084	-	31,174,197
Total		2,702,431	143,238	8,084	-	31,419,777

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs		-	-	-	-	-
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers Corporates		-	-	-	-	-
		-	-	-	-	-
Total		-	-	-	-	-

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2019

Appendix III

(i) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank
2018

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	241,839
Corporates	986,311	78,708	-	-	-	22,903,167
Total	986,311	78,708	-	-	-	23,145,006

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs	-	-	-	-	-	-
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Total	-	-	-	-	-	-

Appendix III

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

(ii) Disclosures on Rated Exposures according to Ratings by ECAs (RM'000) (continued)
The Group
2019

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		3,649,110	6,911,271	-	-	-	-
Total		3,649,110	6,911,271	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		1,251,039	47,346	5,063	39,356	-	184,526
Total		1,251,039	47,346	5,063	39,356	-	184,526

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix III

(ii) Disclosures on Rated Exposures according to Ratings by ECAs (RM'000) (continued)

The Group
2018

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks		3,368,746	8,701,102	-	-	-	-
Total		3,368,746	8,701,102	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs		1,996,577	53,284	49,042	13,388	-	705,107
Total		1,996,577	53,284	49,042	13,388	-	705,107

Appendix III

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank
2019

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		-	3,804,494	-	-	-	-
Total		-	3,804,494	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		281,001	38,782	5,063	39,356	-	1,299,667
Total		281,001	38,782	5,063	39,356	-	1,299,667

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix III

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank
2018

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks		-	3,973,173	-	-	-	-
Total		-	3,973,173	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs		1,235,936	53,284	26,376	13,388	-	1,775,109
Total		1,235,936	53,284	26,376	13,388	-	1,775,109

Appendix IV

BASEL II PILLAR 3 DISCLOSURES
as at 31 December 2019a) **Disclosures on Credit Risk Mitigation (RM'000)**
The Group
2019

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	10,427,556	-	70	-
Banks, Development Financial Institutions & MDBs	1,061,931	-	-	-
Insurance Cos, Securities Firms & Fund Managers	193,172	-	-	-
Corporates	25,009,365	836,269	667,029	-
Regulatory Retail	14,435,610	302	488,319	-
Residential Mortgages	10,014,444	-	28,982	-
Higher Risk Assets	121,556	3,141	4,086	-
Other Assets	3,465,960	-	-	-
Defaulted Exposures	1,231,213	80	20,700	-
Total for On-Balance Sheet Exposures	65,960,807	839,792	1,209,186	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	4,408,852	-	-	-
Defaulted Exposures	21,752	-	-	-
Total for Off-Balance Sheet Exposures	4,430,604	-	-	-
Total On and Off-Balance Sheet Exposures	70,391,411	839,792	1,209,186	-

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix IV

a) Disclosures on Credit Risk Mitigation (RM'000)(continued)

The Group
2018

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	11,916,473	-	15	-
Banks, Development Financial Institutions & MDBs	2,454,179	-	-	-
Insurance Cos, Securities Firms & Fund Managers	218,915	-	-	-
Corporates	29,408,781	733,412	1,008,344	-
Regulatory Retail	15,250,688	545	422,353	-
Residential Mortgages	9,318,235	-	30,607	-
Higher Risk Assets	157,032	5,315	3,915	-
Other Assets	3,789,979	-	-	-
Equity Exposure	15,902	-	-	-
Defaulted Exposures	1,447,297	80	36,344	-
Total for On-Balance Sheet Exposures	73,977,481	739,352	1,501,578	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	5,086,745	-	-	-
Defaulted Exposures	51,819	-	-	-
Total for Off-Balance Sheet Exposures	5,138,564	-	-	-
Total On and Off-Balance Sheet Exposures	79,116,045	739,352	1,501,578	-

Appendix IV

BASEL II PILLAR 3 DISCLOSURES
as at 31 December 2019a) **Disclosures on Credit Risk Mitigation (RM'000) (continued)**
The Bank
2019

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	3,781,791	-	70	-
Banks, Development Financial Institutions & MDBs	1,345,586	-	-	-
Insurance Cos, Securities Firms & Fund Managers	192,765	-	-	-
Corporates	17,541,740	654,212	569,894	-
Regulatory Retail	9,195,760	302	362,736	-
Residential Mortgages	2,837,807	-	14,657	-
Higher Risk Assets	4,279	-	-	-
Other Assets	2,437,258	-	-	-
Defaulted Exposures	895,716	80	20,557	-
Total for On-Balance Sheet Exposures	38,232,702	654,594	967,914	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	2,920,424	-	-	-
Defaulted Exposures	19,598	-	-	-
Total for Off-Balance Sheet Exposures	2,940,022	-	-	-
Total On and Off-Balance Sheet Exposures	41,172,724	654,594	967,914	-

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix IV

a) Disclosures on Credit Risk Mitigation (RM'000) (continued)

The Bank
2018

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	3,935,142	-	15	-
Banks, Development Financial Institutions & MDBs	2,833,092	-	-	-
Insurance Cos, Securities Firms & Fund Managers	218,765	-	-	-
Corporates	20,573,025	667,372	927,055	-
Regulatory Retail	10,026,261	545	354,353	-
Residential Mortgages	3,024,596	-	16,236	-
Higher Risk Assets	9,697	-	50	-
Other Assets	2,672,961	-	-	-
Equity Exposure	15,902	-	-	-
Defaulted Exposures	1,090,421	80	34,667	-
Total for On-Balance Sheet Exposures	44,399,862	667,997	1,332,376	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	3,187,263	-	-	-
Defaulted Exposures	47,415	-	-	-
Total for Off-Balance Sheet Exposures	3,234,678	-	-	-
Total On and Off-Balance Sheet Exposures	47,634,540	667,997	1,332,376	-

Appendix IV

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a loan/financing, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on-balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

The Group 2019

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	556,462	-	556,462	522,344
Transaction related contingent items	1,969,168	-	984,584	917,071
Short Term Self Liquidating trade related contingencies	454,792	-	90,958	46,254
Foreign exchange related contracts				
One year or less	13,000,360	112,229	298,446	118,074
Over one year to five years	927,491	14,142	77,658	39,206
Interest/Profit rate related contracts				
One year or less	873,148	918	1,973	524
Over one year to five years	3,710,000	30,839	126,234	35,180
Over five years	300,000	6,740	23,827	6,875
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,913,716	-	956,858	689,172
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,020,758	-	1,204,152	892,739
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	578,072	-	-	-
Unutilised credit card lines	547,266	-	109,453	81,698
Total	30,851,233	164,868	4,430,605	3,349,137

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix IV

b) Disclosures on Off Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

The Group
2018

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	613,796	-	613,763	543,435
Transaction related contingent items	1,943,980	-	971,990	906,744
Short Term Self Liquidating trade related contingencies	432,728	-	86,546	37,406
Foreign exchange related contracts				
One year or less	11,009,067	58,950	238,299	114,883
Over one year to five years	400,719	7,145	33,888	20,281
Interest/Profit rate related contracts				
One year or less	946,000	795	1,657	360
Over one year to five years	2,800,148	10,113	88,647	23,482
Over five years	1,025,000	11,802	65,490	18,551
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,755,103	-	1,377,552	969,457
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	7,690,157	-	1,538,031	1,187,644
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	615,870	-	-	-
Unutilised credit card lines	613,506	-	122,701	91,735
Total	30,846,074	88,805	5,138,564	3,913,978

Appendix IV

BASEL II PILLAR 3 DISCLOSURES
as at 31 December 2019

b) Disclosures on Off Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

The Bank
2019

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	445,758	-	445,758	411,641
Transaction related contingent items	1,494,531	-	747,265	692,235
Short Term Self Liquidating trade related contingencies	175,032	-	35,007	34,491
Foreign exchange related contracts				
One year or less	9,812,356	93,613	230,728	83,065
Over one year to five years	207,100	1,456	18,705	3,741
Interest/Profit rate related contracts				
One year or less	23,148	353	58	29
Over one year to five years	1,480,000	17,120	55,015	19,376
Over five years	270,000	5,683	21,270	6,365
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	797,622	-	398,811	344,872
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,556,911	-	911,382	715,403
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	37,322	-	-	-
Unutilised credit card lines	380,117	-	76,023	56,591
Total	19,679,897	118,225	2,940,022	2,367,809

BASEL II PILLAR 3 DISCLOSURES as at 31 December 2019

Appendix IV

b) Disclosures on Off Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

The Bank
2018

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	415,834	-	415,834	353,435
Transaction related contingent items	1,662,775	-	831,387	766,784
Short Term Self Liquidating trade related contingencies	113,759	-	22,752	22,184
Foreign exchange related contracts				
One year or less	8,576,966	42,315	188,044	78,418
Over one year to five years	96,030	349	5,762	2,881
Interest/Profit rate related contracts				
One year or less	251,000	751	254	79
Over one year to five years	990,148	6,846	33,502	10,743
Over five years	995,000	11,570	63,458	18,145
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	756,251	-	378,125	332,944
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	6,060,241	-	1,212,048	988,818
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	133,561	-	-	-
Unutilised credit card lines	417,558	-	83,512	62,338
Total	20,469,123	61,831	3,234,678	2,636,769

c) Disclosures on Market Risk - Interest/Profit Rate Risk/Rate of Return Risk in the Banking Book

Interest/Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of interest/profit rate risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:-

- (1) Next 12 months' Earnings - Interest/Profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income ('NII') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.
- (2) Economic Value - Measuring the change in the Economic Value of Equity ('EVE') is an assessment of the long term impact to the Group and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

Appendix IV

BASEL II PILLAR 3 DISCLOSURES
as at 31 December 2019**c) Disclosures on Market Risk - Interest/Profit Rate Risk/Rate of Return Risk in the Banking Book (continued)**

Interest/Profit rate risk thresholds are established in line with the Group and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

2019

Type of Currency (RM million)	The Group		The Bank	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value
Ringgit Malaysia	33.2	631.1	14.2	295.5
US Dollar	(1.6)	11.0	2.6	7.2
Euro	(0.5)	-	(0.5)	-
Great Britain Pound	(0.1)	-	(0.1)	-
Australian Dollar	(0.3)	-	(0.3)	-
Singapore Dollar	(0.1)	1.7	(0.2)	-
Others (#)	(0.2)	-	(0.1)	-
Total	30.4	643.8	15.6	302.7

Others comprise of CNH, NZD and HKD currencies where the amount of each currency is relatively small.

2018

Type of Currency (RM million)	The Group		The Bank	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value
Ringgit Malaysia	40.6	192.3	(33.4)	336.0
US Dollar	3.5	4.2	3.5	5.7
Euro	(1.4)	2.2	(1.4)	2.2
Great Britain Pound	(0.1)	-	(0.1)	-
Australian Dollar	(0.1)	0.1	(0.1)	0.1
Singapore Dollar	(0.5)	(2.1)	(0.4)	0.1
Others (#)	(0.4)	-	-	-
Total	41.6	196.7	(31.9)	344.1

Others comprise of CNH, NZD and HKD currencies where the amount of each currency is relatively small.

ADDITIONAL DISCLOSURE

PURSUANT TO LISTING REQUIREMENTS

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”):-

1. Utilisation of proceeds raised from corporate proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Materials Contracts

There were no material contracts entered into by Affin Bank and/or its subsidiary companies involving the interests of directors, Chief Executive who is not a director or major shareholders which subsisted at the end of the financial year ended 31 December 2019 or, if not then subsisting entered into since the end of the previous financial year.

3. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 29 April 2019, Affin Bank had obtained shareholders' mandate to allow Affin Bank and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of Affin Bank and/or its subsidiaries within the ordinary course of business of Affin Bank and/or its subsidiaries (“Shareholders' Mandate”).

