> “ **Re-engineering our Balance Sheet for Sustainable Growth.** ”

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 2021.

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	710,272	396,915
Zakat	(6,418)	-
Profit before taxation	703,854	396,915
Taxation	(123,531)	(11,671)
Net profit for the financial year	**580,323**	**385,244**

DIVIDENDS

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

In respect of the financial year ended 31 December 2020:	RM'000
Single-tier interim dividend of 3.5 sen per share paid on 19 April 2021	72,793

On 27 January 2022, the Board of Directors proposed a single-tier final dividend of 12.5 sen per share amounting to RM265,507,802 in respect of the financial year ended 31 December 2021, based on the Bank's issued share capital of 2,124,062,412 ordinary shares at 31 December 2021.

On the same day, the Board of Directors resolved that Dividend Reinvestment Plan as disclosed in Note Z be applied to the entire proposed final dividend, which 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.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Other significant events during the financial year are disclosed in Note 58 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Event subsequent to the balance sheet date is disclosed in Note 59 to the financial statements.

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

Dato' Abdul Aziz Abu Bakar
Independent Non-Executive Director

Dato' Mohd Hata Robani
Independent Non-Executive Director

Chan Tze Ching, Ignatius
Non-Independent Non-Executive Director

Dato' Rozalila Abdul Rahman
Independent Non-Executive Director

Yuen Wai Hung, Peter
Non-Independent Non-Executive Director

Marzida Mohd Noor
Independent Non-Executive Director

Gregory Jerome Gerald Fernandes
Independent Non-Executive Director

Chan Wai Yu
Independent Non-Executive Director
(appointed w.e.f. 1.4.2021)

Mohd Suffian Haji Haron
Non-Independent Non-Executive Director
(resigned w.e.f. 2.6.2021)

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 Robani
2. Dato' Abdul Aziz Abu Bakar
3. Yuen Wai Hung, Peter

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. Chan Wai Yu

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 2021

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 2021 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 371 of the financial statements.

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year have interest in the shares in the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the fees and other emoluments shown in the Note 43 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.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

OTHER STATUTORY INFORMATION (CONTINUED)

Statutory information regarding the Group and the Bank (continued)

(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

- 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;
- 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; or
- 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.

(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:

- 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
- 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.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

PERFORMANCE IN FINANCIAL YEAR ENDED 31 DECEMBER 2021

For the financial year ended 31 December 2021, the Group recorded a consolidated profit before tax ('PBT') of RM703.9 million, an increase of RM317.1 million or 82.0% as compared to the previous financial year while profit after tax ('PAT') for the financial year was RM580.3 million.

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

The operating expenses of the Group increased by RM2.6 million or 0.2%, mainly due to the rise in personnel costs. However, the overall cost to income ratio deteriorate slightly to 60.3% from 59.6% in FY2020. For the FY2021, earnings per share was 25.0 sen as compared to 11.4 sen in the previous year.

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

Total customer deposits increased by RM8.9 billion or 17.9% to RM58.8 billion. The Total Capital ratio of the Group was at 21.09%, while Common Equity Tier 1 and Tier 1 ratios stood at 14.20% and 15.82% respectively as at 31 December 2021.

ECONOMIC AND BUSINESS OUTLOOK FOR 2022

The global outlook for 2022 remains uncertain with renewed Covid-19 outbreaks due to Omicron and other new virus variants, lingering supply bottlenecks and the risk of stagflation. These risks have resulted in the World Bank lowering its global growth forecast to 4.1% in 2022 and 3.2% in 2023.

Prospects in Malaysia are more promising as the World Bank forecasted a GDP growth of 5.8%, to be fuelled by the resumption of all economic and social activities in the fourth quarter of 2021. With 80% of the population vaccinated and strong assurances from the Government that any future movement control orders would be targeted rather than widespread, consumer demand is expected to increase with investors' confidence. Malaysia's economy is expected to face challenges from events such as slower than expected recovery, increased commodity price volatility and limited fiscal space.

The banking sector is expected to grow in line with the economy and should see improved growth in 2022 after two difficult years dealing with Covid-19 related issues. The recovering economy, potential rate increase and expectations of a lower credit provision is expected to bring positive change to the sector. The banking system has remained resilient through pandemic challenges, supported by healthy liquidity and capital buffers to absorb potential losses and support lending activities. This is supported by proactive monitoring by Bank Negara Malaysia ('BNM'), continued repayment and debt rehabilitation assistance for targeted borrowers via the Credit Counselling and Debt Management Agency.

AFFIN Bank Group is optimistic about its growth prospects for 2022 as the economy continues to recover. Loan growth is expected to improve compared to 2021, to be in line with GDP growth. The downside risks are expected to be from borrowers who have yet to benefit from any economic uplift and are under the repayment assistance programmes. 2022 will see new entrants to the banking scene as five new digital banking licences will be issued to new players. In the near term the outlook for the Group is not expected to be impacted by these new entrants.

BUSINESS STRATEGY MOVING FORWARD

The Group will focus on realising its key priorities as it enters its final year of the AIM22 Transformation journey. Our AIM22 Journey was charted with the aim of transforming AFFIN Bank Group into a modern and progressive organisation for our customers, shareholders and employees. Affin Bank Group remains committed to its five key focus areas which are to increase Return on Equity, improve productivity and efficiency, build the current account and savings account base, transform digital capabilities and focus on people. 2022 will also see the Group work towards strengthening its presence in areas related to Environment, Social and Governance ('ESG').

The Community Banking Division ('CMBD') will take the lead in 2022 with plans to further grow its customer base through the Invikta and Avance segments. Collaborations will remain a key strategy with the division aiming to strengthen further its sales proposition and build its digital presence through the recently launched A1addin as well as new digital initiatives to be introduced within the year.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

BUSINESS STRATEGY MOVING FORWARD (CONTINUED)

The Enterprise Banking Division ('EBD') will be working with its customers who have been adversely impacted by the pandemic to assist them where possible, to rebuild their business. The Small & Medium Enterprises ('SMEs') segment continues to be an important segment for the Group as they form the foundation of the country's GDP. EBD plans to increase customer accessibility by continuously expanding and upgrading its Business Centres and ensuring that SMEs are able to reach out to Affin Bank for financing or cash management assistance. EBD will be building on its award-winning solution SME Colony to encourage further collaboration and networking between SMEs as well as to roll-out further digital initiatives to benefit its client base.

The Corporate Banking Division ('CBD') remains committed to growing its loan base by leveraging off group synergies arising from instituting a wholesale banking model. The Division exercises credit vigilance in managing asset quality while working closely with customers affected by the prolonged Covid-19 pandemic. CBD also intends to strengthen its digital proposition and provide additional value to customers with the planned enhancement of AFFINMAX.

AFFIN Islamic Bank ('AFFIN Islamic') will play a significant role in the Group's 2022 plan as it continues to increase its overall contribution to the Group. AFFIN Islamic will be implementing various initiatives throughout the year to build its current account and saving account base to further improve its liquidity profile. The strategic focus of AFFIN Islamic remains that of ensuring stable profitability through strong asset growth, preservation of asset quality and maintaining an effective cost structure.

AFFIN Hwang Investment Bank ('AHIB') will accelerate its transformation towards sustainable growth through its innovation and digitalisation initiatives, with greater collaboration and alignment within Affin Bank Group. The transformation will be underpinned by a strong client centricity and client relationship-driven approach. AHIB will also focus on developing and offering niche products and solutions. In anticipation of an economic recovery supported by an expansionary Budget of 2022, AHIB will position itself to identify and capture business opportunities and provide innovative products and solutions to its clients.

AXA AFFIN Life insurance ('AALI') is presently pursuing its transformation to become the preferred Health and Protection Insurer in Malaysia driven to build and reinforce its distribution networks with a differentiated approach by having more full-time agents, deepening Bancassurance relationships with AFFIN through strategic synergy, and delivering innovative solutions to emerging customers. This is in line with AALI's aspirations to become the leading digital insurer and the most customer-centric insurer in Malaysia.

AXA AFFIN General Insurance ('AAGI') focuses on strengthening its digital capability and accelerating the growth of profitable segments to bring greater value to its customers and stakeholders in its journey towards becoming a customer-centric general insurer. AAGI will continue to uphold a strong commitment to driving sustainable practices and growth responsibly, striking a long-term balance between environment, social and economy.

RATING BY EXTERNAL RATING AGENCY

The Bank has been rated by the following external rating agency:

Name of rating agency	:	RAM Rating Services Berhad ('RAM')
Date of rating	:	29 October 2021
Rating classifications	:	Long term: AA_3
		Short term: P1

RAM has reaffirmed the Bank's long-term and short-term financial institution ratings, at AA_3 and P1, respectively, with negative outlook.

'AA' rating is defined by RAM as an entity which has a strong capacity to meets its financial obligations and is resilient against adverse changes in circumstances, economic condition and/or operating environment. 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.

ZAKAT OBLIGATION

The Bank's subsidiaries, AFFIN Islamic Bank Berhad ('AFFIN Islamic') and AFFIN Hwang Investment Bank are obliged to pay zakat to comply with the principles of Shariah. AFFIN Islamic does not pay zakat on behalf of its depositors.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 43 to the financial statements.

ISSUANCE OF SHARES

During the financial year ended 31 December 2021, the Bank increased its issued ordinary shares from 2,079.8 million to 2,124.1 million via issuance of 44.3 million new ordinary shares amounting to RM66.9 million arising from the Dividend Reinvestment Plan ('DRP') relating to electable portion of the interim dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2020, as disclosed in Note 33 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 42 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
Independent Non-Executive Director (Chairman)

GREGORY JEROME GERALD FERNANDES
Independent Non-Executive Director

Kuala Lumpur
30 March 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
ASSETS					
Cash and short-term funds	2	**6,394,457**	5,461,365	**2,525,482**	1,887,584
Deposits and placements with banks and other financial institutions	3	**1,169,809**	50,058	**1,171,657**	-
Investment accounts due from designated financial institutions	4	**-**	-	**1,825,525**	1,743,308
Financial assets at fair value through profit or loss ('FVTPL')	5	**598,600**	698,266	**368,676**	227,923
Derivative financial assets	6	**186,881**	388,294	**104,640**	231,182
Financial investments at fair value through other comprehensive income ('FVOCI')	7	**3,877,622**	13,034,053	**198,148**	6,587,330
Financial investments at amortised cost ('AC')	8	**11,435,142**	143,037	**9,040,198**	361,708
Loans, advances and financing	9	**50,528,068**	45,492,878	**26,879,336**	25,165,425
Trade receivables	10	**527,166**	920,417	**-**	-
Other assets	11	**312,732**	269,620	**164,088**	141,481
Amount due from subsidiaries	12	**-**	-	**758,924**	299,864
Amount due from joint ventures	13	**15,737**	15,073	**-**	-
Amount due from associates	14	**30,888**	30,885	**30,888**	30,885
Tax recoverable		**144,638**	101,675	**117,036**	89,480
Deferred tax assets	15	**223,344**	112,158	**111,900**	54,607
Statutory deposits with Bank Negara Malaysia	16	**68,625**	103,267	**58,325**	84,267
Investment in subsidiaries	17	**-**	-	**3,053,899**	3,053,899
Investment in joint ventures	18	**181,853**	180,398	**194,240**	194,240
Investment in associates	19	**725,440**	715,716	**548,482**	548,482
Property and equipment	20	**1,066,826**	832,381	**1,044,020**	805,142
Right-of-use assets	21	**45,387**	81,870	**36,547**	62,875
Intangible assets	22	**895,850**	903,750	**198,733**	202,212
TOTAL ASSETS		**78,429,065**	69,535,161	**48,430,744**	41,771,894
LIABILITIES AND EQUITY					
Deposits from customers	23	**58,794,404**	49,884,360	**33,241,763**	27,407,977
Investment accounts of customers	24	**1,329**	2,151	**-**	-
Deposits and placements of banks and other financial institutions	25	**2,866,040**	3,720,360	**2,277,723**	2,407,852
Derivative financial liabilities	26	**201,629**	389,819	**125,537**	228,089
Bills and acceptances payable		**28,644**	67,010	**28,644**	67,010
Recourse obligation on loans/financing sold to Cagamas Berhad	27	**669,212**	50,034	**619,179**	-
Trade payables	28	**982,362**	921,392	**-**	-
Lease liabilities	29	**36,872**	50,528	**29,232**	31,842
Other liabilities	30	**1,603,803**	1,460,716	**676,112**	550,162
Amount due to subsidiaries	31	**-**	-	**2,500**	2,229
Provision for taxation		**8,040**	6,240	**-**	-
Borrowings	32	**3,303,075**	3,345,455	**2,548,081**	2,548,241
TOTAL LIABILITIES		**68,495,410**	59,898,065	**39,548,771**	33,243,402
Share capital	33	**4,969,150**	4,902,300	**4,969,150**	4,902,300
Reserves	34	**4,919,820**	4,664,211	**3,912,823**	3,626,192
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**9,888,970**	9,566,511	**8,881,973**	8,528,492
Non-controlling interest		**44,685**	70,585	**-**	-
TOTAL EQUITY		**9,933,655**	9,637,096	**8,881,973**	8,528,492
TOTAL LIABILITIES AND EQUITY		**78,429,065**	69,535,161	**48,430,744**	41,771,894
COMMITMENTS AND CONTINGENCIES	50	**45,197,294**	36,250,193	**25,947,933**	20,209,442

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		The Group		The Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	35	**1,677,982**	1,806,750	**1,539,298**	1,644,382
Interest expense	36	**(779,188)**	(1,034,607)	**(695,394)**	(932,291)
Net interest income		**898,794**	772,143	**843,904**	712,091
Modification loss	37	**(5,597)**	(78,447)	**(3,102)**	(47,381)
Income from Islamic banking business	38	**549,477**	481,228	**-**	-
		1,442,674	1,174,924	**840,802**	664,710
Fee and commission income	39(a)	**984,636**	771,977	**119,496**	94,332
Fee and commission expense	39(b)	**(345,876)**	(222,246)	**(5,214)**	(5,444)
Net fee and commission income	39	**638,760**	549,731	**114,282**	88,888
Net gains on financial instruments	40	**122,461**	487,294	**14,953**	198,587
Other income	41	**37,261**	52,950	**285,982**	224,638
Other operating income		**798,482**	1,089,975	**415,217**	512,113
Net income		**2,241,156**	2,264,899	**1,256,019**	1,176,823
Other operating expenses	42	**(1,353,613)**	(1,350,985)	**(717,151)**	(674,751)
Operating profit before allowances		**887,543**	913,914	**538,868**	502,072
Allowances for credit impairment losses	44	**(219,456)**	(543,126)	**(140,153)**	(409,003)
Allowances for impairment losses on other assets	45	**(3,206)**	(18,472)	**(1,800)**	-
Operating profit		**664,881**	352,316	**396,915**	93,069
Share of results of a joint venture		**2,565**	(394)	**-**	-
Share of results of associates		**42,826**	42,258	**-**	-
Profit before zakat and taxation		**710,272**	394,180	**396,915**	93,069
Zakat		**(6,418)**	(7,469)	**-**	-
Profit before taxation		**703,854**	386,711	**396,915**	93,069
Taxation	47	**(123,531)**	(113,863)	**(11,671)**	(86)
Net profit after zakat and taxation		**580,323**	272,848	**385,244**	92,983
Attributable to:					
Equity holders of the Bank		**526,934**	230,322	**385,244**	92,983
Non-controlling interest		**53,389**	42,526	**-**	-
		580,323	272,848	**385,244**	92,983
Earnings per share attributable to equity holders of the Bank (sen):					
- Basic/Diluted	48	**25.0**	11.4	**18.2**	4.6

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Profit after zakat and taxation		**580,323**	272,848	**385,244**	92,983
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**(112,629)**	356,407	**9,605**	160,991
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**(46,720)**	48,679	**(44,800)**	40,636
Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(35,743)**	(450,667)	**(767)**	(205,791)
Exchange differences on translation of foreign operations		**388**	(540)	**-**	-
Deferred tax on financial investments at FVOCI	15	**35,605**	22,622	**(2,123)**	10,752
Share of other comprehensive loss of a joint venture		**(1,110)**	(6,421)	**-**	-
Share of other comprehensive (loss)/income of associates		**(28,994)**	14,563	**-**	-
Items that may not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**13,643**	30,547	**12,265**	28,317
Deferred tax on financial investments at FVOCI	15	**-**	21	**-**	-
Other comprehensive (loss)/income for the financial year, net of tax		**(175,560)**	15,211	**(25,820)**	34,905
Total comprehensive income for the financial year		**404,763**	288,059	**359,424**	127,888
Total comprehensive income for the financial year attributable to:					
Equity holders of the Bank		**351,230**	245,733	**359,424**	127,888
Non-controlling interest		**53,533**	42,326	**-**	-
		404,763	288,059	**359,424**	127,888

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 2021

The Group	Note	Attributable to Equity Holders of the Bank								
		Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Other reserves ^ RM'000	Retained profits RM'000	Total Shareholders' equity RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2021		**4,902,300**	**266,412**	**781,679**	**(205)**	**(65,909)**	**3,682,234**	**9,566,511**	**70,585**	**9,637,096**
Net profit for the financial year		-	-	-	-	-	526,934	526,934	53,389	580,323
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	(145,844)	-	-	-	-	(145,844)	-	(145,844)
- Share of other comprehensive loss of a joint venture		-	(1,110)	-	-	-	-	(1,110)	-	(1,110)
- Share of other comprehensive loss of an associate		-	(28,994)	-	-	-	-	(28,994)	-	(28,994)
- Exchange differences on translation of foreign operations		-	-	-	244	-	-	244	144	388
Total comprehensive income		-	(175,948)	-	244	-	526,934	351,230	53,533	404,763
Issuance of new shares	33	66,850	-	-	-	-	-	66,850	-	66,850
Net loss on disposal of financial investment designated at FVOCI (equity instruments)		-	9	-	-	-	(9)	-	-	-
Obligation to buy a subsidiary's shares from non-controlling interest	30	-	-	-	-	(22,828)	-	(22,828)	(13,407)	(36,235)
Transfer from regulatory reserves		-	-	(27,076)	-	-	27,076	-	-	-
Dividends	49	-	-	-	-	-	(72,793)	(72,793)	(66,026)	(138,819)
At 31 December 2021		**4,969,150**	**90,473**	**754,603**	**39**	**(88,737)**	**4,163,442**	**9,888,970**	**44,685**	**9,933,655**

^ Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 30 (c) (i) and (ii) of the financial statements.

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 2021

The Group	Note	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Other reserves ^ RM'000	Retained profits RM'000	Total Shareholders' equity RM'000	Non-controlling interest RM'000	Total equity RM'000
		Attributable to Equity Holders of the Bank								
At 1 January 2020		4,774,772	250,661	732,539	135	(61,010)	3,640,073	9,337,170	59,423	9,396,593
Net profit for the financial year		-	-	-	-	-	230,322	230,322	42,526	272,848
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	7,609	-	-	-	-	7,609	-	7,609
- Share of other comprehensive loss of a joint venture		-	(6,421)	-	-	-	-	(6,421)	-	(6,421)
- Share of other comprehensive income of an associate		-	14,563	-	-	-	-	14,563	-	14,563
- Exchange differences on translation of foreign operations		-	-	-	(340)	-	-	(340)	(200)	(540)
Total comprehensive income		-	15,751	-	(340)	-	230,322	245,733	42,326	288,059
Issuance of new shares	33	127,528	-	-	-	-	-	127,528	-	127,528
Obligation to buy subsidiary's shares from non-controlling interest	30	-	-	-	-	(4,899)	-	(4,899)	(2,877)	(7,776)
Dilution of interest in subsidiaries		-	-	-	-	-	-	-	490	490
Transfer to regulatory reserves		-	-	49,140	-	-	(49,140)	-	-	-
Dividends	49	-	-	-	-	-	(139,021)	(139,021)	(28,777)	(167,798)
At 31 December 2020		4,902,300	266,412	781,679	(205)	(65,909)	3,682,234	9,566,511	70,585	9,637,096

^ Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 30 (c) (i) and (ii) of the financial statements.

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 2021

			Non-distributable		Distributable	
The Bank	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 January 2021		**4,902,300**	**183,078**	**643,613**	**2,799,501**	**8,528,492**
Net profit for the financial year		**-**	**-**	**-**	**385,244**	**385,244**
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		**-**	**(25,820)**	**-**	**-**	**(25,820)**
Total comprehensive income		**-**	**(25,820)**	**-**	**385,244**	**359,424**
Issuance of new shares	33	**66,850**	**-**	**-**	**-**	**66,850**
Net loss on disposal of financial investment designated at FVOCI (equity instruments)		**-**	**9**	**-**	**(9)**	**-**
Transfer from regulatory reserves		**-**	**-**	**(7,518)**	**7,518**	**-**
Dividends	49	**-**	**-**	**-**	**(72,793)**	**(72,793)**
At 31 December 2021		**4,969,150**	**157,267**	**636,095**	**3,119,461**	**8,881,973**
At 1 January 2020		4,774,772	148,173	471,925	3,017,227	8,412,097
Net profit for the financial year		-	-	-	92,983	92,983
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		-	34,905	-	-	34,905
Total comprehensive income		-	34,905	-	92,983	127,888
Issuance of new shares	33	127,528	-	-	-	127,528
Transfer to regulatory reserves		-	-	171,688	(171,688)	-
Dividends	49	-	-	-	(139,021)	(139,021)
At 31 December 2020		4,902,300	183,078	643,613	2,799,501	8,528,492

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**703,854**	386,711	**396,915**	93,069
Adjustments for items not involving the movement of cash and cash equivalents:					
Interest income:					
- financial investments at FVOCI	35	**(291,711)**	(296,738)	**(226,740)**	(214,338)
- financial investments at AC	35	**(19,654)**	(6,139)	**(31,883)**	(6,157)
Dividend income:					
- financial assets at FVTPL	40	**(6,640)**	(7,185)	**(732)**	(732)
- financial investments at FVOCI	40	**(510)**	(609)	**(180)**	(309)
- subsidiaries	41	**-**	-	**(262,400)**	(191,500)
(Gain)/loss on sale:					
- financial assets at FVTPL	40	**(48,684)**	(113,440)	**486**	(2,282)
- financial investments at FVOCI	40	**(37,387)**	(453,884)	**(939)**	(206,667)
- derivatives	40	**(347)**	(1,003)	**-**	(1,001)
Unrealised loss/(gain) on revaluation:					
- financial assets at FVTPL	40	**14,027**	(10,431)	**11,520**	(7,123)
- derivatives	40	**(23,255)**	15,625	**(21,922)**	20,716
- foreign exchange	41	**43,543**	7,642	**38,592**	(12,828)
Depreciation of property and equipment	42	**29,919**	30,065	**19,274**	17,970
Depreciation of right-of-use assets	42	**44,058**	37,659	**33,477**	26,346
Property and equipment written-off	42	**154**	311	**157**	71
(Gain)/Loss on sale of property and equipment	41	**(275)**	(20)	**-**	181
Amortisation of intangible assets	42	**27,950**	38,106	**22,020**	23,157
Gain on sale of foreclosed properties	41	**(285)**	(165)	**(285)**	(165)
Share of results of a joint venture		**(2,565)**	394	**-**	-
Share of results of associates		**(42,826)**	(42,258)	**-**	-
Expected credit losses made/(written-back) on:					
- loans, advances and financing	44	**181,461**	512,232	**117,511**	383,931
- trade receivables	44	**(1,276)**	2,601	**-**	-
- securities and placements	44	**55,235**	50,724	**37,954**	42,591
- loans/financing commitments and financial guarantee	44	**18,467**	8,837	**15,415**	7,379
Modification loss on contractual cash flows arising from financial assets	37	**5,597**	78,447	**3,102**	47,381
Bad debt and financing written-off	44	**1,768**	3,527	**1,397**	3,151
Allowances for impairment losses on other assets	45	**3,206**	18,472	**1,800**	-
Interest/profit expense on borrowings	32	**191,150**	186,482	**133,800**	134,087
Interest/profit expense on the lease liability	29	**1,837**	2,581	**1,210**	1,582
Finance cost on call options		**3,238**	5,752	**-**	-
Profit expense - Recourse obligation on loans/financing sold to Cagamas Berhad	27	**2,415**	34	**1,178**	-
Zakat		**6,418**	7,469	**-**	-
Operating profit before changes in working capital		**858,882**	461,799	**290,727**	158,510

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 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		**(72,871)**	-	**(72,871)**	69,256
Investment accounts due from designated financial institutions		**-**	-	**(80,293)**	167,254
Financial assets at FVTPL		**134,323**	87,737	**(152,760)**	(48,302)
Loans, advances and financing		**(5,224,016)**	(699,219)	**(1,835,921)**	130,171
Other assets		**(62,560)**	(129,418)	**(27,744)**	(100,078)
Trade receivables		**394,527**	(388,630)	**-**	-
Derivative financial instruments		**36,825**	(35,020)	**45,911**	(41,021)
Statutory deposits with Bank Negara Malaysia		**34,642**	1,431,510	**25,942**	773,110
Amount due from subsidiaries		**-**	-	**(458,789)**	(352,216)
Amount due from joint ventures		**(940)**	(1,920)	**-**	-
Amount due from associate		**-**	(362)	**-**	(2)
Increase/(Decrease) in operating liabilities:					
Deposits from customers		**8,910,044**	(1,204,602)	**5,833,786**	(2,727,273)
Investment accounts of customers		**(822)**	704	**-**	-
Deposits and placements of banks and other financial institutions		**(854,320)**	1,957,108	**(130,129)**	1,761,767
Bills and acceptances payable		**(38,366)**	34,107	**(38,366)**	34,107
Trade payables		**60,970**	133,829	**-**	-
Other liabilities		**86,229**	17,554	**110,532**	124,255
Cash generated from/(used in) operations		**4,262,547**	1,665,177	**3,510,025**	(50,462)
Zakat paid		**(5,833)**	(3,811)	**-**	-
Tax refund		**4,455**	4,000	**455**	-
Tax paid		**(244,086)**	(178,871)	**(99,098)**	(52,791)
Net cash generated from/(used in) operating activities		**4,017,083**	1,486,495	**3,411,382**	(103,253)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received:					
- financial investments at FVOCI		**364,552**	326,389	**235,118**	246,535
- financial investments at AC		**42,110**	6,139	**65,559**	3,857
Dividend income:					
- financial assets at FVTPL		**6,640**	7,185	**732**	732
- financial investments at FVOCI		**510**	609	**180**	309
- subsidiaries		**-**	-	**262,400**	191,500
Purchase of:					
- financial investments at FVOCI		**(5,944,667)**	(18,313,296)	**(3,531,458)**	(10,059,403)
- financial investments at AC		**(1,422,121)**	-	**(1,567,757)**	(259,022)
Redemption/Disposal of:					
- financial investments at FVOCI		**4,894,096**	18,145,351	**2,655,272**	10,012,534
- financial investments at AC		**50,000**	-	**50,000**	-
Proceeds from disposal of:					
- property and equipment		**513**	247	**12**	5
- foreclosed properties		**3,600**	1,020	**3,600**	1,020

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)					
Purchase of property and equipment	20	**(267,471)**	(266,444)	**(261,464)**	(259,073)
Purchase of intangible assets	22	**(3,149)**	(7,903)	**(1,640)**	(3,439)
Subscription of shares in a joint venture	18	**-**	(15,300)	**-**	(15,300)
Redemption of investments in funds	19	**4,108**	632	**-**	-
Net cash generated used in investing activities		**(2,271,279)**	(115,371)	**(2,089,446)**	(139,745)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment in borrowings	32	**-**	(250,000)	**-**	-
Interest payment on borrowings	32	**(233,530)**	(198,170)	**(133,960)**	(134,225)
Payment of dividend to the equity holders of the Bank	49	**(72,793)**	(139,021)	**(72,793)**	(139,021)
Payment of dividend to non-controlling interest		**(66,026)**	(28,777)	**-**	-
Issuance of new shares	33	**66,850**	127,528	**66,850**	127,528
Issue of subsidiary share capital		**-**	490	**-**	-
Proceeds from recourse obligation on loans/financing sold to Cagamas Berhad	27	**616,763**	50,000	**618,001**	-
Lease payments	29	**(37,066)**	(37,775)	**(24,727)**	(26,008)
Net cash generated from/(used in) financing activities		**274,198**	(475,725)	**453,371**	(171,726)
Net increase/(decrease) in cash and cash equivalents		**2,020,002**	895,399	**1,775,307**	(414,724)
Effects of foreign exchange		**(43,543)**	(7,642)	**(38,592)**	12,828
Cash and cash equivalents at beginning of the financial year		**5,445,631**	4,557,874	**1,886,901**	2,288,797
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		**7,422,090**	5,445,631	**3,623,616**	1,886,901
Cash and cash equivalents comprise the following:					
Cash and short-term funds	2	**6,394,457**	5,461,365	**2,525,482**	1,887,584
Deposits and placements of banks and other financial institutions	3	**1,169,809**	50,058	**1,171,657**	-
		7,564,266	5,511,423	**3,697,139**	1,887,584
Less:					
Amount held on behalf of commissioned dealer's representatives	2	**(68,653)**	(65,792)	**-**	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(73,523)**	-	**(73,523)**	(683)
		7,422,090	5,445,631	**3,623,616**	1,886,901

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

(A) BASIS OF PREPARATION

The financial statements of the Group and the Bank have been prepared in accordance with 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 the 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 judgement in the process of applying the Group's and Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note AF.

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

Accounting standards, annual improvements and amendments to MFRS which are effective for the Group and the Bank for the financial period beginning on or after 1 January 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'

The Group and the Bank have adopted Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2' for the first time in the 31 December 2021 financial statements, which resulted in changes in accounting policies.

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'

The Group and the Bank have adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ('IBOR') reform. As a result, no immediate gain or loss is recognised in profit or loss.

The amendments also provide reliefs that enable and require the Group and the Bank to continue the MFRS 9 hedge accounting in circumstances when the Group and the Bank updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because none of the IBOR-based contracts of the Group and the Bank were modified in 2020. For contracts modified as a result of IBOR reform during the year, the Group and the Bank applies the Phase 2 amendments.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(A) BASIS OF PREPARATION (CONTINUED)

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

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

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

  The amendments shall be applied prospectively.

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

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

  The amendments shall be applied retrospectively.

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

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

(c) Changes in regulatory requirements

Enchanced Additional Measures issued by Bank Negara Malaysia ('BNM')

During the financial year 2021, BNM has announced an enhanced additional measures to facilitate repayment assistance to borrowers/customers affected by the Covid-19 pandemic. The measures which are aimed to support economic recovery of individuals and SMEs, including microenterprises are set out as follows:

Targeted repayment assistance ('TRA') and moratorium

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(A) BASIS OF PREPARATION (CONTINUED)

(c) Changes in regulatory requirements (continued)

Enchanced Additional Measures issued by Bank Negara Malaysia ('BNM') (continued)

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

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

The above TRA/moratorium exclude the credit card balances. For outstanding credit card balances, customers shall have the option to convert their outstanding balance into a term loan/financing of tenure of not more than 3 years.

Waiver of interest

On 14 October 2021, BNM had announced that B50 income catogories who are affected by the Covid-19 pandemic and under an existing repayment assistance programme, may apply for a comprehensive extended financial assistance scheme called Financial Management and Resilience Programme ('URUS') managed by Agensi Kaunseling dan Pengurusan Kredit ('AKPK') effective from 15 November 2021 until 31 January 2022. Under URUS, AKPK will provide a personalised financial plan that will encompass options of either a waiver of an profit for a period of 3-months or a 3-months profit waiver together with reduced instalments for a period of up to 24 months.

Customers who are not eligible for URUS may apply for assistance under AKPK's Financial Resilience Support Scheme ('FIRST'), which includes features such as reduced instalments, extended financing tenures and financial resilience support programmes. In addition, for eligible B50 customers who have signed up for the Bank's flood relief assistance programmes, the URUS application closing date has been extended to 31 July 2022, or upon the expiry of the flood relief assistance programme, whichever is earlier.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(B) CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(B) CONSOLIDATION (CONTINUED)

(iv) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(B) CONSOLIDATION (CONTINUED)

(vi) Associates (continued)

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

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

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

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

Dilution gains or losses arising in investments in associates are recognised in 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 noncontrolling 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 2021

(D) INTANGIBLE ASSETS (CONTINUED)

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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(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 earns 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 has 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 satisfies 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.

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) Classification

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(H) FINANCIAL ASSETS (CONTINUED)

(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 and the Bank'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.

During the financial year, AFFIN Bank Berhad ('ABB') and AFFIN Islamic Bank Berhad ('AFFIN Islamic') have taken actions to improve the Group and the Bank's approach to liquidity risk management, balance sheet management and capital management. Arising the actions taken, there has been a change in business model, resulting in ABB and AFFIN Islamic reclassifying the financial investments at FVOCI to financial investments at AC, as at 31 December 2021. The amount reclassified from financial investments at FVOCI to financial investments at AC is RM10,032.9 million for the Group and RM7,279.0 million for the Bank.

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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(H) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

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. For financial assets which are held by the Group and the Bank for the purposes of capital preservation and to generate returns on a longer term basis, they are generally classified within the hold to collect business model, and are measured at Amortised Cost. 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.

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, cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but may be transferred within equity following the derecognition of the investment. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

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 51 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

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 judgemental indicators, which include amongst others, the following criteria:

(i) Mandatory indicators:

- Failure to make contractual payment within 90 days or 3 months or when they fall due;
- Rescheduled and/or Restructured ('R&R') due to Impairment Symptoms or Corporate Debt Restructuring Committee ('CDRC');
- Internal rating deteriorated to Credit Grade 15 or worse;
- Rating downgrade to default grade 'D';
- Distressed restructuring or rescheduling of coupon and/or principal redemption resulting in an extended grace period to service coupon or even capitalise coupon;
- Primary repayment source is terminated indefinitely, or business model is deemed no longer viable, and no other alternative source of repayment is available;
- Cessation of business operations and business operation is unlikely able to resume;
- Borrower/Customer is adjudicated bankrupt;
- Winding-up order issued against the company;
- Receiver and manager appointed;
- Corporate Rescue Mechanism, implementation of Corporate Voluntary Arrangement ('CVA') or Order for Judicial Management ('JM') granted by Court;
- Classification by Bursa Malaysia as distressed company due to credit deterioration e.g. PN17, GN3 and failing to comply with the timeline for remedial action, and/or evidence of business failure; and
- Account classified as Fraud.

(ii) Judgemental indicators:

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

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

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

Write-off policy

The Group and the Bank writes-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 2021

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Modification of loans/financing

The Group and the Bank sometimes 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 recognise a 'new' asset at fair value and recalculate 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 creditimpaired 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 recognise 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 sukuk) 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 2021

(H) FINANCIAL ASSETS (CONTINUED)

(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. MFRS 4 Insurance Contracts will be superseded by MFRS 17 for period beginning or after 1 January 2023.

(g) Financing assistance scheme

Financing under a government scheme is recognised and measured in accordance with MFRS 9 'Financial Instruments', with the benefit at a below market and concession rate measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

The benefit of government schemes that addresses identified costs or expenses incurred by the Group and the Bank are recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance'.

(h) IBOR modification

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

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

(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).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(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.

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 losseses 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 is presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(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 derecognised. 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
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(M) LEASES

Leases are recognised as right-of-use 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 are 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;
- Variable 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 2021

(M) LEASES (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.

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Reassessment of lease liabilities

The Group and the Bank are also exposed to potential future increase in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

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.

Covid-19 Related Rent Concession

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

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(iii) there is no substantive change to other terms and conditions of the lease.

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

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

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

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(N) FOREIGN CURRENCY TRANSLATIONS (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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.

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 financial period comprises current and deferred income tax. The income tax expense or credit for the financial period is the tax payable on the current financial 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(P) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

Current tax (continued)

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.

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 the 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

This represents business zakat payable by the Group in compliance with Shariah principles and as approved by the Group's Shariah Committee.

(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.

(S) FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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(W) EMPLOYEE BENEFITS (CONTINUED)

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.

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 remeasures 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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(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 shown in equity as a deduction net of tax, from the proceeds.

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, Dividend Reinvestment Plan ('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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the financial 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 Chief Executive Officer ('CEO') of the respective operating segments as its chief operating decision-maker.

(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 Securities, clients' accounts are classified as impaired accounts under the following circumstances:

Types	Criteria for classification of accounts as impaired
Contra losses	When an account remains outstanding for 16 calendar days or more from the date of contra transaction.
Overdue purchase 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 Securities.

(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 derecognised when the risks and rewards of ownership have been substantially transferred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(AF) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Measurement of the expected credit 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 51, 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.

Impact arising from Covid-19 on ECL

As the current MFRS 9 models are not expected to generate the levels of ECL with sufficient reliability in view of the unprecedented and ongoing Covid-19 pandemic, overlays have been applied to determine a sufficient overall level of ECLs for the year ended as at 31 December 2021.

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

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

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

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 judgement in estimating the future cash flows, growth rate and discount rate.

The recoverable amounts of the cash generating units to which goodwill is 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 2021

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 and its 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 Securities as at 31 December 2021.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances with banks and other financial institutions	**1,310,112**	1,059,629	**648,416**	449,299
Money at call and deposit placements maturing within one month	**5,084,385**	4,401,768	**1,877,102**	1,438,317
Less: Expected credit losses	**(40)**	(32)	**(36)**	(32)
	6,394,457	5,461,365	**2,525,482**	1,887,584

The cash and short-term funds is inclusive of remisiers' trust monies of RM68,653,000 (2020: RM65,792,000).

Cash and short term funds of the Group also include restricted cash which could be utilised only for the creation and cancellation of units of the fund managed by the Group in accordance with Section 111 of the Capital Markets and Services Act 2007. The total restricted cash of the Group amounted to RM537,822,000 (2020: RM283,648,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Licensed banks	**969,483**	50,058	**971,331**	-
Licensed investment banks	**200,384**	-	**200,384**	-
Less: Expected credit losses	**(58)**	-	**(58)**	-
	1,169,809	50,058	**1,171,657**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

	The Bank	
	2021 RM'000	2020 RM'000
Licensed banks	**1,825,556**	1,745,263
Less: Expected credit losses	**(31)**	(1,955)
	1,825,525	1,743,308

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At fair value				
Money market instruments:				
Negotiable Instruments of Deposit	**249,582**	113,657	**249,582**	113,657
Quoted securities:				
Exchange traded fund	**-**	891	**-**	-
Shares, warrants and REITs in Malaysia	**30,862**	112,168	**-**	-
Shares, warrants and REITs outside Malaysia	**79,553**	69,412	**-**	-
Unit Trusts in Malaysia	**118,501**	229,378	**-**	-
	228,916	411,849	**-**	-
Unquoted securities:				
Shares in Malaysia	**104,171**	99,222	**104,171**	99,222
Corporate bonds/Sukuk in Malaysia	**15,931**	29,049	**14,923**	15,044
Corporate bonds/Sukuk outside Malaysia	**-**	44,489	**-**	-
	120,102	172,760	**119,094**	114,266
	598,600	698,266	**368,676**	227,923

IBOR Reform

As at 31 December 2021, the Group and the Bank hold the following financial assets at FVTPL which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group 2021		The Bank 2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
<u>**Money market instruments:**</u>				
Negotiable Instruments of Deposit				
- Kuala Lumpur Interbank Offered Rate ('KLIBOR')	**249,582**	**249,582**	**249,582**	**249,582**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6 DERIVATIVE FINANCIAL ASSETS

	The Group 2021		The Group 2020	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:				
- Currency forwards	**3,588,697**	**25,205**	1,356,819	35,220
- Cross currency swaps	**207,100**	**709**	207,100	1,161
- Currency swaps	**9,816,766**	**87,474**	8,453,380	259,204
Interest rate derivatives:				
- Interest rate swaps	**3,450,000**	**73,493**	2,345,000	92,709
	17,062,563	**186,881**	12,362,299	388,294

	The Bank 2021		The Bank 2020	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:				
- Currency forwards	**1,277,604**	**7,210**	161,922	3,300
- Cross currency swaps	**207,100**	**709**	207,100	1,161
- Currency swaps	**6,298,610**	**46,795**	5,363,403	185,007
Interest rate derivatives:				
- Interest rate swaps	**1,840,000**	**49,926**	895,000	41,714
	9,623,314	**104,640**	6,627,425	231,182

IBOR Reform

As at 31 December 2021, the Group and the Bank hold the following derivative financial assets which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group 2021		The Bank 2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
Foreign exchange derivatives:				
Cross currency swaps				
- London Interbank Offered Rate denominated in USD ('USD LIBOR')	**709**	**709**	**709**	**709**
Interest rate derivatives:				
Interest rate swaps				
- Kuala Lumpur Interbank Offered Rate ('KLIBOR')	**73,493**	**73,493**	**49,926**	**49,926**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	**768,784**	2,370,147	**-**	1,225,896
Malaysian Government investment issues	**1,137,984**	3,472,328	**-**	1,261,613
Cagamas Bonds/Sukuk	**90,757**	116,938	**-**	105,835
Negotiable Instruments of Deposit and Islamic Debt Certificates	**-**	5,581	**-**	408,917
Khazanah Bonds/Sukuk	**9,625**	-	**-**	-
	2,007,150	5,964,994	**-**	3,002,261
Unquoted securities:				
Shares in Malaysia *	**224,855**	211,465	**198,148**	186,135
Corporate bonds/Sukuk in Malaysia #	**1,618,659**	6,742,087	**-**	3,312,302
Corporate bonds/Sukuk outside Malaysia	**26,958**	115,507	**-**	86,632
	1,870,472	7,069,059	**198,148**	3,585,069
	3,877,622	13,034,053	**198,148**	6,587,330

* Equity securities designated at FVOCI.
# Certain unquoted perpetual bonds are designated at FVOCI.

