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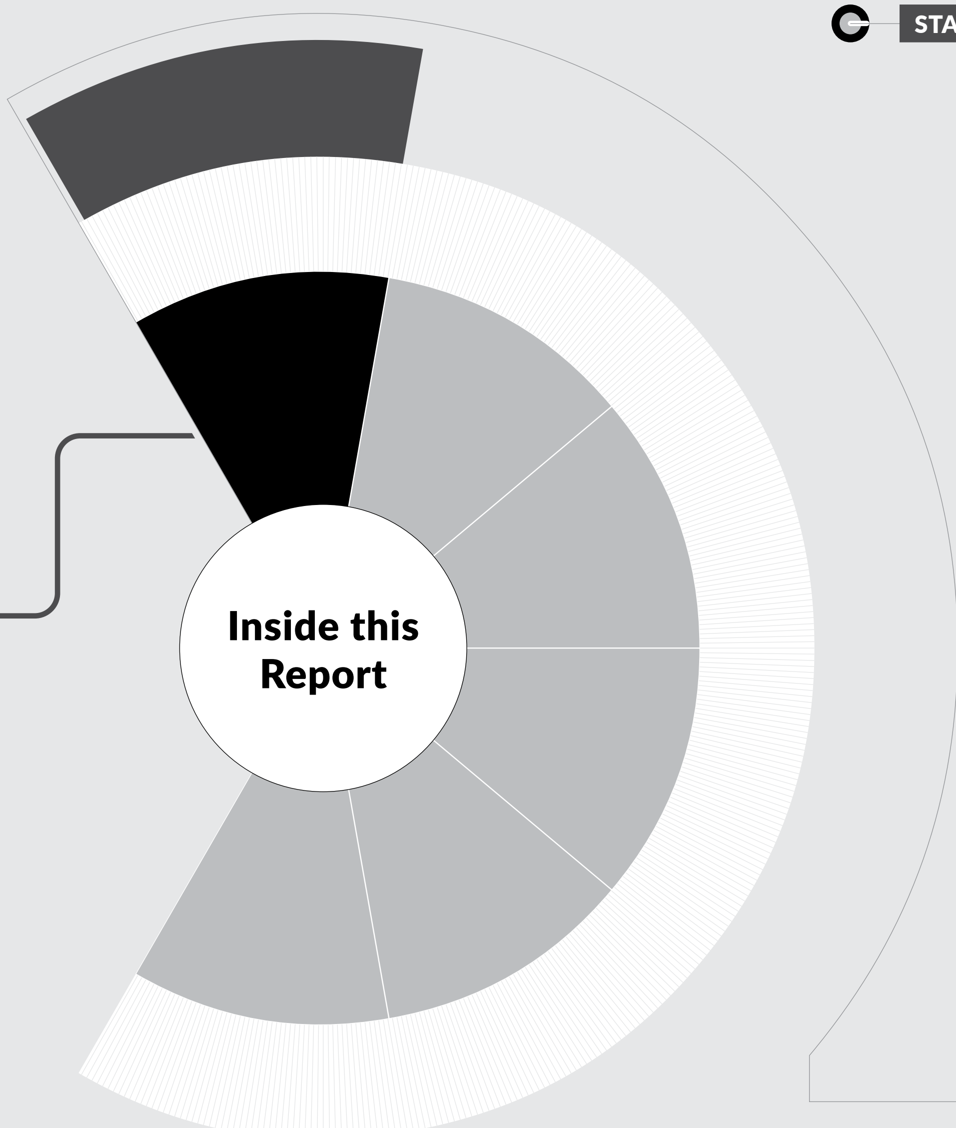
FINANCIAL REPORT 2020

WHAT’S INSIDE THIS REPORT



STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

The Directors are responsible in ensuring that the audited financial statements of the Group and the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2020 and of the financial performance and cash flows of the Group and the Bank for the financial year ended 31 December 2020.

The audited financial statements are prepared on the going concern basis and the Directors have ensured that appropriate and relevant accounting policies are applied on a consistent basis and accounting judgements and estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Group and the Bank.

The Directors have also taken the necessary steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

There have been no significant changes in these principal activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit from continuing operations	1,997,869	1,799,605
Profit from discontinued operation	34,661	-
Net profit for the financial year	2,032,530	1,799,605

DIVIDENDS

The dividends paid by the Bank since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
- Single-tier final dividend of 18.50 sen per share, paid on 26 June 2020	741,858

The Directors have declared a single-tier interim dividend of 10.00 sen per share amounting to RM401,005,000 in respect of the financial year ended 31 December 2020. This interim dividend has been accounted for in the shareholders' equity as an appropriation of retained profits for the financial year ended 31 December 2020, and payment has been made on 9 February 2021.

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 7.65 sen per share amounting to RM306,768,000 will be proposed for shareholders' approval. The single-tier final dividend was approved by the Board of Directors on 27 January 2021. Subject to the relevant regulatory approvals being obtained and shareholders' approval on the Proposed Dividend Reinvestment Plan ('DRP') as disclosed in Note 57(4) to the financial statements at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders' of the Bank be given an option to elect to reinvest the entire proposed single-tier final dividend into new ordinary shares in the Bank in accordance with the Proposed DRP scheme of the Bank.

The financial statements for the current financial year do not reflect this single-tier final dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2021.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

There were no issue of shares in the Bank during the financial year.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper actions have been taken in relation to the writing off of bad debts and financing and the making of allowance for impaired debts and financing, and satisfied themselves that all known bad debts and financing have been written off and that adequate allowance had been made for impaired debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing or the amount of allowance for impaired debts and financing in the financial statements of the Group and the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank, had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability of the Group and the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, other than the impact of COVID-19 and net modification loss as disclosed in Note 40 to the financial statements and the disposal of a subsidiary as disclosed in Note 57(2) to the financial statements.

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, in the opinion of the Directors, to affect substantially the results of the operations of the Group or the Bank for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The World Health Organisation declared the outbreak of Coronavirus disease (COVID-19) as a global pandemic in March 2020. The direct and indirect effects of the COVID-19 outbreak have impacted the global economy, markets and the Group's and the Bank's counterparties and clients.

The COVID-19 effects have a material negative impact on the Group's and the Bank's results of operations. In particular, the process to determine expected credit losses ('ECL') requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in ECL. The Group and the Bank are not able to predict the COVID-19's potential future direct or indirect effects. However, the Group and the Bank are taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

Other than as mentioned above, other significant events during the financial year are disclosed in Note 57 to the financial statements.

EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

Events subsequent to the financial year end are disclosed in Note 58 to the financial statements.

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Azlan Zainol	
Tan Sri Ahmad Badri Mohd Zahir	(Appointed on 16 November 2020)
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Tan Sri Dr Rebecca Fatima Sta Maria	
Ong Ai Lin	
Lim Cheng Teck	
Sharifatu Laila Syed Ali	
Dato' Mohamad Nasir Ab Latif	(Appointed on 16 March 2020)
Donald Joshua Jaganathan	(Appointed on 17 August 2020)
Datuk Iain John Lo	(Appointed on 15 September 2020)
Dato' Khairussaleh Ramli	
Tan Sri Saw Choo Boon	(Retired on 29 May 2020)
Abdul Aziz Peru Mohamed	(Retired on 29 May 2020)
Datuk Seri Dr Govindan a/l Kunchamboo	(Appointed on 1 January 2020 and resigned on 20 October 2020)

DIRECTORS (CONTINUED)

Pursuant to Clause 94 of the Bank's Constitution, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Ong Ai Lin retire at the forthcoming Annual General Meeting of the Bank and being eligible, offer themselves for re-election.

Tan Sri Azlan Zainol who retires pursuant to Clause 94 of the Bank's Constitution, has indicated his intention of not seeking re-election. He shall accordingly retire at the forthcoming Annual General Meeting.

Pursuant to Clause 98 of the Bank's Constitution, Tan Sri Ahmad Badri Mohd Zahir, Donald Joshua Jaganathan and Datuk Iain John Lo retire at the forthcoming Annual General Meeting of the Bank and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, the Directors in office at the end of the financial year holding securities of the Bank and its related corporations are as follows:

	Number of ordinary shares			
	As at 1.1.2020	Bought	Sold	As at 31.12.2020
Bank				
Tan Sri Ong Leong Huat @ Wong Joo Hwa:				
- Indirect*	31,431	-	-	**31,431**
- Indirect^	406,171,518	-	-	**406,171,518**
Ong Ai Lin:				
- Direct	25,000	-	-	**25,000**

Notes:
* The interest is held through family members.
^ Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of shares held through OSK Holdings Berhad.

Other than the above, none of the other Directors holding office at the end of the financial year had any interest in the securities of the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 42 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 41 to the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 24 February 2021. Signed on behalf of the Board of Directors:

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		Bank	
					Restated
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds	2	**8,904,285**	11,627,992	**7,905,636**	5,502,893
Deposits and placements with banks and other financial institutions	3	**6,069,443**	1,095,567	**9,447,903**	5,349,632
Investment account due from designated financial institutions	4	**-**	-	**8,840,858**	8,229,334
Financial assets at fair value through profit or loss ('FVTPL')	5	**4,462,106**	4,623,447	**2,285,301**	2,530,288
Financial assets at fair value through other comprehensive income ('FVOCI')	6	**42,903,259**	39,805,304	**35,869,640**	33,934,272
Financial investments at amortised cost	7	**16,005,267**	14,249,409	**10,195,993**	9,702,802
Loans, advances and financing	8	**182,424,879**	173,236,672	**109,515,184**	107,345,665
Clients' and brokers' balances	9	**1,339,568**	893,448	**-**	-
Reinsurance assets	10	**467,504**	510,176	**-**	-
Other assets	11	**1,528,592**	1,258,179	**1,278,048**	1,104,841
Derivative assets	12	**1,653,479**	855,256	**1,790,567**	903,584
Statutory deposits	13	**612,671**	4,549,296	**228,107**	2,608,316
Tax recoverable		**289,969**	467,103	**251,917**	433,364
Deferred tax assets	14	**35,338**	22,989	**-**	-
Investments in subsidiaries	15	**-**	-	**4,901,397**	4,914,479
Investments in associates and joint venture	16	**12**	9,512	**-**	-
Right of use assets	17	**149,898**	112,807	**76,166**	86,015
Property, plant and equipment	18	**1,013,255**	991,305	**766,626**	753,671
Goodwill	19	**2,654,122**	2,654,122	**1,714,913**	1,714,913
Intangible assets	20	**636,311**	629,912	**565,485**	548,437
TOTAL ASSETS		**271,149,958**	257,592,496	**195,633,741**	185,662,506

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

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank Restated 2019 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	21	**203,470,783**	190,555,225	**134,310,974**	131,571,124
Deposits and placements of banks and other financial institutions	22	**21,035,186**	21,539,329	**24,610,611**	19,173,832
Obligations on securities sold under repurchase agreements	23	**972,963**	2,048,516	**4,740,494**	3,772,623
Bills and acceptances payable		**187,020**	254,945	**174,838**	205,528
Clients' and brokers' balances	24	**1,171,930**	824,166	**-**	-
General insurance contract liabilities	25	**1,086,385**	1,106,886	**-**	-
Other liabilities	26	**3,822,314**	3,210,479	**2,287,372**	1,844,975
Derivative liabilities	12	**2,034,795**	1,160,927	**1,979,142**	1,155,074
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')	27	**3,023,760**	3,535,996	**-**	1,265,757
Provision for taxation and zakat	28	**69,623**	60,172	**-**	-
Deferred tax liabilities	14	**165,938**	169,763	**152,111**	136,711
Lease liabilities	29	**154,188**	111,769	**77,356**	85,323
Borrowings	30	**634,630**	1,182,527	**201,101**	840,177
Senior debt securities	31	**3,545,150**	3,296,763	**3,545,150**	3,296,763
Subordinated obligations	32	**2,718,729**	2,724,224	**1,762,067**	1,565,396
TOTAL LIABILITIES		**244,093,394**	231,781,687	**173,841,216**	164,913,283
Share capital	33	**6,994,103**	6,994,103	**6,994,103**	6,994,103
Reserves	34	**20,029,732**	18,781,291	**14,798,422**	13,755,120
		27,023,835	25,775,394	**21,792,525**	20,749,223
Non-controlling interests ('NCI')	35	**32,729**	35,415	**-**	-
TOTAL EQUITY		**27,056,564**	25,810,809	**21,792,525**	20,749,223
TOTAL LIABILITIES AND EQUITY		**271,149,958**	257,592,496	**195,633,741**	185,662,506
COMMITMENTS AND CONTINGENCIES	49	**157,480,418**	150,427,794	**154,247,517**	143,445,965

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

INCOME STATEMENTS

for the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Interest income	36	**6,987,381**	8,088,822	**6,930,514**	8,042,465
Interest expense	37	**(3,225,973)**	(4,486,296)	**(3,143,823)**	(4,384,157)
Net interest income		**3,761,408**	3,602,526	**3,786,691**	3,658,308
Other operating income	38	**2,176,656**	1,840,537	**1,750,090**	1,150,372
Income from Islamic Banking business	39	**1,665,652**	1,614,464	**4,272**	3,538
Net modification loss	40	**(418,004)**	-	**(158,771)**	-
Net income		**7,185,712**	7,057,527	**5,382,282**	4,812,218
Other operating expenses	41	**(3,386,723)**	(3,387,336)	**(2,290,393)**	(2,357,650)
Operating profit before allowances		**3,798,989**	3,670,191	**3,091,889**	2,454,568
Allowance for credit losses on financial assets	43	**(1,145,086)**	(275,819)	**(806,291)**	(263,334)
Impairment losses made on other non-financial assets	44	**(9,500)**	-	**(52,500)**	-
		2,644,403	3,394,372	**2,233,098**	2,191,234
Share of results of joint venture		**-**	(30)	**-**	-
Profit before taxation and zakat		**2,644,403**	3,394,342	**2,233,098**	2,191,234
Taxation and zakat	45	**(639,912)**	(862,307)	**(433,493)**	(542,240)
Profit from continuing operations		**2,004,491**	2,532,035	**1,799,605**	1,648,994
Profit/(Loss) from discontinued operation attributable to equity holders	57(2)	**34,661**	(44,226)	**-**	-
Net profit for the financial year		**2,039,152**	2,487,809	**1,799,605**	1,648,994
Attributable to:					
- Equity holders of the Bank		**2,032,530**	2,482,432	**1,799,605**	1,648,994
- NCI		**6,622**	5,377	**-**	-
		2,039,152	2,487,809	**1,799,605**	1,648,994
Earnings per share (sen)					
- Profit from continuing operations attributable to equity holders of the Bank					
- Basic	46	**49.8**	63.0		
- Diluted	46	**49.8**	63.0		
- Profit attributable to equity holders of the Bank					
- Basic	46	**50.7**	61.9		
- Diluted	46	**50.7**	61.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit for the financial year		**2,039,152**	2,487,809	**1,799,605**	1,648,994
Other comprehensive income/(loss) in respect of:					
(i) Items that will not be reclassified to profit or loss:					
(a) Actuarial gain/(loss) on defined benefit plan of subsidiaries		**3,274**	(2,157)	**-**	-
(b) Equity instruments designated at FVOCI					
- Net gain on disposal		**-**	5,664	**-**	1,544
- Unrealised net gain on revaluation		**59,314**	20,435	**57,269**	17,332
(ii) Items that will be reclassified subsequently to profit or loss:					
(a) Foreign currency translation reserves					
- Currency translation differences		**(95,268)**	5,222	**(25,082)**	3,074
- Net investment hedge		**-**	(687)	**-**	-
(b) Realisation of foreign exchange reserve and net investment hedge from discontinued operation	57(2)	**(75,603)**	(25)	**-**	-
(c) Debt instruments measured at FVOCI					
- Unrealised net gain on revaluation		**1,025,119**	1,314,290	**835,906**	1,126,782
- Net transfer to income statements on disposal		**(401,665)**	(220,972)	**(361,720)**	(205,237)
- Changes in expected credit losses and exchange differences	6	**(6,401)**	(12,019)	**(6,008)**	(8,413)
Income tax relating to components of other comprehensive income	14	**(150,029)**	(149,122)	**(113,805)**	(113,827)
Other comprehensive income, net of tax, for the financial year		**358,741**	960,629	**386,560**	821,255
Total comprehensive income for the financial year		**2,397,893**	3,448,438	**2,186,165**	2,470,249
Total comprehensive income attributable to:					
- Equity holders of the Bank		**2,391,304**	3,443,027	**2,186,165**	2,470,249
- NCI		**6,589**	5,411	**-**	-
		2,397,893	3,448,438	**2,186,165**	2,470,249
Total comprehensive income/(loss) attributable to equity holders of the Bank from:					
- Continuing operations		**2,432,246**	3,487,278	**2,186,165**	2,470,249
- Discontinued operation	57(2)	**(40,942)**	(44,251)	**-**	-
		2,391,304	3,443,027	**2,186,165**	2,470,249

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

Group	Note	Share Capital RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		← Attributable to equity holders of the Bank →									
Balance as at 1 January 2020		**6,994,103**	**513**	**838,992**	**1,328,060**	**688,866**	**23,331**	**15,901,529**	**25,775,394**	**35,415**	**25,810,809**
Net profit for the financial year		-	-	-	-	-	-	2,032,530	2,032,530	6,622	2,039,152
Foreign currency translation reserves:											
- Currency translation differences		-	-	-	(319)	(94,887)	-	-	(95,206)	(62)	(95,268)
- Realisation of foreign exchange reserve and net investment hedge from discontinued operation	57(2)	-	-	-	-	(75,603)	-	-	(75,603)	-	(75,603)
Financial assets measured at FVOCI:											
- Equity instruments											
- Net gain/(loss) on disposal		-	-	-	1,060	-	-	(1,060)	-	-	-
- Unrealised net gain on revaluation		-	-	-	59,314	-	-	-	59,314	-	59,314
- Debt instruments											
- Unrealised net gain on revaluation		-	-	-	1,025,119	-	-	-	1,025,119	-	1,025,119
- Net transfer to income statements on disposal		-	-	-	(401,665)	-	-	-	(401,665)	-	(401,665)
- Changes in expected credit losses and exchange differences		-	-	-	(6,401)	-	-	-	(6,401)	-	(6,401)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	3,241	3,241	33	3,274
Income tax relating to components of other comprehensive income	14,47	-	-	-	(149,637)	-	-	(388)	(150,025)	(4)	(150,029)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	527,471	(170,490)	-	1,793	358,774	(33)	358,741
Total comprehensive income/(loss) for the financial year		-	-	-	527,471	(170,490)	-	2,034,323	2,391,304	6,589	2,397,893
Dividends paid/payable	48	-	-	-	-	-	-	(1,142,863)	(1,142,863)	(9,275)	(1,152,138)
Transfer to statutory reserves		-	2	-	-	-	-	(2)	-	-	-
Transfer from regulatory reserves		-	-	(787,320)	-	-	-	787,320	-	-	-
Balance as at 31 December 2020		**6,994,103**	**515**	**51,672**	**1,855,531**	**518,376**	**23,331**	**17,580,307**	**27,023,835**	**32,729**	**27,056,564**

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

Group	Note	Share Capital RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		← Attributable to equity holders of the Bank →									
Balance as at 1 January 2019		6,994,103	513	249,687	376,108	684,275	23,331	15,026,912	23,354,929	37,954	23,392,883
Net profit for the financial year		-	-	-	-	-	-	2,482,432	2,482,432	5,377	2,487,809
Foreign currency translation reserves:											
- Currency translation differences		-	-	-	(144)	5,303	-	-	5,159	63	5,222
- Net investment hedge		-	-	-	-	(687)	-	-	(687)	-	(687)
- Realisation of foreign exchange reserve and net investment hedge from discontinued operation	57(2)	-	-	-	-	(25)	-	-	(25)	-	(25)
Financial assets measured at FVOCI:											
- Equity instruments											
- Net gain/(loss) on disposal		-	-	-	(1,729)	-	-	7,393	5,664	-	5,664
- Unrealised net gain on revaluation		-	-	-	20,435	-	-	-	20,435	-	20,435
- Debt instruments											
- Unrealised net gain on revaluation		-	-	-	1,314,290	-	-	-	1,314,290	-	1,314,290
- Net transfer to income statements on disposal		-	-	-	(220,972)	-	-	-	(220,972)	-	(220,972)
- Changes in expected credit losses and exchange differences		-	-	-	(12,019)	-	-	-	(12,019)	-	(12,019)
Actuarial loss on defined benefit plan of subsidiaries		-	-	-	-	-	-	(2,138)	(2,138)	(19)	(2,157)
Income tax relating to components of other comprehensive income	14,47	-	-	-	(147,909)	-	-	(1,203)	(149,112)	(10)	(149,122)
Other comprehensive income, net of tax, for the financial year		-	-	-	951,952	4,591	-	4,052	960,595	34	960,629
Total comprehensive income for the financial year		-	-	-	951,952	4,591	-	2,486,484	3,443,027	5,411	3,448,438
Dividends paid	48	-	-	-	-	-	-	(1,022,562)	(1,022,562)	(7,950)	(1,030,512)
Transfer to regulatory reserves		-	-	589,305	-	-	-	(589,305)	-	-	-
Balance as at 31 December 2019		6,994,103	513	838,992	1,328,060	688,866	23,331	15,901,529	25,775,394	35,415	25,810,809

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

Bank	Note	← Non-distributable Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000 →	Distributable Retained Profits RM'000	Total Equity RM'000
Balance as at 1 January 2020		6,994,103	352,506	1,165,505	374,754	11,862,355	20,749,223
Net profit for the financial year		-	-	-	-	1,799,605	1,799,605
Foreign currency translation reserves:							
- Currency translation differences		-	-	-	(25,082)	-	(25,082)
Financial assets measured at FVOCI:							
- Equity instruments							
- Net gain/(loss) on disposal		-	-	898	-	(898)	-
- Unrealised net gain on revaluation		-	-	57,269	-	-	57,269
- Debt instruments							
- Unrealised net gain on revaluation		-	-	835,906	-	-	835,906
- Net transfer to income statements on disposal		-	-	(361,720)	-	-	(361,720)
- Changes in expected credit losses and exchange differences		-	-	(6,008)	-	-	(6,008)
Income tax relating to components of other comprehensive income	14,47	-	-	(113,805)	-	-	(113,805)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	412,540	(25,082)	(898)	386,560
Total comprehensive income/(loss) for the financial year		-	-	412,540	(25,082)	1,798,707	2,186,165
Dividends paid/payable	48	-	-	-	-	(1,142,863)	(1,142,863)
Transfer from regulatory reserves		-	(352,506)	-	-	352,506	-
Balance as at 31 December 2020		6,994,103	-	1,578,045	349,672	12,870,705	21,792,525

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

Bank	Note	Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
		← Non-distributable			→	Distributable	
Balance as at 1 January 2019		6,994,103	126,230	349,347	371,680	11,460,176	19,301,536
Net profit for the financial year		-	-	-	-	1,648,994	1,648,994
Foreign currency translation reserves:							
- Currency translation differences		-	-	-	3,074	-	3,074
Financial assets measured at FVOCI:							
- Equity instruments							
- Net gain/(loss) on disposal		-	-	(479)	-	2,023	1,544
- Unrealised net gain on revaluation		-	-	17,332	-	-	17,332
- Debt instruments							
- Unrealised net gain on revaluation		-	-	1,126,782	-	-	1,126,782
- Net transfer to income statements on disposal		-	-	(205,237)	-	-	(205,237)
- Changes in expected credit losses and exchange differences		-	-	(8,413)	-	-	(8,413)
Income tax relating to components of other comprehensive income	14,47	-	-	(113,827)	-	-	(113,827)
Other comprehensive income, net of tax, for the financial year		-	-	816,158	3,074	2,023	821,255
Total comprehensive income for the financial year		-	-	816,158	3,074	1,651,017	2,470,249
Dividends paid	48	-	-	-	-	(1,022,562)	(1,022,562)
Transfer to regulatory reserves		-	226,276	-	-	(226,276)	-
Balance as at 31 December 2019		6,994,103	352,506	1,165,505	374,754	11,862,355	20,749,223

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Cash flows from operating activities			
Profit/(Loss) before taxation and zakat:			
- Continuing operations		**2,644,403**	3,394,342
- Discontinued operation		**33,130**	(43,898)
Profit before taxation and zakat including discontinued operation		**2,677,533**	3,350,444
Adjustments for:			
Allowance for credit losses on loans, advances and financing		**1,372,465**	584,111
Allowance for credit losses on other financial assets		**17,550**	812
Property, plant and equipment:			
- Depreciation	18	**112,564**	128,431
- Gain on disposal		**(2,319)**	(2,856)
- Written off	18	**25**	1,149
Intangible assets:			
- Amortisation	20	**117,646**	121,257
- Written off	20	**4,766**	252
Right of use assets:			
- Depreciation	17	**74,137**	75,810
- Gain on modification	38	**(17)**	(9)
Impairment losses on investment in an associate	44	**9,500**	-
Net allowance made/(written back) on financial assets at FVOCI and financial investments at amortised cost		**53,260**	(41,378)
Share of results of joint venture		**-**	30
Gain on remeasurement of previously held equity interest in a joint venture	57(6)	**-**	(258)
(Gain)/Loss on disposal of subsidiaries		**(55,017)**	51
Net gain arising from disposal/redemption of financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(668,576)**	(336,571)
Net (gain)/loss on fair value hedges	38	**(4,256)**	528
Net unrealised loss on revaluation of financial assets at FVTPL and derivatives		**134,983**	5,673
Net unrealised foreign exchange gain		**(70,669)**	(264,019)
Dividend income from financial assets at FVTPL and financial assets at FVOCI	38	**(59,877)**	(87,023)
Net modification loss	40	**418,004**	-
Amortisation of premium for borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities		**1,780**	2,653
Interest/financing expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities, subordinated obligations and lease liabilities		**242,556**	343,668
Interest income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(1,689,901)**	(1,711,386)
Investment income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(363,827)**	(364,190)
Operating profit before working capital changes		**2,322,310**	1,807,179
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		**(4,963,537)**	(204,469)
Financial assets at FVTPL		**556,075**	(583,855)
Loans, advances and financing		**(11,297,877)**	(8,273,107)
Clients' and brokers' balances		**(528,464)**	49,608
Other assets		**(496,144)**	449,446
Statutory deposits		**3,942,044**	241,724
		(12,787,903)	(8,320,653)

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

		Group	
	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**13,070,755**	11,951,319
Deposits and placements of banks and other financial institutions		**(310,598)**	3,328,672
Obligations on securities sold under repurchase agreements		**(1,075,043)**	(144,267)
Bills and acceptances payable		**(67,861)**	(46,604)
Clients' and brokers' balances		**347,764**	(17,616)
Other liabilities		**380,045**	573,495
Recourse obligation on loans sold to Cagamas		**(512,236)**	(1,730,120)
		11,832,826	13,914,879
Cash generated from operations		**1,367,233**	7,401,405
Interest paid		**(245,855)**	(369,862)
Net tax and zakat paid		**(615,478)**	(826,929)
Net cash generated from operating activities		**505,900**	6,204,614
Cash flows from investing activities			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(3,942,087)**	(6,132,734)
Property, plant and equipment:			
- Purchase	18	**(138,266)**	(130,988)
- Proceeds from disposal		**3,110**	5,421
Intangible assets:			
- Purchase	20	**(131,815)**	(140,524)
Financial assets at FVOCI and financial investments at amortised cost:			
- Interest received		**1,677,747**	1,618,231
- Investment income received		**357,963**	327,679
Dividend income received from financial assets at FVTPL and financial assets at FVOCI	38	**59,877**	87,023
Net cash inflow from disposal of subsidiaries		**136,201**	16,548
Net cash inflow from additional equity acquisition of a joint venture	57(6)	**-**	10,710
Contingent consideration received arising from disposal of a subsidiary		**15,961**	-
Net cash used in investing activities		**(1,961,309)**	(4,338,634)
Cash flows from financing activities			
Net repayment of borrowings		**(529,049)**	(627)
Redemption of senior debt securities		**-**	(1,256,100)
Proceeds from issuance of senior debt securities		**300,000**	1,255,580
Redemption of Hybrid Tier-1 Capital Securities		**-**	(595,000)
Proceeds from issuance of subordinated Sukuk Murabahah		**-**	500,000
Redemption of Subordinated Sukuk Murabahah		**-**	(500,000)
Proceeds from issuance of subordinated notes		**1,000,000**	-
Redemption of subordinated notes		**(1,000,000)**	(1,000,000)
Redemption of puttable financial instruments		**-**	(74,185)
Dividends paid to equity holders of the Bank		**(741,858)**	(1,022,562)
Dividends paid to NCI		**(9,275)**	(7,950)
Principal lease payments		**(66,531)**	(79,422)
Net cash used in financing activities		**(1,046,713)**	(2,780,266)

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

	Note	Group 2020 RM'000	Group 2019 RM'000
Net decrease in cash and cash equivalents		**(2,502,122)**	(914,286)
Effects of exchange rate differences		**(221,585)**	(10,910)
Cash and cash equivalents:			
- at the beginning of the financial year		**11,627,992**	12,553,188
- at the end of the financial year		**8,904,285**	11,627,992
Cash and cash equivalents comprise the following:			
- Cash and short term funds	2	**8,904,285**	11,627,992

	Balance as at the beginning of the financial year RM'000	Cash Changes: Net cash flow from financing activities RM'000	Cash Changes: Net cash flow from operating activities RM'000	Non-Cash Changes: Foreign exchange movement/ other income RM'000	Non-Cash Changes: Net additions to lease liabilities RM'000	Non-Cash Changes: Accrued interest and amortisation/ (accretion) RM'000	Balance as at the end of the financial year RM'000
2020							
Lease liabilities	**111,769**	**(66,531)**	**(7,307)**	**(1,825)**	**110,692**	**7,390**	**154,188**
Borrowings	**1,182,527**	**(535,226)**	**(23,722)**	**(13,414)**	**-**	**24,465**	**634,630**
Senior debt securities	**3,296,763**	**300,000**	**(100,703)**	**(54,763)**	**-**	**103,853**	**3,545,150**
Subordinated obligations	**2,724,224**	**-**	**(114,123)**	**-**	**-**	**108,628**	**2,718,729**
	7,315,283	**(301,757)**	**(245,855)**	**(70,002)**	**110,692**	**244,336**	**7,052,697**
2019							
Puttable financial instruments	70,615	(74,185)	-	3,570	-	-	-
Lease liabilities	118,511	(79,422)	(4,340)	742	71,768	4,510	111,769
Borrowings	1,182,885	(627)	(39,888)	823	-	39,334	1,182,527
Senior debt securities	3,323,664	(520)	(114,146)	(35,876)	-	123,641	3,296,763
Hybrid Tier-1 Capital Securities	603,221	(595,000)	(29,962)	-	-	21,741	-
Subordinated obligations	3,748,655	(1,000,000)	(181,526)	-	-	157,095	2,724,224
	9,047,551	(1,749,754)	(369,862)	(30,741)	71,768	346,321	7,315,283

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

	Note	Bank 2020 RM'000	Bank 2019 RM'000
Cash flows from operating activities			
Profit before taxation		**2,233,098**	2,191,234
Adjustments for:			
Allowance for credit losses on loans, advances and financing		**1,019,203**	546,792
Allowance for credit losses on other financial assets		**4,042**	(319)
Property, plant and equipment:			
- Depreciation	18	**92,591**	99,854
- Gain on disposal	38	**(2,209)**	(2,489)
- Written off	18	**1**	956
Intangible assets:			
- Amortisation	20	**100,434**	99,694
- Written off	20	**-**	5
Right of use assets:			
- Depreciation	17	**52,083**	47,952
- Gain on modification	38	**(4)**	-
Impairment losses on investment in a subsidiary	44	**52,500**	-
Net allowance made/(written back) on financial assets at FVOCI and financial investments at amortised cost		**54,612**	(36,402)
Net gain arising from disposal/redemption of financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(491,081)**	(294,564)
Net (gain)/loss on fair value hedges	38	**(4,256)**	528
Net unrealised loss on revaluation of financial assets at FVTPL and derivatives		**32,586**	14,809
Net unrealised foreign exchange gain		**(68,774)**	(87,305)
Dividend income from financial assets at FVOCI	38	**(4,404)**	(9,566)
Dividend income from subsidiaries	38	**(580,585)**	(63,544)
Net modification loss	40	**158,771**	-
Amortisation of premium for borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities		**1,780**	2,653
Interest expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities, subordinated obligations and lease liabilities		**180,243**	277,322
Interest income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(1,615,174)**	(1,632,200)
Operating profit before working capital changes		**1,215,457**	1,155,410
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		**(4,098,229)**	(2,257,107)
Investment accounts due from designated financial institutions		**(611,524)**	(330,723)
Financial assets at FVTPL		**432,624**	(466,598)
Loans, advances and financing		**(3,653,911)**	454,259
Other assets		**(1,100,007)**	44,503
Statutory deposits		**2,380,258**	370,624
		(6,650,789)	(2,185,042)