In accordance with Section 3.1.5 of Practice Note No. 12 of the Listing Requirements, the details of the RRPTs conducted during the financial year ended 31 December 2019 by Affin Bank and its subsidiaries under the Shareholders' Mandate are disclosed as follows:-

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Bank	Perbadanan Perwira Niaga Malaysia	Rental payment by Affin Bank for office premises, service charge and space for Automated Teller Machine (ATM) at various locations for a lease period ranging from two (2) to three (3) years	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholder</u> LTAT	153
	Boustead Travel Services Sdn Bhd (“ Boustead Travel ”)	Provision of travelling related services to Affin Bank	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	576
	Boustead Properties Sdn Bhd (“ Boustead Properties ”)	Rental payment by Affin Bank for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	12,206

ADDITIONAL DISCLOSURE PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Bank (continued)	Lembaga Tabung Angkatan Tentera ("LTAT")	Rental payment by Affin Bank for office premises and car park payable monthly for a lease term renewable every three (3) years	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholder</u> LTAT	318
	Boustead Curve Sdn Bhd (" Boustead Curve ")	Rental payment by Affin Bank for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	206
	Boustead Hotels & Resorts Sdn Bhd (" Boustead Hotels & Resorts ")	Hotel facilities and refreshment provided to Affin Bank	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	1,107
	Boustead Hotels & Resorts	Rental payment by Affin Bank for space of ATM machine at The Royale Chulan Kuala Lumpur Hotel	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	12
	Boustead Petroleum Marketing Sdn Bhd (" Boustead Petroleum ")	LED advertising charges and related expenses to Affin Bank	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	30
	Boustead Petroleum	Rental payment by Affin Bank for space of ATM machine at BHP petrol stations	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	191

ADDITIONAL DISCLOSURE PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
	Boustead Ikano Sdn Bhd	Rental payment by ABB for branch premises payable monthly for a lease term renewable every three (3) years (MyTown branch)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	213
	Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	Rental payment by Affin Bank for branch premises payable monthly for a lease term renewable every three (3) years (Kulai)	<u>Interested Director</u> Gen. Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin (R)	50
AFFIN Islamic	Boustead Travel	Provision of travelling related services to AFFIN Islamic	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	46
AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB")	Boustead Realty Sdn Bhd (" Boustead Realty ")	Rental payment by AFFIN Hwang IB for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	2,452
	Boustead Travel	Provision of travelling related services to AFFIN Hwang IB	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	324
	Boustead Petroleum	Petrol consumption	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	18

ADDITIONAL DISCLOSURE PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Hwang IB (continued)	Boustead Curve	Rental payment by AFFIN Hwang IB for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	43
	Irat	Rental payment by AFFIN Hwang IB for office premises, car parking and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	2,407
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Hwang IB for staff in-house training and other expenses	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	169
	Boustead Weld Quay Sdn Bhd	Accommodation and meeting package	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	47
AFFIN Hwang Asset Management Berhad (“ AFFIN Hwang Asset Management ”)	LTAT	Management fees payable by LTAT to AFFIN Hwang Asset Management	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholder</u> LTAT	259
	Boustead Travel	Provision of travelling related services to AFFIN Hwang Asset Management	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	397

ADDITIONAL DISCLOSURE PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Hwang Asset Management (continued)	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Hwang Asset Management for staff in-house training and other expenses	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	9
	Boustead Realty	Rental payment by AFFIN Hwang Asset Management for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	3,030
	Nikko Asset Management	Management fees payable by AFFIN Hwang Asset Management to Nikko Asset Management	<u>Interested Director</u> David Jonathan Semaya <u>Interested Major Shareholder</u> Nikko Asset Management	279
	Nikko Asset Management	Advisory fees payable by AFFIN Hwang Asset Management to Nikko Asset Management	<u>Interested Director</u> David Jonathan Semaya <u>Interested Major Shareholder</u> Nikko Asset Management	674
	Nikko Asset Management	Other fees and commission payable by Nikko Asset Management to AFFIN Hwang Asset Management	<u>Interested Director</u> David Jonathan Semaya <u>Interested Major Shareholder</u> Nikko Asset Management	1,459
AFFIN Moneybrokers Sdn Bhd ("AFFIN Moneybrokers")	Boustead Realty	Rental payment by AFFIN Moneybrokers for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	377
	Boustead Travel	Provision of travelling related services to AFFIN Moneybrokers	<u>Interested Directors</u> Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	80

ADDITIONAL DISCLOSURE PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AXA AFFIN Life Insurance Berhad (“AXA AFFIN Life”)	Irat	Rental payment by AXA AFFIN Life for office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. Dato’ Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	1,714
	AXA Asia Pacific Ltd	Provision of information technology and other support services to AXA AFFIN Life	<u>Interested Directors</u> Rohit Chandrasekharan Nambiar and Jean Paul Dominique Louis Drouffe <u>Interested Major Shareholder</u> AXA Asia	1,020
	AXA Technology Services	Provision of information technology and other support services to AXA AFFIN Life	<u>Interested Directors</u> Rohit Chandrasekharan Nambiar and Jean Paul Dominique Louis Drouffe <u>Interested Major Shareholder</u> AXA Asia	5,017
	AXA Technology Services	Software development and license fees charged by AXA Technology Services to AXA AFFIN Life	<u>Interested Directors</u> Rohit Chandrasekharan Nambiar and Jean Paul Dominique Louis Drouffe <u>Interested Major Shareholder</u> AXA Asia	2,812
	Boustead Travel	Provision of travelling related services to AXA AFFIN Life	<u>Interested Directors</u> Gen. Dato’ Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	339
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AXA AFFIN Life	<u>Interested Directors</u> Gen. Dato’ Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	74
AIIMAN Asset Management	Boustead Travel	Provision of travelling related services to AIIMAN Asset Management	<u>Interested Directors</u> Gen. Dato’ Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) and Mohd Suffian bin Haji Haron <u>Interested Major Shareholders</u> LTAT and Boustead	3
Total				38,111

PARTICULAR OF PROPERTIES

AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
1	GERAN NO. HAKMILIK 75550 LOT 1207 SEKSYEN 62 (previously Lot 13151) GERAN NO. HAKMILIK 76429 LOT 20006 SEKSYEN 62 (previously Lot 11641) BANDAR & DISTRICT OF KUALA LUMPUR WILAYAH PERSEKUTUAN KUALA LUMPUR	TRX DISTRICT PLOT C7.9-CT	COMMERCIAL LAND	FREEHOLD	LAND: 54,266	-	259,831,312
2	LOT 51412 & 51413 HS(D) 23844 & 23843 P.T. 3479 & 3480 MUKIM OF KUALA LUMPUR DISTRICT OF W. PERSEKUTUAN	NO. 4 & 6 JALAN TELAWI 3 BANGSAR BARU 59100 KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 4,659 BUILT-UP: 11,858	28	2,864,291
3	HS(D) 52849,52850, 52988 & 52989 PT 2, 3, 6620 & 6621 MUKIM OF BATU DISTRICT OF WILAYAH PERSEKUTUAN	NO. 81, 83 & 85 JALAN 2/3A PUSAT PASAR BORONG KM 12, JALAN IPOH 68100 BATU CAVES KUALA LUMPUR	3 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 01/01/2086	LAND: 4,950 BUILT-UP: 16,733	24	870,836
4	LOT 14127 & 14128 GRANTS 7792 & 7793 MUKIM OF SETAPAK DISTRICT OF KUALA LUMPUR	NO. 159 & 161 JALAN GENTING KELANG 53300 SETAPAK KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE WITH BASEMENT/ BRANCH PREMISES	FREEHOLD	LAND: 4,306 BUILT-UP: 17,224	31	1,702,545
5	HS(D) 67774 & 67773 LOT 29427 & 29428 MUKIM OF KUALA LUMPUR DISTRICT & STATE OF WILAYAH PERSEKUTUAN	NO. 47 & 49 JALAN TUN MOHD FUAD 3 TAMAN TUN DR ISMAIL 60000 KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE/ BRANCH PREMISES	FREEHOLD	LAND: 5,138 BUILT-UP: 11,250	28	3,608,844
6	LOT 27/28, SEKSYEN 1 NO. HAKMILIK 980/981 MUKIM OF PEKAN BATU	NO. 840 & 842, BT 4 ½ JALAN IPOH 51200 KUALA LUMPUR	4 1/2 STOREY BUILDING WITH BASEMENT/ BRANCH PREMISES	LEASEHOLD EXP: 13/01/2037	LAND: 3,081 BUILT-UP: 9,243	34	1,121,015

PARTICULAR OF PROPERTIES AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
7	HS(D) 96849 (30438 [new]) LOT/PT 6536 (28035 [new]) MUKIM OF SETAPAK DISTRICT & STATE OF WILAYAH PERSEKUTUAN	NO. 2, JLN 1/27F KLSC WANGSA MAJU 53300 KUALA LUMPUR [C7/50/86-1, C7/50/86-2 C7/50/86-3, & C7/50/86-4]	4 STOREY SHOP OFFICE CORNER UNIT/BRANCH PREMISES	LEASEHOLD EXP: 19/04/2083	LAND: 4,480 BUILT-UP: 14,920	21	2,067,005
	HS(D) 96848 (30437 [new]) LOT/PT 6537 (28034 [new]) MUKIM OF SETAPAK DISTRICT & STATE OF WILAYAH PERSEKUTUAN	NO. 4, JLN 1/27F KLSC WANGSA MAJU 53300 KUALA LUMPUR [C7/50/85-1, C7/50/85- 2 & C7/50/85-3]	3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 19/04/2083	LAND: 1,920 BUILT-UP: 5,760		
8	HS(D) 23766 PT 199, SECTION 40 MUKIM KUALA LUMPUR	133, JALAN BUNUS OFF JALAN MASJID INDIA 50100 KUALA LUMPUR	1 UNIT 4 1/2 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 1,539.9 BUILT-UP: 7,699.8	19	3,148,016
9	HS(M) 2926 & 2925 P.T. 21346 & 21345 MUKIM OF PETALING DISTRICT OF W.P.	NO. 10 & 12 JLN RADIN TENGAH BANDAR BARU SERI PETALING 57000 KUALA LUMPUR	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 05/04/2078	LAND: 3,840 BUILT-UP: 11,520	36	464,600
10	HS(D) 5217 P.T. 90 SECTION 1 TOWN OF PORT SWETHENHAM DISTRICT OF KLANG	NO. 1, JLN BERANGAN 42000 PORT KLANG SELANGOR	4 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,000 BUILT-UP: 12,768	38	367,608
11	HS(M) 4961 PT 457 HS(M) 4962 PT 458 MUKIM OF KAJANG DISTRICT OF ULU LANGAT	NO. 2 & 3, JLN SAGA TMN SRI SAGA OFF JLN SG CHUA 43000 KAJANG SELANGOR	2 UNITS 3 1/2 STOREY SHOP OFFICE/ BRANCH PREMISES	FREEHOLD	LAND: 3,510 BUILT-UP: 11,136	24	206,275
12	HS(D) 11547, 11548 P.T. 15727, 15728 MUKIM OF AMPANG	NO. 11 & 11A JLN MAMANDA 7/1 AMPANG POINT 68000 AMPANG SELANGOR	5 STOREY SHOP OFFICE BRANCH PREMISES	FREEHOLD	LAND: 3,261 BUILT-UP: 5,658.4	23	859,512
13	HS(D) 39216, K1 PT 2068 MUKIM AND DISTRICT OF PETALING	NO. 1, JLN TK 1/11A TMN KINRARA, SECTION 1 BATU 7 ½ JLN PUCHONG 58200 SELANGOR	3 STOREY SHOP OFFICE + BASEMENT/ BRANCH PREMISES	LEASEHOLD EXP: 27/8/2091	LAND: 3,900 BUILT-UP: 15,600	25	1,237,279

PARTICULAR OF PROPERTIES AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
14	HS(D) 9406, LOT 8226 & PT 4045 HS(D) 9407, LOT 8227 & PT 4046 MUKIM OF DAMANSARA DISTRICT OF PETALING	NO. 7 & 9 JLN SS 15/8A 47500 PETALING JAYA SELANGOR	2 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,520 BUILT-UP: 9,944	26	914,947
15	HS(M) 14862 & 14863 PT 21350 & 21351 TEMPAT BUKIT RAJA MUKIM OF KAPAR DISTRICT OF KLANG	NO. 29 & 31 JALAN TIARA 3 BANDAR BARU KELANG 41150 KELANG SELANGOR	2 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 8/5/2093	LAND: 3,300 BUILT-UP: 13,200	22	2,387,986
16	HS(M) 6836 P.T. 14531 MUKIM OF DAMANSARA DISTRICT OF PETALING	NO. 301, 401 & 501, BLOCK C, MENARA GLOMAC KELANA BUSINESS CENTRE 97, JALAN 227/2 47301 KELANA JAYA SELANGOR	MORTGAGE HUB, ASB HUB AND DISASTER RECOVERY CENTRE	LEASEHOLD EXP: 21/11/2092	LAND: N/A BUILT-UP NO 301: 6,916 NO 401: 6,916 NO 501: 6,916	19	4,605,250
17	HS(D) 103053 LOT NO. 770, SECTION 11 DISTRICT OF PETALING TOWN OF SHAH ALAM	NO. 11, PUSAT DAGANGAN SHAH ALAM PERSIARAN DAMAI, SEKSYEN 11 40100 SHAH ALAM SELANGOR DARUL EHSAN	1 UNIT 5 STOREY SHOP OFFICE/ BRANCH PREMISES (BLC, MORTGAGE & STORAGE)	LEASEHOLD EXP: 12/05/2095	LAND: 1,650 BUILT-UP: 8,000	19	1,628,151
	HS(D) 103053 LOT NO. 770, SECTION 11 DISTRICT OF PETALING TOWN OF SHAH ALAM	NO. 12, PUSAT DAGANGAN SHAH ALAM PERSIARAN DAMAI, SEKSYEN 11 40100 SHAH ALAM SELANGOR DARUL EHSAN	1 UNIT 5 STOREY SHOP OFFICE/ BRANCH PREMISES (BLC, MORTGAGE & STORAGE)	LEASEHOLD EXP: 12/05/2095	LAND: 1,650 BUILT-UP: 8,000		
18	HS(D) 36868, LOT 25724, MUKIM OF PETALING	NO. 161, JALAN SS2/24 47300 PETALING JAYA SELANGOR	3 STOREY SHOP HOUSE/BRANCH PREMISES	FREEHOLD	LAND: 2,268 BUILT-UP: 8,902	39	785,361
19	HS(D) 194608, PT 1106, PEKAN SERDANG, DAERAH PETALING, SELANGOR	NO. 36, JALAN PSK 3 PUSAT PERDAGANGAN SERI KEMBANGAN 43300 SERI KEMBANGAN SELANGOR	3 STOREY SHOP HOUSE/BRANCH PREMISES	FREEHOLD	LAND: 3,563 BUILT-UP: 10,684	19	1,197,564