During the financial year 2021, the Bank and AFFIN Islamic has reclassified its previous financial investments at FVOCI to AC. Refer to Summary of Significant Accounting Policies Note H(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

Debt instruments at FVOCI

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	**22,201**	**31,457**	**12,170**	**65,828**
Total transfer between stages due to change in credit risk:-	**(522)**	**522**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(522)**	**522**	**-**	**-**
Financial assets derecognised (other than write-off)	**(10,741)**	**(240)**	**-**	**(10,981)**
New financial assets originated or purchased	**7,216**	**-**	**-**	**7,216**
Changes due to change in credit risk	**(9,117)**	**70,543**	**(724)**	**60,702**
Changes in models/risk parameters	**(2,374)**	**-**	**-**	**(2,374)**
Write-off	**-**	**-**	**(11,446)**	**(11,446)**
Other adjustments				
- Reclassification to AC	**(6,406)**	**(83,426)**	**-**	**(89,832)**
- Foreign exchange and other movements	**(5)**	**-**	**-**	**(5)**
At end of the financial year	**252**	**18,856**	**-**	**19,108**

The Group 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	4,388	595	12,166	17,149
Total transfer between stages due to change in credit risk:-	(4,544)	4,544	-	-
- Transfer to 12-month ECL (Stage 1)	198	(198)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,742)	4,742	-	-
Financial assets derecognised (other than write-off)	(27,227)	(661)	-	(27,888)
New financial assets originated or purchased	12,076	-	-	12,076
Changes due to change in credit risk	35,735	21,904	4	57,643
Changes in models/risk parameters	1,752	5,076	-	6,828
Other adjustments				
- Foreign exchange and other movements	21	(1)	-	20
At end of the financial year	22,201	31,457	12,170	65,828

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

Debt instruments at FVOCI (continued)

Movements in allowances for impairment which reflect the ECL model on impairment are as follows (continued):

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	**17,563**	**27,237**	**-**	**44,800**
Financial assets derecognised (other than write-off)	**(9,832)**	**(240)**	**-**	**(10,072)**
New financial assets originated or purchased	**7,574**	**-**	**-**	**7,574**
Changes due to change in credit risk	**(7,632)**	**56,429**	**-**	**48,797**
Other adjustments				
- Reclassification to AC	**(7,669)**	**(83,426)**	**-**	**(91,095)**
- Foreign exchange and other movements	**(4)**	**-**	**-**	**(4)**
At end of the financial year	**-**	**-**	**-**	**-**

The Bank 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	3,607	557	-	4,164
Total transfer between stages due to change in credit risk:-	(4,067)	4,067	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,067)	4,067	-	-
Financial assets derecognised (other than write-off)	(22,375)	(660)	-	(23,035)
New financial assets originated or purchased	9,543	-	-	9,543
Changes due to change in credit risk	29,713	21,717	-	51,430
Changes in models/risk parameters	1,122	1,557	-	2,679
Other adjustments				
- Foreign exchange and other movements	20	(1)	-	19
At end of the financial year	17,563	27,237	-	44,800

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

Movements in the gross carrying amount of financial investment at FVOCI that contributed to changes in the ECL:

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	**12,026,661**	**791,470**	**4,457**	**12,822,588**
Reclassification to AC	**(9,424,616)**	**(608,267)**	**-**	**(10,032,883)**
Total transfer between stages due to change in credit risk:-	**(24,794)**	**24,794**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(24,794)**	**24,794**	**-**	**-**
Financial assets derecognised (other than write-off)	**(4,799,895)**	**(56,561)**	**-**	**(4,856,456)**
New financial assets originated or purchased	**5,944,667**	**-**	**-**	**5,944,667**
Changes in interest/income accrual	**(68,870)**	**(3,971)**	**-**	**(72,841)**
Write-off	**-**	**-**	**(4,525)**	**(4,525)**
Other adjustments				
- Foreign exchange and other movements	**(1,178)**	**1,581**	**186**	**589**
- Changes in fair value	**(127,796)**	**(20,458)**	**(118)**	**(148,372)**
At end of the financial year	**3,524,179**	**128,588**	**-**	**3,652,767**

The Group 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	12,187,806	72,687	4,516	12,265,009
Total transfer between stages due to change in credit risk:-	(726,969)	726,969	-	-
- Transfer to 12-month ECL (Stage 1)	42,212	(42,212)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(769,181)	769,181	-	-
Financial assets derecognised (other than write-off)	(17,624,243)	(16,305)	-	(17,640,548)
New financial assets originated or purchased	18,313,296	-	-	18,313,296
Changes in interest/income accrual	(33,230)	3,579	-	(29,651)
Other adjustments				
- Foreign exchange and other movements	10,856	(2,119)	5	8,742
- Changes in fair value	(100,855)	6,659	(64)	(94,260)
At end of the financial year	12,026,661	791,470	4,457	12,822,588

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

Movements in the gross carrying amount of financial investment at FVOCI that contributed to changes in the ECL (continued):

The Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	**5,714,269**	**686,926**	**-**	**6,401,195**
Reclassification to AC	**(6,670,758)**	**(608,267)**	**-**	**(7,279,025)**
Financial assets derecognised (other than write-off)	**(2,597,520)**	**(56,561)**	**-**	**(2,654,081)**
New financial assets originated or purchased	**3,531,458**	**-**	**-**	**3,531,458**
Changes in interest/income accrual	**(4,515)**	**(3,863)**	**-**	**(8,378)**
Other adjustments				
- Foreign exchange and other movements	**(1,159)**	**1,152**	**-**	**(7)**
- Changes in fair value	**28,225**	**(19,387)**	**-**	**8,838**
At end of the financial year	**-**	**-**	**-**	**-**

The Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	6,201,244	14,782	-	6,216,026
Total transfer between stages due to change in credit risk:-	(665,303)	665,303	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(665,303)	665,303	-	-
Financial assets derecognised (other than write-off)	(9,805,008)	(859)	-	(9,805,867)
New financial assets originated or purchased	10,059,403	-	-	10,059,403
Changes in interest/income accrual	(35,637)	3,440	-	(32,197)
Other adjustments				
- Foreign exchange and other movements	10,749	(2,119)	-	8,630
- Changes in fair value	(51,179)	6,379	-	(44,800)
At end of the financial year	5,714,269	686,926	-	6,401,195

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted securities:				
Shares in Malaysia:				
Credit Guarantee Corporation	**39,408**	37,987	**39,408**	37,987
Cagamas Berhad	**22,191**	20,923	**-**	-
PayNet	**58,857**	49,554	**58,857**	49,554
TPPT Sdn Bhd	**93,376**	92,087	**93,376**	92,087
RAM Holdings Berhad	**9,302**	9,034	**5,980**	5,808
Malaysian Rating Corporation Berhad	**1,184**	1,170	**-**	-
Others *	**537**	710	**527**	699
	224,855	211,465	**198,148**	186,135

* Other socio-economic shares

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government treasury bills	**97,747**	-	**-**	-
Malaysian Government securities	**1,822,807**	-	**1,822,807**	-
Malaysian Government investment issues	**3,540,004**	-	**1,970,328**	-
Cagamas Bonds/Sukuk	**30,512**	-	**30,512**	-
Bank Negara Malaysia Sukuk	**10,299**	-	**-**	-
Negotiable Instruments of Deposit and Islamic Debt Certificates	**731,259**	-	**1,485,853**	-
	6,232,628	-	**5,309,500**	-
Unquoted securities:				
Corporate bonds/Sukuk in Malaysia	**5,126,845**	141,119	**3,651,356**	361,944
Corporate bonds/Sukuk outside Malaysia	**164,194**	-	**164,194**	-
Loan stock in Malaysia	**15,000**	15,000	**-**	-
	5,306,039	156,119	**3,815,550**	361,944
Less: Expected credit losses	**(103,525)**	(13,082)	**(84,852)**	(236)
	11,435,142	143,037	**9,040,198**	361,708

During the financial year 2021, the Bank and AFFIN Islamic has reclassified its previous financial investments at FVOCI to AC. Refer to Summary of Significant Accounting Policies Note H (c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

Movements in expected credit losses for financial investments at AC are as follows:

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	**160**	**-**	**12,922**	**13,082**
Financial assets derecognised (other than write-off)	**(50)**	**-**	**-**	**(50)**
New financial assets originated or purchased	**4,844**	**-**	**-**	**4,844**
Changes due to change in credit risk	**(2,592)**	**-**	**2,078**	**(514)**
Changes in models/risk parameters	**(6,667)**	**-**	**-**	**(6,667)**
Reclassification from FVOCI	**9,404**	**83,426**	**-**	**92,830**
At end of the financial year	**5,099**	**83,426**	**15,000**	**103,525**

The Group 2020				
At beginning of the financial year	273	-	10,780	11,053
Financial assets derecognised (other than write-off)	(96)	-	-	(96)
New financial assets originated or purchased	130	-	-	130
Changes due to change in credit risk	410	-	2,142	2,552
Changes in models/risk parameters	(557)	-	-	(557)
At end of the financial year	160	-	12,922	13,082

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	236	-	-	236
Financial assets derecognised (other than write-off)	(6)	-	-	(6)
New financial assets originated or purchased	4,202	-	-	4,202
Changes due to change in credit risk	(4,008)	-	-	(4,008)
Changes in models/risk parameters	(6,667)	-	-	(6,667)
Reclassification from FVOCI	7,669	83,426	-	91,095
At end of the financial year	**1,426**	**83,426**	**-**	**84,852**

The Bank 2020				
At beginning of the financial year	123	-	-	123
Financial assets derecognised (other than write-off)	(96)	-	-	(96)
New financial assets originated or purchased	130	-	-	130
Changes due to change in credit risk	643	-	-	643
Changes in models/risk parameters	(564)	-	-	(564)
At end of the financial year	236	-	-	236

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

Movements in the gross carrying amount of financial investment at AC that contributed to changes in the ECL:

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	**141,119**	**-**	**15,000**	**156,119**
Financial assets derecognised (other than write-off)	**(50,000)**	**-**	**-**	**(50,000)**
New financial assets originated or purchased	**1,422,121**	**-**	**-**	**1,422,121**
Changes in interest/income accrual	**(25,514)**	**3,058**	**-**	**(22,456)**
Reclassification from FVOCI	**9,424,616**	**608,267**	**-**	**10,032,883**
At end of the financial year	**10,912,342**	**611,325**	**15,000**	**11,538,667**

The Group 2020				
At beginning/end of the financial year	141,119	-	15,000	156,119

The Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	**361,944**	**-**	**-**	**361,944**
Financial assets derecognised (other than write-off)	**(50,000)**	**-**	**-**	**(50,000)**
New financing assets originated or purchased	**1,567,757**	**-**	**-**	**1,567,757**
Changes in interest/income accrual	**(36,734)**	**3,058**	**-**	**(33,676)**
Reclassification from FVOCI	**6,670,758**	**608,267**	**-**	**7,279,025**
At end of the financial year	**8,513,725**	**611,325**	**-**	**9,125,050**

The Bank 2020				
At beginning of the financial year	100,622	-	-	100,622
New financing assets originated or purchased	259,022	-	-	259,022
Changes in interest/income accrual	2,300	-	-	2,300
At end of the financial year	361,944	-	-	361,944

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

IBOR Reform

As at 31 December 2021, the Group and the Bank hold the following financial instruments at AC which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group 2021		The Bank 2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
Money market instruments:				
Corporate bonds/Sukuk outside Malaysia				
- USD LIBOR	**16,758**	**16,758**	**16,758**	**16,758**
- Bank Bill Swap Rate ('BBSW')	**63,851**	**63,851**	**63,851**	**63,851**
	80,609	**80,609**	**80,609**	**80,609**

9 LOANS, ADVANCES AND FINANCING

(i) By type

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Overdrafts	**1,955,229**	1,871,460	**1,304,046**	1,404,871
Term loans/financing				
- Housing loans/financing	**13,763,496**	11,637,402	**5,320,110**	3,904,606
- Hire purchase receivables	**11,435,528**	10,671,849	**6,874,108**	6,649,369
- Syndicated financing	**1,583,610**	1,486,237	**611,200**	619,680
- Business term loans/financing	**14,470,438**	13,291,096	**8,249,044**	8,336,099
- Other term loans/financing	**122,620**	162,163	**-**	-
Bills receivables	**491,857**	286,775	**398,979**	278,346
Trust receipts	**192,868**	240,688	**179,726**	227,548
Claims on customers under acceptances credits	**2,220,512**	1,777,795	**1,519,194**	1,269,766
Staff loans/financing (of which RM Nil to Directors)	**213,525**	211,093	**105,468**	119,961
Credit cards	**265,476**	209,518	**220,646**	171,441
Revolving credits	**3,919,212**	3,819,100	**2,726,082**	2,746,141
Margin financing	**782,767**	605,485	**-**	-
Factoring	**202**	1,994	**202**	1,994
Gross loans, advances and financing	**51,417,340**	46,272,655	**27,508,805**	25,729,822
Less: Expected credit losses	**(889,272)**	(779,777)	**(629,469)**	(564,397)
Total net loans, advances and financing	**50,528,068**	45,492,878	**26,879,336**	25,165,425

Included in the Group's business term loans/financing as at reporting date is RM56.5 million (2020: RM55.2 million) of term financing disbursed by AFFIN Islamic to joint venture AFFIN-i Nadayu Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ii) By maturity structure

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Maturing within one year	**9,988,942**	9,186,637	**6,373,086**	6,333,487
One year to three years	**3,530,728**	3,236,452	**2,850,312**	2,662,555
Three years to five years	**6,129,495**	6,271,623	**3,608,729**	3,683,085
Over five years	**31,768,175**	27,577,943	**14,676,678**	13,050,695
	51,417,340	46,272,655	**27,508,805**	25,729,822

(iii) By type of customers

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Domestic banking institutions	**5**	8,443	**5**	8,443
Domestic non-banking institutions				
- Others	**441,888**	510,566	**164,108**	273,876
Domestic business enterprises				
- Small medium enterprises	**8,892,968**	7,776,348	**6,330,465**	5,656,791
- Others	**13,404,843**	13,264,282	**8,544,263**	8,837,264
Government and statutory bodies	**780,174**	739,747	**26,549**	29,502
Individuals	**27,427,578**	23,461,279	**12,135,474**	10,679,880
Other domestic entities	**683**	1,086	**461**	578
Foreign entities	**469,201**	510,904	**307,480**	243,488
	51,417,340	46,272,655	**27,508,805**	25,729,822

(iv) By interest/profit rate sensitivity

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate				
- Housing loans/financing	**218,662**	327,704	**174,972**	282,091
- Hire purchase receivables	**11,437,057**	10,674,103	**6,874,108**	6,649,370
- Other fixed rate loans/financing	**1,457,455**	966,622	**397,722**	222,977
Variable rate				
- Base lending rate and base rate plus	**28,175,720**	24,271,943	**14,005,781**	12,128,469
- Cost plus	**10,098,599**	10,003,507	**6,056,222**	6,446,915
- Other variable rate	**29,847**	28,776	**-**	-
	51,417,340	46,272,655	**27,508,805**	25,729,822

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(v) By economic sector

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary agriculture	**1,378,344**	1,405,796	**606,394**	584,361
Mining and quarrying	**214,553**	305,029	**65,873**	60,459
Manufacturing	**3,540,982**	2,850,316	**2,383,437**	1,938,354
Electricity, gas and water supply	**452,791**	443,561	**68,379**	62,000
Construction	**1,626,208**	1,995,028	**918,966**	1,331,552
Real estate	**5,808,007**	5,727,243	**4,119,620**	4,006,230
Wholesale, retail trade, hotels and restaurants	**4,697,985**	3,996,064	**3,563,575**	3,236,141
Transport, storage and communication	**1,887,303**	1,723,239	**1,283,979**	1,298,611
Finance, insurance and business services	**2,252,805**	2,121,030	**1,417,645**	1,535,886
Education, health and others	**1,996,721**	2,114,353	**866,183**	923,591
Household	**27,561,299**	23,590,996	**12,214,412**	10,752,637
Others	**342**	-	**342**	-
	51,417,340	46,272,655	**27,508,805**	25,729,822

(vi) By economic purposes

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	**2,029,621**	1,674,403	**502,582**	583,275
Purchase of transport vehicles	**12,052,256**	11,255,358	**7,251,417**	7,143,469
Purchase of landed property of which:				
- Residential	**14,112,442**	12,052,394	**5,499,101**	4,137,906
- Non-residential	**6,281,669**	6,223,989	**3,879,335**	3,867,346
Fixed assets other than land and building	**268,994**	240,007	**193,019**	160,646
Personal use	**1,698,684**	886,050	**620,774**	683,008
Credit card	**265,477**	209,517	**220,647**	171,441
Consumer durable	**15**	126	**15**	54
Construction	**2,330,318**	2,299,306	**1,388,349**	1,339,721
Merger and acquisition	**57,340**	60,102	**57,340**	60,102
Working capital	**10,974,409**	10,288,562	**7,138,735**	6,955,440
Others	**1,346,115**	1,082,841	**757,491**	627,414
	51,417,340	46,272,655	**27,508,805**	25,729,822

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) By geographical distribution

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Perlis	**117,849**	180,835	**17,453**	17,703
Kedah	**1,474,660**	1,320,409	**502,811**	498,619
Pulau Pinang	**2,955,889**	2,543,717	**1,638,139**	1,522,359
Perak	**1,516,796**	1,440,323	**837,557**	858,616
Selangor	**16,404,033**	14,306,592	**8,566,724**	7,515,197
Wilayah Persekutuan	**11,448,932**	10,795,943	**6,390,734**	6,387,473
Negeri Sembilan	**1,791,349**	1,581,862	**615,886**	566,217
Melaka	**1,022,170**	900,188	**648,411**	624,245
Johor	**6,789,713**	5,986,844	**4,017,802**	3,535,350
Pahang	**1,594,148**	1,445,108	**766,758**	774,481
Terengganu	**1,016,296**	901,074	**189,615**	352,987
Kelantan	**475,972**	329,291	**55,574**	58,629
Sarawak	**2,359,461**	2,250,452	**1,676,966**	1,610,497
Sabah	**2,244,293**	2,135,344	**1,398,589**	1,279,067
Labuan	**85,623**	45,134	**65,634**	18,847
Outside Malaysia	**120,156**	109,539	**120,152**	109,535
	51,417,340	46,272,655	**27,508,805**	25,729,822

(viii) Movements of impaired loans, advances and financing

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
At beginning of the financial year	**1,628,669**	1,379,152	**1,223,906**	673,058
Classified as impaired	**520,249**	1,173,296	**205,382**	954,923
Reclassified as non-impaired	**(277,718)**	(325,440)	**(164,511)**	(152,048)
Amount written-back	**(484,399)**	(291,818)	**(361,904)**	(61,222)
Amount written-off	**(80,848)**	(306,521)	**(61,034)**	(190,805)
At end of the financial year	**1,305,953**	1,628,669	**841,839**	1,223,906
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing *	**2.54%**	3.52%	**3.38%**	4.45%

* For the Bank, RIA included in the ratio calculation amounting to RM1,834.6 million (2020: RM1,754.9 million) with impaired financing amounting to RM149.9 million (2020: RM Nil 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 financial year amounting to RM80,848,000 (2020: RM306,521,000) for the Group and RM61,034,000 (2020: RM190,805,000) for the Bank respectively. The Group and the Bank still seek to recover amounts that are 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 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Impaired loans by economic sector

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary agriculture	**10,054**	15,340	**9,870**	15,195
Mining and quarrying	**31,668**	7,576	**5,187**	5,176
Manufacturing	**14,155**	75,558	**5,167**	8,053
Electricity, gas and water supply	**105**	371	**105**	326
Construction	**82,068**	135,860	**42,533**	96,184
Real estate	**144,538**	115,968	**71,353**	68,840
Wholesale, retail trade, hotels and restaurants	**53,856**	48,113	**51,279**	46,733
Transport, storage and communication	**361,456**	399,225	**155,928**	315,971
Finance, insurance and business services	**71,784**	65,869	**70,912**	65,438
Education, health and others	**304,140**	419,194	**303,521**	419,002
Household	**232,129**	345,595	**125,984**	182,988
	1,305,953	1,628,669	**841,839**	1,223,906

(x) Impaired loans by economic purposes

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	**26,212**	26,122	**41**	13
Purchase of transport vehicles	**361,050**	389,564	**189,174**	364,662
Purchase of landed property of which:				
- Residential	**152,519**	267,912	**69,671**	131,201
- Non-residential	**254,140**	278,426	**186,213**	259,473
Fixed assets other than land and building	**14,903**	15,360	**14,903**	15,360
Personal use	**15,011**	24,076	**11,582**	22,800
Credit card	**1,370**	825	**1,090**	694
Construction	**217,829**	321,892	**216,593**	264,709
Working capital	**254,748**	292,618	**150,401**	162,143
Others	**8,171**	11,874	**2,171**	2,851
	1,305,953	1,628,669	**841,839**	1,223,906

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xi) Impaired loans by geographical distribution

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Perlis	**2,717**	2,765	**127**	304
Kedah	**58,786**	94,239	**51,579**	86,941
Pulau Pinang	**30,861**	36,772	**23,547**	30,250
Perak	**64,260**	94,872	**9,208**	13,245
Selangor	**231,746**	279,626	**111,232**	148,586
Wilayah Persekutuan	**83,717**	146,307	**63,396**	53,899
Negeri Sembilan	**68,446**	82,311	**56,654**	65,131
Melaka	**16,594**	16,300	**14,374**	14,281
Johor	**355,986**	447,942	**312,956**	430,760
Pahang	**23,877**	32,282	**22,145**	30,682
Terengganu	**298,303**	309,714	**146,411**	306,195
Kelantan	**2,730**	6,853	**587**	3,608
Sarawak	**55,111**	57,994	**18,522**	21,110
Sabah	**12,819**	20,692	**11,101**	18,914
	1,305,953	1,628,669	**841,839**	1,223,906

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	177,087	151,204	451,486	779,777
Total transfer between stages due to change in credit risk:-	51,311	23,902	(75,213)	-
- Transfer to 12-month ECL (Stage 1)	64,134	(54,454)	(9,680)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(12,585)	90,018	(77,433)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(238)	(11,662)	11,900	-
Loans/financing derecognised (other than write-off)	(62,069)	(10,433)	(10,023)	(82,525)
New loans/financing originated or purchased	76,093	9,269	-	85,362
Changes due to change in credit risk	(5,274)	140,078	43,820	178,624
Write-off	-	-	(71,966)	(71,966)
At end of the financial year	**237,148**	**314,020**	**338,104**	**889,272**

The Group 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	139,326	94,359	340,344	574,029
Total transfer between stages due to change in credit risk:-	47,123	(117,807)	70,684	-
- Transfer to 12-month ECL (Stage 1)	72,061	(62,251)	(9,810)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(24,906)	84,743	(59,837)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(32)	(140,299)	140,331	-
Loans/financing derecognised (other than write-off)	(51,471)	(6,704)	(19,387)	(77,562)
New loans/financing originated or purchased	56,113	1,994	7,970	66,077
Changes due to change in credit risk	23,416	188,044	359,203	570,663
Changes in models/risk parameters	(37,420)	(8,682)	(844)	(46,946)
Write-off	-	-	(305,880)	(305,880)
Other adjustments	-	-	(604)	(604)
At end of the financial year	177,087	151,204	451,486	779,777

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	**128,045**	**88,348**	**348,004**	**564,397**
Total transfer between stages due to change in credit risk:-	**33,858**	**12,013**	**(45,871)**	**-**
- Transfer to 12-month ECL (Stage 1)	**41,876**	**(37,526)**	**(4,350)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(7,903)**	**55,421**	**(47,518)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(115)**	**(5,882)**	**5,997**	**-**
Loans/financing derecognised (other than write-off)	**(28,113)**	**(9,212)**	**(5,364)**	**(42,689)**
New loans/financing originated or purchased	**35,468**	**8,582**	**-**	**44,050**
Changes due to change in credit risk	**(6,083)**	**115,126**	**7,107**	**116,150**
Write-off	**-**	**-**	**(52,439)**	**(52,439)**
At end of the financial year	**163,175**	**214,857**	**251,437**	**629,469**

The Bank 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
A At beginning of the financial year	86,276	76,512	221,161	383,949
Total transfer between stages due to change in credit risk:-	36,569	(132,914)	96,345	-
- Transfer to 12-month ECL (Stage 1)	52,055	(47,666)	(4,389)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(15,472)	51,874	(36,402)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14)	(137,122)	137,136	-
Loans/financing derecognised (other than write-off)	(24,797)	(4,120)	(16,643)	(45,560)
New loans/financing originated or purchased	26,124	1,013	7,864	35,001
Changes due to change in credit risk	25,948	152,955	243,353	422,256
Changes in models/risk parameters	(22,075)	(5,098)	(593)	(27,766)
Write-off	-	-	(202,766)	(202,766)
Other adjustments	-	-	(717)	(717)
At end of the financial year	128,045	88,348	348,004	564,397

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xiii) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the ECL

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	**40,420,336**	**4,223,650**	**1,628,669**	**46,272,655**
Total transfer between stages due to change in credit risk:-	**(229,405)**	**140,965**	**88,440**	**-**
- Transfer to 12-month ECL (Stage 1)	**2,561,572**	**(2,522,545)**	**(39,027)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,755,591)**	**2,994,283**	**(238,692)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(35,386)**	**(330,773)**	**366,159**	**-**
Loans/financing derecognised (other than write-off)	**(18,299,028)**	**(325,318)**	**(94,868)**	**(18,719,214)**
New loans/financing originated or purchased	**26,866,384**	**212,975**	**-**	**27,079,359**
Changes due to change in credit risk	**(2,883,645)**	**(58,819)**	**(238,500)**	**(3,180,964)**
(Modification loss)/unwinding of modification loss during the year (Note)	**43,601**	**4,844**	**2,269**	**50,714**
Write-off	**-**	**-**	**(80,848)**	**(80,848)**
Other adjustments				
- Foreign exchange and other movements	**(877)**	**(4,276)**	**791**	**(4,362)**
At end of the financial year	**45,917,366**	**4,194,021**	**1,305,953**	**51,417,340**

Note: The amount of loans, advances and financing whose cash flows were modified in 2020 were RM5,131,974,105.

The Group 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	42,045,892	2,536,850	1,379,152	45,961,894
Total transfer between stages due to change in credit risk:-	(2,893,696)	2,073,760	819,936	-
- Transfer to 12-month ECL (Stage 1)	2,097,481	(2,041,543)	(55,938)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,960,909)	5,230,411	(269,502	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(30,268)	(1,115,108)	1,145,376	-
Loans/financing derecognised (other than write-off)	(16,818,335)	(334,591)	(44,482)	(17,197,408)
New loans/financing originated or purchased	20,154,168	166,233	19,069	20,339,470
Changes due to change in credit risk	(1,939,920)	(193,272)	(245,197)	(2,378,389)
(Modification loss)/unwinding of modification loss during the year (Note)	(127,180)	(20,911)	(6)	(148,097)
Write-off	-	-	(306,521)	(306,521)
Other adjustments				
- Unwind of discount	(593)	(4,419)	6,718	1,706
At end of the financial year	40,420,336	4,223,650	1,628,669	46,272,655

Note: The amount of loans, advances and financing whose cash flows were modified in 2020 were RM7,372,365,383.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xiii) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the ECL (continued)

The Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	**22,041,468**	**2,464,448**	**1,223,906**	**25,729,822**
Total transfer between stages due to change in credit risk:-	**(179,531)**	**139,499**	**40,032**	**-**
- Transfer to 12-month ECL (Stage 1)	**1,368,812**	**(1,351,658)**	**(17,154)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(1,544,349)**	**1,691,707**	**(147,358)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(3,994)**	**(200,550)**	**204,544**	**-**
Loans/financing derecognised (other than write-off)	**(8,638,116)**	**(201,380)**	**(59,630)**	**(8,899,126)**
New loans/financing originated or purchased	**12,730,912**	**127,351**	**-**	**12,858,263**
Changes due to change in credit risk	**(1,779,075)**	**(67,494)**	**(302,172)**	**(2,148,741)**
(Modification loss)/unwinding of modification loss during the year (Note)	**28,845**	**3,262**	**1,432**	**33,539**
Write-off	**-**	**-**	**(61,034)**	**(61,034)**
Other adjustments				
- Unwind of discount	**(104)**	**(3,119)**	**(695)**	**(3,918)**
At end of the financial year	**24,204,399**	**2,462,567**	**841,839**	**27,508,805**

Note: The amount of loans, advances and financing whose cash flows were modified in 2021 were RM2,951,611,341.

The Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At beginning of the financial year	23,774,879	1,666,071	673,058	26,114,008
Total transfer between stages due to change in credit risk:-	(1,811,409)	1,021,769	789,640	-
- Transfer to 12-month ECL (Stage 1)	1,364,804	(1,345,813)	(18,991)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(3,172,645)	3,305,702	(133,057)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(3,568)	(938,120)	941,688	-
Loans/financing derecognised (other than write-off)	(7,366,786)	(156,764)	(27,208)	(7,550,758)
New loans/financing originated or purchased	8,865,195	41,332	8,798	8,915,325
Changes due to change in credit risk	(1,344,933)	(93,112)	(32,247)	(1,470,292)
(Modification loss)/unwinding of modification loss during the year (Note)	(75,382)	(12,488)	-	(87,870)
Write-off	-	-	(190,805)	(190,805)
Other adjustments				
- Unwind of discount	(96)	(2,360)	2,670	214
At end of the financial year	22,041,468	2,464,448	1,223,906	25,729,822

Note: The amount of loans, advances and financing whose cash flows were modified in 2020 were RM4,476,414,723.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

IBOR Reform

As at 31 December 2021, the Group and the Bank hold the following loans, advances and financing which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group 2021		The Bank 2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
Gross loans, advances and financing				
- USD LIBOR	**448,310**	**448,310**	**278,913**	**278,913**
- KLIBOR	**336,489**	**336,489**	**229,447**	**229,447**
	784,799	**784,799**	**508,360**	**508,360**

10 TRADE RECEIVABLES

	The Group 2021 RM'000	The Group 2020 RM'000
Amount due from stock-broking clients:		
- performing accounts	**324,833**	564,841
- impaired accounts (i)	**942**	1,387
Amount due from brokers	**47,221**	95,488
Management fees receivable on fund management	**155,703**	261,510
	528,699	923,226
Less: Expected credit losses (ii)	**(1,533)**	(2,809)
	527,166	920,417

(i) Movements of impaired trade receivables	The Group 2021 RM'000	The Group 2020 RM'000
At beginning of the financial year	**1,387**	139
Classified as impaired	**3,126**	2,104
Amount written-back	**(3,571)**	(856)
At end of the financial year	**942**	1,387

(ii) Movements in expected credit losses in trade receivables	The Group 2021 RM'000	The Group 2020 RM'000
At beginning of the financial year	**2,809**	208
Allowance made	**5,031**	9,621
Amount written-back	**(6,307)**	(7,020)
At end of the financial year	**1,533**	2,809

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11 OTHER ASSETS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other debtors	**234,603**	214,691	**101,897**	101,778
Prepayments and deposits	**48,485**	21,925	**47,747**	20,942
Cheque clearing accounts	**20,325**	6,226	**5,959**	6,672
Foreclosed properties (i)	**13,358**	16,962	**8,485**	12,089
Collaterals pledged for derivative transactions	**-**	13,782	**-**	-
	316,771	273,586	**164,088**	141,481
Less: Expected credit losses (ii)	**(4,039)**	(3,966)	**-**	-
	312,732	269,620	**164,088**	141,481

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(i) Foreclosed properties				
At beginning of the financial year	**16,962**	17,817	**12,089**	12,944
Disposal	**(3,315)**	(855)	**(3,315)**	(855)
Diminution in value	**(289)**	-	**(289)**	-
At end of the financial year	**13,358**	16,962	**8,485**	12,089

	The Group	
	2021 RM'000	2020 RM'000
(ii) Movements in expected credit losses		
At beginning of the financial year	**3,966**	2,058
Allowance made	**2,829**	3,550
Amount written-back	**(2,756)**	(1,584)
Amount write-off	**-**	(58)
At end of the financial year	**4,039**	3,966

12 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2021 RM'000	2020 RM'000
Advances to AFFIN Islamic	**758,812**	299,815
Advances to other subsidiaries	**112**	49
	758,924	299,864

The advances to subsidiaries are unsecured, bear no interest/profit rate and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13 AMOUNT DUE FROM JOINT VENTURES

	The Group	
	2021 RM'000	2020 RM'000
Advances to joint ventures	**59,724**	59,060
Less: Expected credit losses (i)	**(43,987)**	(43,987)
	15,737	15,073

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

	2021	2020
At beginning of the financial year	**43,987**	28,738
Allowance made	**-**	15,249
At end of the financial year	**43,987**	43,987

14 AMOUNT DUE FROM ASSOCIATES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
10-year Subordinated Loan II (a)	**30,931**	30,931	**30,931**	30,931
Less: Expected credit losses	**(43)**	(46)	**(43)**	(46)
	30,888	30,885	**30,888**	30,885

(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	
Movement in gross carrying amount of subordinated loan that contributed to changes in the ECL:	2021 RM'000	2020 RM'000
At beginning of the financial year	**30,931**	30,925
Net change in income accrued	**-**	6
At end of the financial year	**30,931**	30,931

	The Group and The Bank 12 - Month ECL (Stage 1)	
Movement in expected credit losses for subordinated loan:	2021 RM'000	2020 RM'000
At beginning of the financial year	**46**	38
Amount charged/written-back	**(3)**	8
At end of the financial year	**43**	46

(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 2021

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 statements of financial position:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets/(liabilities)	**223,344**	112,158	**111,900**	54,607
Deferred tax assets:				
- settled more than 12 months	**50,051**	4,162	**17,310**	-
- settled within 12 months	**192,163**	144,371	**106,523**	63,649
Deferred tax liabilities:				
- settled more than 12 months	**(14,008)**	(33,966)	**(8,685)**	(9,042)
- settled within 12 months	**(4,862)**	(2,409)	**(3,248)**	-
	223,344	112,158	**111,900**	54,607

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At beginning of the financial year	**112,158**	3,440	**54,607**	12,690
Recognised in income statement (Note 47)	**75,581**	86,075	**59,416**	31,165
Recognised in equity	**35,605**	22,643	**(2,123)**	10,752
At end of the financial year	**223,344**	112,158	**111,900**	54,607

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows (RM'000):

The Group 2021	Property and equipment	Lease rental	Intangible assets	Loans, advances and financing	Other liabilities	Foreign exchange translation gain	Unutilised business tax losses and unabsorbed capital allowances losses	Financial investment at AC	Financial investment at FVOCI	Total
At beginning of financial year	**(4,735)**	**316**	**(7,537)**	**21,805**	**108,644**	**(5,362)**	**964**	**(26)**	**(1,911)**	**112,158**
Recognised in income statement										
- Tax expenses	**(1,984)**	**145**	**(334)**	**28,733**	**561**	**1,236**	**(630)**	**18,433**	**(6,537)**	**39,623**
- Deferred tax impact arising from Cukai Makmur ^	**(1,398)**	**-**	**648**	**14,443**	**22,188**	**52**	**-**	**-**	**25**	**35,958**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,605**	**35,605**
At end of the financial year	**(8,117)**	**461**	**(7,223)**	**64,981**	**131,393**	**(4,074)**	**334**	**18,407**	**27,182**	**223,344**

The Group 2020	Property and equipment	Lease rental	Intangible assets	Loans, advances and financing	Other liabilities	Foreign exchange translation gain	Unutilised business tax losses and unabsorbed capital allowances losses	Financial investment at AC	Financial investment at FVOCI	Total
At beginning of the financial year	(5,636)	196	(10,076)	5,789	55,407	(10,167)	784	(4)	(32,853)	3,440
Recognised in income statement	901	120	2,539	16,016	53,237	4,805	180	(22)	8,299	86,075
Recognised in equity	-	-	-	-	-	-	-	-	22,643	22,643
At end of the financial year	(4,735)	316	(7,537)	21,805	108,644	(5,362)	964	(26)	(1,911)	112,158

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

15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows (RM'000) (continued):

The Bank 2021	Property and equipment	Lease rental	Intangible assets	Loans, advances and financing	Other liabilities	Financial investment at AC	Financial investment at FVOCI	Total
At beginning of the financial year	(3,242)	(8)	(6,051)	15,552	39,686	-	8,670	54,607
Recognised in income statement								
- Tax expenses	(1,486)	456	(918)	21,389	7,853	16,844	(6,547)	37,591
- Deferred tax impact arising from Cukai Makmur ^	(1,347)	-	662	9,897	12,613	-	-	21,825
Recognised in equity	-	-	-	-	-	-	(2,123)	(2,123)
At end of the financial year	**(6,075)**	**448**	**(6,307)**	**46,838**	**60,152**	**16,844**	**-**	**111,900**

The Bank 2020	Property and equipment	Lease rental	Intangible assets	Loans, advances and financing	Other liabilities	Financial investment at AC	Financial investment at FVOCI	Total
At beginning of the financial year	(3,554)	193	(6,018)	4,796	25,835	-	(8,562)	12,690
Recognised in income statement	312	(201)	(33)	10,756	13,851	-	6,480	31,165
Recognised in equity	-	-	-	-	-	-	10,752	10,752
At end of the financial year	(3,242)	(8)	(6,051)	15,552	39,686	-	8,670	54,607

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA)

The non-interest/profit bearing statutory deposits are maintained with BNM 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. The Statutory Reserve Requirement ('SRR') rate for banking industries is 2.0% of eligible liabilities.

17 INVESTMENT IN SUBSIDIARIES

	The Bank 2021 RM'000	The Bank 2020 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/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 2021 %	Percentage of equity held 2020 %	Non-controlling interest 2021 %	Non-controlling interest 2020 %
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**	63	**37**	37
- AFFIN Hwang Nominees (Asing) Sdn Bhd	Nominee services	**1,326**	**100**	100	**-**	-
- AFFIN Hwang Nominees (Tempatan) Sdn Bhd	Nominee services	**1,331**	**100**	100	**-**	-
- AHC Global Sdn Bhd	Investment holding	**1,332**	**100**	100	**-**	-
- AHC Associates Sdn Bhd	Investment holding	**1,332**	**100**	100	**-**	-
- AFFIN Hwang Trustee Berhad ('AHTB')	Trustee services	**6,500**	**100**	100	**-**	-
- Bintang Capital Partners Berhad ('BCP')	Private equity management	**1,000**	**51**	51	**49**	49
- AIIMAN Asset Management Sdn Bhd ('AIIMAN')	Islamic fund management	**10,000**	**100**	100	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
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17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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 2021 %	2020 %	Non-controlling interest 2021 %	2020 %
- AccelVantage Academy Sdn Bhd ('AVA')	Training and coaching services	**408**	**51**	51	**49**	49
- AIIMAN Global Equity Fund **	Investment in Shariah-compliant equities	**	**71**	59	**29**	41
- AFFIN Hwang Constant Cash Fund 2 **	Investment in Shariah-compliant money market instruments	**	**100**	-	**-**	-
- AIIMAN Asia Pacific (ex Japan) Dividend Fund **	Investment in Shariah-compliant equities instruments	**	**40**	42	**60**	58
- TradePlus NYSE Fang+ Daily (-1x) Inverse Tracker **	Investment in futures contracts	**	**65**	81	**35**	19
- TradePlus NYSE Fang+ Daily (2x) Leveraged Tracker **	Investment in futures contracts	**	**89**	57	**11**	43
- TradePlus HSCEI Daily (-1x) Inverse Tracker **	Investment in futures contracts	**	**100**	75	**-**	25
- TradePlus HSCEI Daily (2x) Leveraged Tracker **	Investment in futures contracts	**	**50**	100	**50**	-
- TradePlus DWA Malaysia Momentum Tracker **	Investment in equity instruments	**	**40**	50	**60**	50
- AFFIN Hwang Shariah Gold Tracker Fund **	Shariah-compliant investment in gold	**	**-**	34	**-**	66
- AFFIN Hwang AIIMAN Global Sukuk Fund **	Investment in Shariah-compliant fixed income instruments	^	**-**	36	**-**	64
AFFIN Moneybrokers Sdn Bhd	Money-broking	**1,000**	**100**	100	**-**	-
AFFIN Holdings Bhd	Investment holding	**@**	**100**	100	**-**	-

** 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 and in member's voluntary winding-up.

^ The fund has been deconsolidated from the Group during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Proportion of ownership interests and voting rights held by non-controlling interest	
	2021	**2020**
Details of a subsidiary which has material non-controlling interests ('NCI'):		
Affin Hwang Asset Management Berhad ('AHAM')	**37%**	37%

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.

	2021 RM'000	**2020 RM'000**
Summarised financial position		
Total assets	**1,078,261**	943,856
Total liabilities	**(954,455)**	(752,428)
Net asset	**123,806**	191,428
Equity attributable to owners of the Bank	**79,121**	120,843
NCI	**44,685**	70,585
Summarised financial results		
Revenue	**728,671**	554,688
Profit before taxation and zakat	**157,498**	137,964
Taxation and zakat	**(34,738)**	(23,713)
Other comprehensive income	**388**	(540)
Total comprehensive income	**123,148**	113,711
Summarised cash flows		
Net cash generated from operating activities	**459,823**	92,495
Net cash used in financing activities	**(182,169)**	(82,256)
Net cash used in investing activities	**(2,007)**	(38,309)
Net (decrease)/increase in cash & cash equivalents	**275,647**	(28,070)
Profit allocated to NCI of the Group	**53,389**	42,526
Dividends paid to NCI of the Group	**(66,026)**	(28,777)
Movements in NCI at Group level		
At beginning of the financial year	**70,585**	59,423
Profit for the financial year	**53,389**	42,526
Other comprehensive income	**144**	(200)
Stock option reserves	**-**	(805)
Dilution of interest in subsidiaries	**-**	490
Obligation to buy back shares from employee stock option holders	**(13,407)**	(2,072)
Dividends paid	**(66,026)**	(28,777)
At end of the financial year	**44,685**	70,585

NOTES TO THE FINANCIAL STATEMENTS
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18 INVESTMENT IN JOINT VENTURES

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Unquoted shares at cost	**194,890**	179,590	**194,240**	178,940
Acquisition of additional shares	**-**	15,300	**-**	15,300
Share of post acquisition retained losses	**(9,508)**	(12,072)	**-**	-
Share of post acquisition reserve	**(3,529)**	(2,420)	**-**	-
	181,853	180,398	**194,240**	194,240

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 2021 %	Percentage of equity held 2020 %
AXA AFFIN Life Insurance Bhd *	Underwriting of life insurance business	**458,000**	**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.

	The Group 2021 RM'000	The Group 2020 RM'000
The summarised financial information of the material joint venture namely AALI is as follows:		
Total assets	**2,748,567**	2,595,257
Total liabilities	**(2,391,993)**	(2,241,536)
Net assets	**356,574**	353,721
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	**69,246**	105,388
Total liabilities (non trade)	**204,898**	258,070
Revenue	**521,738**	500,485
Profit/(loss) after taxation	**5,026**	(773)
Other comprehensive loss	**(2,173)**	(12,590)
Total comprehensive profit/(loss)	**2,853**	(13,363)
The above profit/(loss) after taxation for the financial year include the following:		
Interest income	**60,546**	62,733
Interest expense	**(74)**	(149)
Taxation	**(2,446)**	(14,314)
Depreciation and amortisation	**(8,573)**	(8,729)

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18 INVESTMENT IN JOINT VENTURES (CONTINUED)

	The Group	
	2021 RM'000	**2020 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	**353,721**	337,084
Profit/(loss) for the financial year	**5,026**	(773)
Other comprehensive loss	**(2,173)**	(12,590)
Proceeds from issuance of shares	**-**	30,000
Closing net assets at end of the financial year	**356,574**	353,721
Interest in AALI:		
- In percentage (%)	**51**	51
- In thousand (RM'000)	**181,853**	180,398
- Share of results of a joint venture	**2,565**	(394)

The financial information of AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd are not significant to the Group.