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

		Bank	
	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**2,822,311**	4,365,190
Deposits and placements of banks and other financial institutions		**5,635,585**	1,606,605
Obligations on securities sold under repurchase agreements		**995,764**	651,676
Bills and acceptances payable		**(30,784)**	(42,043)
Other liabilities		**1,031,246**	(317,499)
Recourse obligation on loans sold to Cagamas		**(1,265,757)**	(1,730,120)
		9,188,365	4,533,809
Cash generated from operations		**3,753,033**	3,504,177
Interest paid		**(183,821)**	(303,352)
Net tax paid		**(350,750)**	(568,688)
Net cash generated from operating activities		**3,218,462**	2,632,137
Cash flows from investing activities			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(1,689,715)**	(4,551,513)
Property, plant and equipment:			
- Purchase	18	**(106,198)**	(99,136)
- Proceeds from disposal		**2,765**	5,043
Intangible assets:			
- Purchase	20	**(117,565)**	(124,079)
Interest received from financial assets at FVOCI and financial investments at amortised cost		**1,607,002**	1,540,450
Dividend income received from subsidiaries	38	**580,585**	63,544
Dividend income received from financial assets at FVOCI	38	**4,404**	9,566
Additional investments in subsidiaries		**(39,418)**	(2,225)
Net cash generated from/(used in) investing activities		**241,860**	(3,158,350)
Cash flows from financing activities			
Net repayment of borrowings		**(644,344)**	(130,606)
Redemption of senior debt securities		**-**	(1,256,100)
Proceeds from issuance of senior debt securities		**300,000**	1,255,580
Redemption of Hybrid Tier-1 Capital Securities		**-**	(600,000)
Proceeds from issuance of subordinated notes		**1,000,000**	-
Redemption of subordinated notes		**(800,000)**	(1,000,000)
Dividends paid to equity holders of the Bank		**(741,858)**	(1,022,562)
Principal lease payments		**(50,348)**	(50,323)
Net cash used in financing activities		**(936,550)**	(2,804,011)

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

	Note	Bank 2020 RM'000	Bank 2019 RM'000
Net increase/(decrease) in cash and cash equivalents		**2,523,772**	(3,330,224)
Effects of exchange rate differences		**(121,029)**	(22,209)
Cash and cash equivalents:			
- at the beginning of the financial year		**5,502,893**	8,855,326
- at the end of the financial year		**7,905,636**	5,502,893
Cash and cash equivalents comprise the following:			
- Cash and short term funds	2	**7,905,636**	5,502,893

		Cash Changes		Non-Cash Changes			
	Balance as at the beginning of the financial year RM'000	Net cash flow from financing activities RM'000	Net cash flow from operating activities RM'000	Foreign exchange movement RM'000	Net additions to lease liabilities RM'000	Accrued interest and amortisation/ (accretion) RM'000	Balance as at the end of the financial year RM'000
2020							
Lease liabilities	**85,323**	**(50,348)**	**(2,968)**	**(26)**	**42,325**	**3,050**	**77,356**
Borrowings	**840,177**	**(644,344)**	**(14,788)**	**6,969**	**-**	**13,087**	**201,101**
Senior debt securities	**3,296,763**	**300,000**	**(100,703)**	**(54,763)**	**-**	**103,853**	**3,545,150**
Subordinated obligations	**1,565,396**	**200,000**	**(65,362)**	**-**	**-**	**62,033**	**1,762,067**
	5,787,659	**(194,692)**	**(183,821)**	**(47,820)**	**42,325**	**182,023**	**5,585,674**
Restated 2019							
Lease liabilities	73,749	(50,323)	(2,666)	342	61,451	2,770	85,323
Borrowings	981,849	(130,606)	(29,791)	(9,995)	-	28,720	840,177
Senior debt securities	3,323,664	(520)	(114,146)	(35,876)	-	123,641	3,296,763
Hybrid Tier-1 Capital Securities	608,235	(600,000)	(30,285)	-	-	22,050	-
Subordinated obligations	2,589,066	(1,000,000)	(126,464)	-	-	102,794	1,565,396
	7,576,563	(1,781,449)	(303,352)	(45,529)	61,451	279,975	5,787,659

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The financial statements also incorporate those activities relating to Islamic banking which have been undertaken by the Group and the Bank. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group and the 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 Section (B).

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2020 are as follows:

(i) The Conceptual Framework for Financial Reporting (Revised 2018)

The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship;
- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and 'substance over form' concept to ensure faithful representation of economic phenomenon;

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2020 are as follows (continued):

(i) The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

Key changes to the Framework are as follows (continued):

- Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity;
- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts;
- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added;
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided; and
- Presentation and disclosure - clarification that income statements is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of income statements.

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

(ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material'

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2020 are as follows (continued):

(ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material' (continued)

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole;
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information; and
- Clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(iii) Amendments to MFRS 3 'Definition of a Business'

The amendments clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

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

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (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

(i) Amendments to MFRS 16 'COVID-19 Related Rent Concessions' – effective 1 June 2020

The amendments grant an optional exemption for lessees to account for rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

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

The amendment shall be applied retrospectively.

Lessees are not required to restate comparative information or to provide the disclosure under paragraph 28(f) of MFRS 108.

(ii) Amendments to MFRS 3 'Business Combinations': Reference to the Conceptual Framework - effective 1 January 2022

The amendments 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.

(iii) Annual Improvements to MFRSs 2018 - 2020 - effective 1 January 2022

- Amendments to MFRS 1 'First-time Adoption of MFRS': Subsidiary as First-time Adopter

  Cumulative translation differences - a subsidiary that adopts MFRS later than its parent and elects to measure its assets and liabilities based on the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to MFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, may likewise elect to measure cumulative translation differences for all its foreign operations based on the carrying amounts that would be included in the parent's consolidated financial statements in the same manner.

  The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (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)

(iii) Annual Improvements to MFRSs 2018 - 2020 - effective 1 January 2022 (continued)

- Amendments to MFRS 9 'Financial Instruments'

  When entities restructure their loans with existing lenders, they are required to quantitatively assess the significance of the difference in cash flows based on the old and new contractual terms (commonly known as the MFRS 9 '10% test').

  Fees could be paid by the borrower to either third parties or the lender in a debt modification. This amendment to MFRS 9 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 assessment. Fees paid to third parties (e.g. fee paid to lawyers) are not included in the 10% test.

  The amendment need not be applied retrospectively for annual periods beginning on or after 1 January 2022 and is applicable to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to illustrative Example 13 accompanying MFRS 16 'Leases': Lease Incentives

  Removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

  The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

(iv) Amendments to MFRS 116 'Property, Plant and Equipment': Proceeds before Intended Use - effective 1 January 2022

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds would have met the revenue definition and therefore should be recognised in income statements.

The amendments also clarify that 'testing' in MFRS 116 refers to assessing the technical and physical performance of the PPE rather than its financial performance.

The amendments shall be applied retrospectively to PPE that became available for use on or after the beginning of the earliest period presented in the financial statements when an entity first applies the amendments.

(v) Amendments to MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets': 'Onerous Contracts - Cost of Fulfilling a Contract' - effective 1 January 2022

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (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)

(vi) Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' - effective 1 January 2023

The MFRS 101 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period.

The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option does not affect the classification of the convertible bond if the option meets the definition of an equity instrument in accordance with MFRS 132 'Financial Instruments: Presentation'. Conversion option that is not an equity instrument should therefore be considered in the current or non-current classification of a convertible instrument.

These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

(vii) MFRS 17 'Insurance Contracts' - effective 1 January 2023

MFRS 17 'Insurance Contracts' replaces MFRS 4 'Insurance Contracts'.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (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)

(vii) MFRS 17 'Insurance Contracts' - effective 1 January 2023 (continued)

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

An entity shall apply MFRS 17 retrospectively unless impracticable, except that an entity:

- is not required to present the quantitative information required by paragraph 28(f) of MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- shall not apply the option in MFRS 17.B115 for periods before the date of initial application of MFRS 17.

If retrospective application is impracticable, an entity shall apply one of the following approaches:

- the modified retrospective approach (to achieve the closest outcome to retrospective application using reasonable and supportable information and choosing from a list of available simplification); or
- the fair value approach.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective above are not expected to give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 17, of which the cumulative impact upon adoption will be recognised in the retained earnings as at 1 January 2023, and with enhanced disclosures.

(c) Changes in regulatory requirements

(i) Additional measures issued by Bank Negara Malaysia ('BNM')

On 24 March 2020 and 24 July 2020, BNM announced that the following measures which are aimed to ensure that the financial intermediation function of the financial sector remains intact, access to financing continues to be available and banking institutions remain focused on supporting the economy during the COVID-19 pandemic:

I Moratorium on repayment/payment of loans/financing

(1) Banking institutions to grant an automatic moratorium on all loan/financing repayments covering both principal and interest/profit (except for credit card balances) by individuals and small and medium-sized enterprises ('SMEs') for a period of 6 months effective 1 April 2020. This automatic moratorium is applicable to loans/financing that are not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit;

(2) For credit cards, customers shall have the option of converting the outstanding balances into a term loan/financing of a tenure of not more than 3 years and an effective interest/profit rate capped at 13% per annum. For customers who have been unable to meet the minimum repayment for 3 consecutive months, their credit card balances will be automatically converted into a term loan with the abovementioned terms; and

(3) Banking institutions are also strongly encouraged to facilitate requests for a moratorium for corporate borrowers in a way that enables viable corporations to preserve jobs and swiftly resume economic activities.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(c) Changes in regulatory requirements (continued)

(i) Additional measures issued by Bank Negara Malaysia ('BNM') (continued)

II Definition of defaulted exposures under the policy documents on Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended:

(1) The determination of 'days past due' should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;

(2) For loans/financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on 'unlikeliness to repay' at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and

(3) For loans/financing to corporates, the assessment of 'unlikeliness to repay' should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

Regulatory Capital Treatment

The regulatory capital treatment above shall apply to loans/financing denominated in Malaysian Ringgit or foreign currency that meet the following criteria:

(1) The principal or interest/profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and

(2) The application for repayment assistance by a borrower/customer is received on or before 30 June 2021.

The regulatory capital treatment would also be applicable to rescheduled and restructured loans/financing that are facilitated by Agensi Kaunseling dan Pengurusan Kredit, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

III Drawdown of prudential buffers

(1) Banking institutions are given the following relaxation of the prudential buffers, which will need to be restored to the minimum regulatory requirements by 30 September 2021:

- Drawdown of capital conservation buffer of 2.5%;
- Operate below the minimum liquidity coverage ratio ('LCR') of 100%; and
- Reduce the regulatory reserves held against expected credit losses to 0%.

(2) The implementation of the Net Stable Funding Ratio ('NSFR') will proceed as scheduled on 1 July 2020. However, the minimum NSFR will be lowered to 80% and banking institutions will be required to comply with the requirement of 100% from 30 September 2021.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(c) Changes in regulatory requirements (continued)

(i) Additional measures issued by Bank Negara Malaysia ('BNM') (continued)

The adoption of the above additional measures gave rise to the following observations and financial impact:

(1) The financial impact to the Group and the Bank as disclosed in Note 40 to the financial statements;

(2) Loan/financing granted with moratorium will not be considered as 'restructuring and rescheduling', unless with extended tenure and revising original repayment amount;

(3) The moratorium does not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk. Instead, the Group and the Bank will assess other factors, such as historical repayment and delinquency trends before the COVID-19 outbreak, in considering whether the borrower has experienced a significant increase in credit risk; and

(4) The Group and the Bank have continued to maintain in aggregate the loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit- impaired exposures.

(2) BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(i) Acquisition accounting

The Group applies the acquisition method to account for business combination. The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred 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 measured initially at their fair values at the acquisition date.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group or the Bank. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

Acquisition-related costs are expensed as incurred.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

(i) Acquisition accounting (continued)

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in income statements.

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 income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the aggregate 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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised in income statements. Refer to accounting policy Note 7 on goodwill.

(ii) Predecessor accounting

The Group and the Bank apply 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 recorded as an adjustment to retained earnings. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attributed to non-controlling interest for prior years is not restated.

All material inter-company and intra-group transactions and balances are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to owners of the Group.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit and loss. The fair value is 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 income statements.

Gain or loss on disposal of subsidiaries included the carrying amount of goodwill relating to subsidiaries sold.

(d) Joint ventures

A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in income statements and the Group's share of movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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 interest 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 income statements. 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 income statements.

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 income statements where appropriate.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(e) Associates

Associates are those corporations or other entities in which the Group exercises significant influence, but which it does not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies through representation on the Board but not power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising the Group's share of its associates' post-acquisition profits or losses in income statements, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of investment and include goodwill on acquisition, less accumulated impairment loss.

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 amount.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its shares of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Dilution gains and losses arising in investments in associates are recognised in the income statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method of accounting, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(3) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 22 on impairment of non-financial assets.

On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amount of the investments is recognised in income statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS

(a) Classification

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

- Those to be measured at fair value (either through other comprehensive income ('OCI'), or through profit or loss; and
- Those to be measured at amortised cost

The classification of debt instruments depends on the Group and the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

(i) Business model assessment

The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

(ii) Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent SPPI. In applying the SPPI test, 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 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.

(b) Recognition and derecognition

Financial assets are recognised when the Group and the Bank become parties to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank commit to purchase and sell the assets.

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

(i) Debt instruments (continued)

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group and the Bank classify its debt instruments:

(1) Financial investments at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated as fair value through profit or loss ('FVTPL'), are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into income statements. The interest income is recognised into income statements using the effective interest rate method. Upon derecognition, any gain or loss will be recognised in income statements and presented under 'other operating income'.

(2) Financial assets through other comprehensive income ('FVOCI')

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, foreign exchange gains or losses and expected credit losses which are recognised in income statements.

When these financial assets are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to income statements and recognised in 'other operating income'. The interest income is recognised into income statements using the effective interest rate method. Foreign exchange gains or losses are recognised in 'other operating income' and impairment credit losses are presented separately under 'allowance for credit losses'.

(3) Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the income statements within 'net gain/(loss) arising from financial assets at FVTPL' in the period in which it arises. The interest income is recognised into income statements using the effective interest rate method.

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuers' perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuers' net assets.

The Group and the Bank subsequently measure all equity instruments at FVTPL, except where the management has elected, at initial recognition, to irrevocably designate an equity instrument as FVOCI. The Group and the Bank's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statements, including on disposal. Dividend, when representing a return on such investments, continue to be recognised in income statements as dividend income when the Group and the Bank's right to receive payments is established.

Gains and losses on equity instruments at FVTPL are included in the 'net gain/(loss) arising from financial assets at FVTPL' in the income statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(d) Derecognition

(i) Derecognition due to modification of terms and conditions

The Group and the Bank sometimes renegotiate or otherwise modify 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 or equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collaterals, other securities or credit enhancements that significantly affect the credit risk associated with the loan.

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. 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 income statements. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(ii) Derecognition other than modification of terms and conditions

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.

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(e) Reclassification policy

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as FVOCI even when there is a change in business model. Such designations are irrevocable.

(5) 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 statements of financial position.

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

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that 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. When such evidence exists, the Group and the Bank recognise profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank document at the inception of the hedging transaction, the risk management objective and strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 12 to the financial statements.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing is recognised in income statements within other operating income. The gain or loss relating to the ineffective portion is recognised in income statements within net gain or loss on fair value hedges.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to income statements, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statements within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statements with net gain or loss on fair value changes of derivatives.

For financial instruments measured at amortised cost, if the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statements over the period to maturity and recorded as other operating income. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statements.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are recycled to the income statements in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(c) Net investment hedge

Net investment hedge is a hedge against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations/subsidiaries. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in the income statements. On disposal of the foreign operations/subsidiaries, the cumulative value of any such gains or losses recognised in equity is transferred to the income statements.

(d) Derivatives that do not qualify for hedge accounting

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

(7) GOODWILL

Goodwill arising on the acquisition of subsidiaries represents the excess of consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

Goodwill is stated at cost less accumulated impairment loss and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 22 on impairment of non-financial assets.

Goodwill is allocated to Cash-Generating-Units ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment. 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.

(8) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the statement of financial position, 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 whenever there is an indication that the asset may be impaired. Refer to accounting policy Note 22 on impairment of non-financial assets.

(a) Computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licenses are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 3 to 10 years.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Other intangible assets consist of customer relationship, brands, trading rights and membership. Other intangible assets are initially recognised when they are separable or arose from contractual or other legal rights, and when the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, it is recognised where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets with definite life are stated at cost less amortisation and allowance for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over the following useful lives:

Customer relationship	10 years
Brand	3 to 10 years

(9) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. 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 Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in income statements during the financial period in which they are incurred.

Freehold land, buildings in progress and renovations in progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3.33%
Renovations and improvements	10% to 11%
Computer equipment	14.28% to 33.33%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	20%
Computer software	10% to 33.33%

* The remaining period of the lease ranges from 3 to 863 years.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

Leasehold land acquired prior to date of initial application of MFRS 16 'Leases' which is effective 1 January 2019, continues to be classified under property, plant and equipment.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in other operating income in income statements.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 22 on impairment of non-financial assets.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are de-recognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 6 on hedge accounting.

(b) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are remeasured at amortised cost using the effective interest rate.

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, clients' and brokers' balances, recourse obligation on loans sold to Cagamas, lease liabilities, general insurance contract liabilities and other financial liabilities.

(c) Borrowings measured at amortised cost

Borrowings are initially recognised 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 income statements over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in income statements in the period in which they are incurred.

Borrowings measured at amortised cost are long term and short term borrowings from financial institutions, subordinated obligations and senior debt securities.

(11) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

In the normal course of banking operations, the Group and the Bank sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position and accounted for in accordance with accounting policy Note 10(b).

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE

The Group and the Bank recognise leases as right of use ('ROU') asset, with a corresponding liability at the date on which the leased asset is available for use (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.

(a) 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 (refer to (d) below).

(b) 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 incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). 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 are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(c) 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 that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group and the Bank under residual value guarantees;
- the exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE (CONTINUED)

(c) Lease liabilities (continued)

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

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

Variable lease payments that depend on sales are recognised in income statements in the period in which the condition that triggers those payments occurs.

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 other interest expenses in the income statements.

(d) Reassessment of lease liabilities

The Group and the Bank are 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.

(e) 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 information technology equipment and small items of office furniture. Payments associated with short term leases of information technology and all leases of low-value assets are recognised on a straight-line basis as an expense in income statements.

(13) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSOR

As a lessor, the Group and the Bank determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Bank consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Operating lease

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(b) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The receivable is subject to MFRS 9 impairment (refer to accounting policy Note 21 on impairment of financial assets). The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the 'net investment' method so as to reflect a constant periodic rate of return.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) PROVISIONS

Provisions are recognised when 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 will be required to settle the obligation 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 the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment 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.

(a) Onerous contracts

The Group and the Bank recognise a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(b) Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments and are recognised in the period in which the Group becomes legally or constructively committed to payment. Future operating costs are not provided for.

(15) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank 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 financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of issuance is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premium is recognised.

The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) GOVERNMENT GRANTS

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

Financial contribution under a government scheme is measured in accordance with the amount received. The benefit of a financing under a government scheme or a financial contribution under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the income statements 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'.

(17) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combinations, but disclose their existence in the financial statements. A contingent liability is a 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 or 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 disclose their existence where inflows of economic benefits are probable, but not virtually certain.

The Group recognises separately the contingent liabilities of the acquiree as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired are disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provision of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with MFRS 15 'Revenue from Contracts with Customers'.

(18) SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if issued, are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Share issue cost

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.

(c) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, and the corresponding liability is recognised in the period in which the shareholders' right to receive the dividends are established or the dividends are approved.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of one month or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(20) REVENUE RECOGNITION

(a) Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial asset that subsequently becomes credit-impaired. For credit-impaired financial asset, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(b) Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees for loans, advances and financing that are likely to be drawdown are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate of the financial instrument.

(c) Income from Islamic Banking business is recognised using effective profit method in accordance with the principles of Shariah.

(d) Brokerage commission is recognised when services are rendered. Interest income from margin financing, clients' overdue outstanding purposes and contra losses are recognised using effective interest rate method.

(e) Premium income from general insurance business (net of all reinsurance) is recognised on the date of assumption of risks. Premium in respect of risk incepted, for which policies have not been raised as at the date of statements of financial position, is accrued at that date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received. Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

(f) Corporate advisory fees are recognised as income based on fulfilment of the performance obligation.

(g) Management fees of the unit trust and asset management company are recognised based on time apportionment method over the period of services.

(h) Dividends are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiaries, financial assets at FVTPL and FVOCI are recognised as other operating income in income statements.

Dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at fair value through other comprehensive income.

(i) Income from bancassurance/bancatakaful agreements are recognised based on time apportionment method throughout the exclusive services agreement period.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) IMPAIRMENT OF FINANCIAL ASSETS

Under MFRS 9, impairment model requires the recognition of expected credit loss ('ECL') for all financial assets, except for financial assets classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

There are two approaches adopted by the Group and the Bank:

(1) General approach

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(i) Stage 1: 12 months ECL – not credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

Generally, all financial assets that are 90 days past due or more are classified under Stage 3. The Group and the Bank consider the following as constituting an event of default:

(1) Quantitative criteria

- the borrower is past due more than 90 days on any material credit obligation to the Group and the Bank.

(2) Qualitative criteria

- legal action has been initiated by the Group and the Bank for recovery purposes;
- borrower is a bankrupt;
- borrower has been assigned to external collection agency.

Significant increase in credit risk ('SICR')

(1) 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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Significant increase in credit risk ('SICR') (continued)

(2) Among the indicators incorporated in ascertaining SICR are:

- 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's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the same borrower;
- 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 borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the Probability of Default model ('PD'), Loss Given Default model ('LGD') and Exposure at Default model ('EAD'). Certain ECL models are leveraging on the existing Group and the Bank's Basel II Internal Ratings-Based ('IRB') model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements. The changes in ECL between two-periods will be recognised in income statements.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-month ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's and the Bank's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-month ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statements.

The Group and the Bank leverage on the model/segments/credit related factors implemented under the Basel II IRB framework where feasible or available, with calibration to meet MFRS 9 requirements. For portfolio without Basel model, other relevant historical information, loss experience or proxies will be utilised if deemed feasible.

In determining the ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions/trends and economic outlooks. Additional consideration through structured management overlays have been considered and reflected to ensure adequacy of ECL. The structured management overlays are subject to robust review and governance process.

Generally, all financial assets are considered to have experienced a significant increase in credit risk if the exposures is more than 30 days past due on its contractual payments.

(2) Simplified approach

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for clients' and brokers' balances, fee and premium receivables. The expected loss allowance is based on provisional matrix.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. The Group and the Bank also assess goodwill, intangible assets with indefinite useful life and other assets that are subject to amortisation 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 carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flows or CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to income statements. Impairment losses on goodwill are not reversed. In respect of other non- financial assets, any subsequent increase in recoverable amount is recognised in income statements.

(23) GENERAL INSURANCE

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

(a) Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statements of financial position, are accrued at the date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

(b) Premium liabilities

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves; or

(ii) the best estimate value of the insurer's unexpired risk reserves at the valuation date and the Provision of Risk Margin for Adverse Deviation ('PRAD') calculated at the overall insurance subsidiary. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) GENERAL INSURANCE (CONTINUED)

(b) Premium liabilities (continued)

Unearned premium reserves ('UPR') represent the portion of premium income not yet earned at the date of statements of financial position. UPR is computed with reference to the month of accounting for the premium on the following basis:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) $1/24^{th}$ method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

(c) Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statements of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

(d) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(e) Reinsurance

The insurance subsidiary cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in income statements.

Gains or losses on buying reinsurance are recognised in income statements immediately at the date of purchase and are not amortised.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) GENERAL INSURANCE (CONTINUED)

(e) Reinsurance (continued)

The insurance subsidiary also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(f) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of statements of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statements of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the insurance subsidiary reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in income statements by setting up a provision for liability adequacy.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) EMPLOYEE BENEFITS

(a) Short term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund. The Group's and the Bank's contributions to defined contribution plans are charged to income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(c) 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 at the earlier of the following dates:

(i) when the Group can no longer withdraw the offer of those benefits; and

(ii) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

(25) CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, associates and joint ventures and arising from distributions of retained profits to companies in the Group.

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures 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.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statements of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(26) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statements, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in income statements within other operating income.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments under fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statements, and other changes in 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 or loss are recognised in income statements as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

(ii) Income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, a proportionate share of such exchange differences is recognised in income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(27) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources to and assessing performance of the operating segments of an entity. The Group has determined its Group Management Committee as its chief operating decision-maker.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year are outlined below:

(1) Fair value measurement

A significant portion of financial instruments are carried on the statements of financial position at fair value.

Fair value is 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.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group and the Bank has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(1) Fair value measurement (continued)

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the Group and the Bank use a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that 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. When such evidence exists, the Group and the Bank recognise the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

The valuation techniques are further disclosed in Note 55(g)(i) to the financial statements.

(2) Allowance for expected credit losses ('ECL')

The measurement of the ECL 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.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, private consumption, unemployment rates, inflation and KLIBOR-3M, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

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

(i) Determining criteria for significant increase in credit risk;

(ii) Choosing appropriate models and assumptions for the measurement of ECL;

(iii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;

(iv) Establishing groups of similar financial assets for the purposes of measuring ECL; and

(v) Identifying and calculating adjustments to model output (model overlay adjustments).

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(2) Allowance for expected credit losses ('ECL') (continued)

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. While the methodologies and assumptions applied in the base ECL calculations remained unchanged, the Group and the Bank have incorporated the following estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of ECL:

- Forward looking macroeconomic information and assumptions relating to the COVID-19 pandemic have been considered, including potential impacts of the COVID-19 pandemic, recognising uncertainty still exists in relation to the duration of the COVID-19 pandemic-related restrictions, the anticipated impact of government stimulus and regulatory actions.

  The sensitivity effect on the macroeconomic factor is further disclosed in Note 55(e)(vii) to the financial statements;

- When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's and the Bank's historical loss experience;

- Consistent with industry guidance, customer support payment deferrals as part of the COVID-19 pandemic moratorium packages, by itself, will not result in a significant increase in credit risk, and therefore will not trigger an automatic migration from stage 1 (12-month ECL) to stage 2 (lifetime ECL) in the credit impairment provision for such loans/ financing; and

- As the current MFRS 9 models are not expected to generate levels of ECL to cater for the unprecedented and on-going COVID-19 pandemic due to lack of actual historical loss experiences, overlays and post-model adjustments of RM434 million and RM282 million for the Group and the Bank respectively have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

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

  The overlays and post-model adjustments 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 and post-model adjustments were generally made at retail and non-retail portfolios level in determining the sufficient level of ECLs to cater for potential deterioration in credit risk due to COVID-19.

(3) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the CGU. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

1 GENERAL INFORMATION

RHB Bank Berhad is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

There have been no significant changes in these principal activities during the financial year.

The address of the registered office of the Bank is Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 February 2021.

2 CASH AND SHORT TERM FUNDS

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash and balances with banks and other financial institutions	**4,081,047**	4,124,428	**2,150,528**	2,102,889
Money at call and deposit placements maturing within one month	**4,823,238**	7,503,564	**5,755,108**	3,400,004
	8,904,285	11,627,992	**7,905,636**	5,502,893

Included in the cash and short term funds of the Group are:

(i) Accounts held in trust for the purpose of funds managed by the asset management subsidiaries amounting to RM265,986,000 (2019: RM290,316,000); and

(ii) Accounts held in trust for remisiers amounting to RM92,060,000 (2019: RM64,861,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Licensed banks	**3,659,224**	1,051,206	**4,249,825**	1,351,402
Licensed Islamic banks	**478,762**	43,940	**3,392,440**	2,944,389
Licensed investment banks	**-**	-	**1,805,638**	1,053,841
BNM	**1,931,457**	-	**-**	-
Other financial institutions	**-**	421	**-**	-
	6,069,443	1,095,567	**9,447,903**	5,349,632

4 INVESTMENT ACCOUNT DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

This investment account which is exposure to Restricted Profit Sharing Investment Account ('RPSIA'), is an arrangement by the Bank with its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank').

The underlying assets of RHB Islamic Bank for the RPSIA are as follows:

	Bank	
	2020 RM'000	2019 RM'000
Principal		
Personal financing	**1,000,000**	1,000,000
Other term financing	**6,917,534**	6,320,301
Unquoted securities	**811,775**	811,775
	8,729,309	8,132,076

As at 31 December 2020, the RPSIA placements have an average rate of return ranging between 2.98% to 5.67% (2019: 3.69% to 5.90%) per annum and average profit sharing rate ranging between 69% to 88% (2019: 81% to 89%).

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Mandatory measured at fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**656,342**	491,029	**656,342**	491,029
Malaysian Government Investment Issues	**1,582,566**	1,606,524	**1,474,888**	1,399,379
Singapore Housing Development Board	**-**	30,383	**-**	30,383
Singapore Government Securities	**-**	16,922	**-**	16,922
QUOTED SECURITIES:				
In Malaysia				
Shares, exchanged traded funds and warrants	**209,443**	23,716	**-**	-
Unit trusts	**69,450**	65,906	**-**	-
Corporate bond/sukuk	**3,482**	3,324	**3,482**	3,324
Outside Malaysia				
Shares, exchanged traded funds and warrants	**236,084**	282,457	**3,400**	3,337
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**52,781**	254,807	**51,370**	254,807
Unit trusts	**1,022,686**	1,024,555	**-**	-
Commercial paper	**36**	119,813	**36**	119,813
Outside Malaysia				
Corporate bond/sukuk	**95,783**	211,294	**95,783**	211,294
Private equity funds	**533,453**	492,717	**-**	-
	4,462,106	4,623,447	**2,285,301**	2,530,288

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

		Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value					
(a)	Debt instruments	**42,148,529**	39,109,505	**35,158,058**	33,279,961
(b)	Equity instruments	**754,730**	695,799	**711,582**	654,311
		42,903,259	39,805,304	**35,869,640**	33,934,272
(a)	**Debt instruments**				
	MONEY MARKET INSTRUMENTS:				
	Malaysian Government Securities	**1,906,961**	2,471,928	**1,768,796**	2,338,619
	Malaysian Government Investment Issues	**8,126,745**	6,111,157	**6,391,365**	4,618,503
	Cagamas bonds	**102,082**	168,360	**91,926**	158,135
	Khazanah bonds	**48,408**	45,910	**-**	-
	Negotiable instruments of deposits	**397,744**	650,517	**-**	500,980
	Other foreign government investment issues	**54,580**	50,473	**54,580**	50,473
	Sukuk Perumahan Kerajaan	**73,100**	71,596	**-**	-
	Singapore Government Securities	**866,267**	1,125,612	**866,267**	1,125,612
	Thailand Government Securities	**654,851**	581,245	**654,851**	581,245
	Singapore Central Bank Bills	**2,247,864**	1,858,251	**2,247,864**	1,858,251
	Thailand Central Bank Bonds	**86,290**	62,491	**86,290**	62,491
	Singapore Housing Development Board	**723,066**	677,603	**723,066**	677,603
	UNQUOTED SECURITIES:				
	In Malaysia				
	Corporate bond/sukuk	**20,626,872**	18,990,597	**16,065,523**	15,115,781
	Perpetual notes/sukuk	**51,155**	102,651	**51,155**	102,651
	Prasarana bonds	**2,673,288**	2,175,940	**2,647,119**	2,150,023
	Outside Malaysia				
	Corporate bond/sukuk	**3,509,256**	3,965,174	**3,509,256**	3,939,594
		42,148,529	39,109,505	**35,158,058**	33,279,961

Included in financial investments at FVOCI of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM733,000,000 (2019: RM204,000,000) and RM2,088,000,000 (2019: RM787,000,000) respectively.