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NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
20	HS(D) 16521 & 16496 P.T. 8912/1367 & P.T. 8912/1366 MUKIM OF KUALA LUMPUR DISTRICT OF PETALING	NO. 20 & 22 JLN 21/12, SEA PARK 46730 PETALING JAYA SELANGOR	2 UNITS 2 STOREY SHOP OFFICE WITH BASEMENT/ BRANCH PREMISES	FREEHOLD	LAND: 3,230 BUILT-UP: 9,750	35	1,325,713
21	PLOTS 65 & 66 HS(D) 7570 & 7571 LOT 8552 & 8553 MUKIM 12 DISTRICT OF BARAT DAYA	NO. 124 & 126 JALAN MAYANG PASIR TMN SRI TUNAS 11950 BAYAN BARU PULAU PINANG	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,080 BUILT-UP: 8,360	27	888,139
22	GM 2251 & 2252 LOT 3991 & 3992 MUKIM 5 DISTRICT OF SEBERANG PERAI UTARA	NO. 1317 & 1318 TMN SEPAKAT OFF JLN BUTTERWORTH 13200 KEPALA BATAS SEBERANG PRAI UTARA PULAU PINANG	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 2,390 BUILT-UP: 6,920	24	472,278
23	PN 1825 & 1826 HS(D) 5507 & 5508 MUKIM 1 DISTRICT OF SEBERANG PERAI TENGAH, PENANG	NO. 10 JLN TODAK 1 PUSAT BANDAR SEBERANG JAYA 13700 PERAI, PENANG	4 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 21/10/2092	LAND: 3,681 BUILT-UP: 13,716	23	1,553,358
24	TITLE NO. 35120 LOT NO. 86, SECTION 2 TOWN OF BATU FERINGHI NORTH EAST DISTRICT OF PENANG New Title: Lot No. 666, Geran HBM 107/ M1/22/124, Mukim Bandar Batu Peringgi Sek. 2, Daerah Timur Laut, Negeri Pulau Pinang.	SRI SAYANG RESORT APARTMENT UNIT NO. 22-06, 22 ND STOREY BATU FERINGHI PULAU PINANG	AN END UNIT 3 BEDROOM APARTMENT	FREEHOLD	LAND: N/A BUILT-UP: 911	19	145,702
25	HS(D) 807 & 808 P.T. 2592 & 2593 DISTRICT OF SEBERANG PERAI UTARA	NO. 55 & 57, TMN SELAT JLN BAGAN LUAR 12710 BUTTERWORTH PULAU PINANG	2 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 4,779.2 BUILT-UP: 13,760	34	1,392,914
26	UNIT NO. P1-01-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1/1/53, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG	FETTES PARK 98-G-32 TO 98-3A-32 BLOCK 32 PRIMA TANJUNG BUSINESS CENTRE JALAN TANJUNG TOKONG 10470 PULAU PINANG	5 STOREY SHOP OFFICE	FREEHOLD	L: 1,037 B: 1,037	19	1,559,837

PARTICULAR OF PROPERTIES AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
	UNIT NO. P1-02-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/M1/2/121, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L: N/A B: 1,037		
	UNIT NO. P1-03-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/ M1 MENARA B/3/223, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L: N/A B: 1,886		
	UNIT NO. P1-04-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/ M1 MENARA B/4/257, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L: N/A B: 1,886		
	UNIT NO. P1-05-32, HELD UNDER HAKMILIK, STRATA NO BERDAFTAR GERAN 61929/ M1 MENARA B/5/259, LOT NO. 1594, SEKSYEN 2, BANDAR TANJONG TOKONG				L: N/A B: 1,886		
27	LOT 175 & 176 PT 1386 & 1387 GRANT 6787 MUKIM OF KUAH DISTRICT OF LANGKAWI	NO. 149-A, 149-B & 149-C NO. 151-A, 151-B & 151-C PERSIARAN BUNGA RAYA LANGKAWI MALL 07000 KUAH LANGKAWI, KEDAH	2 ADJACENT LOTS 3 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,304 BUILT-UP: 9,912	22	1,198,156
28	HS(D) 73618 & 73619 PT 5733 & 5734 MUKIM OF LABU DISTRICT OF SEREMBAN	NO. 5733 & 5734 JLN TS 2/1 TMN SEMARAK, PHASE II 71800 NILAI N. SEMBILAN	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,600 BUILT-UP: 10,800	25	637,733

PARTICULAR OF PROPERTIES AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
29	LOT S03 & S04 PT 72, HS(D) 7295 DISTRICT OF PORT DICKSON	NO. 3 & 4, JALAN AMAN KAWASAN PENAMBAKAN LAUT BANDAR PORT DICKSON 71009 NEGERI SEMBILAN	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 31/1/2085	LAND: 3,532 BUILT-UP: 9,900	23	661,593
30	HS(D) 9980 PT 4370 MUKIM & DISTRICT PORT DICKSON New Title:- Lot No. 287, PN 2474/M1/3/48, Mukim Bandar Port Dickson, Daerah Port Dickson	CORUS LAGOON APARTMENT UNIT B-L3-06 BATU 2, JALAN PANTAI 71000 PORT DICKSON NEGERI SEMBILAN	1 UNIT APARTMENT	LEASEHOLD EXP: 06/07/2087	LAND: N/A BUILT-UP: 792	19	118,849
31	HS(D) 7156, 7157, 7187 & 7188 PT 34, 35, 65 & 66 BANDAR BUKIT BARU SEKSYEN 11 DISTRICT OF MELAKA TENGAH	BUKIT BARU NO. 7 & 8, JALAN DRI DELIMA POINT TAMAN DELIMA RAYA 75150 MELAKA	2 UNITS 5 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,509 BUILT-UP: 17,160	23	1,322,830
32	HS(D) 4705 & 4706, DISTRICT OF MELAKA TENGAH	NO. 200 & 201, TAMAN MELAKA RAYA OFF JALAN PARAMESWARA 75000, MELAKA	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 19/12/2075	LAND: 4,430 BUILT-UP: 10,031	39	425,923
33	HS(D) 2874 & PTD 4161 TOWNSHIP OF KLUANG DISTRICT OF KLUANG	NO. 503 JLN MERSING 86000 KLUANG, JOHOR	3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 19/12/2075	LAND: 6,000 BUILT-UP: 9,944	26	430,025
34	HS(D) 16728, PTD 9887 & HSD(D) 16729, PTD 9888, MUKIM OF SIMPANG KANAN, DISTRICT OF BATU PAHAT	NO. 3 & 4 JALAN MERAH TAMAN BUKIT PASIR 83000 BATU PAHAT JOHOR	2 UNITS 3 STOREY SHOP HOUSE/BRANCH PREMISES	FREEHOLD	LAND: 3,080 BUILT-UP: 16,227	29	723,440
35	PTD 48474 & 48475 HS(D) 86046 & 86047 MUKIM OF PLENTONG DISTRICT OF JOHOR BHARU	NO. 130 & 132 JLN ROSMERAH 2/17 TMN JOHOR JAYA 81100 JOHOR	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 4,773 BUILT-UP: 14,319	25	1,406,511
36	PTD 100479 & 100480 MUKIM OF PLENTONG DISTRICT OF JOHOR BAHRU	NO. 23 AND 25, JALAN PERMAS 10/2, PERMAS JAYA, 81750 MASAI, JOHOR BAHRU, JOHOR	2 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	FREEHOLD	LAND: 3,840 BUILT-UP: 13,440	26	1,732,716

PARTICULAR OF PROPERTIES AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
37	PTD 62642 & 62643 HS(D) 227069 & 227070 MUKIM OF PULAI DISTRICT OF JOHOR BAHRU	NO. 49 & 51 JALAN SRI PERKASA 2/1 TAMAN TAMPOI UTAMA 81200 TAMPOI JOHOR BAHRU, JOHOR	2 ADJACENT LOTS 3 STOREY SHOP HOUSE/BRANCH PREMISES	LEASEHOLD EXP: 13/4/2094	LAND: 5,468 BUILT-UP: 10,710	22	1,079,541
38	HS(M) 6367, PT 7485 MUKIM OF CHENOR DISTRICT OF MARAN	NADI KOTA BANDAR PUSAT JENGA 26400 JENGA PAHANG	SINGLE STOREY BUNGALOW/ BRANCH PREMISES	LEASEHOLD EXP: 21/8/2091	LAND: 20,056 BUILT-UP: 2,100	29	330,750
39	LOT 1894 TITLE NO. 1289 & LOT 1895 TITLE NO. 1290, DAERAH & BANDAR KUALA TERENGGANU, NEGERI TERENGGANU	63 & 63A, JALAN SULTAN ISMAIL 20200 KUALA TERENGGANU, TERENGGANU	3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 18/12/2048	LAND: 4,171 BUILT-UP: 8,128	19	1,257,572
40	(L/H) HS(D) 1772 PT 2851 MUKIM OF KIJAL DISTRICT OF KEMAMAN	AWANA KIJAL BEACH RESORT APARTMENT (2 ROOMS) 13B, BAIDURI APARTMENT KM 28, JALAN KEMAMAN-DUNGUN 24100 KIJAL, TERENGGANU	1 UNIT APARTMENT	LEASEHOLD EXP: 27/11/2091	LAND: N/A BUILT-UP: 892	19	115,421
41	HS(D) 1772 PT 2851 MUKIM OF KIJAL DISTRICT OF KEMAMAN	AWANA KIJAL BEACH RESORT APARTMENT (3 ROOMS) 19A, BAIDURI APARTMENT KM 28, JALAN KEMAMAN-DUNGUN 24100 KIJAL, TERENGGANU	1 UNIT APARTMENT	LEASEHOLD EXP: 27/11/2091	LAND: N/A BUILT-UP: 1,107	19	142,743
42	GM 1764 LOT 2943 AND GM 1765 LOT 2945 (FORMERLY KNOWN GM 405, LOT 1927, GM 407, LOT 2007 GM 409, LOT 2006) MUKIM NIBONG TANAH MERAH, KELANTAN	LOT PT 1995/1996 BANDAR BARU BUKIT BUNGA 17700 TANAH MERAH KELANTAN	1 UNIT 2 STOREY SHOP OFFICE/ BRANCH PREMISES	FREEHOLD	LAND: 2,000 BUILT-UP: 4,000	19	257,047

PARTICULAR OF PROPERTIES AS AT 31 DECEMBER 2019

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (sq ft)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2019 (RM)
43	LOT 436 & 437 GERAN NO. 12256 & 12257 SECTION 13 DISTRICT OF KOTA BHARU New Title: HS(D) KB. 4/98, No. PT 133 & HS(D) KB. 5/98, No. PT 134, SECTION 13, DISTRICT OF KOTA BHARU	NO. 3788 H & 3788 I SECTION 13 JALAN SULTAN IBRAHIM 15050 KOTA BHARU, KELANTAN	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 09/03/2064	LAND: 3,200 BUILT-UP: 9,152	34	728,310
44	LOT 247 & 248, SECTION 49, LEASE OF STATE LAND	LOT 247 & 248, SECTION 49, KTLD, JALAN TUNKU ABDUL RAHMAN, 93100 KUCHING	2 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 24/07/2044	LAND: 2,500 BUILT-UP: 9,405	33	743,783
45	LOT 2387 & 2388 BLOCK 5 DISTRICT OF MIRI	LOT 2387 & 2388 JALAN BOULEVARD 1A BOULEVARD COMMERCIAL CENTRE 3KM, JALAN MIRI-PUJUT 98000 MIRI, SARAWAK	2 UNITS 3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 21/1/2050	LAND: 3,190 BUILT-UP: 8,371	23	687,850
46	SUB-LOT 13, LOT 3060 DISTRICT OF BINTULU	SUB LOT 13, OFF LOT 3299 BINTULU TOWN DISTRICT OFF JALAN DIWARTA 97000 BINTULU SARAWAK	1 UNITS 3 STOREY SHOP OFFICE (VACANT PREMISES)	LEASEHOLD EXP: 29/3/2055	LAND: 3,240 BUILT-UP: 9,720	22	535,253
47	TOWN LEASE NO. 017541374 & NO. 017541383 LOT 82 & 83, BLOK K MUKIM OF KARAMUNSING DISTRICT OF KOTA KINABALU	LOT 19 & 20 SADONG JAYA COMPLEX JALAN JUARA IKAN 3 KARAMUNSING 88300 KOTA KINABALU SABAH	4 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 21/1/2901	LAND: 2,780 BUILT-UP: 10,144	26	2,094,371
48	TOWN LEASE: 107516432 TOWN LEASE: 107516441 TOWN LEASE: 107516450 DISTRICT OF TAWAU	TB 281, 282 & 283 JLN HJ KARIM TOWN EXTENSION 11 91008 TAWAU, SABAH	3 UNITS 4 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 31/12/2895	LAND: 6,720 BUILT-UP: 13,440	35	1,395,586
49	LOT 400, PN2117 KAWASAN BANDAR XXXIX DISTRICT OF MELAKA TENGAH MELAKA	NO. 596 JALAN MELAKA RAYA 10 TAMAN MELAKA RAYA BANDAR HILIR 75000 MELAKA	2 STOREY SHOPHOUSE/ LEASED OUT PREMISES	LEASEHOLD EXP: 4/10/2082	LAND: 1,580 BUILT-UP: 2,790	33	242,500