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.

<u>AXA AFFIN Life Insurance Berhad ('AALI')</u>

For the financial year ended 31 December 2021 and 2020, 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 3.60% (2020: 3.75%) is used as discount and earning rates.

Investment in AALI is not sensitive to impairment assessment as at 31 December 2021 and 31 December 2020.

<u>Joint venture arrangement</u>

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 venturers 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 AXA S.A and the Bank.

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19 INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares at cost	**552,590**	552,826	**548,482**	548,482
Redemption of investments in funds	**(4,108)**	(632)	**-**	-
Share of results of an associate, net of tax	**-**	396	**-**	-
Group's share of post acquisition reserves	**176,958**	163,126	**-**	-
	725,440	715,716	**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 2021 %	Percentage of equity held 2020 %
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	**^**	**6.00**	15.00

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

	The Group	
	2021 RM'000	2020 RM'000
The summarised financial information of the material associate namely AAGI is as follows:		
Total assets	**4,073,728**	3,832,238
Total liabilities	**(2,717,066)**	(2,506,680)
Net assets	**1,356,662**	1,325,558
Capital commitment for property and equipment	**11,364**	13,744
The above amounts of assets and liabilities include the following:		
Cash and cash equivalent	**27,398**	29,272
Revenue	**1,355,281**	1,376,914
Profit after taxation	**85,743**	83,813
Other comprehensive (loss)/income	**(54,639)**	29,147
Total comprehensive income	**31,104**	112,960

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19 INVESTMENT IN ASSOCIATES (CONTINUED)

	The Group	
	2021 RM'000	2020 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	**1,325,558**	1,212,598
Profit for the financial year	**85,743**	83,813
Other comprehensive (loss)/income	**(54,639)**	29,147
Closing net assets at end of the financial year	**1,356,662**	1,325,558
Interest in associate:		
- in percentage (%)	**49.947**	49.947
- in thousand (RM'000)	**677,612**	662,076
- premium on acquisition	**49,527**	49,527
	727,139	711,603
Share of results of an associate	**42,826**	41,862
Share of other comprehensive (loss)/income an associate	**(27,291)**	14,558

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 2021

20 PROPERTY AND EQUIPMENT

The Group 2021	Freehold land RM'000	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
Cost									
At beginning of the financial year	278,905	23,740	-	142,519	73,016	182,824	9,494	472,022	1,182,520
Additions	-	-	-	5,373	1,696	14,414	1,489	244,499	267,471
Disposals	-	-	-	-	(18)	(172)	(1,148)	-	(1,338)
Write-off	-	-	-	(791)	(3,347)	(560)	-	-	(4,698)
Reclassification from ROU	-	-	26,967	17,164	-	-	-	-	44,131
Reclassification to intangible assets	-	-	-	-	-	-	-	(16,901)	(16,901)
At end of the financial year	278,905	23,740	26,967	164,265	71,347	196,506	9,835	699,620	1,471,185
Accumulated depreciation and impairment losses									
At beginning of the financial year	140	13,934	-	124,373	61,151	144,253	6,288	-	350,139
Charge	-	404	-	8,636	3,045	16,306	1,528	-	29,919
Disposal	-	-	-	-	(13)	(164)	(1,109)	-	(1,286)
Write-off	-	-	-	(789)	(3,210)	(545)	-	-	(4,544)
Reclassification from ROU	-	-	12,967	17,164	-	-	-	-	30,131
At end of the financial year	140	14,338	12,967	149,384	60,973	159,850	6,707	-	404,359
Net book value at end of the financial year	278,765	9,402	14,000	14,881	10,374	36,656	3,128	699,620	1,066,826

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 2020	Freehold land RM'000	← Leasehold land → 50 years or more RM'000	Less than 50 years RM'000	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
Cost											
At beginning 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
Additions	-	-	-	-	-	3,589	3,195	13,572	1,254	244,834	266,444
Disposals	-	-	-	-	-	-	(16)	(1,781)	(495)	-	(2,292)
Write-off	-	-	-	-	-	(1,487)	(5,773)	(1,048)	(293)	-	(8,601)
Reclassification to ROU	-	(9,787)	(5,900)	-	(26,969)	(9,164)	-	-	-	-	(51,820)
Reclassification to intangible assets	-	-	-	-	-	-	-	1,272	-	(20,532)	(19,260)
At end of the financial year	278,905	-	-	23,740	-	142,519	73,016	182,824	9,494	472,022	1,182,520
Accumulated depreciation and impairment losses											
At beginning of the financial year	140	1,920	2,590	13,548	11,893	126,634	63,193	130,691	5,573	-	356,182
Charge	-	-	-	386	-	8,255	3,667	16,342	1,415	-	30,065
Disposal	-	-	-	-	-	-	(14)	(1,742)	(495)	-	(2,251)
Write-off	-	-	-	-	-	(1,352)	(5,695)	(1,038)	(205)	-	(8,290)
Reclassification	-	(1,920)	(2,590)	-	(11,893)	(9,164)	-	-	-	-	(25,567)
At end of the financial year	140	-	-	13,934	-	124,373	61,151	144,253	6,288	-	350,139
Net book value at end of the financial year	278,765	-	-	9,806	-	18,146	11,865	38,571	3,206	472,022	832,381

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank 2021	Freehold land RM'000	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
Cost									
At beginning of the financial year	276,397	22,441	-	108,792	56,785	130,948	1,335	471,929	1,068,627
Additions	-	-	-	5,291	1,511	10,551	-	24,111	261,464
Disposals	-	-	-	-	(12)	-	(8)	-	(20)
Write-off	-	-	-	(740)	(3,224)	(373)	-	-	(4,337)
Reclassification from ROU	-	-	26,059	17,164	-	-	-	-	43,223
Reclassification to intangible assets	-	-	-	-	-	-	-	(16,901)	(16,901)
At end of the financial year	276,397	22,441	26,059	130,507	55,060	141,126	1,327	699,139	1,352,056
Accumulated depreciation and impairment losses									
At beginning of the financial year	-	12,960	-	100,388	48,785	100,399	953	-	263,485
Charge	-	360	-	3,976	1,845	12,903	190	-	19,274
Disposal	-	-	-	-	-	-	(8)	-	(8)
Write-off	-	-	-	(738)	(3,087)	(356)	-	-	(4,181)
Reclassification from ROU	-	-	12,301	17,164	-	-	-	-	29,465
At end of the financial year	-	13,320	12,301	120,790	47,543	112,947	1,135	-	308,036
Net book value at end of the financial year	276,397	9,121	13,758	9,717	7,517	28,179	192	699,139	1,044,020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank 2020	Freehold land RM'000	← Leasehold land → 50 years or more RM'000	Less than 50 years RM'000	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
Cost											
At beginning 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
Additions	-	-	-	-	-	2,213	1,713	10,353	-	244,794	259,073
Disposals	-	-	-	-	-	-	-	-	(33)	-	(33)
Write-off	-	-	-	-	-	(489)	(2,397)	(166)	-	-	(3,052)
Reclassification to ROU	-	(7,897)	(5,900)	-	(26,061)	(9,164)	-	-	-	-	(49,022)
Reclassification to intangible assets	-	-	-	-	-	-	-	1,272	-	(20,532)	(19,260)
Reclassification from subsidiaries	-	-	-	-	-	1,506	1,031	1,318	-	-	3,855
At end of the financial year	276,397	-	-	22,441	-	108,792	56,785	130,948	1,335	471,929	1,068,627
Accumulated depreciation and impairment losses											
At beginning of the financial year	-	1,629	2,590	12,600	11,245	104,766	48,067	88,057	790	-	269,744
Charge	-	-	-	360	-	3,845	2,085	11,484	196	-	17,970
Disposal	-	-	-	-	-	-	-	-	(33)	-	(33)
Write-off	-	-	-	-	-	(485)	(2,335)	(161)	-	-	(2,981)
Reclassification to ROU	-	(1,629)	(2,590)	-	(11,245)	(9,164)	-	-	-	-	(24,628)
Reclassification to subsidiaries	-	-	-	-	-	1,426	968	1,019	-	-	3,413
At end of the financial year	-	-	-	12,960	-	100,388	48,785	100,399	953	-	263,485
Net book value at end of the financial year	276,397	-	-	9,481	-	8,404	8,000	30,549	382	471,929	805,142

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 RIGHT-OF-USE ASSETS

The Group 2021	Leasehold land and Buildings RM'000	Properties RM'000	Equipment RM'000	Total RM'000
Cost				
At beginning of financial year	**42,656**	**132,247**	**1,373**	**176,276**
Additions	**-**	**21,554**	**21**	**21,575**
Termination of contracts	**-**	**(624)**	**-**	**(624)**
End of lease term	**-**	**(426)**	**-**	**(426)**
Reclassification to property and equipment (Note 20)	**(26,967)**	**(17,164)**	**-**	**(44,131)**
At end of the financial year	**15,689**	**135,587**	**1,394**	**152,670**
Less: Accumulated depreciation				
At beginning of financial year	**17,155**	**76,927**	**324**	**94,406**
Charge	**744**	**43,020**	**294**	**44,058**
Termination of contracts	**-**	**(624)**	**-**	**(624)**
End of lease term	**-**	**(426)**	**-**	**(426)**
Reclassification to property and equipment (Note 20)	**(12,967)**	**(17,164)**	**-**	**(30,131)**
At end of the financial year	**4,932**	**101,733**	**618**	**107,283**
Net book value at end of the financial year	**10,757**	**33,854**	**776**	**45,387**

The Group 2020	Leasehold land and Buildings RM'000	Properties RM'000	Equipment RM'000	Total RM'000
Cost				
At beginning of financial year	-	92,411	1,048	93,459
Additions	-	35,080	590	35,670
Reclassification from property and equipment (Note 20)	42,656	9,164	-	51,820
Termination of contracts	-	(1,897)	(265)	(2,162)
End of lease term	-	(2,511)	-	(2,511)
At end of the financial year	42,656	132,247	1,373	176,276
Less: Accumulated depreciation				
At beginning of financial year	-	35,522	228	35,750
Charge	752	36,630	277	37,659
Reclassification from property and equipment (Note 20)	16,403	9,164	-	25,567
Termination of contracts	-	(1,878)	(181)	(2,059)
End of lease term	-	(2,511)	-	(2,511)
At end of the financial year	17,155	76,927	324	94,406
Net book value at end of the financial year	25,501	55,320	1,049	81,870

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 RIGHT-OF-USE ASSETS (CONTINUED)

The Bank 2021	Leasehold land and Buildings RM'000	Properties RM'000	Total RM'000
Cost			
At beginning of financial year	**39,858**	**100,395**	**140,253**
Additions	**-**	**20,907**	**20,907**
Reclassification to property and equipment (Note 20)	**(26,059)**	**(17,164)**	**(43,223)**
At end of the financial year	**13,799**	**104,138**	**117,937**
Less: Accumulated depreciation			
At beginning of financial year	**16,190**	**61,188**	**77,378**
Charge	**726**	**32,751**	**33,477**
Reclassification to property and equipment (Note 20)	**(12,301)**	**(17,164)**	**(29,465)**
At end of the financial year	**4,615**	**76,775**	**81,390**
Net book value at end of the financial year	**9,184**	**27,363**	**36,547**

The Bank 2020	Leasehold land and Buildings RM'000	Properties RM'000	Total RM'000
Cost			
At beginning of financial year	-	68,502	68,502
Additions	-	20,048	20,048
Reclassification from property and equipment (Note 20)	39,858	9,164	49,022
Reclassification from subsidiary	-	2,681	2,681
At end of the financial year	39,858	100,395	140,253
Less: Accumulated depreciation			
At beginning of financial year	-	25,086	25,086
Charge	726	25,620	26,346
Reclassification from property and equipment (Note 20)	15,464	9,164	24,628
Reclassification from subsidiary	-	1,318	1,318
At end of the financial year	16,190	61,188	77,378
Net book value at end of the financial year	23,668	39,207	62,875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 INTANGIBLE ASSETS

The Group 2021	Goodwill RM'000	Brand RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
Cost					
At beginning of the financial year	**826,944**	**5,415**	**83,622**	**297,441**	**1,213,422**
Additions	**-**	**-**	**-**	**3,149**	**3,149**
Write-off	**-**	**-**	**-**	**(29)**	**(29)**
Reclassification from property and equipment (Note 20)	**-**	**-**	**-**	**16,901**	**16,901**
At end of the financial year	**826,944**	**5,415**	**83,622**	**317,462**	**1,233,443**
Less: Accumulated amortisation					
At beginning of the financial year	**-**	**5,415**	**80,651**	**223,606**	**309,672**
Amortised	**-**	**-**	**2,971**	**24,979**	**27,950**
Write-off	**-**	**-**	**-**	**(29)**	**(29)**
At end of the financial year	**-**	**5,415**	**83,622**	**248,556**	**337,593**
Net book value at end of the financial year	**826,944**	**-**	**-**	**68,906**	**895,850**

The Group 2020	Goodwill RM'000	Brand RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
Cost					
At beginning of the financial year	826,944	5,415	83,622	277,001	1,192,982
Additions	-	-	-	7,903	7,903
Write-off	-	-	-	(6,723)	(6,723)
Reclassification from property and equipment (Note 20)	-	-	-	19,260	19,260
At end of the financial year	826,944	5,415	83,622	297,441	1,213,422
Less: Accumulated amortisation					
At beginning of the financial year	-	5,415	68,699	204,175	278,289
Amortised	-	-	11,952	26,154	38,106
Write-off	-	-	-	(6,723)	(6,723)
At end of the financial year	-	5,415	80,651	223,606	309,672
Net book value at end of the financial year	826,944	-	2,971	73,835	903,750

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 INTANGIBLE ASSETS (CONTINUED)

The Bank 2021	Goodwill RM'000	Computer software RM'000	Total RM'000
Cost			
At beginning of the financial year	**137,323**	**259,770**	**397,093**
Additions	**-**	**1,640**	**1,640**
Reclassification from property and equipment (Note 20)	**-**	**16,901**	**16,901**
At end of the financial year	**137,323**	**278,311**	**415,634**
Less: Accumulated amortisation			
At beginning of the financial year	**-**	**194,881**	**194,881**
Amortised	**-**	**22,020**	**22,020**
At end of the financial year	**-**	**216,901**	**216,901**
Net book value at end of the financial year	**137,323**	**61,410**	**198,733**

The Bank 2020	Goodwill RM'000	Computer software RM'000	Total RM'000
Cost			
At beginning of the financial year	137,323	237,079	374,402
Additions	-	3,439	3,439
Reclassification from property and equipment (Note 20)	-	(8)	(8)
Reclassification to a subsidiary	-	19,260	19,260
At end of the financial year	137,323	259,770	397,093
Less: Accumulated amortisation			
At beginning of the financial year	-	171,732	171,732
Amortised	-	23,157	23,157
Reclassification to a subsidiary	-	(8)	(8)
At end of the financial year	-	194,881	194,881
Net book value at end of the financial year	137,323	64,889	202,212

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 INTANGIBLE ASSETS (CONTINUED)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Business banking	**123,591**	123,591	**123,591**	123,591
Community 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 4 years financial budgets for Business banking, Community 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 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	
	2021 %	2020 %	2021 %	2020 %
Business banking	**9.05**	8.25	**4.03**	4.30
Community banking	**8.99**	8.24	**4.03**	4.30
Investment banking	**8.11**	8.00	**4.03**	4.30
Asset management	**8.09**	8.00	**4.03**	4.30
Stock-broking	**7.89**	8.00	**4.03**	4.30
Money-broking	**7.72**	8.04	**4.03**	4.30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(i) By type of deposit				
Demand deposits	**10,330,348**	8,069,963	**5,293,917**	4,420,378
Savings deposits	**3,209,798**	3,012,259	**2,097,858**	1,903,864
Fixed deposits	**42,389,800**	36,345,493	**24,202,589**	19,875,252
Commodity Murabahah	**1,122,215**	516,492	**-**	-
Money market deposits	**890,076**	707,536	**890,076**	707,536
Negotiable Instruments of Deposit ('NID')	**757,323**	1,107,155	**757,323**	500,947
Others	**94,844**	125,462	**-**	-
	58,794,404	49,884,360	**33,241,763**	27,407,977
(ii) Maturity structure of fixed deposits, NID and others				
Due within six months	**27,663,419**	24,532,548	**15,138,077**	12,036,396
Six months to one year	**13,890,498**	11,592,067	**8,703,922**	7,311,400
One year to three years	**1,665,795**	1,416,837	**1,098,211**	997,357
Three years to five years	**21,760**	36,658	**19,302**	31,046
Five years and above	**495**	-	**400**	-
	43,241,967	37,578,110	**24,959,912**	20,376,199
(iii) By type of customers				
Government and statutory bodies	**11,452,139**	7,560,637	**2,548,186**	691,865
Business enterprises	**13,076,924**	11,449,078	**7,312,456**	6,556,940
Individuals	**27,927,505**	25,198,064	**20,441,760**	18,187,743
Domestic banking institutions	**766,407**	1,130,080	**766,180**	516,399
Domestic non-banking financial institutions	**4,117,877**	3,284,303	**1,092,798**	573,173
Foreign entities	**572,870**	557,451	**445,170**	388,837
Other entities	**880,682**	704,747	**635,213**	493,020
	58,794,404	49,884,360	**33,241,763**	27,407,977

24 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2021 RM'000	2020 RM'000
(i) By type of deposit		
Mudharabah	**1,329**	2,151

	The Group			
	Average PSR (%)		Average ROR (%)	
	2021	2020	2021	2020
(ii) Profit Sharing Ratio ('PSR') and Rate of Return ('ROR')				
Due within:				
Six months to one year	**-**	85	**-**	5.70
One year to three years	**85**	-	**5.58**	-
Three years to five years	**-**	85	**-**	5.58

NOTES TO THE FINANCIAL STATEMENTS
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25 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Licensed banks	**340,197**	921,929	**210,249**	532,958
Licensed investment banks	**521,830**	170,219	**407,405**	67,023
Bank Negara Malaysia	**-**	103,703	-	103,703
Other financial institutions	**2,004,013**	2,524,509	**1,660,069**	1,704,168
	2,866,040	3,720,360	**2,277,723**	2,407,852
Maturity structure of deposits				
Due within six months	**2,866,040**	3,720,360	**2,277,723**	2,407,852

26 DERIVATIVE FINANCIAL LIABILITIES

	The Group 2021		The Group 2020	
	Contract/ Notional amount RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives:				
- Currency forwards	**5,522,259**	**61,810**	4,949,795	153,299
- Cross currency swaps	**-**	**61**	-	109
- Currency swaps	**7,282,786**	**69,480**	4,916,929	122,993
Interest rate derivatives:				
- Interest rate swaps	**3,453,000**	**70,278**	2,920,000	113,418
	16,258,045	**201,629**	12,786,724	389,819

	The Bank 2021		The Bank 2020	
	Contract/ Notional amount RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives:				
- Currency forwards	**1,453,815**	**17,756**	3,357,008	119,105
- Cross currency swaps	**-**	**61**	-	109
- Currency swaps	**5,409,916**	**54,933**	1,757,937	41,693
Interest rate derivatives:				
- Interest rate swaps	**2,133,000**	**52,787**	1,430,000	67,182
	8,996,731	**125,537**	6,544,945	228,089

NOTES TO THE FINANCIAL STATEMENTS
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26 DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

IBOR Reform

As at 31 December 2021, the Group and the Bank hold the following derivative financial liabilities which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group 2021		The Bank 2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
<u>**Foreign exchange derivatives:**</u>				
Cross currency swaps				
- USD LIBOR	**61**	**61**	**61**	**61**
<u>**Interest rate derivatives:**</u>				
Interest rate swaps				
- KLIBOR	**70,278**	**70,278**	**52,787**	**52,787**

27 RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS BERHAD

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Recourse obligation on loans/financing sold to Cagamas Berhad	**669,212**	50,034	**619,179**	-
Movements in recourse obligation on loans/financing sold to Cagamas Berhad:				
At beginning of the financial year	**50,034**	-	**-**	-
Cash flow	**616,763**	50,000	**618,001**	-
Profit expense	**2,415**	34	**1,178**	-
At end of the financial year	**669,212**	50,034	**619,179**	-

This represents the proceeds received from housing loans/financing sold directly to Cagamas Berhad with recourse to the Group. Under this agreement, the Group undertakes to administer the loans/financing on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad. Such financing transactions and the obligation to buy back the loans/financing are reflected as a financial liability on the statements of financial position and stated at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
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28 TRADE PAYABLES

	The Group 2021 RM'000	The Group 2020 RM'000
Amount due to unit trust funds	**555,850**	278,716
Amount due to unit holders	**64,708**	125,399
Amount due to external fund managers	**535**	-
Amount due to clients	**119,404**	311,469
Amount due to brokers	**112,133**	107,567
Amount due to Bursa Securities Clearing Sdn Bhd	**129,732**	98,241
	982,362	921,392

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

The credit terms of amounts due to creditors range from 1 to 30 days (2020: 1 to 30 days).

29 LEASE LIABILITIES

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
At beginning of the financial year	**50,528**	58,650	**31,842**	44,219
Additions	**21,573**	27,156	**20,907**	12,049
Termination of contracts	**-**	(84)	**-**	-
Interest/Profit expense	**1,837**	2,581	**1,210**	1,582
Lease payment	**(37,066)**	(37,775)	**(24,727)**	(26,008)
At end of the financial year	**36,872**	50,528	**29,232**	31,842

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 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Lease liabilities recognised (discounted)	**36,872**	50,528	**29,232**	31,842
Potential future lease payments not included in lease liabilities (undiscounted):				
- Payable in 2021	**-**	1,665	**-**	1,516
- Payable in 2022 to 2026	**78,010**	102,950	**50,857**	77,617
- Payable in 2027 to 2031	**4,480**	306	**4,174**	-
	82,490	**104,921**	**55,031**	**79,133**

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30 OTHER LIABILITIES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes (a)	**238,834**	113,938	**228,890**	112,339
Margin and collateral deposits	**97,665**	101,630	**79,609**	83,367
Other creditors and accruals	**205,072**	297,651	**69,941**	78,915
Sundry creditors	**283,626**	196,774	**132,270**	172,205
Treasury and cheque clearing accounts	**18,677**	3,312	**18,677**	-
Provision for zakat	**2,494**	2,141	**157**	216
Defined contribution plan (b)	**26,408**	19,941	**25,194**	18,526
Accrued employee benefits	**194,477**	171,511	**75,032**	52,218
Unearned income	**19,708**	22,814	**15,020**	16,468
Commissioned dealer's representatives trust balances	**68,653**	65,792	**-**	-
Securities borrowings and lending - borrow	**106,823**	76,079	**-**	-
Amounts payable to commissioned and salaried dealer's representatives	**95,426**	150,305	**-**	-
Puttable liabilities (c)	**189,026**	200,380	**-**	-
Add : Expected credit losses (d)				
- loan/financing commitments and financial guarantees	**56,914**	38,448	**31,322**	15,908
	1,603,803	1,460,716	**676,112**	550,162

(a) Includes monies received by the Group and the Bank under government financing scheme 'BNM SRF SME Fund' and 'SRF Tourism Fund' as part of the government support measures in response to Covid-19 for the purpose of SME lending with a six-year maturity amounting to RM196.7 million (2020: RM96.7 million). The financing under the government scheme is for lending at concession rates to SMEs.

(b) 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.

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

	The Group	
	2021 RM'000	2020 RM'000
Obligations to buy subsidiaries' shares from non-controlling interest:		
- AHAM (i)	**134,134**	107,841
- AVA (ii)	**21,450**	8,271
Investment in funds (iii)	**33,442**	84,268
	189,026	200,380

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30 OTHER LIABILITIES (CONTINUED)

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

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

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

The SCR provision represents a purchase of AHAM's own equity instrument and a liability equal to the present value of the estimated future redemption amount is reclassified from equity on initial recognition. The liability is then subsequently measured at amortised cost with the unwinding of the present value of the redemption amount to be recognised as finance costs within the income statements. In the event of a change in the estimated future redemption amount of SCR, the remeasurement amounts will be recognised in equity as the changes in the Bank's ownership interest in AHAM does not result in the Bank losing control of AHAM.

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

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

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

(iii) This represents the units held by other investors of the funds which has been consolidated by the Group as disclosed in Note 17. The amount is equal to a proportion of the Net Asset Value of the funds not held by the Group.

(d) Movement in expected credit losses:

	The Group		The Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At beginning of the financial year	**38,448**	29,610	**15,908**	8,529
Net remeasurement of loss allowance	**16,044**	12,446	**14,553**	7,658
New loan commitments and financial guarantees issued	**8,650**	6,522	**6,936**	5,578
Loan commitment and financial guarantees derecognised	**(7,596)**	(11,123)	**(6,075)**	(6,630)
Changes due to change in credit risk	**1,368**	-	**-**	-
Changes in model/risk parameters	**-**	993	**-**	773
At end of the financial year	**56,914**	38,448	**31,322**	15,908

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31 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries are relating to intercompany transactions which are unsecured, bear no interest/profit rate (2020: Nil) and repayable on demand.

32 BORROWINGS

		The Group		The Bank	
		2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
(a)	Tier-2 Subordinated Medium Term Notes ('MTN')	**2,035,845**	2,036,005	**2,035,845**	2,036,005
(b)	Additional Tier-1 Capital Securities ('AT1CS')	**512,236**	512,236	**512,236**	512,236
(c)	Additional Tier-1 Sukuk Wakalah ('AT1S')	**303,425**	303,425	**-**	-
(d)	MTN Tier-2 Sukuk Murabahah	**451,569**	493,789	**-**	-
		3,303,075	3,345,455	**2,548,081**	2,548,241

(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 2019, 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 2019, issued a tranche of AT1S of RM300.0 million out of its approved BASEL III Complaint Islamic MTN programme ('Sukuk Programme') of up to RM5.0 billion in nominal value. The Sukuk Wakalah was on a perpetual noncallable 5 years 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 2019, 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.

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32 BORROWINGS (CONTINUED)

The Group 2021	At beginning of the financial year RM'000	Cash flows RM'000	Interest/Profit expense RM'000	At end of the financial year RM'000
Tier-2 Subordinated MTN	**2,036,005**	**(104,960)**	**104,800**	**2,035,845**
AT1CS	**512,236**	**(29,000)**	**29,000**	**512,236**
AT1S *	**303,425**	**(16,950)**	**16,950**	**303,425**
MTN Tier-2 Sukuk Murabahah *	**493,789**	**(82,620)**	**40,400**	**451,569**
	3,345,455	**(233,530)**	**191,150**	**3,303,075**
The Group 2020				
Tier-2 Subordinated MTN	2,036,143	(105,225)	105,087	2,036,005
AT1CS	512,236	(29,000)	29,000	512,236
AT1S *	303,425	(16,950)	16,950	303,425
MTN Tier-2 Sukuk Murabahah *	755,339	(296,995)	35,445	493,789
	3,607,143	(448,170)	186,482	3,345,455

* inclusive of profit expense on MTNs and AT1CS from Islamic banking business.

The Bank 2021	At beginning of the financial year RM'000	Cash flows RM'000	Interest expense RM'000	At end of the financial year RM'000
Tier-2 Subordinated MTN	**2,036,005**	**(104,960)**	**104,800**	**2,035,845**
AT1CS	**512,236**	**(29,000)**	**29,000**	**512,236**
	2,548,241	**(133,960)**	**133,800**	**2,548,081**
The Bank 2020				
Tier-2 Subordinated MTN	2,036,143	(105,225)	105,087	2,036,005
AT1CS	512,236	(29,000)	29,000	512,236
	2,548,379	(134,225)	134,087	2,548,241

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33 SHARE CAPITAL

	The Group and The Bank			
	2021 Number of ordinary shares '000	2021 RM'000	2020 Number of ordinary shares '000	2020 RM'000
Ordinary shares issued and fully paid:				
At beginning of the financial year	**2,079,792**	**4,902,300**	1,986,021	4,774,772
Issued during the financial year	**44,270**	**66,850**	93,771	127,528
At end of the financial year (shares with no par value)	**2,124,062**	**4,969,150**	2,079,792	4,902,300

During the financial year ended 31 December 2021, the Bank increased its issued ordinary shares from 2,079.8 million to 2,124.1 million via issuance of 44.3 million new ordinary shares amounting to RM66.9 million arising from the Dividend Reinvestment Plan ('DRP') relating to electable portion of the interim dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2020.

34 RESERVES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
FVOCI revaluation reserves (a)	**90,473**	266,412	**157,267**	183,078
Regulatory reserves (b)	**754,603**	781,679	**636,095**	643,613
Foreign exchange reserves	**39**	(205)	**-**	-
Other reserves (c)	**(88,737)**	(65,909)	**-**	-
Retained profits	**4,163,442**	3,682,234	**3,119,461**	2,799,501
	4,919,820	4,664,211	**3,912,823**	3,626,192

(a) 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.

(b) 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.

(c) Other reserves represents the Group's obligation to purchase subsidiaries' shares held by non-controlling interest as disclosed in Note 30 (c) (i) and (ii).

35 INTEREST INCOME

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Loans, advances and financing	**1,304,182**	1,435,946	**1,178,892**	1,290,049
Money at call and deposit placements with financial institutions	**50,821**	61,382	**97,615**	132,874
Financial investments at FVOCI	**291,711**	296,738	**226,740**	214,338
Financial investments at AC	**19,654**	6,139	**31,883**	6,157
Others	**11,614**	6,545	**4,168**	964
	1,677,982	1,806,750	**1,539,298**	1,644,382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

36 INTEREST EXPENSE

	The Group		The Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deposits from customers	**615,871**	894,882	**523,569**	778,667
Deposits and placements of banks and other financial institutions	**28,724**	17,371	**41,368**	38,649
Securities sold under repurchase agreements	**222**	802	**222**	802
Loan sold to Cagamas Berhad	**1,178**	-	**1,178**	-
Subordinated medium term notes	**124,865**	113,065	**124,865**	113,065
Foreign currency borrowing	**38**	82	**-**	-
Others	**8,290**	8,405	**4,192**	1,108
	779,188	1,034,607	**695,394**	932,291

37 MODIFICATION LOSS

	The Group		The Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Loss on modification of cash flows	**5,597**	245,537	**3,102**	155,361
Benefits recognised under the various Government schemes	**-**	(167,090)	**-**	(107,980)
Net effects	**5,597**	78,447	**3,102**	47,381

The modification loss represents the cost of deferring cashflows of the loans/financing impacted by the payment moratorium. The modification loan/financing is shown net of benefits from various government financing schemes to support measures to assist SMEs that are adversely impacted by Covid-19 in order to sustain their business operations.

The moratorium does not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment.

During the current financial year, the Group and Bank has granted repayment/payment moratorium on selected individual and small and medium enterprises (SMEs) affected by the Covid-19 pandemic who have opted in under the government's various financing schemes, reduction in instalments and other packages, including to reschedule and restructure loan/financing to suit the specific financial circumstances of borrowers.

In financial year 2020, the Group and the Bank granted an automatic moratorium on certain loan/financing repayments/payments, by individuals and SMEs for a period of six months from 1 April 2020. In 2021, the Group and the Bank have granted multiple repayment assistance on selected customers including PERMAI, PERMAKASA+ and PEMULIH.

This, among other measures, was to assist borrowers experiencing temporary financial constraints due to the Covid-19 pandemic and the introduction of the Movement Control Order implemented by the Malaysian Government to control the spread of the pandemic. As a result of the payment moratorium, the Group and the Bank recognised a loss from the modification of cash flows of the financing.

In 2020, the Group and the Bank also received funding from the BNM and/or the Government, for the purpose of loan/financing to SMEs at a concessionary rate. The financing by the Group and the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the Covid-19 pandemic. The benefit under the various government schemes for the Group and the Bank that is recognised in the statements of income is applied to address some of the financial and accounting impact incurred by the Group and the Bank for Covid-19 related repayments/payments relief measures.

NOTES TO THE FINANCIAL STATEMENTS
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38 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds and others	**842,252**	875,358
Income derived from investment of investment account funds	**68,985**	88,580
Income derived from investment of shareholders' funds	**77,091**	90,583
Total distributable income	**988,328**	1,054,521
Income attributable to depositors and others	**(438,851)**	(573,293)
	549,477	481,228

39 OTHER OPERATING INCOME

		The Group		The Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a)	**Fee and commission income**				
	Net brokerage	**104,288**	114,301	**-**	-
	Portfolio management fees	**491,482**	377,732	**-**	-
	Corporate advisory fees	**7,221**	8,417	**-**	-
	Commission	**47,236**	29,644	**49,992**	31,027
	Service charges and fees	**53,555**	45,183	**53,252**	44,882
	Guarantee fees	**16,252**	18,423	**16,252**	18,423
	Arrangement fees	**1,231**	524	**-**	-
	Initial service charges	**228,308**	155,658	**-**	-
	Other fee income	**35,063**	22,095	**-**	-
		984,636	771,977	**119,496**	94,332
(b)	**Fee and commission expenses**				
	Commission and referral expense	**(345,876)**	(222,246)	**(5,214)**	(5,444)
	Net fee and commision income	**638,760**	549,731	**114,282**	88,888

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40 NET GAINS ON FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income from financial instruments:				
Gain/(Loss) arising on financial assets at FVTPL:				
- net gain/(loss) on disposal	**48,684**	113,440	**(486)**	2,282
- unrealised (loss)/gains	**(14,027)**	10,431	**(11,520)**	7,123
- interest income	**30,529**	22,179	**11,025**	5,503
- gross dividend income	**6,640**	7,185	**732**	732
	71,826	153,235	**(249)**	15,640
Gain/(Loss) on derivatives instruments:				
- realised	**347**	1,003	**-**	1,001
- unrealised	**23,255**	(15,625)	**21,922**	(20,716)
- interest (expense)/income	**(8,703)**	(3,424)	**(7,839)**	(4,314)
	14,899	(18,046)	**14,083**	(24,029)
Gain arising on financial investments at FVOCI:				
- net gain on disposal	**35,226**	351,496	**939**	206,667
- gross dividend income	**510**	609	**180**	309
	35,736	352,105	**1,119**	206,976
Net gains on financial instruments	**122,461**	487,294	**14,953**	198,587

41 OTHER INCOME

	The Group		The Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Foreign exchange gain/(loss):				
- realised	**75,802**	51,340	**57,749**	14,181
- unrealised	**(43,543)**	(7,642)	**(38,592)**	12,828
Rental income	**7**	1	**101**	95
Gain/(Loss) on sale of property and equipment	**275**	20	**-**	(181)
Gain on disposal of foreclosed properties	**285**	165	**285**	165
Other non-operating income	**4,435**	9,066	**4,039**	6,050
Gross dividend received from subsidiaries	**-**	-	**262,400**	191,500
	37,261	52,950	**285,982**	224,638

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42 OTHER OPERATING EXPENSES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Personnel costs (a)	**908,583**	881,398	**465,493**	403,403
Establishment costs (b)	**300,587**	312,617	**174,881**	192,201
Marketing expenses (c)	**34,737**	53,434	**21,850**	30,592
Administrative and general expenses (d)	**109,706**	103,536	**54,927**	48,555
	1,353,613	1,350,985	**717,151**	674,751

(a) Personnel costs

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Wages, salaries and bonuses	**691,246**	660,618	**364,754**	302,058
Defined contribution plan ('EPF')	**122,836**	114,922	**63,007**	51,659
Voluntary separation scheme	**230**	-	**230**	-
Other personnel costs	**94,271**	105,858	**37,502**	49,686
	908,583	881,398	**465,493**	403,403

(b) Establishment costs

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Equipment rental	**3,311**	6,935	**1,738**	3,025
Repair and maintenance	**69,434**	65,211	**24,923**	26,379
Depreciation of property and equipment	**29,919**	30,065	**19,274**	17,970
Depreciation of right-of-use assets	**44,058**	37,659	**33,477**	26,346
Amortisation of intangible assets	**27,950**	38,106	**22,020**	23,157
IT consultancy fees	**53,238**	62,831	**34,144**	45,489
Dataline rental	**18,340**	20,000	**10,936**	14,341
Security services	**14,952**	19,560	**8,071**	16,760
Electricity, water and sewerage	**11,157**	12,797	**4,251**	4,637
Insurance/Takaful and indemnities	**18,728**	14,177	**12,793**	11,156
Other establishment costs	**9,500**	5,276	**3,253**	2,941
	300,587	312,617	**174,881**	192,201

(c) Marketing expenses

	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Business promotion and advertisement	**18,436**	22,645	**10,594**	12,668
Entertainment	**1,579**	6,432	**327**	2,987
Traveling and accommodation	**2,392**	4,230	**1,167**	1,596
Dealers' handling charges	**-**	1	**-**	-
Commission and brokerage expenses	**7,392**	12,966	**7,464**	11,709
Other marketing expenses	**4,938**	7,160	**2,298**	1,632
	34,737	53,434	**21,850**	30,592

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42 OTHER OPERATING EXPENSES (CONTINUED)

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(d) Administration and general expenses				
Telecommunication expenses	**11,964**	18,413	**423**	3,820
Auditors' remuneration (a)	**3,114**	3,103	**1,437**	1,776
Professional fees	**26,609**	20,505	**17,804**	11,883
Property and equipment written-off	**154**	311	**157**	71
Mail and courier charges	**4,457**	3,723	**2,515**	2,829
Stationery and consumables	**9,343**	8,752	**5,315**	5,069
Directors' fees and allowances	**2,933**	3,257	**2,933**	2,848
Donations	**2,718**	2,765	**1,626**	1,428
Settlement, clearing and bank charges	**19,474**	14,997	**16,148**	11,958
Stamp duties	**49**	451	**9**	416
Operational and litigation write-off expenses	**880**	701	**880**	701
Subscription fees	**14,131**	12,550	**-**	-
GST input tax non-recoverable	**-**	11	**-**	-
Other administration and general expenses	**13,880**	13,997	**5,680**	5,756
	109,706	103,536	**54,927**	48,555

Included in other operating expenses of the Group and the Bank are President/Group CEO and Directors' remuneration totalling RM5,179,000 (2020: RM9,437,000).

The expenditure includes the following requiring statutory disclosures:

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration (Note 43)	**5,179**	9,437	**5,179**	9,028
Auditors' remuneration: (a)				
(i) Statutory audit fees	**2,029**	1,963	**1,109**	1,110
(ii) Regulatory related fees	**716**	176	**195**	15
(iii) Tax fees	**159**	184	**34**	34
(iv) Non audit fees	**210**	780	**99**	617

(a) There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

43 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

The President/Group CEO and Directors of the Bank who have held office during the financial year are as follows:

President/Group CEO

Datuk Wan Razly Abdullah Wan Ali

Non-Executive Directors

Dato' Agil Natt (Chairman)
Dato' Abdul Aziz Abu Bakar
Dato' Mohd Hata Robani
Chan Tze Ching, Ignatius
Dato' Rozalila Abdul Rahman
Yuen Wai Hung, Peter
Gregory Jerome Gerald Fernandes
Marzida Mohd Noor
Chan Wai Yu

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
President/Group CEO				
Salaries	**1,500**	1,536	**1,500**	1,536
Bonuses	**281**	670	**281**	670
Defined contribution plan ('EPF')	**305**	371	**305**	371
Other employee benefits	**126**	3,539	**126**	3,539
Benefits-in-kind	**34**	64	**34**	64
Non-Executive Directors				
Fees and other emoluments	**2,861**	3,176	**2,861**	2,776
Benefits-in-kind	**72**	81	**72**	72
Directors' remuneration (Note 42)	**5,179**	9,437	**5,179**	9,028
Directors of subsidiaries	**4,860**	3,654	**-**	-
Total Directors' remuneration	**10,039**	13,091	**5,179**	9,028

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 RM72,000 (2020: RM81,000) and RM72,000 (2020: RM72,000) respectively.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance/Takaful 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/Takaful 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/Takaful by the Group and the Bank was RM1,284,751 (2020: RM1,037,924) and RM190,810 (2020: RM121,910) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

43 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

A summary of the total remuneration of the President/Group CEO and Directors are as follows:

The Group 2021	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
President & Group CEO						
Datuk Wan Razly Abdullah Wan Ali	**1,500**	**281**	**-**	**431**	**34**	**2,246**
Total	**1,500**	**281**	**-**	**431**	**34**	**2,246**
Non-Executive Directors						
Dato' Agil Natt	**-**	**-**	**395**	**-**	**72**	**467**
Mohd Suffian Haji Haron	**-**	**-**	**134**	**177**	**-**	**311**
Dato' Abdul Aziz Abu Bakar	**-**	**-**	**321**	**-**	**-**	**321**
Dato' Mohd Hata bin Robani	**-**	**-**	**302**	**-**	**-**	**302**
Chan Tze Ching, Ignatius	**-**	**-**	**170**	**-**	**-**	**170**
Dato' Rozalila Abdul Rahman	**-**	**-**	**318**	**-**	**-**	**318**
Yuen Wai Hung, Peter	**-**	**-**	**241**	**-**	**-**	**241**
Marzida Mohd Noor	**-**	**-**	**275**	**-**	**-**	**275**
Gregory Jerome Gerald Fernandes	**-**	**-**	**311**	**-**	**-**	**311**
Chan Wai Yu	**-**	**-**	**217**	**-**	**-**	**217**
Total	**-**	**-**	**2,684**	**177**	**72**	**2,933**
Grand total	**1,500**	**281**	**2,684**	**608**	**106**	**5,179**

The Group 2020	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
President & Group CEO						
Datuk Wan Razly Abdullah Wan Ali	1,046	-	-	278	31	1,355
Kamarul Ariffin Mohd Jamil (completed his contract of service w.e.f 1.4.2020)	490	670	-	3,632*	33	4,825
Total	1,536	670	-	3,910	64	6,180
Non-Executive Directors						
Dato' Agil Natt	-	-	376	-	72	448
Mohd Suffian Haji Haron	-	-	419	180	-	599
Tan Sri Mohd Ghazali Mohd Yusoff	-	-	168	90	-	258
Abd Malik A Rahman	-	-	167	79	9	255
Dato' Abdul Aziz Abu Bakar	-	-	308	-	-	308
Dato' Mohd Hata Robani	-	-	324	-	-	324
Chan Tze Ching, Ignatius	-	-	186	-	-	186
Dato' Rozalila Abdul Rahman	-	-	299	-	-	299
Yuen Wai Hung, Peter	-	-	208	-	-	208
Marzida Mohd Noor	-	-	176	-	-	176
Gregory Jerome Gerald Fernandes	-	-	192	-	-	192
Nik Amlizan Mohamed	-	-	4	-	-	4
Total	-	-	2,827	349	81	3,257
Grand total	1,536	670	2,827	4,259	145	9,437

* Includes allowances, EPF, leave passage and Gratuity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

43 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

A summary of the total remuneration of the Group CEO and Directors are as follows (continued):

The Bank 2021	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
President & Group CEO						
Datuk Wan Razly Abdullah Wan Ali	1,500	281	-	431	34	2,246
Total	1,500	281	-	431	34	2,246
Non-Executive Directors						
Dato' Agil Natt	-	-	395	-	72	467
Mohd Suffian Haji Haron	-	-	134	177	-	311
Dato' Abdul Aziz Abu Bakar	-	-	321	-	-	321
Dato' Mohd Hata Robani	-	-	302	-	-	302
Chan Tze Ching, Ignatius	-	-	170	-	-	170
Dato' Rozalila Abdul Rahman	-	-	318	-	-	318
Yuen Wai Hung, Peter	-	-	241	-	-	241
Marzida Mohd Noor	-	-	275	-	-	275
Gregory Jerome Gerald Fernandes	-	-	311	-	-	311
Chan Wai Yu	-	-	217	-	-	217
Total	-	-	2,684	177	72	2,933
Grand total	1,500	281	2,684	608	106	5,179

The Bank 2020	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
President & Group CEO						
Datuk Wan Razly Abdullah Wan Ali	1,046	-	-	278	31	1,355
Kamarul Ariffin Mohd Jamil (completed his contract of service w.e.f 1.4.2020)	490	670	-	3,632*	33	4,825
Total	1,536	670	-	3,910	64	6,180
Non-Executive Directors						
Dato' Agil Natt	-	-	376	-	72	448
Mohd Suffian Haji Haron	-	-	301	-	-	301
Tan Sri Mohd Ghazali Mohd Yusoff	-	-	142	90	-	232
Abd Malik A Rahman	-	-	91	79	-	170
Dato' Abdul Aziz Abu Bakar	-	-	308	-	-	308
Dato' Mohd Hata Robani	-	-	324	-	-	324
Chan Tze Ching, Ignatius	-	-	186	-	-	186
Dato' Rozalila Abdul Rahman	-	-	299	-	-	299
Yuen Wai Hung, Peter	-	-	208	-	-	208
Marzida Mohd Noor	-	-	176	-	-	176
Gregory Jerome Gerald Fernandes	-	-	192	-	-	192
Nik Amlizan Mohamed	-	-	4	-	-	4
Total	-	-	2,607	169	72	2,848
Grand total	1,536	670	2,607	4,079	136	9,028

* Includes allowances, EPF, leave passage and Gratuity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

44 ALLOWANCES FOR/(WRITE-BACK OF) CREDIT IMPAIRMENT LOSSES

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Expected credit losses made/(written-back) on:				
- loans, advances and financing	**181,461**	512,232	**117,511**	383,931
- trade receivables	**(1,276)**	2,601	**-**	-
- securities and placements	**55,235**	50,724	**37,954**	42,591
- loans/financing commitments and financial guarantee	**18,467**	8,837	**15,415**	7,379
Bad debts and financing				
- recovered	**(36,199)**	(34,795)	**(32,124)**	(28,049)
- written-off	**1,768**	3,527	**1,397**	3,151
	219,456	543,126	**140,153**	409,003

45 ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Allowance for impairment made/(written-back) on:				
- amount due from joint ventures	**276**	15,249	**-**	-
- amount due from associates	**(3)**	1,257	**(3)**	-
- other debtors	**2,933**	1,966	**1,803**	-
	3,206	18,472	**1,800**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

46 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 - President & 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 President & Group CEO of the Bank in office during the financial year and his remuneration for the financial year is disclosed in Note 43.