		Group and Bank	
		2020 RM'000	2019 RM'000
(i)	**Movement in credit impaired financial assets at FVOCI**		
	Balance as at the beginning of the financial year	**1,020**	5,252
	Derecognition	**-**	(4,224)
	Exchange differences	**-**	(8)
	Balance as at the end of the financial year	**1,020**	1,020

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

(a) Debt instruments (continued)

(ii) Movement in allowance for credit losses recognised in FVOCI reserves

Group	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
2020				
Balance as at the beginning of the financial year	**44,264**	**-**	**-**	**44,264**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(20)**	**20**	**-**	**-**
Allowance (written back)/made during the financial year	**(3,860)**	**27**	**-**	**(3,833)**
Purchases and origination	**6,723**	**87**	**-**	**6,810**
Derecognition and disposal	**(9,341)**	**-**	**-**	**(9,341)**
Exchange differences	**(37)**	**-**	**-**	**(37)**
Balance as at the end of the financial year	**37,729**	**134**	**-**	**37,863**
2019				
Balance as at the beginning of the financial year	55,977	306	-	56,283
Transfer to 12-month ECL (Stage 1)	306	(306)	-	-
Allowance written back during the financial year	(5,065)	-	-	(5,065)
Purchases and origination	8,125	-	-	8,125
Derecognition and disposal	(15,407)	-	-	(15,407)
Exchange differences	328	-	-	328
Balance as at the end of the financial year	44,264	-	-	44,264
Bank				
2020				
Balance as at the beginning of the financial year	**41,865**	**-**	**-**	**41,865**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(20)**	**20**	**-**	**-**
Allowance (written back)/made during the financial year	**(3,712)**	**27**	**-**	**(3,685)**
Purchases and origination	**5,797**	**87**	**-**	**5,884**
Derecognition and disposal	**(8,170)**	**-**	**-**	**(8,170)**
Exchange differences	**(37)**	**-**	**-**	**(37)**
Balance as at the end of the financial year	**35,723**	**134**	**-**	**35,857**
2019				
Balance as at the beginning of the financial year	50,278	-	-	50,278
Allowance written back during the financial year	(2,921)	-	-	(2,921)
Purchases and origination	7,851	-	-	7,851
Derecognition and disposal	(13,671)	-	-	(13,671)
Exchange differences	328	-	-	328
Balance as at the end of the financial year	41,865	-	-	41,865

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(b) Equity instruments				
QUOTED SECURITIES:				
Outside Malaysia				
Shares	**1,922**	2,418	**-**	-
UNQUOTED SECURITIES:				
In Malaysia				
Shares	**752,403**	692,963	**711,580**	654,310
Outside Malaysia				
Shares	**405**	418	**2**	1
	754,730	695,799	**711,582**	654,311

The Group and the Bank designated certain investments as equity securities under FVOCI. The FVOCI designation was made because these investments are either held for socio-economic purposes or not for trading purposes.

	Group		Bank	
	Fair value RM'000	Dividend income recognised during the financial year RM'000	Fair value RM'000	Dividend income recognised during the financial year RM'000
2020				
Securities				
Cagamas Holdings Berhad	**359,395**	**2,586**	**327,307**	**2,346**
Financial Park (Labuan) Sdn Bhd	**214,227**	**1,200**	**214,227**	**1,200**
Credit Guarantee Corporation Malaysia Bhd	**64,752**	**-**	**64,752**	**-**
Others	**116,356**	**1,451**	**105,296**	**858**
	754,730	**5,237**	**711,582**	**4,404**
2019				
Securities				
Cagamas Holdings Berhad	332,233	2,647	302,233	2,347
Financial Park (Labuan) Sdn Bhd	213,823	1,600	213,823	1,600
Credit Guarantee Corporation Malaysia Bhd	60,085	-	60,085	-
Others	89,658	6,276	78,170	5,619
	695,799	10,523	654,311	9,566

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At amortised cost				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**427,341**	100,698	**334,463**	100,698
Malaysian Government Investment Issues	**2,816,735**	3,182,753	**2,058,384**	2,651,130
Cagamas bonds	**477,050**	237,412	**477,050**	237,412
Khazanah bonds	**198,175**	186,108	**39,958**	79,180
Wakala Global Sukuk	**28,928**	29,682	**20,666**	21,211
Sukuk Perumahan Kerajaan	**111,014**	111,034	**100,983**	101,020
Singapore Government Treasury Bills	**577,258**	272,494	**577,258**	272,494
Sukuk (Brunei) Incorporation	**30,411**	30,400	**30,411**	30,400
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**11,181,082**	10,041,472	**6,413,420**	6,164,844
Corporate loan stocks	**25,853**	25,853	**-**	-
Prasarana bonds	**503,129**	343,732	**432,329**	272,894
	16,376,976	14,561,638	**10,484,922**	9,931,283
Allowance for credit losses	**(371,709)**	(312,229)	**(288,929)**	(228,481)
	16,005,267	14,249,409	**10,195,993**	9,702,802

Included in financial investments at amortised cost of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM224,000,000 (2019: RM1,839,000,000) and RM2,571,000,000 (2019: RM2,973,000,000) respectively.

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(i) Movement in credit impaired financial investments at amortised cost				
Balance as at the beginning of the financial year	**140,425**	141,405	**62,978**	63,341
Derecognition	**(38)**	(897)	**(38)**	(280)
Exchange differences	**(135)**	(83)	**(135)**	(83)
Balance as at the end of the financial year	**140,252**	140,425	**62,805**	62,978

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

(ii) Movement in allowance for credit losses

Group	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
2020				
Balance as at the beginning of the financial year	**23,081**	**149,285**	**139,863**	**312,229**
Allowance made/(written back) during the financial year	**(11,371)**	**70,917**	**(38)**	**59,508**
Purchases and origination	**5,923**	**135**	**-**	**6,058**
Derecognition	**(5,753)**	**(189)**	**-**	**(5,942)**
Exchange differences	**(9)**	**-**	**(135)**	**(144)**
Balance as at the end of the financial year	**11,871**	**220,148**	**139,690**	**371,709**
2019				
Balance as at the beginning of the financial year	23,820	176,683	140,844	341,347
Allowance written back during the financial year	(2,429)	(26,873)	(280)	(29,582)
Purchases and origination	7,211	-	-	7,211
Derecognition	(5,518)	(525)	(617)	(6,660)
Exchange differences	(3)	-	(84)	(87)
Balance as at the end of the financial year	23,081	149,285	139,863	312,229
Bank				
2020				
Balance as at the beginning of the financial year	**16,970**	**149,096**	**62,415**	**228,481**
Allowance made/(written back) during the financial year	**(10,355)**	**70,917**	**(38)**	**60,524**
Purchases and origination	**2,028**	**-**	**-**	**2,028**
Derecognition	**(1,969)**	**-**	**-**	**(1,969)**
Exchange differences	**-**	**-**	**(135)**	**(135)**
Balance as at the end of the financial year	**6,674**	**220,013**	**62,242**	**288,929**
2019				
Balance as at the beginning of the financial year	19,017	174,430	62,779	256,226
Allowance written back during the financial year	(757)	(25,334)	(280)	(26,371)
Purchases and origination	3,249	-	-	3,249
Derecognition	(4,539)	-	-	(4,539)
Exchange differences	-	-	(84)	(84)
Balance as at the end of the financial year	16,970	149,096	62,415	228,481

8 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) By type				
At amortised cost				
Overdrafts	**5,591,112**	6,553,680	**4,414,180**	5,355,885
Term loans/financing:				
- Housing loans/financing	**65,651,613**	61,144,001	**44,045,052**	42,455,732
- Syndicated term loans/financing	**9,903,531**	9,666,554	**5,915,125**	5,810,288
- Hire purchase receivables/financing	**9,614,361**	9,108,539	**1,015,862**	1,385,512
- Lease receivables	**156**	193	**-**	-
- Other term loans/financing	**72,633,450**	66,014,239	**40,862,686**	38,508,287
Bills receivables	**3,765,638**	3,279,270	**3,378,674**	3,131,190
Trust receipts	**562,226**	686,290	**525,147**	657,190
Claims on customers under acceptance credits	**3,699,294**	4,220,358	**2,934,996**	3,457,367
Share margin financing	**2,185,523**	2,138,891	**356,465**	283,836
Staff loans/financing	**108,452**	112,373	**97,201**	105,342
Credit/charge card receivables	**2,021,947**	2,225,932	**1,747,981**	1,932,411
Revolving credits/financing	**10,376,209**	11,024,528	**7,116,639**	6,565,179
Gross loans, advances and financing	**186,113,512**	176,174,848	**112,410,008**	109,648,219
Fair value changes arising from fair value hedges	**117,725**	41,906	**8,681**	3,342
	186,231,237	176,216,754	**112,418,689**	109,651,561
Less: Allowance for credit losses	**(3,806,358)**	(2,980,082)	**(2,903,505)**	(2,305,896)
Net loans, advances and financing	**182,424,879**	173,236,672	**109,515,184**	107,345,665

Certain comparative balances have been reclassified to conform to current year's presentation which more accurately reflects the type of loans, advances and financing.

Included in loans, advances and financing are housing loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM2,896,091,000 (2019: RM3,312,744,000) and RMNil (2019: RM1,173,094,000) respectively.

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

		Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(b)	**By type of customer**				
	Domestic non-bank financial institutions:				
	- Others	**4,028,623**	3,923,700	**710,488**	831,549
	Domestic business enterprises:				
	- Small and medium enterprises	**28,122,412**	25,523,338	**22,614,690**	20,702,527
	- Others	**28,960,697**	29,410,330	**14,938,302**	14,866,227
	Government and statutory bodies	**6,512,428**	7,005,672	**65,260**	1,911,967
	Individuals	**95,182,250**	90,163,496	**55,495,220**	55,525,488
	Other domestic entities	**149,412**	137,795	**27,685**	15,456
	Foreign entities	**23,157,690**	20,010,517	**18,558,363**	15,795,005
		186,113,512	176,174,848	**112,410,008**	109,648,219
(c)	**By geographical distribution**				
	Malaysia	**163,801,243**	156,943,906	**95,236,486**	95,203,293
	Labuan Offshore	**2,321,773**	1,978,689	**-**	-
	Singapore	**15,567,576**	12,828,721	**15,567,576**	12,614,249
	Thailand	**1,548,312**	1,829,253	**1,433,375**	1,663,059
	Brunei	**172,571**	167,618	**172,571**	167,618
	Indonesia	**188,983**	88,690	**-**	-
	Hong Kong	**-**	27,032	**-**	-
	Cambodia	**2,353,437**	2,113,095	**-**	-
	Laos	**159,617**	197,844	**-**	-
		186,113,512	176,174,848	**112,410,008**	109,648,219
(d)	**By interest/profit rate sensitivity**				
	Fixed rate:				
	- Housing loans/financing	**107,350**	114,426	**87,334**	93,249
	- Hire purchase receivables/financing	**2,559,984**	3,631,363	**1,015,862**	1,385,512
	- Other fixed rate loans/financing	**21,721,680**	20,186,390	**9,035,344**	9,117,878
	Variable rate:				
	- Base lending/financing rate/base rate plus	**105,332,857**	98,476,244	**68,875,787**	68,357,932
	- Cost-plus	**46,787,748**	46,127,952	**25,523,231**	24,521,787
	- Other variable rates	**9,603,893**	7,638,473	**7,872,450**	6,171,861
		186,113,512	176,174,848	**112,410,008**	109,648,219

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(e) By economic sector				
Agriculture, hunting, forestry and fishing	**3,500,827**	3,640,554	**1,967,721**	2,096,069
Mining and quarrying	**565,203**	655,608	**258,361**	350,371
Manufacturing	**9,717,560**	9,492,621	**7,143,108**	7,075,716
Electricity, gas and water	**1,734,819**	2,122,290	**1,362,272**	1,728,133
Construction	**13,318,314**	12,316,993	**8,121,305**	7,282,412
Wholesale and retail trade and restaurant and hotel	**17,874,802**	15,179,612	**14,876,841**	12,563,300
Transport, storage and communication	**7,410,118**	7,216,382	**1,929,825**	2,066,500
Finance, insurance, real estate and business services	**21,491,620**	19,982,481	**14,896,692**	13,316,611
Government and government agencies	**3,497,372**	5,495,679	**65,260**	1,911,967
Education, health and others	**6,099,353**	4,653,993	**2,019,308**	1,931,026
Household sector	**100,026,690**	94,400,973	**59,403,172**	58,856,599
Others	**876,834**	1,017,662	**366,143**	469,515
	186,113,512	176,174,848	**112,410,008**	109,648,219
(f) By purpose				
Purchase of securities	**12,046,734**	11,305,453	**4,794,695**	5,072,680
Purchase of transport vehicles	**9,248,129**	8,702,883	**628,177**	947,556
Purchase of landed property:				
- Residential	**63,791,998**	59,458,474	**43,335,901**	41,770,722
- Non-residential	**19,503,376**	18,786,302	**13,792,771**	13,772,009
Purchase of property, plant and equipment other than land and building	**2,824,997**	2,645,065	**2,102,691**	1,962,043
Personal use	**11,063,576**	10,420,875	**6,456,314**	6,146,621
Credit card	**2,021,947**	2,225,932	**1,747,981**	1,932,411
Purchase of consumer durables	**12,014**	14,585	**12,014**	14,585
Construction	**7,704,997**	7,551,967	**6,051,960**	5,558,253
Working capital	**42,450,904**	37,465,094	**25,940,892**	23,752,175
Merger and acquisition	**1,804,322**	2,423,564	**489,461**	1,022,647
Other purposes	**13,640,518**	15,174,654	**7,057,151**	7,696,517
	186,113,512	176,174,848	**112,410,008**	109,648,219
(g) By remaining contractual maturities				
Maturity within one year	**41,798,823**	45,435,134	**32,547,239**	33,846,039
One year to three years	**8,390,912**	7,541,535	**3,420,980**	4,286,651
Three years to five years	**13,464,779**	14,742,896	**5,759,252**	5,581,448
Over five years	**122,458,998**	108,455,283	**70,682,537**	65,934,081
	186,113,512	176,174,848	**112,410,008**	109,648,219

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(h) By stages

Group	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
2020				
Balance as at the beginning of the financial year	**159,608,363**	**13,087,310**	**3,479,175**	**176,174,848**
Transfer to 12-month ECL (Stage 1)	**4,188,250**	**(4,106,430)**	**(81,820)**	**-**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(11,303,228)**	**11,588,341**	**(285,113)**	**-**
Transfer to lifetime ECL credit impaired (Stage 3)	**(335,284)**	**(422,287)**	**757,571**	**-**
Purchases and origination	**66,377,806**	**4,644,233**	**453,405**	**71,475,444**
Derecognition	**(55,664,986)**	**(3,890,098)**	**(581,479)**	**(60,136,563)**
Modification of contractual cash flow	**(566,270)**	**(64,216)**	**(1,308)**	**(631,794)**
Amount written off	**-**	**-**	**(548,226)**	**(548,226)**
Disposal of a subsidiary	**(61,240)**	**-**	**(1,874)**	**(63,114)**
Exchange differences	**(126,933)**	**(21,101)**	**(9,049)**	**(157,083)**
Balance as at the end of the financial year	**162,116,478**	**20,815,752**	**3,181,282**	**186,113,512**
2019				
Balance as at the beginning of the financial year	150,795,264	14,599,709	3,483,554	168,878,527
Transfer to 12-month ECL (Stage 1)	4,295,223	(4,154,277)	(140,946)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(5,157,801)	5,361,858	(204,057)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(697,430)	(464,203)	1,161,633	-
Purchases and origination	47,146,936	3,289,839	706,283	51,143,058
Derecognition	(36,896,035)	(5,551,624)	(668,725)	(43,116,384)
Amount written off	-	-	(857,988)	(857,988)
Exchange differences	122,206	6,008	(579)	127,635
Balance as at the end of the financial year	159,608,363	13,087,310	3,479,175	176,174,848
Bank				
2020				
Balance as at the beginning of the financial year	**97,233,300**	**9,791,138**	**2,623,781**	**109,648,219**
Transfer to 12-month ECL (Stage 1)	**3,090,656**	**(3,028,945)**	**(61,711)**	**-**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(6,569,427)**	**6,811,915**	**(242,488)**	**-**
Transfer to lifetime ECL credit impaired (Stage 3)	**(238,238)**	**(321,316)**	**559,554**	**-**
Purchases and origination	**30,543,552**	**3,126,464**	**297,792**	**33,967,808**
Derecognition	**(26,980,918)**	**(3,041,269)**	**(393,580)**	**(30,415,767)**
Modification of contractual cash flow	**(257,167)**	**(43,575)**	**(1,069)**	**(301,811)**
Amount written off	**-**	**-**	**(426,865)**	**(426,865)**
Exchange differences	**(56,961)**	**(3,598)**	**(1,017)**	**(61,576)**
Balance as at the end of the financial year	**96,764,797**	**13,290,814**	**2,354,397**	**112,410,008**

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(h) By stages (continued)

Bank	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
2019				
Balance as at the beginning of the financial year	97,205,288	10,910,911	2,555,206	110,671,405
Transfer to 12-month ECL (Stage 1)	3,297,282	(3,189,717)	(107,565)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,892,797)	4,025,657	(132,860)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(559,686)	(360,995)	920,681	-
Purchases and origination	23,512,455	2,546,190	605,266	26,663,911
Derecognition	(22,459,344)	(4,152,578)	(516,048)	(27,127,970)
Amount written off	-	-	(704,846)	(704,846)
Exchange differences	130,102	11,670	3,947	145,719
Balance as at the end of the financial year	97,233,300	9,791,138	2,623,781	109,648,219

(i) Impaired loans, advances and financing

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(i) By economic sector				
Agriculture, hunting, forestry and fishing	**49,306**	60,515	**40,740**	39,635
Mining and quarrying	**196,348**	205,586	**4,518**	4,778
Manufacturing	**405,332**	505,152	**296,285**	392,742
Electricity, gas and water	**258,065**	288,619	**253,821**	267,404
Construction	**334,416**	272,855	**286,425**	222,660
Wholesale and retail trade and restaurant and hotel	**311,533**	311,918	**205,386**	241,942
Transport, storage and communication	**351,259**	422,749	**336,673**	408,896
Finance, insurance, real estate and business services	**248,228**	222,659	**214,185**	195,084
Education, health and others	**11,878**	32,962	**2,324**	23,000
Household sector	**988,055**	1,124,457	**710,475**	821,157
Others	**26,862**	31,703	**3,565**	6,483
	3,181,282	3,479,175	**2,354,397**	2,623,781

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(ii) By purpose				
Purchase of securities	**35,392**	49,214	**25,048**	25,534
Purchase of transport vehicles	**66,693**	75,345	**14,979**	22,676
Purchase of landed property:				
- Residential	**648,636**	775,570	**454,832**	560,655
- Non-residential	**379,793**	350,674	**273,214**	273,914
Purchase of property, plant and equipment other than land and building	**28,109**	86,651	**24,187**	78,999
Personal use	**191,429**	178,882	**183,944**	168,579
Credit card	**27,229**	29,456	**23,619**	25,852
Purchase of consumer durables	**885**	853	**885**	853
Construction	**97,811**	119,083	**70,838**	92,915
Working capital	**1,557,327**	1,691,412	**1,191,595**	1,301,656
Other purposes	**147,978**	122,035	**91,256**	72,148
	3,181,282	3,479,175	**2,354,397**	2,623,781
(iii) By geographical distribution				
Malaysia	**1,968,795**	2,206,536	**1,533,431**	1,740,174
Labuan Offshore	**265,901**	266,821	**-**	-
Singapore	**761,963**	865,907	**761,963**	852,015
Thailand	**61,364**	34,476	**52,413**	25,152
Brunei	**6,590**	6,440	**6,590**	6,440
Indonesia	**716**	-	**-**	-
Cambodia	**103,851**	81,881	**-**	-
Hong Kong	**-**	97	**-**	-
Laos	**12,102**	17,017	**-**	-
	3,181,282	3,479,175	**2,354,397**	2,623,781

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

(iv) Movement in allowance for credit losses

Group	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
2020				
Balance as at the beginning of the financial year	**567,095**	**864,051**	**1,548,936**	**2,980,082**
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	**179,319**	**(156,045)**	**(23,274)**	**-**
- Transferred to lifetime ECL not credit impaired (Stage 2)	**(45,425)**	**93,250**	**(47,825)**	**-**
- Transferred to lifetime ECL credit impaired (Stage 3)	**(3,267)**	**(38,185)**	**41,452**	**-**
	130,627	**(100,980)**	**(29,647)**	**-**
Allowance made during the financial year	**198,306**	**691,376**	**611,623**	**1,501,305**
Bad debts written off	**-**	**-**	**(377,862)**	**(377,862)**
Derecognition	**(83,571)**	**(68,327)**	**(141,724)**	**(293,622)**
Disposal of a subsidiary	**-**	**-**	**(1,560)**	**(1,560)**
Exchange differences	**(420)**	**(837)**	**(728)**	**(1,985)**
Balance as at the end of the financial year	**812,037**	**1,385,283**	**1,609,038**	**3,806,358**
2019				
Balance as at the beginning of the financial year	591,911	994,604	1,665,078	3,251,593
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	182,069	(141,866)	(40,203)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(35,256)	87,303	(52,047)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(11,211)	(49,845)	61,056	-
	135,602	(104,408)	(31,194)	-
Allowance made/(written back) during the financial year	(71,778)	219,210	740,370	887,802
Bad debts written off	-	-	(672,336)	(672,336)
Changes to model methodologies	(15,311)	(24,356)	(2)	(39,669)
Derecognition	(73,990)	(220,406)	(152,777)	(447,173)
Exchange differences	661	(593)	(203)	(135)
Balance as at the end of the financial year	567,095	864,051	1,548,936	2,980,082

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

(iv) Movement in allowance for credit losses (continued)

Bank	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
2020				
Balance as at the beginning of the financial year	**324,042**	**802,764**	**1,179,090**	**2,305,896**
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	**148,967**	**(130,984)**	**(17,983)**	**-**
- Transferred to lifetime ECL not credit impaired (Stage 2)	**(34,802)**	**69,675**	**(34,873)**	**-**
- Transferred to lifetime ECL credit impaired (Stage 3)	**(2,984)**	**(34,081)**	**37,065**	**-**
	111,181	**(95,390)**	**(15,791)**	**-**
Allowance made during the financial year	**274,086**	**392,238**	**457,683**	**1,124,007**
Bad debts written off	**-**	**-**	**(285,614)**	**(285,614)**
Derecognition	**(70,641)**	**(62,068)**	**(107,089)**	**(239,798)**
Exchange differences	**(446)**	**126**	**(666)**	**(986)**
Balance as at the end of the financial year	**638,222**	**1,037,670**	**1,227,613**	**2,903,505**
2019				
Balance as at the beginning of the financial year	489,408	774,591	1,193,133	2,457,132
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	148,061	(114,425)	(33,636)	-
- Transferred to lifetime ECL not credit impaired (Stage 2)	(29,318)	68,519	(39,201)	-
- Transferred to lifetime ECL credit impaired (Stage 3)	(10,688)	(45,922)	56,610	-
	108,055	(91,828)	(16,227)	-
Allowance made/(written back) during the financial year	(205,027)	247,662	667,330	709,965
Bad debts written off	-	-	(545,426)	(545,426)
Changes to model methodologies	(12,683)	(20,252)	(2)	(32,937)
Derecognition	(56,477)	(107,903)	(121,743)	(286,123)
Exchange differences	766	494	2,025	3,285
Balance as at the end of the financial year	324,042	802,764	1,179,090	2,305,896

Included in allowance for credit losses for the Group and the Bank is expected credit losses for loan commitments and financial guarantee contracts amounting to RM118,861,000 (2019: RM95,347,000) and RM105,141,000 (2019: RM82,313,000) respectively.

9 CLIENTS' AND BROKERS' BALANCES

	Group	
	2020 RM'000	**2019 RM'000**
Amounts owing by clients	**1,084,974**	696,427
Less: Allowance for credit losses	**(30,067)**	(20,772)
	1,054,907	675,655
Amounts owing by brokers	**151,220**	75,556
Amounts owing by clearing houses and stock exchanges	**133,441**	142,237
	1,339,568	893,448

Movement in allowance for credit losses

Group	Credit impaired RM'000	Non-credit impaired RM'000	Total RM'000
2020			
Balance as at the beginning of the financial year	**20,665**	**107**	**20,772**
Allowance for credit losses	**19,003**	**850**	**19,853**
Transferred to credit impaired	**340**	**(340)**	**-**
Amount written off	**(4,058)**	**-**	**(4,058)**
Derecognition	**(2,228)**	**(445)**	**(2,673)**
Disposal of a subsidiary	**(3,335)**	**(169)**	**(3,504)**
Exchange differences	**(323)**	**-**	**(323)**
Balance as at the end of the financial year	**30,064**	**3**	**30,067**
2019			
Balance as at the beginning of the financial year	19,311	253	19,564
Allowance for credit losses	2,985	953	3,938
Transferred to credit impaired	386	(386)	-
Amount written off	(975)	-	(975)
Derecognition	(1,666)	(714)	(2,380)
Exchange differences	624	1	625
Balance as at the end of the financial year	20,665	107	20,772

10 REINSURANCE ASSETS

	Note	Group 2020 RM'000	Group 2019 RM'000
Claims liabilities	25(a)	**369,960**	410,763
Premium liabilities	25(b)	**97,544**	99,413
		467,504	510,176

11 OTHER ASSETS

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank Restated 2019 RM'000
Other receivables	(a)	**957,129**	929,870	**454,334**	384,274
Cash collateral in relation to derivative transactions		**407,594**	162,603	**407,594**	162,603
Deposits		**43,477**	63,768	**30,637**	31,892
Prepayments		**120,392**	101,938	**67,678**	58,374
Amount due from subsidiaries	(b)	**-**	-	**317,805**	467,698
		1,528,592	1,258,179	**1,278,048**	1,104,841

(a) Other receivables of the Group which comprise of fee and premium receivable are stated net of allowance for credit losses/ impairment losses of RM24,388,000 (2019: RM29,705,000).

Movement in allowance for credit losses is as follows:

	Group 2020 RM'000	Group 2019 RM'000
Balance as at the beginning of the financial year	**29,705**	32,114
Allowance (written back)/made during the financial year	**(1,403)**	426
Amount written off	**(2,332)**	(2,828)
Disposal of a subsidiary	**(1,566)**	-
Exchange differences	**(16)**	(7)
Balance as at the end of the financial year	**24,388**	29,705

(b) Included in amount due from subsidiaries is an amount of RM114.9 million relating to part of the COVID-19 Government relief measures that has been channelled from BNM through the Bank for the purposes of lending/financing to SMEs as disclosed in Note 22.

Other than as mentioned above, the remaining amount due from subsidiaries are unsecured, interest free and receivable within the normal credit period.

12 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the stringent requirements of hedge accounting mentioned in the Group's and Bank's accounting policies.

The table below shows the Group's and the Bank's derivative financial instruments as at the date of statements of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the date of statements of financial position are analysed below:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Derivative assets:				
- Trading derivatives	**1,653,133**	853,555	**1,790,567**	901,883
- Fair value hedging derivatives	**346**	1,701	**-**	1,701
	1,653,479	855,256	**1,790,567**	903,584
Derivative liabilities:				
- Trading derivatives	**1,722,120**	1,068,399	**1,784,570**	1,103,391
- Fair value hedging derivatives	**312,675**	92,528	**194,572**	51,683
	2,034,795	1,160,927	**1,979,142**	1,155,074

	2020			2019		
Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Trading derivatives:						
Foreign exchange related contracts:						
- Forwards/swaps	**55,252,294**	**709,273**	**789,622**	52,494,800	304,168	623,039
- Options	**635,544**	**5,358**	**2,047**	2,181,278	11,933	5,226
- Cross-currency interest rate swaps	**4,128,289**	**275,156**	**211,792**	3,755,572	217,884	161,926
	60,016,127	**989,787**	**1,003,461**	58,431,650	533,985	790,191
Interest rate related contracts:						
- Swaps	**30,993,176**	**632,982**	**617,341**	30,255,839	303,302	262,100
Commodity related contracts						
- Options	**555,265**	**12,189**	**12,189**	290,309	11,831	11,831
Equity related contracts						
- Options	**451,701**	**17,280**	**17,426**	-	-	-
Futures related contracts	**200,537**	**895**	**-**	-	-	-
Structured warrants	**456,101**	**-**	**71,703**	43,817	-	4,277
Structured investments	**-**	**-**	**-**	18,116	4,437	-
Fair value hedging derivatives:						
Interest rate related contracts:						
- Swaps	**8,039,436**	**346**	**312,675**	4,507,590	1,701	92,528
	100,712,343	**1,653,479**	**2,034,795**	93,547,321	855,256	1,160,927

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Bank	2020 Contract or underlying principal amount RM'000	2020 Year-end positive fair value RM'000	2020 Year-end negative fair value RM'000	2019 Contract or underlying principal amount RM'000	2019 Year-end positive fair value RM'000	2019 Year-end negative fair value RM'000
Trading derivatives:						
Foreign exchange related contracts:						
- Forwards/swaps	**57,484,810**	**726,266**	**805,366**	53,381,479	314,700	622,944
- Options	**635,544**	**5,358**	**2,047**	2,181,278	11,933	5,226
- Cross-currency interest rate swaps	**4,590,768**	**275,156**	**212,086**	4,920,676	215,877	160,422
	62,711,122	**1,006,780**	**1,019,499**	60,483,433	542,510	788,592
Interest rate related contracts:						
- Swaps	**42,093,175**	**754,318**	**735,456**	35,115,839	346,105	302,968
Commodity related contracts						
- Options	**555,265**	**12,189**	**12,189**	290,309	11,831	11,831
Equity related contracts						
- Options	**458,784**	**17,280**	**17,426**	-	-	-
Structured investments	**-**	**-**	**-**	5,866	1,437	-
Fair value hedging derivatives:						
Interest rate related contracts:						
- Swaps	**4,239,436**	**-**	**194,572**	3,007,590	1,701	51,683
	110,057,782	**1,790,567**	**1,979,142**	98,903,037	903,584	1,155,074

(i) Fair value hedges

Fair value hedges are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movement in market interest rates. The Group and the Bank use interest rate swaps to hedge against interest rate risk of specific identified fixed rate long term, portfolio homogenous pools of loans, advances and financing and financial assets measured at FVOCI.

The Group and the Bank's hedge accounting policy only allows for effective hedge relationship to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group and the Bank determine whether an economic relationship exists between hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. Under qualitative assessment, the Group and Bank will perform assessment by comparing the changes in the fair value of the hedge to changes in the fair value of the hypothetical derivative.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group and the Bank. The interest rate risk component is determined as the changes in fair value of long term fixed rate financial investment (e.g. bonds, loans, advances and financing) arising from changes in benchmarks rates such as 3-month KLIBOR, 3-month USD LIBOR, 6-month USD LIBOR, 6-month Singapore Swap Offer Rate. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Group and the Bank establish the hedge ratio by aligning the principal amount of the hedged instrument to the extent of its hedged item.

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

The Group and the Bank have identified the following possible sources of ineffectiveness:

i. Counterparty credit risk which impact the fair value of the interest rate swaps but not the hedged items; and

ii. Mismatches in terms of the hedged items and hedging instruments such as voluntary discontinuance, maturity date and disposal of hedged item.