315,474,842

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK - JOHOR			
1	AFFINBANK Ayer Hitam Branch No 765, Jalan Batu Pahat, 86100 Ayer Hitam, Johor	07-758 1100	07-758 1001
2	AFFINBANK Batu Pahat Branch No 3 & 4, Jalan Merah, Taman Bukit Pasir, 83000 Batu Pahat, Johor	07-433 4210	07-433 3246
3	AFFINBANK Danga Bay Branch No. 17 & 18, Blok 6, Danga Bay, Jalan Skudai, 80200 Johor Bahru, Johor	07-234 3842	07-234 8852
4	AFFINBANK Johor Bahru Branch No. 24 & 25, Jalan Kebun Teh 1, Kebun Teh Commercial City, 80250 Johor Bahru, Johor	07-221 2403	07-221 2462
5	AFFINBANK Johor Jaya Branch No. 130 & 132, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor	07-351 8602	07-351 4122
6	AFFINBANK Kluang Branch No. 503, Jalan Mersing, 86000 Kluang, Johor	07-772 4736	07-772 4486
7	AFFINBANK Kulai Branch No. 199 & 200, Jln Kenanga 29/4, Bandar Indahpura, 81000 Kulai Johor	07-660 8495	07-660 8363
8	AFFINBANK Muar Branch No.30A & 30A-1, Jalan Arab, 84000 Muar, Johor	06-953 2384	06-953 3489
9	AFFINBANK Mutiara Rini Branch No. 28 & 30, Jalan Utama 45, Taman Mutiara Rini, 81300, Skudai, Johor Darul Takzim	07-557 0900	07-557 1244
10	AFFINBANK Permas Jaya Branch No. 23 & 25, Jalan Permas 10/2, Bandar Baru Permas Jaya, 81750 Johor Bahru, Johor	07-386 3703	07-386 5061
11	AFFINBANK Segamat Branch No. 1, Ground Floor, Jalan Nagasari 23, Bandar Segamat Baru, 85000 Segamat, Johor	07-943 1378	07-943 1373
12	AFFINBANK Tampoi Branch No. 49 & 51, Jalan Sri Perkasa 2/1, Taman Tampoi Utama, 81200 Tampoi Johor Bahru, Johor	07-241 4946	07-241 4953
AFFINBANK - KEDAH			
13	AFFINBANK Alor Setar Branch No. 147 & 148, Susuran Sultan Abdul Hamid 8, Kompleks Sultan Abdul Hamid, Fasa 2, Persiaran Sultan Abdul Hamid, 05050 Alor Setar, Kedah	04-772 1477	04-771 4796
14	AFFINBANK Kulim Branch No. 13 & 14, Jalan KLC Satu (1), Kulim Landmark Central, 09000 Kulim, Kedah	04-495 5566	04-490 4717
15	AFFINBANK Langkawi Branch No. 149-151, Persiaran Bunga Raya, Langkawi Mall, 07000 Kuah, Langkawi, Kedah	04-966 4426	04-966 4717
16	AFFINBANK Sungai Petani Branch No. 55, Jalan Perdana Heights 2/2, Perdana Heights, 08000 Sungai Petani, Kedah	04-421 1808	04-422 6675
AFFINBANK - KELANTAN			
17	AFFINBANK Jeli Branch No. A1 & A2, Block A, Bandar Baru Bukit Bunga, 17700 Bukit Bunga, Tanah Merah, Kelantan	09-946 8955	09-946 8954
18	AFFINBANK Kota Bharu Branch No. 3788H & 3788I, Seksyen 13, Jalan Sultan Ibrahim, 15050 Kota Bharu, Kelantan	09-744 5688	09-744 2202

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK - MELAKA			
19	AFFINBANK Bukit Baru Branch No. 7 & 8, Jalan DRI, Delima Point, Taman Delima Raya, 75150 Melaka	06-232 1386	06-232 1579
20	AFFINBANK Melaka Raya Branch No. 200 & 201, Taman Melaka Raya, Off Jalan Parameswara, 75000 Melaka	06-283 5500	06-284 6618
AFFINBANK - NEGERI SEMBILAN			
21	AFFINBANK Gemas Branch No. 1 & 2, Ground Floor, Laman Niaga Pernama, Kem Syed Sirajuddin, 73400 Gemas, Negeri Sembilan	07-948 3622	07-948 5022
22	AFFINBANK Nilai Branch No. 5733 & 5734, Jalan TS 2/1, Taman Semarak Phase II, 71800 Nilai, Negeri Sembilan	06-799 4114	06-799 5115
23	AFFINBANK Port Dickson Branch No. 3 & 4, Jalan Mahajaya, P.D. Centre Point, 71000 Port Dickson, Negeri Sembilan	06-647 3950	06-647 4776
24	AFFINBANK Seremban Branch No 175, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan	06-762 9651	06-763 6125
25	AFFINBANK Bandar Sri Sendayan Branch No.71-G & 71-1, Jalan Metro Sendayan 1/3, Sendayan Metropark, 71950 Bandar Sri Sendayan, Negeri Sembilan	06-775 8084	06-775 8081
AFFINBANK - PAHANG			
26	AFFINBANK Jengka Branch Nadi Kota, 26400 Bandar Jengka, Pahang	09-466 2233	09-466 2422
27	AFFINBANK Kuantan Branch G2-Ground Floor G2, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang	09-514 8584	09-514 8580
28	AFFINBANK Mentakab Branch No. 70, Jalan Temerloh, 28400 Mentakab, Pahang	09-278 4487	09-277 6654
29	AFFINBANK Temerloh Branch No. 9, Ground Floor, Jalan Ahmad Shah, 28000, Temerloh, Pahang	09-296 8811	09-296 8800
AFFINBANK - PERAK			
30	AFFINBANK Ipoh Branch No. 1 & 3 Ground & First Floors, Persiaran Greentown 9, Greentown Business Centre, 30450 Ipoh, Perak	05-255 0980	05-255 0976
31	AFFINBANK Ipoh Garden Branch No. 27A-27A1, Jalan Sultan Azlan Shah Utara, 31400 Ipoh, Perak	05-549 7275	05-549 7299
32	AFFINBANK Lumut Branch Ground Floor, Kompleks Mutiara Armada, Jalan Nakhoda, Pangkalan TLDM, 32100 Lumut, Perak	05-683 5051	05-683 5579
33	AFFINBANK Sitiawan Branch No. 11 & 12, Taman Sitiawan 1, Jalan Lumut, 32000 Sitiawan, Perak	05-692 8401	05-691 7339
34	AFFINBANK Taiping Branch No. 40 & 42, Jalan Tupai, 34000 Taiping, Perak	05-806 6816	05-808 0432
35	AFFINBANK Teluk Intan Branch No. 11, Medan Sri Intan, Jalan Sekolah, 36000 Teluk Intan, Perak	05-621 0130	05-621 0128
36	AFFINBANK Bandar Meru Raya Branch No. 47 & 47A, Jalan Meru Bestari A2, Medan Meru Bestari, 30020 Ipoh, Perak	05-526 3990	05-526 3950

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK - PERLIS			
37	AFFINBANK Kangar Branch No. 25 & 27, Jalan Satu, Taman Pertiwi Indah, Jalan Kangar - Alor Setar, 01000 Kangar, Perlis	04-977 7200	04-977 6100
AFFINBANK - PENANG			
38	AFFINBANK Bayan Baru Branch No. 124 & 126, Jalan Mayang Pasir, Taman Sri Tunas, 11950 Bayan Baru, Pulau Pinang	04-644 4171	04-645 2709
39	AFFINBANK Butterworth Branch No. 55-57, Jalan Selat, Taman Selat, P.O.Box 165, Off Jalan Bagan Luar, 12000 Butterworth, Pulau Pinang	04-333 3177	04-332 3299
40	AFFINBANK Fettes Park Branch No. 98-G-31 & 32, Jalan Fettes, Prima Tanjung Business Centre, Tanjung Tokong, 11200 Pulau Pinang	04-899 9069	04-899 0767
41	AFFINBANK Jalan Macalister Branch No. 104C, 104D & 104E, Jalan Macalister, 10400 Pulau Pinang	04-229 1495	04-226 1530
42	AFFINBANK Kepala Batas Branch Lot 1317 & 1318, Lorong Malinja, Taman Sepakat, Off Jalan Butterworth, 13200 Kepala Batas, Seberang Prai Utara, Pulau Pinang	04-575 1824	04-575 1975
43	AFFINBANK Prai Branch No. 2, Tingkat Kikik 7, Taman Inderawasih, 13600 Prai, Pulau Pinang	04-399 3900	04-397 9243
44	AFFINBANK Seberang Jaya Branch No. 10, Jalan Todak Satu, Pusat Bandar Seberang Jaya, 13700 Prai, Pulau Pinang	04-399 5881	04-399 2881
45	AFFINBANK Wisma Pelaut Branch No. 1A, Light Street, Wisma Pelaut, 10200 Pulau Pinang	04-263 6633	04-261 9801
AFFINBANK - SABAH			
46	AFFINBANK Jalan Gaya Branch No. 86, Jalan Gaya, 88000 Kota Kinabalu, Sabah	088-230 213	
47	AFFINBANK Kota Kinabalu Branch Lot 19 & 20, Block K, Sadong Jaya Complex, Jalan Ikan Juara 3, Karamuning, 88300 Kota Kinabalu, Sabah.	088-261 515	088-261 414
48	AFFINBANK Lahad Datu Branch Ground Floor, Lot 1 & 2, Bandar Sri Perdana Fasa 5, KM 4, Jalan Silam, Bandar Sri Perdana, 91100 Lahad Datu, Sabah	089-865 733	089-865 735
49	AFFINBANK Sandakan Branch Lot No. 163 & 164, Block 18, Jalan Prima Square, Batu 4, Jalan Utara, 90000 Sandakan, Sabah	089-212 752	089-212 644
50	AFFINBANK Tawau Branch TB. 281, 282 & 283, Jalan Hj. Karim, Town Extension II, P.O. Box 630, 91008 Tawau, Sabah	089-778 197	089-762 199
AFFINBANK - SARAWAK			
51	AFFINBANK Bintulu Branch No. 17 & 18, Lot 3806 Bintulu Town District, Jalan Tun Ahmad Zaidi, 97000 Bintulu, Sarawak	086-314 248	086-314 206
52	AFFINBANK Kuching Branch Lot 247 & 248, Section 49, KTL D, Jalan Tuanku Abdul Rahman, 93100 Kuching, Sarawak	082-422 909	082-257 366

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK - SARAWAK			
53	AFFINBANK Miri Branch Lot 2387 & 2388, 1 st Floor, Block A4, Jln Boulevard 1A, Boulevard Commercial Center, KM 3, Jln Miri-Pujut, 98000 Miri, Sarawak	085-437 442	085-437 297
54	AFFINBANK Prince Commercial Centre Branch Prince Commercial Centre, No. 1 & 2, Ground Floor, Jalan Penrissen Batu 7, Kota Sentosa, 93250 Kuching, Sarawak	082-613 466	082-629 466
55	AFFINBANK Sibu Branch No. 91 & 93, Jln Kampung Nyabor, 96000 Sibu, Sarawak	084-325 926	084-325 960
56	AFFINBANK Tabuan Jaya Branch Lot No. 77, Ground Floor, Tabuan Tranquility, Jalan Canna, Tabuan Jaya, 93350 Kuching, Sarawak	082-363 385	082-363 061
AFFINBANK - SELANGOR			
57	AFFINBANK Ampang Jaya Branch No. 11 & 11A, Jalan Mamanda 7/1, Ampang Point, 68000 Ampang, Selangor	03-4257 6802	03-4257 8636
58	AFFINBANK Ampang New Village Branch No. 21G & 23G, Jalan Wawasan 2/2, Bandar Baru Ampang, 68000 Ampang, Selangor	03-4296 2311	03-4296 2206
59	AFFINBANK Ara Damansara Branch Unit B-G-07 & B-G-08, Block B, No. 2, Jalan PJU 1A/7A, Ara Damansara, 47301 Petaling Jaya, Selangor	03-7847 3177	03-7847 2677
60	AFFINBANK Bandar Bukit Tinggi Branch No. 77 & 79, Jalan Batu Nilam 5, Bandar Bukit Tinggi, 41200 Klang, Selangor	03-3323 2822	03-3323 2858
61	AFFINBANK Cyberjaya Branch P1-13, Shaftsbury Square, Lot No. 2350, Cyber 6, Persiaran Multimedia, 63000 Cyberjaya, Selangor	03-8318 1944	03-8318 1934
62	AFFINBANK Denai Alam Branch No. 1, Ground Floor, Jalan Elektron U/16/J, Seksyen U16, Denai Alam, 40160 Shah Alam, Selangor	03-7831 8895	03-7831 8859
63	AFFINBANK Jalan Meru Branch No. 38 & 40, Pelangi Avenue, Jalan Kelicap 42A/KU1, Klang Bandar Diraja, 41050 Klang, Selangor	03-3341 5237	03-3341 5427
64	AFFINBANK Kajang Branch No. 2&3, Jalan Saga, Taman Sri Saga, Off Jalan Sg. Chua, 43000 Kajang, Selangor	03-8737 7435	03-8737 7433
65	AFFINBANK Kepong Branch No. 6, Jalan 54, Desa Jaya, 52100 Kepong, Selangor	03-6276 4942	03-6276 6375
66	AFFINBANK Taman Kinrara Branch No. 1, Jalan TK1/11A, Taman Kinrara, Section 1, Batu 7 1/2, Jalan Puchong, 47100 Puchong, Selangor	03-8070 3405	03-8075 8159
67	AFFINBANK Klang Utara Branch No. 29 & 31, Jalan Tiara 3, Bandar Baru Klang, 41150 Klang, Selangor	03-3342 1582	03-3342 1719
68	AFFINBANK Shah Alam Branch Vista Alam, F-G-38 & 39, Jalan Ikhtisas 14/1, Off Persiaran Damai, Seksyen 14, 40000 Shah Alam, Selangor	03-5524 7780	03-5524 7380