NOTES TO THE FINANCIAL STATEMENTS
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46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

The Group	Ultimate holding corporate body 2021 RM'000	Ultimate holding corporate body 2020 RM'000	Other related companies 2021 RM'000	Other related companies 2020 RM'000	Joint ventures/ Associates 2021 RM'000	Joint ventures/ Associates 2020 RM'000	Companies in which certain Directors have substantial interest 2021 RM'000	Companies in which certain Directors have substantial interest 2020 RM'000	Key management personnel 2021 RM'000	Key management personnel 2020 RM'000
Income										
Interest on NID purchased	**-**	-	**6,937**	5,916	**-**	-	**-**	-	**-**	-
Interest on loans, advances and financing	**-**	34	**49,191**	48,085	**-**	-	**711**	970	**169**	391
Interest on Corporate bond/Sukuk (PDS)	**-**	-	**36,000**	35,079	**-**	-	**-**	-	**-**	-
Interest on subordinated term loan	**-**	-	**-**	-	**2,018**	2,015	**-**	-	**-**	-
Commisision income	**-**	-	**-**	438	**19,298**	9,968	**-**	-	**-**	-
Other income	**603**	570	**10,432**	5,855	**-**	1,667	**-**	2	**-**	2
	603	604	**102,560**	95,373	**21,316**	13,650	**711**	972	**169**	393
Expenditure										
Interest on deposits and placements of banks and other financial institutions	**2,383**	2,220	**6,737**	11,835	**17**	5,575	**489**	2,305	**18**	290
Insurance premium	**-**	-	**-**	-	**269**	1,821	**-**	-	**-**	-
Rental	**318**	318	**21,287**	21,197	**-**	-	**-**	-	**25**	70
Other expenditure	**199**	220	**7,319**	27,835	**1,738**	2,637	**-**	-	**-**	-
	2,900	2,758	**35,343**	60,867	**2,024**	10,033	**489**	2,305	**43**	360

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related parties transactions and balances (continued)

The Group	Ultimate holding corporate body 2021 RM'000	Ultimate holding corporate body 2020 RM'000	Other related companies 2021 RM'000	Other related companies 2020 RM'000	Joint ventures/ Associates 2021 RM'000	Joint ventures/ Associates 2020 RM'000	Companies in which certain Directors have substantial interest 2021 RM'000	Companies in which certain Directors have substantial interest 2020 RM'000	Key management personnel 2021 RM'000	Key management personnel 2020 RM'000
Amount due from										
Corporate bonds/Sukuk/NID	**-**	-	**611,325**	715,872	**-**	-	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**1,422,482**	1,306,667	**-**	-	**30,826**	29,419	**7,836**	11,672
Unquoted equities	**-**	-	**15,036**	15,036	**-**	-	**-**	-	**-**	-
Security deposits	**-**	-	**5,279**	5,279	**-**	-	**-**	-	**11**	11
Subordinated loans	**-**	-	**-**	-	**30,931**	30,931	**-**	-	**-**	-
Other assets	**31**	22	**1,581**	826	**-**	154	**-**	-	**-**	-
	31	22	**2,055,703**	2,043,680	**30,931**	31,085	**30,826**	29,419	**7,847**	11,683
Amount due to										
Demand and savings deposits	**12,873**	51,196	**309,534**	112,149	**5,072**	10,506	**2,151**	5,947	**14,181**	10,418
Fixed deposits	**-**	-	**485,022**	332,869	**11,835**	231,045	**248,393**	5,272	**8,906**	8,813
Money market deposits	**248,782**	152,527	**53,024**	98,401	**-**	-	**-**	-	**-**	-
Other liabilities	**-**	-	**84,384**	27,336	**-**	266	**-**	-	**-**	-
	261,655	203,723	**931,964**	570,755	**16,907**	241,817	**250,544**	11,219	**23,087**	19,231
Commitments and contingencies	**1,910**	1,018	**727,393**	890,651	**50,010**	35,495	**891**	759	**-**	126

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related parties transactions and balances (continued)

The Bank	Ultimate holding corporate body 2021 RM'000	Ultimate holding corporate body 2020 RM'000	Subsidiaries 2021 RM'000	Subsidiaries 2020 RM'000	Other related companies 2021 RM'000	Other related companies 2020 RM'000	Joint ventures/ Associates 2021 RM'000	Joint ventures/ Associates 2020 RM'000	Companies in which certain Directors have substantial interest 2021 RM'000	Companies in which certain Directors have substantial interest 2020 RM'000	Key management personnel 2021 RM'000	Key management personnel 2020 RM'000
Income												
Interest on deposits and placements with banks and other financial institutions	**-**	-	**3,611**	836	**-**	-	**-**	-	**-**	-	**-**	-
Interest on RIA	**-**	-	**67,063**	83,186	**-**	-	**-**	-	**-**	-	**-**	-
Interest on NID	**-**	-	**21,572**	27,509	**-**	-	**-**	-	**-**	-	**-**	-
Interest on loans, advances and financing	**-**	-	**-**	-	**23,738**	28,200	**-**	-	**-**	-	**58**	21
Interest on Corporate Bond/Sukuk	**-**	-	**-**	-	**36,000**	35,079	**-**	-	**-**	-	**-**	-
Interest on subordinated term loan	**-**	-	**2,828**	998	**-**	-	**2,018**	2,015	**-**	-	**-**	-
Other income	**-**	-	**205,558**	378,509	**1,439**	1,191	**19,298**	9,968	**-**	-	**-**	-
	-	-	**300,632**	491,038	**61,177**	64,470	**21,316**	11,983	**-**	-	**58**	21
Expenditure												
Interest on fixed deposits	**-**	-	**12**	1,074	**127**	4,289	**17**	4,642	**426**	323	**11**	198
Interest on NID	**-**	-	**16,002**	13,841	**-**	-	**-**	-	**-**	-	**-**	-
Interest on deposits and placements of banks and other financial institutions	**-**	-	**1,659**	302	**-**	-	**-**	-	**-**	-	**-**	-
Interest on money market deposits	**2,336**	2,095	**6,631**	9,084	**2,076**	3,843	**-**	-	**-**	-	**-**	-
Brokerage fees	**-**	-	**682**	440	**-**	-	**-**	-	**-**	-	**-**	-
Rental	**318**	318	**238**	407	**13,142**	13,105	**-**	-	**-**	-	**25**	70
Other expenditure	**26**	50	**-**	90	**155**	432	**1,738**	773	**-**	-	**-**	-
	2,680	2,463	**25,224**	25,238	**15,500**	21,669	**1,755**	5,415	**426**	323	**36**	268

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related parties transactions and balances (continued)

The Bank	Ultimate holding corporate body 2021 RM'000	Ultimate holding corporate body 2020 RM'000	Subsidiaries 2021 RM'000	Subsidiaries 2020 RM'000	Other related companies 2021 RM'000	Other related companies 2020 RM'000	Joint ventures/ Associates 2021 RM'000	Joint ventures/ Associates 2020 RM'000	Companies in which certain Directors have substantial interest 2021 RM'000	Companies in which certain Directors have substantial interest 2020 RM'000	Key management personnel 2021 RM'000	Key management personnel 2020 RM'000
Amount due from												
Restricted investment accounts	**-**	-	**1,825,556**	1,745,262	**-**	-	**-**	-	**-**	-	**-**	-
Negotiable instruments of Deposit	**-**	-	**754,595**	403,279	**-**	-	**-**	-	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**-**	-	**630,868**	666,938	**-**	-	**-**	-	**4,373**	1,18
Deposits and placements with banks and other financial institutions	**-**	-	**200,384**	-	**-**	-	**-**	-	**-**	-	**-**	-
Intercompany balances	**-**	-	**758,811**	299,813	**-**	-	**-**	-	**-**	-	**-**	-
Subordinated term loan	**-**	-	**301,922**	302,913	**-**	-	**30,931**	30,931	**-**	-	**-**	-
Corporate Bond/Sukuk	**-**	-	**-**	-	**611,325**	611,328	**-**	-	**-**	-	**-**	-
Unquoted equities	**-**	-	**-**	-	**15,036**	15,036	**-**	-	**-**	-	**-**	-
Security deposits	**-**	-	**-**	-	**3,428**	3,428	**-**	-	**-**	-	**11**	11
	-	-	**3,841,268**	2,751,267	**1,260,657**	1,296,730	**30,931**	30,931	**-**	-	**4,384**	1,192
Amount due to												
Demand and savings deposits	**12,743**	51,029	**21,823**	35,476	**293,566**	102,595	**4,649**	8,669	**100**	100	**5,865**	4,883
Fixed deposits	**-**	-	**93,464**	103,402	**114,045**	166,006	**11,835**	126,641	**212,819**	1,229	**5,417**	5,553
Negotiable instruments of deposit	**-**	-	**659,860**	404,747	**-**	-	**-**	-	**-**	-	**-**	-
Deposits and placements of banks and other financial institutions	**-**	-	**69,333**	-	**-**	-	**-**	-	**-**	-	**-**	-
Money market deposits	**238,780**	74,064	**56,636**	746,838	**51,024**	95,896	**-**	-	**-**	-	**-**	-
Intercompany balances	**-**	-	**2,612**	2,179	**-**	-	**-**	-	**-**	-	**-**	-
	251,523	125,093	**903,728**	1,292,642	**458,635**	364,497	**16,484**	135,310	**212,919**	1,329	**11,282**	10,436
Commitments and contingencies	**-**	-	**920,835**	-	**491,761**	777,124	**50,000**	35,495	**-**	12	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

46 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management personnel compensation

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' fees, other emoluments and benefits				
Fees	**2,684**	2,827	**2,684**	2,607
Other emoluments	**177**	349	**177**	169
Benefits-in-kind	**72**	81	**72**	72
	2,933	3,257	**2,933**	2,848
Short-term employment benefits				
Salaries	**19,439**	20,589	**9,555**	9,289
Bonuses	**13,941**	14,432	**2,272**	3,469
Defined contribution plan ('EPF')	**5,989**	6,077	**2,125**	2,251
Other employee benefits	**3,694**	10,542	**1,875**	9,538
Benefits-in-kind	**306**	382	**207**	301
	43,369	52,022	**16,034**	24,848

Included in the above is the President/Group CEO and directors' remuneration as disclosed in Note 43.

47 TAXATION

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysian income tax				
Current tax	**200,293**	182,102	**74,860**	19,581
Under/(Over) provision in prior financial year	**(1,181)**	17,836	**(3,773)**	11,670
Deferred tax (Note 15)	**(75,581)**	(86,075)	**(59,416)**	(31,165)
Tax expense for the financial year	**123,531**	113,863	**11,671**	86

	The Group		The Bank	
	2021 %	2020 %	2021 %	2020 %
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**0.85**	5.00	**2.10**	14.89
- Non taxable income	**(2.16)**	(6.10)	**(16.71)**	(50.96)
- Effect of different tax rate	**(5.11)**	1.84	**(5.50)**	(0.38)
- Under/(over) provision in prior financial year	**(0.17)**	4.59	**(0.95)**	12.54
- Other temporary differences not recognised in prior financial years	**-**	(0.04)	**-**	-
- Unrecognised tax losses of which temporary differences not recognised	**0.14**	0.16	**-**	-
Average effective tax rate	**17.55**	29.45	**2.94**	0.09

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

48 EARNINGS PER SHARE

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 2021	The Group 2020	The Bank 2021	The Bank 2020
Net profit attributable to equity holders of the Bank (RM'000)	**526,934**	230,322	**385,244**	92,983
Weighted average number of ordinary shares in issue ('000)	**2,110,963**	2,015,227	**2,110,963**	2,015,227
Basic/diluted earnings per share (sen)	**25.0**	11.4	**18.2**	4.6

There were no dilutive potential ordinary shares outstanding as at 31 December 2021. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2021 and 31 December 2020.

49 DIVIDENDS

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

	The Group and The Bank 2021		The Group and The Bank 2020	
	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	**3.50**	**72,793**	7.00	139,021

On 27 January 2022, the Board of Directors proposed a single-tier final dividend of 12.5 sen per share amounting to RM265,507,802 in respect of the financial year ended 31 December 2021, based on the Bank's issued share capital of 2,124,062,412 ordinary shares at 31 December 2021.

On the same day, the Board of Directors resolved that DRP as disclosed in Note Z be applied to the entire proposed final dividend, which can be elected and reinvested in new ordinary shares of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

50 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	
	2021 Principal amount RM'000	2020 Principal amount RM'000	2021 Principal amount RM'000	2020 Principal amount RM'000
Direct credit substitutes *	**548,856**	501,472	**456,935**	432,764
Transaction-related contingent items	**1,477,614**	1,640,080	**982,691**	1,184,737
Short-term self-liquidating trade-related contingencies	**461,206**	450,212	**200,556**	156,180
Obligations under an on-going underwriting agreement	**-**	17,792	**-**	-
Irrevocable commitments to extend credit:	**7,109,446**	6,864,342	**4,739,114**	4,628,891
- maturity less than one year	**5,069,907**	5,114,530	**3,541,944**	3,716,393
- maturity more than one year	**2,039,539**	1,749,812	**1,197,170**	912,498
Foreign exchange related contracts #:	**26,417,608**	19,884,023	**14,647,045**	10,847,370
- less than one year	**25,519,945**	18,864,614	**14,563,705**	10,640,270
- one year to less than five years	**897,663**	1,019,409	**83,340**	207,100
Interest/Profit rate related contracts #:	**6,903,000**	5,265,000	**3,973,000**	2,325,000
- less than one year	**1,135,000**	447,000	**355,000**	57,000
- one year to less than five years	**4,813,000**	4,063,000	**2,663,000**	1,513,000
- more than five years	**955,000**	755,000	**955,000**	755,000
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	**1,116,522**	783,018	**-**	-
Unutilised credit card lines	**1,163,042**	844,254	**948,592**	634,500
	45,197,294	36,250,193	**25,947,933**	20,209,442

* Included in direct credit substitutes above are financial guarantee contracts of RM548.9 million and RM456.9 million at the Group and the Bank respectively (2020: RM501.5 million and RM432.8 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 2021

51 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 Committee ('GBRMC'), 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 customer's capacity to pay rather than to rely solely on security. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Group and the Bank are:

- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Group and the Bank undertake 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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:

The Group 2021	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
Community Banking				
- Overdraft	**6,420**	**(944)**	**5,476**	**18,304**
- Credit cards	**1,369**	**(702)**	**667**	**-**
- Term loans/financing	**107,285**	**(39,879)**	**67,406**	**88,436**
- Mortgages	**154,361**	**(46,028)**	**108,333**	**194,571**
- Hire purchase	**63,669**	**(47,912)**	**15,757**	**249,950**
Corporate Banking	**779,609**	**(167,957)**	**611,652**	**1,028,637**
Enterprise Banking	**193,240**	**(34,682)**	**158,558**	**533,786**
Total credit-impaired assets	**1,305,953**	**(338,104)**	**967,849**	**2,113,684**

The Group 2020	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
Community Banking				
- Overdraft	16,055	(4,335)	11,720	44,792
- Credit cards	825	(545)	280	-
- Term loans/financing	105,178	(25,501)	79,677	91,904
- Mortgages	246,982	(59,562)	187,420	301,618
- Hire purchase	81,807	(51,383)	30,424	285,474
Corporate Banking	991,914	(285,624)	706,290	1,098,917
Enterprise Banking	185,908	(24,536)	161,372	615,759
Total credit-impaired assets	1,628,669	(451,486)	1,177,183	2,438,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

The Bank 2021	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
Community Banking				
- Overdraft	**5,667**	**(702)**	**4,965**	**16,494**
- Credit cards	**1,089**	**(702)**	**387**	**-**
- Term loans/financing	**14,341**	**(2,860)**	**11,481**	**24,591**
- Mortgages	**71,752**	**(18,684)**	**53,068**	**109,650**
- Hire purchase	**43,834**	**(33,414)**	**10,420**	**193,420**
Corporate Banking	**547,597**	**(164,197)**	**383,400**	**771,529**
Enterprise Banking	**157,559**	**(30,878)**	**126,681**	**481,349**
Total credit-impaired assets	**841,839**	**(251,437)**	**590,402**	**1,597,033**

The Bank 2020	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
Community Banking				
- Overdraft	15,221	(4,071)	11,150	43,214
- Credit cards	694	(460)	234	-
- Term loans/financing	5,360	(1,910)	3,450	18,038
- Mortgages	111,002	(22,779)	88,223	161,849
- Hire purchase	59,341	(37,733)	21,608	222,939
Corporate Banking	851,347	(258,141)	593,206	921,376
Enterprise Banking	180,941	(22,910)	158,031	609,574
Total credit-impaired assets	1,223,906	(348,004)	875,902	1,976,990

The financial effect of collateral held for loans, advances and financing of the Group and the Bank are 80.1% (2020: 78.7%) and 77.0% (2020: 76.0%) respectively. The financial effects of collateral for the other financial assets are insignificant.

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Nature of assets				
Industrial and residential properties	**13,358**	16,962	**8,485**	12,089

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral for financial assets at FVTPL

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Derivatives	**7,574**	13,782	**-**	-

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. Unutilised credits give rise to potential or contingent credit lossess to the Bank in an amount equal to the total unutilised commitments. The Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on customers.

The Group and the Bank monitors the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit risk measurement

Credit risk grades

The Group and the Bank allocates a credit risk grade to each exposure. Credit risk grades are indicative of the risk of default and are generated using qualitative and quantitative factors which are supplemented by experienced credit judgement. These inputs vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

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 its 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 based on qualitative indicators that it considers are indicative of such and which 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 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days or; • For early control acounts 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)	• 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)	• 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	• 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 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 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, 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 collects performance and default information relating to its credit risk exposures which are analysed by type of product and customer as well as by credit risk grading. For some portfolios, information from external credit assessment institutions are also used.

The Group and the Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change with time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile is used to determine how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. 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 loss in an event of 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 profit rate as the discounting factor.

EAD represents the exposure outstanding in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing 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 forwardlooking 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 exposures, or collective segments, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original profit 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('ECL') (continued)

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 which 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 which involves 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

Incorporation of forward-looking information (continued)

The economic screnarios used for the expected credit losses ('ECL') estimate and the effect to the ECL estimate due to the changes in the macro economic variables ('MEVs') by % are set out as below:

	2021 %	2020 %
Measurement variables - MEV change		
House Price Index	**0.58**	0.88
Private Consumption Expenditure	**36.68**	2.38
USD Dollar to Malaysian Ringgit Exchange Rate	**0.36**	0.21
Malaysia Economic Indicator Leading Index ('MEILI') 2015	**0.69**	1.41
Automative Association Malaysia Total Car Sales Growth ('AAM')	**25.90**	39.78
Overnight Policy Rate	**5.83**	6.52
Malaysia Debt Service Ratio	**0.31**	N/A*
Current Account (as a precentage of Gross Domestic Product)	**10.04**	N/A*
Unemployment Rate	**0.40**	N/A*
Average Lending Rate	**4.19**	N/A*
Kuala Lumpur Interbank Offered Rate ('KLIBOR') (3-Month)	**N/A***	11.40
M1 Money Supply	**N/A***	2.37

*N/A : Not applicable as a result of change in model/risk parameters made during the financial year.

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

	2021		2020	
The Group	RM'000 +	RM'000 –	RM'000 +	RM'000 –
Impact on expected credit losses	**(12,602)**	**14,829**	(18,976)	23,111
The Bank				
Impact on expected credit losses	**(4,516)**	**5,397**	(10,677)	12,854

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

The credit monitoring process is also to identify significant increase in credit risk as a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with appropriate corrective measures employed to prevent further credit deterioration into non-performing status. Watchlist accounts are either managed up or managed 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 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 reportings are in place to identify, analyze and managed the overall risk profile to mitigate adverse trends or specific areas of risk concerns.

The Group and the Bank conducts post-mortem reviews on newly impaired financing to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired. The findings are lessons learned which are used to assist in formulating appropriate remedial actions or measures to minimize potential or future credit loss from similar or repeat events.

In addition, post-approval independent credit review is undertaken by the Bank to ensure that credit decision-making is consistent with the 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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	
	2021 Maximum credit risk exposure RM'000	2020 Maximum credit risk exposure RM'000	2021 Maximum credit risk exposure RM'000	2020 Maximum credit risk exposure RM'000
Credit risk exposures of on-balance sheet assets:				
Cash and short-term funds *	**6,163,428**	5,221,693	**2,294,492**	1,646,953
Financial assets at FVTPL **	**265,513**	187,195	**264,505**	128,701
Financial investments at FVOCI #	**3,652,767**	12,822,588	**-**	6,401,195
Other assets @	**276,726**	232,593	**138,974**	117,176
	10,358,434	18,464,069	**2,697,971**	8,294,025
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**548,856**	501,472	**456,935**	432,764
Loan commitments and other credit related commitments	**11,327,830**	10,599,698	**6,870,953**	6,604,308
	11,876,686	11,101,170	**7,327,888**	7,037,072
Total maximum credit risk exposure	**22,235,120**	29,565,239	**10,025,859**	15,331,097

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 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.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 tangible collateral, corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables:

The Group 2021	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	Others^ RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	10,160	35,035	1,370,125	209	1,415,529	210,361
Mining and quarrying	-	-	-	-	-	-	207,975	-	207,975	243,653
Manufacturing	-	-	-	1,266	10,314	173,952	3,411,000	48	3,596,580	1,928,259
Electricity, gas and water supply	-	-	-	26	124,323	141,517	449,752	524	716,142	31,861
Construction	-	-	14,923	-	371,668	743,386	1,564,770	5	2,694,752	1,990,267
Real estate	-	-	-	-	-	173,609	5,630,526	76	5,804,211	500,627
Transport, storage and communication	-	-	-	-	337,484	143,074	1,725,296	90	2,205,944	365,990
Finance, insurance and business services	2,206,917	1,169,809	250,590	182,210	251,859	9,132,941	2,206,106	138,023	15,538,455	661,952
Government and government agencies	3,956,511	-	-	-	2,257,694	648,171	1,970,874	-	8,833,250	755,709
Wholesale, retail trade, hotel and restaurants	-	-	-	3,071	101,630	127,941	4,629,981	23	4,862,646	1,366,996
Others	-	-	-	308	187,635	115,516	27,361,663	711,519	28,376,641	3,821,011
Total assets	6,163,428	1,169,809	265,513	186,881	3,652,767	11,435,142	50,528,068	850,517	74,252,125	11,876,686

^ Others include amount due from associates, joint ventures, trade receivables and other assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 tangible collateral, corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables (continued):

The Group 2020	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	Others^ RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	25,594	-	1,398,609	-	1,424,203	174,378
Mining and quarrying	-	-	-	-	-	-	297,828	-	297,828	227,552
Manufacturing	-	-	-	1,921	87,709	2,077	2,803,887	697	2,896,291	1,799,404
Electricity, gas and water supply	-	-	-	488	240,224	-	441,014	596	682,322	66,399
Construction	-	-	-	-	315,344	-	1,927,007	2	2,242,353	1,959,831
Real estate	-	-	-	-	257,362	-	5,610,241	73	5,867,676	686,425
Transport, storage and communication	-	-	-	-	355,273	-	1,547,564	23	1,902,960	370,491
Finance, insurance and business services	960,560	50,058	172,151	377,846	781,343	100,522	2,101,726	207,989	4,752,195	619,385
Government and government agencies	4,261,133	-	-	-	9,704,312	-	796,388	-	14,761,833	701,412
Wholesale, retail trade, hotel and restaurants	-	-	15,044	5,611	735,095	-	3,956,073	4	4,711,827	1,524,078
Others	-	-	-	2,428	320,332	40,438	24,612,541	989,484	25,965,223	2,971,815
Total assets	5,221,693	50,058	187,195	388,294	12,822,588	143,037	45,492,878	1,198,968	65,504,711	11,101,170

^ Others include amount due from associates, joint ventures, trade receivables and other assets.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 tangible collateral, corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables (continued):

The Bank 2021	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 AC RM'000	Loans, advances and financing RM'000	Others^ RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	-	35,035	601,422	-	636,457	154,248
Mining and quarrying	-	-	-	-	-	-	61,452	-	61,452	69,062
Manufacturing	-	-	-	-	875	123,633	2,283,159	-	2,407,667	1,555,260
Electricity, gas and water supply	-	-	-	-	26	66,343	66,167	-	132,536	24,858
Construction	-	-	-	14,923	-	652,245	875,631	-	1,542,799	1,288,754
Real estate	-	-	-	-	-	-	3,996,389	-	3,996,389	422,010
Transport, storage and communication	-	-	-	-	-	10,002	1,134,848	-	1,144,850	232,776
Finance, insurance and business services	469,834	1,171,657	1,825,525	249,582	102,505	7,623,077	1,379,218	-	12,821,398	571,140
Government and government agencies	1,824,658	-	-	-	-	356,882	852,808	-	3,034,348	161,785
Wholesale, retail trade, hotel and restaurants	-	-	-	-	1,234	127,941	3,514,436	-	3,643,611	941,704
Others	-	-	-	-	-	45,040	12,113,806	928,786	13,087,632	1,906,291
Total assets	2,294,492	1,171,657	1,825,525	264,505	104,640	9,040,198	26,879,336	928,786	42,509,139	7,327,888

^ Others include amount due from subsidiaries, associates and other assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 tangible collateral, corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables (continued):

The Bank 2020	Short-term funds 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	Others^ RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	580,784	-	580,784	120,574
Mining and quarrying	-	-	-	-	-	-	55,830	-	55,830	51,639
Manufacturing	-	-	-	1,774	40,958	-	1,906,420	-	1,949,152	1,593,176
Electricity, gas and water supply	-	-	-	488	82,513	-	59,977	-	142,978	36,295
Construction	-	-	-	-	26,558	-	1,273,222	-	1,299,780	1,258,140
Real estate	-	-	-	-	76,606	-	3,940,435	-	4,017,041	502,898
Transport, storage and communication	-	-	-	-	15,822	-	1,154,380	-	1,170,202	298,227
Finance, insurance and business services	161,246	1,743,308	113,657	227,987	1,062,179	361,708	1,520,284	-	5,190,369	501,888
Government and government agencies	1,485,707	-	-	-	4,466,008	-	30,690	-	5,982,405	181,826
Wholesale, retail trade, hotel and restaurants	-	-	15,044	933	630,551	-	3,203,620	-	3,850,148	1,151,922
Others	-	-	-	-	-	-	11,439,783	447,925	11,887,708	1,340,487
Total assets	1,646,953	1,743,308	128,701	231,182	6,401,195	361,708	25,165,425	447,925	36,126,397	7,037,072

^ Others include amount due from subsidiaries, associates and other assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 refer to loans, advances and financing that are overdue by one day or more.

Loans, advances and financing are classified as impaired when they fulfill any of the following criteria:

i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;

ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is 'unlikely to meet' its credit obligations; or

iii) the loan/financing is classified as rescheduled and restructured in the Central Credit Reference Information System.

Distribution of loans, advances and financing by credit quality

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Neither past due nor impaired	**44,715,692**	**2,871,370**	**-**	**47,587,062**
Past due but not impaired	**1,201,674**	**1,322,651**	**-**	**2,524,325**
Impaired	**-**	**-**	**1,305,953**	**1,305,953**
Gross loans, advances and financing	**45,917,366**	**4,194,021**	**1,305,953**	**51,417,340**
Less: Expected credit losses	**(237,148)**	**(314,020)**	**(338,104)**	**(889,272)**
Net loans, advances and financing	**45,680,218**	**3,880,001**	**967,849**	**50,528,068**

The Group 2020				
Neither past due nor impaired	39,093,671	2,634,297	-	41,727,968
Past due but not impaired	1,326,665	1,589,353	-	2,916,018
Impaired	-	-	1,628,669	1,628,669
Gross loans, advances and financing	40,420,336	4,223,650	1,628,669	46,272,655
Less: Expected credit losses	(177,087)	(151,204)	(451,486)	(779,777)
Net loans, advances and financing	40,243,249	4,072,446	1,177,183	45,492,878

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Total loans, advances and financing - credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Neither past due nor impaired	**23,649,360**	**1,617,592**	**-**	**25,266,952**
Past due but not impaired	**555,039**	**844,975**	**-**	**1,400,014**
Impaired	**-**	**-**	**841,839**	**841,839**
Gross loans, advances and financing	**24,204,399**	**2,462,567**	**841,839**	**27,508,805**
Less: Expected credit losses	**(163,175)**	**(214,857)**	**(251,437)**	**(629,469)**
Net loans, advances and financing	**24,041,224**	**2,247,710**	**590,402**	**26,879,336**
The Bank 2020				
Neither past due nor impaired	21,319,574	1,581,463	-	22,901,037
Past due but not impaired	721,894	882,985	-	1,604,879
Impaired	-	-	1,223,906	1,223,906
Gross loans, advances and financing	22,041,468	2,464,448	1,223,906	25,729,822
Less: Expected credit losses	(128,045)	(88,348)	(348,004)	(564,397)
Net loans, advances and financing	21,913,423	2,376,100	875,902	25,165,425

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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's and the Bank's maximum exposure to credit risk on these assets:

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Credit grade				
Satisfactory	**18,752,069**	**948,436**	**-**	**19,700,505**
Special mention	**44,225**	**1,146,010**	**-**	**1,190,235**
Default/Impaired	**-**	**-**	**1,223,425**	**1,223,425**
Unrated	**27,121,072**	**2,099,575**	**82,528**	**29,303,175**
Gross loans, advances and financing	**45,917,366**	**4,194,021**	**1,305,953**	**51,417,340**
Less: Expected credit losses	**(237,148)**	**(314,020)**	**(338,104)**	**(889,272)**
Net loans, advances and financing	**45,680,218**	**3,880,001**	**967,849**	**50,528,068**

The Group 2020				
Credit grade				
Satisfactory	17,899,831	565,022	-	18,464,853
Special mention	47,955	1,062,098	-	1,110,053
Default/impaired	-	-	1,236,017	1,236,017
Unrated	22,472,550	2,596,530	392,652	25,461,732
Gross loans, advances and financing	40,420,336	4,223,650	1,628,669	46,272,655
Less: Expected credit losses	(177,087)	(151,204)	(451,486)	(779,777)
Net loans, advances and financing	40,243,249	4,072,446	1,177,183	45,492,878

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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's and the Bank's maximum exposure to credit risk on these assets (continued):

The Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Credit grade				
Satisfactory	**11,246,404**	**857,265**	**-**	**12,103,669**
Special mention	**983**	**629,972**	**-**	**630,955**
Default/impaired	**-**	**-**	**841,839**	**841,839**
Unrated	**12,957,012**	**975,330**	**-**	**13,932,342**
Gross loans, advances and financing	**24,204,399**	**2,462,567**	**841,839**	**27,508,805**
Less: Expected credit losses	**(163,175)**	**(214,857)**	**(251,437)**	**(629,469)**
Net loans, advances and financing	**24,041,224**	**2,247,710**	**590,402**	**26,879,336**

The Bank 2020				
Credit grade				
Satisfactory	11,050,156	304,157	-	11,354,313
Special mention	202	879,154	-	879,356
Default/impaired	-	-	1,090,483	1,090,483
Unrated	10,991,110	1,281,137	133,423	12,405,670
Gross loans, advances and financing	22,041,468	2,464,448	1,223,906	25,729,822
Less: Expected credit losses	(128,045)	(88,348)	(348,004)	(564,397)
Net loans, advances and financing	21,913,423	2,376,100	875,902	25,165,425

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk, treasury bills and derivatives - credit quality

Corporate bonds/Sukuk, treasury bills and other eligible bills included in financial assets at FVTPL and financial investments at FVOCI are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank mainly uses external credit ratings provided by recognised External Credit Rating Institutions ('ECAIs').

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:

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	3,956,515	-	-	3,956,515
AAA	845,149	-	-	845,149
AA- to AA+	1,804,802	-	-	1,804,802
A- to A+	475,291	-	-	475,291
Lower than A-	183,977	-	-	183,977
Unrated	67,601	-	-	67,601
Expected credit losses	(98)	-	-	(98)
	7,333,237	-	-	7,333,237
Financial assets at FVTPL				
AAA	250,590	-	-	250,590
Unrated	14,923	-	-	14,923
	265,513	-	-	265,513
Derivative financial assets				
AAA	96,387	-	-	96,387
AA- to AA+	30,010	-	-	30,010
A- to A+	31,898	-	-	31,898
Lower than A-	8,209	-	-	8,209
Unrated	20,377	-	-	20,377
	186,881	-	-	186,881

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Financial investments at FVOCI				
Sovereigns	3,112,837	-	-	3,112,837
AAA	274,424	-	-	274,424
AA- to AA+	86,708	-	-	86,708
A- to A+	10,160	-	-	10,160
Lower than A-	9,972	-	-	9,972
Unrated	30,078	128,588	-	158,666
	3,524,179	128,588	-	3,652,767
Expected credit losses	(252)	(18,856)	-	(19,108)
Financial investments at AC				
Sovereigns	8,772,217	-	-	8,772,217
AAA	754,098	-	-	754,098
AA- to AA+	525,672	-	-	525,672
A- to A+	417,705	-	-	417,705
Unrated	457,650	611,325	-	1,068,975
Expected credit losses	(5,099)	(83,426)	(15,000)	(103,525)
	10,922,243	527,899	(15,000)	11,435,142

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Group 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	4,261,131	-	-	4,261,131
AAA	368,782	-	-	368,782
AA- to AA+	492,964	-	-	492,964
A- to A+	4,831	-	-	4,831
Lower than A-	121,531	-	-	121,531
Unrated	22,543	-	-	22,543
Expected credit losses	(31)	-	-	(31)
	5,271,751	-	-	5,271,751
Financial assets at FVTPL				
AAA	114,681	-	-	114,681
AA- to AA+	4,844	-	-	4,844
A- to A+	22,386	-	-	22,386
Lower than A-	26,117	-	-	26,117
Unrated	19,167	-	-	19,167
	187,195	-	-	187,195
Derivative financial assets				
AAA	197,511	-	-	197,511
AA- to AA+	80,498	-	-	80,498
A- to A+	70,466	-	-	70,466
Lower than A-	11,041	-	-	11,041
Unrated	28,778	-	-	28,778
	388,294	-	-	388,294

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Group 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Financial investments at FVOCI				
Sovereigns	10,421,058	-	-	10,421,058
AAA	640,253	-	-	640,253
AA- to AA+	548,158	-	-	548,158
A- to A+	123,683	-	-	123,683
Lower than A-	-	15,303	-	15,303
Unrated	293,509	776,167	4,457	1,074,133
	12,026,661	791,470	4,457	12,822,588
Expected credit losses	(22,201)	(31,457)	(12,170)	(65,828)
Financial investments at AC				
Unrated	141,119	-	-	141,119
Impaired	-	-	15,000	15,000
Expected credit losses	(160)	-	(12,922)	(13,082)
	140,959	-	2,078	143,037

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	1,824,658	-	-	1,824,658
AAA	453,799	-	-	453,799
AA- to AA+	757,696	-	-	757,696
A- to A+	406,053	-	-	406,053
Lower than A-	24,037	-	-	24,037
Expected credit losses	(94)	-	-	(94)
	3,466,149	-	-	3,466,149
Investment accounts due from designated financial institution				
AA- to AA+	1,825,556	-	-	1,825,556
Expected credit losses	(31)	-	-	(31)
	1,825,525	-	-	1,825,525
Financial assets at FVTPL				
AAA	249,582	-	-	249,582
Unrated	14,923	-	-	14,923
	264,505	-	-	264,505

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Derivative financial assets				
AAA	42,820	-	-	42,820
AA- to AA+	16,498	-	-	16,498
A- to A+	31,887	-	-	31,887
Lower than A-	6,264	-	-	6,264
Unrated	7,171	-	-	7,171
	104,640	-	-	104,640
Financial investments at AC				
Sovereigns	5,728,981	-	-	5,728,981
AAA	617,506	-	-	617,506
AA- to AA+	1,524,463	-	-	1,524,463
A- to A+	407,683	-	-	407,683
Unrated	235,092	611,325	-	846,417
Expected credit losses	(1,426)	(83,426)	-	(84,852)
	8,512,299	527,899	-	9,040,198

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Bank 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	1,485,707	-	-	1,485,707
AAA	15,993	-	-	15,993
AA- to AA+	141,975	-	-	141,975
A- to A+	(167)	-	-	(167)
Lower than A-	3,477	-	-	3,477
Expected credit losses	(32)	-	-	(32)
	1,646,953	-	-	1,646,953
Investment accounts due from designated financial institution				
Unrated	1,745,263	-	-	1,745,263
Expected credit losses	(1,955)	-	-	(1,955)
	1,743,308	-	-	1,743,308
Financial assets at FVTPL				
AAA	113,657	-	-	113,657
Unrated	15,044	-	-	15,044
	128,701	-	-	128,701

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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):

The Bank 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Derivative financial assets				
AAA	78,509	-	-	78,509
AA- to AA+	68,196	-	-	68,196
A- to A+	70,231	-	-	70,231
Lower than A-	11,041	-	-	11,041
Unrated	3,205	-	-	3,205
	231,182	-	-	231,182
Financial investments at FVOCI				
Sovereigns	4,466,008	-	-	4,466,008
AAA	282,208	-	-	282,208
AA- to AA+	741,721	-	-	741,721
A- to A+	119,709	-	-	119,709
Lower than A-	-	15,303	-	15,303
Unrated	104,623	671,623	-	776,246
	5,714,269	686,926	-	6,401,195
Expected credit losses	(17,563)	(27,237)	-	(44,800)
Financial investments at AC				
Unrated	361,944	-	-	361,944
Expected credit losses	(236)	-	-	(236)
	361,708	-	-	361,708

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Other financial assets - credit quality

Other financial assets of the Group and the Bank are neither past due nor impaired and impaired are summarised as below:

The Group 2021	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Trade receivables	**527,072**	**94**	**527,166**
Other assets	**276,650**	**76**	**276,726**
Amount due from joint ventures	**-**	**15,737**	**15,737**
Amount due from associates	**30,888**	**-**	**30,888**
The Group 2020			
Trade receivables	919,504	913	920,417
Other assets	231,966	627	232,593
Amount due from joint ventures	-	15,073	15,073
Amount due from associates	30,885	-	30,885

The Bank 2021	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Other assets	**138,974**	**-**	**138,974**
Amount due from subsidiaries	**758,924**	**-**	**758,924**
Amount due from associate	**30,888**	**-**	**30,888**
The Bank 2020			
Other assets	117,176	-	117,176
Amount due from subsidiaries	299,864	-	299,864
Amount due from associate	30,885	-	30,885

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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Other financial assets - credit quality (continued)

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

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Loans/Financing commitments and financial guarantees				
Satisfactory	**10,689,997**	**1,050,230**	**-**	**11,740,227**
Special mention	**1**	**77,643**	**-**	**77,644**
Default/impaired	**-**	**-**	**58,815**	**58,815**
	10,689,998	**1,127,873**	**58,815**	**11,876,686**
Expected credit losses	**12,099**	**25,915**	**18,901**	**56,914**

The Group 2020				
Loans/Financing commitments and financial guarantees				
Satisfactory	10,568,325	420,475	-	10,988,800
Special mention	45,299	20,000	-	65,299
Default/impaired	-	-	47,071	47,071
	10,613,624	440,475	47,071	11,101,170
Expected credit losses	10,387	9,023	19,038	38,448

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Loans/Financing commitments and financial guarantees				
Satisfactory	**6,784,485**	**524,159**	**-**	**7,308,644**
Default/impaired	**-**	**-**	**19,244**	**19,244**
	6,784,485	**524,159**	**19,244**	**7,327,888**
Expected credit losses	**8,247**	**22,764**	**311**	**31,322**

The Bank 2020				
Loans/Financing commitments and financial guarantees				
Satisfactory	6,649,222	368,694	-	7,017,916
Default/impaired	-	-	19,156	19,156
	6,649,222	368,694	19,156	7,037,072
Expected credit losses	7,459	8,187	262	15,908

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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. Code of Conduct for Malaysia Wholesale Financial Markets; and
2. 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

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.