The following table sets out the maturity profile and average price of the hedging instruments used in fair value hedges:

	2020		2019	
	Nominal amount RM'000	Average fixed interest rate %	Nominal amount RM'000	Average fixed interest rate %
Interest rate swaps				
Group				
Up to three months	**30,416**	**4.75**	-	-
Three to twelve months	**387,514**	**3.92**	-	-
One to five years	**4,785,999**	**3.20**	3,160,397	3.60
More than five years	**2,835,507**	**2.67**	1,347,193	3.22
Total	**8,039,436**		4,507,590	
Bank				
Up to three months	**30,416**	**4.75**	-	-
Three to twelve months	**387,514**	**3.92**	-	-
One to five years	**3,100,999**	**3.07**	2,160,397	3.46
More than five years	**720,507**	**2.63**	847,193	2.80
Total	**4,239,436**		3,007,590	

The amounts relating to items designated as hedging instruments are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest rate swaps				
Nominal amount	**8,039,436**	4,507,590	**4,239,436**	3,007,590
Fair value assets	**346**	1,701	**-**	1,701
Fair value liabilities	**312,675**	92,528	**194,572**	51,683
Hedge effectiveness recognised in income statements	**(216,373)**	(74,070)	**(142,770)**	(37,217)

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

The amounts relating to items designated as hedged items are as follows:

	2020			2019		
	Carrying value RM'000	Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statements RM'000	Carrying value RM'000	Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statements RM'000
Group						
Fixed rate loans, advances and financing	**3,469,533**	**117,725**	**78,636**	1,633,554	40,106	35,086
Financial assets at FVOCI	**9,949,772**	**182,522**	**143,778**	3,049,747	45,402	35,220
	13,419,305	**300,247**	**222,414**	4,683,301	85,508	70,306
Bank						
Fixed rate loans, advances and financing	**157,807**	**8,681**	**6,489**	93,068	2,192	1,469
Financial assets at FVOCI	**9,412,015**	**179,281**	**140,537**	3,049,747	45,402	35,220
	9,569,822	**187,962**	**147,026**	3,142,815	47,594	36,689

* All hedging instruments are included in derivative assets and liabilities line item in the statements of financial position.

Included in other operating income is the net gain and loss arising from fair value hedges as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss on hedging instruments	**(216,373)**	(74,070)	**(142,770)**	(37,217)
Gain on hedged items attributable to the hedged risk	**222,414**	70,306	**147,026**	36,689
	6,041	(3,764)	**4,256**	(528)

(ii) Net investment hedge

The Group's statements of financial position was affected by gains and losses as a result of the revaluation of net assets of its subsidiaries denominated in currencies other than its functional currency. During the current financial year, the Group has terminated its hedging of exposures to foreign currency risk via the designation of foreign currency denominated deposits following the disposal of a subsidiary. As at 31 December 2019, the fair value of such hedging amounted to RM197,612,000.

13 STATUTORY DEPOSITS

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Statutory deposits with BNM	(a)	**137,933**	4,076,015	**112,933**	2,497,015
Statutory deposits with Monetary Authority of Singapore	(b)	**91,248**	91,206	**91,248**	91,206
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**23,926**	20,095	**23,926**	20,095
Statutory deposits with Labuan Financial Services Authority ('LFSA')	(d)	**100**	100	**-**	-
Statutory deposits and reserve deposits with National Bank of Cambodia ('NBC')	(e)	**356,956**	360,014	**-**	-
Statutory deposits with National Bank of Lao ('BOL')	(f)	**2,508**	1,866	**-**	-
		612,671	4,549,296	**228,107**	2,608,316

(a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount is determined at a set percentage of total eligible liabilities.

(b) Non-interest bearing statutory deposits maintained with the Monetary Authority of Singapore in compliance with Banking Act, Cap.19 and Singapore Finance Companies Act Cap.108.

(c) Non-interest bearing statutory deposits maintained with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 45 of the Brunei Darussalam Banking Order 2006.

(d) Non-interest bearing statutory deposits maintained with LFSA relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010.

(e) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM30.2 million (2019: RM30.7 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest from 0.48% to 0.72% (2019: 0.48% to 0.72%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Bank (Cambodia) Plc voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM322.8 million (2019: RM325.3 million) maintained with NBC as reserve, computed at 7.0% (2019: 8.0%) and 7.0% (2019: 12.5%) of customer deposits in Cambodian Riel ('KHR') and in foreign currencies, respectively.

(iii) Non-interest bearing statutory deposits of RM4.0 million (2019: RM4.0 million) maintained with NBC as capital guarantee deposits in compliance with Securities and Exchange Commission of Cambodia ('SECC')'s Prakas No. 009 on the Licensing of Securities Firms and Securities Representatives for operating as a securities underwriter in Cambodia.

(f) Non-interest bearing statutory deposits maintained with BOL computed at 4% and 8% (2019: 5% and 10%) of customer deposits in Lao Kip ('LAK') and in foreign currencies, respectively.

The statutory deposits amount and reserve requirements mentioned above are determined by the respective authorities.

14 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income 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 authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets	**35,338**	22,989	**-**	-
Deferred tax liabilities	**(165,938)**	(169,763)	**(152,111)**	(136,711)
	(130,600)	(146,774)	**(152,111)**	(136,711)
Deferred tax assets:				
- Settled more than twelve months	**132,745**	35,222	**98,168**	19,039
- Settled within twelve months	**246,026**	154,723	**160,764**	124,034
Deferred tax liabilities:				
- Settled more than twelve months	**(455,103)**	(296,368)	**(377,737)**	(251,455)
- Settled within twelve months	**(54,268)**	(40,351)	**(33,306)**	(28,329)
	(130,600)	(146,774)	**(152,111)**	(136,711)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

Group	Property, plant and equipment, intangible assets and right of use assets RM'000	Financial assets at FVOCI RM'000	Tax losses RM'000	Provisions RM'000	Expected credit losses RM'000	Total RM'000
2020						
Balance as at the beginning of the financial year	**(79,402)**	**(256,115)**	**1,789**	**159,743**	**27,211**	**(146,774)**
Transfer from/(to) income statements	**(18,360)**	**(2,383)**	**352**	**41,882**	**145,162**	**166,653**
Transfer to equity	**-**	**(149,637)**	**-**	**(392)**	**-**	**(150,029)**
Exchange differences	**(54)**	**-**	**(366)**	**(30)**	**-**	**(450)**
Balance as at the end of the financial year	**(97,816)**	**(408,135)**	**1,775**	**201,203**	**172,373**	**(130,600)**
2019						
Balance as at the beginning of the financial year	(62,396)	(103,844)	5,190	155,732	82,524	77,206
Transfer from/(to) income statements	(17,095)	(4,359)	(3,489)	5,232	(55,313)	(75,024)
Transfer to equity	-	(147,919)	-	(1,203)	-	(149,122)
Exchange differences	89	7	88	(18)	-	166
Balance as at the end of the financial year	(79,402)	(256,115)	1,789	159,743	27,211	(146,774)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following (continued):

Bank	Note	Property, plant and equipment, intangible assets and right of use assets RM'000	Financial assets at FVOCI RM'000	Provisions RM'000	Expected credit losses RM'000	Total RM'000
2020						
Balance as at the beginning of the financial year		**(71,116)**	**(208,269)**	**121,740**	**20,934**	**(136,711)**
Transfer from/(to) income statements	45	**(16,917)**	**-**	**3,256**	**112,372**	**98,711**
Transfer to equity		**-**	**(113,805)**	**-**	**-**	**(113,805)**
Exchange differences		**-**	**-**	**(306)**	**-**	**(306)**
Balance as at the end of the financial year		**(88,033)**	**(322,074)**	**124,690**	**133,306**	**(152,111)**
2019						
Balance as at the beginning of the financial year		(50,983)	(94,442)	108,711	69,454	32,740
Transfer from/(to) income statements	45	(20,133)	-	13,124	(48,520)	(55,529)
Transfer to equity		-	(113,827)	-	-	(113,827)
Exchange differences		-	-	(95)	-	(95)
Balance as at the end of the financial year		(71,116)	(208,269)	121,740	20,934	(136,711)

Deferred tax assets have not been recognised on the following amounts as it is not probable that the relevant subsidiaries will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	Group	
	2020 RM'000	2019 RM'000
Unabsorbed tax losses carried forward	**821,237**	1,173,613
Unabsorbed capital allowances carried forward	**1,297**	4,776
	822,534	1,178,389

For Malaysia, the deductible temporary differences have an expiry date of 7 years which is in line with Section 44(5F) of the Income Tax Act 1967 that comes into operation from year of assessment 2019 and subsequent years of assessment. For overseas, the deductible temporary differences have no expiry date, except for Thailand and Indonesia which can only be carried forward to deduct against future profits for a period of 5 years.

15 INVESTMENTS IN SUBSIDIARIES

	Bank 2020 RM'000	Bank Restated 2019 RM'000
Unquoted shares, at cost:		
- In Malaysia	**4,415,458**	4,415,458
- Outside Malaysia	**539,183**	499,765
	4,954,641	4,915,223
Accumulated impairment losses	**(53,244)**	(744)
	4,901,397	4,914,479

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Islamic Bank Berhad ('RHB Islamic Bank')	Malaysia	1,673,424,002	**100**	100	**-**	-	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	**-**	-	Labuan banking business
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	**-**	-	Labuan trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	**-**	-	Corporate secretarial services
RHB Bank (Cambodia) Plc ('RHB Bank Cambodia')[1]	Cambodia	USD75,000,000	**100**	100	**-**	-	Commercial banking
RHB Bank Lao Limited[1,2]	Lao PDR	LAK380,900,025,000	**100**	100	**-**	-	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	**-**	-	Other investment holding companies
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	**-**	-	Other investment holding companies
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	**-**	-	Trustee, fiduciary and custody services firm

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Leasing of industrial construction, business equipment and motor vehicles
RHB Capital Properties Sdn Bhd	Malaysia	7,300,000	**100**	100	**-**	-	Property investment
Utama Assets Sdn Bhd	Malaysia	300,000	**100**	100	**-**	-	Own and manage real properties for use by its related companies
RHB Investment Bank Berhad ('RHB Investment Bank')	Malaysia	1,487,773,000	**100**	100	**-**	-	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	To act as nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Provision of nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for Malaysian beneficial shareholders

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**-**	-	Rendering of Islamic fund management services and management of Islamic unit trust funds and Islamic wholesale funds
RHB Private Equity Holdings Sdn Bhd ('RHBPE')[3]	Malaysia	130,000,002	**100**	100	**-**	-	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD1	**100**	100	**-**	-	Investment holding, investment management and other ancillary services for private equity business
RHB Private Equity Fund Ltd[4]	Cayman Islands	USD69,329	**100**	100	**-**	-	Investment company
RHB International Investments Pte Ltd[1]	Singapore	SGD12,000,000	**100**	100	**-**	-	Investment holding
RHB Asset Management Pte Ltd[1]	Singapore	SGD12,100,000	**100**	100	**-**	-	Fund management
RHB Hong Kong Limited[1,5]	Hong Kong	HKD450,000,000	**100**	100	**-**	-	Investment holding
RHB Securities Hong Kong Limited[1]	Hong Kong	HKD340,000,000	**100**	100	**-**	-	Securities dealing and provision of securities margin financing and advising on securities
RHB Futures Hong Kong Limited[1]	Hong Kong	HKD35,000,000	**100**	100	**-**	-	Dealing in futures and options contracts

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Finance Hong Kong Limited[1,6]	Hong Kong	HKD1	**100**	100	**-**	-	Money lending and the company has since been dormant
RHB Capital Hong Kong Limited[1,7]	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Provision of corporate finance advisory services and to engage in securities dealing activities incidental to its corporate finance advisory activities and the company has since been dormant
RHB Asset Management Limited[1,7]	Hong Kong	HKD17,000,000	**100**	100	**-**	-	Dealing in securities, advising on securities and provision of asset management services and the company has since been dormant
RHB Wealth Management Hong Kong Limited[1,7]	Hong Kong	HKD5,000,000	**100**	100	**-**	-	Negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters related to insurance and the company has since been dormant
RHB (China) Investment Advisory Co Ltd[1,8]	People's Republic of China	USD2,000,000	**-**	100	**-**	-	Dissolved
PT RHB Sekuritas Indonesia[1]	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia[1]	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Securities Singapore Pte. Ltd.[1,9]	Singapore	SGD75,000,000	**-**	100	**-**	-	Provision of stock and share broking services and corporate finance advisory services
RHB Securities (Thailand) Public Company Limited[1]	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RHB Trustees Berhad	Malaysia	6,000,000	**100**	100	**-**	-	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)
Malaysian Trustees Berhad	Malaysia	550,000	**100**	100	**-**	-	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act 1949
RHB Finexasia.Com Sdn Bhd	Malaysia	11,361,111	**100**	100	**-**	-	Investment holding, development of products and provision of services related to information technology and the company has since been dormant
RHB Securities (Cambodia) Plc.[1]	Cambodia	USD12,500,000	**100**	100	**-**	-	Securities underwriting, dealing, brokerage and investment advisory service
RHB Securities Vietnam Company Limited[1] ('RHB Securities Vietnam')	Vietnam	VND135 billion	**100**	49	**-**	51	Securities brokerage, securities investment, consultancy and self trading

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Insurance Berhad ('RHB Insurance')	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	Underwriting of all classes of general insurance business
RHB Income Plus Fund 2^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB Property Management Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	**-**	-	Investment holding
RHB Kawal Sdn Bhd	Malaysia	3,700,000	**100**	100	**-**	-	Security services
RHB Foundation*	Malaysia	-	**-**	-	**-**	-	Charitable foundation
RHB Bank's dormant subsidiaries							
UMBC Sdn Bhd	Malaysia	1,482,499,818	**100**	100	**-**	-	Investment holding and the company has since been dormant
RHB Delta Sdn Bhd[10]	Malaysia	345,000,000	**100**	100	**-**	-	Dormant
Utama Gilang Sdn Bhd[10]	Malaysia	800,000,000	**100**	100	**-**	-	Dormant
RHB (Philippines) Inc.[1,11]	Philippines	PHP180,000,000	**100**	100	**-**	-	Primarily deal in the acquisition and disposition of real and personal property of every kind and description, except land and the company has since ceased operations
RHB Equities Sdn Bhd[12]	Malaysia	20,010,000	**100**	100	**-**	-	Activities of holding companies and the company has since been dormant

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Bank's dormant subsidiaries (continued)							
RHBF Sdn Bhd[12]	Malaysia	148,160,176	**100**	100	**-**	-	Dormant
RHB Stock 188.Com Sdn Bhd	Malaysia	480,000	**100**	100	**-**	-	Dormant
RHB Nominees Singapore Pte. Ltd.[1,16]	Singapore	SGD2	**100**	100	**-**	-	Nominee services and the company has since been dormant
Summit Nominees Pte Ltd[1,16]	Singapore	SGD2,000	**100**	100	**-**	-	Nominee services and the company has since been dormant
RHB Research Institute Singapore Pte. Ltd.[1,16]	Singapore	SGD175,000	**100**	100	**-**	-	Financial advisory services and the company has since been dormant
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[13]	Malaysia	200,000,000	**100**	100	**-**	-	Dormant
RHB Progressive Sdn Bhd[13]	Malaysia	13,500,000	**100**	100	**-**	-	Dormant
RHB Marketing Services Sdn Bhd[10]	Malaysia	100,000	**100**	100	**-**	-	Dormant
RHB Unit Trust Management Berhad[13]	Malaysia	5,000,000	**100**	100	**-**	-	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Dormant
RHB Research Institute Sdn Bhd[14]	Malaysia	500,000	**100**	100	**-**	-	Dormant
RHB Research Sdn Bhd[15]	Malaysia	500,000	**100**	100	**-**	-	Dormant

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2020 %	Effective equity interest held by the Group 2019 %	Effective equity interest held by NCI 2020 %	Effective equity interest held by NCI 2019 %	Principal activities
RHB Investment Bank's dormant subsidiaries (continued)							
RHB International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**-**	-	Activities of holding companies and the company has since been dormant
RHBIB Nominees (Tempatan) Sdn Bhd[15]	Malaysia	3,670,000	**100**	100	**-**	-	Dormant
RHBIB Nominees (Asing) Sdn Bhd[15]	Malaysia	2,670,000	**100**	100	**-**	-	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**-**	-	Investment advisory services and the company has since been dormant
RHBIM Berhad	Malaysia	10,000,000	**100**	100	**-**	-	Management of unit trust funds and the investment management of discretionary and non-discretionary mandates and the company has since been dormant
TCL Nominees (Tempatan) Sdn Bhd[15]	Malaysia	644,000	**100**	100	**-**	-	Dormant
TCL Nominees (Asing) Sdn Bhd[15]	Malaysia	4,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Tempatan) Sdn Bhd[15]	Malaysia	650,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Asing) Sdn Bhd[15]	Malaysia	10,000	**100**	100	**-**	-	Dormant

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

[1] Subsidiaries audited by a member firm of PricewaterhouseCoopers which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.

[2] The Bank has on 9 April 2020 injected additional capital of LAK79.4 billion (equivalent to RM39.4 million) into the company.

[3] RHB Investment Bank had on 28 January 2020, subscribed for 10 million redeemable preference shares of RM2.00 each in RHBPE amounting to RM20,000,000 for additional working capital purpose.

[4] Subsidiary not audited pursuant to Companies Act 2013 in Cayman Islands.

[5] RHB Investment Bank had on 14 February 2020, subscribed for 150 million new ordinary shares in RHB Hong Kong Limited amounting to HKD150,000,000. The rationale for the increase is to ensure that RHB Hong Kong Group are solvent for the purposes of the Proposed Cessation and winding up as disclosed in Note 57(1).

[6] The company has commenced the application for member's voluntary winding up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong on 21 August 2020.

[7] The company has commenced the application for member's voluntary winding up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong on 22 December 2020.

[8] The company has been dissolved upon its deregistration on 17 June 2020 pursuant to Article 180(ii) of the Company Law of the People's Republic of China.

[9] Company disposed during the current financial year as disclosed in Note 57(2).

[10] The company has commenced member's voluntary winding up on 16 February 2011.

[11] The company, a wholly-owned subsidiary of RHB Capital (Jersey) Limited, has ceased operations effective from the close of business on 10 December 2001. On 25 June 2020, the company has commenced the application for the amendment of the Articles of Incorporation with the Philippines Securities and Exchange Commission ('SEC') pursuant to the Corporation Code of the Philippines.

[12] The company has commenced member's voluntary winding up on 3 August 2020.

[13] The company has commenced member's voluntary winding up on 28 March 2012.

[14] The company has commenced member's voluntary winding up on 30 September 2020.

[15] The company has commenced member's voluntary winding up on 30 June 2017.

[16] Subsidiaries acquired by the Bank during the current financial year pursuant to the transfer of business and assets as disclosed in Note 57(2).

^ The funds are subsidiaries consolidated in the Group as the Group controls the funds in accordance with MFRS 10 'Consolidated Financial Statements'.

* Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank.

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	Note	Group 2020 RM'000	Group 2019 RM'000
Investments in associates - at cost	(a)	**45,000**	45,000
Less: Allowance for impairment losses		**(45,000)**	(35,500)
		-	9,500
Share of net assets of joint ventures	(b)	**12**	12
Less: Allowance for impairment losses		**-**	-
		12	12
		12	9,512

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2020 %	Effective equity interest 2019 %	Principal activities
Prostar Capital (Asia-Pacific) Ltd.[1] ('Prostar')	Cayman Islands	USD 60	**33.33**	33.33	Investment holding with subsidiaries involved in the investment advisory and management of private equity funds
Satin Straits Sdn Bhd[2] ('Satin Straits')	Malaysia	5,000,000	**-**	-	Investment holding

Notes:

[1] Held through RHB Private Equity Management Ltd, a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd ('RHBPE'), which in turn is a wholly-owned subsidiary of RHB Investment Bank.

As at 31 December 2020, the Group's share of cumulative losses in Prostar of RM1,749,000 (2019: RM1,476,000) has exceeded the cost of investment. Accordingly, the Group does not recognise further losses in the current financial year.

[2] Held through RHBPE, a wholly-owned subsidiary of RHB Investment Bank. The effective equity interest in Satin Straits is Nil as RHBPE has only subscribed for RM45 million Redeemable Convertible Preference Shares. RHBPE will only share the profits of the company and is entitled for full principal repayment upon maturity and with upside potential upon the trade sales or listing of the company.

The Group has accounted for this as an associate as the Group is deemed to have significant influence in accordance with MFRS 128 'Investment in Associates and Joint Ventures'.

There are no capital commitments or contingent liabilities relating to the Group's investments in the associates as at 31 December 2020.

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

(a) Share of net assets of associates (continued)

Summarised financial information of Prostar and Satin Straits which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Prostar		Satin Straits		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets						
Cash and cash equivalents	**7**	5	**36**	36	**43**	41
Other current assets	**25**	25	**-**	-	**25**	25
Non current assets	**121**	120	**32,581**	32,581	**32,702**	32,701
Total assets	**153**	150	**32,617**	32,617	**32,770**	32,767
Liabilities						
Financial liabilities	**(5,401)**	(4,577)	**(93)**	(93)	**(5,494)**	(4,670)
Other current liabilities	**-**	-	**(61)**	(61)	**(61)**	(61)
Total liabilities	**(5,401)**	(4,577)	**(154)**	(154)	**(5,555)**	(4,731)
Net assets/(liabilities)	**(5,248)**	(4,427)	**32,463**	32,463	**27,215**	28,036

(ii) Summarised statements of comprehensive income

	Prostar		Satin Straits		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other operating income	**10,471**	12,746	**-**	-	**10,471**	12,746
Other operating expenses	**(11,365)**	(16,194)	**-**	7	**(11,365)**	(16,187)
Profit/(Loss) before taxation	**(894)**	(3,448)	**-**	7	**(894)**	(3,441)
Taxation	**-**	(9)	**-**	-	**-**	(9)
Net profit/(loss) for the financial year	**(894)**	(3,457)	**-**	7	**(894)**	(3,450)

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in associates:

	Prostar		Satin Straits		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance as at the beginning of the financial year	**(4,427)**	(1,038)	**32,463**	32,456	**28,036**	31,418
Net profit/(loss) for the financial year	**(894)**	(3,457)	**-**	7	**(894)**	(3,450)
Translation reserves	**73**	68	**-**	-	**73**	68
Balance as at the end of the financial year	**(5,248)**	(4,427)	**32,463**	32,463	**27,215**	28,036
Equity interest attributable to net assets	**-**	-	**45,000**	45,000	**45,000**	45,000
Accumulated impairment losses	**-**	-	**(45,000)**	(35,500)	**(45,000)**	(35,500)
Carrying value	**-**	-	**-**	9,500	**-**	9,500

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

(b) Share of net assets of joint venture

The details of the joint venture are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2020 %	Effective equity interest 2019 %	Principal activities
RHB GC-Millennium Capital Pte Ltd ('RHB GC')	Singapore	SGD10,000	**40**	40	Investment activities

There are no capital commitments or contingent liabilities relating to the Group's investments in the joint ventures as at 31 December 2020.

RHB Securities Vietnam has become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019 following the acquisition of the remaining 51% equity interest as disclosed in Note 57(6). Prior to 19 February 2019, the Group's effective equity interest in RHB Securities Vietnam was at 49% and the investment was accounted for as part of a joint venture.

Summarised financial information of RHB Securities Vietnam and RHB GC which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	RHB GC 2020 RM'000	RHB GC 2019 RM'000
Assets		
Other current assets	**169**	134
Total assets	**169**	134
Liabilities		
Financial liabilities	**(117)**	(82)
Other current liabilities	**(22)**	(22)
Total liabilities	**(139)**	(104)
Net assets	**30**	30

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

(b) Share of net assets of joint venture (continued)

Summarised financial information of RHB Securities Vietnam and RHB GC which are accounted for using the equity method is as follows (continued):

(ii) Summarised statements of comprehensive income

	RHB Securities Vietnam		RHB GC		Total	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Interest income	**-**	165	**-**	-	**-**	165
Interest expense	**-**	-	**-**	-	**-**	-
Net interest income	**-**	165	**-**	-	**-**	165
Other operating income	**-**	-	**36**	36	**36**	36
Net operating income	**-**	165	**36**	36	**36**	201
Other operating expenses	**-**	(226)	**(36)**	(36)	**(36)**	(262)
Including:						
Depreciation and amortisation	**-**	(3)	**-**	-	**-**	(3)
Loss before taxation	**-**	(61)	**-**	-	**-**	(61)
Taxation	**-**	-	**-**	-	**-**	-
Net loss for the financial year	**-**	(61)	**-**	-	**-**	(61)

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in joint ventures:

	RHB Securities Vietnam		RHB GC		Total	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Balance as at the beginning of the financial year	**-**	32,857	**30**	30	**30**	32,887
Net loss for the financial year	**-**	(61)	**-**	-	**-**	(61)
Translation reserves	**-**	(277)	**-**	-	**-**	(277)
Remeasurement of previously held equity interest in a joint venture	**-**	(32,519)	**-**	-	**-**	(32,519)
Balance as at the end of the financial year	**-**	-	**30**	30	**30**	30
Equity interest attributable to net assets	**-**	-	**12**	12	**12**	12
Carrying value	**-**	-	**12**	12	**12**	12

17 RIGHT OF USE ASSETS

Group	Note	Properties RM'000	Equipment RM'000	Others RM'000	Total RM'000
2020					
Balance as at the beginning of the financial year		**102,178**	**4,562**	**6,067**	**112,807**
Depreciation charge for the financial year		**(67,731)**	**(273)**	**(6,133)**	**(74,137)**
Additions		**110,458**	**283**	**4,197**	**114,938**
Disposal of a subsidiary	57(2)	**(3,289)**	**(177)**	**-**	**(3,466)**
Modification		**(574)**	**(5)**	**(51)**	**(630)**
Reclassifications		**-**	**(3,910)**	**3,910**	**-**
Exchange differences		**439**	**(63)**	**10**	**386**
Balance as at the end of the financial year		**141,481**	**417**	**8,000**	**149,898**
2019					
Balance as at the beginning of the financial year		104,310	8,542	2,271	115,123
Depreciation charge for the financial year		(68,444)	(4,628)	(2,738)	(75,810)
Additions		66,265	599	6,493	73,357
Written off		(511)	-	-	(511)
Exchange differences		558	49	41	648
Balance as at the end of the financial year		102,178	4,562	6,067	112,807

Bank	Note	Properties RM'000	Equipment RM'000	Others RM'000	Total RM'000
2020					
Balance as at the beginning of the financial year		**76,124**	**4,043**	**5,848**	**86,015**
Depreciation charge for the financial year	41	**(46,043)**	**(39)**	**(6,001)**	**(52,083)**
Additions		**38,192**	**114**	**4,159**	**42,465**
Modification		**(136)**	**-**	**-**	**(136)**
Reclassifications		**-**	**(3,910)**	**3,910**	**-**
Exchange differences		**(54)**	**(57)**	**16**	**(95)**
Balance as at the end of the financial year		**68,083**	**151**	**7,932**	**76,166**
Restated					
2019					
Balance as at the beginning of the financial year					
- As previously reported		63,135	7,217	1,849	72,201
- Effect of predecessor accounting	57(2)	-	55	-	55
- As restated		63,135	7,272	1,849	72,256
Depreciation charge for the financial year	41	(41,605)	(3,842)	(2,505)	(47,952)
Additions		54,368	590	6,493	61,451
Exchange differences		226	23	11	260
Balance as at the end of the financial year		76,124	4,043	5,848	86,015

18 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2020								
Cost								
Balance as at the beginning of the financial year		341,646	488,909	550,830	815,775	425,629	23,232	2,646,021
Additions		-	-	21,309	96,799	19,301	857	138,266
Disposals		(905)	(303)	-	(902)	(933)	(2,055)	(5,098)
Disposal of a subsidiary	57(2)	-	-	(5,856)	(19,906)	(10,404)	-	(36,166)
Written off		-	-	(2,840)	(18,951)	(8,560)	(120)	(30,471)
Reclassifications		-	1,382	(1,669)	184	103	-	-
Exchange differences		60	12	(1,176)	(1,409)	(681)	(262)	(3,456)
Balance as at the end of the financial year		340,801	490,000	560,598	871,590	424,455	21,652	2,709,096
Accumulated depreciation								
Balance as at the beginning of the financial year		10,942	214,236	372,370	674,026	362,027	18,129	1,651,730
Charge for the financial year		872	10,524	33,310	49,091	20,577	1,442	115,816
Overprovision of depreciation in prior financial year		(3,252)	-	-	-	-	-	(3,252)
Disposals		(424)	(227)	-	(896)	(893)	(1,867)	(4,307)
Disposal of a subsidiary	57(2)	-	-	(4,320)	(18,485)	(10,084)	-	(32,889)
Written off		-	-	(2,821)	(18,951)	(8,554)	(120)	(30,446)
Reclassifications		3,390	(3,096)	(161)	(133)	-	-	-
Exchange differences		-	6	(704)	(1,836)	(1,040)	(217)	(3,791)
Balance as at the end of the financial year		11,528	221,443	397,674	682,816	362,033	17,367	1,692,861
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	1,310	-	1,676	-	-	2,986
Exchange differences		-	(6)	-	-	-	-	(6)
Balance as at the end of the financial year		-	1,304	-	1,676	-	-	2,980
Net book value as at the end of the financial year		329,273	267,253	162,924	187,098	62,422	4,285	1,013,255

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2019								
Cost								
Balance as at the beginning of the financial year		343,162	490,049	553,624	768,210	414,380	25,136	2,594,561
Additions		-	-	25,556	74,392	28,111	2,929	130,988
Disposals		(1,822)	(1,277)	-	(213)	(10)	(2,956)	(6,278)
Written off		-	(2)	(27,699)	(32,461)	(7,576)	(2,236)	(69,974)
Acquisition of a subsidiary		-	-	-	1,050	156	197	1,403
Reclassification (to)/from intangible assets	20	-	-	(1,084)	4,051	(10,862)	-	(7,895)
Exchange differences		306	139	433	746	1,430	162	3,216
Balance as at the end of the financial year		341,646	488,909	550,830	815,775	425,629	23,232	2,646,021
Accumulated depreciation								
Balance as at the beginning of the financial year		10,397	204,192	363,273	644,899	347,426	21,423	1,591,610
Charge for the financial year		605	10,480	35,460	59,558	20,804	1,524	128,431
Disposals		(67)	(493)	-	(205)	(10)	(2,938)	(3,713)
Written off		-	(2)	(26,608)	(32,454)	(7,553)	(2,208)	(68,825)
Acquisition of a subsidiary		-	-	-	1,022	155	196	1,373
Exchange differences		7	59	245	1,206	1,205	132	2,854
Balance as at the end of the financial year		10,942	214,236	372,370	674,026	362,027	18,129	1,651,730
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	1,313	-	1,676	-	-	2,989
Exchange differences		-	(3)	-	-	-	-	(3)
Balance as at the end of the financial year		-	1,310	-	1,676	-	-	2,986
Net book value as at the end of the financial year		330,704	273,363	178,460	140,073	63,602	5,103	991,305

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2020								
Cost								
Balance as at the beginning of the financial year		**210,814**	**440,265**	**419,905**	**632,948**	**289,873**	**7,407**	**2,001,212**
Additions		**-**	**-**	**15,570**	**76,856**	**13,772**	**-**	**106,198**
Disposals		**(905)**	**(302)**	**-**	**(801)**	**(62)**	**(1,097)**	**(3,167)**
Written off		**-**	**-**	**(2,104)**	**(3,267)**	**(1,164)**	**(120)**	**(6,655)**
Reclassifications		**-**	**-**	**(418)**	**418**	**-**	**-**	**-**
Exchange differences		**2**	**13**	**(172)**	**(174)**	**(118)**	**(22)**	**(471)**
Balance as at the end of the financial year		**209,911**	**439,976**	**432,781**	**705,980**	**302,301**	**6,168**	**2,097,117**
Accumulated depreciation								
Balance as at the beginning of the financial year		**5,895**	**199,967**	**278,187**	**510,105**	**246,528**	**6,555**	**1,247,237**
Charge for the financial year	41	**251**	**9,283**	**25,378**	**41,096**	**16,187**	**396**	**92,591**
Disposals		**(424)**	**(227)**	**-**	**(801)**	**(62)**	**(1,097)**	**(2,611)**
Written off		**-**	**-**	**(2,104)**	**(3,266)**	**(1,164)**	**(120)**	**(6,654)**
Exchange differences		**-**	**8**	**(122)**	**(140)**	**(102)**	**(20)**	**(376)**
Balance as at the end of the financial year		**5,722**	**209,031**	**301,339**	**546,994**	**261,387**	**5,714**	**1,330,187**
Accumulated impairment loss								
Balance as at the beginning of the financial year		**-**	**304**	**-**	**-**	**-**	**-**	**304**
Balance as at the end of the financial year		**-**	**304**	**-**	**-**	**-**	**-**	**304**
Net book value as at the end of the financial year		**204,189**	**230,641**	**131,442**	**158,986**	**40,914**	**454**	**766,626**

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Restated 2019								
Cost								
Balance as at the beginning of the financial year								
- As previously reported		212,632	441,473	419,937	586,053	275,223	7,511	1,942,829
- Effect of predecessor accounting	57(2)	-	-	-	302	60	1,886	2,248
- As restated		212,632	441,473	419,937	586,355	275,283	9,397	1,945,077
Additions		-	-	15,735	63,780	19,511	110	99,136
Transfer from a subsidiary		-	-	323	66	15	-	404
Disposals		(1,822)	(1,276)	-	(25)	-	(1,042)	(4,165)
Written off		-	-	(15,404)	(21,573)	(6,106)	(1,115)	(44,198)
Reclassification from/(to) intangible assets	20	-	-	(1,083)	3,935	933	-	3,785
Exchange differences		4	68	397	410	237	57	1,173
Balance as at the end of the financial year		210,814	440,265	419,905	632,948	289,873	7,407	2,001,212
Accumulated depreciation								
Balance as at the beginning of the financial year								
- As previously reported		5,708	191,124	266,374	482,655	236,962	6,171	1,188,994
- Effect of predecessor accounting	57(2)	-	-	-	277	52	1,886	2,215
- As restated		5,708	191,124	266,374	482,932	237,014	8,057	1,191,209
Charge for the financial year	41	254	9,292	25,952	48,362	15,398	596	99,854
Transfer from a subsidiary		-	-	73	63	14	-	150
Disposals		(67)	(493)	-	(25)	-	(1,026)	(1,611)
Written off		-	-	(14,469)	(21,573)	(6,085)	(1,115)	(43,242)
Exchange differences		-	44	257	346	187	43	877
Balance as at the end of the financial year		5,895	199,967	278,187	510,105	246,528	6,555	1,247,237
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	304	-	-	-	-	304
Balance as at the end of the financial year		-	304	-	-	-	-	304
Net book value as at the end of the financial year		204,919	239,994	141,718	122,843	43,345	852	753,671

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	Restated 2019 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,654,716**	1,594,599	**1,247,541**	1,191,513
Balance as at the end of the financial year	**1,695,841**	1,654,716	**1,330,491**	1,247,541

The above property, plant and equipment includes the following assets under construction:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cost				
Renovations and improvements	**10,275**	8,657	**10,275**	8,657

As at 31 December 2020, included in the carrying value of land and buildings of the Group and the Bank are right of use assets relating to leasehold property amounting to RM136,713,000 (2019: RM138,148,000) and RM12,597,000 (2019: RM13,329,000) respectively.