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK - SELANGOR			
69	AFFINBANK Kota Damansara Branch No. B-G-19, 20 & 21 (GF), Dataran Cascades, Jalan PJU 5/1, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor	03-7610 0890	03-7610 0889
70	AFFINBANK Kota Kemuning Branch No. 15-1 & 17-1 (GF), No. 8, Jalan Anggerik Vanilla BE 31/BE, Kota Kemuning Seksyen 31, 40460 Shah Alam, Selangor	03-5120 1811	03-5120 1588
71	AFFINBANK Kota Warisan Branch G-3, Ground Floor, Jalan Warisan 1, KIP Sentral Kota Warisan, 43900 Sepang, Selangor	03-8705 2099	03-8705 4899
72	AFFINBANK PJ State Branch No. 38 & 40, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor	03-7955 0032	03-7954 0012
73	AFFINBANK Port Klang Branch No. 1, Jalan Berangan, 42000 Port Klang, Selangor	03-3168 8130	03-3167 6432
74	AFFINBANK Puchong Branch J-03-G, Blok J, Setiawalk, Persiaran Wawasan, Pusat Bandar Puchong, 47160 Puchong, Selangor	03-5882 2880	03-5882 2881
75	AFFINBANK Rawang Branch No. 33G & 35G, Jln 1B, Fortune Avenue, 48000 Rawang, Selangor	03-6091 3311	03-6091 3344
76	AFFINBANK Sea Park Branch No. 20-22, Jalan 21/12, Sea Park, 46300 Petaling Jaya, Selangor	03-7875 6255	03-7876 6020
77	AFFINBANK Seri Kembangan Branch No. 36, Jalan PSK 3, Pusat Perdagangan Seri Kembangan, 43300 Seri Kembangan, Selangor	03-8945 6429	03-8945 6442
78	AFFINBANK Subang Jaya Branch No. 7 & 9, Jalan SS 15/8A, 47500 Subang Jaya, Selangor	03-5634 8045	03-5634 8040
79	AFFINBANK Taman Demang Branch No. 47, Jalan DD3A/1, BASCO Business Centre, Taman Dato' Demang, 43300 Seri Kembangan, Selangor	03-8959 2588	03-8958 5288
80	AFFINBANK The Curve Branch Lot K-G32A-D & G32, Ground Floor, The Curve Shopping Complex, Jalan PJU 7/8, Mutiara Damansara, 47800 Petaling Jaya, Selangor	03-7726 7258	03-7727 8912
81	AFFINBANK UiTM Branch Universiti Teknologi MARA, Tingkat 2, Menara Sultan Abdul Aziz Shah, 40450 Shah Alam, Selangor	03-5519 2377	03-5510 5580
82	AFFINBANK USJ Taipan Branch No. 8A & 8B, Jalan USJ 10/1J, 47610 UEP Subang Jaya, Petaling Jaya, Selangor	03-8023 7271	03-8023 9161
AFFINBANK - TERENGGANU			
83	AFFINBANK Kemaman Branch K711-713, Wisma IKY Naga, Jalan Sulaimani, 24000 Kemaman, Terengganu	09-858 2544	09-859 1572
84	AFFINBANK Kemaman Supply Base Branch Ground Floor, Admin Building Block B, Kemaman Supply Base, 24007 Kemaman, Terengganu	09-863 1297	09-863 1295

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK - WILAYAH PERSEKUTUAN			
85	AFFINBANK Bangsar Branch No. 4 & 6, Jalan Telawi 3, Bangsar Baru, 59100 Kuala Lumpur	03-2283 5025	03-2283 5028
86	AFFINBANK Bangunan Getah Asli Branch Tingkat Bawah, 148, Jalan Ampang, 50450 Kuala Lumpur	03-2162 8770	03-2162 8587
87	AFFINBANK Batu Cantonment Branch No. 840 & 842, Batu 4 3/4, Jalan Ipoh, 51200 Kuala Lumpur	03-6258 7690	03-6251 8214
88	AFFINBANK Central Branch Ground & Mezzanine Floor. 80, Jalan Raja Chulan. P.O. Box. 12744, 50200 Kuala Lumpur	03-2055 2222	03-2070 7592
89	AFFINBANK Jalan Bunus Branch No. 133, Jalan Bunus, Off Jalan Masjid India, 50100 Kuala Lumpur	03-2693 4686	03-2691 3207
90	AFFINBANK Jalan Ipoh Branch No. 468-11 & 468-11B, Batu 3, Jalan Ipoh, 51200 Kuala Lumpur	03-4042 5554	03-4042 4912
91	AFFINBANK LTAT Branch Ground Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur	03-2142 6311	03-2148 0586
92	AFFINBANK Putrajaya Branch Bangunan Jabatan Akauntan Negara, Kompleks Kementerian Kewangan, No.1, Persiaran Perdana, Presint 2, 62594 WP Putrajaya	03-8888 4463	03-8889 2082
93	AFFINBANK Selayang Branch No. 81-85, Jalan 2/3A, Pusat Bandar Utara, KM 12, Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur	03-6137 2053	03-6138 7122
94	AFFINBANK Seri Petaling Branch No. 10-12, Jalan Raden Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	03-9058 5600	03-9058 8513
95	AFFINBANK Setapak Branch No. 159 & 161, Jalan Genting Kelang, P.O.Box 202, 53300 Setapak, Kuala Lumpur	03-4023 0552	03-4021 3921
96	AFFINBANK Taman Maluri Branch No. 250 & 252, Jalan Mahkota, Taman Maluri, 55100 Kuala Lumpur	03-9282 7250	03-9283 4380
97	AFFINBANK Taman Midah Branch No. 38 & 40, Jalan Midah 1, Taman Midah, Cheras, 56000 Kuala Lumpur	03-9130 0194	03-9131 7024
98	AFFINBANK Taman Tun Dr. Ismail Branch No. 47 & 49, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	03-7727 9080	03-7727 9543
99	AFFINBANK Wangsa Maju Branch No. 2 & 4, Jln 1/27F, Kuala Lumpur Sub-Urban Centre, Wangsa Maju, 53300 Kuala Lumpur	03-4143 2814	03-4143 3095
100	AFFINBANK Wisma Pertahanan Branch G.05, Tingkat Bawah, Wisma Pertahanan, Kementerian Pertahanan Malaysia, Jalan Padang Tembak, 50634 Kuala Lumpur	03-2698 7912	03-2698 6071
101	AFFINBANK MyTown Branch Lot No B1-063, Basement 1, MyTown Shopping Centre, 55100 Jalan Cochrane, Kuala Lumpur	03-9226 6390	

NETWORK OF BRANCHES

NAME & ADDRESS	TEL	FAX
AFFIN ISLAMIC BRANCHES		
1	AFFIN ISLAMIC Taman Molek Branch No. 23, 23-01, 23-02, Jalan Molek 1/29, Taman Molek, 81100 Johor Bahru, Johor	07-351 9522 07-357 9522
2	AFFIN ISLAMIC Jitra Branch No. 17, Jalan Tengku Maheran 2, Taman Tengku Maheran Fasa 4, 06000 Jitra Kedah	04-919 0888 04-919 0380
3	AFFIN ISLAMIC HP Hub Kuala Terengganu No. 63 & 63 A, Jalan Sultan Ismail, 20200 Kuala Terengganu, Terengganu	09-622 3725 09-623 6496
4	AFFIN ISLAMIC HP Hub Juru Auto-City No. 1813A, Jalan Perusahaan, Auto-City, North-South Highway Juru Interchange, 13600 Prai, Pulau Pinang	04-507 7522 04-507 6522
5	AFFIN ISLAMIC Bangi Branch No.175 & 177, Ground Floor, Jalan 8/1, Seksyen 8, 43650 Bandar Baru Bangi, Selangor	03-8927 5881 03-8927 4815
6	AFFIN ISLAMIC MSU Branch Management & Science University, 2 nd Floor, University Drive, Persiaran Olahraga, Seksyen 13, 40100 Shah Alam, Selangor	03-5510 0425 03-5510 0563
7	AFFIN ISLAMIC PJ SS2 Branch 1 st Floor, 161-163, Jalan SS 2/24, 47300 Petaling Jaya, Selangor	03-7874 3513 03-7874 3480
9	AFFIN ISLAMIC Fraser Branch No. 20-G & 20-1, Jalan Metro Pudu, Fraser Business Park, 55100 Kuala Lumpur	03-9222 8877 03-9222 9877

NAME & ADDRESS	TEL	FAX
AFFINBANK HIRE PURCHASE HUB - JOHOR		
1	AFFINBANK HP Hub Batu Pahat 1 st Floor, No. 3 & 4, Jalan Merah, Taman Bukit Pasir, 83000 Batu Pahat, Johor	07-432 6286 07-434 5270
2	AFFINBANK HP Hub Johor Bahru 1 st Floor, No. 24 & 25, Jalan Kebun Teh 1, Kebun Teh Commercial City, 80250 Johor Bahru, Johor	07-224 2101 07-224 7160
3	AFFINBANK HP Hub Taman Johor Jaya No. 130 & 132, 2 nd Floor, Jalan Ros Merah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor	07-356 2457 07-353 5188
4	AFFINBANK HP Hub Kluang 1 st Floor, 503, Jalan Mersing, 86000 Kluang, Johor	07-774 1361 07-774 1372
5	AFFINBANK HP Hub Muar No.30A & 30A-1, Jalan Arab, 84000 Muar, Johor	06-951 4217 06-953 8460
6	AFFINBANK HP Hub Mutiara Rini 1 st Floor, No. 28 & 30, Jalan Utama 45, Taman Mutiara Rini, 81300, Skudai, Johor Darul Takzim	07-557 7037 07-557 6779
7	AFFINBANK HP Hub Segamat No.1, First Floor, Jalan Nagasari 23, Bandar Segamat Baru, 85000 Segamat, Johor	07-943 1467 07-943 1308

NETWORK OF BRANCHES

	NAME & ADDRESS	TEL	FAX
AFFINBANK HIRE PURCHASE HUB - KEDAH			
8	AFFINBANK HP Hub Alor Setar No. 147 & 148, 1 st Floor, Susuran Sultan Abdul Hamid 8, Kompleks Sultan Abdul Hamid, Fasa 2, Persiaran Sultan Abdul Hamid, 05050 Alor Setar, Kedah	04-772 2964	04-771 4268
9	AFFINBANK HP Hub Sungai Petani, 1 st Floor, 55, Jalan Perdana Heights 2/2, Perdana Heights, 08000 Sungai Petani, Kedah Darul Aman	04-421 9482	04-421 6292
AFFINBANK HIRE PURCHASE HUB - KELANTAN			
10	AFFINBANK HP Hub Kota Bharu 1 st & 2 nd Floor, 3788H & 3788I, Seksyen 13, Jalan Sultan Ibrahim, 15050 Kota Bharu, Kelantan	09-7449 644	09-744 9613
AFFINBANK HIRE PURCHASE HUB - MELAKA			
11	AFFINBANK HP Hub Melaka Raya 200 & 201, Taman Melaka Raya, Off Jalan Parameswara, 75000 Melaka	06-283 0200	06-283 4960
AFFINBANK HIRE PURCHASE HUB - NEGERI SEMBILAN			
12	AFFINBANK HP Hub Seremban No 175, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan	06-761 1400	06-761 2290
AFFINBANK HIRE PURCHASE HUB - PAHANG			
13	AFFINBANK HP Hub Kuantan G2-Ground Floor G2, Menara Zenith, Jalan Putra, Square 6, Putra Square, 25200 Kuantan, Pahang	09-514 8575	09-514 8582
14	AFFINBANK HP Hub Temerloh No. 9, 1 st Floor, Jalan Ahmad Shah, 28000, Temerloh, Pahang	09-296 7788	09-296 6677
AFFINBANK HIRE PURCHASE HUB - PERAK			
15	AFFINBANK HP Hub Ipoh No. 1 & 3, 1 st Floor, Persiaran Greentown 9, Greentown Business Centre, 30450 Ipoh, Perak	05-255 0180	05-255 2545
16	AFFINBANK HP Hub Sitiawan No. 11 & 12, Taman Sitiawan 1, Jalan Lumut, 32000 Sitiawan, Perak	05-692 4937	05-692 8163
17	AFFINBANK HP Hub Taiping No. 40 & 42, 1 st Floor, Jalan Tupai, 34000 Taiping, Perak	05-808 9020	05-808 9903
18	AFFINBANK HP Hub Teluk Intan 11, Medan Sri Intan, Jalan Sekolah, 36000 Teluk Intan, Perak	05-621 0130	05-621 6786
AFFINBANK HIRE PURCHASE HUB - PENANG			
19	AFFINBANK HP Hub Jalan Macalister 1 st Floor, No. 104C, 104D & 104E, Jalan Macalister, 10400 Pulau Pinang	04-229 2300	04-228 8324
20	AFFINBANK HP Hub Prai, 1 st & 2 nd Floor, No.2, Tingkat Kikik 7, Taman Inderawasih, 13600 Prai, Pulau Pinang	04-397 7677	04-399 0394
AFFINBANK HIRE PURCHASE HUB - SABAH			
21	AFFINBANK HP Hub Jalan Gaya 1 st Floor, No 86, Jalan Gaya, 88000 Kota Kinabalu, Sabah	088-212 677	088-212 476
22	AFFINBANK HP Hub Sandakan Lot No. 163 & 164, Block 18, Jalan Prima Square, Batu 4, Jalan Utara, 90000 Sandakan, Sabah	089-224 577	089-224 566