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.

	2021		2020	
The Group	+100 basis point RM million	-100 basis point RM million	+100 basis point RM million	-100 basis point RM million
Impact on profit after taxation	**31.0**	**(31.0)**	16.0	(16.0)
Impact on equity	**(148.0)**	**148.0**	(632.4)	677.4
The Bank				
Impact on profit after taxation	**14.8**	**(14.8)**	14.6	(14.6)
Impact on equity	**-**	**-**	(278.7)	306.8

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
+1%				
Euro	**1,780**	1,912	**1,028**	1,118
United States Dollar	**68,866**	61,342	**53,994**	43,833
Great Britain Pound	**171**	114	**166**	111
Australian Dollar	**127**	85	**27**	22
New Zealand Dollar	**2**	3	**2**	2
Japanese Yen	**17**	23	**13**	21
Others	**1,077**	960	**319**	224
	72,040	64,439	**55,549**	45,331
-1%				
Euro	**(1,780)**	(1,912)	**(1,028)**	(1,118)
United States Dollar	**(68,866)**	(61,342)	**(53,994)**	(43,833)
Great Britain Pound	**(171)**	(114)	**(166)**	(111)
Australian Dollar	**(127)**	(85)	**(27)**	(22)
New Zealand Dollar	**(2)**	(3)	**(2)**	(2)
Japanese Yen	**(17)**	(23)	**(13)**	(21)
Others	**(1,077)**	(960)	**(319)**	(224)
	(72,040)	(64,439)	**(55,549)**	(45,331)

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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

The Group 2021	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
Assets								
Short-term funds	2,560	458,562	1,532	10,152	516	468	58,057	531,890
Deposits and placements with banks and other financial institutions	-	20,795	-	-	-	-	-	20,795
Financial assets at FVTPL	-	72,767	-	-	-	-	983	73,750
Derivative financial assets	69	17,338	57	8	-	-	523	17,995
Financial investments at FVOCI	-	-	-	-	-	-	26,958	26,958
Financial investments at AC	-	100,183	-	63,708	-	-	-	163,891
Loans, advances and financing	-	660,908	3,892	-	-	-	772	665,572
Trade receivables	-	48,206	-	6,856	-	-	21,824	76,886
Other assets	-	1,782	-	1	-	-	707	2,490
Total financial assets	2,629	1,380,541	5,481	80,725	516	468	109,867	1,580,227
Liabilities								
Deposits from customers	89,884	2,520,258	7,038	5,526	228	733	64,399	2,688,066
Deposits and placements of banks and other financial institutions	-	146,699	-	63,549	-	-	-	210,248
Derivative financial liabilities	12,073	55,856	207	455	-	27	-	6,618
Trade payables	-	74,989	-	7,301	-	-	17,814	100,104
Other liabilities	48	97,368	65	533	-	-	(381)	97,633
Total financial liabilities	102,005	2,895,170	7,310	77,364	228	760	81,832	3,164,669
Net on-balance sheet financial position	(99,376)	(1,514,629)	(1,829)	3,361	288	(292)	28,035	(1,584,442)
Off balance sheet commitments	333,598	10,575,915	24,369	13,300	-	2,531	113,734	11,063,447

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

The Group 2020	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
Assets								
Short-term funds	1,345	193,688	1,067	12,643	290	697	34,726	244,456
Financial assets at FVTPL	-	51	-	-	-	-	4,198	4,249
Derivative financial assets	6,475	-	272	32	-	6	328	7,113
Financial investments at FVOCI	-	41,071	-	45,561	-	-	28,875	115,507
Loans, advances and financing	3,134	751,846	3,532	-	-	-	-	758,512
Trade receivables	-	27,165	-	11,267	-	-	22,304	60,736
Other assets	-	1,607	-	-	-	-	637	2,244
Total financial assets	10,954	1,015,428	4,871	69,503	290	703	91,068	1,192,817
Liabilities								
Deposits from customers	32,134	261,295	4,127	4,362	-	155	76,805	378,878
Deposits and placements of banks and other financial institutions	34,567	589,002	-	40,274	-	-	-	663,843
Derivative financial liabilities	11	171,534	-	-	-	5	6	171,556
Trade payables	-	41,081	-	14,531	-	-	21,306	76,918
Other liabilities	66	61,796	63	879	-	-	721	63,525
Total financial liabilities	66,778	1,124,708	4,190	60,046	-	160	98,838	1,354,720
Net on-balance sheet financial position	(55,824)	(109,280)	681	9,457	290	543	(7,770)	(161,903)
Off balance sheet commitments	307,395	8,185,515	14,379	1,666	-	2,443	134,092	8,645,490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

The Bank 2021	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
Assets								
Short-term funds	2,054	381,110	801	649	516	(55)	8,481	393,556
Deposits and placements with banks and other financial institutions	-	20,795	-	-	-	-	-	20,795
Investment accounts due from designated financial institution	-	101,917	-	-	-	-	-	101,917
Derivative financial assets	69	12,980	57	80	-	-	523	13,709
Financial investments at AC	-	100,183	-	63,708	-	-	-	163,891
Loans, advances and financing	-	421,941	3,892	-	-	-	-	425,833
Other assets	-	1,620	-	-	-	-	-	1,620
Total financial assets	2,123	1,040,546	4,750	64,437	516	(55)	9,004	1,121,321
Liabilities								
Deposits from customers	87,947	1,949,229	7,022	5,211	228	733	59,053	2,109,423
Deposits and placements of banks and other financial institutions	-	146,699	-	63,549	-	-	-	210,248
Derivative financial liabilities	3,489	55,460	207	-	-	27	-	59,183
Other liabilities	48	895	65	-	-	-	-	1,008
Total financial liabilities	91,484	2,152,283	7,294	68,760	228	760	59,053	2,379,862
Net on-balance sheet financial position	(89,361)	(1,111,737)	(2,544)	(4,323)	288	(815)	(50,049)	(1,258,541)
Off balance sheet commitments	224,614	8,216,223	24,369	7,814	-	2,531	91,992	8,567,543

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

The Bank 2020	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
Assets								
Short-term funds	759	135,991	659	720	290	492	6,366	145,277
Investment accounts due from designated financial institution	-	197,846	-	-	-	-	-	197,846
Derivative financial assets	4,824	-	272	32	-	6	328	5,462
Financial investments at FVOCI	-	41,071	-	45,561	-	-	-	86,632
Loans, advances and financing	3,134	514,793	3,532	-	-	-	-	521,459
Other assets	-	1,561	-	-	-	-	-	1,561
Total financial assets	8,717	891,262	4,463	46,313	290	498	6,694	958,237
Liabilities								
Deposits from customers	30,249	232,778	4,120	4,359	-	155	68,350	340,011
Deposits and placements of banks and other financial institutions	34,567	106,144	-	40,274	-	-	-	180,985
Derivative financial liabilities	11	160,743	-	-	-	5	6	160,765
Other liabilities	66	1,057	63	-	-	-	-	1,186
Total financial liabilities	64,893	500,722	4,183	44,633	-	160	68,356	682,947
Net on-balance sheet financial position	(56,176)	390,540	280	1,680	290	338	(61,662)	275,290
Off balance sheet commitments	203,321	5,376,995	14,379	1,249	-	2,443	91,138	5,689,525

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2021

51 FINANCIAL RISK MANAGEMENT (continued)

(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.

The Group 2021	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	5,727,044	-	-	-	-	667,413	-	6,394,457
Deposits and placements with banks and other financial institutions	-	1,077,452	91,537	-	-	820	-	1,169,809
Financial assets at FVTPL	-	-	14,887	-	246,193	173,222	164,298	598,600
Derivative financial assets	-	-	-	-	-	-	186,881	186,881
Financial investments at FVOCI	5,008	9,972	113,305	2,201,427	1,291,533	256,377	-	3,877,622
Financial investments at AC	249,872	500,000	323,467	3,368,807	6,883,710	109,286	-	11,435,142
Loans, advances and financing								
- non-impaired	27,776,724	3,910,493	2,857,735	10,511,932	5,054,503	(551,168) ^	-	49,560,219
- impaired	-	-	-	-	-	967,849 #	-	967,849
Others [1]	30,149	-	-	-	-	820,368	-	850,517
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	68,625	-	68,625
Total assets	**33,788,797**	**5,497,917**	**3,400,931**	**16,082,166**	**13,475,939**	**2,512,792**	**351,179**	**75,109,721**

^ 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 associates and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Group 2021	Non-trading book							
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	19,538,177	10,978,419	23,333,865	1,674,369	400	3,269,174	-	58,794,404
Investment accounts of customers	-	-	-	1,323	-	6	-	1,329
Deposits and placements of banks and other financial institutions	2,411,970	350,340	100,000	-	-	3,730	-	2,866,040
Derivative financial liabilities	-	-	-	-	-	-	201,629	201,629
Bills and acceptances payable	-	-	-	-	-	28,644	-	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	50,002	618,000	-	1,210	-	669,212
Lease liabilities	1,961	3,304	7,786	23,821	-	-	-	36,872
Borrowings	-	-	-	-	3,243,960	59,115	-	3,303,075
Other liabilities [2]	107,533	-	-	-	-	2,257,747	-	2,365,280
Total liabilities	22,059,641	11,332,063	23,491,653	2,317,513	3,244,360	5,619,626	201,629	68,266,485
Net interest/profit sensitivity gap	11,729,156	(5,834,146)	(20,090,722)	13,764,653	10,231,579			

[2] Other liabilities include trade payables and other liabilities.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book							
The Group 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	4,985,103	-	-	-	-	476,262	-	5,461,365
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	58	-	50,058
Financial assets at FVTPL	-	-	15,008	-	211,764	230,529	240,965	698,266
Derivative financial assets	-	-	-	-	-	-	388,294	388,294
Financial investments at FVOCI	140,044	219,008	325,793	3,241,992	8,767,902	339,314	-	13,034,053
Financial investments at AC	762	-	51,316	87,649	-	3,310	-	143,037
Loans, advances and financing								
- non-impaired	24,358,046	3,104,640	3,267,801	9,845,317	4,068,182	(328,291) ^	-	44,315,695
- impaired	-	-	-	-	-	1,177,183 #	-	1,177,183
Others [(1)]	13,782	-	-	-	-	1,185,186	-	1,198,968
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	103,267	-	103,267
Total assets	29,497,737	3,373,648	3,659,918	13,174,958	13,047,848	3,186,818	629,259	66,570,186

^ 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 associates and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book							
The Group 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	17,919,055	8,604,897	18,871,607	1,442,492	-	3,046,309	-	49,884,360
Investment accounts of customers	-	-	376	1,767	-	8	-	2,151
Deposits and placements of banks and other financial institutions	2,740,213	855,804	119,858	-	-	4,485	-	3,720,360
Derivative financial liabilities	-	-	-	-	-	-	389,819	389,819
Bills and acceptances payable	-	-	-	-	-	67,010	-	67,010
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	-	50,000	-	34	-	50,034
Lease liabilities	914	1,810	6,951	37,684	3,169	-	-	50,528
Borrowings	-	-	-	-	3,300,000	45,455	-	3,345,455
Other liabilities [(2)]	10,810	-	-	-	-	2,179,846	-	2,190,656
Total liabilities	20,670,992	9,462,511	18,998,792	1,531,943	3,303,169	5,343,147	389,819	59,700,373
Net interest/profit sensitivity gap	8,826,745	(6,088,863)	(15,338,874)	11,643,015	9,744,679			

(2) Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Bank 2021	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	1,876,903	-	-	-	-	648,579	-	2,525,482
Deposits and placements with banks and other financial institutions	-	1,020,845	150,000	-	-	812	-	1,171,657
Investment accounts due from designated financial institutions	-	-	26,000	624,125	1,175,431	(31)	-	1,825,525
Financial assets at FVTPL	-	-	14,887	-	246,193	107,596	-	368,676
Derivative financial assets	-	-	-	-	-	-	104,640	104,640
Financial investments at FVOCI	-	-	-	-	-	198,148	-	198,148
Financial investments at AC	249,872	500,000	15,151	3,337,131	4,858,911	79,133	-	9,040,198
Loans, advances and financing								
- non-impaired	14,034,819	2,461,007	1,803,972	6,269,899	2,097,269	(378,032) ^	-	26,288,934
- impaired	-	-	-	-	-	590,402 #	-	590,402
Others [(1)]	-	-	-	-	-	928,786	-	928,786
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	58,325	-	58,325
Total assets	16,161,594	3,981,852	2,010,010	10,231,155	8,377,804	2,233,718	104,640	43,100,773

^ 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 associates and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The Bank 2021	Non-trading book							
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	9,405,001	5,055,368	14,950,127	1,112,260	400	2,718,607	-	33,241,763
Deposits and placements of banks and other financial institutions	2,230,185	45,840	-	-	-	1,698	-	2,277,723
Derivative financial liabilities	-	-	-	-	-	-	125,537	125,537
Bills and acceptances payable	-	-	-	-	-	28,644	-	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	-	618,000	-	1,179	-	619,179
Borrowings	-	-	-	-	2,500,000	48,081	-	2,548,081
Lease liabilities	1,138	2,063	3,738	22,293	-	-	-	29,232
Other liabilities	-	-	-	-	-	575,886	-	575,886
Amount due to subsidiaries	-	-	-	-	-	2,500	-	2,500
Total liabilities	11,636,324	5,103,271	14,953,865	1,752,553	2,500,400	3,376,595	125,537	39,448,545
Net interest sensitivity gap	4,525,270	(1,121,419)	(12,943,855)	8,478,602	5,877,404			

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book							
The Bank 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	1,437,156	-	-	-	-	450,428	-	1,887,584
Investment accounts due from designated financial institutions	102,712	505,419	270,717	505,189	361,226	(1,955)	-	1,743,308
Financial assets at FVTPL	-	-	15,008	-	211,764	1,151	-	227,923
Derivative financial assets	-	-	-	-	-	-	231,182	231,182
Financial investments at FVOCI	119,995	-	461,187	1,560,131	4,196,009	250,008	-	6,587,330
Financial investments at AC	-	-	50,000	308,894	-	2,814	-	361,708
Loans, advances and financing								
- non-impaired	12,393,314	2,378,174	1,733,853	6,009,702	1,990,873	(216,392) ^	-	24,289,524
- impaired	-	-	-	-	-	875,901 #	-	875,901
Others [(1)]	-	-	-	-	-	447,925	-	447,925
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	84,267	-	84,267
Total assets	14,053,177	2,883,593	2,530,765	8,383,916	6,759,872	1,894,147	231,182	36,736,652

^ 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 associates and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

	Non-trading book							
The Bank 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	8,507,035	3,999,081	11,291,144	1,023,498	-	2,587,219	-	27,407,977
Deposits and placements of banks and other financial institutions	2,011,813	368,706	24,858	-	-	2,475	-	2,407,852
Derivative financial liabilities	-	-	-	-	-	-	228,089	228,089
Bills and acceptances payable	-	-	-	-	-	67,010	-	67,010
Borrowings	-	-	-	-	2,500,000	48,241	-	2,548,241
Lease liabilities	97	165	2,150	29,430	-	-	-	31,842
Other liabilities	-	-		-	-	479,418	-	479,418
Amount due to subsidiaries	-	-	-	-	-	2,229	-	2,229
Total liabilities	10,518,945	4,367,952	11,318,152	1,052,928	2,500,000	3,186,592	228,089	33,172,658
Net interest sensitivity gap	3,534,232	(1,484,359)	(8,787,387)	7,330,988	4,259,872			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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') 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 Committee ('GBRMC') 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 GBRMC 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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows:

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

The Group 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	22,519,681	11,146,868	23,853,819	1,832,527	453	59,353,348
Investment accounts of customers	6	12	56	1,442	-	1,516
Deposits and placements of banks and other financial institutions	2,819,072	50,431	-	-	-	2,869,503
Bills and acceptances payable	28,644	-	-	-	-	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	69,163	635,922	-	705,085
Trade payables	982,362	-	-	-	-	982,362
Lease liabilities	3,226	8,282	14,687	14,238	-	40,433
Other liabilities	237,052	24,970	809,910	273,877	37,109	1,382,918
Borrowings	14,619	52,256	123,871	1,427,527	2,608,304	4,226,577
	26,604,662	11,282,819	24,871,506	4,185,533	2,645,866	69,590,386

The Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	20,721,354	8,782,797	18,972,020	1,994,310	-	50,470,481
Investment accounts of customers	10	19	455	2,022	-	2,506
Deposits and placements of banks and other financial institutions	2,824,544	776,299	121,562	-	-	3,722,405
Bills and acceptances payable	67,010	-	-	-	-	67,010
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	1,240	49,676	-	50,916
Trade payables	921,392	-	-	-	-	921,392
Lease liabilities	3,128	6,195	26,101	18,959	-	54,383
Other liabilities	235,987	52,566	613,281	347,540	19,890	1,269,264
Borrowings	14,586	52,319	109,028	1,412,272	2,758,556	4,346,761
	24,788,011	9,670,195	19,843,687	3,824,779	2,778,446	60,905,118

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued):

The Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	**11,958,123**	**5,141,812**	**15,269,267**	**1,163,837**	**453**	**33,533,492**
Deposits and placements of banks and other financial institutions	**2,233,006**	**45,890**	**-**	**-**	**-**	**2,278,896**
Recourse obligation on loans/financing sold to Cagamas Berhad	**-**	**-**	**17,922**	**635,922**	**-**	**653,844**
Bills and acceptances payable	**28,644**	**-**	**-**	**-**	**-**	**28,644**
Lease liabilities	**2,302**	**6,844**	**10,272**	**12,808**	**-**	**32,226**
Other liabilities	**18,675**	**-**	**296,998**	**228,890**	**31,323**	**575,886**
Amount due to subsidiaries	**2,500**	**-**	**-**	**-**	**-**	**2,500**
Borrowings	**14,619**	**52,256**	**66,764**	**948,280**	**2,082,437**	**3,164,356**
	14,257,869	**5,246,802**	**15,661,223**	**2,989,737**	**2,114,213**	**40,269,844**

The Bank 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	10,969,900	4,086,654	11,587,108	1,070,870	-	27,714,532
Deposits and placements of banks and other financial institutions	2,014,857	369,504	24,925	-	-	2,409,286
Bills and acceptances payable	67,010	-	-	-	-	67,010
Lease liabilities	2,136	4,211	17,490	11,155	-	34,992
Other liabilities	-	-	351,171	112,339	15,908	479,418
Amount due to subsidiaries	2,229	-	-	-	-	2,229
Borrowings	14,586	52,319	66,764	977,279	2,182,723	3,293,671
	13,070,718	4,512,688	12,047,458	2,171,643	2,198,631	34,001,138

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Derivative financial liabilities

Derivative financial liabilities based on contractual undiscounted cash flows:

The Group 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	**(3,425)**	**(4,617)**	**(16,278)**	**(12,596)**	**4,992**	**(31,924)**
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	**(4,054,050)**	**(4,615,786)**	**(4,745,255)**	**(530,101)**	**-**	**(13,945,192)**
Inflow	**4,038,617**	**4,601,706**	**4,722,480**	**508,986**	**-**	**13,871,789**
	(15,433)	**(14,080)**	**(22,775)**	**(21,115)**	**-**	**(73,403)**

The Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	(4,388)	(7,083)	(34,011)	(70,317)	(6,816)	(122,615)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(2,421,303)	(3,931,066)	(3,524,992)	(403,834)	-	(10,281,195)
Inflow	2,403,719	3,888,798	3,481,978	375,619	-	10,150,114
	(17,584)	(42,268)	(43,014)	(28,215)	-	(131,081)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Derivative financial liabilities (continued)

Derivative financial liabilities based on contractual undiscounted cash flows (continued):

The Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	**(1,812)**	**(1,877)**	**(8,296)**	**(7,058)**	**4,992**	**(14,051)**
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	**(2,048,093)**	**(2,195,974)**	**(2,745,129)**	**(83,340)**	**-**	**(7,072,536)**
Inflow	**2,047,285**	**2,195,836**	**2,745,140**	**83,340**	**-**	**7,071,601**
	(808)	**(138)**	**11**	**-**	**-**	**(935)**

The Bank 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Derivatives settled on net basis						
Interest rate derivatives	(2,789)	(2,826)	(16,420)	(46,335)	(6,816)	(75,186)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(1,216,574)	(2,036,474)	(1,861,735)	-	-	(5,114,783)
Inflow	1,216,569	2,036,500	1,861,875	-	-	5,114,944
	(5)	26	140	-	-	161

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

The Group 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	6,394,457	-	-	-	-	-	6,394,457
Deposits and placements with banks and other financial institutions	-	1,071,647	98,162	-	-	-	1,169,809
Financial assets at FVTPL	-	-	14,923	1,235	249,582	332,860	598,600
Derivative financial assets	32,003	37,429	36,332	61,722	19,395	-	186,881
Financial investments at FVOCI	5,103	9,972	114,367	2,222,784	1,300,541	224,855	3,877,622
Financial investments at AC	250,582	501,096	325,178	3,411,452	6,946,834	-	11,435,142
Loans, advances and financing	3,455,248	2,453,435	1,368,974	9,626,710	33,573,925	49,776	50,528,068
Trade receivables	527,166	-	-	-	-	-	527,166
Other assets	240,659	1,141	12,815	15,346	2,229	4,536	276,726
Amount due from joint ventures	15,737	-	-	-	-	-	15,737
Amount due from associate	30,888	-	-	-	-	-	30,888
Statutory deposits with Bank Negara Malaysia	68,625	-	-	-	-	-	68,625
Other non-financial assets [1]	135,147	1,941	22,999	24,184	-	3,135,073	3,319,344
	11,155,615	4,076,661	1,993,750	15,363,433	42,092,506	3,747,100	78,429,065

[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, intangibles assets, prepayments and foreclosed properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Group 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	22,510,539	11,087,274	23,507,437	1,688,750	404	-	58,794,404
Investment accounts of customers	-	-	-	1,329	-	-	1,329
Deposits and placements of banks and other financial institutions	2,414,563	351,081	100,396	-	-	-	2,866,040
Derivative financial liabilities	38,045	38,519	47,425	61,119	16,521	-	201,629
Bills and acceptances payable	28,644	-	-	-	-	-	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	669,212	-	-	-	669,212
Trade payables	982,362	-	-	-	-	-	982,362
Lease liabilities	2,331	3,244	7,512	23,785	-	-	36,872
Other liabilities	237,052	24,970	809,910	273,877	37,109	-	1,382,918
Borrowings	12,236	35,845	11,034	-	2,800,000	443,960	3,303,075
Other non-financial liabilities [2]	106,450	73,767	40,668	-	-	8,040	228,925
	26,332,222	11,614,700	25,193,594	2,048,860	2,854,034	452,000	68,495,410
Net liquidity gap	(15,176,607)	(7,538,039)	(23,199,844)	13,314,573	39,238,472	3,295,100	

[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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	5,461,365	-	-	-	-	-	5,461,365
Deposits and placements with banks and other financial institutions	-	50,058	-	-	-	-	50,058
Financial assets at FVTPL	478	638	15,044	1,024	112,542	568,540	698,266
Derivative financial assets	69,597	121,206	94,464	96,082	6,945	-	388,294
Financial investments at FVOCI	160,092	270,736	348,051	3,256,835	8,786,874	211,465	13,034,053
Financial investments at AC	762	-	54,340	87,935	-	-	143,037
Loans, advances and financing	2,889,654	1,777,926	1,474,345	9,535,338	29,783,919	31,696	45,492,878
Trade receivables	920,417	-	-	-	-	-	920,417
Other assets	200,676	2,109	9,118	13,882	2,223	4,585	232,593
Amount due from joint ventures	15,073	-	-	-	-	-	15,073
Amount due from associate	30,885	-	-	-	-	-	30,885
Statutory deposits with Bank Negara Malaysia	103,267	-	-	-	-	-	103,267
Other non-financial assets [1]	54,608	95	18,673	34,257	31,000	2,826,342	2,964,975
	9,906,874	2,222,768	2,014,035	13,025,353	38,723,503	3,642,628	69,535,161

[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, intangibles assets, prepayments and foreclosed properties.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	20,704,088	8,723,378	18,600,070	1,856,824	-	-	49,884,360
Investment accounts of customers	-	-	377	1,774	-	-	2,151
Deposits and placements of banks and other financial institutions	2,742,990	856,711	120,659	-	-	-	3,720,360
Derivative financial liabilities	60,382	127,157	89,826	99,183	13,271	-	389,819
Bills and acceptances payable	67,010	-	-	-	-	-	67,010
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	34	50,000	-	-	50,034
Trade payables	921,392	-	-	-	-	-	921,392
Lease liabilities	1,630	1,753	9,439	37,706	-	-	50,528
Other liabilities	236,813	51,771	613,250	347,540	19,890	-	1,269,264
Borrowings	12,235	36,006	8,121	-	2,800,000	489,093	3,345,455
Other non-financial liabilities [2]	77,091	4,901	109,460	-	-	6,240	197,692
	24,823,631	9,801,677	19,551,236	2,393,027	2,833,161	495,333	59,898,065
Net liquidity gap	(14,916,757)	(7,578,909)	(17,537,201)	10,632,326	35,890,342	3,147,295	

[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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Cash and short-term funds	2,525,482	-	-	-	-	-	2,525,482
Deposits and placements with banks and other financial institutions	-	1,021,639	150,018	-	-	-	1,171,657
Investment accounts due from designated financial institutions	-	-	26,000	624,094	1,175,431	-	1,825,525
Financial assets at FVTPL	-	-	14,923	-	249,582	104,171	368,676
Derivative financial assets	23,069	16,002	17,110	29,064	19,395	-	104,640
Financial investments at FVOCI	-	-	-	-	-	198,148	198,148
Financial investments at AC	250,582	501,096	15,645	3,371,067	4,901,808	-	9,040,198
Loans, advances and financing	2,100,444	1,525,470	959,322	6,458,855	15,835,245	-	26,879,336
Other assets	129,675	-	-	7,097	2,202	-	138,974
Amount due from subsidiaries	758,924	-	-	-	-	-	758,924
Amount due from associate	30,888	-	-	-	-	-	30,888
Statutory deposits with Bank Negara Malaysia	58,325	-	-	-	-	-	58,325
Other non-financial assets [1]	113,306	1,941	19,566	21,079	-	5,174,079	5,329,971
	5,990,695	3,066,148	1,202,584	10,511,256	22,183,663	5,476,398	48,430,744

[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, intangibles assets, prepayments and foreclosed properties.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	11,952,939	5,119,614	15,050,161	1,118,645	404	-	33,241,763
Deposits and placements of banks and other financial institutions	2,231,868	45,855	-	-	-	-	2,277,723
Derivative financial liabilities	24,647	20,442	28,506	35,421	16,521	-	125,537
Bills and acceptances payable	28,644	-	-	-	-	-	28,644
Lease liabilities	1,138	2,063	3,738	22,293	-	-	29,232
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	619,179	-	-	-	619,179
Other liabilities	18,677	-	296,998	228,890	31,321	-	575,886
Amount due to subsidiaries	2,500	-	-	-	-	-	2,500
Borrowings	12,236	35,845	-	-	2,000,000	500,000	2,548,081
Other non-financial liabilities [(2)]	100,226	-	-	-	-	-	100,226
	14,372,875	5,223,819	15,998,582	1,405,249	2,048,246	500,000	39,548,771
Net liquidity gap	(8,382,180)	(2,157,671)	(14,795,998)	9,106,007	20,135,417	4,976,398	

[(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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,887,584	-	-	-	-	-	1,887,584
Investment accounts due from designated financial institutions	-	-	40,312	624,747	1,078,249	-	1,743,308
Financial assets at FVTPL	478	638	15,044	-	112,541	99,222	227,923
Derivative financial assets	51,463	86,238	53,103	33,433	6,945	-	231,182
Financial investments at FVOCI	131,963	38,222	474,870	1,560,131	4,196,009	186,135	6,587,330
Financial investments at AC	-	-	53,025	308,683	-	-	361,708
Loans, advances and financing	1,512,365	1,268,347	1,144,268	6,382,812	14,857,633	-	25,165,425
Other assets	108,376	-	-	6,604	2,196	-	117,176
Amount due from subsidiaries	299,864	-	-	-	-	-	299,864
Amount due from associate	30,885	-	-	-	-	-	30,885
Statutory deposits with Bank Negara Malaysia	84,267	-	-	-	-	-	84,267
Other non-financial assets [1]	54,681	95	14,356	29,566	31,000	4,905,544	5,035,242
	4,161,926	1,393,540	1,794,978	8,945,976	20,284,573	5,190,901	41,771,894

[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, intangibles assets, prepayments and foreclosed properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The Bank 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	10,957,743	4,051,147	11,370,692	1,028,395	-	-	27,407,977
Deposits and placements of banks and other financial institutions	2,014,186	368,786	24,880	-	-	-	2,407,852
Derivative financial liabilities	42,018	80,628	47,892	44,280	13,271	-	228,089
Bills and acceptances payable	67,010	-	-	-	-	-	67,010
Lease liabilities	97	165	2,150	29,430	-	-	31,842
Other liabilities	-	-	351,171	112,339	15,908	-	479,418
Amount due to subsidiaries	2,229	-	-	-	-	-	2,229
Borrowings	12,235	36,006	-	-	2,000,000	500,000	2,548,241
Other non-financial liabilities [2]	70,744	-	-	-	-	-	70,744
	13,166,262	4,536,732	11,796,785	1,214,444	2,029,179	500,000	33,243,402
Net liquidity gap	(9,004,336)	(3,143,192)	(10,001,807)	7,731,532	18,255,394	4,690,901	

[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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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. GBRMC endorses all policies changes relating to operational risk prior to Board's approval. Management Committee Meeting - Governance Risk Compliance ('MCM-GRC') supports GBRMC 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').
- Control Self Testing ('CST').

  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.

Business Risk Compliance Manager ('BRCM') are appointed at business and support units as champions of ORM activities within respective units. The BRCM is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Technology risk

Technology risk refers to any risks emanating from technology failures and cyber threats that may disrupt the Group's and the Bank's 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. Failures or errors in any of the elements above could also lead to adverse reputational impact to the Group and the Bank.

The Group Technology Risk Management Framework and Cyber Resilience 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. GBCMC supports GBRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMC 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 issued the Policy Document on Shariah Governance (BNM/RH/GL_028-100) which supercedes the Shariah Governance Framework (BNM/RH/GL_012_3) issued on 22 October 2010. The Shariah Supervision and Compliance Framework and the Bank's Shariah Risk Management Framework are the main reference for the Shariah supervision and Shariah risk management process within Affin Islamic Bank Berhad.

The Bank's Shariah Committee ('AISC') is established to deliberate on Shariah issues presented to them and provide resolution as well as guidance. MCM together with GBRMC 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 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 via the following tools and methodologies:

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 annnually or as and when there is occurrence of significant events either internal or external;
3. Key Risk Indicator ('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. Control Self Testing ('CST') to validate the effectiveness of control measures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vii) 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').

GBRMC 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. GBCMC supports GBRMC 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 including facilitation of the crisis management.

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.

(viii) Interest rate benchmark reform

Interest rate benchmarks such as interbank offered rates (IBORs) has play an important role in global financial markets. These benchmarks index trillions of dollars in a wide variety of financial products, ranging from mortgages to derivatives. With recent market developments, question has been brought in on the long-term reliability of such benchmarks. In some jurisdictions, it is now a clear steer towards replacing existing benchmarks with alternative, nearly risk-free rates (referred to as 'IBOR reform'). The introduction of new alternative reference rate ('ARR') or IBOR reform aims to facilitate usage of benchmarks rates that are more robust and based upon transaction in active, liquid markets. As at 31 December 2021, the Group and the Bank has exposure to Kuala Lumpur Interbank Offered Rate ('KLIBOR'), London Interbank Offered Rate denominated in USD ('USD LIBOR') and AUD Bank Bill Swap ('BBSW') on its financial instruments.

On 27 September 2021, in line with the London Interbank Offered Rate ('LIBOR') reforms after the Global Financial Crisis, BNM has announced the launch of the MYOR as the new ARR for Malaysia. Globally, ARRs are being introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates. The MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ('KLIBOR') with periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market. The availability of two financial benchmark rates provides market participants with the flexibility to choose the rate that best suits their needs and facilitates the development of MYOR-based products.

The BNM will also discontinue the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts, on 1 January 2023. The remaining 1-, 3- and 6-month KLIBOR tenors, which continue to reflect an active underlying market, will be reviewed in the second half of 2022. The BNM has also indicated that it is in the midst of developing a new Islamic benchmark rate to replace the Kuala Lumpur Islamic Reference Rate ('KLIRR'), by the first half of 2022.

There remain key differences between KLIBOR and MYOR. KLIBOR is a 'term rate', which means it is published for a borrowing period (i.e. 3- or 6-month tenor) and is 'forward looking', because it is published at the beginning of the borrowing period. MYOR likewise, is a 'backward-looking' rate, based on unsecured overnight Malaysian Ringgit interbank transactions in the Malaysian financial market, and it is published on the next business day (i.e. at the end of the overnight borrowing period). Furthermore, KLIBOR includes a credit spread over the risk-free rate, while MYOR currently does not. On transition existing contracts and agreements that reference KLIBOR to MYOR, adjustments for term and credit differences might need to be applied to MYOR, to enable the two benchmark rates to be economically equivalent on transition.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(viii) Interest rate benchmark reform (continued)

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

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

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

As at 31 December 2021, changes required to systems, processes and models have been identified and have been partially implemented. The Bank has identified all KLIBOR-linked contracts as at 31 December 2021 and all contracts was referenced to 3-month KLIBOR. The Group and the Bank will closely monitor the regulators' announcements on MYOR or discontinuation of publication of the KLIBOR for the relevant tenors and continues to engage with industry participants, to ensure an orderly transition to MYOR and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with KLIBOR replacement.

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

	Principal amount		Of which contract yet to transition to an alternative benchmark interest rate	
The Group 2021	**Assets RM'000**	**Liabilities RM'000**	**Assets RM'000**	**Liabilities RM'000**
Commitments and contigencies				
Foreign exchange derivatives				
- less than one year	207,100	-	207,100	-
Interest rate related contracts				
- less than one year	440,000	695,000	440,000	695,000
- one year to less than five years	2,500,000	2,278,000	2,500,000	2,278,000
- more than five years	510,000	480,000	510,000	480,000
	3,450,000	3,453,000	3,450,000	3,453,000
The Bank 2021				
Commitments and contigencies				
Foreign exchange derivatives				
- less than one year	207,100	-	207,100	-
Interest rate related contracts				
- less than one year	90,000	265,000	90,000	265,000
- one year to less than five years	1,240,000	1,388,000	1,240,000	1,388,00
- more than five years	510,000	480,000	510,000	480,000
	1,840,000	2,133,000	1,840,000	2,133,000

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51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(viii) Interest rate benchmark reform (continued)

In 2021, it was announced that the LIBOR was going to be discontinued. It was noted that publication of the 1-week and 2-month USD LIBOR maturities and all non-USD LIBOR maturities would cease immediately after 31 December 2021, with the remaining USD LIBOR maturities ceasing immediately after 30 June 2023. During the previous financial year, the Group has identified a USD term loan which was referenced to 3-month USD LIBOR, payable quarterly on stepped up basis. As the Group applied the practical expedient, whereby the Group did not derecognise or adjust the carrying amount of the USD term loan for modifications required by IBOR reform, but instead updated the effective interest rate to reflect the change in the interest rate benchmark.

For Bank Bill Swap Rate ('BBSW') AUD Floating Rate Notes ('FRN'), the Group and the Bank will let the FRNs expired naturally without any need for BBSW fallback since the Reserve Bank of Australia ('RBA') in 2021 had announced that this is the allowable convention in Australia to treat legacy FRNs.

(ix) 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 quoted 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 (2020: Nil).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) 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:

The Group 2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**249,582**	**-**	**249,582**
- Corporate bonds/Sukuk	**-**	**1,008**	**14,923**	**15,931**
- Shares and unit trusts	**228,916**	**-**	**104,171**	**333,087**
Derivative financial assets	**-**	**186,881**	**-**	**186,881**
Financial investments at FVOCI				
- Money market instruments	**-**	**2,007,150**	**-**	**2,007,150**
- Shares, unit trusts and REITs	**-**	**-**	**224,855**	**224,855**
- Corporate bonds/Sukuk	**-**	**1,645,617**	**-**	**1,645,617**
Total	**228,916**	**4,090,238**	**343,949**	**4,663,103**
Financial Liabilities				
Derivative financial liabilities	**-**	**201,629**	**-**	**201,629**
Puttable liability - investment in funds	**33,442**	**-**	**-**	**33,442**
Other liabilities - equities trading	**2,853**	**-**	**-**	**2,853**
Total	**36,295**	**201,629**	**-**	**237,924**

The Group 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	-	113,657	-	113,657
- Corporate bonds/Sukuk	-	58,494	15,044	73,538
- Shares and unit trusts	411,849	-	99,222	511,071
Derivative financial assets	-	388,294	-	388,294
Financial investments at FVOCI				
- Money market instruments	-	5,964,994	-	5,964,994
- Shares, unit trusts and REITs	-	-	211,465	211,465
- Corporate bonds/Sukuk	-	6,857,594	-	6,857,594
Total	411,849	13,383,033	325,731	14,120,613
Financial Liabilities				
Derivative financial liabilities	-	389,819	-	389,819
Puttable liability - investment in funds	84,268	-	-	84,268
Other liabilities - equities trading	394	-	-	394
Total	84,662	389,819	-	474,481

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51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) 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 (continued):

The Bank 2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**249,582**	**-**	**249,582**
- Corporate bonds/Sukuk	**-**	**-**	**14,923**	**14,923**
- Unquoted shares	**-**	**-**	**104,171**	**104,171**
Derivative financial assets	**-**	**104,640**	**-**	**104,640**
Financial investments at FVOCI				
- Unquoted shares	**-**	**-**	**198,148**	**198,148**
Total	**-**	**354,222**	**317,242**	**671,464**
Financial Liabilities				
Derivative financial liabilities	**-**	**125,537**	**-**	**125,537**
Total	-	**125,537**	**-**	**125,537**

The Bank 2020				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	-	113,657	-	113,657
- Corporate bonds/Sukuk	-	-	15,044	15,044
- Unquoted shares	-	-	99,222	99,222
Derivative financial assets	-	231,182	-	231,182
Financial investments at FVOCI				
- Money market instruments	-	3,002,261	-	3,002,261
- Unquoted shares	-	-	186,135	186,135
- Corporate bonds/Sukuk	-	3,398,934	-	3,398,934
Total	-	6,746,034	300,401	7,046,435
Financial Liabilities				
Derivative financial liabilities	-	228,089	-	228,089
Total	-	228,089	-	228,089

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At beginning of the financial year	**325,731**	290,070	**300,401**	267,057
Sales/Redemption	**(252)**	-	**(252)**	-
Net changes in income accrued	**-**	4	**-**	4
Total gains recognised in other comprehensive income	**18,470**	35,657	**17,093**	33,340
At end of the financial year	**343,949**	325,731	**317,242**	300,401

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 2021 RM'000	Fair value assets 2020 RM'000	Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL					
The Group/The Bank					
Unquoted shares	**104,171**	99,222	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
Corporate bond	**14,923**	15,044	Issue price of 100	-	-
Financial investments at FVOCI					
The Group					
Unquoted shares	**224,855**	211,465	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
The Bank					
Unquoted shares	**198,148**	186,135	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

The Group 2021	Carrying amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Deposits and placements with banks and other financial institutions	**1,169,809**	**-**	**1,170,082**	**-**	**1,170,082**
Financial investments at AC	**11,435,142**	**-**	**10,873,804**	**-**	**10,873,804**
Loans, advances and financing	**50,528,068**	**-**	**50,708,395**	**-**	**50,708,395**
	63,133,019	**-**	**62,752,281**	**-**	**62,752,281**
Financial liabilities					
Deposits from customers	**58,794,404**	**-**	**58,836,536**	**-**	**58,836,536**
Recourse obligation on loans/financing sold to Cagamas Berhad	**669,212**	**-**	**654,508**	**-**	**654,508**
Borrowings	**3,303,075**	**-**	**3,359,530**	**-**	**3,359,530**
	62,766,691	**-**	**62,850,574**	**-**	**62,850,574**

The Group 2020	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Financial investments at AC	143,037	-	145,820	-	145,820
Loans, advances and financing	45,492,878	-	45,497,122	-	45,497,122
	45,635,915	-	45,642,942	-	45,642,942
Financial liabilities					
Deposits from customers	49,884,360	-	49,926,420	-	49,926,420
Recourse obligation on loans/financing sold to Cagamas Berhad	50,034	-	48,112	-	48,112
Borrowings	3,345,455	-	3,446,434	-	3,446,434
	53,279,849	-	53,420,966	-	53,420,966

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/ on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values (continued).