19 GOODWILL

The carrying amounts of goodwill allocated to the Group's and the Bank's CGUs are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	Restated 2019 RM'000
CGU				
Group Retail Banking	**483,982**	483,982	**292,837**	292,837
Group Business Banking	**184,297**	184,297	**174,777**	174,777
Group Wholesale Banking ('GWB')	**1,869,542**	1,869,542	**1,247,299**	1,247,299
- Group Corporate Banking and Group Investment Banking ('CBIB')	**972,136**	972,136	**377,679**	377,679
- Group Treasury and Global Markets	**897,406**	897,406	**869,620**	869,620
Commercial Bank Cambodia	**116,301**	116,301	**-**	-
	2,654,122	2,654,122	**1,714,913**	1,714,913

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Directors covering a three-year (2019: three-year) period. Cash flows beyond the three-year period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

19 GOODWILL (CONTINUED)

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Impairment was not required for goodwill arising from all CGUs. Management believes that any reasonable possible change to the assumptions applied is 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	
	2020 %	2019 %	2020 %	2019 %
CGU				
Group Retail Banking	**9.1**	9.0	**4.3**	4.5
Group Business Banking	**9.1**	9.1	**4.3**	4.5
GWB				
- Group CBIB	**9.5**	9.2	**4.3**	4.5
- Group Treasury and Global Markets	**9.6**	9.3	**4.3**	4.5
Commercial Bank Cambodia	**10.8**	11.1	**6.9**	6.1

20 INTANGIBLE ASSETS

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2020						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,302	1,648,799	1,698,532
Additions		-	-	-	131,815	131,815
Disposal of a subsidiary	57(2)	-	-	-	(14,437)	(14,437)
Written off		(16,674)	(25,098)	-	(4,855)	(46,627)
Exchange differences		-	-	(92)	(1,063)	(1,155)
Balance as at the end of the financial year		5,659	-	2,210	1,760,259	1,768,128
Accumulated amortisation						
Balance as at the beginning of the financial year		16,004	23,698	1,027	1,027,891	1,068,620
Amortisation for the financial year		1,677	330	-	115,639	117,646
Disposal of a subsidiary	57(2)	-	-	-	(11,654)	(11,654)
Written off		(13,060)	(24,028)	-	(4,773)	(41,861)
Exchange differences		-	-	(40)	(894)	(934)
Balance as at the end of the financial year		4,621	-	987	1,126,209	1,131,817
Net book value as at the end of the financial year		1,038	-	1,223	634,050	636,311

20 INTANGIBLE ASSETS (CONTINUED)

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2019						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,761	1,509,182	1,559,374
Additions		-	-	-	140,524	140,524
Written off		-	-	(709)	(10,026)	(10,735)
Reclassification from property, plant and equipment	18	-	-	-	7,895	7,895
Exchange differences		-	-	250	1,224	1,474
Balance as at the end of the financial year		22,333	25,098	2,302	1,648,799	1,698,532
Accumulated amortisation						
Balance as at the beginning of the financial year		13,771	23,203	1,334	918,628	956,936
Amortisation for the financial year		2,233	495	80	118,449	121,257
Written off		-	-	(463)	(10,020)	(10,483)
Exchange differences		-	-	76	834	910
Balance as at the end of the financial year		16,004	23,698	1,027	1,027,891	1,068,620
Net book value as at the end of the financial year		6,329	1,400	1,275	620,908	629,912

		Computer software license	
Bank	Note	2020 RM'000	Restated 2019 RM'000
Cost			
Balance as at the beginning of the financial year			
- As previously reported		**1,416,189**	1,303,152
- Effect of predecessor accounting	57(2)	**-**	4
- As restated		**1,416,189**	1,303,156
Additions		**117,565**	124,079
Transfer from a subsidiary company		**-**	8
Written off		**(2,368)**	(8,019)
Reclassification to property, plant and equipment	18	**-**	(3,785)
Exchange differences		**(293)**	750
Balance as at the end of the financial year		**1,531,093**	1,416,189
Accumulated amortisation			
Balance as at the beginning of the financial year			
- As previously reported		**867,752**	775,590
- Effect of predecessor accounting	57(2)	**-**	1
- As restated		**867,752**	775,591
Amortisation for the financial year	41	**100,434**	99,694
Transfer from a subsidiary company		**-**	7
Written off		**(2,368)**	(8,014)
Exchange differences		**(210)**	474
Balance as at the end of the financial year		**965,608**	867,752
Net book value as at the end of the financial year		**565,485**	548,437

21 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) By type of deposits				
Demand deposits	**49,511,159**	38,376,019	**41,522,937**	31,538,822
Savings deposits	**13,267,557**	10,554,978	**10,913,587**	8,739,694
Fixed/investment deposits	**140,273,598**	140,705,781	**81,455,981**	90,374,161
Negotiable instruments of deposits	**418,469**	918,447	**418,469**	918,447
	203,470,783	190,555,225	**134,310,974**	131,571,124
(b) By type of customer				
Government and statutory bodies	**20,183,118**	13,905,730	**6,656,689**	3,711,730
Business enterprises	**103,449,050**	107,669,851	**70,758,550**	79,328,733
Individuals	**72,922,998**	62,773,983	**50,626,789**	42,718,943
Other financial institutions	**6,915,617**	6,205,661	**6,268,946**	5,811,718
	203,470,783	190,555,225	**134,310,974**	131,571,124
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits				
Due within six months	**105,692,228**	95,216,919	**63,247,679**	62,411,341
Six months to one year	**32,833,137**	41,871,670	**17,843,488**	25,827,669
One year to three years	**1,625,159**	3,935,590	**657,610**	2,936,737
Three years to five years	**541,543**	600,049	**125,673**	116,861
	140,692,067	141,624,228	**81,874,450**	91,292,608

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks		**17,133,944**	19,492,073	**21,034,992**	18,640,809
Licensed Islamic banks		**948,447**	996,510	**1,307**	2,739
Licensed investment banks		**947,073**	500,155	**1,712,484**	76,175
BNM/Other central banks	(a)	**1,983,092**	511,165	**1,861,342**	451,805
Other financial institutions		**22,630**	39,426	**486**	2,304
		21,035,186	21,539,329	**24,610,611**	19,173,832

(a) Included in deposits and placements by BNM/other central banks are amounts received under the Government scheme as part of the COVID-19 relief measures for the purpose of lending/financing to SMEs at a concessionary rate and with maturity period ranging between two to nine years.

23 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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 obligations to repurchase the securities are reflected as a liability on the statements of financial position.

The financial assets sold under repurchase agreements are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVOCI	**733,000**	204,000	**2,088,000**	787,000
Financial investments at amortised cost	**224,000**	1,839,000	**2,571,000**	2,973,000
	957,000	2,043,000	**4,659,000**	3,760,000

24 CLIENTS' AND BROKERS' BALANCES

	Group	
	2020 RM'000	2019 RM'000
Amounts due to:		
- Clients	**1,086,126**	669,821
- Brokers	**33,229**	47,728
- Clearing houses and stock exchanges	**52,575**	106,617
	1,171,930	824,166

25 GENERAL INSURANCE CONTRACT LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Claims liabilities	**786,670**	790,872
Premium liabilities	**299,715**	316,014
	1,086,385	1,106,886

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2020				
Claims reported by policyholders		**507,337**	**(289,228)**	**218,109**
Incurred but not reported claims ('IBNR')		**279,333**	**(80,732)**	**198,601**
Claims liabilities	(a)	**786,670**	**(369,960)**	**416,710**
Premium liabilities	(b)	**299,715**	**(97,544)**	**202,171**
Total		**1,086,385**	**(467,504)**	**618,881**

25 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2019				
Claims reported by policyholders		530,956	(318,277)	212,679
IBNR		259,916	(92,486)	167,430
Claims liabilities	(a)	790,872	(410,763)	380,109
Premium liabilities	(b)	316,014	(99,413)	216,601
Total		1,106,886	(510,176)	596,710

(a) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
2020			
Balance as at the beginning of the financial year	**790,872**	**(410,763)**	**380,109**
Claims incurred in current accident year:			
- Paid	**120,210**	**(29,068)**	**91,142**
- Case reserves	**253,511**	**(100,093)**	**153,418**
- IBNR	**238,761**	**(62,027)**	**176,734**
Claims incurred in prior accident year:			
- Paid	**229,603**	**(122,318)**	**107,285**
- Case reserves	**(627,675)**	**280,528**	**(347,147)**
- IBNR	**(218,612)**	**73,781**	**(144,831)**
Balance as at the end of the financial year	**786,670**	**(369,960)**	**416,710**
2019			
Balance as at the beginning of the financial year	751,931	(411,881)	340,050
Claims incurred in current accident year:			
- Paid	147,500	(39,980)	107,520
- Case reserves	325,695	(149,023)	176,672
- IBNR	267,202	(86,627)	180,575
Claims incurred in prior accident year:			
- Paid	227,313	(102,296)	125,017
- Case reserves	(668,580)	278,855	(389,725)
- IBNR	(260,189)	100,189	(160,000)
Balance as at the end of the financial year	790,872	(410,763)	380,109

25 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(b) Premium liabilities			
2020			
Balance as at the beginning of the financial year	**316,014**	**(99,413)**	**216,601**
Premium written for the financial year	**678,706**	**(209,763)**	**468,943**
Premium earned during the financial year	**(695,005)**	**211,632**	**(483,373)**
Balance as at the end of the financial year	**299,715**	**(97,544)**	**202,171**
2019			
Balance as at the beginning of the financial year	342,183	(99,355)	242,828
Premium written for the financial year	696,491	(215,788)	480,703
Premium earned during the financial year	(722,660)	215,730	(506,930)
Balance as at the end of the financial year	316,014	(99,413)	216,601

26 OTHER LIABILITIES

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	Restated 2019 RM'000
Other creditors and accruals		**1,661,168**	1,879,774	**861,080**	1,004,830
Amount payable for redemption units		**58,430**	312,101	**-**	-
Contract liabilities	(a)	**244,711**	47,498	**84,000**	22,710
Short term employee benefits		**389,914**	416,781	**298,803**	324,812
Accrual for operational expenses		**220,404**	217,227	**171,107**	173,804
Prepaid instalments		**29,946**	36,220	**29,946**	36,220
Cash collateral pledged for derivative transactions		**428,280**	194,010	**428,280**	194,010
Remisiers' trust deposits		**92,060**	64,861	**-**	-
Dividend payable		**401,005**	-	**401,005**	-
Amount due to trust funds		**296,396**	42,007	**-**	-
Amount due to subsidiaries	(b)	**-**	-	**13,151**	88,589
		3,822,314	3,210,479	**2,287,372**	1,844,975

(a) Contract liabilities represent the recognition of bancassurance/bancatakaful fee income. During the current financial year, the Group and the Bank have received advanced fee from the bancassurance/bancatakaful agreements of RM235 million and RM84 million respectively. An amount of RM38,919,000 and RM22,710,000 (2019: RM40,665,000 and RM21,000,000) for the Group and the Bank respectively have been recognised in the income statements.

(b) Amount due to subsidiaries are unsecured, interest-free and repayable within the normal credit period.

27 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

Recourse obligation on loans sold to Cagamas represents those acquired from the originators and sold to Cagamas with recourse. Under the agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. The loans are not de-recognised and are analysed in Note 8.

28 PROVISION FOR TAXATION AND ZAKAT

	Group	
	2020 RM'000	2019 RM'000
Tax expense	**65,491**	55,131
Zakat	**4,132**	5,041
	69,623	60,172

29 LEASE LIABILITIES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	Restated 2019 RM'000
Lease liabilities	**154,188**	111,769	**77,356**	85,323
Scheduled repayment of lease liabilities:				
- Within one year	**57,923**	65,142	**42,799**	43,126
- One year to three years	**53,474**	41,262	**31,800**	41,487
- More than three years	**42,791**	5,365	**2,757**	710
	154,188	111,769	**77,356**	85,323

30 BORROWINGS

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Secured					
Term loans:					
- Cambodian Riel ('KHR')	(a)	**137,750**	112,930	**-**	-
Unsecured					
Term loans:					
- United States Dollar ('USD')	(b(i))	**201,101**	840,177	**201,101**	840,177
- Singapore Dollar ('SGD')	(b(ii))	**-**	72,972	**-**	-
- Hong Kong Dollar ('HKD')	(b(iii))	**-**	3,101	**-**	-
Promissory notes:					
- Indonesia Rupiah ('IDR')	(c(i))	**150,665**	29,673	**-**	-
- Thai Baht ('THB')	(c(ii))	**145,114**	123,674	**-**	-
		634,630	1,182,527	**201,101**	840,177
Scheduled repayment of borrowings:					
- Within one year		**634,630**	978,026	**201,101**	635,676
- One year to three years		**-**	204,501	**-**	204,501
		634,630	1,182,527	**201,101**	840,177

The borrowings of the Group and the Bank are as follows:

(a) Term loans - secured

The KHR term loans of the Group bear interest at rates ranging from 2.30% to 4.50% (2019: 2.80% to 3.00%) per annum and is secured by negotiable certificate of deposits with National Bank of Cambodia.

(b) Term loans - unsecured

(i) The USD term loans of the Group and the Bank bear interest at rates ranging from 0.94% to 2.70% (2019: 2.30% to 3.81%) per annum.

(ii) The SGD term loan of the Group which bear interest at rates ranging from 1.07% to 2.85% per annum was fully repaid in January 2020.

(iii) The HKD term loan of the Group which bear interest at rates ranging from 1.33% to 4.72% per annum was fully repaid in January 2020.

(c) Promissory notes - unsecured

(i) The IDR promissory notes of the Group bear interest at rates ranging from 6.50% to 7.55% (2019: 7.50% to 8.80%) per annum.

(ii) The THB promissory notes of the Group bear interest at rates ranging from 0.85% to 2.70% (2019: 1.85% to 3.27%) per annum.

31 SENIOR DEBT SECURITIES

	Note	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Issued under the USD5 billion (or its equivalent in other currencies) Euro Medium Term Programme:			
- USD500 million 2.503% senior debt securities due in 2021	(a)	**2,021,872**	2,055,132
- USD300 million 3.766% senior debt securities due in 2024	(b)	**1,221,568**	1,241,631
Issued under the RM10 billion (or its equivalent in other currencies) Multi-Currency Islamic Medium Term Notes Programme:			
- RM300 million 2.85% senior Sukuk Murabahah due in 2025	(c)	**301,710**	-
		3,545,150	3,296,763

The Bank had on 20 October 2020 issued Senior Sukuk of RM300 million in nominal value based on the Shariah principle of Murabahah (via Tawarruq arrangement) ('Senior Sukuk Murabahah') under the Multi-Currency Islamic Medium Term Notes Programme of up to RM10 billion (or its equivalent in other currencies) in nominal value.

	Issuance date	Principal	Maturity date	Interest rate	Interest payment
(a)	6 October 2016	USD500 million	6 October 2021	2.503% per annum	Accrued and payable semi-annually in arrears
(b)	19 February 2019	USD300 million	19 February 2024	3.766% per annum	Accrued and payable semi-annually in arrears
(c)	20 October 2020	RM300 million	20 October 2025	2.85% per annum	Accrued and payable semi-annually in arrears

32 SUBORDINATED OBLIGATIONS

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
5.60% RM300 million Tier II Subordinated Notes 2010/2025	(a)	-	302,946	-	302,946
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(b)	-	202,061	-	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	(c)	-	503,474	-	503,474
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	(d)	**252,206**	252,139	-	-
4.82% RM750 million Tier II Subordinated Notes 2017/2027	(c)	**759,029**	758,976	**759,029**	758,976
4.90% RM200 million Tier II Subordinated Notes 2017/2027	(b)	**202,148**	202,202	-	-
4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029	(d)	**502,308**	502,426	-	-
3.35% RM500 million Tier II Subordinated Notes 2020/2030	(c)	**501,280**	-	**501,280**	-
3.13% RM500 million Tier II Subordinated Notes 2020/2030	(c)	**501,758**	-	**501,758**	-
		2,718,729	2,724,224	**1,762,067**	1,565,396

The subordinated obligations comprise unsecured liabilities of the Bank and its investment bank and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital as disclosed in Note 54 for the purpose of determining the capital adequacy ratios of the Bank and the respective subsidiaries.

(a) 5.60% RM300 million Tier II Subordinated Notes 2010/2025

On 29 April 2010, the Bank issued RM300 million nominal value of Subordinated Notes, being part of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2025	300	29 April 2025 (callable with step-up in 2020)	5.60% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

The Bank had fully redeemed the RM300 million Tier II Subordinated Notes 2010/2025 on 29 April 2020.

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(b) 4.95% RM200 million Tier II Subordinated Notes 2015/2025 and 4.90% RM200 million Tier II Subordinated Notes 2017/2027

On 16 April 2015, RHB Investment Bank issued RM200 million nominal value of Subordinated Notes, being part of RM1 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme'). On 16 April 2020, RHB Investment Bank had fully redeemed this RM200 million Tier II Subordinated Notes 2010/2025.

On 11 October 2017, RHB Investment Bank has further issued RM200 million nominal value of Subordinated Notes, being part of the same RM1 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	200	16 April 2025 (Callable in 2020)	4.95% per annum chargeable to 16 April 2025	Accrued and payable semi-annually in arrears
2017/2027	200	11 October 2027 (Callable in 2022)	4.90% per annum chargeable to 11 October 2027	Accrued and payable semi-annually in arrears

(c) 4.75% RM500 million Tier II Subordinated Notes 2015/2025, 4.82% RM750 million Tier II Subordinated Notes 2017/2027, 3.35% RM500 million Tier II Subordinated Notes 2020/2030 and 3.13% RM500 million Tier II Subordinated Notes 2020/2030

On 8 May 2015, the Bank issued RM500 million nominal value of Subordinated Notes, being part of RM5 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme'). On 8 May 2020, the Bank had fully redeemed this RM500 million Tier II Subordinated Notes 2015/2025.

On 27 September 2017, the Bank has further issued RM750 million nominal value of Subordinated Notes, being part of the same RM5 billion MCMTN Programme.

On 28 May 2020 and 20 November 2020, the Bank has further issued RM500 million nominal value of Subordinated Notes 2020/2030 each, being part of the same RM5 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	500	8 May 2025 (Callable in 2020)	4.75% per annum chargeable to 8 May 2025	Accrued and payable semi-annually in arrears
2017/2027	750	27 September 2027 (Callable in 2022)	4.82% per annum chargeable to 27 September 2027	Accrued and payable semi-annually in arrears
2020/2030	500	28 May 2030 (Callable in 2025)	3.35% per annum chargeable to 28 May 2030	Accrued and payable semi-annually in arrears
2020/2030	500	20 November 2030 (Callable in 2025)	3.13% per annum chargeable to 20 November 2030	Accrued and payable semi-annually in arrears

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(d) 4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027 and 4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029

On 27 April 2017, RHB Islamic Bank has issued RM250 million nominal value of Subordinated Sukuk Murabahah under a RM1 billion Subordinated Sukuk programme.

On 25 July 2018, the Subordinated Sukuk programme has been upsized from RM1 billion to RM5 billion.

On 21 May 2019, RHB Islamic Bank has further issued RM500 million nominal value of Subordinated Sukuk Murabahah under the RM5 billion Subordinated Sukuk programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2017/2027	250	27 April 2027 (callable in 2022)	4.88% per annum chargeable to 27 April 2027	Accrued and payable semi-annually in arrears
2019/2029	500	21 May 2029 (callable in 2024)	4.32% per annum chargeable to 21 May 2029	Accrued and payable semi-annually in arrears

33 SHARE CAPITAL

	Group and Bank			
	2020		2019	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid:				
Ordinary shares				
Balance as at the beginning/end of the financial year	**4,010,045**	**6,994,103**	4,010,045	6,994,103

There were no issue of shares in the Bank during the current financial year.

34 RESERVES

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Statutory reserves	(a)	**515**	513	**-**	-
Regulatory reserves	(b)	**51,672**	838,992	**-**	352,506
FVOCI reserves	(c)	**1,855,531**	1,328,060	**1,578,045**	1,165,505
Translation reserves	(d)	**518,376**	688,866	**349,672**	374,754
Other reserves		**23,331**	23,331	**-**	-
Retained profits		**17,580,307**	15,901,529	**12,870,705**	11,862,355
		20,029,732	18,781,291	**14,798,422**	13,755,120

34 RESERVES (CONTINUED)

(a) Statutory reserves represent non-distributable profits held by:

(i) The Thailand's stockbroking subsidiary in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand; and

(ii) The Vietnam's stockbroking subsidiary in compliance with the Circular No. 146/2014/TT-BTC issued by the Ministry of Finance.

(b) Regulatory reserves are maintained by the Bank and its banking subsidiaries in Malaysia and Cambodia:

(i) The regulatory reserves in Malaysia is in compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 January 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures; and

(ii) The regulatory reserves in Cambodia is in line with the requirements of Prakas B7-017-344 and Circular B7-018- 001 issued by the National Bank of Cambodia.

(c) FVOCI reserves represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as FVOCI, net of cumulative gain/loss transferred to retained earnings upon disposal and investments in debt instruments classified as FVOCI, net of cumulative loss allowance recognised on these investments and cumulative gain/loss reclassified to income statements upon disposal or reclassification of these investments.

(d) Translation reserves comprise all foreign exchange differences from the translation of the financial statements of foreign operations, subsidiaries and joint ventures, and the effect of the effective portion of net investment hedges.

35 NON-CONTROLLING INTERESTS ('NCI')

	Group	
	2020 RM'000	**2019 RM'000**
Balance as at the beginning of the financial year	**35,415**	37,954
Share of profit during the financial year	**6,622**	5,377
Actuarial (loss)/gain on defined benefit plan of subsidiaries, net of tax	**29**	(29)
Dividends paid	**(9,275)**	(7,950)
Exchange differences	**(62)**	63
Balance as at the end of the financial year	**32,729**	35,415

36 INTEREST INCOME

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans and advances	**5,192,892**	6,189,748	**4,848,253**	5,845,375
Money at call and deposits and placements with banks and other financial institutions	**84,895**	170,980	**173,792**	218,355
Investment account due from designated financial institutions	**-**	-	**288,753**	339,436
Securities purchased under resale agreements	**-**	-	**70**	-
Financial assets at FVTPL	**63,731**	81,517	**63,431**	80,721
Financial assets at FVOCI - debt instruments	**1,199,568**	1,149,047	**1,175,362**	1,121,941
Financial investments at amortised cost	**426,602**	480,822	**376,381**	429,538
Others	**19,693**	16,708	**4,472**	7,099
	6,987,381	8,088,822	**6,930,514**	8,042,465
Of which:				
Interest income accrued on impaired financial assets	**80,973**	106,546	**70,795**	94,145

37 INTEREST EXPENSE

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits and placements of banks and other financial institutions	**314,995**	511,439	**350,945**	524,908
Deposits from customers	**2,657,885**	3,486,141	**2,527,099**	3,351,339
Obligations on securities sold under repurchase agreements	**18,619**	29,982	**60,309**	80,873
Recourse obligation on loans sold to Cagamas	**11,045**	128,982	**11,045**	128,982
Subordinated obligations	**74,735**	122,494	**62,033**	102,794
Senior debt securities	**103,853**	123,641	**103,853**	123,641
Hybrid Tier-1 Capital Securities	**-**	21,741	**-**	22,050
Borrowings	**23,801**	36,987	**13,087**	28,720
Others	**21,040**	24,889	**15,452**	20,850
	3,225,973	4,486,296	**3,143,823**	4,384,157

38 OTHER OPERATING INCOME

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fee income				
Service charges and fees	**137,941**	168,908	**122,542**	152,272
Commission	**156,698**	151,404	**183,123**	176,384
Guarantee fees	**30,374**	33,439	**29,615**	32,386
Commitment fees	**42,495**	42,000	**41,126**	39,472
Brokerage income	**450,885**	214,333	**-**	-
Fund management fees	**256,118**	234,438	**-**	-
Unit trust fee income	**127,694**	110,128	**-**	-
Corporate advisory fees	**19,926**	42,778	**243**	-
Underwriting and arrangement fees	**16,086**	31,959	**-**	-
Other fee income	**68,258**	79,495	**22,486**	23,902
	1,306,475	1,108,882	**399,135**	424,416
Fee and commission expenses	**(278,737)**	(212,065)	**-**	-
	1,027,738	896,817	**399,135**	424,416
Net gain arising from financial assets at FVTPL				
- Net gain on disposal	**260,573**	105,867	**129,365**	89,327
- Unrealised net gain/(loss) on revaluation	**62,743**	52,738	**(4,455)**	1,840
- Dividend income	**54,640**	76,500	**-**	-
	377,956	235,105	**124,910**	91,167
Net loss on revaluation of derivatives	**(162,985)**	(57,411)	**(28,131)**	(16,649)
Net gain/(loss) on fair value hedges	**4,256**	(528)	**4,256**	(528)
Net loss arising from derecognition of financial investments at amortised cost	**(9)**	-	**(9)**	-
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	**362,166**	205,576	**361,725**	205,237
- Dividend on equity instruments still held as at year end	**5,237**	10,523	**4,404**	9,566
	367,403	216,099	**366,129**	214,803
Dividend income from subsidiaries	**-**	-	**580,585**	63,544

38 OTHER OPERATING INCOME (CONTINUED)

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other income					
Net foreign exchange gain		**269,003**	283,515	**219,752**	312,124
Insurance underwriting surplus before management expenses		**216,464**	192,980	**-**	-
Gain on disposal of property, plant and equipment		**2,319**	2,856	**2,209**	2,489
Gain on remeasurement of previously held equity interest in a joint venture		**-**	258	**-**	-
Loss on disposal of a subsidiary		**-**	(51)	**-**	-
Gain on modification of right of use assets		**17**	9	**4**	-
Rental income		**1,440**	1,368	**11,324**	11,811
Other operating income		**23,840**	34,800	**20,729**	32,364
Other non-operating income	(a)	**49,214**	34,720	**49,197**	14,831
		562,297	550,455	**303,215**	373,619
		2,176,656	1,840,537	**1,750,090**	1,150,372

(a) Included in current year other non-operating income of the Group and the Bank is wage support provided by the Singapore Government to employers amounting to RM27.3 million and RM26.2 million respectively, in helping them to retain and protect the local employees during the period of economic uncertainty.

39 INCOME FROM ISLAMIC BANKING BUSINESS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income derived from investment of depositors' fund	**2,789,835**	2,803,295	**12,981**	12,101
Income derived from investment account funds	**364,011**	439,805	**-**	-
Income derived from investment of shareholders' fund	**179,567**	310,323	**479**	977
	3,333,413	3,553,423	**13,460**	13,078
Income attributable to depositors	**(1,667,761)**	(1,938,959)	**(9,188)**	(9,540)
	1,665,652	1,614,464	**4,272**	3,538
Of which:				
Financing income earned on impaired financing and advances	**9,469**	11,753	**-**	-

40 NET MODIFICATION LOSS

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Modification loss arising from payment moratorium	(a)	**631,794**	-	**301,811**	-
Benefits recognised under various government schemes	(b)	**(213,790)**	-	**(143,040)**	-
		418,004	-	**158,771**	-

(a) During the current financial year, the Group and the Bank have granted an automatic payment moratorium on certain loan/financing to individuals and SMEs for a period of six months from 1 April 2020 and targeted moratorium to the other borrowers from 1 October 2020. As a result of the payment moratorium, the Group and the Bank have recognised a loss arising from the modification of cash flows of the loan/financing.

(b) The Group and the Bank have received funding from the Government for the purpose of lending/financing to SMEs at a concessionary rate to support them in sustaining business operations and safeguarding jobs during the COVID-19 pandemic. The fair value gain at inception of these various government schemes have been recognised in the income statements by the Group and the Bank respectively as part of the COVID-19 relief measures to address the financial and accounting impact incurred by the Group and the Bank.

The following table includes a summary information for financial assets with lifetime ECL whose cash flows were modified during the financial year and their respective effect on the Group and the Bank's financial performance:

	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Loans, advances and financing:				
Amortised cost before modification	**1,324,822**	-	**696,192**	-
Net modification loss	**65,525**	-	**44,644**	-

41 OTHER OPERATING EXPENSES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel costs				
Salaries, bonuses, wages and allowances	**1,654,640**	1,611,950	**1,082,925**	1,074,370
Defined contribution plan	**236,076**	221,271	**164,854**	153,816
Other staff related costs	**150,860**	179,843	**99,500**	114,607
	2,041,576	2,013,064	**1,347,279**	1,342,793
Establishment costs				
Property, plant and equipment:				
- Depreciation	**111,586**	126,188	**92,591**	99,854
- Written off	**25**	1,107	**1**	956
Intangible assets:				
- Amortisation	**115,397**	117,550	**100,434**	99,694
- Written off	**5**	252	**-**	5
Right of use assets:				
- Depreciation	**70,336**	70,125	**52,083**	47,952
Rental of premises	**26,188**	31,249	**13,260**	18,748
Rental of equipment	**10,163**	8,111	**10,093**	7,858
Insurance	**20,475**	33,698	**23,297**	33,927
Water and electricity	**27,228**	30,560	**16,527**	18,287
Repair and maintenance	**31,945**	36,552	**22,906**	24,338
Security and escorting expenses	**45,596**	45,229	**45,681**	45,571
Information technology expenses	**271,937**	250,056	**161,894**	151,176
Others	**16,578**	6,774	**-**	-
	747,459	757,451	**538,767**	548,366
Marketing expenses				
Sales commission	**106,396**	93,334	**78,835**	67,577
Advertisement and publicity	**55,760**	65,187	**41,565**	50,783
Others	**78,063**	92,076	**33,264**	42,004
	240,219	250,597	**153,664**	160,364
Administration and general expenses				
Communication expenses	**165,723**	149,401	**103,718**	98,435
Auditors' remuneration (Note (i))	**8,494**	8,541	**4,415**	4,840
Legal and professional fees	**38,487**	65,169	**72,119**	111,578
Others	**144,765**	143,113	**70,431**	91,274
	357,469	366,224	**250,683**	306,127
	3,386,723	3,387,336	**2,290,393**	2,357,650

41 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(i) Auditors' remuneration				
(a) Audit:				
Statutory audit:				
- Malaysia	**3,034**	2,784	**1,794**	1,646
- Overseas	**2,919**	3,829	**1,540**	1,474
Limited review	**630**	490	**496**	433
Other audit related	**300**	300	**200**	200
	6,883	7,403	**4,030**	3,753
(b) Non-audit:				
- Malaysia	**1,611**	638	**385**	587
- Overseas	**-**	500	**-**	500
	1,611	1,138	**385**	1,087
	8,494	8,541	**4,415**	4,840

Included in the personnel costs is the Group Managing Director's remuneration for the Group and the Bank, as disclosed in Note 42.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration as disclosed in Note 42.