NETWORK OF BRANCHES

NAME & ADDRESS		TEL	FAX
AFFINBANK HIRE PURCHASE HUB - SARAWAK			
23	AFFINBANK HP Hub Bintulu 1 st Floor, No. 17 & 18, Lot 3806. Bintulu Town District, Jalan Tun Ahmad Zaidi, 97000 Bintulu Sarawak	086-331 893	086-333 490
24	AFFINBANK HP Hub Kuching Lot 247 & 248, Section 49, KTLD, Jalan Tuanku Abdul Rahman, 93100 Kuching, Sarawak	082-422 909	082-429 616
25	AFFINBANK HP Hub Miri Lot 2387 & 2388, 1 st Floor, Block A4, Jalan Boulevard 1A, Boulevard Commercial Center, KM 3, Jalan Miri-Pujut, 98000 Miri, Sarawak	085-411 777	085-418 882
26	AFFINBANK HP Hub Prince Commercial Centre Prince Commercial Centre, 1 st Floor, No. 1 & 2, Jalan Penrissen Batu 7, Kota Sentosa, 93250 Kuching, Sarawak	082-612 088	082-612 488
27	AFFINBANK HP Hub Sibul 1 st Floor, No 91 & 93, Jln Kampung Nyabor, 96000 Sibul, Sarawak	084-340 929	084-311 488
AFFINBANK HIRE PURCHASE HUB - SELANGOR			
28	AFFINBANK HP Hub Seri Kembangan No. 36, Jalan PSK 3, Pusat Perdagangan Seri Kembangan, 43300 Seri Kembangan, Selangor	03-8943 6488	03-8943 5306
29	AFFINBANK HP Hub PJ SS2 No. 161, Jalan SS 2/24, 47300 Petaling Jaya, Selangor	03-7874 8890	03-7875 4217
30	AFFINBANK HP Hub PJ State No. 38 & 40, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor	03-7956 0022	03- 7956 0052
AFFINBANK HIRE PURCHASE HUB - WILAYAH PERSEKUTUAN			
31	AFFINBANK HP Hub Jalan Ipoh 468-11 & 468-11B, Batu 3, Jalan Ipoh, 51200 Kuala Lumpur	03-4044 0897	03- 4041 8330
32	AFFINBANK HP Hub Taman Maluri 250 & 252, Jalan Mahkota, Taman Maluri, 55100 Kuala Lumpur	03-9285 7303	03-9285 6848

NAME & ADDRESS		TEL	FAX
AFFINBANK MORTGAGE HUB - CENTRAL REGION			
1	AFFINBANK Mortgage Sales Hub Setapak 159 & 161, 1 st Floor, Jalan Genting Klang, P.O Box 202, 53300 Setapak, Kuala Lumpur	03-4021 0789	03-4021 0755
2	AFFINBANK Mortgage Sales Hub TTDI 1 st Floor, 47 & 48, Jalan Tun Mohd Fuad 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur	03-7722 2348	03-7722 2380
3	AFFINBANK Mortgage Sales Hub Seri Kembangan 2 nd Floor, No. 36, Jalan PSK 3, Pusat Perdagangan Seri Kembangan, 43300 Seri Kembangan, Selangor	03-8938 1626	
4	AFFINBANK Mortgage Sales Hub Glomac 4 th Floor, Menara Glomac, Kelana Business Centre, 97, Jalan SS7/2, 47301 Kelana Jaya, Selangor	03-7947 5555	03-7804 0819

NETWORK OF BRANCHES

NAME & ADDRESS	TEL	FAX
AFFINBANK MORTGAGE HUB - NORTHERN REGION		
5	AFFINBANK Mortgage Sales Hub Alor Setar 2 nd Floor, No. 147 & 148, Susuran Sultan Abdul Hamid 8, Kompleks Sultan Abdul Hamid, Fasa 2, Persiaran Sultan Abdul Hamid, 05050 Alor Setar, Kedah	04-771 4992 04-771 5482
6	AFFINBANK Mortgage Sales Hub Butterworth 2 nd Floor, 55-57, Jalan Selat, Taman Selat, P.O Box 165, Jalan Bagan Luar, 12000 Butterworth, Penang	04-323 0151 04-323 0109
7	AFFINBANK Mortgage Sales Hub Ipoh Garden No. 9, Ground Floor, Persiaran Greentown 6, Pusat Perdagangan Greentown, 30450 Ipoh, Perak	05-246 1226 05-246 1070
8	AFFINBANK Mortgage Sales Hub Wisma Pelaut 1A (1 st Floor), Light Street, Wisma Pelaut, 10200 Pulau Pinang	04-263 5588 04-251 9254
AFFINBANK MORTGAGE HUB - SOUTHERN REGION		
9	AFFINBANK Mortgage Sales Hub Senawang No. 312-G & 312-1, Jalan Bandar Senawang 17, Pusat Bandar Senawang, 70450 Seremban, Negeri Sembilan	06-675 8809 06-675 8620
10	AFFINBANK Mortgage Sales Hub Danga Bay 2 nd Floor, No. 17 & 18, Blok 6, Danga Bay, Jalan Skudai, 80200 Johor Bahru, Johor	07-234 5570 07-234 5915
AFFINBANK MORTGAGE HUB - EAST REGION		
11	AFFINBANK Mortgage Sales Hub Kuantan No. 36A, 1 st and 2 nd Floor, Jalan Putra Square 6, 25200 Kuantan, Pahang	09-516 5545 09-517 3354
12	AFFINBANK Mortgage Sales Hub Kota Bahru 3788H & 3788I, Seksyen 13, Jalan Sultan Ibrahim, 15050 Kota Bahru, Kelantan	017-2337575 09-744 2202
13	AFFINBANK Mortgage Sales Hub Kota Kinabalu 1 st Floor, Lot 19 & 20, Block K, Sadong Jaya Complex, Jalan Ikan Juara 3, Karamuning, 88100 Kota Kinabalu, Sabah	088-261 696 088-261 697
14	AFFINBANK Mortgage Sales Hub Tawau TB281 - 283, Jalan Haji Karim, Town Extension II, 91008 Tawau, Sabah	089-778 197 089-762 199
15	AFFINBANK Mortgage Sales Hub Kuching Prince Commercial Centre 2 nd Floor, 1 & 2, Jalan Penrissen, Batu 7, Kota Sentosa. 93250 Kuching, Sarawak	082-616 449 082-616 459
16	AFFINBANK Mortgage Sales Hub Sibul No. 91 & 93, Jalan Kampung Nyabor. 96000 Sibul, Sarawak	084-325 926 084-325 960
17	AFFINBANK Mortgage Sales Hub Miri Lot 2387 & 2388, 1 st Floor, Block A4, Jalan Boulevard 1A, Boulevard Commercial Centre. KM3, Jalan Miri-Pujut, 98000 Miri, Sarawak	085-411 666 085-418 882

NAME & ADDRESS	TEL	FAX
AFFINBANK ASB & UNSECURED FINANCING HUB		
1	AFFINBANK ASB & Unsecured Financing Hub Setapak 1 st Floor, No. 159 & 161, Jalan Genting Kelang, 53300 Setapak, Kuala Lumpur	03-4021 0789 03-4021 0755
2	AFFINBANK ASB & Unsecured Financing Hub TTDI No. 47 & 49, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	03-7727 9080 03-7727 9543
3	AFFINBANK ASB & Unsecured Financing Hub Seri Kembangan 2 nd Floor, ASB Loan Unit, No. 36, Jalan PSK 3, Pusat Perdagangan Seri Kembangan, 43300 Seri Kembangan, Selangor	03-8940 1039 03-8940 1269

NETWORK OF BRANCHES

NAME & ADDRESS	TEL	FAX
AFFINBANK ASB & UNSECURED FINANCING HUB		
4	AFFINBANK ASB & Unsecured Financing Hub Glomac 4 th Floor, Block C, Menara Glomac, Kelana Business Centre. 97, Jalan SS7/2, 47301 Kelana Jaya, Selangor	03-7947 5555 03-7804 0819
5	AFFINBANK ASB & Unsecured Financing Hub Senawang No 312-G & 312-I, Jalan Bandar Senawang 17, Pusat Bandar Senawang, 70450 Seremban, Negeri Sembilan	06-675 8809 06-675 8620
6	AFFINBANK ASB & Unsecured Financing Hub Tampoi 1 st Floor, No 49 & 51, Jalan Sri Perkasa 2/1, Taman Tampoi Utama, 81200 Johor Bahru, Johor	07-241 2724 07-241 3661
7	AFFINBANK ASB & Unsecured Financing Hub Ipoh Garden 1 st Floor, No. 27A-27A1, Jalan Sultan Azlan Shah Utara, 31400 Ipoh, Perak	05-546 2316
8	AFFINBANK ASB & Unsecured Financing Hub Sitiawan No. 10, 11 & 12, Taman Sitiawan 1, Jalan Lumut, 32000 Sitiawan, Perak	05-691 2532 05-691 1233
9	AFFINBANK ASB & Unsecured Financing Hub Wisma Pelaut No. 1A, Light Street, 1 st Floor, Wisma Pelaut, 10200 Penang	04-251 9648 04-251 9254
10	AFFINBANK ASB & Unsecured Financing Hub Butterworth No. 55 - 57, Level 2. Jalan Selat, Taman Selat, 12000 Butterworth, Pulau Pinang	04-323 0151 04-323 0109
11	AFFINBANK ASB & Unsecured Financing Hub Alor Setar No. 147 & 148, 2 nd Floor, Susuran Sultan Abdul Hamid 8, Kompleks Sultan Abdul Hamid, Fasa 2, Persiaran Sultan Abdul Hamid, 05050 Alor Setar, Kedah	04-772 1477 04-771 4796
12	AFFINBANK ASB & Unsecured Financing Hub Kuantan No. 36A - 1 st & 2 nd Floor, Jalan Putra Square 6, Putra Square, 25300 Kuantan, Pahang	09-517 1335 09-517 3554
13	AFFINBANK ASB & Unsecured Financing Hub Sadong Jaya 1 st Floor, Lot 19 & 20. Blok K, Sadong Jaya Complex. Jalan Ikan Juara 3, Karamuning, 88300 Kota Kinabalu, Sabaha	088-261 696 088-263 985
14	AFFINBANK ASB & Unsecured Financing Hub Prince Commercial Centre 2 nd Floor, No. 1 & 2, Jalan Penrissen Batu 7, Kota Sentosa, 93050 Kuching, Sarawak	082-616 449 082-616 459

NAME & ADDRESS	TEL	FAX
AFFINBANK WEALTH MANAGEMENT HUB		
1	AFFINBANK Wealth Management Hub Menara Affin Level 16, Menara Affin, 80, Jalan Raja Chulan, 50200 Kuala Lumpur	03-2055 9000 03-2078 4727
2	AFFINBANK Wealth Management Hub Wangsa Maju 1 st Floor, No. 2 & 4, Jalan 1/27F, Kuala Lumpur Sub-Urban Centre, 53300 Wangsa Maju, Kuala Lumpur	03-4149 9023 03-4149 9021
3	AFFINBANK Wealth Management Hub Bangsar No 4 & 6, Jalan Telawi 3, Bangsar Baru, 59100 Kuala Lumpur	03-2283 5025 03-2283 5028
4	AFFINBANK Wealth Management Hub Glomac 4 th Floor, 401 Block C, Menara Glomac, Kelana Business Centre 97, Jalan SS7/2 47301 Kelana Jaya, Selangor	03-7947 5555
5	AFFINBANK Wealth Management Hub TTDI 1 st Floor, No. 47 & 49, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	03-7727 9080 03-7727 9543

NETWORK OF BRANCHES

NAME & ADDRESS	TEL	FAX
AFFINBANK WEALTH MANAGEMENT HUB		
6	AFFINBANK Wealth Management Hub Bukit Tinggi 2 nd Floor, No. 77 & 79, Jalan Batu Nilam 5, Bandar Bukit Tinggi, 41200 Klang, Selangor	03-3323 2822 03-3323 2858
7	AFFINBANK Wealth Management Hub Bukit Baru 1 st Floor, No 7 & 8, Jalan DR1, Delima Point, Taman Delima Raya, Bukit Baru, 75150 Melaka	06-253 2150 06-231 8076
8	AFFINBANK Wealth Management Hub Permas Jaya 1 st Floor, No 23 & 25, Jalan Permas 10/2, Bandar Baru Permas Jaya, 81750 Johor Bahru	07-386 3703 07-386 5061
9	AFFINBANK Wealth Management Hub Ipoh No. 9, Ground Floor, Persiaran Greentown 6, Greentown Business Centre. 30450 Ipoh, Perak	05-246 1050 05-246 1070
10	AFFINBANK Wealth Management Hub Butterworth No. 55 - 57, Jalan Selat, Taman Selat, Off Jalan Bagan Luar, 12000 Butterworth, Pulau Pinang	04-333 3177 04-332 3299
11	AFFINBANK Wealth Management Hub Wisma Pelaut 1A, Light Street, Wisma Pelaut, 12000 Pulau Pinang	04-263 6633 04-261 9801
12	AFFINBANK Wealth Management Hub Alor Setar 2 nd Floor, No 147 & 148, Susuran Sultan Abdul Hamid 8, Kompleks Sultan Abdul Hamid Fasa 2, Persiaran Sultan Abdul Hamid, 05050 Alor Setar, Kedah	04-771 2642 04-771 5482
13	AFFINBANK Wealth Management Hub Kuantan No. 36A, 1 st & 2 nd Floor, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang	09-514 4584 09-514 8580
14	AFFINBANK Wealth Management Hub Sadong Jaya 1 st Floor, Lot 19 & 20, Block K, Sadong Jaya Complex, Jalan Ikan Juara 3, Karamunsing, 88300 Kota Kinabalu, Sabah	088-261 696 088-261 697
15	AFFINBANK Wealth Management Hub Prince Commercial Centre 2 nd Floor, No. 1 & 2, Jalan Penrissen Batu 7, Kota Sentosa, 93250 Kuching, Sarawak	082-616 449 082-616 459