The Bank 2021	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
Financial assets					
Deposits and placements with banks and other financial institutions	**1,171,657**	**-**	**1,171,880**	**-**	**1,171,880**
Investment accounts due from designated financial institutions	**1,825,525**	**-**	**1,848,847**	**-**	**1,848,847**
Financial investments at AC	**9,040,198**	**-**	**8,660,216**	**-**	**8,660,216**
Loans, advances and financing	**26,879,336**	**-**	**26,945,898**	**-**	**26,945,898**
	38,916,716	**-**	**38,626,841**	**-**	**38,626,841**
Financial liabilities					
Deposits from customers	**33,241,763**	**-**	**33,258,366**	**-**	**33,258,366**
Recourse obligation on loans/financing sold to Cagamas Berhad	**619,179**	**-**	**605,232**	**-**	**605,232**
Borrowings	**2,548,081**	**-**	**2,576,706**	**-**	**2,576,706**
	36,409,023	**-**	**36,440,304**	**-**	**36,440,304**

The Bank 2020	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
Investment accounts due from designated financial institutions	1,743,308	-	1,742,901	-	1,742,901
Financial assets					
Financial investments at AC	361,708	-	364,491	-	364,491
Loans, advances and financing	25,165,425	-	25,160,778	-	25,160,778
	27,270,441	-	27,268,170	-	27,268,170
Financial liabilities					
Deposits from customers	27,407,977	-	27,423,210	-	27,423,210
Borrowings	2,548,241	-	2,619,271	-	2,619,271
	29,956,218	-	30,042,481	-	30,042,481

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 2021

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) 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/liabilities and trade receivables/payables

The carrying value less any estimated allowance for financial assets and liabilities included in other assets/liabilities and trade receivables/payables are assumed to approximate their fair values.

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

Deposits from customers, banks and other financial institutions, investment accounts 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 2021

52 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 2021

52 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Effects of offsetting on the statements of financial position			Related amounts not offset in the balance sheet		
The Group 2021	**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**
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**371,309**	**(371,309)**	**-**	**-**	**-**	**-**
Derivative financial assets	**186,881**	**-**	**186,881**	**(98,409)**	**-**	**88,472**
Total assets	**558,190**	**(371,309)**	**186,881**	**(98,409)**	**-**	**88,472**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**501,041**	**(371,309)**	**129,732**	**-**	**-**	**129,732**
Derivative financial liabilities	**201,629**	**-**	**201,629**	**(98,409)**	**(6,838)**	**96,382**
Total liabilities	**702,670**	**(371,309)**	**331,361**	**(98,409)**	**(6,838)**	**226,114**
The Group 2020						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	985,691	(985,691)	-	-	-	-
Derivative financial assets	388,294	-	388,294	(110,184)	-	278,110
Total assets	1,373,985	(985,691)	388,294	(110,184)	-	278,110
Financial liabilities						
Trade payables Securities Clearing Sdn Bhd	1,083,932	(985,691)	98,241	-	-	98,241
Derivative financial liabilities	389,819	-	389,819	(110,184)	(2,972)	276,663
Total liabilities	1,473,751	(985,691)	488,060	(110,184)	(2,972)	374,904

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

52 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Effects of offsetting on the statements of financial position			Related amounts not offset in the balance sheet		
The Bank 2021	**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**
Financial assets						
Derivative financial assets	**104,640**	**-**	**104,640**	**(74,225)**	**-**	**30,415**
Financial liabilities						
Derivative financial liabilities	**125,537**	**-**	**125,537**	**(74,225)**	**-**	**51,312**
The Bank 2020						
Financial assets						
Derivative financial assets	231,182	-	231,182	(66,709)	-	164,473
Financial liabilities						
Derivative financial liabilities	228,089	-	228,089	(66,709)	-	161,380

53 CAPITAL MANAGEMENT

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) updated on 9 December 2020.

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% (2020: 7.000%) and 8.500% (2020: 8.500%) respectively for financial year 2021. The minimum regulatory capital adequacy requirement is 10.500% (2020: 10.500%) 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 have elected to apply BNM's transitional arrangements for four years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to add back the amount of loss allowance measured at an amount equal to 12 - month ECL and Lifetime ECL to the extent they are ascribed to non-credit impaired exposures (which is Stage 1 and Stage 2 provisions) to CET 1 capital.

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 54 below summarises the composition of regulatory capital and the ratios of the Group and the Bank for the financial year ended 31 December 2021.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

54 CAPITAL ADEQUACY

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
The components of CET 1, Tier 1 and Tier 2 capital:				
CET 1				
Paid-up share capital	**4,969,150**	4,902,300	**4,969,150**	4,902,300
Retained profits	**4,163,442**	3,682,234	**3,119,461**	2,799,501
Unrealised gains on FVOCI instruments	**90,473**	266,412	**157,267**	183,078
Other disclosed reserves	**(88,737)**	(65,909)	**-**	-
Foreign exchange reserves	**39**	(205)	**-**	-
	9,134,367	8,784,832	**8,245,878**	7,884,879
Less: Regulatory adjustments:				
- Goodwill and other intangibles	**(895,850)**	(903,750)	**(198,733)**	(202,212)
- Deferred tax assets	**(223,344)**	(112,158)	**(111,900)**	(54,607)
- 55% of cumulative unrealised gains on FVOCI instruments	**(49,760)**	(146,527)	**(86,497)**	(100,693)
- Investment in subsidiaries, joint ventures and associates	**(907,293)**	(896,114)	**(3,796,621)**	(3,796,621)
- Other CET 1 transitional adjustment	**341,998**	100,517	**238,228**	61,224
Total CET 1 capital	**7,400,118**	6,826,800	**4,290,355**	3,791,970
Additional Tier 1 capital				
Additional Tier 1 capital	**800,000**	800,000	**500,000**	500,000
Qualifying capital instruments held by third party	**32,933**	31,015	**-**	-
	832,933	831,015	**500,000**	500,000
Total Tier 1 capital	**8,233,051**	7,657,815	**4,790,355**	4,291,970
Tier 2 capital				
Subordinated medium term loans	**2,455,000**	2,500,000	**2,000,000**	2,000,000
Expected loss provisions #	**277,775**	324,592	**170,816**	200,424
Less: Regulatory adjustments:				
- Investment in capital instruments of unconsolidated financial and insurance entities	**(30,914)**	(30,914)	**(375,914)**	(330,914)
Total Tier 2 capital	**2,701,861**	2,793,678	**1,794,902**	1,869,510
Total Capital	**10,934,912**	10,451,493	**6,585,257**	6,161,480
The breakdown of risk-weighted assets:				
Credit risk	**46,962,011**	42,706,201	**29,381,798**	26,888,591
Market risk	**781,246**	814,122	**567,804**	373,667
Operational risk	**3,580,698**	3,403,072	**1,671,929**	1,657,613
Total risk-weighted assets	**51,323,955**	46,923,395	**31,621,531**	28,919,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

54 CAPITAL ADEQUACY (CONTINUED)

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Capital adequacy ratios:				
With transitional arrangements				
CET 1 capital ratio	**14.418%**	14.549%	**13.568%**	13.112%
Tier 1 capital ratio	**16.041%**	16.320%	**15.149%**	14.841%
Total capital ratio	**21.306%**	22.274%	**20.825%**	21.305%
CET 1 capital ratio (net of proposed dividends) Note 1	**14.198%**	14.517%	**13.209%**	13.061%
Tier 1 capital ratio (net of proposed dividends) Note 1	**15.820%**	16.288%	**14.791%**	14.790%
Total capital ratio (net of proposed dividends) Note 1	**21.085%**	22.242%	**20.467%**	21.254%
Without transitional arrangements				
CET 1 capital ratio	**13.752%**	14.335%	**12.814%**	12.900%
Tier 1 capital ratio	**15.375%**	16.106%	**14.396%**	14.629%
Total capital ratio	**21.242%**	22.274%	**20.693%**	21.305%
CET 1 capital ratio (net of proposed dividends) Note 1	**13.531%**	14.303%	**12.456%**	12.849%
Tier 1 capital ratio (net of proposed dividends) Note 1	**15.154%**	16.074%	**14.037%**	14.578%
Total capital ratio (net of proposed dividends) Note 1	**21.021%**	22.242%	**20.335%**	21.254%

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

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 2019.

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 2021, RIA assets included in the Total Capital Ratio calculation amounted to RM1,834.6 million (2020: RM1,754.9 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

54 CAPITAL ADEQUACY (CONTINUED)

The capital adequacy ratios of the AFFIN Islamic is as follows:

	Economic Entity		The Bank	
	2021	**2020**	**2021**	**2020**
With transitional arrangements				
CET 1 capital ratio	**12.138%**	12.234%	**12.138%**	12.234%
Tier 1 capital ratio	**13.873%**	14.226%	**13.873%**	14.226%
Total capital ratio	**19.027%**	20.271%	**19.027%**	20.271%
Without transitional arrangements				
CET 1 capital ratio	**11.669%**	12.025%	**11.669%**	12.025%
Tier 1 capital ratio	**13.404%**	14.017%	**13.404%**	14.017%
Total capital ratio	**19.027%**	20.271%	**19.027%**	20.271%

The capital adequacy ratios of the AFFIN Hwang Investment Bank Berhad is as follows:

	The Group		The Bank	
	2021	**2020**	**2021**	**2020**
With transitional arrangements				
CET 1 capital ratio	**31.426%**	35.119%	**45.802%**	47.060%
Tier 1 capital ratio	**32.508%**	36.047%	**45.802%**	47.060%
Total capital ratio	**33.028%**	36.463%	**46.578%**	47.666%
CET 1 capital ratio (net of proposed dividends)	**31.426%**	34.071%	**45.802%**	45.531%
Tier 1 capital ratio (net of proposed dividends)	**32.508%**	34.999%	**45.802%**	45.531%
Total capital ratio (net of proposed dividends)	**33.028%**	35.415%	**46.578%**	46.136%
Without transitional arrangements				
CET 1 capital ratio	**30.665%**	34.817%	**44.641%**	46.623%
Tier 1 capital ratio	**31.747%**	35.746%	**44.641%**	46.623%
Total capital ratio	**32.437%**	36.427%	**45.416%**	47.326%
CET 1 capital ratio (net of proposed dividends)	**30.665%**	33.769%	**44.641%**	45.094%
Tier 1 capital ratio (net of proposed dividends)	**31.747%**	34.698%	**44.641%**	45.094%
Total capital ratio (net of proposed dividends)	**32.437%**	35.379%	**45.416%**	45.797%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 above Claim against the Bank by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which 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 materialize 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	
	2021	**2020**	**2021**	**2020**
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**6,267,310**	4,708,237	**4,077,841**	3,049,997
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**8%**	6%	**9%**	7%
(iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default	**Nil**	Nil	**Nil**	Nil

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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, Enterprise Banking and Community Banking.

Corporate Banking and Enterprise 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.

Community 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 2021

57 SEGMENT ANALYSIS (CONTINUED)

2021	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	1,527,033	702,215	-	11,908	-	2,241,156
Intersegment revenue	266,547	(126)	-	813	(267,234)	-
Segment revenue	1,793,580	702,089	-	12,721	(267,234)	2,241,156
Operating expenses of which:	(963,368)	(383,678)	-	(11,401)	4,834	(1,353,613)
Depreciation of property and equipment	(19,785)	(9,934)	-	(200)	-	(29,919)
Depreciation of right-of-use assets	(33,939)	(9,769)	-	(350)	-	(44,058)
Amortisation of intangible assets	(22,232)	(5,708)	-	(10)	-	(27,950)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities/ other assets	(182,723)	(36,963)	-	-	(2,976)	(222,662)
Segment results	647,489	281,448	-	1,320	(265,376)	664,881
Share of results of a joint venture *	-	-	2,565	-	-	2,565
Share of results of associates *	-	-	42,826	-	-	42,826
Profit before zakat and taxation	647,489	281,448	45,391	1,320	(265,376)	710,272
Zakat	(3,660)	(2,758)	-	-	-	(6,418)
Profit before taxation	643,829	278,690	45,391	1,320	(265,376)	703,854
Taxation						(123,531)
Net profit for the financial year						580,323
Segment assets	69,353,693	8,108,105	-	14,587	-	77,476,385
ROU assets	38,763	6,240	-	384	-	45,387
Investment in joint ventures	-	-	181,853	-	-	181,853
Investment in associates	-	-	725,440	-	-	725,440
Total segment assets						78,429,065
Segment liabilities						
Total segment liabilities	62,735,856	5,757,664	-	1,890	-	68,495,410
Other information						
Capital expenditure	284,414	6,372	-	1,409	-	292,195

* net of tax

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

57 SEGMENT ANALYSIS (CONTINUED)

2020	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	1,434,767	817,860	-	12,272	-	2,264,899
Intersegment revenue	195,869	(2,870)	-	907	(193,906)	-
Segment revenue	1,630,636	814,990	-	13,179	(193,906)	2,264,899
Operating expenses	(920,135)	(422,469)	-	(10,787)	2,406	(1,350,985)
of which:						
Depreciation of property and equipment	(18,649)	(11,278)	-	(138)	-	(30,065)
Depreciation of right-of-use assets	(27,391)	(9,916)	-	(352)	-	(37,659)
Amortisation of intangible assets	(23,370)	(14,702)	-	(34)	-	(38,106)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities/ other assets	(514,771)	(49,620)	-	-	2,793	(561,598)
Segment results	195,730	342,901	-	2,392	(188,707)	352,316
Share of results of a joint venture*	-	-	(394)	-	-	(394)
Share of results of associates*	(750)	1,146	41,862	-	-	42,258
Profit before zakat and taxation	194,980	344,047	41,468	2,392	(188,707)	394,180
Zakat	(2,540)	(4,929)	-	-	-	(7,469)
Profit before taxation	192,440	339,118	41,468	2,392	(188,707	386,711
Taxation						(113,863)
Net profit for the financial year						272,848
Segment assets	60,298,160	8,246,991	-	13,389	-	68,558,540
ROU assets	65,793	15,343	-	734	-	81,870
Investment in joint ventures	-	-	180,398	-	-	180,398
Investment in associates	-	4,108	711,608	-	-	715,716
Total segment assets						69,536,524
Segment liabilities						
Total segment liabilities	53,980,803	5,916,438	-	2,187	-	59,899,428
Other information						
Capital expenditure	284,989	23,805	-	1,223	-	310,017

* net of tax

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

58 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The Government of Malaysia reintroduced the movement control order and introduced the national recovery plan in order to curb the soaring number of Covid-19 cases in 2021. The movement control order and the national recovery plan, have a negative impact on the Bank's results. The Bank is not able to predict the potential future direct or indirect effects resulting from the movement control order. However, the Bank is taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

59 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

On 28 January 2022, AHIB, certain key senior management ('KSM') of AHAM and Starlight Asset Sdn Bhd, an investment holding vehicle incorporated by funds advised by CVC Capital Partners ('Starlight Asset' or 'Purchaser'), entered into a conditional share sale and purchase agreement ('SPA') for the proposed disposal of 7,594,338 ordinary shares in AHAM, representing approximately 68.4% of the equity interest in AHAM, for a provisional cash consideration of RM1,537.9 million, subject to certain price adjustments as well as the terms and conditions as set out in the SPA. AHIB and AHAM KSM are collectively referred to as the 'Vendors'.

	No. of shares (1)	Sale shares %	Provisional cash consideration RM'000
Vendors			
AHIB	7,000,000	63.0	1,417.5
AHAM KSM (2)	594,338	5.4	120.4
Other operating expenses	7,594,338	68.4	1,537.9

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

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

Details of the proposed disposal

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

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

Upon completion of the Proposed Disposal, AHAM will cease to be a subsidiary of the Group.

As at 31 December 2021, AHAM is part of the Investment Banking segment of the Group.

Salient terms of the SPA

The SPA is subject to and conditional upon the following:

- AHAM and AIIMAN obtaining a written approval from the Securities Commission ('SC') for the following:
  - (i) Change in AHAM and AIIMAN's shareholding resulting in a change of their controlling shareholder (AHIB);
  - (ii) The Purchaser to be a related corporation of AHAM and AIIMAN or an entity as may be approved by the SC pursuant to the Licensing Handbook issued by the SC; and
  - (iii) Change in AHAM's name.
- The approval of the shareholders of the Bank for the Proposed Disposal at an Extraordinary General Meeting ('EGM') to be convened.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, DATO' AGIL NATT and GREGORY JEROME GERALD FERNANDES, two of the Directors of AFFIN BANK BERHAD, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 189 to 370 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 2021 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

GREGORY JEROME GERALD FERNANDES
Director

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, JOANNE RODRIGUES, 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 189 to 370, 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.

JOANNE RODRIGUES
MIA No. CA17745

Subscribed and solemnly declared by the above named JOANNE RODRIGUES at Kuala Lumpur in Malaysia on 30 March 2022, before me.

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION 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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 189 to 370.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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)
REGISTRATION NO: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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
Impairment of loans, advances and financing assets - RM889,272,000 (expected credit losses) (Refer to Summary of Significant Accounting Policies Note H (d), Note AF and Note 9 to the financial statement). 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. 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: Timing of identification of Stage 2 and Stage 3 loans, advances and financing • Assessment of objective evidence of impairment of loans, advances and financing based on mandatory and judgemental symptoms. • Identification of loans, advances and financing that have experienced a significant increase in credit risk. *Individual assessment* • Estimates on the amount and timing of futures cash flows based on realisation of collateral or borrowers' business cash flows.	We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered: • 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. Our detailed testing over the loans, advances and financing were as below: *Individual assessment* 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 accounts, particular focus on the impact of Covid-19 on high risk industries and borrowers that applied for moratorium and formed our own judgement on whether the occurrence of loss event or significant increase in credit risk had been identified. 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters (continued)

Collective assessment

- 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 51 Financial Risk Management – credit quality of financial assets.

How our audit addressed the key audit matters (continued)

Collective assessment

Where ECL was calculated on a collective basis, our testing, on a sample basis, included the following:

- 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.
- Assessed and considered the reasonableness of forwardlooking forecasts assumptions, taking into consideration of the economic uncertainty arising from Covid-19.
- Assessed and tested the identification and calculation of overlay adjustments to the ECL due to the impact of Covid-19.
- 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters (continued)	How our audit addressed the key audit matters (continued)
Impairment assessment of goodwill – RM826,944,000 (Refer to Summary of Significant Accounting Policies Note D, Note AF and Note 22 to the financial statement). Goodwill amounting to RM826,944,000 arose from previous acquisitions and is allocated to Business Banking, Community Banking, Investment Banking, Stock-broking, Asset Management and Money-broking cash generating units ('CGUs'). The Bank determines the recoverable amount of the CGUs based on the value-in-use calculations.	We satisfied ourselves with the procedures performed below on the management's assumptions used in the impairment model. We have compared cash flow projections to the budgets, which were approved by the respective subsidiaries' Board of Directors, taking into account the impact of Covid-19. 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. 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 recalculating 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. We have assessed the sensitivity of the impairment assessment for each of the CGU by varying the following: • underlying assumptions applied on the budgeted cash flows in relation to compounded annual growth rates; and • additional sensitivity performed on the discount rates to reflect the Covid-19 uncertainties.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Annual Report 2021, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(INCORPORATED IN MALAYSIA)
REGISTRATION NO: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regardingindependence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit ofthe 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

SOO HOO KHOON YEAN
02682/10/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 March 2022

BASEL II
PILLAR 3 DISCLOSURES

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BASEL II PILLAR 3 DISCLOSURES

AS AT 31 DECEMBER 2021

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 framework 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) ('RWCAF') - 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
  - Standardised Approach for Market Risk
  - Basic Indicator Approach for Operational 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 2021. 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 2021 Annual Report for the year ended 31 December 2021.

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. The Group incorporates those activities relating to Islamic banking business which have been undertaken by AFFIN Islamic, a wholly owned subsidiary of the Bank.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group and the Bank.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year ended 31 December 2021.

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

2. RISK GOVERNANCE STRUCTURE

2.1 Overview

The Board of Directors of the Group and the Bank are ultimately responsible for the overall performance of the Group and 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 Group and 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 Group and 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 controls. The Board also recognises that risks cannot be eliminated completely. As such, the inherent system of internal controls 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 their 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 Committee

<u>Group Board Nomination and Remuneration Committee ('GBNRC')</u>

The GBNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, Chief Executive Officer and Senior Management. The GBNRC develops the remuneration policy for Directors, Chief Executive Officer, 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 Chief Executive Officer as well as Senior Management. The Committee obtains advice from experts in compensation and benefits, both internally and externally.

<u>Group Board Compliance Committee ('GBCC')</u>

The GBCC is responsible for overseeing, assessing and examining the adequacy of group compliance management frameworks including the policies, procedures and processes of the Group and the Bank. The Committee assists the Board in 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 BNM, Securities Commission and Bursa Malaysia. It reviews and recommends compliance risk management philosophy and strategy for Board's approval, also 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.

<u>Group Board Risk Management Committee ('GBRMC')</u>

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 is in place and functioning effectively.

It is responsible for setting the overall tone of the Group and the Bank's risk strategy and ensuring effective communication and integration of risk appetite within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management policies, guidelines and reports.

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

2. RISK GOVERNANCE STRUCTURE (continued)

2.2 Board Committee (continued)

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

The GBCRRC is responsible for providing critical review of financing and other credit facilities with high risk implications and vetoing 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 Group and the Bank have an established Group Internal Audit Division ('GIA') which reports functionally to the GBAC and administratively to the President & Group Chief Executive Officer ('PGCEO') of AFFIN Bank Berhad.

Group Board Information Technology Committee ('GBITC')

The GBITC is responsible to oversee overall development, risk management, integration and alignment of Information Technology (IT) strategy, plan with Affin Bank Group business strategy. Leveraging on technology for new business models, changing business practices, driving competitive advantage and empowering next level thinking. GBITC also oversees the AIM 22 (Affinity In Motion 22) strategic program, to ensure alignment with the business strategic objectives and AIM 22 is implemented effectively in a timely manner.

Shariah Committee ('SC')

The SC 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 SC include advising the Board on Shariah matters to ensure that the business operations of the Group and the Bank comply with Shariah principles at all times. SC is also responsible for endorsing and validating relevant documentations of the Group and the Bank's products to ensure that the products comply with Shariah principles and advising the Group and the Bank on matters to be referred to the Shariah Advisory Council.

2.3 Group Management Committee

Group Management Committee ('GMC')

The GMC comprises the senior management team chaired by PGCEO. GMC 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 Group and the Bank's corporate objectives, strategies, policies as well as Annual Business Plan and Budget.

The GMC is supported by the following sub-committees:

- Islamic
- Capital Management
- 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 financings and workout/recovery proposals beyond the delegated authority of the individual approvers.

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

2. RISK GOVERNANCE STRUCTURE (continued)

2.3 Group Management Committee (continued)

Group Asset and Liability Management Committee ('GALCO')

The GALCO comprising the senior management team chaired by the PGCEO, 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.

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 GBRMC 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.

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 the GBRMC to preserve the independence of the risk management function.

The independence of the risk management 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, taking into the differences in each subsidiary's business model.

Committees namely GBCRRC, SC, GMC, GMCC, GALCO, GMC-GRC and GEAC assist GBRMC 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 a recommendation made by the GIA are addressed at GBAC and Management meetings on a bi-monthly basis. The GBAC also conducts annual reviews on the adequacy of the 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 guideline on Risk-Weighted Capital Adequacy Framework - Internal Capital Adequacy Assessment Process (Pillar 2), the Group and the Bank have put in place the ICAAP Framework to assess the capital adequacy to ensure that the level of capital maintained by the Group and the Bank is adequate at all times, taking into consideration the Group and the Bank's risk profile and business strategies.

The Group and 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 Group and 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 2021

3. CAPITAL MANAGEMENT (continued)

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% (2020: 7.000%) and 8.500% (2020: 8.500%) respectively for year 2021. The minimum regulatory capital adequacy requirement is 10.500% (2020: 10.500%) 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 2021.

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Paid-up share capital	**4,969,150**	4,902,300	**4,969,150**	4,902,300
Retained profits	**4,163,442**	3,682,234	**3,119,461**	2,799,501
Unrealised gains on FVOCI instruments	**90,473**	266,412	**157,267**	183,078
Other disclosed reserves	**(88,737)**	(65,909)	**-**	-
Foreign exchange reserves	**39**	(205)	**-**	-
	9,134,367	8,784,832	**8,245,878**	7,884,879
Less: Regulatory adjustments				
Goodwill and other intangibles	**(895,850)**	(903,750)	**(198,733)**	(202,212)
Deferred tax assets	**(223,344)**	(112,158)	**(111,900)**	(54,607)
55% cumulative unrealised gains on FVOCI instruments	**(49,760)**	(146,527)	**(86,497)**	(100,693)
Investment in subsidiaries, joint ventures and associates	**(907,293)**	(896,114)	**(3,796,621)**	(3,796,621)
Other CET1 transitional adjustment	**341,998**	100,517	**238,228**	61,224
CET1 capital	**7,400,118**	6,826,800	**4,290,355**	3,791,970
Additional Tier 1 Capital				
Additional Tier 1 Capital	**800,000**	800,000	**500,000**	500,000
Qualifying capital instruments held by third parties	**32,933**	31,015	**-**	-
	832,933	831,015	**500,000**	500,000
Total Tier 1 Capital	**8,233,051**	7,657,815	**4,790,355**	4,291,970
Subordinated term financing and medium term notes (MTNs)	**2,455,000**	2,500,000	**2,000,000**	2,000,000
Qualifying loss provisions #	**277,775**	324,592	**170,816**	200,424
Less: Regulatory adjustments				
Investment in capital instruments of unconsolidated financial and insurance entities	**(30,914)**	(30,914)	**(375,914)**	(330,914)
Total Tier 2 capital	**2,701,861**	2,793,678	**1,794,902**	1,869,510
Total capital	**10,934,912**	10,451,493	**6,585,257**	6,161,480
Risk weighted assets for:				
Credit risk	**46,962,011**	42,706,201	**29,381,798**	26,888,591
Market risk	**781,246**	814,122	**567,804**	373,667
Operational risk	**3,580,698**	3,403,072	**1,671,929**	1,657,613
Total risk weighted assets	**51,323,955**	46,923,395	**31,621,531**	28,919,871

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

3. CAPITAL MANAGEMENT (continued)

3.2 Capital Structure (continued)

	The Group		The Bank	
	2021	2020	2021	2020
Capital adequacy ratios:				
With transitional arrangements *				
CET 1 capital ratio	**14.418%**	14.549%	**13.568%**	13.112%
Tier 1 capital ratio	**16.041%**	16.320%	**15.149%**	14.841%
Total capital ratio	**21.306%**	22.274%	**20.825%**	21.305%
Net of proposed dividends (Note 1)				
CET 1 capital ratio	**14.198%**	14.517%	**13.209%**	13.061%
Tier 1 capital ratio	**15.820%**	16.288%	**14.791%**	14.790%
Total capital ratio	**21.085%**	22.242%	**20.467%**	21.254%
Without transitional arrangements				
CET 1 capital ratio	**13.752%**	14.335%	**12.814%**	12.900%
Tier 1 capital ratio	**15.375%**	16.106%	**14.396%**	14.629%
Total capital ratio	**21.242%**	22.274%	**20.693%**	21.305%
Net of proposed dividends (Note 1)				
CET 1 capital ratio	**13.531%**	14.303%	**12.456%**	12.849%
Tier 1 capital ratio	**15.154%**	16.074%	**14.037%**	14.578%
Total capital ratio	**21.021%**	22.242%	**20.335%**	21.254%

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

* The Group and the Bank have elected to apply BNM's transitional arrangement for four financial years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), to CET1 capital.

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 2019.

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.

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 Group. As at 31 December 2021, RIA assets included in the Total Capital Ratio calculation amounted to RM1,834.6 million (2020: RM1,754.9 million).

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PILLAR 3 DISCLOSURES
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3. CAPITAL MANAGEMENT (continued)

3.2 Capital Structure (continued)

The Group and the Bank have issued capital instruments which qualify as components of regulatory capital under the BNM RWCAF (Capital Components), as summarised in the following table:

	Capital Instruments	Capital Component	Main Features
Issued by the Group and the Bank:			
(a)	Additional Tier-1 Capital Securities (‘AT1CS’)	Tier 1 Capital	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 issued on a perpetual non-callable 5-year basis, at a coupon rate of 5.80% per annum. The AT1CS was issued for the purpose of general banking business and working capital requirements of the Bank.
(b)	Additional Tier-1 Sukuk Wakalah (‘AT1S’)	Tier 1 Capital	AFFIN Islamic had on 18 October 2018 issued AT1S of RM300 million out of its approved BASEL III Compliant Islamic medium term notes programme of RM5.0 billion in nominal value for the issuance of Senior Sukuk Murabahah, Tier 2 Sukuk Murabahah and/or AT1S (“**Sukuk Programme**”). The AT1S was issued on a perpetual non-callable 5-year basis, at a profit rate of 5.65% per annum. The AT1S was issued for the purpose of general banking business and working capital requirements of AFFIN Islamic.
(c)	Tier-2 Subordinated Medium Term Notes (‘MTN’)	Tier 2 Capital	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% per annum and 5.03% per annum respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of the Bank.
(d)	Tier-2 Sukuk Murabahah	Tier 2 Capital	AFFIN Islamic had on 23 October 2018 issued Tier-2 Sukuk Murabahah of RM800.0 million out of its approved BASEL III Compliant Sukuk Programme. The Tier-2 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 profit rate of 5.05% per annum. The Tier-2 Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of the AFFIN Islamic.

3.3 Capital Adequacy

The Group and the Bank have in place an internal limit for its CET1 capital ratio, Tier I 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.

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PILLAR 3 DISCLOSURES
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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 Group Board Risk Management Committee ('GBRMC'), 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.

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

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5. CREDIT RISK (continued)

5.2 Application of Standardised Approach for Credit Risk (continued)

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'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, financial/cash flow strength and management strength.

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

For 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.

5.4 Risk Limit Control and Mitigation Policies

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

<u>Financing limits</u>

The Group and the Bank establish internal limits and related financing guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings based on aggregation requirements, connected parties, geographical and industry segments. These risks are monitored regularly, and the limits reviewed annually or as and when required taking into account changes in market and economic conditions.

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

<u>Collateral</u>

Credits are established against borrower's capacity to repay rather than to rely solely on security. Collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Group and the Bank are:

- Mortgage over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business premises, inventory and accounts receivable; and
- Charges over financial instruments such as marketable securities.

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5. CREDIT RISK (continued)

5.4 Risk Limit Control and Mitigation Policies (continued)

Collateral (continued)

Where relevant, the Group and the Bank undertake a valuation of the collateral obtained as part of the financing origination process. The valuations are reviewed periodically.

Longer-term financings to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than financing, advances and other financing depend 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. Unutilised credits give rise to potential or contingent credit lossess to the Group and the Bank in an amount equal to the total unutilised commitments. The Group and Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on customers.

The Group and the Bank monitors the term to maturity of credit commitments as long-term commitments generally have a greater degree of credit risk than short-term commitments.

Refer to Appendix IV (a) to (b).

5.5 Credit Risk Measurement

Credit risk grades

The Group and the Bank allocate a credit risk grade to each exposure. Credit risk grades are indicative of the risk of default and are generated using qualitative and quantitative factors which are supplemented by experienced credit judgement. These inputs vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on quantitative modelling, the remaining lifetime Probability of Default ('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 qualitative indicators that it considers are indicative of such and which 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 occurs no later than when an asset is more than 30 days past due ("DPD"). Due dates are determined without considering any grace period that might be available to the customer.

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5. CREDIT RISK (continued)

5.5 Credit Risk Measurement (continued)

Determining whether credit risk has increased significantly (continued)

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).

Measurement of expected credit losses ('ECL')

The Group and the Bank use three categories for financial instruments at amortised cost for recognising ECL.

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days or, • For early control accounts where on that has risk or potential weakness which if left unchecked, may result in significant deterioration of payment prospect and transfer to underperforming status (stage 2) or worse.	12 months ECL
Underperforming accounts (Stage 2)	• An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; • Accounts past due more than 30 days but less than or equals to 90 days; • Account demonstrates critical level of risk and therefore, credit graded to 14 and place under watchlist	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; • Accounts past due more than 90 days • All restructure and rescheduling (R&R) accounts due to credit deterioration are to be classified as impaired	Lifetime ECL - credit impaired
Write-off	• Evidence indicating that there is no reasonable expectation of Asset is written off recovery based on unavailability of debtor's sources of income or; • Assets unable to generate sufficient future cash flow to repay the amount.	Asset is written off

The Group and the Bank have not used the low credit risk exemption for any financial instrument for the year ended 31 December 2021.

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.

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5. CREDIT RISK (continued)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

PD is the likelihood of a counterparty defaulting on its contractual obligations 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, 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 relating to its credit risk exposures which are analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit assessment institutions 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 with 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 financing. 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 loss in an event of 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 exposure outstanding 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 financing 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 Exposures of Default ('EADs') 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 exposures, or collective segments, 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 Bank measures ECL considering the risk of default over the maximum contractual period (including any customer's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a financing commitment or guarantee.

Forward looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

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.

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5. CREDIT RISK (continued)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

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. 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. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

The credit monitoring process is also to identify significant increase in credit risk as a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with appropriate corrective measures employed to prevent further credit deterioration into non-performing status. Watchlist accounts are either managed up or managed 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 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 are in place to identify, analyze and manage the overall risk profile to mitigate adverse trends or specific areas of risk concerns.

The Group and the Bank conduct post-mortem reviews on newly impaired loan/financing to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired. The findings are lessons learned which are used to assist in formulating appropriate remedial actions or measures to minimize potential or future credit loss from similar or repeat events.

In addition, post-approval independent credit review is undertaken by the Group and the Bank to ensure that credit decision-making is consistent with the overall credit risk appetite and strategy.

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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets

Total loans, advances and other financing - credit quality

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

Past due financing refers to financing, advances and other financing that are overdue by one day or more.

Loans, advances and other financing are classified as impaired when they fulfill any of the following criteria:

i. the principal or profit or both is past due more than 90 days or 3 months from the first day of default;
ii. where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is 'unlikely to repay' its credit obligations;
iii. the loan/financing is classified as rescheduled and restructured in the Central Credit Reference Information System ('CCRIS')

Analysed by economic sectors

Past due loans/financing

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Primary agriculture	**3,139**	**2,686**	**-**	**5,825**
Mining and quarrying	**95**	**661**	**-**	**756**
Manufacturing	**23,888**	**8,543**	**-**	**32,431**
Electricity, gas and water supply	**457**	**384**	**-**	**841**
Construction	**36,840**	**90,785**	**-**	**127,625**
Real estate	**52,971**	**68,402**	**-**	**121,373**
Wholesale & retail trade and restaurants & hotels	**72,308**	**226,574**	**-**	**298,882**
Transport, storage and communication	**36,626**	**119,380**	**-**	**156,006**
Finance, takaful/insurance and business services	**33,543**	**23,935**	**-**	**57,478**
Education, health and others	**5,178**	**6,036**	**-**	**11,214**
Household	**936,629**	**760,049**	**-**	**1,696,678**
	1,201,674	**1,307,435**	**-**	**2,509,109**

The Group 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Primary agriculture	3,507	3,084	-	6,591
Mining and quarrying	464	249	-	713
Manufacturing	20,597	13,508	-	34,105
Electricity, gas and water supply	230	1,328	-	1,558
Construction	36,731	76,072	-	112,803
Real estate	175,036	66,258	-	241,294
Wholesale & retail trade and restaurants & hotels	56,780	250,409	-	307,189
Transport, storage and communication	45,331	22,182	-	67,513
Finance, takaful/insurance and business services	37,201	40,012	-	77,213
Education, health and others	6,830	9,438	-	16,268
Household	943,958	1,106,813	-	2,050,771
	1,326,665	1,589,353	-	2,916,018

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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Past due loans/financing (continued)

The Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Primary agriculture	**3,053**	**1,855**	**-**	**4,908**
Mining and quarrying	**95**	**516**	**-**	**611**
Manufacturing	**21,678**	**5,709**	**-**	**27,387**
Electricity, gas and water supply	**418**	**65**	**-**	**483**
Construction	**19,473**	**83,373**	**-**	**102,846**
Real estate	**1,211**	**45,652**	**-**	**46,863**
Wholesale & retail trade and restaurants & hotels	**38,359**	**206,631**	**-**	**244,990**
Transport, storage and communication	**26,700**	**98,200**	**-**	**124,900**
Finance, takaful/insurance and business services	**24,380**	**12,420**	**-**	**36,800**
Education, health and others	**2,831**	**4,087**	**-**	**6,918**
Household	**416,841**	**386,466**	**-**	**803,307**
	555,039	**844,974**	**-**	**1,400,013**

The Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Primary agriculture	3,090	2,122	-	5,212
Mining and quarrying	464	249	-	713
Manufacturing	11,266	10,159	-	21,425
Electricity, gas and water supply	139	1,194	-	1,333
Construction	26,147	24,062	-	50,209
Real estate	160,824	27,901	-	188,725
Wholesale & retail trade and restaurants & hotels	45,894	210,697	-	256,591
Transport, storage and communication	18,800	16,775	-	35,575
Finance, takaful/insurance and business services	29,321	29,375	-	58,696
Education, health and others	4,834	6,833	-	11,667
Household	421,115	553,618	-	974,733
	721,894	882,985	-	1,604,879

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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses

The Group 2021	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Primary agriculture	**4,500**	**2,822**	**896**	**8,218**
Mining and quarrying	**734**	**239**	**5,605**	**6,578**
Manufacturing	**15,101**	**106,023**	**8,857**	**129,981**
Electricity, gas and water supply	**1,748**	**1,220**	**71**	**3,039**
Construction	**5,257**	**29,573**	**26,608**	**61,438**
Real estate	**90,879**	**46,133**	**40,469**	**177,481**
Wholesale & retail trade and restaurants & hotels	**26,585**	**24,988**	**16,430**	**68,003**
Transport, storage and communication	**5,186**	**27,099**	**129,723**	**162,008**
Finance, takaful/insurance and business services	**6,640**	**21,780**	**18,279**	**46,699**
Education, health and others	**6,947**	**9,335**	**1,151**	**17,433**
Household	**72,962**	**44,802**	**90,015**	**207,779**
Government	**609**	**6**	**-**	**615**
	237,148	**314,020**	**338,104**	**889,272**

The Group 2020	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Primary agriculture	5,709	604	874	7,187
Mining and quarrying	1,295	261	5,645	7,201
Manufacturing	10,025	25,928	10,475	46,428
Electricity, gas and water supply	1,055	1,286	206	2,547
Construction	21,544	13,205	33,273	68,022
Real estate	59,094	39,838	18,069	117,001
Wholesale & retail trade and restaurants & hotels	18,348	10,341	11,302	39,991
Transport, storage and communication	3,575	24,257	147,844	175,676
Finance, takaful/insurance and business services	6,155	9,221	3,928	19,304
Education, health and others	8,068	4,126	109,407	121,601
Household	42,219	22,137	110,463	174,819
	177,087	151,204	451,486	779,777

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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses (continued)

The Bank 2021	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Primary agriculture	**1,443**	**2,813**	**716**	**4,972**
Mining and quarrying	**717**	**238**	**3,466**	**4,421**
Manufacturing	**8,595**	**90,011**	**1,672**	**100,278**
Electricity, gas and water supply	**924**	**1,217**	**71**	**2,212**
Construction	**4,206**	**13,488**	**25,641**	**43,335**
Real estate	**79,061**	**29,941**	**14,229**	**123,231**
Wholesale & retail trade and restaurants & hotels	**19,589**	**15,119**	**14,431**	**49,139**
Transport, storage and communication	**4,177**	**20,025**	**124,929**	**149,131**
Finance, takaful/insurance and business services	**4,221**	**16,574**	**17,632**	**38,427**
Education, health and others	**6,099**	**6,155**	**863**	**13,117**
Household	**33,885**	**19,276**	**47,787**	**100,948**
Government	**258**	**-**	**-**	**258**
	163,175	**214,857**	**251,437**	**629,469**

The Bank 2020	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Primary agriculture	2,185	596	796	3,577
Mining and quarrying	1,104	261	3,264	4,629
Manufacturing	7,154	22,189	2,592	31,935
Electricity, gas and water supply	577	1,285	161	2,023
Construction	20,135	5,990	32,205	58,330
Real estate	48,341	14,718	2,736	65,795
Wholesale & retail trade and restaurants & hotels	14,576	7,204	10,741	32,521
Transport, storage and communication	2,774	17,792	123,665	144,231
Finance, takaful/insurance and business services	4,564	7,314	3,724	15,602
Education, health and others	5,742	1,163	109,229	116,134
Household	20,893	9,836	58,891	89,620
	128,045	88,348	348,004	564,397

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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses written-off

	The Group Lifetime ECL credit impaired Stage 3		The Bank Lifetime ECL credit impaired Stage 3	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary agriculture	**100**	90	**61**	90
Mining and quarrying	**-**	94	**-**	94
Manufacturing	**4,580**	4,910	**914**	4,841
Electricity, gas and water supply	**92**	-	**68**	-
Construction	**14,119**	28,863	**13,782**	28,264
Real estate	**868**	13,166	**868**	13,166
Wholesale & retail trade and restaurants & hotels	**6,913**	10,455	**6,861**	10,126
Transport, storage and communication	**1,323**	64,532	**1,111**	64,369
Finance, takaful/insurance and business services	**2,113**	73,273	**2,015**	1,134
Education, health and others	**671**	83,499	**472**	62,871
Household	**41,187**	26,998	**26,287**	17,811
	71,966	305,880	**52,439**	202,766

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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area

Past due loans/financing

The Group 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	**1,178**	**1,751**	**-**	**2,929**
Kedah	**49,193**	**57,103**	**-**	**106,296**
Pulau Pinang	**55,272**	**47,581**	**-**	**102,853**
Perak	**46,898**	**47,896**	**-**	**94,794**
Selangor	**433,702**	**379,451**	**-**	**813,153**
Wilayah Persekutuan	**211,950**	**373,400**	**-**	**585,350**
Negeri Sembilan	**58,486**	**48,704**	**-**	**107,190**
Melaka	**33,974**	**25,821**	**-**	**59,795**
Johor	**140,630**	**151,088**	**-**	**291,718**
Pahang	**31,377**	**24,707**	**-**	**56,084**
Terengganu	**22,003**	**18,665**	**-**	**40,668**
Kelantan	**15,829**	**10,066**	**-**	**25,895**
Sarawak	**45,290**	**45,999**	**-**	**91,289**
Sabah	**55,791**	**58,577**	**-**	**114,368**
Labuan	**23**	**16,625**	**-**	**16,648**
Outside Malaysia	**78**	**1**	**-**	**79**
	1,201,674	**1,307,435**	**-**	**2,509,109**

The Group 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	1,503	2,214	-	3,717
Kedah	50,933	125,292	-	176,225
Pulau Pinang	54,375	70,599	-	124,974
Perak	48,058	63,058	-	111,116
Selangor	377,154	405,428	-	782,582
Wilayah Persekutuan	265,061	384,567	-	649,628
Negeri Sembilan	62,113	99,367	-	161,480
Melaka	32,192	39,546	-	71,738
Johor	231,712	189,207	-	420,919
Pahang	34,939	28,185	-	63,124
Terengganu	22,246	27,562	-	49,808
Kelantan	14,523	17,328	-	31,851
Sarawak	48,726	49,664	-	98,390
Sabah	60,948	87,336	-	148,284
Labuan	20,486	-	-	20,486
Outside Malaysia	1,696	-	-	1,696
	1,326,665	1,589,353	-	2,916,018