42 DIRECTORS' REMUNERATION

Group and Bank	Salary and other remuneration RM'000	Benefits-in- kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
2020				
Group Managing Director				
Dato' Khairussaleh Ramli	**2,637**	**23**	**1,487**	**4,147**
2019				
Group Managing Director				
Dato' Khairussaleh Ramli	2,759	35	2,100	4,894

In addition to the above, during the financial year ended 31 December 2020, the Group Managing Director who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM1,747,000 (inclusive of the employer's EPF contribution) (2019: RM2,240,000) as the Special Recognition Award and Cash Deferred Scheme.

42 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2020								
Non-executive Directors								
Tan Sri Azlan Zainol	**395**	**24**	**349**	**768**	**200**	**24**	**327**	**551**
Tan Sri Ahmad Badri Mohd Zahir	**22**	**-**	**3**	**25**	**22**	**-**	**3**	**25**
Tan Sri Ong Leong Huat @ Wong Joo Hwa	**310**	**-**	**130**	**440**	**175**	**-**	**68**	**243**
Tan Sri Dr Rebecca Fatima Sta Maria	**175**	**-**	**72**	**247**	**175**	**-**	**72**	**247**
Ong Ai Lin	**310**	**-**	**208**	**518**	**175**	**-**	**93**	**268**
Lim Cheng Teck	**175**	**-**	**147**	**322**	**175**	**-**	**147**	**322**
Sharifatu Laila Syed Ali	**367**	**-**	**181**	**548**	**175**	**-**	**66**	**241**
Dato' Mohamad Nasir Ab Latif	**250**	**15**	**53**	**318**	**139**	**-**	**28**	**167**
Donald Joshua Jaganathan	**99**	**-**	**61**	**160**	**65**	**-**	**45**	**110**
Datuk Iain John Lo	**52**	**-**	**6**	**58**	**52**	**-**	**6**	**58**
Tan Sri Saw Choo Boon	**166**	**13**	**75**	**254**	**72**	**-**	**46**	**118**
Abdul Aziz Peru Mohamed	**204**	**7**	**59**	**270**	**72**	**-**	**7**	**79**
Datuk Seri Dr Govindan a/l Kunchamboo	**249**	**-**	**88**	**337**	**140**	**-**	**48**	**188**
	2,774	**59**	**1,432**	**4,265**	**1,637**	**24**	**956**	**2,617**
2019								
Non-executive Directors								
Tan Sri Azlan Zainol	415	24	362	801	200	24	335	559
Tan Sri Saw Choo Boon	370	32	184	586	175	-	117	292
Abdul Aziz Peru Mohamed	425	17	97	539	175	-	24	199
Tan Sri Ong Leong Huat @ Wong Joo Hwa	335	-	151	486	175	-	83	258
Tan Sri Dr Rebecca Fatima Sta Maria	213	-	95	308	175	-	76	251
Ong Ai Lin	310	-	214	524	175	-	97	272
Lim Cheng Teck	175	-	107	282	175	-	107	282
Sharifatu Laila Syed Ali	388	-	138	526	140	-	52	192
Mohamed Ali Ismaeil Ali Alfahim	61	-	8	69	61	-	8	69
	2,692	73	1,356	4,121	1,451	24	899	2,374

Note:
During the financial year, Directors of the Group and the Bank are covered under the Directors' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors of the Group and the Bank subject to the term of the policy. The total amount of Directors' Liability Insurance effected for the Directors of the Group and the Bank was RM200 million (2019: RM200 million). The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM843,000 and RM714,000 (2019: RM828,000 and RM700,000) respectively.

43 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Charge/(Writeback)				
Loans, advances and financing:				
- Net charge	**1,207,891**	400,580	**884,209**	390,905
- Bad debts recovered	**(297,242)**	(264,903)	**(271,566)**	(246,737)
- Bad debts written off	**164,730**	183,151	**134,994**	155,887
	1,075,379	318,828	**747,637**	300,055
Financial assets at FVOCI	**(6,364)**	(12,347)	**(5,971)**	(8,741)
Financial investments at amortised cost	**59,624**	(29,031)	**60,583**	(27,661)
Other financial assets	**16,447**	(1,631)	**4,042**	(319)
	1,145,086	275,819	**806,291**	263,334

44 IMPAIRMENT LOSSES MADE ON OTHER NON-FINANCIAL ASSETS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investment in a subsidiary	**-**	-	**52,500**	-
Investment in an associate	**9,500**	-	**-**	-
	9,500	-	**52,500**	-

45 TAXATION AND ZAKAT

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax based on profit for the financial year:				
- Malaysian income tax	**808,475**	786,342	**538,900**	538,744
- Overseas tax	**4,949**	23,681	**3,057**	2,709
Deferred tax	**(175,190)**	17,518	**(110,048)**	4,826
	638,234	827,541	**431,909**	546,279
Under/(Over) provision in respect of prior financial years				
- Income tax	**(12,481)**	(26,597)	**(9,753)**	(54,742)
- Deferred tax	**10,068**	56,363	**11,337**	50,703
	(2,413)	29,766	**1,584**	(4,039)
Tax expense	**635,821**	857,307	**433,493**	542,240
Zakat	**4,091**	5,000	**-**	-
	639,912	862,307	**433,493**	542,240

45 TAXATION AND ZAKAT (CONTINUED)

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Group and the Bank are as below:

	Group		Bank	
	2020 %	2019 %	2020 %	2019 %
Tax at Malaysian statutory tax rate	**24.0**	24.0	**24.0**	24.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**(0.2)**	(0.8)	**-**	-
Non-taxable income	**(1.1)**	(1.0)	**(6.3)**	(0.8)
Non-allowable expenses	**1.4**	1.9	**1.6**	1.7
Current year loss not recognised as deferred tax assets during the financial year	**0.2**	0.4	**-**	-
Under/(Over) provision in respect of prior financial years	**(0.1)**	0.9	**0.1**	(0.2)
	24.2	25.4	**19.4**	24.7

46 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

Basic EPS is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2020	2019
Profit/(Loss) attributable to equity holders of the Bank (RM'000)		
- Continuing operations	**1,997,869**	2,526,658
- Discontinued operation	**34,661**	(44,226)
	2,032,530	2,482,432
Weighted average number of ordinary shares in issue ('000)	**4,010,045**	4,010,045
Earnings/(Loss) per share (sen)		
- Continuing operations	**49.8**	63.0
- Discontinued operation	**0.9**	(1.1)
	50.7	61.9

(b) Diluted earnings per share

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

47 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

Attributable to equity holders of the Group:

	Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2020			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	**677,108**	**(149,637)**	**527,471**
Actuarial gain on defined benefit plan of subsidiaries and net gain on equity instruments	**2,181**	**(388)**	**1,793**
	679,289	**(150,025)**	**529,264**
2019			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	1,099,861	(147,909)	951,952
Actuarial loss on defined benefit plan of subsidiaries and net gain on equity instruments	5,255	(1,203)	4,052
	1,105,116	(149,112)	956,004

Attributable to equity holders of the Bank:

	Bank		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2020			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	**526,345**	**(113,805)**	**412,540**
2019			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	929,985	(113,827)	816,158

48 DIVIDENDS

Dividends declared or proposed are as follows:

	Group and Bank			
	2020		2019	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares:				
Interim dividend	**10.00**	**401,005**	12.50	501,256
Final dividend	**7.65**	**306,768**	18.50	741,858
	17.65	**707,773**	31.00	1,243,114

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 7.65 sen per share amounting to RM306,768,000 will be proposed for shareholders' approval. The single-tier final dividend was approved by the Board of Directors on 27 January 2021. Subject to the relevant regulatory approvals being obtained and shareholders' approval on the Proposed Dividend Reinvestment Plan ('DRP') as disclosed in Note 57(4) at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders' of the Bank be given an option to elect to reinvest the entire proposed single-tier final dividend into new ordinary shares in the Bank in accordance with the Proposed DRP scheme of the Bank.

The financial statements for the current financial year do not reflect this single-tier final dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2021.

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

	Group and Bank			
	2020		2019	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares				
Interim dividend - 2020	**10.00**	**401,005**	-	-
Final dividend - 2019	**18.50**	**741,858**	-	-
Interim dividend - 2019	**-**	**-**	12.50	501,256
Final dividend - 2018	**-**	**-**	13.00	521,306
	28.50	**1,142,863**	25.50	1,022,562

49 COMMITMENTS AND CONTINGENCIES

(a) Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Direct credit substitutes	**1,219,814**	1,386,004	**1,219,050**	1,381,759
Transaction-related contingent items	**3,202,339**	4,258,393	**2,865,660**	3,984,356
Short term self-liquidating trade-related contingencies	**903,594**	1,311,586	**895,540**	1,240,297
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	**4,915,427**	4,119,202	**5,223,433**	4,119,202
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	**5,843**	-	**-**	-
Irrevocable commitments to extend credit:				
- Maturity less than one year	**1,727,065**	1,861,774	**594,618**	670,237
- Maturity more than one year	**29,238,089**	27,701,607	**19,585,676**	19,424,618
Foreign exchange related contracts^:				
- Less than one year	**55,476,927**	54,600,403	**58,071,384**	56,549,934
- One year to less than five years	**3,397,368**	2,719,057	**3,497,906**	2,821,309
- More than five years	**1,141,832**	1,112,190	**1,141,832**	1,112,190
Commodity related contracts^:				
- Less than one year	**374,040**	266,117	**374,040**	266,117
- One year to less than five years	**181,225**	24,192	**181,225**	24,192
Equity related contracts^:				
- Less than one year	**451,701**	-	**458,784**	-
Interest rate related contracts^:				
- Less than one year	**8,933,780**	6,407,422	**12,453,887**	8,267,422
- One year to less than five years	**20,627,991**	19,713,844	**22,292,883**	20,713,844
- More than five years	**9,470,841**	8,642,163	**11,585,841**	9,142,163
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**16,212,542**	16,303,840	**13,805,758**	13,728,325
	157,480,418	150,427,794	**154,247,517**	143,445,965

^ These derivatives are revalued on gross position basis and the unrealised gains or losses has been reflected in the income statements and statements of financial position as derivative assets or derivative liabilities.

49 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Guarantees Issued by the Group and the Bank

	Group	
	2020 RM'000	2019 RM'000
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	**-**	152,009
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	**16**	458
	16	152,467

The Group and the Bank has given a continuing guarantee to LFSA to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from its offshore banking business in the Federal Territory of Labuan.

The Group and the Bank has also given a guarantee to the Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its operations in Thailand.

(c) Contingent Liabilities

As at 31 December 2020, the Group has contingent liabilities amounting to approximately RM77 million in respect of litigation. As the cases are still preliminary and the reliable exposure cannot be estimated, no provision is recognised in the financial statements.

50 NON-CANCELLABLE LEASE COMMITMENTS

A summary of the lease commitments, net of sub-leases, which are scope-out of MFRS 16 is as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Rental of premises:				
- Within one year	**18,730**	16,046	**11,808**	10,720
- Between one to five years	**14,115**	10,790	**5,941**	6,490
- More than five years	**194**	-	**-**	-
	33,039	26,836	**17,749**	17,210

51 CAPITAL COMMITMENTS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Authorised and contracted for:				
- Property, plant and equipment	**206,086**	209,078	**182,260**	185,483
- Investment securities	**13,266**	5,796	**-**	-
	219,352	214,874	**182,260**	185,483

52 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties of, and their relationship with the Bank, are as follows:

Related parties	Relationship
Employees Provident Fund ('EPF')	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 15	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: - All Directors of the Bank and its key subsidiaries; and - Members of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 11 and 26, set out below are other significant related party transactions and balances.

Other related parties of the Bank comprise of transactions or balances with the Bank's subsidiaries.

All related party transactions are entered into in the normal course of business at agreed terms between the related parties.

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions (continued)

Group	2020 Key management personnel RM'000	2020 EPF and EPF Group of companies RM'000	2019 Key management personnel RM'000	2019 EPF and EPF Group of companies RM'000
Income				
Interest on loans, advances and financing	**374**	**15,528**	519	3,838
Interest on financial assets at FVTPL	**-**	**1,498**	-	79
Interest on financial assets at FVOCI	**-**	**27,535**	-	23,372
Interest on financial investments at amortised cost	**-**	**21,569**	-	25,480
Fee income	**691**	**12,152**	458	14,166
Insurance premium	**138**	**21,739**	203	23,753
Brokerage income	**430**	**7,028**	133	12,595
Net gain on revaluation of derivatives	**152**	**-**	153	-
Other income	**39**	**99**	74	73
	1,824	**107,148**	1,540	103,356
Expenses				
Interest on deposits from customers	**343**	**3,402**	292	7,572
Other expenses	**14**	**1,206**	120	1,909
	357	**4,608**	412	9,481
Amounts due from				
Loans, advances and financing	**10,417**	**319,203**	12,047	315,684
Clients' and brokers' balances	**96**	**-**	2,296	16,465
Financial assets at FVTPL	**-**	**17,326**	-	50,229
Financial assets at FVOCI	**-**	**629,428**	-	629,010
Financial investments at amortised cost	**-**	**496,028**	-	551,966
Other assets	**164**	**4,554**	9	5,597
Derivative assets	**-**	**-**	2	-
	10,677	**1,466,539**	14,354	1,568,951
Amounts due to				
Deposits from customers	**82,223**	**978,062**	49,074	650,999
Clients' and brokers' balances	**390**	**20,161**	568	16,528
Other liabilities	**95**	**34,049**	40	53,233
	82,708	**1,032,272**	49,682	720,760

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions (continued)

	2020			2019		
Bank	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Subsidiaries RM'000**	**Key management personnel RM'000**	**EPF and EPF Group of companies RM'000**	**Subsidiaries RM'000**
Income						
Interest on deposits and placements with other financial institutions	**-**	**-**	**140,959**	-	-	112,592
Interest on investment account due from designated financial institutions	**-**	**-**	**288,753**	-	-	339,436
Interest on loans, advances and financing	**309**	**-**	**1,458**	406	-	2,361
Interest on financial assets at FVTPL	**-**	**1,498**	**-**	-	79	-
Interest on financial assets at FVOCI	**-**	**23,956**	**-**	-	19,606	-
Interest on financial investments at amortised cost	**-**	**21,115**	**-**	-	24,821	-
Fee income	**26**	**-**	**-**	21	-	-
Other income	**-**	**-**	**130,254**	-	-	136,625
	335	**46,569**	**561,424**	427	44,506	591,014
Expenses						
Interest on deposits and placements of banks and other financial institutions	**-**	**-**	**54,231**	-	-	45,726
Interest on deposits from customers	**119**	**7**	**6,819**	102	15	8,049
Interest on obligation on securities sold under repurchase agreements	**-**	**-**	**41,691**	-	-	50,891
Interest on Hybrid Tier-1 Capital Securities	**-**	**-**	**-**	-	-	309
Rental of premises	**-**	**-**	**9,406**	-	-	8,094
Management fee	**-**	**-**	**8,312**	-	-	8,788
Reimbursement of operating expenses from a subsidiary	**-**	**-**	**(330,333)**	-	-	(315,575)
Other expenses	**-**	**-**	**88,666**	-	-	103,049
	119	**7**	**(121,208)**	102	15	(90,669)

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions (continued)

Bank	2020 Key management personnel RM'000	2020 EPF and EPF Group of companies RM'000	2020 Subsidiaries RM'000	2019 Key management personnel RM'000	2019 EPF and EPF Group of companies RM'000	2019 Subsidiaries RM'000
Amounts due from						
Money at call and deposit placements	**-**	**-**	**3,198,423**	-	-	860,175
Deposits and placements with banks and other financial institutions	**-**	**-**	**6,468,782**	-	-	5,029,634
Investment account due from designated financial institutions	**-**	**-**	**8,840,858**	-	-	8,229,334
Derivative assets	**-**	**-**	**144,572**	-	-	60,086
Loans, advances and financing	**9,177**	**-**	**168,224**	9,662	-	209,141
Financial assets at FVTPL	**-**	**17,326**	**-**	-	50,229	-
Financial assets at FVOCI	**-**	**545,440**	**-**	-	545,022	-
Financial investments at amortised cost	**-**	**485,916**	**-**	-	536,489	-
Other assets	**-**	**-**	**317,805**	-	-	467,698
	9,177	**1,048,682**	**19,138,664**	9,662	1,131,740	14,856,068
Amounts due to						
Deposits and placements with banks and other financial institutions	**-**	**-**	**5,963,544**	-	-	709,563
Deposits from customers	**56,554**	**755,112**	**513,645**	27,871	251,776	480,308
Derivative liabilities	**-**	**-**	**209,452**	-	-	122,037
Other liabilities	**-**	**-**	**13,151**	-	-	88,589
Obligations on securities sold under repurchase agreements	**-**	**-**	**3,767,531**	-	-	1,724,107
	56,554	**755,112**	**10,467,323**	27,871	251,776	3,124,604

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

The remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Short term employee benefits:				
- Fees	**2,774**	2,692	**1,637**	1,451
- Salary and other remuneration (Note (i))	**40,055**	40,478	**28,063**	29,500
- Contribution to EPF (Note (i))	**4,441**	4,370	**3,749**	3,851
- Benefits-in-kind	**145**	154	**99**	79
	47,415	47,694	**33,548**	34,881

(i) Inclusive of Special Recognition Award and Cash Retention/Deferred Scheme and the related employer's EPF contribution totalling RM7,184,000 and RM4,655,000 (2019: RM7,590,000 and RM7,143,000) for the Group and the Bank respectively. The payout under this Special Recognition Award and Cash Retention/Deferred Scheme was based on the achievement of the Group's short and long term business objectives.

The above includes Directors' remuneration as disclosed in Note 42.

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Approved limit on loans, advances and financing for key management personnel	**26,470**	28,477	**20,139**	18,915

(d) Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group		Bank	
	2020	**2019**	**2020**	**2019**
Outstanding credit exposures with connected parties (RM'000)	**15,707,526**	14,117,329	**11,155,639**	10,712,232
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	**6.89**	6.44	**7.78**	7.45
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	**0.09**	0.09	**0.02**	0.0002

The credit exposures above are derived based on BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 2 February 2018 are as follows:

Bank	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on deposits from customers RM'000	Interest on obligations on securities sold under repurchase agreements RM'000	Interest on Hybrid Tier-1 Capital Securities RM'000	Rental of premises RM'000	Management fee RM'000	Reimbursement of operating expenses from a subsidiary RM'000	Other expenses RM'000
2020								
Malaysia	**54,231**	**6,705**	**41,691**	**-**	**1,542**	**8,312**	**(330,333)**	**88,504**
Singapore	**-**	**103**	**-**	**-**	**7,864**	**-**	**-**	**-**
Thailand	**-**	**11**	**-**	**-**	**-**	**-**	**-**	**162**
	54,231	**6,819**	**41,691**	**-**	**9,406**	**8,312**	**(330,333)**	**88,666**
2019								
Malaysia	45,726	7,875	50,891	309	1,901	8,788	(315,575)	102,871
Singapore	-	110	-	-	6,193	-	-	-
Thailand	-	64	-	-	-	-	-	178
	45,726	8,049	50,891	309	8,094	8,788	(315,575)	103,049

53 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 assesses the performance of the operating segments of an entity. The Group has determined its Management Committee as its chief operating decision-maker.

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Group Retail Banking

Group Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products, and bancassurance/bancatakaful products.

This segment also covers the asset management business that focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

(b) Group Business Banking

Group Business Banking caters for funding needs as well as deposit collection from small and medium sized enterprises and wholesale clients.

53 SEGMENT REPORTING (CONTINUED)

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure: (continued)

(c) Group Wholesale Banking

(i) Group Corporate Banking and Group Investment Banking

Group Corporate Banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned enterprises. Included under Group Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowings and lending facilities are offered in major currencies mainly to corporate customers.

Group Investment Banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting and structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment also covers facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services and custodian and nominee services.

As disclosed in Note 57(2), the Group has during the current financial year:

- Ceased its stockbroking business in Singapore pursuant to the disposal of RHB Securities Singapore; and
- The capital market business in Singapore has been transferred to the Bank (Singapore Branch) and is now grouped under 'Group International Business'.

This segment also offers stockbroking and investment banking products and services to the Group's regional customers in Hong Kong, Indonesia, Thailand and Vietnam.

(ii) Group Treasury and Global Markets

Group Treasury and Global Markets operations are involved in proprietary and non-proprietary trading in fixed income securities and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investments in ringgit and foreign currencies for the Group, as well as funding center.

(d) Group International Business

Group International Business primarily focuses on providing commercial banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Laos.

(e) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (general insurance business, nominee services, property investment and rental of premises and other related financial services). The results of these other businesses are not material to the Group and therefore do not render a separate disclosure and are reported in aggregate in the financial statements.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis

2020	Continuing Operations: Group Retail Banking RM'000	Continuing Operations (GWB): Group Business Banking RM'000	Continuing Operations (GWB): Group CBIB RM'000	Continuing Operations (GWB): Group Treasury and Global Markets RM'000	Continuing Operations: Group International Business RM'000	Continuing Operations: Support Center and Others RM'000	Continuing Operations: Inter-Segment Elimination RM'000	Continuing Operations: Total RM'000	Discontinued Operation RM'000	Total RM'000
External revenue	2,723,157	1,136,491	1,466,857	1,404,682	609,182	(154,657)	-	7,185,712	95,207	7,280,919
Inter-segment revenue	(2,761)	-	19,451	22,032	906	12,450	(52,078)	-	-	-
Segment revenue	2,720,396	1,136,491	1,486,308	1,426,714	610,088	(142,207)	(52,078)	7,185,712	95,207	7,280,919
Other operating expenses	(1,392,202)	(636,392)	(636,731)	(160,215)	(432,435)	(180,826)	52,078	(3,386,723)	(61,140)	(3,447,863)
Including:										
Depreciation of property, plant and equipment	(57,251)	(18,681)	(15,682)	(3,431)	(14,159)	(2,382)	-	(111,586)	(978)	(112,564)
Depreciation of right of use assets	(19,986)	(14,825)	(15,836)	(641)	(16,985)	(2,063)	-	(70,336)	(3,801)	(74,137)
Amortisation of intangible assets	(49,601)	(31,354)	(15,317)	(4,452)	(11,467)	(3,206)	-	(115,397)	(2,249)	(117,646)
Allowance for credit losses on financial assets	(477,621)	(269,322)	(234,027)	(209)	(167,809)	3,902	-	(1,145,086)	(937)	(1,146,023)
Impairment losses made on other non-financial assets	-	-	(9,500)	-	-	-	-	(9,500)	-	(9,500)
Segment profit/(loss)	850,573	230,777	606,050	1,266,290	9,844	(319,131)	-	2,644,403	33,130	2,677,533
Share of results of joint venture								-	-	-
Profit before taxation and zakat								2,644,403	33,130	2,677,533
Taxation and zakat								(639,912)	1,531	(638,381)
Net profit for the financial year								2,004,491	34,661	2,039,152

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

2020	Group Retail Banking RM'000	Group Business Banking RM'000	← GWB Group CBIB RM'000	GWB Group Treasury and Global Markets RM'000 →	Group International Business RM'000	Support Center and Others RM'000	Total RM'000
Segment assets	**95,125,141**	**28,507,682**	**48,586,445**	**62,251,352**	**32,182,559**	**3,287,128**	**269,940,307**
Investments in associates and joint venture							**12**
Tax recoverable							**289,969**
Deferred tax assets							**35,338**
Unallocated assets							**884,332**
Total assets							**271,149,958**
Segment liabilities	**67,170,342**	**34,410,579**	**60,144,341**	**44,867,638**	**29,139,723**	**1,222,021**	**236,954,644**
Provision for taxation and zakat							**69,623**
Deferred tax liabilities							**165,938**
Borrowings							**634,630**
Senior debt securities							**3,545,150**
Subordinated obligations							**2,718,729**
Unallocated liabilities							**4,680**
Total liabilities							**244,093,394**
Other segment items:							
Capital expenditure	**146,678**	**88,733**	**61,269**	**14,104**	**69,312**	**4,923**	**385,019**

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

2019	Group Retail Banking RM'000	Group Business Banking RM'000	Group CBIB RM'000	Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000	Discontinued Operation RM'000	Total RM'000
	Continuing Operations									
			GWB							
External revenue	2,699,239	1,126,376	1,322,676	1,382,215	579,953	(52,932)	-	7,057,527	43,243	7,100,770
Inter-segment revenue	1,837	-	15,743	18,294	6,113	17,344	(59,331)	-	-	-
Segment revenue	2,701,076	1,126,376	1,338,419	1,400,509	586,066	(35,588)	(59,331)	7,057,527	43,243	7,100,770
Other operating expenses	(1,376,480)	(645,067)	(661,333)	(162,726)	(449,584)	(151,477)	59,331	(3,387,336)	(84,423)	(3,471,759)
Including:										
Depreciation of property, plant and equipment	(59,937)	(20,064)	(20,920)	(3,216)	(19,180)	(2,871)	-	(126,188)	(2,243)	(128,431)
Depreciation of right of use assets	(19,517)	(13,885)	(17,704)	(326)	(17,482)	(1,211)	-	(70,125)	(5,685)	(75,810)
Amortisation of intangible assets	(49,463)	(30,396)	(16,612)	(3,779)	(13,242)	(4,058)	-	(117,550)	(3,707)	(121,257)
Allowance for credit losses on financial assets	(267,973)	(3,577)	(58,310)	17,684	34,709	1,648	-	(275,819)	(2,718)	(278,537)
Segment profit/(loss)	1,056,623	477,732	618,776	1,255,467	171,191	(185,417)	-	3,394,372	(43,898)	3,350,474
Share of results of joint venture								(30)	-	(30)
Profit/(Loss) before taxation and zakat								3,394,342	(43,898)	3,350,444
Taxation and zakat								(862,307)	(328)	(862,635)
Net profit/(loss) for the financial year								2,532,035	(44,226)	2,487,809

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

	Continuing Operations								
			GWB						
2019	Group Retail Banking RM'000	Group Business Banking RM'000	Group CBIB RM'000	Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Total RM'000	Discontinued Operation RM'000	Total RM'000
Segment assets	91,471,562	25,929,113	50,453,592	56,697,032	28,517,801	2,581,607	255,650,707	391,796	256,042,503
Investments in associates and joint venture							9,512	-	9,512
Tax recoverable							467,103	-	467,103
Deferred tax assets							22,989	-	22,989
Unallocated assets							1,050,389	-	1,050,389
Total assets							257,200,700	391,796	257,592,496
Segment liabilities	58,428,690	28,550,756	54,914,220	57,408,420	22,115,796	2,612,349	224,030,231	91,907	224,122,138
Provision for taxation and zakat							60,158	14	60,172
Deferred tax liabilities							169,763	-	169,763
Borrowings							1,106,454	76,073	1,182,527
Senior debt securities							3,296,763	-	3,296,763
Subordinated obligations							2,724,224	-	2,724,224
Unallocated liabilities							226,100	-	226,100
Total liabilities							231,613,693	167,994	231,781,687
Other segment items:									
Capital expenditure	144,663	79,150	68,730	11,855	31,950	8,521	344,869	-	344,869

(b) Geographical segment analysis:

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2020			
Malaysia	**6,439,081**	**237,805,047**	**270,958**
Outside Malaysia	**841,838**	**33,344,911**	**114,061**
	7,280,919	**271,149,958**	**385,019**
2019			
Malaysia	6,302,565	227,257,020	271,172
Outside Malaysia	798,205	30,335,476	73,697
	7,100,770	257,592,496	344,869

54 CAPITAL ADEQUACY RATIO

BNM Guidelines on capital adequacy requires the Group, the Bank and the banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

RHB Bank Cambodia, a wholly owned subsidiary of the Bank is subject to National Bank of Cambodia's capital adequacy requirements.

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank@	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	**6,994,103**	6,994,103	**6,994,103**	6,994,103
Retained profits	**17,339,102**	15,614,585	**13,660,680**	12,606,320
Other reserves	**556,644**	727,132	**444,776**	490,905
FVOCI reserves	**1,817,650**	1,283,816	**1,541,980**	1,123,748
	26,707,499	24,619,636	**22,641,539**	21,215,076
Less:				
Goodwill	**(2,638,198)**	(2,638,198)	**(1,714,913)**	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	**(533,609)**	(535,880)	**(487,937)**	(478,305)
Deferred tax assets	**(352,107)**	(175,214)	**(247,523)**	(141,690)
55% of cumulative gains arising from change in value of FVOCI instruments	**(999,707)**	(706,099)	**(848,089)**	(618,061)
Investments in subsidiaries	**(102,425)**	(102,425)	**(4,701,080)**	(4,713,568)
Investments in associates and joint venture	**(12)**	(9,512)	**-**	-
Other deductions#	**(19,504)**	(16,144)	**(21,261)**	(14,189)
Total CET I Capital	**22,061,937**	20,436,164	**14,620,736**	13,597,721
Qualifying non-controlling interests recognised as Tier I Capital	**210**	220	**-**	-
Total Tier I Capital	**22,062,147**	20,436,384	**14,620,736**	13,597,721
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment*	**-**	300,000	**-**	300,000
Subordinated obligations meeting all relevant criteria	**1,749,531**	1,249,527	**1,749,531**	1,249,527
Qualifying capital instruments of a subsidiary issued to third parties+	**465,001**	490,764	**-**	-
Surplus eligible provisions over expected losses	**538,079**	478,626	**401,269**	363,909
General provisions^	**179,727**	293,276	**85,599**	183,354
Investment in capital instrument of financial and insurance/takaful entities	**-**	-	**-**	(134,187)
Total Tier II Capital	**2,932,338**	2,812,193	**2,236,399**	1,962,603
Total Capital	**24,994,485**	23,248,577	**16,857,135**	15,560,324

54 CAPITAL ADEQUACY RATIO (CONTINUED)

(a) The capital adequacy ratios of the Group and the Bank are as follows (continued):

	Group		Bank@	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**16.416%**	16.883%	**14.945%**	15.145%
Tier I Capital Ratio	**16.416%**	16.884%	**14.945%**	15.145%
Total Capital Ratio	**18.598%**	19.207%	**17.231%**	17.331%
After proposed dividendsˇ:				
CET I Capital Ratio	**16.188%**	16.271%	**14.632%**	14.319%
Tier I Capital Ratio	**16.188%**	16.271%	**14.632%**	14.319%
Total Capital Ratio	**18.370%**	18.594%	**16.918%**	16.505%

@ The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

* Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

+ Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 17.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

^ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments' and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserves of the Group and the Bank of RM12,200,000 (2019: RM202,449,000) and RMNil (2019: RM101,096,000) respectively.

ˇ With the implementation of the Proposed DRP (as disclosed in Note 57(4)), the amount of dividend to be deducted from the Group and the Bank's CET I Capital may be reduced by the portion of dividend reinvested by the shareholders. This will correspondingly increase the Group and the Bank capital ratios.