NAME & ADDRESS	TEL	FAX
AFFINBANK TRADE FINANCE CENTRE		
1	AFFINBANK Trade Finance Centre Ipoh, 1 st Floor, No. 27A – 27A1, Jalan Sultan Azlan Shah Utara, 31400 Ipoh, Perak Darul Ridzuan	05-549 9959 05-549 9963
2	AFFINBANK Trade Finance Centre Johor 1 st Floor, No. 130 & 132, Jalan Rosmerah 2/17, Taman Johor Jaya. 81100 Johor Bahru, Johor	07-357 3317 07-357 3320
3	AFFINBANK Trade Finance Centre Penang 2 nd Floor, No. 10 Jalan Todak Satu, PUSAR Bandar Seberang Jaya, 13700 Prai, Pulau Pinang	04-398 8233 04-398 8229

NETWORK OF BRANCHES

NAME & ADDRESS	TEL	FAX
AFFINBANK CORPORATE OFFICES		
4	AFFINBANK Regional Corporate Desk Seberang Jaya 1 st Floor, No 10, Jalan Todak 1, Pusat Bandar Seberang Jaya, 13700 Prai, Pulau Pinang	04-398 5039 04-399 3480
5	AFFINBANK Regional Corporate Desk Johor Jaya 1 st Floor, 130 & 132, Jalan Rosmerah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor	07-351 5122 07-351 8604
6	AFFINBANK Regional Corporate Desk Alor Setar 3 rd Floor, No. 147 & 148, Susuran Sultan Abdul Hamid 8, Kompleks Sultan Abdul Hamid, Fasa 2. Persiaran Sultan Abdul Hamid, 05050 Alor Setar, Kedah	04-773 3855 04-773 3822
7	AFFINBANK Sarawak Corporate Office - Kuching 3 rd Floor, Lot 247 & 248, Section 49, KTL, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak	082-259 342 082-239 220
8	AFFINBANK Sarawak Corporate Office - Miri 1 st Floor, Lot 2387 & 2388, Block A4, Jalan Boulevard 1A, Boulevard Commercial Centre. KM3, Jalan Miri-Pujut, 98000 Miri, Sarawak	085-437 442 085-418 882
9	AFFINBANK Sabah Corporate Office - Kota Kinabalu Suite 6, 7 & 8, 11th Floor, Menara Jubili. 53, Jalan Gaya. 88000 Kota Kinabalu, Sabah	088-223 301 088-223 305
10	AFFIN LABUAN OFFSHORE Unit 3 (J), Level 3. Main Office Tower, Financial Park Labuan. Jalan Merdeka, 87000 Federal Territory Labuan	087-411 931 087-411 973

NAME & ADDRESS	TEL	FAX
AFFINBANK BUSINESS CENTRE		
1	AFFINBANK Shah Alam Business Centre No. 11-1 & 12-1, Pusat Dagangan UMNO Shah Alam, Persiaran Damai, Seksyen 11, 40100 Shah Alam, Selangor	03-5519 1222 03-5519 1333
2	AFFINBANK Seri Petaling Business Centre 1 st Floor, 10-12, Jalan Radin Tengah, Bandar Baru Seri Petaling, 57000 Kuala Lumpur	03-9058 4626 03-9057 0220
3	AFFINBANK Kuantan Business Centre Level 6K, 6L & 6M, Menara Zenith, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang	09-515 0400 09-515 0399
4	AFFINBANK Seberang Jaya Business Centre 1 st Floor, No 10, Jalan Todak 1, Pusat Bandar Seberang Jaya, 13700 Prai, Pulau Pinang	04-398 5039 04-399 3480
5	AFFINBANK Ipoh Business Centre 1 st Floor, No. 27A-27A1, Jalan Sultan Azlan Shah Utara, 31400 Ipoh, Perak Darul Ridzuan	05-549 9959 05-549 9963
6	AFFINBANK Johor Jaya Business Centre 1 st Floor, 130 & 132, Jalan Rosmerah 2/17, Taman Johor Jaya, 81100 Johor Bahru, Johor	07-351 5122 07-351 8604
7	AFFINBANK Bukit Baru Business Centre 1 st Floor, 7 & 8, Jalan DR1, Delima Point, Taman Delima Raya, Bukit Baru, 75150 Melaka	06-232 4331 06-231 8076

NETWORK OF BRANCHES

NAME & ADDRESS		TEL	FAX
AFFINBANK BUSINESS CENTRE			
8	AFFINBANK Bayan Baru Business Centre No. 124 & 126 (1 st Floor) Jalan Mayang Pasir, Taman Sri Tunas, 11950 Bayan Baru, Pulau Pinang	04-644 4600	04-644 1199
9	AFFINBANK Sungai Petani Business Centre 2 nd Floor, No. 55, Jalan Perdana Heights 2/2, Perdana Heights, 08000 Sungai Petani, Kedah Darul Aman	04-422 7079	04-422 4642
10	AFFINBANK Kota Kinabalu Business Centre 2 nd Floor, Lot 19 & 20, Block K, Sadong Jaya Complex. Jalan Ikan Juara 3, Karamunsing, 88100 Kota Kinabalu, Sabah	088-240 600	088-255 730
11	AFFINBANK Kuching Business Centre 3 rd Floor, Lot 247 & 248, Section 49, KTLD, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak	082-259 342	082-239 220
12	AFFINBANK Seremban Business Centre Mezzanine Floor, 175, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan	06-762 1786	06-762 0735
13	AFFINBANK Wangsa Maju Business Centre 1 st Floor, No. 2 & 4, Jalan 1/27F, Kuala Lumpur Sub-Urban Centre, Wangsa Maju, 53300 Kuala Lumpur	03-4142 0835	03-4142 0711
14	AFFINBANK Kulai Business Centre 1 st Floor, No. 200A, Jalan Kenanga 29/4, Indahpura, 81000 Kulai, Johor	07- 660 8717	07-660 7744
15	AFFINBANK Miri Business Centre 1 st Floor, Lot 2387 & 2388, Block A4, Jalan Boulevard 1A, Boulevard Commercial Centre, KM3, Jalan Miri-Pujut, 98000 Miri, Sarawak	085-437 442	085-418 882
16	AFFINBANK Bukit Tinggi Business Centre 2 nd Floor, No. 77 & 79, Jalan Batu Nilam 5, Bandar Bukit Tinggi, 41200 Klang, Selangor Darul Ehsan	03-3318 9700	03-3319 3100
17	AFFINBANK Central Business Centre Mezzanine Floor, Menara Affin. 80, Jalan Raja Chulan. 50200 Kuala Lumpur	03-2055 9000	
18	AFFINBANK Batu Pahat Business Centre 2 nd Floor, No. 3 & 4. Jalan Merah, Taman Bukit Pasir, 83000 Batu Pahat, Johor	07-438 5152	07-432 5158
19	AFFINBANK Danga Bay Business Centre 3 rd Floor, No. 17 & 18. Blok 6, Danga Bay. Jalan Skudai, 80200 Johor Bahru, Johor	07-235 2132	07-235 2131
20	AFFINBANK Kajang Business Centre 2 nd Floor, 2 & 3, Jalan Saga, Taman Sri Saga, Off Jalan Sg. Chua. 43000 Kajang, Selangor	03-8733 1027	03-8733 0951
21	AFFINBANK Bangsar Business Centre 1 st Floor, No. 4 & 6. Jalan Telawi 3, Bangsar Baru. 59100 Kuala Lumpur	03-2284 8063	03-2284 8269
22	AFFINBANK Kinrara Business Centre 1 st Floor, No. 1, Jalan TK 1/11 A. Taman Kinrara, Section 1, Batu 7 ½, Jalan Puchong, 47100 Puchong, Selangor	03-8062 0074	03-8062 0480
23	AFFINBANK Subang Jaya Business Centre 2 nd Floor, 7 & 9, Jalan SS 15/8A, 47500 Subang Jaya, Selangor	03-5631 0930	
24	AFFINBANK Kota Bharu Business Centre 1 st Floor, 3788H & 3788I. Seksyen 13, Jalan Sultan Ibrahim. 15050 Kota Bharu, Kelantan	09-744 5698	

NETWORK OF BRANCHES

NAME & ADDRESS		TEL	FAX
AFFINBANK BUSINESS CENTRE			
25	AFFINBANK Tawau Business Centre 1 st Floor, TB281-283, Jalan Haji Karim, Town Extension II, 91008 Tawau, Sabah	089-753 891	089-753 890
26	AFFINBANK Alternate Channels 2 nd Floor, No. 2 & 4, Jalan 1/27F, Kuala Lumpur Sub-Urban Centre, Wangsa Maju, 53300 Kuala Lumpur	03-4142 3940	

NAME & ADDRESS		TEL	FAX
AFFIN ISLAMIC HIRE PURCHASE HUB			
1	AFFIN ISLAMIC Juru Auto-City Branch No. 1813A, Jalan Perusahaan, Auto-City, North-South Highway Juru Interchange, 13600 Prai, Pulau Pinang	04-507 3235	04-507 0522
2	AFFIN ISLAMIC Senawang Branch No 312-G & 312-1, Jalan Bandar Senawang 17, Pusat Bandar Senawang, 70450 Seremban, Negeri Sembilan	06-675 8366	06-675 7188
AFFIN ISLAMIC MORTGAGE HUB			
1	AFFINISLAMIC Setapak Mortgage Hub 15 th Floor, Menara Affin, 80, Jalan Raja Chulan, 50200 Kuala Lumpur	03-2055 9020	03-2070 0773
2	AFFINISLAMIC GLOMAC Mortgage Hub 4 th Floor, Menara Glomac, Kelana Business Centre, 97, Jalan SS7/2, 47301 Kelana Jaya, Selangor	03-7947 5555	03-7804 0819

NAME & ADDRESS		TEL	FAX
AXA AFFIN GENERAL INSURANCE BERHAD			
1	AXA Affin General Insurance Berhad - Cheras Branch 165 & 165-1 Jalan Lancang, Taman Seri Bahtera, 56100 Cheras, Kuala Lumpur, Malaysia	03-9130 5688	03-9130 5788
2	AXA Affin General Insurance Berhad - Klang Branch 28 Jalan Tiara 2A/KU1, Pusat Perniagaan Bandar Baru Klang, 41150 Klang, Selangor, Malaysia	03-3341 7808 03-3342 7808	03-3341 6505
3	AXA Affin General Insurance Berhad - Petaling Jaya Branch No. 46B, Jalan SS 21/35, Damansara Utama, 47400 Petaling Jaya, Selangor, Malaysia	03-7727 8962	03-7727 9057
4	AXA Affin General Insurance Berhad - Subang Jaya Branch 113 Ground Floor, Jalan SS15/5A, 47500 Subang Jaya, Selangor, Malaysia	03-5632 3535	03-5632 7177
5	AXA Affin General Insurance Berhad - Puchong Branch GF-09, IOI Business Park, Persiaran Puchong Jaya Selatan, 47170 Puchong Jaya, Selangor, Malaysia	03-8079 0892 03-8079 0893	03-8079 0901
6	AXA Affin General Insurance Berhad - Kota Kinabalu Branch Ground & 1 st Floor Block D, Kepayan Perdana Commercial Centre, Jln Lintas, 88200 Kota Kinabalu, Sabah	088-41 3240	088-41 3270
7	AXA Affin General Insurance Berhad - Tawau Branch TB 281, Tingkat 1, Blok 29, Fajar Komplek, Jalan Haji Karim, Town Extension II, 91000 Tawau, Sabah, Malaysia	089-75 6475 089-75 6476	089-75 6473