BASEL II
PILLAR 3 DISCLOSURES
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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Past due loans/financing (continued)

The Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	**482**	**485**	**-**	**967**
Kedah	**13,090**	**15,020**	**-**	**28,110**
Pulau Pinang	**27,027**	**26,305**	**-**	**53,332**
Perak	**21,728**	**26,721**	**-**	**48,449**
Selangor	**190,660**	**225,724**	**-**	**416,384**
Wilayah Persekutuan	**79,555**	**325,211**	**-**	**404,766**
Negeri Sembilan	**20,786**	**18,129**	**-**	**38,915**
Melaka	**10,899**	**15,744**	**-**	**26,643**
Johor	**85,156**	**81,408**	**-**	**166,564**
Pahang	**11,457**	**9,314**	**-**	**20,771**
Terengganu	**1,015**	**848**	**-**	**1,863**
Kelantan	**1,939**	**1,349**	**-**	**3,288**
Sarawak	**41,818**	**43,549**	**-**	**85,367**
Sabah	**49,326**	**55,164**	**-**	**104,490**
Labuan	**23**	**2**	**-**	**25**
Outside Malaysia	**78**	**1**	**-**	**79**
	555,039	**844,974**	**-**	**1,400,013**

The Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	174	581	-	755
Kedah	14,726	21,244	-	35,970
Pulau Pinang	26,753	41,552	-	68,305
Perak	23,303	33,241	-	56,544
Selangor	161,921	196,571	-	358,492
Wilayah Persekutuan	176,328	272,191	-	448,519
Negeri Sembilan	25,339	30,937	-	56,276
Melaka	15,842	23,490	-	39,332
Johor	160,119	111,561	-	271,680
Pahang	12,939	12,081	-	25,020
Terengganu	1,734	4,541	-	6,275
Kelantan	3,433	4,391	-	7,824
Sarawak	42,856	47,428	-	90,284
Sabah	54,727	83,176	-	137,903
Labuan	4	-	-	4
Outside Malaysia	1,696	-	-	1,696
	721,894	882,985	-	1,604,879

BASEL II
PILLAR 3 DISCLOSURES
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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses

The Group 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	**772**	**58**	**1,042**	**1,872**
Kedah	**4,036**	**13,684**	**16,973**	**34,693**
Pulau Pinang	**9,218**	**11,663**	**7,571**	**28,452**
Perak	**8,144**	**4,530**	**6,662**	**19,336**
Selangor	**62,594**	**64,077**	**78,289**	**204,960**
Wilayah Persekutuan	**87,546**	**169,357**	**34,924**	**291,827**
Negeri Sembilan	**5,579**	**7,317**	**13,870**	**26,766**
Melaka	**6,342**	**8,273**	**4,053**	**18,668**
Johor	**25,466**	**17,346**	**18,889**	**61,701**
Pahang	**7,740**	**6,647**	**14,025**	**28,412**
Terengganu	**1,963**	**548**	**117,448**	**119,959**
Kelantan	**1,685**	**450**	**1,169**	**3.304**
Sarawak	**7,433**	**1,083**	**16,389**	**24,905**
Sabah	**8,117**	**8,406**	**6,800**	**23,323**
Labuan	**418**	**581**	**-**	**999**
Outside Malaysia	**95**	**-**	**-**	**95**
	237,148	**314,020**	**338,104**	**889,272**

The Group 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	1,371	32	1,068	2,471
Kedah	3,087	9,354	17,229	29,670
Pulau Pinang	6,418	7,688	5,646	19,752
Perak	8,022	1,439	31,604	41,065
Selangor	40,458	37,277	74,561	152,296
Wilayah Persekutuan	70,741	72,184	30,688	173,613
Negeri Sembilan	4,465	2,213	7,834	14,512
Melaka	4,246	2,610	2,831	9,687
Johor	16,062	8,750	125,709	150,521
Pahang	5,004	4,154	5,549	14,707
Terengganu	1,287	651	117,455	119,393
Kelantan	924	237	3,297	4,458
Sarawak	6,317	1,085	18,263	25,665
Sabah	8,276	3,528	9,752	21,556
Labuan	377	-	-	377
Outside Malaysia	32	2	-	34
	177,087	151,204	451,486	779,777

BASEL II
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5. CREDIT RISK (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

The Bank 2021	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	**52**	**14**	**126**	**192**
Kedah	**1,591**	**736**	**14,146**	**16,473**
Pulau Pinang	**5,619**	**9,438**	**4,453**	**19,510**
Perak	**6,465**	**3,647**	**4,077**	**14,189**
Selangor	**36,748**	**36,663**	**27,799**	**101,210**
Wilayah Persekutuan	**71,331**	**129,716**	**25,093**	**226,140**
Negeri Sembilan	**2,078**	**2,519**	**8,852**	**13,449**
Melaka	**5,251**	**7,760**	**2,668**	**15,679**
Johor	**17,400**	**9,150**	**11,406**	**37,956**
Pahang	**5,273**	**6,077**	**13,407**	**24,757**
Terengganu	**94**	**85**	**116,421**	**116,600**
Kelantan	**254**	**83**	**291**	**628**
Sarawak	**5,202**	**916**	**16,374**	**22,492**
Sabah	**5,305**	**8,053**	**6,324**	**19,682**
Labuan	**417**	**-**	**-**	**417**
Outside Malaysia	**95**	**-**	**-**	**95**
	163,175	**214,857**	**251,437**	**629,469**

The Bank 2020	12 - Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	34	12	185	231
Kedah	1,237	346	15,068	16,651
Pulau Pinang	4,189	5,698	3,670	13,557
Perak	6,848	965	5,140	12,953
Selangor	26,589	22,530	32,389	81,508
Wilayah Persekutuan	58,047	44,793	18,074	120,914
Negeri Sembilan	2,292	737	2,309	5,338
Melaka	3,488	2,326	1,862	7,676
Johor	11,030	4,543	119,194	134,767
Pahang	3,729	3,190	5,115	12,034
Terengganu	112	359	115,778	116,249
Kelantan	163	53	1,759	1,975
Sarawak	4,153	798	18,166	23,117
Sabah	5,843	1,996	9,295	17,134
Labuan	259	-	-	259
Outside Malaysia	32	2	-	34
	128,045	88,348	348,004	564,397

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5. CREDIT RISK (continued)

5.8 Distribution of Credit Exposure

(i) The following table depicts the Group's Gross Credit Exposure by Geographical Distribution based on credit risk resides.

The Group	2021			2020		
Exposure class	Malaysia	Other countries	Total	Malaysia	Other countries	Total
On Balance Sheet Exposures						
Corporates	**24,607,929**	**67,290**	**24,675,219**	20,883,869	96,399	20,980,268
Regulatory Retail	**16,124,028**	**375**	**16,124,403**	15,491,644	248	15,491,892
Other Assets	**3,745,322**	**-**	**3,745,322**	3,007,592	-	3,007,592
Sovereigns/Central Banks	**15,292,294**	**1,600**	**15,293,894**	14,570,548	3,492	14,574,040
Banks, Development Financial Institutions & MDBs	**4,594,144**	**189,003**	**4,783,147**	1,659,451	164,352	1,823,803
Insurance Companies, Securities Firms & Fund Managers	**19,138**	**-**	**19,138**	5,441	-	5,441
Residential Mortgages	**11,362,574**	**-**	**11,362,574**	10,496,932	-	10,496,932
Higher Risk Assets	**5,554**	**-**	**5,554**	5,412	-	5,412
Defaulted Exposures	**1,088,516**	**-**	**1,088,516**	1,281,384	-	1,281,384
Total for On-Balance Sheet Exposures	**76,839,499**	**258,268**	**77,097,767**	67,402,273	264,491	67,666,764
Off Balance Sheet Exposures						
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**4,331,911**	**42,414**	**4,374,325**	4,252,394	47,448	4,299,842
Defaulted Exposures	**15,931**	**-**	**15,931**	11,157	-	11,157
Total for Off-Balance Sheet Exposures	**4,347,842**	**42,414**	**4,390,256**	4,263,551	47,448	4,310,999
Total for On and Off-Balance Sheet Exposures	**81,187,341**	**300,682**	**81,488,023**	71,665,824	311,939	71,977,763

BASEL II
PILLAR 3 DISCLOSURES
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5. CREDIT RISK (continued)

5.8 Distribution of Credit Exposure (continued)

(i) The following table depicts the Bank's Gross Credit Exposure by Geographical Distribution based on credit risk resides.

The Bank	2021			2020		
Exposure class	Malaysia	Other countries	Total	Malaysia	Other countries	Total
On Balance Sheet Exposures						
Corporates	**15,646,904**	**32,809**	**15,679,713**	14,156,713	40,515	14,197,228
Regulatory Retail	**10,664,982**	**371**	**10,665,353**	10,175,227	244	10,175,471
Other Assets	**3,205,291**	**-**	**3,205,291**	2,440,859	-	2,440,859
Sovereigns/Central Banks	**7,156,510**	**-**	**7,156,510**	5,844,855	-	5,844,855
Banks, Development Financial Institutions & MDBs	**3,666,018**	**185,473**	**3,851,491**	1,280,441	154,819	1,435,260
Residential Mortgages	**2,979,370**	**-**	**2,979,370**	2,856,263	-	2,856,263
Higher Risk Assets	**4,792**	**-**	**4,792**	4,321	-	4,321
Defaulted Exposures	**856,184**	**-**	**856,184**	976,049	-	976,049
Total for On-Balance Sheet Exposures	**44,180,051**	**218,653**	**44,398,704**	37,734,728	195,578	37,930,306
Off Balance Sheet Exposures						
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**2,862,226**	**42,367**	**2,904,593**	2,778,834	47,394	2,826,228
Defaulted Exposures	**9,923**	**-**	**9,923**	10,406	-	10,406
Total for Off-Balance Sheet Exposures	**2,872,149**	**42,367**	**2,914,516**	2,789,240	47,394	2,836,634
Total for On and Off-Balance Sheet Exposures	**47,052,200**	**261,020**	**47,313,220**	40,523,968	242,972	40,766,940

BASEL II
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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Group's Gross Credit Exposure by Sectorial Analysis or Industry Distribution.

The Group 2021 Exposure class	Primary agriculture	Mining and quarrying	Manufa-cturing	Electricity, gas and water supply	Constru-ction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, insurance and business services	Education, health and others	Household	Others	Total
<u>On Balance</u> <u>Sheet Exposures</u>													
Corporates	1,338,739	167,623	2,948,309	648,419	2,245,961	4,953,077	4,636,909	1,225,169	1,927,626	1,697,687	2,716,934	168,766	24,675,219
Regulatory Retail	80,489	8,770	414,999	5,523	385,909	184,797	913,170	316,705	352,017	129,331	13,332,693	-	16,124,403
Other Assets	-	-	-	-	-	-	-	-	26,697	66,004	-	3,652,621	3,745,322
Sovereigns/Central Banks	-	-	-	78,090	506,928	-	-	1,288,849	12,323,992	959,604	-	136,431	15,293,894
Banks, Development Financial Institutions & MDBs	1,844	-	-	-	-	-	40	-	4,507,099	274,164	-	-	4,783,147
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	19,138	-	-	-	19,138
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	11,362,574	-	11,362,574
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	5,554	-	5,554
Defaulted Exposures	10,592	28,485	50,009	34	83,737	83,142	39,281	231,762	115,159	304,126	142,189	-	1,088,516
Total for On-Balance Sheet Exposures	1,431,664	204,878	3,413,317	732,066	3,222,535	5,221,016	5,589,400	3,062,485	19,271,728	3,430,916	27,559,944	3,957,818	77,097,767
Off Balance Sheet Exposures													
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	76,886	96,902	670,643	8,241	690,212	214,730	439,368	119,542	902,698	174,139	980,964	-	4,374,325
Defaulted Exposures	-	5,506	-	-	1,959	21	22	6,500	838	-	1,085	-	15,931
Total for Off-Balance Sheet Exposures	76,886	102,408	670,643	8,241	692,171	214,751	439,390	126,042	903,536	174,139	982,049	-	4,390,256
Total for On and Off-Balance Sheet Exposures	1,508,550	307,286	4,083,960	740,307	3,914,706	5,435,767	6,028,790	3,188,527	20,175,264	3,605,055	28,541,993	3,957,818	81,488,023

5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Group's Gross Credit Exposure by Sectorial Analysis or Industry Distribution (continued).

The Group 2020 Exposure class	Primary agriculture	Mining and quarrying	Manufa-cturing	Electricity, gas and water supply	Constru-ction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, insurance and business services	Education, health and others	Household	Others	Total
On Balance Sheet Exposures													
Corporates	1,447,324	283,688	2,285,776	663,161	1,603,729	5,233,656	3,533,124	1,026,245	2,017,012	1,565,728	1,207,237	113,588	20,980,268
Regulatory Retail	72,617	14,709	474,633	12,218	457,740	435,670	1,259,338	349,055	618,243	144,741	11,652,928	-	15,491,892
Other Assets	-	-	-	-	-	-	-	-	-	-	-	3,007,592	3,007,592
Sovereigns/Central Banks	-	-	-	54,962	185,071	-	-	1,088,392	11,850,197	1,211,763	-	183,655	14,574,040
Banks, Development Financial Institutions & MDBs	9,095	-	-	-	7	-	24	-	1,695,378	119,299	-	-	1,823,803
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	5,441	-	-	-	5,441
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	10,496,932	-	10,496,932
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	5,412	-	5,412
Defaulted Exposures	14,466	1,930	117,108	165	106,673	97,899	37,530	251,910	101,425	310,939	241,339	-	1,281,384
Total for On-Balance Sheet Exposures	1,543,502	300,327	2,877,517	730,506	2,353,220	5,767,225	4,830,016	2,715,602	16,287,696	3,352,470	23,603,848	3,304,835	67,666,764
Off Balance Sheet Exposures													
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	81,442	90,344	603,378	17,986	704,710	328,584	470,962	135,504	1,002,779	205,593	657,874	686	4,299,842
Defaulted Exposures	-	-	-	-	2,097	-	22	6,525	1,184	9	1,320	-	11,157
Total for Off-Balance Sheet Exposures	81,442	90,344	603,378	17,986	706,807	328,584	470,984	142,029	1,003,963	205,602	659,194	686	4,310,999
Total for On and Off-Balance Sheet Exposures	1,624,944	390,671	3,480,895	748,492	3,060,027	6,095,809	5,301,000	2,857,631	17,291,659	3,558,072	24,263,042	3,305,521	71,977,763

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Bank's Gross Credit Exposure by Sectorial Analysis or Industry Distribution.

The Bank 2021 Exposure class	Primary agriculture	Mining and quarrying	Manufa-cturing	Electricity, gas and water supply	Constru-ction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, insurance and business services	Education, health and others	Household	Others	Total
On Balance Sheet Exposures													
Corporates	571,601	162,265	2,045,815	366,267	1,544,045	3,836,611	3,280,687	889,438	1,136,192	1,188,080	613,912	44,800	15,679,713
Regulatory Retail	64,030	6,284	327,820	2,734	278,669	154,064	729,971	244,676	237,529	82,541	8,536,369	666	10,665,353
Other Assets	-	-	-	-	-	-	-	-	-	-	-	3,205,291	3,205,291
Sovereigns/Central Banks	-	-	-	-	104,986	-	-	548,082	6,106,097	397,345	-	-	7,156,510
Banks, Development Financial Institutions & MDBs	1,844	-	-	-	-	-	-	-	3,577,954	271,693	-	-	3,851,491
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	2,979,370	-	2,979,370
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,792	-	4,792
Defaulted Exposures	9,154	1,826	49,297	34	44,705	36,197	37,618	180,929	114,453	303,746	78,225	-	856,184
Total for On-Balance Sheet Exposures	646,629	170,375	2,422,932	369,035	1,972,405	4,026,872	4,048,276	1,863,125	11,172,225	2,243,405	12,212,668	3,250,757	44,398,704
Off Balance Sheet Exposures													
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	40,893	22,507	533,162	6,840	425,041	192,989	318,417	77,142	557,821	82,599	647,182	-	2,904,593
Defaulted Exposures	-	-	-	-	1,959	21	22	6,500	838	-	583	-	9,923
Total for Off-Balance Sheet Exposures	40,893	22,507	533,162	6,840	427,000	193,010	318,439	83,642	558,659	82,599	647,765	-	2,914,516
Total for On and Off-Balance Sheet Exposures	687,522	192,882	2,956,094	375,875	2,399,405	4,219,882	4,366,715	1,946,767	11,730,884	2,326,004	12,860,433	3,250,757	47,313,220

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Bank's Gross Credit Exposure by Sectorial Analysis or Industry Distribution (continued).

The Bank 2020 Exposure class	Primary agriculture	Mining and quarrying	Manufa-cturing	Electricity, gas and water supply	Constru-ction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, insurance and business services	Education, health and others	Household	Others	Total
On Balance Sheet Exposures													
Corporates	614,546	242,961	1,513,696	382,592	1,199,820	4,047,639	2,785,686	747,187	1,162,019	1,089,389	411,693	-	14,197,228
Regulatory Retail	58,066	12,947	382,257	4,550	341,873	318,659	1,044,358	254,004	301,901	94,794	7,361,909	153	10,175,471
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,440,859	2,440,859
Sovereigns/Central Banks	-	-	-	-	-	-	-	471,742	4,949,474	423,639	-	-	5,844,855
Banks, Development Financial Institutions & MDBs	9,095	-	-	-	7	-	-	-	1,310,017	116,141	-	-	1,435,260
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	2,856,263	-	2,856,263
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,321	-	4,321
Defaulted Exposures	14,398	1,912	57,376	165	67,286	66,104	36,711	192,834	99,122	310,925	129,216	-	976,049
Total for On-Balance Sheet Exposures	696,105	257,820	1,953,329	387,307	1,608,986	4,432,402	3,866,755	1,665,767	7,822,533	2,034,888	10,763,402	2,441,012	37,930,306
Off Balance Sheet Exposures													
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	34,277	18,301	541,330	10,964	431,127	271,096	362,510	109,082	587,837	112,913	346,687	104	2,826,228
Defaulted Exposures	-	-	-	-	2,003	-	22	6,525	1,184	9	663	-	10,406
Total for Off-Balance Sheet Exposures	34,277	18,301	541,330	10,964	433,130	271,096	362,532	115,607	589,021	112,922	347,350	104	2,836,634
Total for On and Off-Balance Sheet Exposures	730,382	276,121	2,494,659	398,271	2,042,116	4,703,498	4,229,287	1,781,374	8,411,554	2,147,810	11,110,752	2,441,116	40,766,940

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5. CREDIT RISK (continued)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Group's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity.

The Group
2021

Exposure class	< 1 year	>1-5 years	> 5 years	No specific maturity	Total
On Balance Sheet Exposures					
Corporates	8,409,052	6,325,545	9,826,021	114,601	24,675,219
Regulatory Retail	494,532	4,688,915	10,674,008	266,948	16,124,403
Other Assets	-	-	-	3,745,322	3,745,322
Sovereigns/Central Banks	4,211,846	3,463,769	7,608,024	10,255	15,293,894
Banks, Development Financial Institutions & MDBs	3,196,254	1,140,330	446,558	5	4,783,147
Insurance Companies, Securities Firms & Fund Managers	18,824	314	-	-	19,138
Residential Mortgages	2,741	57,966	11,301,867	-	11,362,574
Higher Risk Assets	72	66	5,416	-	5,554
Defaulted Exposures	254,635	109,316	724,081	484	1,088,516
Total for On-Balance Sheet Exposures	**16,587,956**	**15,786,221**	**40,585,975**	**4,137,615**	**77,097,767**
Off Balance Sheet Exposures					
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	2,560,634	648,542	932,544	232,605	4,374,325
Defaulted Exposures	13,317	1,017	1,594	3	15,931
Total for Off-Balance Sheet Exposures	**2,573,951**	**649,559**	**934,138**	**232,608**	**4,390,256**
Total for On and Off-Balance Sheet Exposures	**19,161,907**	**16,435,780**	**41,520,113**	**4,370,223**	**81,488,023**

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5. CREDIT RISK (continued)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Group's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity (continued).

The Group
2020

Exposure class	< 1 year	>1-5 years	> 5 years	No specific maturity	Total
On Balance Sheet Exposures					
Corporates	6,746,249	5,977,645	7,929,896	326,478	20,980,268
Regulatory Retail	1,225,920	5,182,623	8,871,859	211,490	15,491,892
Other Assets	-	-	-	3,007,592	3,007,592
Sovereigns/Central Banks	4,558,533	1,605,326	8,390,892	19,289	14,574,040
Banks, Development Financial Institutions & MDBs	1,463,990	118,630	241,178	5	1,823,803
Insurance Companies, Securities Firms & Fund Managers	5,232	209	-	-	5,441
Residential Mortgages	26,340	58,850	10,411,742	-	10,496,932
Higher Risk Assets	-	106	5,306	-	5,412
Defaulted Exposures	387,976	90,322	802,805	281	1,281,384
Total for On-Balance Sheet Exposures	14,414,240	13,033,711	36,653,678	3,565,135	67,666,764
Off Balance Sheet Exposures					
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	2,631,144	851,434	648,413	168,851	4,299,842
Defaulted Exposures	8,587	1,237	1,333	-	11,157
Total for Off-Balance Sheet Exposures	2,639,731	852,671	649,746	168,851	4,310,999
Total for On and Off-Balance Sheet Exposures	17,053,971	13,886,382	37,303,424	3,733,986	71,977,763

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PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

5. CREDIT RISK (continued)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Bank's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity.

The Bank
2021

Exposure class	< 1 year	>1-5 years	> 5 years	No specific maturity	Total
On Balance Sheet Exposures					
Corporates	5,520,841	4,516,484	5,642,352	36	15,679,713
Regulatory Retail	327,016	3,259,780	6,856,475	222,082	10,665,353
Other Assets	-	-	-	3,205,291	3,205,291
Sovereigns/Central Banks	1,777,000	1,081,265	4,298,225	20	7,156,510
Banks, Development Financial Institutions & MDBs	2,022,381	1,427,217	401,888	5	3,851,491
Residential Mortgages	2,349	42,629	2,934,392	-	2,979,370
Higher Risk Assets	73	66	4,653	-	4,792
Defaulted Exposures	203,063	102,107	550,627	387	856,184
Total for On-Balance Sheet Exposures	**9,852,723**	**10,429,548**	**20,688,612**	**3,427,821**	**44,398,704**
Off Balance Sheet Exposures					
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	1,775,483	401,453	81,080	646,577	2,904,593
Defaulted Exposures	8,285	1,017	168	453	9,923
Total for Off-Balance Sheet Exposures	**1,783,768**	**402,470**	**81,248**	**647,030**	**2,914,516**
Total for On and Off-Balance Sheet Exposures	**11,636,491**	**10,832,018**	**20,769,860**	**4,074,851**	**47,313,220**

BASEL II
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5. CREDIT RISK (continued)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Bank's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity (continued).

The Bank
2020

Exposure class	< 1 year	>1-5 years	> 5 years	No specific maturity	Total
On Balance Sheet Exposures					
Corporates	4,986,245	4,231,959	4,979,022	2	14,197,228
Regulatory Retail	576,491	3,767,568	5,658,209	173,203	10,175,471
Other Assets	-	-	-	2,440,859	2,440,859
Sovereigns/Central Banks	1,435,217	412,684	3,996,949	5	5,844,855
Banks, Development Financial Institutions & MDBs	883,902	360,277	191,076	5	1,435,260
Residential Mortgages	25,609	44,034	2,786,620	-	2,856,263
Higher Risk Assets	-	81	4,240	-	4,321
Defaulted Exposures	272,461	75,921	627,433	234	976,049
Total for On-Balance Sheet Exposures	8,179,925	8,892,524	18,243,549	2,614,308	37,930,306
Off Balance Sheet Exposures					
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	1,874,436	561,083	263,809	126,900	2,826,228
Defaulted Exposures	8,490	1,237	679	-	10,406
Total for Off-Balance Sheet Exposures	1,882,926	562,320	264,488	126,900	2,836,634
Total for On and Off-Balance Sheet Exposures	10,062,851	9,454,844	18,508,037	2,741,208	40,766,940

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6. MARKET RISK

6.1 Market Risk Management Objectives and Policies

Market risk is defined as changes in the market value of financial instrument position arising from movements in market factors such as profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's exposure to market risk results largely from profit rate and foreign exchange rate risks.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which is 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 macroeconomic 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 Appendix I.

6.3 Market Risk Measurement, Control and Monitoring

The Group and the Bank's market risks are measured primarily using mark-to-market revaluation methodology. 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 parameters are established based on its risk appetite, market liquidity and business strategies as well as macroeconomic 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. 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.

In addition, periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

The GALCO and GBRMC are regularly kept informed of the Group and the Bank's risk profile and positions.

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6. MARKET RISK (continued)

6.4 Value-at-Risk ('VaR')

Value-at-Risk ('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.

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 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 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 employ 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 Bank's resilience in the event of a liquidity disruption.

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7. LIQUIDITY RISK (continued)

7.2 Liquidity Risk Measurement, Control and Monitoring (continued)

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 Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management Committee ('GBRMC') 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 GBRMC is informed regularly on the liquidity position of the Group and the Bank.

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. GBRMC endorses all policies changes relating to operational risk prior to Board's approval. Group Management Committee Meeting - Governance Risk Compliance ('GMC-GRC') supports GBRMC 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 Group and 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 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.

Business Risk Compliance Manager ('BRCM') are appointed at business and support units as champions of ORM activities within respective units. The BRCM 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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8. OPERATIONAL RISK (continued)

8.4 Certification

As an internal requirement, all BRCM 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.

9. TECHNOLOGY RISK

9.1 Technology Risk Objectives and Policies

Technology risk refers to any risks emanating from technology failures and cyber threats that may disrupt the Group and the Bank's 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. Failures or errors in any of the elements above could also lead to adverse reputational impact to the Group and the Bank.

The Group Technology Risk Management Framework and Cyber Resilience Framework govern 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. GMC supports GBRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMC 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 nontechnical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (e.g., access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Nontechnical controls are management and operational controls, such as security policies; operational procedures; and personnel, physical, and environmental security.

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.

BNM has on 20 September 2019 reissued the Shariah Governance for Islamic Financial Institutions (BNM/RH/GL_028-100) which supersedes 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 Bank Berhad.

The Group and the Bank's Shariah Committee ('AISCM') is established to deliberate on Shariah issues presented to them and provide resolution as well as guidance. GBCMC together with GBRMC assist the Board in the overall oversight of Shariah risk management of the Group and the Bank.

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.

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10. SHARIAH NON-COMPLIANCE RISK (continued)

10.2 Shariah Non-Compliance Risk Measurement, Control and Monitoring

SNC risk is proactively managed with the following tools:

i. Loss Event Reporting to ensure effective and timely SNC event reporting process.
ii. 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;
iii. Key Risk Indicator ('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
iv. Key Control Standard ('KCS') to validate the effectiveness of control measures.

10.3 Shariah Non-Compliance Income During The Year

	The Group	
	2021 RM'000	2020 RM'000
Shariah Non-Compliant Income	-	-

The Group has completed the Tawarruq trading for the 17 accounts involved. The Tawarruq trading is based on similar Sale Price and maturity. The amount disbursed prior to Tawarruq trading is considered as Qard. All profits earned have been reversed. After the trading has been done, the Group immediately recognized the profit from new Tawarruq trading which was equivalent to the profit amount that have been reversed.

11. BUSINESS CONTINUITY RISK

11.1 Business Continuity Risk 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').

GBRMC 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. GBCMC supports GBRMC 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 including facilitation of the crisis management.

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 Bank to undertake. The outcome of this assessment will translate into a risk 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.

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APPENDIX I

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
2021

	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		24,675,219	23,027,290	20,882,358	1,670,589
	Regulatory Retail		16,124,403	15,358,952	11,432,644	914,612
	Other Assets		3,745,322	3,745,322	2,336,070	186,886
	Sovereigns/Central Banks		15,293,894	15,293,894	-	-
	Banks, Development Financial Institutions & MDBs		4,783,147	4,779,504	1,046,697	83,735
	Takaful/Insurance Companies, Securities Firms & Fund Managers		19,138	19,137	19,137	1,531
	Residential Mortgages		11,362,574	11,336,176	6,502,732	520,219
	Higher Risk Assets		5,554	5,554	8,330	666
	Defaulted Exposures		1,088,516	1,060,658	1,416,202	113,296
	Total for On-Balance Sheet Exposures		**77,097,767**	**74,626,487**	**43,644,170**	**3,491,534**
	<u>Off Balance Sheet Exposures</u>					
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		4,374,325	4,201,644	3,294,596	263,568
	Defaulted Exposures		15,931	15,931	23,245	1,860
	Total for Off-Balance Sheet Exposures		**4,390,256**	**4,217,575**	**3,317,841**	**265,428**
	Total for On and Off-Balance Sheet Exposures		**81,488,023**	**78,844,062**	**46,962,011**	**3,756,962**
2	<u>MARKET RISK</u>	<u>Long Position</u>	<u>Short Position</u>			
	Interest/Profit Rate Risk	32,785,681	32,813,177	(27,496)	629,886	50,391
	Equity Position Risk	29,489	2,844	26,645	81,809	6,545
	Foreign Currency Risk	5,484,409	5,484,548	(139)	69,551	5,564
	Option Risk	-	-	-	-	-
	Total Market Risk	**38,299,579**	**38,300,569**		**781,246**	**62,500**
3	<u>OPERATIONAL RISK</u>					
	Operational Risk				3,580,698	286,456
	Total RWA and Capital Requirements				**51,323,955**	**4,105,918**

OTC "Over The Counter"

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APPENDIX I

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

The Group
2020

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	CREDIT RISK					
	On Balance Sheet Exposures					
	Corporates		20,980,268	20,318,943	18,613,449	1,489,076
	Regulatory Retail		15,491,892	14,106,008	10,614,692	849,175
	Other Assets		3,007,592	3,007,592	2,019,959	161,597
	Sovereigns/Central Banks		14,574,040	14,574,040	2,075	166
	Banks, Development Financial Institutions & MDBs		1,823,803	1,820,373	475,620	38,050
	Takaful/Insurance Companies, Securities Firms & Fund Managers		5,441	5,441	5,441	435
	Residential Mortgages		10,496,932	10,466,417	6,188,908	495,113
	Higher Risk Assets		5,412	5,412	8,119	649
	Defaulted Exposures		1,281,384	1,256,317	1,545,350	123,628
	Total for On-Balance Sheet Exposures		67,666,764	65,560,543	39,473,613	3,157,889
	Off Balance Sheet Exposures					
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		4,299,842	4,299,842	3,216,586	257,327
	Defaulted Exposures		11,157	11,157	16,002	1,280
	Total for Off-Balance Sheet Exposures		4,310,999	4,310,999	3,232,588	258,607
	Total for On and Off-Balance Sheet Exposures		71,977,763	69,871,542	42,706,201	3,416,496
2	MARKET RISK	Long Position	Short Position			
	Interest/Profit Rate Risk	24,594,399	24,591,227	3,172	436,690	34,935
	Equity Position Risk	110,998	404	110,594	304,472	24,358
	Foreign Currency Risk	3,921,630	3,906,485	15,145	48,496	3,880
	Option Risk	17,792	-	17,792	24,464	1,957
	Total Market Risk	28,644,819	28,498,116	-	814,122	65,130
3	OPERATIONAL RISK					
	Operational Risk				3,403,072	272,272
	Total RWA and Capital Requirements				46,923,395	3,753,898

OTC "Over The Counter"

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX I

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

The Bank
2021

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK**					
	On Balance Sheet Exposures					
	Corporates		15,679,713	14,994,736	13,678,362	1,094,270
	Regulatory Retail		10,665,353	10,562,117	7,855,180	628,414
	Other Assets		3,205,291	3,205,291	1,841,266	147,301
	Sovereigns/Central Banks		7,156,510	7,156,510	-	-
	Banks, Development Financial Institutions & MDBs		3,851,491	3,850,752	1,167,273	93,382
	Takaful/Insurance Companies, Securities Firms & Fund Managers		-	-	-	-
	Residential Mortgages		2,979,370	2,964,374	1,434,278	114,742
	Higher Risk Assets		4,792	4,792	7,189	575
	Defaulted Exposures		856,184	841,017	1,145,501	91,640
	Total for On-Balance Sheet Exposures		**44,398,704**	**43,579,589**	**27,129,049**	**2,170,324**
	Off Balance Sheet Exposures					
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		2,904,593	2,752,254	2,238,076	179,046
	Defaulted Exposures		9,923	9,923	14,673	1,174
	Total for Off-Balance Sheet Exposures		**2,914,516**	**2,762,177**	**2,252,749**	**180,220**
	Total for On and Off-Balance Sheet Exposures		**47,313,220**	**46,341,766**	**29,381,798**	**2,350,544**
2	**MARKET RISK**	**Long Position**	**Short Position**			
	Interest/Profit Rate Risk	18,309,063	18,329,737	(20,674)	556,423	44,514
	Foreign Currency Risk	7,272	11,382	(4,110)	11,382	911
	Total Market Risk	**18,316,335**	**18,341,119**		**567,804**	**45,425**
3	**OPERATIONAL RISK**					
	Operational Risk				1,671,929	133,754
	Total RWA and Capital Requirements				**31,621,531**	**2,529,723**

OTC "Over The Counter"

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX I

Disclosure on Capital Adequacy under the Standardised Approach (RM'000) (continued)

The Bank
2020

	Exposure Class		Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	CREDIT RISK					
	On Balance Sheet Exposures					
	Corporates		14,197,228	13,722,467	12,714,829	1,017,186
	Regulatory Retail		10,175,471	9,664,257	7,279,906	582,392
	Other Assets		2,440,859	2,440,859	1,501,094	120,088
	Sovereigns/Central Banks		5,844,855	5,844,855	-	-
	Banks, Development Financial Institutions & MDBs		1,435,260	1,434,495	594,055	47,524
	Takaful/Insurance Companies, Securities Firms & Fund Managers		-	-	-	-
	Residential Mortgages		2,856,263	2,838,478	1,370,521	109,642
	Higher Risk Assets		4,321	4,321	6,482	519
	Defaulted Exposures		976,049	951,004	1,201,746	96,140
	Total for On-Balance Sheet Exposures		37,930,306	36,900,736	24,668,633	1,973,491
	Off Balance Sheet Exposures					
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives		2,826,228	2,826,228	2,204,529	176,362
	Defaulted Exposures		10,406	10,406	15,429	1,234
	Total for Off-Balance Sheet Exposures		2,836,634	2,836,634	2,219,958	177,596
	Total for On and Off-Balance Sheet Exposures		40,766,940	39,737,370	26,888,591	2,151,087
2	MARKET RISK	Long Position	Short Position			
	Interest/Profit Rate Risk	12,968,499	12,969,875	(1,377)	359,365	28,749
	Foreign Currency Risk	14,302	407	13,895	14,302	1,144
	Total Market Risk	12,982,801	12,970,282		373,667	29,893
3	OPERATIONAL RISK					
	Operational Risk				1,657,613	132,609
	Total RWA and Capital Requirements				28,919,871	2,313,589

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 foreign exchange financial instruments.

a) Foreign Exchange ('FX')
b) Interest Rate Swap ('IRS')
c) Cross Currency Swap ('CCS')
d) Fixed Income Instruments (i.e. Corporate Bonds/Sukuk and Government Securities)
e) FX Options

The Group and 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.

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

The Group
2021

Risk Weights	Exposures after Netting and Credit Risk Mitigation: Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Takaful/ Insurance Companies, Securities Firms &Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	15,312,185	-	-	-	-	-	-	-	441,371	-	-	-	15,753,556	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	49,079	-	4,905,283	-	2,623,205	158,403	-	-	1,209,852	-	-	-	8,945,822	1,789,165
35%	-	-	-	-	-	-	5,819,986	-	-	-	-	-	5,819,986	2,036,995
50%	-	-	554,677	-	204,922	6,260	2,490,825	-	-	-	-	-	3,256,684	1,628,341
75%	-	-	-	-	-	15,917,469	35,727	-	-	-	-	-	15,953,196	11,964,897
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	16,252	-	4,738	165,015	22,581,254	44,765	3,353,106	-	2,094,100	-	-	-	28,259,230	28,259,230
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	740,541	105,533	-	9,514	-	-	-	-	855,588	1,283,383
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	15,377,516	-	5,464,698	165,015	26,149,922	16,232,430	11,699,644	9,514	3,745,323	-	-	-	78,844,062	46,962,011

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
FDI "Financial Development Institution"

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX II

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

The Group
2020

Risk Weights	Exposures after Netting and Credit Risk Mitigation: Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Takaful/ Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	14,581,936	-	-	-	-	-	-	-	421,379	-	-	-	15,003,315	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	61,251	-	2,085,112	-	2,132,848	155	-	-	707,905	-	-	-	4,987,271	997,454
35%	-	-	-	-	-	-	5,193,004	-	-	-	-	-	5,193,004	1,817,551
50%	-	-	493,508	-	325,841	3,911	2,197,942	-	-	-	-	-	3,021,202	1,510,602
75%	-	-	-	-	-	14,647,216	41,228	-	-	-	-	-	14,688,444	11,016,333
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	6,336	-	14,138	54,907	20,739,533	72,539	3,440,548	-	1,878,396	-	-	-	26,206,397	26,206,397
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	664,830	97,337	-	9,742	-	-	-	-	771,909	1,157,864
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	14,649,523	-	2,592,758	54,907	23,863,052	14,821,158	10,872,722	9,742	3,007,680	-	-	-	69,871,542	42,706,201

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
FDI "Financial Development Institution"

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

The Bank
2021

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Takaful/ Insurance Companies, Securities Firms &Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	7,156,866	-	-	-	-	-	-	-	409,354	-	-	-	7,566,220	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	1,264	-	2,834,815	-	1,617,745	120,825	-	-	1,193,338	-	-	-	5,767,987	1,153,597
35%	-	-	-	-	-	-	2,059,942	-	-	-	-	-	2,059,942	720,980
50%	-	-	1,475,889	-	106,902	6,080	424,229	-	-	-	-	-	2,013,100	1,006,551
75%	-	-	-	-	-	11,104,503	29,339	-	-	-	-	-	11,133,842	8,350,382
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	16,252	-	4,738	42,624	14,873,886	36,791	524,557	-	1,602,599	-	-	-	17,101,447	17,101,446
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	614,373	76,561	-	8,294	-	-	-	-	699,228	1,048,842
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	7,174,382	-	4,315,442	42,624	17,212,906	11,344,760	3,038,067	8,294	3,205,291	-	-	-	46,341,766	29,381,798

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
FDI "Financial Development Institution"

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)

The Bank
2020

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Takaful/ Insurance Companies, Securities Firms &Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	5,845,214	-	-	-	-	-	-	-	388,900	-	-	-	6,234,114	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	1,540	-	759,219	-	1,332,763	155	-	-	688,581	-	-	-	2,782,258	556,452
35%	-	-	-	-	-	-	2,038,696	-	-	-	-	-	2,038,696	713,543
50%	-	-	1,151,042	-	144,330	3,859	332,430	-	-	-	-	-	1,631,661	815,830
75%	-	-	-	-	-	10,147,148	35,372	-	-	-	-	-	10,182,520	7,636,890
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	4,615	-	11,644	39,455	14,259,129	59,617	534,773	-	1,363,378	-	-	-	16,272,611	16,272,610
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	491,840	95,755	-	7,915	-	-	-	-	595,510	893,266
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	5,851,369	-	1,921,905	39,455	16,228,062	10,306,534	2,941,271	7,915	2,440,859	-	-	-	39,737,370	26,888,591

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
FDI "Financial Development Institution"

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX III

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

The Group
2021

Exposure Class	**Ratings of Corporate by Approved ECAIs**					
	Moodys	**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**
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	165,016
Corporates		889,702	72,709	11,545	-	26,991,899
Total		**889,702**	**72,709**	**11,545**	**-**	**27,156,915**

The Group
2020

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	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
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	54,907
Corporates		865,349	121,902	38,154	-	22,837,647
Total		865,349	121,902	38,154	-	22,892,554

BASEL II PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX III

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank
2021

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	**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**
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		**-**	**-**	**-**	**-**	**-**
Takaful/Insurance Companies, Securities Firms & Fund Managers		**-**	**-**	**-**	**-**	**42,624**
Corporates		**348,898**	**62,549**	**11,545**	**-**	**17,615,468**
Total		**348,898**	**62,549**	**11,545**	**-**	**17,658,092**

The Bank
2020

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	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
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	39,455
Corporates		366,690	66,437	16,264	-	15,778,671
Total		366,690	66,437	16,264	-	15,818,126

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX III

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Group
2021

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**
	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**
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		**3,838,365**	**10,058,163**	**-**	**-**	**-**	**1,480,987**
Total		**3,838,365**	**10,058,163**	**-**	**-**	**-**	**1,480,987**

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**
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		**4,345,881**	**339,254**	**17,073**	**4,746**	**-**	**761,154**
Total		**4,345,881**	**339,254**	**17,073**	**4,746**	**-**	**761,154**

The Group
2020

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
	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
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		4,294,896	8,904,029	-	-	-	1,450,598
Total		4,294,896	8,904,029	-	-	-	1,450,598

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
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		1,715,678	203,547	18,025	9,995	-	645,513
Total		1,715,678	203,547	18,025	9,995	-	645,513

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX III

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank
2021

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**
	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**
On and Off-Balance-Sheet Exposures Sovereigns and Central Banks		**429,905**	**6,013,134**	**-**	**-**	**-**	**731,343**
Total		**429,905**	**6,013,134**	**-**	**-**	**-**	**731,343**

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**
On and Off-Balance-Sheet Exposures Banks, MDBs and FDIs		**2,241,985**	**110,507**	**17,073**	**4,746**	**-**	**1,941,879**
Total		**2,241,985**	**110,507**	**17,073**	**4,746**	**-**	**1,941,879**

The Bank
2020

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
	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
On and Off-Balance-Sheet Exposures Sovereigns and Central Banks		471,742	4,570,678	-	-	-	808,951
Total		471,742	4,570,678	-	-	-	808,951

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
On and Off-Balance-Sheet Exposures Banks, MDBs and FDIs		428,469	138,939	18,025	9,130	-	1,327,343
Total		428,469	138,939	18,025	9,130	-	1,327,343

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX IV

a) Disclosures on Credit Risk Mitigation (RM'000)

The Group
2021

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				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**15,293,894**	**-**	**-**	**-**
Banks, Development Financial Institutions & MDBs	**4,783,147**	**-**	**3,411**	**-**
Takaful/Insurance Cos, Securities Firms & Fund Managers	**19,138**	**-**	**-**	**-**
Corporates	**24,675,219**	**722,246**	**1,788,157**	**-**
Regulatory Retail	**16,124,403**	**3**	**797,440**	**-**
Residential Mortgages	**11,362,574**	**-**	**27,098**	**-**
Higher Risk Assets	**5,554**	**-**	**-**	**-**
Other Assets	**3,745,322**	**-**	**-**	**-**
Defaulted Exposures	**1,088,516**	**80**	**27,858**	**-**
Total for On-Balance Sheet Exposures	**77,097,767**	**722,329**	**2,643,964**	**-**
Off-Balance Sheet Exposures				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	**4,374,325**	**-**	**-**	**-**
Defaulted Exposures	**15,931**	**-**	**-**	**-**
Total for Off-Balance Sheet Exposures	**4,390,256**	**-**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**81,488,023**	**722,329**	**2,643,964**	**-**

The Group
2020

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				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	14,574,040	-	-	-
Banks, Development Financial Institutions & MDBs	1,823,803	-	3,428	-
Takaful/Insurance Cos, Securities Firms & Fund Managers	5,441	-	-	-
Corporates	20,980,268	732,539	626,131	-
Regulatory Retail	15,491,892	75	783,917	-
Residential Mortgages	10,496,932	-	30,515	-
Higher Risk Assets	5,412	-	-	-
Other Assets	3,007,592	-	-	-
Defaulted Exposures	1,281,384	80	25,068	-
Total for On-Balance Sheet Exposures	67,666,764	732,694	1,469,059	-
Off-Balance Sheet Exposures				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	4,299,842	-	-	-
Defaulted Exposures	11,157	-	-	-
Total for Off-Balance Sheet Exposures	4,310,999	-	-	-
Total On and Off-Balance Sheet Exposures	71,977,763	732,694	1,469,059	-

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX IV

a) Disclosures on Credit Risk Mitigation (RM'000) (continued)

The Bank
2021

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				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**7,156,510**	**-**	**-**	**-**
Banks, Development Financial Institutions & MDBs	**3,851,491**	**-**	**747**	**-**
Corporates	**15,679,713**	**503,309**	**810,389**	**-**
Regulatory Retail	**10,665,353**	**3**	**129,877**	**-**
Residential Mortgages	**2,979,370**	**-**	**15,272**	**-**
Higher Risk Assets	**4,792**	**-**	**-**	**-**
Other Assets	**3,205,291**	**-**	**-**	**-**
Defaulted Exposures	**856,184**	**80**	**15,167**	**-**
Total for On-Balance Sheet Exposures	**44,398,704**	**503,392**	**971,452**	**-**
Off-Balance Sheet Exposures				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	**2,904,593**	**-**	**-**	**-**
Defaulted Exposures	**9,923**	**-**	**-**	**-**
Total for Off-Balance Sheet Exposures	**2,914,516**	**-**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**47,313,220**	**503,392**	**971,452**	**-**

The Bank
2020

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				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	5,844,855	-	-	-
Banks, Development Financial Institutions & MDBs	1,435,260	-	765	-
Takaful/Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	14,197,228	524,210	474,762	-
Regulatory Retail	10,175,471	75	511,214	-
Residential Mortgages	2,856,263	-	17,784	-
Higher Risk Assets	4,321	-	-	-
Other Assets	2,440,859	-	-	-
Defaulted Exposures	976,049	80	25,045	-
Total for On-Balance Sheet Exposures	37,930,306	524,365	1,029,570	-
Off-Balance Sheet Exposures				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	2,826,228	-	-	-
Defaulted Exposures	10,406	-	-	-
Total for Off-Balance Sheet Exposures	2,836,634	-	-	-
Total On and Off-Balance Sheet Exposures	40,766,940	524,365	1,029,570	-

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PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX IV

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 Group and the Bank at the time of default.