54 CAPITAL ADEQUACY RATIO (CONTINUED)

(b) The capital adequacy ratios of RHB Islamic Bank and RHB Investment Bank are as follows:

	RHB Islamic Bank		RHB Investment Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
CET I/Tier I Capital				
Share capital	**1,673,424**	1,673,424	**1,487,773**	1,487,773
Retained profits	**2,896,031**	2,530,491	**331,261**	567,193
FVOCI reserves	**224,848**	117,635	**47,839**	39,360
	4,794,303	4,321,550	**1,866,873**	2,094,326
Less:				
Goodwill	**-**	-	**(372,395)**	(372,395)
Investments in subsidiaries, associates and joint venture	**-**	-	**(720,426)**	(1,098,725)
Intangible assets (include associated deferred tax liabilities)	**(2,767)**	(3,295)	**(24,296)**	(25,905)
Deferred tax assets	**(78,167)**	(12,068)	**(17,985)**	(10,106)
55% of cumulative gains arising from change in value of FVOCI instruments	**(123,666)**	(64,699)	**(26,311)**	(21,648)
Other deductions#	**(2,643)**	(1,955)	**-**	-
Total CET I Capital/Total Tier I Capital	**4,587,060**	4,239,533	**705,460**	565,547
Tier II Capital				
Subordinated sukuk	**750,000**	750,000	**-**	-
Subordinated obligations meeting all relevant criteria	**-**	-	**200,000**	400,000
Surplus eligible provisions over expected losses	**137,002**	114,957	**-**	-
General provisions^	**69,026**	53,940	**9,921**	9,932
	956,028	918,897	**209,921**	409,932
Total Capital	**5,543,088**	5,158,430	**915,381**	975,479
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**14.877%**	13.922%	**36.116%**	33.144%
Tier I Capital Ratio	**14.877%**	13.922%	**36.116%**	33.144%
Total Capital Ratio	**17.977%**	16.939%	**46.862%**	57.169%
After proposed dividends:				
CET I Capital Ratio	**14.714%**	13.627%	**36.116%**	24.764%
Tier I Capital Ratio	**14.714%**	13.627%	**36.116%**	24.764%
Total Capital Ratio	**17.815%**	16.644%	**46.862%**	48.788%

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

^ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments' and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserves for non-impaired loans of RHB Islamic Bank and RHB Investment Bank of RM54,526,000 (2019: RM44,447,000) and RM9,903,000 (2019: RM9,917,000) respectively.

54 CAPITAL ADEQUACY RATIO (CONTINUED)

(c) The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group RM'000	Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2020				
Credit risk	**117,398,841**	**85,311,553**	**28,355,786**	**793,669**
Market risk	**4,314,070**	**3,783,371**	**210,344**	**300,706**
Operational risk	**12,677,517**	**8,734,782**	**2,223,938**	**858,966**
Additional risk-weighted assets due to capital floor	**-**	**-**	**43,510**	**-**
Total risk-weighted assets	**134,390,428**	**97,829,706**	**30,833,578**	**1,953,341**
2019				
Credit risk	105,139,766	77,851,675	23,474,740	794,533
Market risk	3,844,722	3,394,037	293,518	127,778
Operational risk	12,058,426	8,535,951	1,937,774	784,006
Additional risk-weighted assets due to capital floor	-	-	4,746,219	-
Total risk-weighted assets	121,042,914	89,781,663	30,452,251	1,706,317

@ The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

The total risk-weighted assets of the Group and Bank are computed based on BNM's Guideline on Risk Weighted Capital Adequacy Framework: Internal Ratings Based Approach for Credit Risk and Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

The total risk-weighted assets of RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Internal Ratings Based Approach for Credit and Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

The total risk-weighted assets of RHB Investment Bank are computed based on BNM's Guideline on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

(d) The capital adequacy ratios of RHB Bank Cambodia are as follows:

	2020	2019
Before proposed dividends:		
Solvency ratio	**18.819%**	15.477%
After proposed dividends:		
Solvency ratio	**18.819%**	15.477%

The Solvency Ratio of RHB Bank Cambodia is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHB Bank Cambodia's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.

55 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

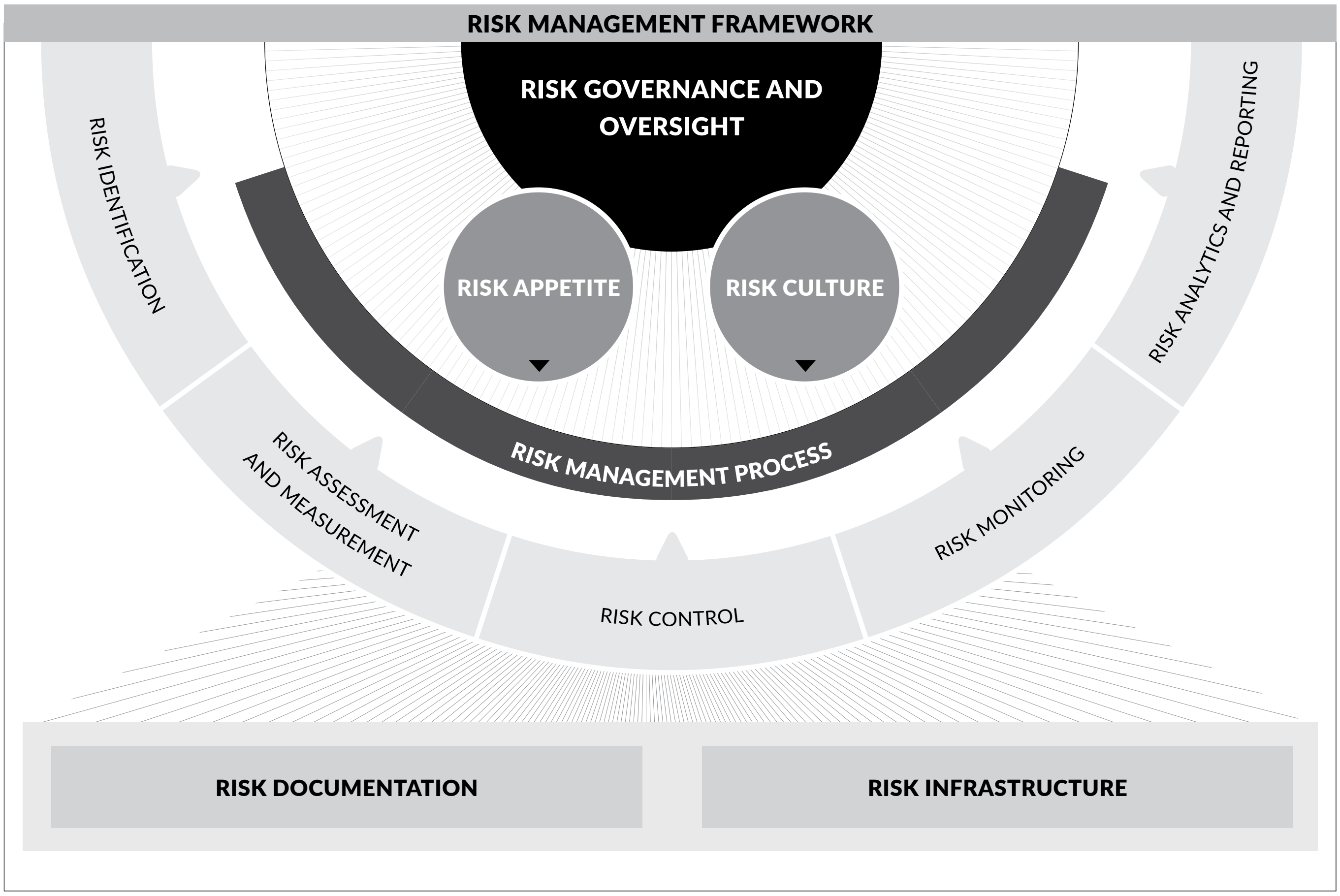
Effective risk management is fundamental to being able to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows:

1. It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.

2. It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk adjusted returns.

The Group Risk Management Framework is represented in the following diagram:



55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Key features of the framework are:

Risk Governance and Oversight

The Board of Directors sits at the apex of the risk governance structure and is ultimately responsible for the Group's/ respective entities' risk management strategy, appetite, framework and oversight of risk management activities.

In order to manage the businesses and risks across all subsidiaries in an integrated basis, Group level committees are established to ensure consistency in practices. However, the Group maintains entity-specific committees to allow for greater flexibility and agility in managing specific regulatory and business requirements. Each Board Risk Committee which reports directly to the respective Boards provides oversight and assists the respective Boards to review the Group's overall risk management philosophy, frameworks, policies and models, and risk issues relevant and unique to its business.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee ('GCRC') comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee ('GMC'). The Investment Bank Risk Management Committee ('IBRMC') is responsible for oversight of risk management matters relating to RHB Investment Bank Group's business whilst the Group Asset and Liability Committee ('Group ALCO') oversees market risk, liquidity risk and balance sheet management.

The Group Chief Risk Officer ('GCRO') who reports directly to the Group Managing Director, is responsible for the risk management function. The main roles and responsibilities of GCRO are:

1. Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;

2. Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;

3. Developing proactive, balanced and risk attuned culture within the Group; and

4. Advising senior management, management level committees, board level risk committees and Board of Directors of the Group's entities on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

GCRO is supported by the entities chief risk officers and various teams within risk management function:

1. The entities' chief risk officers main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview. They are supported by their respective risk management teams with support from the risk management function from the Group.

2. The risk management function are teams who specialise in the respective risks and responsible for the active oversight of Group-wide functional risk management and support the respective entities/chief risk officers. Group Risk and Credit Management consist of Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Group Risk Operations, Group Credit Management, Regional Risk & Investment Bank Risk Management and Insurance Risk Management.

Risk Appetite

The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

The alignment of the Group's business strategy with its risk strategy, and vice-versa is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Key features of the framework are (continued):

Risk Culture

The Group subscribes to the principle of ‘Risk and Compliance is Everyone’s Responsibility’ and risk management is managed via a ‘three lines of defence’ model. Business/functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

The approach is based on the ‘three lines of defence’ model as depicted below:

FIRST LINE **Business/Functional Level**	• Responsible for managing day-to-day risks and compliance issues • Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE **Group Risk and Credit Management and Group Compliance**	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE **Group Internal Audit**	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

Risk Management Process

The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and proactive and timely identification of risk within the Group’s business operations. This ensures that risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.

- Assessment and Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.

- Controlling: Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This is also to ensure risk exposures are managed within the Group’s or entity’s risk appetite.

- Monitoring: Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures.

- Analytics and Reporting: Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards of the Group’s entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Key features of the framework are (continued):

Risk Documentation

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are effected consistently across the Group.

Risk Infrastructure

The Group has organised its resources and talents into specific functions, and invested in the technology, including data management to support the Group's risk management activities.

Major Areas of Risk

As a banking institution with key activities covering retail, business banking, corporate banking and advisory services, treasury products and services, and securities and futures related business, the Group is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly classified as follows:

(i) Credit risk – the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's and the Bank's lending/financing, trade finance and its placement, underwritings, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not happen in isolation as certain risk event (e.g. fluctuation of interest rate and foreign exchange) may give rise to both market and credit risks.

(ii) Market risk – the risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

(iii) Liquidity risk – the risk of the Group and the Bank being unable to maintain sufficient liquidity to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

(iv) Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk.

(v) Technology and Cyber risk – Technology risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise while Cyber risk refers to threats or vulnerabilities emanating from the connectivity of internal infrastructure to external networks such as the Internet.

To mitigate the various business risks of the Group and the Bank, the following has been put in place:

Credit Risk

- The Group and the Bank abide to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well-diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses.

- Regulatory requirement and Industry best practices are incorporated into the approved policy.

- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Major Areas of Risk (continued)

Credit Risk (continued)

- Group Investment Underwriting Committee ('GIUC') deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

- GCC and GIUC submit to the Board Credit Committee ('BCC') for affirmation or veto if the financing facilities exceed a pre-defined threshold.

- The Group and the Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by Group Credit Management/Group Retail Credit prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under program lending/financing which can be auto approved by loan origination system or business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint or escalated approval is required for all discretionary lending between business and independent credit underwriters, except for end-financing which can only be singly assessed by independent credit underwriter. Loans/financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

- Internal credit rating models are an integral part of the Group's and the Bank's credit risk management, decision-making process, and regulatory capital calculations.

- Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

- Counterparty, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.

- The Bank applies the Internal Ratings-Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit rating models for business loans/financing, and (iii) designing and implementing modelling of expected and unexpected losses.

- The Bank has embarked on an end-to-end credit transformation journey to support business growth responsibly and protect the asset quality in challenging times. The coverage of the transformation covers the core business segments of Retail Banking, Business Banking and Corporate Banking.

- In addition, the Credit War Room has been established to steer, coordinate and ensure the effective implementation of the Group's repayment assistance strategy in relation to borrowers/customers affected by the COVID-19 pandemic, in a consistent and structured response across RHB Banking Group headed by the Group Managing Director in line with BNM requirement for FIs to set-up a dedicated function led by the Chief Executive Officer.

Market Risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the Group's and the Bank's financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.

- The senior management committees; namely Group ALCO, the GCRC and IBRMC performs a critical role in the oversight of the management of market risk and supports the board risk committees in the overall market risk management.

- The Group Risk Management function forms a centralised function to support senior management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Major Areas of Risk (continued)

Market Risk (continued)

- The Group and the Bank apply risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.

- Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

- Periodic stress testing is applied to ascertain market risk under abnormal market conditions.

Liquidity Risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Group and the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.

- The liquidity risk management process involves establishing liquidity risk management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

- Minimum liquid assets buffer, capping on large depositor concentration and sufficient long term funding are available to meet obligations and aligned to Liquidity Coverage Ratio and Net Stable Funding Ratio to ensure adequate cover for withdrawals arising from unexpected levels of demand.

- Defined liquidity management ratios are maintained and monitored.

- The Group and the Bank have established a Liquidity Incident Management Procedure to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

Operational Risk

- The Group Operational Risk Management function is responsible for the development of group-wide operational risk policies, framework and methodologies, and providing guidance and information to the business units on operational risk matters. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Some of the operational risk tools used include Risk and Control Self-Assessment, Key Risk Indicators, Key Control Testing, Incident Management and Loss Data Collection and Scenario Analysis.

- The Group's and the Bank's operational risk management system has integrated applications to support the operational risk management process (i.e. assessment, reporting, database/library).

- The Group and the Bank have Business Continuity Management ('BCM') programme for the major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality.

- There is continuous refinement of existing policies, procedures and internal control measures; and regular internal review, compliance monitoring, and audits are performed to prevent and/or minimise unexpected losses.

- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigation decision making action plans.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Major Areas of Risk (continued)

Technology & Cyber Risk

- The Group Technology & Cyber Risk function is responsible for the development of group-wide technology and cyber risk policies, framework and methodologies, and providing guidance and consultation to the business units on technology and cyber risk areas.

- There is a continuous enhancement of existing policies, procedures and internal control measures; with regular independent assessment on areas pertaining to technology and cyber risks to prevent and/or minimise unexpected losses.

- Development of policies and mitigating controls are made reference to industry standards such as ISO/IEC:27001:2013, COBIT 5 and the NIST Cyber Security Framework.

- Regular technology and cyber risk reporting is made to senior management, relevant senior management and board committees to facilitate a risk informed decision by proactively identifying emerging cyber threats, assessment on the effectiveness of the controls implemented and the recommendation of new appropriate controls.

- Subscription to threat intelligence service providers for the latest cyber threats, and modus operandi in compromising an organisation. The information shall be shared with business units in improving their controls.

- Continuous education and awareness on technology and cyber risks to Board, business units, new recruits and third party service providers via Computer Based Training, classroom training and regular email broadcast communication.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category

Group 2020	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	8,904,285	-	-	8,904,285
Deposits and placements with banks and other financial institutions	6,069,443	-	-	6,069,443
Financial assets at FVTPL	-	4,462,106	-	4,462,106
Financial assets at FVOCI	-	-	42,903,259	42,903,259
- Debt instruments	-	-	42,148,529	42,148,529
- Equity instruments	-	-	754,730	754,730
Financial investments at amortised cost	16,005,267	-	-	16,005,267
Loans, advances and financing	182,424,879	-	-	182,424,879
Clients' and brokers' balances	1,339,568	-	-	1,339,568
Other financial assets	1,286,290	-	-	1,286,290
Derivative assets	-	1,653,479	-	1,653,479
	216,029,732	6,115,585	42,903,259	265,048,576
LIABILITIES				
Deposits from customers	203,470,783	-	-	203,470,783
Deposits and placements of banks and other financial institutions	21,035,186	-	-	21,035,186
Obligations on securities sold under repurchase agreements	972,963	-	-	972,963
Bills and acceptances payables	187,020	-	-	187,020
Clients' and brokers' balances	1,171,930	-	-	1,171,930
Other financial liabilities	3,377,046	-	-	3,377,046
Derivative liabilities	-	2,034,795	-	2,034,795
Recourse obligation on loans sold to Cagamas	3,023,760	-	-	3,023,760
Lease liabilities	154,188	-	-	154,188
Borrowings	634,630	-	-	634,630
Senior debt securities	3,545,150	-	-	3,545,150
Subordinated obligations	2,718,729	-	-	2,718,729
	240,291,385	2,034,795	-	242,326,180

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Group 2019	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	11,627,992	-	-	11,627,992
Deposits and placements with banks and other financial institutions	1,095,567	-	-	1,095,567
Financial assets at FVTPL	-	4,623,447	-	4,623,447
Financial assets at FVOCI	-	-	39,805,304	39,805,304
- Debt instruments	-	-	39,109,505	39,109,505
- Equity instruments	-	-	695,799	695,799
Financial investments at amortised cost	14,249,409	-	-	14,249,409
Loans, advances and financing	173,236,672	-	-	173,236,672
Clients' and brokers' balances	893,448	-	-	893,448
Other financial assets	1,158,266	-	-	1,158,266
Derivative assets	-	855,256	-	855,256
	202,261,354	5,478,703	39,805,304	247,545,361
LIABILITIES				
Deposits from customers	190,555,225	-	-	190,555,225
Deposits and placements of banks and other financial institutions	21,539,329	-	-	21,539,329
Obligations on securities sold under repurchase agreements	2,048,516	-	-	2,048,516
Bills and acceptances payables	254,945	-	-	254,945
Clients' and brokers' balances	824,166	-	-	824,166
Other financial liabilities	2,844,118	-	-	2,844,118
Derivative liabilities	-	1,160,927	-	1,160,927
Recourse obligation on loans sold to Cagamas	3,535,996	-	-	3,535,996
Lease liabilities	111,769	-	-	111,769
Borrowings	1,182,527	-	-	1,182,527
Senior debt securities	3,296,763	-	-	3,296,763
Subordinated obligations	2,724,224	-	-	2,724,224
	228,917,578	1,160,927	-	230,078,505

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Bank 2020	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	7,905,636	-	-	7,905,636
Deposits and placements with banks and other financial institutions	9,447,903	-	-	9,447,903
Investment account due from designated financial institutions	8,840,858	-	-	8,840,858
Financial assets at FVTPL	-	2,285,301	-	2,285,301
Financial assets at FVOCI	-	-	35,869,640	35,869,640
- Debt instruments	-	-	35,158,058	35,158,058
- Equity instruments	-	-	711,582	711,582
Financial investments at amortised cost	10,195,993	-	-	10,195,993
Loans, advances and financing	109,515,184	-	-	109,515,184
Other financial assets	1,021,009	-	-	1,021,009
Derivative assets	-	1,790,567	-	1,790,567
	146,926,583	4,075,868	35,869,640	186,872,091
LIABILITIES				
Deposits from customers	134,310,974	-	-	134,310,974
Deposits and placements of banks and other financial institutions	24,610,611	-	-	24,610,611
Obligations on securities sold under repurchase agreements	4,740,494	-	-	4,740,494
Bills and acceptances payables	174,838	-	-	174,838
Other financial liabilities	2,118,870	-	-	2,118,870
Derivative liabilities	-	1,979,142	-	1,979,142
Lease liabilities	77,356	-	-	77,356
Borrowings	201,101	-	-	201,101
Senior debt securities	3,545,150	-	-	3,545,150
Subordinated obligations	1,762,067	-	-	1,762,067
	171,541,461	1,979,142	-	173,520,603

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Bank Restated 2019	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	5,502,893	-	-	5,502,893
Deposits and placements with banks and other financial institutions	5,349,632	-	-	5,349,632
Investment account due from designated financial institutions	8,229,334	-	-	8,229,334
Financial assets at FVTPL	-	2,530,288	-	2,530,288
Financial assets at FVOCI	-	-	33,934,272	33,934,272
- Debt instruments	-	-	33,279,961	33,279,961
- Equity instruments	-	-	654,311	654,311
Financial investments at amortised cost	9,702,802	-	-	9,702,802
Loans, advances and financing	107,345,665	-	-	107,345,665
Other financial assets	751,623	-	-	751,623
Derivative assets	-	903,584	-	903,584
	136,881,949	3,433,872	33,934,272	174,250,093
LIABILITIES				
Deposits from customers	131,571,124	-	-	131,571,124
Deposits and placements of banks and other financial institutions	19,173,832	-	-	19,173,832
Obligations on securities sold under repurchase agreements	3,772,623	-	-	3,772,623
Bills and acceptances payables	205,528	-	-	205,528
Other financial liabilities	1,630,879	-	-	1,630,879
Derivative liabilities	-	1,155,074	-	1,155,074
Recourse obligation on loans sold to Cagamas	1,265,757	-	-	1,265,757
Lease liabilities	85,323	-	-	85,323
Borrowings	840,177	-	-	840,177
Senior debt securities	3,296,763	-	-	3,296,763
Subordinated obligations	1,565,396	-	-	1,565,396
	163,407,402	1,155,074	-	164,562,476

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest/profit rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. The Group and the Bank seek to ensure that the interest/profit rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/Profit rate sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and reserves of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities:

	Group		Bank	
Increase/(Decrease)	**Impact on profit after tax RM'000**	**Impact on reserves RM'000**	**Impact on profit after tax RM'000**	**Impact on reserves RM'000**
2020				
+100 bps	**228,741**	**(1,081,740)**	**108,374**	**(892,163)**
-100 bps	**(214,565)**	**1,219,071**	**(94,821)**	**1,006,310**
2019				
+100 bps	117,681	(1,503,003)	20,804	(1,251,522)
-100 bps	(98,371)	1,645,289	(3,346)	1,364,559

The results above represent financial assets and liabilities that have been prepared on the following basis:

(a) Impact on the profit after tax is the sum of valuation changes on interest/profit rate instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (2019: 100 bps) interest/profit rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.

(b) Impact on reserves represent the changes in fair values of interest/profit rate instruments held in the FVOCI portfolio arising from the shift in the interest/profit rate.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates (mainly consists of USD and SGD) on the consolidated currency position, while other variables remain constant.

	Group	Bank
Increase/(Decrease)	**Impact on profit after tax RM'000**	**Impact on profit after tax RM'000**
2020		
+10%	**81,875**	**55,454**
-10%	**(81,875)**	**(55,454)**
2019		
+10%	40,136	34,131
-10%	(40,136)	(34,131)

Impact on the profit after tax is estimated on the assumption that foreign exchange moves by the same amount and all other variables are held constant and are based on a constant reporting date position.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates:

	← Non-trading book						→		
Group 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short term funds	4,864,792	-	-	-	-	-	4,039,493	-	8,904,285
Deposits and placements with banks and other financial institutions	-	4,902,566	838,115	159,744	164,322	-	4,696	-	6,069,443
Financial assets at FVTPL	-	-	-	-	-	-	-	4,462,106	4,462,106
Financial assets at FVOCI	650,485	1,434,327	1,954,342	1,847,087	6,566,955	29,332,401	1,117,662	-	42,903,259
Financial investments at amortised cost	847,650	175,999	1,656,071	1,247,479	6,980,968	4,995,616	101,484	-	16,005,267
Loans, advances and financing	150,107,211	8,872,151	2,963,915	1,395,428	2,177,124	16,767,030	142,020	-	182,424,879
Clients' and brokers' balances	32,316	-	-	-	-	-	1,307,252	-	1,339,568
Reinsurance assets	-	-	-	-	-	-	467,504	-	467,504
Other assets	-	102	101	-	-	8,382	1,520,007	-	1,528,592
Derivative assets	-	-	-	-	-	-	-	1,653,479	1,653,479
Statutory deposits	-	-	-	-	-	-	612,671	-	612,671
Tax recoverable	-	-	-	-	-	-	289,969	-	289,969
Deferred tax assets	-	-	-	-	-	-	35,338	-	35,338
Investments in associates and joint venture	-	-	-	-	-	-	12	-	12
Right of use assets	-	-	-	-	-	-	149,898	-	149,898
Property, plant and equipment	-	-	-	-	-	-	1,013,255	-	1,013,255
Goodwill	-	-	-	-	-	-	2,654,122	-	2,654,122
Intangible assets	-	-	-	-	-	-	636,311	-	636,311
TOTAL ASSETS	**156,502,454**	**15,385,145**	**7,412,544**	**4,649,738**	**15,889,369**	**51,103,429**	**14,091,694**	**6,115,585**	**271,149,958**

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	65,703,797	28,241,406	36,271,693	32,648,697	1,583,056	533,331	38,488,803	-	203,470,783
Deposits and placements of banks and other financial institutions	8,377,885	7,564,778	2,340,593	804,732	417,334	1,479,993	49,871	-	21,035,186
Obligations on securities sold under repurchase agreements	319,043	49,133	-	-	402,157	200,174	2,456	-	972,963
Bills and acceptances payable	187,020	-	-	-	-	-	-	-	187,020
Clients' and brokers' balances	-	-	-	-	-	-	1,171,930	-	1,171,930
General insurance contract liabilities	-	-	-	-	-	-	1,086,385	-	1,086,385
Other liabilities	28,567	1,000	24,278	210,438	51,867	40,000	3,466,164	-	3,822,314
Derivative liabilities	965	-	4,288	-	2,611	186,708	-	1,840,223	2,034,795
Recourse obligation on loans sold to Cagamas	-	1,000,000	-	1,250,000	749,952	-	23,808	-	3,023,760
Provision for taxation and zakat	-	-	-	-	-	-	69,623	-	69,623
Deferred tax liabilities	-	-	-	-	-	-	165,938	-	165,938
Lease liabilities	5,685	11,683	12,334	28,221	53,474	42,791	-	-	154,188
Borrowings	151,059	378,381	52,296	50,955	-	-	1,939	-	634,630
Senior debt securities	-	-	-	2,009,988	-	1,504,909	30,253	-	3,545,150
Subordinated obligations	-	-	-	-	1,199,720	1,499,812	19,197	-	2,718,729
TOTAL LIABILITIES	74,774,021	37,246,381	38,705,482	37,003,031	4,460,171	5,487,718	44,576,367	1,840,223	244,093,394
Shareholders' funds	-	-	-	-	-	-	27,023,835	-	27,023,835
NCI	-	-	-	-	-	-	32,729	-	32,729
TOTAL LIABILITIES AND EQUITY	74,774,021	37,246,381	38,705,482	37,003,031	4,460,171	5,487,718	71,632,931	1,840,223	271,149,958
On-balance sheet interest sensitivity gap	81,728,433	(21,861,236)	(31,292,938)	(32,353,293)	11,429,198	45,615,711			
Off-balance sheet interest sensitivity gap	(33,016,461)	(229,229)	168,051	(212,093)	(1,684,400)	(6,179,086)			
TOTAL INTEREST SENSITIVITY GAP	48,711,972	(22,090,465)	(31,124,887)	(32,565,386)	9,744,798	39,436,625			

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

Group 2019	← Non-trading book → Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	8,702,710	-	-	-	-	-	2,925,282	-	11,627,992
Deposits and placements with banks and other financial institutions	-	637,919	152,069	90,492	203,981	-	11,106	-	1,095,567
Financial assets at FVTPL	-	-	-	-	-	-	-	4,623,447	4,623,447
Financial assets at FVOCI	747,115	1,208,919	1,693,902	1,312,419	6,146,139	27,658,832	1,037,978	-	39,805,304
Financial investments at amortised cost	340,582	249,599	795,739	844,565	6,220,515	5,694,765	103,644	-	14,249,409
Loans, advances and financing	137,963,037	9,187,447	3,408,976	3,361,560	3,040,195	16,085,971	189,486	-	173,236,672
Clients' and brokers' balances	17,206	-	-	-	-	-	876,242	-	893,448
Reinsurance assets	-	-	-	-	-	-	510,176	-	510,176
Other assets	-	-	-	4	-	6,856	1,251,319	-	1,258,179
Derivative assets	-	-	-	-	298	1,403	-	853,555	855,256
Statutory deposits	-	-	-	-	-	-	4,549,296	-	4,549,296
Tax recoverable	-	-	-	-	-	-	467,103	-	467,103
Deferred tax assets	-	-	-	-	-	-	22,989	-	22,989
Investments in associates and joint venture	-	-	-	-	-	-	9,512	-	9,512
Right of use assets	-	-	-	-	-	-	112,807	-	112,807
Property, plant and equipment	-	-	-	-	-	-	991,305	-	991,305
Goodwill	-	-	-	-	-	-	2,654,122	-	2,654,122
Intangible assets	-	-	-	-	-	-	629,912	-	629,912
TOTAL ASSETS	147,770,650	11,283,884	6,050,686	5,609,040	15,611,128	49,447,827	16,342,279	5,477,002	257,592,496

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Group 2019	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	56,478,372	31,908,413	24,548,744	41,683,837	3,922,162	590,613	31,423,084	-	190,555,225
Deposits and placements of banks and other financial institutions	6,327,015	7,942,115	6,685,996	61,243	155,867	270,595	96,498	-	21,539,329
Obligations on securities sold under repurchase agreements	1,120,721	718,219	-	-	-	203,547	6,029	-	2,048,516
Bills and acceptances payable	217,988	36,957	-	-	-	-	-	-	254,945
Clients' and brokers' balances	-	-	-	-	-	-	824,166	-	824,166
General insurance contract liabilities	-	-	-	-	-	-	1,106,886	-	1,106,886
Other liabilities	58,449	4,332	68,729	6,601	53,214	-	3,019,154	-	3,210,479
Derivative liabilities	-	-	-	-	1,640	50,043	-	1,109,244	1,160,927
Recourse obligation on loans sold to Cagamas	-	1,250,000	-	-	2,250,000	-	35,996	-	3,535,996
Provision for taxation and zakat	-	-	-	-	-	-	60,172	-	60,172
Deferred tax liabilities	-	-	-	-	-	-	169,763	-	169,763
Lease liabilities	7,224	10,904	15,577	31,437	41,262	5,365	-	-	111,769
Borrowings	215,785	61,917	64,283	633,579	204,501	-	2,462	-	1,182,527
Senior debt securities	-	-	-	-	2,043,152	1,224,944	28,667	-	3,296,763
Subordinated obligations	-	-	999,960	-	1,199,567	500,000	24,697	-	2,724,224
TOTAL LIABILITIES	64,425,554	41,932,857	32,383,289	42,416,697	9,871,365	2,845,107	36,797,574	1,109,244	231,781,687
Shareholders' funds	-	-	-	-	-	-	25,775,394	-	25,775,394
NCI	-	-	-	-	-	-	35,415	-	35,415
TOTAL LIABILITIES AND EQUITY	64,425,554	41,932,857	32,383,289	42,416,697	9,871,365	2,845,107	62,608,383	1,109,244	257,592,496
On-balance sheet interest sensitivity gap	83,345,096	(30,648,973)	(26,332,603)	(36,807,657)	5,739,763	46,602,720			
Off-balance sheet interest sensitivity gap	1,420,543	581,343	1,075,905	2,086,266	5,260,736	447,545			
TOTAL INTEREST SENSITIVITY GAP	84,765,639	(30,067,630)	(25,256,698)	(34,721,391)	11,000,499	47,050,265			

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Bank 2020	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short term funds	5,784,270	-	-	-	-	-	2,121,366	-	7,905,636
Deposits and placements with banks and other financial institutions	-	7,309,644	898,037	856,386	365,034	-	18,802	-	9,447,903
Investment account due from designated financial institutions	176,000	39,331	134,832	-	3,199,038	5,180,107	111,550	-	8,840,858
Financial assets at FVTPL	-	-	-	-	-	-	-	2,285,301	2,285,301
Financial assets at FVOCI	635,479	1,190,105	1,740,502	1,705,005	5,057,317	24,529,573	1,011,659	-	35,869,640
Financial investments at amortised cost	450,464	125,848	1,366,370	790,134	4,330,656	3,065,552	66,969	-	10,195,993
Loans, advances and financing	92,802,635	6,981,772	2,230,449	1,172,128	1,524,520	4,927,789	(124,109)	-	109,515,184
Other assets	-	-	-	-	-	-	1,278,048	-	1,278,048
Derivative assets	-	-	-	-	-	-	-	1,790,567	1,790,567
Statutory deposits	-	-	-	-	-	-	228,107	-	228,107
Tax recoverable	-	-	-	-	-	-	251,917	-	251,917
Investment in subsidiaries	-	-	-	-	-	-	4,901,397	-	4,901,397
Right of use assets	-	-	-	-	-	-	76,166	-	76,166
Property, plant and equipment	-	-	-	-	-	-	766,626	-	766,626
Goodwill	-	-	-	-	-	-	1,714,913	-	1,714,913
Intangible assets	-	-	-	-	-	-	565,485	-	565,485
TOTAL ASSETS	99,848,848	15,646,700	6,370,190	4,523,653	14,476,565	37,703,021	12,988,896	4,075,868	195,633,741