NETWORK OF BRANCHES

NAME & ADDRESS		TEL	FAX
AXA AFFIN GENERAL INSURANCE BERHAD			
8	AXA Affin General Insurance Berhad - Kuching Branch Ground Floor & 1 st Floor, Sublot 3, Lot 68-71, Jalan Green, 93150 Kuching, Sarawak, Malaysia	082-24 8300	082-42 8148
9	AXA Affin General Insurance Berhad - Miri Branch Lot 582, Pelita Commercial Centre, Miri Pujut Road, 98000 Miri, Sarawak, Malaysia	085-41 6661	085-41 9600
10	AXA Affin General Insurance Berhad - Sibu Branch Lot 4018, Block 7, Sibu Town District No. 20, Ground Floor, Wong King Huo Road, 96000 Sibu, Sarawak, Malaysia	084-32 6993 084-32 6992	084-31 0128
11	AXA Affin General Insurance Berhad - Penang Branch Ground & 1 st Floor, Wisma AXA, 1E, Lebuh Penang, 10200 Penang, Malaysia	04-261 1981 04-261 6935 04-261 1595	04-261 0688
12	AXA Affin General Insurance Berhad - Sungai Petani Branch 86, 1 st Floor, Jalan Legenda 1, Legenda Heights, 08000 Sungai Petani, Kedah, Malaysia	04-423 8680	04-423 8660
13	AXA Affin General Insurance Berhad - Bukit Mertajam Branch 2996 Jalan Maju, Taman Sri Maju, 14000 Bukit Mertajam, Penang, Malaysia	04-539 6808, 04-539 7808	04-530 6308
14	AXA Affin General Insurance Berhad - Ipoh Branch No. 7, 7A & 9, Persiaran Greentown 5, Greentown Business Centre, 30450 Ipoh, Perak, Malaysia	05-254 8034 05 241 3477 05-254 3395 05-253 2809	05-253 7078
15	AXA Affin General Insurance Berhad - Kota Bharu Branch PT227 Ground & First Floor, Jalan Kebun Sultan, 15350 Kota Bharu, Kelantan, Malaysia	09-748 2054	09-744 4585
16	AXA Affin General Insurance Berhad - Mentakab Branch No. 66, 1 st Floor, Jalan Orkid, 28400 Mentakab, Pahang, Malaysia	09-277 2002 09-277 2003	09-277 2008
17	AXA Affin General Insurance Berhad - Kuantan Branch B-8008 2 nd & 3 rd floor, Sri Kuantan Square, Jalan Telok Sisek, 25000 Kuantan, Pahang, Malaysia	09-517 7509 09-516 3708	09-514 3489
18	AXA Affin General Insurance Berhad - Kuala Terengganu Branch 18A-Dataran Panji, Panji Curve Business Park, Jln Panji Alam, 21100 Kuala Terengganu, Terengganu	09-628 5340	09-628 5345
19	AXA Affin General Insurance Berhad - Batu Pahat Branch 35, Jalan Flora Utama 5, Taman Flora Utama, 83000 Batu Pahat, Johor, Malaysia	07-4313 569, 07- 4313 577, 07-4313 598	07-4313 605
20	AXA Affin General Insurance Berhad - Johor Bahru Branch No.67, Jalan Molek 1/29, Taman Molek, 81100 Johor Bahru, Johor, Malaysia	07-4313 569 07-4313 577 07-4313 598	07-352 7554
21	AXA Affin General Insurance Berhad - Melaka Branch Ground Floor, 61 Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia	06 287 8588	06 287 8588
22	AXA Affin General Insurance Berhad - Seremban Branch No. 77B & 77B-1, Lorong Haruan 5/3, Oakland Commercial Centre, 70300 Seremban, Negeri Sembilan, Malaysia	06-633 3366	06-633 2882

NETWORK OF BRANCHES

NAME & ADDRESS	TEL	FAX
AXA AFFIN LIFE INSURANCE		
1	AXA AFFIN Life Insurance Berhad - Head Office 8 th Floor, Chulan Tower, No. 3 Jalan Conlay, 50450 Kuala Lumpur	03-2117 6688 03-2117 3698
2	AXA AFFIN Life Insurance Berhad - Petaling Jaya Branch Block C Lot 19-01, 3 Two Square, No.2, Jalan 19/1, 46300 Petaling Jaya, Selangor	03-7957 6226 03-7957 6248
3	AXA AFFIN Life Insurance Berhad - Johor Bahru Branch No. 69, Jalan Molek 1/29, Taman Molek, 81100 Johor Bahru, Johor	07-352 6979 07-352 3515
4	AXA AFFIN Life Insurance Berhad - Ipoh Branch C-G-6 & C-G-7, Greentown Square, Jalan Dato Seri Ahmad Said, 30250 Ipoh, Perak	05-249 4800 05-249 4801
5	AXA AFFIN Life Insurance Berhad - Penang Branch No.F-6-1, Bay Avenue, Lorong Bayan Indah 1, Queensbay, 11900 Sungai Nibong, Penang	04-630 0688 04-630 0699
6	AXA AFFIN Life Insurance Berhad - Seremban Branch No.107, Jalan S2 B20, Pusat Dagangan Centrio Seremban 2, 70300 Seremban	06-603 7347 06-603 7947
7	AXA AFFIN Life Insurance Berhad - Melaka Branch Ground Floor, UMB Building, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka	06-284 6185 06-284 6186
8	AXA AFFIN Life Insurance Berhad - Kota Kinabalu Branch Unit 27-1 (Ground Floor), 26-2 (1 st Floor) & 27-3 (2 nd Floor), Block D Kepayan Perdana, Commercial Centre, Jalan Lintas, 88200 Kota Kinabalu, Sabah	088-413 292 088-413 809
9	AXA AFFIN Life Insurance Berhad - Kuching Branch 2 nd Floor, Sublot 3 of Lots 68, 70 & 71, Section 22, Jalan Green, 93150 Kuching, Sarawak	082-242 245 082-244 241
10	AXA AFFIN Life Insurance Berhad - Sibul Branch 2 nd Floor, 16 & 18, Jalan Wong King Huo, 96000 Sibul, Sarawak	084-327 125 084-327 126

NAME & ADDRESS	TEL	FAX
AFFIN HWANG INVESTMENT BANK		
1	HEAD OFFICE 27 th Floor, Menara Boustead, No. 69 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	03 2142 3700
2	Bahau Branch No. 6, Tingkat Atas, Jalan Mahligai, 72100 Bahau, Negeri Sembilan Darul Khusus, Malaysia	06 455 3188 06 455 3288
3	Bukit Mertajam Branch No. 2 & 4 Jalan Perda Barat, Bandar Perda, 14000 Bukit Mertajam, Penang, Malaysia	04 537 2882 04 537 5228
4	Bukit Tinggi Branch First Floor, No. 79, Jalan Batu Nilam 5, Bandar Bukit Tinggi, 41200 Klang, Selangor Darul Ehsan, Malaysia	03 3322 1999 03 3322 1666

NETWORK OF BRANCHES

NAME & ADDRESS		TEL	FAX
AFFIN HWANG INVESTMENT BANK			
5	Chulan Tower Branch Mezzanine & 3 rd Floor, Chulan Tower, No. 3 Jalan Conlay, 50450 Kuala Lumpur, Malaysia	03 2143 8668	03 2145 5092
6	Ipoh Branch 2 nd & 3 rd Floor, No. 22 Persiaran Greentown 1, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan, Malaysia	05 255 9988	05 255 0988
7	Johor Bahru Branch Level 7, Johor Bahru City Square (Office Tower), No. 106-108 Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Daruk Takzim, Malaysia	07 222 2692	07 276 5201
8	Klang Branch 4 th Floor, Wisma Meru, No. 1 Lintang Pekan Baru, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan, Malaysia	03 3343 9999	03 3343 4198
9	Kota Kinabalu Branch Suite 1-9-E1 (A), 9 th Floor, CPS Tower, Centre Point Sabah, No. 1 Jalan Centre Point 88000 Kota Kinabalu, Sabah, Malaysia	088 311 688	088 318 996
10	Kuching Branch Ground Floor & 1 st Floor, No. 1 Jalan Pending, 93450 Kuching, Sarawak, Malaysia	082 341 999	082 485 999
11	Penang Branch Levels 2, 3, 4, 5 & 7, Wisma Sri Pinang, No. 60 Green Hall, 10200 Penang, Malaysia	04 263 6996	04 261 5572
12	Seremban Branch No. 29-G Jalan S2 B16, Pusat Dagangan Seremban 2, 70300 Seremban, Negeri Sembilan Darul Khusus, Malaysia	06 603 7408	06 603 7409
13	Subang Jaya Branch Suite B3A1, East Wing, 3 rd Floor, Wisma Consplant 2, No. 7, Jalan SS 16/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia	03 5635 6688	03 5636 2288
14	Sungai Petani Branch No. 70 & 70A Jalan Mawar 1, Taman Pekan Baru, 08000 Sungai Petani, Kedah Darul Aman, Malaysia	04 425 6666	04 421 2288
15	Taiping Branch Tingkat Bawah, Aras 1, 2 & 3, No. 21 Jalan Stesen, 34000 Taiping, Perak Darul Ridzuan, Malaysia	05 806 6688	05 808 9229
16	Taman Midah Branch No. 38A & 40A Jalan Midah 1, Taman Midah, Cheras, 56000 Kuala Lumpur, Malaysia	03 9130 8803	03 9130 8303
17	Taman Tun Dr Ismail Branch 2 nd Floor, Bangunan AHP, No. 2 Jalan Tun Mohd Fuad 3, Taman Tun Dr Ismail, 60000 Kuala Lumpur	03 7710 6688	03 7710 6699

NETWORK OF BRANCHES

NAME & ADDRESS		TEL	FAX
AFFIN HWANG ASSET MANAGEMENT			
1	HEAD OFFICE Ground Floor, Menara Boustead, No. 69 Jalan Raja Chulan, 50200 Kuala Lumpur	Hotline: 1800 88 7080 (Malaysia) General Line: 03 2116 6000 (International)	-
2	Ipoh Sales Office No. 13A, Persiaran Greentown 7, Greentown Business Centre, 30450 Ipoh, Perak	05 241 0668	05 255 9696
3	Johor Bahru Sales Office Unit 22-05, Level 22, Menara Landmark, No.12, Jalan Ngee Heng, 80000 Johor Bahru, Johor	07 227 8999	07 223 8998
4	Kota Kinabalu Sales Office Unit 1.09 (a), Level 1, Plaza Shell, No. 29, Jalan Tunku Abdul Rahman, 88000 Kota Kinabalu, Sabah	088 252 881	088 288 803
5	Kuching Sales Office Ground Floor, No. 69, Block 10, Jalan Laksamana Cheng Ho, 93200 Kuching, Sarawak	082 233 320	082 233 663
6	Melaka Sales Office Ground Floor, No. 584, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka	06 281 2890	06 281 2937
7	Miri Sales Office 1 st Floor, Lot 1291, Jalan Melayu, MCLD, 98000 Miri, Sarawak	085 418 403	085 418 372
8	Penang Sales Office No. 10-C-23 & No.10-C-24, Precinct 10, Jalan Tanjung Tokong, 10470 Penang	04 899 8022	04 899 1916

NAME & ADDRESS		TEL	FAX
AIIAMAN ASSET MANAGEMENT			
1	14 th Floor, Menara Boustead, No. 69, Jalan Raja Chulan, 50200 Kuala Lumpur	1300 88 8830 (Local) 03 2116 6156 (Overseas)	03 2116 6150

SHAREHOLDING STATISTICS

AS AT 30 APRIL 2020

Analysis of shareholdings as at 30 April 2020

SIZE OF SHAREHOLDINGS	NO OF HOLDERS	%	NO OF SHARES	%
Less than 100	768	4.5	16,378	0.0
100 to 1,000	2,650	15.3	1,817,109	0.1
1,001 to 10,000	10,556	61.2	40,679,844	2.0
10,001 to 100,000	2,932	17.0	80,763,347	4.1
100,001 to 99,301,005*	344	2.0	146,085,209	7.4
99,301,006** and above	4	0.0	1,716,658,236	86.4
Total	17,254	100.00	1,986,020,123	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS AS AT 30 APRIL 2020

	NAME	SHAREHOLDINGS	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	701,756,455	35.33
2	MAYBANK NOMINEES (ASING) SDN BHD THE BANK OF EAST ASIA LIMITED HONG KONG FOR THE BANK OF EASTASIA LIMITED (INVESTMENT AC)	467,874,131	23.56
3	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	411,630,053	20.73
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	135,397,597	6.82
5	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	21,909,200	1.10
6	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	9,709,918	0.49
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	6,039,285	0.30
8	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,054,566	0.20
9	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,800,200	0.14
10	HSBC NOMINEES (ASING) SDN BHD JPMCB, NA FOR AUSTRALIANSUPER	2,425,800	0.12
11	CIMB GROUP NOMINEES (AING) SDN BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	2,263,200	0.11
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	2,092,899	0.11
13	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM SHIANG LIANG (LIN XIANGLIANG)	1,978,936	0.10
14	KEY DEVELOPMENT SDN.BERHAD	1,937,948	0.10

SHAREHOLDING STATISTICS

	NAME	SHAREHOLDINGS	%
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	1,912,688	0.10
16	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.09
17	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,666,964	0.08
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR ZALARAZ SDN BHD (MY3113)	1,603,000	0.08
19	FANG INN	1,509,958	0.08
20	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,316,348	0.07
21	LEE GUAN SEONG	1,250,210	0.06
22	PERTUBUHAN PELADANG KEBANGSAAN (NAFAS)	1,250,000	0.06
23	CHINCHOO INVESTMENT SDN BHD	1,128,240	0.06
24	CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	1,113,944	0.06
25	G.T.Y. HOLDINGS SDN. BHD	1,000,000	0.05
26	GEMAS BAHRU ESTATES SDN. BHD.	873,601	0.04
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	790,430	0.04
28	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR ALBERTA INVESTMENT MANAGEMENT CORPORATION	780,900	0.04
29	CHIA CHOON KWANG @ CHAI CHOON KWANG	744,000	0.04
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE PHAK KHUAI	741,320	0.04
	TOTAL	1,791,352,791	90.20

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2020

	NAME	DIRECT SHAREHOLDINGS	%	INDIRECT SHAREHOLDINGS	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	701,756,455	35.33	412,162,493*	20.76
2	THE BANK OF EAST ASIA LIMITED	467,874,131	23.56	-	
3	BOUSTEAD HOLDINGS BERHAD (BHB)	411,630,053	20.73	532,440#	0.03
4	EMPLOYEES PROVIDENT FUND	135,397,597	6.82		

* Deemed interest by virtue of LTAT's interest in BHB

Deemed interest by virtue of BHB's interest in UAC Berhad

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Affin Bank Berhad 197501003274 (25046-T)

17th Floor, Menara AFFIN, 80, Jalan Raja Chulan, 50200 Kuala Lumpur
T +603 2055 9000 F +603 2026 1415