In contrast to the exposure to credit risk through a financing, where the exposure to credit risk is unilateral and only the financing 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
2021

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	548,856	-	548,856	519,791
Transaction related contingent items	1,477,614	-	726,432	680,515
Short Term Self Liquidating trade related contingencies	461,206	-	92,241	53,585
Foreign exchange related contracts				
One year or less	25,519,945	108,320	451,844	201,457
Over one year to five years	897,663	11,532	73,080	42,195
Interest/Profit rate related contracts				
One year or less	1,135,000	3,908	4,428	1,811
Over one year to five years	4,813,000	50,189	153,162	55,410
Over five years	955,000	19,395	74,830	22,956
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,039,539	-	1,018,794	719,000
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,069,907	-	1,013,981	848,791
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,116,522	-	-	-
Unutilised credit card lines	1,163,042	-	232,608	172,330
Total	**45,197,294**	**193,344**	**4,390,256**	**3,317,841**

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX IV

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

The Group
2020

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	501,472	-	501,472	469,006
Transaction related contingent items	1,640,080	-	807,065	748,646
Short Term Self Liquidating trade related contingencies	450,212	-	90,042	43,141
Foreign exchange related contracts				
One year or less	18,864,614	275,590	527,308	198,080
Over one year to five years	1,019,409	19,996	90,550	44,601
Interest/Profit rate related contracts				
One year or less	447,000	1,600	2,256	471
Over one year to five years	4,063,000	81,933	169,886	45,911
Over five years	755,000	9,175	57,095	15,567
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,749,812	-	873,762	664,511
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,114,530	-	1,022,712	877,512
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	783,018	-	-	-
Unutilised credit card lines	844,254	-	168,851	125,142
Total	36,232,401	388,294	4,310,999	3,232,588

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX IV

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

The Bank
2021

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	**456,935**	**-**	**456,935**	**427,871**
Transaction related contingent items	**982,691**	**-**	**491,345**	**442,918**
Short Term Self Liquidating trade related contingencies	**200,556**	**-**	**40,111**	**39,706**
Foreign exchange related contracts				
One year or less	**14,563,705**	**54,714**	**258,211**	**86,521**
Over one year to five years	**83,340**	**-**	**5,000**	**1,000**
Interest/Profit rate related contracts				
One year or less	**355,000**	**1,466**	**966**	**241**
Over one year to five years	**2,663,000**	**29,064**	**90,737**	**28,716**
Over five years	**955,000**	**19,395**	**74,830**	**22,956**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**1,197,170**	**-**	**598,273**	**465,490**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**3,541,944**	**-**	**708,389**	**597,167**
Unutilised credit card lines	**948,592**		**189,718**	**140,163**
Total	**25,947,933**	**104,639**	**2,914,516**	**2,252,749**

The Bank
2020

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	432,764	-	432,764	400,260
Transaction related contingent items	1,184,737	-	592,368	533,992
Short Term Self Liquidating trade related contingencies	156,180	-	31,236	30,687
Foreign exchange related contracts				
One year or less	10,640,270	182,057	321,509	93,809
Over one year to five years	207,100	7,411	12,877	2,575
Interest/Profit rate related contracts				
One year or less	57,000	670	591	138
Over one year to five years	1,513,000	31,869	62,222	23,268
Over five years	755,000	9,175	57,095	15,567
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	912,497	-	455,987	385,485
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,716,393	-	743,084	640,498
Unutilised credit card lines	634,499	-	126,900	93,679
Total	20,209,440	231,182	2,836,633	2,219,958

BASEL II
PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

APPENDIX IV

c) Disclosure on Market Risk - Interest Rate Risk/ Rate of Return 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 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.

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.

	The Group Impact on Positions (100 basis points) Parallel Shift		The Bank Impact on Positions (100 basis points) Parallel Shift	
Type of Currency (RM million)	**Increase/ (Decline) In Earnings**	**Increase/ (Decline) in Economic Value**	**Increase/ (Decline) In Earnings**	**Increase/ (Decline) in Economic Value**
2021				
Ringgit Malaysia	**(16.3)**	**(147.8)**	**30.9**	**(490.6)**
US Dollar	**(0.8)**	**(0.0)**	**(10.6)**	**0.6**
Euro	**-**	**-**	**(0.3)**	**0.9**
Great Britain Pound	**-**	**-**	**0.0**	**0.1**
Australian Dollar	**-**	**-**	**(0.1)**	**(0.0)**
Singapore Dollar	**0.0**	**(0.2)**	**(0.2)**	**0.0**
Japanese Yen	**-**	**-**	**(0.0)**	**0.0**
Others (#)	**-**	**-**	**(0.4)**	**-**
Total	**(17.1)**	**(148.0)**	**19.4**	**(489.0)**
2020				
Ringgit Malaysia	28.4	694.6	14.9	336.4
US Dollar	1.0	3.1	5.3	1.1
Euro	(0.4)	(0.4)	(0.4)	(0.4)
Great Britain Pound	-	-	-	-
Australian Dollar	-	-	-	-
Singapore Dollar	(0.3)	0.3	(0.2)	-
Others (#)	(0.4)	-	(0.4)	-
Total	28.3	697.6	19.2	337.1

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 or major shareholders which subsisted at the end of the financial year ended 31 December 2021 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 2 June 2021, 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 2021 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) to Connected Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Bank	Perbadanan Perwira Niaga Malaysia	Rental payment by Affin Bank to Perwira Niaga for office premises, service charge and space for Automated Teller Machine (ATM) payable monthly for a lease term renewable for period ranging from two (2) to three (3) years at various locations	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholder LTAT	156
	Boustead Travel Services Sdn Bhd ("**Boustead Travel**")	Provision of travelling related services to Affin Bank by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	80
	Boustead Properties Sdn Bhd ("**Boustead Properties**")	Rental payment by Affin Bank to Boustead Properties for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara Affin)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	12,287
	Lembaga Tabung Angkatan Tentera ("**LTAT**")	Rental payment by Affin Bank to LTAT for office premises and car park payable monthly for a lease term renewable every three (3) years (Bangunan LTAT)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholder LTAT	318

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) to Connected Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Bank (continued)	Boustead Curve Sdn Bhd ("**Boustead Curve**")	Rental payment by Affin Bank to Boustead Curve for office premises, car parking and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	219
	Boustead Hotels & Resorts Sdn Bhd ("**Boustead Hotels & Resorts**")	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to Affin Bank for staff in-house training and other expenses	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	48
	Boustead Hotels & Resorts	Rental payment by Affin Bank to Boustead Hotels & Resorts for space of ATM machine payable monthly at The Royale Chulan Kuala Lumpur Hotel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	12
	Boustead Petroleum Marketing Sdn Bhd ("**Boustead Petroleum**")	LED advertising charges and related expenses payable by Affin Bank to Boustead Petroleum	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
	Boustead Petroleum	Rental payment by Affin Bank to Boustead Petroleum for space of ATM machine payable monthly at various BHP petrol stations	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	189
	Boustead Ikano Sdn Bhd	Rental payment by Affin Bank to Boustead Ikano Sdn Bhd for branch premises payable monthly for a lease term renewable every three (3) years (MyTown branch)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	323
	Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	Rental payment by Affin Bank to Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R) for branch premises payable monthly for a lease term renewable every three (3) years (Kulai branch)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholder LTAT	25
	Boustead Weld Quay Sdn Bhd	Hotel facilities and refreshment provided by Boustead Weld Quay Sdn Bhd to Affin Bank for staff in-house training and other expenses at Royale Chulan Penang Hotel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	1

ADDITIONAL DISCLOSURE
PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) to Connected Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Islamic	Boustead Travel	Provision of travelling related services to Affin Islamic by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to Affin Islamic for staff in-house training and other expenses	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
Affin Hwang Investment Bank Berhad ("**Affin Hwang IB**")	Boustead Realty Sdn Bhd ("**Boustead Realty**")	Rental payment by Affin Hwang IB to Boustead Realty for office premises, car parking and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	2,445
	Boustead Travel	Provision of travelling related services to Affin Hwang IB by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	7
	Boustead Petroleum	Petrol consumption by Affin Hwang IB payable to Boustead Petroleum	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
	Irat	Rental payment by Affin Hwang IB to Irat for office premises, car parking and utilities charges payable monthly for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	2,260
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to Affin Hwang IB for staff in-house training and other expenses	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	8
	Boustead Weld Quay Sdn Bhd	Hotel facilities and refreshment provided by Boustead Weld Quay Sdn Bhd to Affin Hwang IB for staff in-house training and other expenses at Royale Chulan Penang Hotel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) to Connected Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
Affin Hwang Asset Management Berhad ("**Affin Hwang Asset Management**")	LTAT	Management fees payable by LTAT to Affin Hwang Asset Management	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholder LTAT	122
	Boustead Travel	Provision of travelling related services to Affin Hwang Asset Management by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	4
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to Affin Hwang Asset Management for staff in-house training and other expenses	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
	Boustead Realty	Rental payment by Affin Hwang Asset Management to Boustead Realty for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	3,057
	Nikko Asset Management	Management fees payable by Affin Hwang Asset Management to Nikko Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	1,967
	Nikko Asset Management	Advisory fees payable by Affin Hwang Asset Management to Nikko Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	1,345
	Nikko Asset Management	Commission and other fees payable by Nikko Asset Management to Affin Hwang Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	2,373
Affin Moneybrokers Sdn Bhd ("**Affin Moneybrokers**")	Boustead Realty	Rental payment by Affin Moneybrokers to Boustead Realty for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	382
	Boustead Travel	Provision of travelling related services to Affin Moneybrokers by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0

ADDITIONAL DISCLOSURE
PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) to Connected 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 to Irat payable monthly for office premises, car park and utilities charges for lease term renewable every year and payment for other related services (Chulan Tower)	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	1,681
	AXA Asia Pacific Ltd	Provision of information technology and other support services by AXA Asia to AXA Affin Life	Interested Director Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia Pacific Ltd	19
	AXA Group Operations Hong Kong Limited	Provision of information technology and other support services by AXA Group Operations Hong Kong Limited to AXA Affin Life	Interested Director Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia	11,412
	AXA Group Operations Hong Kong Limited	Software development and license fees charged by AXA Group Operations Hong Kong Limited to AXA Affin Life	Interested Director Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia	2,130
	Boustead Travel	Provision of travelling related services to AXA Affin Life by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AXA Affin Life for staff in-house training and other expenses	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	2
	AXA Group Operations SAS	Provision of information technology services and license subscription by AXA Group Operations SAS to AXA Affin Life	Interested Director Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia	2,677
	AXA Group Operations Malaysia Sdn Bhd	Provision of actuarial services by AXA Group Operations Malaysia Sdn Bhd to AXA Affin Life	Interested Director Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia	1,072
	AXA Group Operations Spain, S.A.	Provision of information technology and other support services to AXA Affin Life	Interested Director Jean Paul Dominique Louis Drouffe Interested Major Shareholder AXA Asia	98

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) to Connected Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AIIMAN Asset Management	Boustead Travel	Provision of travelling related services to AIIMAN Asset Management by Boustead Travel	Interested Director Mohd Suffian bin Haji Haron Interested Major Shareholders LTAT and Boustead	0
	Nikko Asset Management	Advisory fees payable by AIIMAN Asset Management to Nikko Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	186
	Nikko Asset Management	Provision of management fees services by AIIMAN Asset Management to Nikko Asset Management	Interested Director David Jonathan Semaya Interested Major Shareholder Nikko Asset Management	178
Total				**47,083**

TOP 10 PROPERTIES
AS AT 31 DECEMBER 2021

No.	Address/Property	Description/ Existing Use	Tenure	Site Area (sq ft)	Approx Age of Building (years)	Net Book Value as at 31/12/2021 (RM)
1	TRX District Plot C7.9-Ct	Commercial Land	Freehold	Land : 54,266	-	259,831,312
2	No. 301, 401 & 501 Block C, Menara Glomac Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya Selangor	Consumer Collection & Recovery, Contact Centre	Leasehold Exp : 21/11/2092	Land : N/A Built-Up No 301 : 6,916 No 401 : 6,916 No 501 : 6,916	21	4,308,138
3	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	30	3,600,041
4	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	21	3,119,112
5	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	30	2,735,184
6	No. 29 & 31 Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang Selangor	2 Units 4 Storey Shop Office/ Branch Premises	Leasehold Exp : 08/05/2093	Land : 3,300 Built-Up : 13,200	24	2,292,158
7	Lot 19 & 20 Sadong Jaya Complex Jalan Juara Ikan 3 Karamunsing 88300 Kota Kinabalu Sabah	4 Storey Shop Office/Branch Premises	Leasehold Exp : 21/01/2901	Land : 2,780 Built-Up : 10,144	28	2,040,401
8	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] No. 4, Jln 1/27F Klsc Wangsa Maju 53300 Kuala Lumpur [C7/50/85-1, C7/50/85-2 & C7/50/85-3]	4 Storey Shop Office Corner Unit/Branch Premises 3 Storey Shop Office/Branch Premises	Leasehold Exp : 19/04/2083 Leasehold Exp : 19/04/2083	Land : 4,480 Built-Up : 14,920 Land : 1,920 Built-Up : 5,760	23	1,921,005
9	No. 23 & 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	28	1,703,627
10	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	33	1,668,283

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

SIZE OF SHAREHOLDINGS	NO OF HOLDERS	%	NO OF SHARES	%
Less than 100	910	4.7	21,536	0.0
100 to 1,000	2,965	15.3	2,023,696	0.1
1,001 to 10,000	11,642	60.0	46,213,856	2.0
10,001 to 100,000	3,480	17.9	97,756,696	4.2
100,001 to 106,203,119*	398	2.0	178,492,621	7.3
106,203,120 and above**	4	0.0	1,799,554,007	86.4
Total	**19,399**	**100.00**	**2,124,062,412**	**100.00**

* Less than 5% of issued shares
** 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS AS AT 31 MARCH 2022

NAME		SHAREHOLDINGS	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA	702,706,323	33.08
2.	MAYBANK NOMINEES (ASING) SDN BHD THE BANK OF EAST ASIA LIMITED HONG KONG FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	503,358,838	23.69
3.	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	442,849,072	20.85
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	150,639,774	7.09
5.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	21,909,200	1.03
6.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	8,906,000	0.42
7.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	7,347,001	0.35
8.	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	6,559,110	0.31
9.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,725,944	0.18
10.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	3,295,275	0.16
11.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	3,234,408	0.15
12.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD (TSTAC/CLNT)	3,015,000	0.14
13.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	2,834,654	0.13
14.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,800,200	0.13
15.	HSBC NOMINEES (ASING) SDN BHD JPMCB, NA FOR AUSTRALIANSUPER	2,425,800	0.11
16.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	2,251,628	0.11

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

NAME	SHAREHOLDINGS	%
17. KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	2,057,750	0.10
18. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	2,000,000	0.09
19. LEE GUAN SEONG	1,812,400	0.09
20. HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.08
21. CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZALARAZ SDN BHD (MY3113)	1,685,507	0.08
22. KEY DEVELOPMENT SDN BERHAD	1,441,504	0.07
23. DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE BANK AG SINGAPORE FOR KSC (S) PTE LTD (LEE HAU HIAN)	1,425,000	0.07
24. B-OK SDN BHD	1,379,400	0.06
25. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,328,923	0.06
26 PERTUBUHAN PELADANG KEBANGSAAN (NAFAS)	1,250,000	0.06
27. HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	1,165,198	0.05
28. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK	1,063,900	0.05
29. G.T.Y. HOLDINGS SDN. BHD	1,000,000	0.05
30. RAJESH SINGH BHINDER A/L PRETAM SINGH	1,000,000	0.04
TOTAL	**1,889,126,036**	**88.89**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2022

NAME	DIRECT SHAREHOLDINGS	%	INDIRECT SHAREHOLDINGS	%
1. LEMBAGA TABUNG ANGKATAN TENTERA	702,706,323	33.08	442,849,072*	20.85
2. THE BANK OF EAST ASIA LIMITED	503,358,838	23.69	-	
3. BOUSTEAD HOLDINGS BERHAD (BHB)	442,849,072	20.85	-	-
4. EMPLOYEES PROVIDENT FUND	150,639,774	7.09		

* Deemed interest by virtue of LTAT's interest in BHB

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 46TH ANNUAL GENERAL MEETING ("AGM") OF AFFIN BANK BERHAD [197501003274 (25046-T)] ("ABB"/"THE COMPANY") WILL BE BROADCASTED LIVE FROM **MENARA AFFIN, LINGKARAN TRX, TUN RAZAK EXCHANGE, JALAN TUN RAZAK, 55188 KUALA LUMPUR, MALAYSIA** ("BROADCAST VENUE") ON **WEDNESDAY, 25 MAY 2022** AT **10.00 A.M**. TO TRANSACT THE FOLLOWING BUSINESSES:

AGENDA

AS ORDINARY BUSINESSES:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of a single-tier final dividend of 12.50 sen per ordinary share in respect of the financial year ended 31 December 2021. **Resolution 1**

3. To re-elect the following Directors who retire by rotation pursuant to Article 118 of the Company's Constitution and who being eligible offer themselves for re-election:

   3.1 Dato' Mohd Hata bin Robani **Resolution 2**
   3.2 Dato' Abdul Aziz bin Abu Bakar **Resolution 3**
   3.3 Yuen Wai Hung, Peter **Resolution 4**

4. To approve the increase of Directors' fees and Board Committees' fees from the 46th AGM of the Company and further to approve the payment of the same to the Non-Executive Directors for the period from the 46th AGM to the 47th AGM of the Company as follows: **Resolution 5**

   4.1 Chairman's fee of RM265,000 per annum;
   4.2 Director's fee of RM165,000 per annum for each Non-Executive Director;
   4.3 Board Committee Chairman's fee of RM50,000 per annum for the Chairman of each Board Committee; and
   4.4 Board Committee Member's fee of RM35,000 per annum for each member of a Board Committee.

5. To approve the payment of Directors' benefits of an amount up to RM2.0 million to eligible Non-Executive Directors from the 46th AGM to the 47th AGM of the Company. **Resolution 6**

6. To re-appoint Messrs PricewaterhouseCoopers PLT as the Company's Auditors for the financial year ending 31 December 2022 and to authorise the Directors to fix the Auditors' remuneration. **Resolution 7**

AS SPECIAL BUSINESSES:

To consider, and if thought fit, to pass the following resolutions:

7. Ordinary Resolution

   AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN AFFIN BANK BERHAD ("ABB SHARES") **Resolution 8**

   "THAT subject always to the Companies Act, 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 and Section 76 of the Act, to allot and issue ABB Shares at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of ABB Shares to be allotted pursuant to the said allotment does not exceed ten percent (10%) of the total number of issued shares of the Company as at the date of such allotment and that the Directors be and are hereby authorised to obtain all necessary approvals from the relevant authorities for the allotment, listing and quotation of the additional shares so allotted on Bursa Malaysia and that such authority to allot ABB Shares shall continue to be in force until the conclusion of the next AGM of the Company."

NOTICE OF ANNUAL GENERAL MEETING

8. Ordinary Resolution

ALLOTMENT AND ISSUANCE OF NEW ORDINARY SHARES OF AFFIN BANK BERHAD ("ABB SHARES") IN RELATION TO THE DIVIDEND REINVESTMENT PLAN BY THE COMPANY THAT GIVES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO REINVEST THEIR WHOLE OR A PORTION OF THE DIVIDEND FOR WHICH THE REINVESTMENT OPTION APPLIES IN NEW ABB SHARES ("DIVIDEND REINVESTMENT PLAN") **Resolution 9**

"THAT pursuant to the Dividend Reinvestment Plan as approved by the shareholders at the Extraordinary General Meeting held on 15 May 2018 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new ABB Shares upon the election of the shareholders of the Company to reinvest the dividend pursuant to the Dividend Reinvestment Plan until the conclusion of the next AGM upon such terms and conditions and to such persons as the Board may, in their sole and absolute discretion, deem fit and in the interest of the Company;

AND THAT, the issue price of the said new ABB Shares which will be determined by the Board on a price-fixing date to be determined ("Price Fixing Date"), shall not be more than 10% discount to the adjusted 5-day volume-weighted average market price ("WAMP") of ABB Shares immediately prior to the Price Fixing Date, of which the WAMP shall be adjusted ex-dividend before applying the abovementioned discount in fixing the issue price;

AND THAT the Board be and is hereby authorised to do all such acts and enter into all such transactions, arrangements and agreements, deeds or undertakings and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan with full power to assent to any conditions, variations, modifications and/or amendments, as the Board may, in its absolute discretion deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any relevant authorities."

9. Ordinary Resolution

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE") **Resolution 10**

"THAT authority be and is hereby given in line with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 26 April 2022 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:

i. the conclusion of the next AGM of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or

ii. the expiration of the period within which the next AGM of the Company which is to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting, whichever is earlier.

AND FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company."

10. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

NIMMA SAFIRA KHALID
(LS0009015)
(SSM PC No. 201908001266)
Company Secretary

Kuala Lumpur
26 April 2022

Notes:

(1) The 46th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in Appendix 1 of Administrative Notes for Members of the 46th AGM in order to register, participate and vote remotely via the RPV facilities.

(2) The Broadcast Venue of the 46th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members/proxies are not allowed to attend the 46th AGM in person at the Broadcast Venue on the day of the 46th AGM.

(3) A member entitled to participate and vote at this AGM is entitled to appoint proxy(ies) to participate and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of a proxy.

(4) (i) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Authorised Nominee") may appoint at least one (1) proxy but not more than two (2) proxies in respect of each security account it holds with ordinary shares of the Company ("ABB Shares") standing to the credit of the said securities account to participate and vote at this AGM.

(ii) Notwithstanding the above, for an exempt Authorised Nominee which holds ABB Shares for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies that the exempt Authorised Nominee may appoint in respect of each Omnibus Account.

(5) Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(6) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.

(7) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2022 (General Meeting Record of Depositors) shall be entitled to participate and vote at the 46th AGM.

(8) The appointment of proxy may be submitted in hard copy form or electronically via TIIH Online website at https://tiih.online. The hard copy of the Proxy Form must be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the 46th AGM or no later than 23 May 2022 at 10.00 a.m.

If members wish to submit their Proxy Form electronically, please refer to the Procedures for Electronic Lodgement of Proxy Form as set out in Appendix 2 of the Administrative Notes for Members.

(9) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 46th AGM of the Company shall be put to vote by way of a poll.

NOTICE OF ANNUAL GENERAL MEETING

(10) Explanatory Notes on Ordinary Businesses:

(i) Audited Financial Statements for the Financial Year Ended 31 December 2021

The Audited Financial Statements are for discussion only in accordance with Section 340(1)(a) of the Act and do not require shareholders' approval. Hence, the same will not be put forward for voting.

(ii) Ordinary Resolution 1 - Payment of Single-Tier Final Dividend

The proposed single-tier final dividend as per Ordinary Resolution 1 can be entirely reinvested into new ABB Shares in accordance with the Dividend Reinvestment Plan.

Pursuant to Section 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the single-tier final dividend, if approved, shall be paid not later than three (3) months from the date of the shareholders' approval. The Books Closure Date will be announced by the Company after this AGM.

(iii) Ordinary Resolutions 2,3 and 4 - Re-election of Directors

The Group Board Nomination and Remuneration Committee ("GBNRC") has considered the performance and contribution of each of the retiring Directors and has also assessed the independence of the Independent Non-Executive Directors ("INEDs") seeking re-election.

Based on the results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2021, the performance of each of the retiring Directors was found to be satisfactory.

The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of the retiring Directors. The retiring Directors had abstained from deliberations and decisions on their re-election at the GBNRC and Board meetings.

The details and profiles of the Directors who are standing for re-election at the 46th AGM are provided herein.

(iv) Ordinary Resolutions 5 and 6 - Remuneration Payable to Non-Executive Directors

The Directors' Remuneration for the Non-Executive Chairman and Non-Executive Directors ("NEDs") was last reviewed and approved by the shareholders at the 41st AGM of the Company held on 24 April 2017.

In March 2022, the Company had engaged an external consultant, Willis Towers Watson Malaysia ("WTW") to conduct an independent review of the NEDs' fees for the members of the Board and Board Committees of ABB.

In its review, WTW had adopted comparators which include public and non-public listed financial institutions. Based on the outcome of the review, WTW recommended the revision of the Directors' remuneration to be streamlined and aligned with peers in the market. This revision will ensure the necessary differentiation in fees to reflect the various roles and accountabilities between the Holding Company and subsidiaries as well as the Chairperson and members.

The fees review is also necessary to commensurate with the Directors' heightened responsibilities, accountabilities, commitment and contribution with reference to their statutory duties, the complexity of the Group's businesses and the increased expectations from various stakeholders. The review is crucial to determine the Board's competitiveness to attract as well as retain individuals with strong credentials and high calibre to serve on the Board of the Company.

The proposed fees review was comprehensively deliberated at the GBNRC in March 2022 and was duly approved by the Board for tabling at the 46th AGM for the shareholders' approval.

Accordingly, it is recommended that the existing Directors' Fees, Board Committees' Fees and Meeting Allowance be revised as follows:

(a) Directors' Fees:-

	Chairman		Member	
	Current (RM)	Proposed (RM)	Current (RM)	Proposed (RM)
Board				
Director's Fee (per annum)	160,000	**265,000**	130,000	**165,000**
Board Committee				
Board Committee Fee (per annum)	40,000	**50,000**	35,000	**35,000**

(b) Meeting allowance:-

	Chairman		Member	
	Current (RM)	Proposed (RM)	Current (RM)	Proposed (RM)
Board				
Director's Sitting Fee (per meeting)	3,000	**3,000**	2,000	**2,500**
Board Committee				
Board Committee Sitting Fee (per meeting)	2,400	**2,500**	2,000	**2,500**

WTW recommended that the existing benefits remain status quo except for the token of appreciation/gratuity upon retirement or resignation of the NED which shall be discontinued and no longer be part of the benefits.

The benefits payable to NEDs comprise allowances, benefits-in-kind and other emoluments, details of which are as follows:

(i) Meeting Allowance;

(ii) Car Allowance and Company Driver for Chairman (based on maximum taxable rate); and

(iii) Other Benefits - includes benefits that are claimable or otherwise such as monthly subscription of club membership and other facilities made available by the Company to eligible NEDs.

The total amount of benefits payable to the NEDs is estimated to increase during this AGM to the next AGM to be held in 2023. In view of this, the Board is seeking approval from shareholders for an amount of up to RM2.0 million as benefits payable to the NEDs. Among the reasons for the increase are as follows:

(i) Revision of Director's sitting fee as proposed by WTW;

(ii) Expected increase in the number of Board members from 9 to 11;

(iii) Establishment of an additional Board Committee i.e. Board Sustainability Committee; and

(iv) One-off payment for the token of appreciation/gratuity that will no longer be part of the NEDs' benefits.

The amount of benefits approved by the shareholders at the previous AGMs and the current proposal are as follows:

Benefits Payable to NEDs (as approved at AGM)	44th AGM held on 27 July 2020	45th AGM held on 2 June 2021	Approval to be sought at 46th AGM on 25 May 2022
Up to an amount of	RM1.4 million	RM1.4 million	RM2.0 million

Payment of the NEDs' remuneration will be made by the Company on a monthly basis and/or as and when deemed appropriate, if the proposed Ordinary Resolutions 5 and 6 have been passed at the 46th AGM of the Company. The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' remuneration on a monthly basis and/or as and when deemed appropriate, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the relevant period.

(v) Ordinary Resolution 7 – Appointment of Auditors

The Group Board Audit Committee ("GBAC") had, at its meeting held on 24 January 2022, conducted an annual review on the external auditors, Messrs PricewaterhouseCoopers PLT in accordance with BNM's Guidelines on External Auditors and ABB's Policy and Procedures for Appointment of Group External Auditors. The assessment covered a wide spectrum of matters such as performance, suitability, independence and objectivity of the external auditors.

Being satisfied with the performance, technical competency, audit approach as well as audit independence of Messrs PricewaterhouseCoopers PLT, the GBAC has recommended the re-appointment of Messrs PricewaterhouseCoopers PLT as the external auditors of the Company for the financial year ending 31 December 2022 ("FY2022").

The Board had, at its meeting held on 27 January 2022 endorsed the GBAC's recommendation for the shareholders' approval to be sought at the 46th AGM on the re-appointment of Messrs PricewaterhouseCoopers PLT as external auditors of the Company for FY2022.

The Board is also seeking shareholders' approval to authorise the Directors to fix the remuneration of the external auditors for FY2022.

NOTICE OF ANNUAL GENERAL MEETING

(vi) Ordinary Resolution 8 - Authority for Directors to Issue Shares

The Company has not issued any shares under the general mandate for allotment of shares pursuant to Section 75 and Section 76 of the Companies Act, 2016 which was approved at the 45th AGM held on 2 June 2021 and will lapse at the conclusion of the 46th AGM to be held on 25 May 2022.

The proposed Ordinary Resolution 8, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company.

The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The general mandate sought will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for the purpose of funding investment(s), working capital and/or acquisition(s).

(vii) Ordinary Resolution 9 – Dividend Reinvestment Plan

The proposed Ordinary Resolution 9, if passed, will give authority to the Board to allot and issue new ABB Shares pursuant to the Dividend Reinvestment Plan in respect of any future dividends to be declared, to which the Dividend Reinvestment Plan applies and such authority shall expire at the conclusion of the next AGM of the Company.

(viii) Ordinary Resolution 10 - Proposed Shareholders' Mandate

The proposed Ordinary Resolution 10, if passed, will enable the Company and/or 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 the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

STATEMENT ACCOMPANYING NOTICE OF 46TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

The profile of the Directors who are standing for re-election under Agenda 3 of the Notice of 46th AGM is as follows:

Resolution 2

	DATO' MOHD HATA BIN ROBANI Independent Non-Executive Director
Nationality/Age/Gender	Malaysian/70 years old/Male
Date of Appointment	17 October 2017
Length of Service (as at 31 March 2022)	4 years 5 months
Date of last re-election	20 July 2020
Academic/Professional Qualification	• Bachelor of Economics (Business Administration), University of Malaya • Management Development Programme, University of Harvard, USA
Past Directorship(s)/Working Experience	• Advisor, Agenda Harmoni Sdn Bhd • Executive Chairman, Excellent Tank Treatment Services Sdn Bhd • Managing Director, Malaysian Electronic Payment System Sdn Bhd (MEPS) • Executive Director, BSN Commercial Bank Berhad • Director of Seacorp Schroeder Asset Management Berhad • General Manager, Financial Services Division of Amanah Capital Partners Group • Group Chief Operating Officer, Amanah Capital Partners Group • Director of Short Deposits Malaysia Berhad • Director of Asia Unit Trust Berhad • Director of Taisho Marine & Fire Insurance (M) Berhad • Director of Fulton Preborn Sdn Bhd • Director of Banking Department of BNM • Director of IT Department of BNM • Senior Assistant Manager, Bank Inspection Department, Bank Negara Malaysia (BNM)
Present Directorship(s) and/or appointments	**Directorship in public company** • Nil **Other Directorship** • Director of Affin Holdings Berhad
Membership of Board Committees	• Chairman of Group Board Compliance Committee • Member of Group Board Audit Committee

Notes:

- Dato' Hata fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Dato' Hata based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2021.
- Dato' Hata satisfies with the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

STATEMENT ACCOMPANYING NOTICE OF 46TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

	Resolution 3 **DATO' ABDUL AZIZ BIN ABU BAKAR** Independent Non-Executive Director
Nationality/Age/Gender	Malaysian/69 years old/Male
Date of Appointment	17 October 2017
Length of Service (as at 31 March 2022)	4 years 5 months
Date of last re-election	20 July 2020
Academic/Professional Qualification	• Bachelor of Economics (Honours), University of Malaya • Senior Management Development Programme (SMDP), Harvard Business School
Past Directorship(s)/Working Experience	• Alternate Director, SOCSO • CEO/ED, Malaysian Directors Academy (MINDA) • Chief Human Capital Officer, 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 of Costain Group PLC (UK) • Director of Rangkaian Segar Sdn Bhd • Director of 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
Present Directorship(s) and/or appointments	**Directorship in public company** • Nil **Other Directorship** • Director of Merchantrade Asia Sdn Bhd • Director of Institute of Corporate Directors of Malaysia (ICDM) • Director of AKIIM Sdn Bhd (previously known as Alkhair International Islamic Bank)
External Professional Commitment	• Fellow of Institute of Corporate Directors Malaysia (ICDM) • Member of the Nomination and Remuneration Committee of Razak School of Government (RSOG)
Membership of Board Committees	• Chairman of Group Board Nomination and Remuneration Committee • Member of Group Board Compliance Committee

Notes:
- Dato' Aziz fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Dato' Aziz based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2021.
- Dato' Aziz satisfies the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

STATEMENT ACCOMPANYING NOTICE OF 46TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

Resolution 4

	YUEN WAI HUNG, PETER Non-Independent Non-Executive Director
Nationality/Age/Gender	American/60 years old/Male
Date of Appointment	1 November 2019
Length of Service (as at 31 March 2022)	2 years 4 months
Date of last re-election	20 July 2020
Academic/Professional Qualification	• Master of Business Administration, University of Houston, USA • Bachelor of Business Administration (Major in Finance), University of Hawaii, USA
Past Directorship(s)/Working Experience	• Director of East Asia Property Holdings (Jersey) Limited • Director of PRASAC Microfinance Institution Limited • General Manager & Head of International Division, The Bank of East Asia, Limited (BEA) • Head of Financial Institutions Department, BEA
Present Directorship(s) and/or appointments	**Directorship in public company** • Director of East Asia Indonesian Holding Limited • Director of Leader One Limited • Director of Industrial and Commercial Bank of China (Canada) • Director of East Asia Holding Company, Inc • Director of Industrial and Commercial Bank of China (USA) NA **Other Directorship** • Nil **Other Appointments** • General Manager and Head of Strategic Partnership Group, BEA
Membership of Board Committees	• Member of Group Board Risk Management Committee

Notes:
- Mr. Yuen is a nominee of BEA, a major shareholder of Affin Bank Berhad.
- Mr. Yuen fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Mr. Yuen based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2021.

Save as disclosed, none of the Directors have:

- Any family relationship with any Director and/or major shareholders of Affin Bank Berhad
- Any conflict of interest with Affin Bank Berhad
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2021

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FORM OF PROXY

AFFIN BANK

AFFIN BANK BERHAD 197501003274 (25046-T)

I/We ______________________________ NRIC No./Company No. ______________________________
(Full Name in Block Letters)

of ____
(Full Address)

Tel No. ____________________ being a member of AFFIN BANK BERHAD, hereby appoint ______________________________
(Full Name in Block Letters)

______________________________ NRIC No. ______________________________ of ______________________________
(Full Address)

____ and ______________________________
(Full Name in Block Letters)

______________________________ NRIC No./Company No. ______________________________ of ______________________________

____
(Full Address)

or failing him/her the CHAIRMAN OF THE MEETING as my/our* proxy to participate and vote for me/us on my/our behalf at the 46th Annual General Meeting (AGM) of the Company to be held on **Wednesday, 25 May 2022** at **10.00 a.m.** and to be conducted as a virtual AGM at the Broadcast Venue at **Menara Affin, Lingkaran TRX, Tun Razak Exchange, Jalan Tun Razak, 55188 Kuala Lumpur, Malaysia** or any adjournment thereof.

My/our proxy(ies) is/are to vote on the resolutions as indicated by an "X" below. If no indication is given, my/our proxy(ies) shall vote or abstain as he/she thinks fit:

No.	Resolutions	For	Against
1	To approve the payment of a single-tier final dividend of 12.50 sen per ordinary share in respect of the financial year ended 31 December 2021.		
	To re-elect the following Directors who retire by rotation pursuant to Article 118 of the Company's Constitution and who being eligible offer themselves for re-election:		
2	(i) Dato' Mohd Hata bin Robani		
3	(ii) Dato' Abdul Aziz bin Abu Bakar		
4	(iii) Yuen Wai Hung, Peter		
5	To approve the increase of Directors' fees and Board Committees' fees from the 46th AGM of the Company and further to approve the payment of the same to the Non-Executive Directors for the period from the 46th AGM to the 47th AGM of the Company as follows: 5.1 Chairman's fee of RM265,000 per annum; 5.2 Director's fee of RM165,000 per annum for each Non-Executive Director; 5.3 Board Committee Chairman's fee of RM50,000 per annum for the Chairman of each Board Committee; and 5.4 Board Committee Member's fee of RM35,000 per annum for each member of a Board Committee.		
6	To approve the payment of Directors' benefits of an amount up to RM2.0 million to eligible Non-Executive Directors from the 46th AGM to the 47th AGM of the Company.		
7	To re-appoint Messrs PricewaterhouseCoopers PLT as the Company's Auditors for the financial year ending 31 December 2022 and to authorise the Directors to fix the Auditors' remuneration.		
8	Authorisation to the Directors to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act, 2016.		
9	Authorisation to the Directors to allot and issue new Affin Bank Berhad Shares in relation to the Dividend Reinvestment Plan.		
10	Approval of the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Signed this on ____________ day of ____________ 2022.

____
Signature of Member/Common Seal

CDS Account No.:	
No. of shares held:	
Proportion of shareholdings represented by proxies:	First proxy: % Second proxy: % 100%

Notes:

(1) The 46th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Appendix 1 of Administrative Notes for Members of the 46th AGM in order to register, participate and vote remotely via the RPV facilities.

(2) The Broadcast Venue of the 46th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members/proxies are not allowed to attend the 46th AGM in person at the Broadcast Venue on the day of the 46th AGM.

(3) A member entitled to participate and vote at this AGM is entitled to appoint proxy(ies) to participate and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of a proxy.

(4) (i) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Authorised Nominee") may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company ("ABB Shares") standing to the credit of the said securities account to participate and vote at this AGM.

(ii) Notwithstanding the above, for an exempt Authorised Nominee which holds ABB Shares for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account.

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(5) Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(6) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.

(7) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2022 (General Meeting Record of Depositors) shall be entitled to participate and vote at the 46th AGM.

(8) The appointment of proxy may be submitted in hard copy form or electronically via TIIH Online website at https://tiih.online. The hard copy of Proxy Form must be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the 46th AGM or no later than 23 May 2022 at 10.00 a.m.

(9) If members wish to submit their Form of Proxy electronically, please refer to the Procedures for Electronic Lodgement of Form of Proxy as set out in Appendix 2 of the Administrative Notes for Members.

(10) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 46th AGM of the Company shall be put to vote by way of a poll.

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AFFIX STAMP

Tricor Investor & Issuing House Services Sdn Bhd

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Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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Metamorphosis

Against a background of corporate blue the soft luminescence of a butterfly emerging from a cocoon shows stages of transformation that depict the Bank's current advancements. Crystal-like shards splinter off as the butterfly takes flight to represent streamlining and optimisation of new processes.

www.affingroup.com

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