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

Bank 2020	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	**47,714,183**	**18,953,675**	**20,414,748**	**17,843,488**	**657,610**	**125,673**	**28,601,597**	**-**	**134,310,974**
Deposits and placements of banks and other financial institutions	**10,265,660**	**6,843,805**	**2,855,539**	**2,808,963**	**380,925**	**1,397,137**	**58,582**	**-**	**24,610,611**
Obligations on securities sold under repurchase agreements	**1,596,552**	**1,836,511**	**692,029**	**-**	**402,157**	**200,174**	**13,071**	**-**	**4,740,494**
Bills and acceptances payable	**174,838**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**174,838**
Other liabilities	**28,567**	**1,000**	**24,278**	**210,438**	**51,867**	**40,000**	**1,931,222**	**-**	**2,287,372**
Derivative liabilities	**965**	**-**	**4,288**	**-**	**2,611**	**186,708**	**-**	**1,784,570**	**1,979,142**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**152,111**	**-**	**152,111**
Lease liabilities	**4,274**	**9,145**	**9,641**	**19,739**	**31,800**	**2,757**	**-**	**-**	**77,356**
Borrowings	**-**	**201,078**	**-**	**-**	**-**	**-**	**23**	**-**	**201,101**
Senior debt securities	**-**	**-**	**-**	**2,009,988**	**-**	**1,504,909**	**30,253**	**-**	**3,545,150**
Subordinated obligations	**-**	**-**	**-**	**-**	**749,720**	**999,812**	**12,535**	**-**	**1,762,067**
TOTAL LIABILITIES	**59,785,039**	**27,845,214**	**24,000,523**	**22,892,616**	**2,276,690**	**4,457,170**	**30,799,394**	**1,784,570**	**173,841,216**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**21,792,525**	**-**	**21,792,525**
TOTAL LIABILITIES AND EQUITY	**59,785,039**	**27,845,214**	**24,000,523**	**22,892,616**	**2,276,690**	**4,457,170**	**52,591,919**	**1,784,570**	**195,633,741**
On-balance sheet interest sensitivity gap	**40,063,809**	**(12,198,514)**	**(17,630,333)**	**(18,368,963)**	**12,199,875**	**33,245,851**			
Off-balance sheet interest sensitivity gap	**(33,016,461)**	**(229,229)**	**168,051**	**(212,093)**	**(1,184,400)**	**(3,079,086)**			
TOTAL INTEREST SENSITIVITY GAP	**7,047,348**	**(12,427,743)**	**(17,462,282)**	**(18,581,056)**	**11,015,475**	**30,166,765**			

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	← Non-trading book						→		
Bank Restated 2019	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short term funds	4,546,666	-	-	-	-	-	956,227	-	5,502,893
Deposits and placements with banks and other financial institutions	-	4,058,344	231,861	22,010	1,022,503	-	14,914	-	5,349,632
Investment account due from designated financial institutions	-	-	250,000	739,331	1,071,832	6,070,913	97,258	-	8,229,334
Financial assets at FVTPL	-	-	-	-	-	-	-	2,530,288	2,530,288
Financial assets at FVOCI	647,379	1,094,027	1,443,060	1,252,061	5,000,349	23,555,891	941,505	-	33,934,272
Financial investments at amortised cost	110,631	229,399	780,659	517,057	4,511,208	3,479,453	74,395	-	9,702,802
Loans, advances and financing	86,840,970	7,143,325	2,840,511	3,162,785	2,206,326	4,899,994	251,754	-	107,345,665
Other assets	-	-	-	-	-	-	1,104,841	-	1,104,841
Derivative assets	-	-	-	-	298	1,403	-	901,883	903,584
Statutory deposits	-	-	-	-	-	-	2,608,316	-	2,608,316
Tax recoverable	-	-	-	-	-	-	433,364	-	433,364
Investment in subsidiaries	-	-	-	-	-	-	4,914,479	-	4,914,479
Right of use assets	-	-	-	-	-	-	86,015	-	86,015
Property, plant and equipment	-	-	-	-	-	-	753,671	-	753,671
Goodwill	-	-	-	-	-	-	1,714,913	-	1,714,913
Intangible assets	-	-	-	-	-	-	548,437	-	548,437
TOTAL ASSETS	92,145,646	12,525,095	5,546,091	5,693,244	13,812,516	38,007,654	14,500,089	3,432,171	185,662,506

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

	Non-trading book								
Bank Restated 2019	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	42,433,095	22,289,184	14,392,460	25,827,669	2,936,737	116,861	23,575,118	-	131,571,124
Deposits and placements of banks and other financial institutions	5,796,917	6,700,235	6,176,460	42,573	136,630	230,822	90,195	-	19,173,832
Obligations on securities sold under repurchase agreements	2,279,834	1,277,183	-	-	-	203,547	12,059	-	3,772,623
Bills and acceptances payable	205,528	-	-	-	-	-	-	-	205,528
Other liabilities	58,449	4,332	68,729	6,501	53,214	-	1,653,750	-	1,844,975
Derivative liabilities	-	-	-	-	1,640	50,043	-	1,103,391	1,155,074
Recourse obligation on loans sold to Cagamas	-	1,250,000	-	-	-	-	15,757	-	1,265,757
Deferred tax liabilities	-	-	-	-	-	-	136,711	-	136,711
Lease liabilities	5,756	7,408	10,137	19,825	41,487	710	-	-	85,323
Borrowings	-	20,450	-	613,502	204,501	-	1,724	-	840,177
Senior debt securities	-	-	-	-	2,043,152	1,224,944	28,667	-	3,296,763
Subordinated obligations	-	-	799,960	-	749,567	-	15,869	-	1,565,396
TOTAL LIABILITIES	50,779,579	31,548,792	21,447,746	26,510,070	6,166,928	1,826,927	25,529,850	1,103,391	164,913,283
Total equity	-	-	-	-	-	-	20,749,223	-	20,749,223
TOTAL LIABILITIES AND EQUITY	50,779,579	31,548,792	21,447,746	26,510,070	6,166,928	1,826,927	46,279,073	1,103,391	185,662,506
On-balance sheet interest sensitivity gap	41,366,067	(19,023,697)	(15,901,655)	(20,816,826)	7,645,588	36,180,727			
Off-balance sheet interest sensitivity gap	1,420,543	581,343	1,165,905	2,086,266	5,260,736	1,947,545			
TOTAL INTEREST SENSITIVITY GAP	42,786,610	(18,442,354)	(14,735,750)	(18,730,560)	12,906,324	38,128,272			

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs.

The Group and the Bank have adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. In July 2019, BNM has issued the final Net Stable Funding Ratio (NSFR) policy document, which will be effective from 1 July 2020 and banking institutions are expected to maintain a minimal NSFR of 100% at the consolidated level i.e. at RHB Banking Group level.

The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The Group and the Bank did not have any defaults of principal and interest or other breaches with respect to its borrowings, senior debt securities and subordinated obligations during the financial years ended 31 December 2020 and 2019.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity:

Group 2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	5,895,546	3,008,739	-	-	-	-	-	8,904,285
Deposits and placements with banks and other financial institutions	-	-	4,898,957	837,264	161,559	171,663	-	6,069,443
Financial assets at FVTPL	13,657	-	1,162	1,633	997	2,373,462	2,071,195	4,462,106
Financial assets at FVOCI	1,074	458,256	946,675	2,006,638	1,868,295	36,867,590	754,731	42,903,259
Financial investments at amortised cost	2,564	624,485	177,735	1,665,770	1,252,436	12,282,277	-	16,005,267
Loans, advances and financing	5,177,626	18,324,178	6,175,963	3,167,736	2,467,598	147,111,062	716	182,424,879
Clients' and brokers' balances	1,241,966	83,935	-	-	-	-	13,667	1,339,568
Reinsurance assets	-	-	-	-	467,504	-	-	467,504
Other assets	556,488	16,581	82,796	85,312	48,243	350,695	388,477	1,528,592
Derivative assets	134,585	257,680	178,727	161,537	85,086	835,864	-	1,653,479
Statutory deposits	-	-	-	-	-	-	612,671	612,671
Tax recoverable	-	-	-	-	-	-	289,969	289,969
Deferred tax assets	-	-	-	-	-	-	35,338	35,338
Investments in associates and joint venture	-	-	-	-	-	-	12	12
Right of use assets	-	-	-	-	-	-	149,898	149,898
Property, plant and equipment	-	-	-	-	-	-	1,013,255	1,013,255
Goodwill	-	-	-	-	-	-	2,654,122	2,654,122
Intangible assets	-	-	-	-	-	-	636,311	636,311
TOTAL ASSETS	13,023,506	22,773,854	12,462,015	7,925,890	6,351,718	199,992,613	8,620,362	271,149,958

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	75,323,558	28,139,290	28,520,459	36,422,620	32,893,648	2,171,208	-	203,470,783
Deposits and placements of banks and other financial institutions	2,877,643	5,521,664	7,583,534	2,344,535	807,343	1,900,467	-	21,035,186
Obligations on securities sold under repurchase agreements	-	320,541	49,137	-	-	603,285	-	972,963
Bills and acceptances payable	187,020	-	-	-	-	-	-	187,020
Clients' and brokers' balances	989,383	182,547	-	-	-	-	-	1,171,930
General insurance contract liabilities	-	-	-	-	1,086,385	-	-	1,086,385
Other liabilities	946,818	893,991	694,374	85,171	421,201	335,491	445,268	3,822,314
Derivative liabilities	51,247	204,639	309,233	298,151	97,952	1,073,573	-	2,034,795
Recourse obligation on loans sold to Cagamas	-	-	1,011,223	-	1,258,962	753,575	-	3,023,760
Provision for taxation and zakat	-	-	-	-	-	-	69,623	69,623
Deferred tax liabilities	-	-	-	-	-	-	165,938	165,938
Lease liabilities	-	5,685	11,683	12,334	28,221	96,265	-	154,188
Borrowings	145,114	6,057	379,151	52,829	51,479	-	-	634,630
Senior debt securities	-	-	16,660	13,593	2,009,988	1,504,909	-	3,545,150
Subordinated obligations	-	-	9,309	9,888	-	2,699,532	-	2,718,729
TOTAL LIABILITIES	80,520,783	35,274,414	38,584,763	39,239,121	38,655,179	11,138,305	680,829	244,093,394
Shareholders' funds	-	-	-	-	-	-	27,023,835	27,023,835
NCI	-	-	-	-	-	-	32,729	32,729
TOTAL LIABILITIES AND EQUITY	80,520,783	35,274,414	38,584,763	39,239,121	38,655,179	11,138,305	27,737,393	271,149,958

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	10,102,953	1,525,039	-	-	-	-	-	11,627,992
Deposits and placements with banks and other financial institutions	2,830	85,904	518,355	138,091	140,902	209,485	-	1,095,567
Financial assets at FVTPL	183,030	119,946	687	4,328	-	3,464,035	851,421	4,623,447
Financial assets at FVOCI	2,933	306,345	809,404	1,754,415	1,349,281	34,887,127	695,799	39,805,304
Financial investments at amortised cost	34,067	86,144	249,855	798,842	846,555	12,233,946	-	14,249,409
Loans, advances and financing	5,240,451	21,547,249	6,497,694	3,432,208	4,271,171	132,244,203	3,696	173,236,672
Clients' and brokers' balances	888,847	2,311	-	-	-	-	2,290	893,448
Reinsurance assets	-	-	-	-	510,176	-	-	510,176
Other assets	451,142	113,269	127,547	23,542	26,251	204,141	312,287	1,258,179
Derivative assets	42,817	88,892	115,363	87,179	63,273	457,732	-	855,256
Statutory deposits	-	-	-	-	-	-	4,549,296	4,549,296
Tax recoverable	-	-	-	-	-	-	467,103	467,103
Deferred tax assets	-	-	-	-	-	-	22,989	22,989
Investments in associates and joint venture	-	-	-	-	-	-	9,512	9,512
Right of use assets	-	-	-	-	-	-	112,807	112,807
Property, plant and equipment	-	-	-	-	-	-	991,305	991,305
Goodwill	-	-	-	-	-	-	2,654,122	2,654,122
Intangible assets	-	-	-	-	-	-	629,912	629,912
TOTAL ASSETS	16,949,070	23,875,099	8,318,905	6,238,605	7,207,609	183,700,669	11,302,539	257,592,496

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	58,844,959	27,858,933	32,405,185	24,872,174	42,011,558	4,562,416	-	190,555,225
Deposits and placements of banks and other financial institutions	1,826,748	4,848,351	7,653,556	6,722,291	61,382	427,001	-	21,539,329
Obligations on securities sold under repurchase agreements	-	1,123,452	720,861	-	-	204,203	-	2,048,516
Bills and acceptances payable	217,892	96	36,957	-	-	-	-	254,945
Clients' and brokers' balances	679,079	145,087	-	-	-	-	-	824,166
General insurance contract liabilities	-	-	-	-	1,106,886	-	-	1,106,886
Other liabilities	1,270,218	740,635	252,544	109,876	207,250	263,595	366,361	3,210,479
Derivative liabilities	54,493	130,934	252,855	152,932	68,046	501,667	-	1,160,927
Recourse obligation on loans sold to Cagamas	-	-	1,265,757	-	-	2,270,239	-	3,535,996
Provision for taxation and zakat	-	-	-	-	-	-	60,172	60,172
Deferred tax liabilities	-	-	-	-	-	-	169,763	169,763
Lease liabilities	493	6,731	10,904	15,577	31,437	46,627	-	111,769
Borrowings	131,036	84,980	41,848	64,402	655,760	204,501	-	1,182,527
Senior debt securities	-	-	16,687	11,980	-	3,268,096	-	3,296,763
Subordinated obligations	-	-	9,409	1,010,683	4,565	1,699,567	-	2,724,224
TOTAL LIABILITIES	63,024,918	34,939,199	42,666,563	32,959,915	44,146,884	13,447,912	596,296	231,781,687
Shareholders' funds	-	-	-	-	-	-	25,775,394	25,775,394
NCI	-	-	-	-	-	-	35,415	35,415
TOTAL LIABILITIES AND EQUITY	63,024,918	34,939,199	42,666,563	32,959,915	44,146,884	13,447,912	26,407,105	257,592,496

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	3,863,434	4,042,202	-	-	-	-	-	7,905,636
Deposits and placements with banks and other financial institutions	-	-	7,317,434	898,844	861,500	370,125	-	9,447,903
Investment account due from designated financial institutions	-	178,713	39,382	135,215	-	8,487,548	-	8,840,858
Financial assets at FVTPL	13,657	-	1,162	301	997	2,265,784	3,400	2,285,301
Financial assets at FVOCI	1,074	442,945	701,780	1,792,774	1,724,500	30,494,985	711,582	35,869,640
Financial investments at amortised cost	560	450,720	127,192	1,374,132	794,674	7,448,715	-	10,195,993
Loans, advances and financing	2,652,648	14,912,811	5,112,530	2,517,344	1,470,587	82,849,264	-	109,515,184
Other assets	391,702	114,175	76,400	72,232	42,388	271,781	309,370	1,278,048
Derivative assets	140,642	261,335	187,592	160,164	83,978	956,856	-	1,790,567
Statutory deposits	-	-	-	-	-	-	228,107	228,107
Tax recoverable	-	-	-	-	-	-	251,917	251,917
Investments in subsidiaries	-	-	-	-	-	-	4,901,397	4,901,397
Right of use assets	-	-	-	-	-	-	76,166	76,166
Property, plant and equipment	-	-	-	-	-	-	766,626	766,626
Goodwill	-	-	-	-	-	-	1,714,913	1,714,913
Intangible assets	-	-	-	-	-	-	565,485	565,485
TOTAL ASSETS	7,063,717	20,402,901	13,563,472	6,951,006	4,978,624	133,145,058	9,528,963	195,633,741

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	59,769,027	16,170,572	19,137,379	20,523,088	17,923,120	787,788	-	134,310,974
Deposits and placements of banks and other financial institutions	2,873,367	7,414,066	6,861,361	2,863,013	2,817,620	1,781,184	-	24,610,611
Obligations on securities sold under repurchase agreements	1,141,808	458,404	1,843,581	693,416	-	603,285	-	4,740,494
Bills and acceptances payable	174,838	-	-	-	-	-	-	174,838
Other liabilities	218,351	446,823	547,607	72,246	394,628	439,215	168,502	2,287,372
Derivative liabilities	68,076	200,753	300,529	260,155	75,755	1,073,874	-	1,979,142
Deferred tax liabilities	-	-	-	-	-	-	152,111	152,111
Lease liabilities	-	4,274	9,145	9,641	19,739	34,557	-	77,356
Borrowings	-	-	201,101	-	-	-	-	201,101
Senior debt securities	-	-	16,660	13,593	2,009,988	1,504,909	-	3,545,150
Subordinated obligations	-	-	9,309	3,226	-	1,749,532	-	1,762,067
TOTAL LIABILITIES	64,245,467	24,694,892	28,926,672	24,438,378	23,240,850	7,974,344	320,613	173,841,216
Total equity	-	-	-	-	-	-	21,792,525	21,792,525
TOTAL LIABILITIES AND EQUITY	64,245,467	24,694,892	28,926,672	24,438,378	23,240,850	7,974,344	22,113,138	195,633,741

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank Restated 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	4,359,009	1,143,884	-	-	-	-	-	5,502,893
Deposits and placements with banks and other financial institutions	-	-	4,038,014	230,647	49,567	1,031,404	-	5,349,632
Investment account due from designated financial institutions	-	-	-	250,373	741,397	7,237,564	-	8,229,334
Financial assets at FVTPL	13,097	119,946	687	346	-	2,392,875	3,337	2,530,288
Financial assets at FVOCI	2,933	206,609	693,485	1,502,174	1,288,316	29,586,444	654,311	33,934,272
Financial investments at amortised cost	30,789	81,049	229,494	783,724	520,896	8,056,850	-	9,702,802
Loans, advances and financing	2,558,913	17,077,128	5,069,077	2,489,848	2,247,742	77,902,957	-	107,345,665
Other assets	534,129	71,949	29,150	73,313	18,506	149,038	228,756	1,104,841
Derivative assets	39,981	88,694	128,064	85,347	63,055	498,443	-	903,584
Statutory deposits	-	-	-	-	-	-	2,608,316	2,608,316
Tax recoverable	-	-	-	-	-	-	433,364	433,364
Investments in subsidiaries	-	-	-	-	-	-	4,914,479	4,914,479
Right of use assets	-	-	-	-	-	-	86,015	86,015
Property, plant and equipment	-	-	-	-	-	-	753,671	753,671
Goodwill	-	-	-	-	-	-	1,714,913	1,714,913
Intangible assets	-	-	-	-	-	-	548,437	548,437
TOTAL ASSETS	7,538,851	18,789,259	10,187,971	5,415,772	4,929,479	126,855,575	11,945,599	185,662,506

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank Restated 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	47,258,664	18,038,997	22,616,740	14,592,035	25,982,054	3,082,634	-	131,571,124
Deposits and placements of banks and other financial institutions	1,944,237	4,199,029	6,407,568	6,212,311	42,712	367,975	-	19,173,832
Obligations on securities sold under repurchase agreements	609,937	1,676,080	1,282,403	-	-	204,203	-	3,772,623
Bills and acceptances payable	205,432	96	-	-	-	-	-	205,528
Other liabilities	506,914	444,648	151,220	92,772	181,423	253,902	214,096	1,844,975
Derivative liabilities	54,720	132,230	250,997	150,530	66,402	500,195	-	1,155,074
Recourse obligation on loans sold to Cagamas	-	-	1,265,757	-	-	-	-	1,265,757
Deferred tax liabilities	-	-	-	-	-	-	136,711	136,711
Lease liabilities	493	5,263	7,408	10,137	19,825	42,197	-	85,323
Borrowings	-	-	-	-	635,676	204,501	-	840,177
Senior debt securities	-	-	16,687	11,980	-	3,268,096	-	3,296,763
Subordinated obligations	-	-	9,409	806,420	-	749,567	-	1,565,396
TOTAL LIABILITIES	50,580,397	24,496,343	32,008,189	21,876,185	26,928,092	8,673,270	350,807	164,913,283
Total equity	-	-	-	-	-	-	20,749,223	20,749,223
TOTAL LIABILITIES AND EQUITY	50,580,397	24,496,343	32,008,189	21,876,185	26,928,092	8,673,270	21,100,030	185,662,506

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

Group 2020	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	103,400,526	64,948,199	33,919,707	1,804,199	523,791	104,206	204,700,628
Deposits and placements of banks and other financial institutions	8,414,501	9,948,679	814,259	426,908	271,566	1,167,832	21,043,745
Obligations on securities sold under repurchase agreements	322,604	49,137	-	413,931	-	201,209	986,881
Bills and acceptances payable	187,020	-	-	-	-	-	187,020
Clients' and brokers' balances	1,171,930	-	-	-	-	-	1,171,930
General insurance contract liabilities	-	-	1,086,385	-	-	-	1,086,385
Other financial liabilities	1,783,806	832,647	422,682	169,980	117,093	64,012	3,390,220
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(20,467,753)	(31,593,647)	(2,381,948)	(1,329,064)	(260,679)	(568,074)	(56,601,165)
- Outflow	20,346,394	31,850,004	2,386,715	1,482,690	347,928	669,878	57,083,609
- Net settled derivatives	12,694	88,363	102,962	301,394	170,473	(33,136)	642,750
Recourse obligation on loans sold to Cagamas	-	1,057,718	1,285,953	786,659	-	-	3,130,330
Lease liabilities	5,685	24,017	28,221	53,474	9,592	33,199	154,188
Borrowings	151,183	435,335	52,584	-	-	-	639,102
Senior debt securities	-	47,634	2,058,434	107,972	1,537,748	-	3,751,788
Subordinated obligations	-	56,062	56,062	1,360,050	1,559,400	-	3,031,574
TOTAL FINANCIAL LIABILITIES	**115,328,590**	**77,744,148**	**39,832,016**	**5,578,193**	**4,276,912**	**1,639,126**	**244,398,985**

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Group 2019	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	86,625,661	57,348,950	43,633,978	4,135,657	596,931	101,407	192,442,584
Deposits and placements of banks and other financial institutions	5,148,884	12,536,031	3,555,718	160,040	70,380	202,005	21,673,058
Obligations on securities sold under repurchase agreements	1,134,380	736,028	-	-	-	231,785	2,102,193
Bills and acceptances payable	219,995	37,026	-	-	-	-	257,021
Clients' and brokers' balances	824,166	-	-	-	-	-	824,166
General insurance contract liabilities	-	-	1,106,886	-	-	-	1,106,886
Other financial liabilities	1,947,455	348,212	198,463	90,348	36,235	101,890	2,722,603
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(19,523,709)	(24,591,152)	(1,637,929)	(1,224,159)	(228,480)	(620,889)	(47,826,318)
- Outflow	19,568,735	24,791,216	1,687,021	1,316,117	310,552	745,046	48,418,687
- Net settled derivatives	926	18,568	11,486	5,305	5,773	90,901	132,959
Recourse obligation on loans sold to Cagamas	-	1,325,447	48,646	2,325,476	-	-	3,699,569
Lease liabilities	7,224	26,481	31,437	41,262	5,365	-	111,769
Borrowings	216,036	109,889	685,013	207,270	-	-	1,218,208
Senior debt securities	-	44,096	44,096	2,179,409	1,296,318	-	3,563,919
Subordinated obligations	-	1,065,181	39,862	1,353,373	532,400	-	2,990,816
TOTAL FINANCIAL LIABILITIES	96,169,753	73,795,973	49,404,677	10,590,098	2,625,474	852,145	233,438,120

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Bank 2020	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	75,886,367	39,900,965	18,191,160	763,916	25,101	104,206	134,871,715
Deposits and placements of banks and other financial institutions	10,292,513	9,744,877	2,831,893	383,598	208,948	1,146,982	24,608,811
Obligations on securities sold under repurchase agreements	1,604,719	2,558,595	-	413,931	-	201,209	4,778,454
Bills and acceptances payable	174,838	-	-	-	-	-	174,838
Other financial liabilities	608,925	676,109	398,258	165,461	117,020	156,733	2,122,506
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(22,509,374)	(32,522,734)	(2,386,963)	(1,359,080)	(278,699)	(596,475)	(59,653,325)
- Outflow	22,396,981	32,754,860	2,379,012	1,448,541	330,005	641,514	59,950,913
- Net settled derivatives	2,575	12,607	29,668	96,980	26,296	(92,671)	75,455
Lease liabilities	4,274	18,786	19,739	31,800	2,757	-	77,356
Borrowings	-	203,801	-	-	-	-	203,801
Senior debt securities	-	47,634	2,058,434	107,972	1,537,748	-	3,751,788
Subordinated obligations	-	34,275	34,275	850,950	1,048,600	-	1,968,100
TOTAL FINANCIAL LIABILITIES	88,461,818	53,429,775	23,555,476	2,904,069	3,017,776	1,561,498	172,930,412

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Bank Restated 2019	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	65,209,203	37,528,173	26,615,288	3,080,287	18,381	101,407	132,552,739
Deposits and placements of banks and other financial institutions	4,681,255	10,787,031	3,452,661	139,203	29,979	202,005	19,292,134
Obligations on securities sold under repurchase agreements	2,307,216	1,311,194	-	-	-	231,785	3,850,195
Bills and acceptances payable	207,535	-	-	-	-	-	207,535
Other financial liabilities	892,206	233,302	174,942	86,645	36,235	142,918	1,566,248
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(19,629,757)	(27,544,169)	(1,630,836)	(1,235,914)	(245,942)	(649,934)	(50,936,552)
- Outflow	19,676,339	27,766,595	1,668,130	1,273,516	293,187	716,087	51,393,854
- Net settled derivatives	535	25,428	24,214	65,572	56,729	99,363	271,841
Recourse obligation on loans sold to Cagamas	-	1,276,801	-	-	-	-	1,276,801
Lease liabilities	5,756	17,545	19,825	41,487	710	-	85,323
Borrowings	-	2,997	664,465	207,270	-	-	874,732
Senior debt securities	-	44,096	44,096	2,179,409	1,296,318	-	3,563,919
Subordinated obligations	-	838,350	18,075	822,300	-	-	1,678,725
TOTAL FINANCIAL LIABILITIES	73,350,288	52,287,343	31,050,860	6,659,775	1,485,597	843,631	165,677,494

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

	Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2020			
Direct credit substitutes	**217,112**	**1,002,702**	**1,219,814**
Transaction-related contingent items	**588,413**	**2,613,926**	**3,202,339**
Short term self-liquidating trade-related contingencies	**807,681**	**95,913**	**903,594**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	**930,928**	**3,984,499**	**4,915,427**
Irrevocable commitments to extend credit	**1,727,065**	**29,238,089**	**30,965,154**
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	**-**	**5,843**	**5,843**
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**457,352**	**15,755,190**	**16,212,542**
TOTAL COMMITMENTS AND CONTINGENCIES	**4,728,551**	**52,696,162**	**57,424,713**
2019			
Direct credit substitutes	186,018	1,199,986	1,386,004
Transaction-related contingent items	949,655	3,308,738	4,258,393
Short term self-liquidating trade-related contingencies	1,039,034	272,552	1,311,586
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,961,763	2,157,439	4,119,202
Irrevocable commitments to extend credit	1,861,774	27,701,607	29,563,381
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	728,304	15,575,536	16,303,840
TOTAL COMMITMENTS AND CONTINGENCIES	6,726,548	50,215,858	56,942,406

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies (continued):

	Bank		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2020			
Direct credit substitutes	**215,465**	**1,003,585**	**1,219,050**
Transaction-related contingent items	**562,426**	**2,303,234**	**2,865,660**
Short term self-liquidating trade-related contingencies	**775,627**	**119,913**	**895,540**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	**1,238,934**	**3,984,499**	**5,223,433**
Irrevocable commitments to extend credit	**594,618**	**19,585,676**	**20,180,294**
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**355,746**	**13,450,012**	**13,805,758**
TOTAL COMMITMENTS AND CONTINGENCIES	**3,742,816**	**40,446,919**	**44,189,735**
2019			
Direct credit substitutes	184,206	1,197,553	1,381,759
Transaction-related contingent items	916,606	3,067,750	3,984,356
Short term self-liquidating trade-related contingencies	983,106	257,191	1,240,297
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,961,763	2,157,439	4,119,202
Irrevocable commitments to extend credit	670,237	19,424,618	20,094,855
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	615,867	13,112,458	13,728,325
TOTAL COMMITMENTS AND CONTINGENCIES	5,331,785	39,217,009	44,548,794

Undrawn loans/financing commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan/financing commitments will be drawn before expiry.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

The table below shows the credit exposure of the Group and the Bank that are subject to impairment:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	Restated 2019 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short term funds (exclude cash in hand)	**7,806,561**	10,556,567	**6,868,665**	4,509,417
Deposits and placements with banks and other financial institutions	**6,069,443**	1,095,567	**9,447,903**	5,349,632
Investment account due from designated financial institutions	**-**	-	**8,840,858**	8,229,334
Financial assets at FVOCI^	**42,148,529**	39,109,505	**35,158,058**	33,279,961
Financial investments at amortised cost	**16,005,267**	14,249,409	**10,195,993**	9,702,802
Loans, advances and financing	**182,424,879**	173,236,672	**109,515,184**	107,345,665
Clients' and brokers' balances	**1,339,568**	893,448	**-**	-
Reinsurance assets	**369,960**	410,763	**-**	-
Other financial assets	**1,286,290**	1,158,266	**1,021,009**	751,623
	257,450,497	240,710,197	**181,047,670**	169,168,434
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**57,424,713**	56,942,406	**44,189,735**	44,548,794
Total maximum credit risk exposure that are subject to impairment	**314,875,210**	297,652,603	**225,237,405**	213,717,228

The table below shows the credit exposure of the Group and the Bank that are not subject to impairment:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVTPL	**4,462,106**	4,623,447	**2,285,301**	2,530,288
Financial assets at FVOCI	**754,730**	695,799	**711,582**	654,311
Derivative assets	**1,653,479**	855,256	**1,790,567**	903,584
	6,870,315	6,174,502	**4,787,450**	4,088,183

^ Exclude shares and unit trust.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(ii) Collaterals

The tangible securities acceptable by the Group and the Bank are as follows:

(a) Fixed deposits/Commodity Murabahah Deposit-i, negotiable/Islamic negotiable instrument of deposits, foreign currency deposits and cash deposits/margins

(b) Land and/or buildings

(c) Vessels and automobiles

(d) Equities, Collective Investment Scheme and debt securities

(e) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, negative pledge and letter of awareness/comfort/support which are subject to internal guidelines on eligibility.

The outstanding balance for loans, advances and financing for which no allowances is recognised because of collateral as at 31 December 2020 amounted to RM254.5 million and RM135.8 million (2019: RM913.6 million and RM829.8 million) respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances as at 31 December 2020 for the Group and the Bank are 74.6% (2019: 79.1%) and 76.0% (2019: 82.0%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

The following table shows the loans, advances and financing that are credit-impaired and related collateral held:

Group	Gross impaired outstanding RM'000	Credit losses RM'000	Net carrying amount RM'000	Collateral value over gross outstanding %
2020				
Loans, advances and financing	**3,181,282**	**(1,609,038)**	**1,572,244**	**64.4**
2019				
Loans, advances and financing	3,479,175	(1,548,936)	1,930,239	62.9
Bank				
2020				
Loans, advances and financing	**2,354,397**	**(1,227,613)**	**1,126,784**	**68.9**
2019				
Loans, advances and financing	2,623,781	(1,179,090)	1,444,691	59.1

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit exposure by stage

Financial assets of the Group and Bank are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL - not credit impaired	For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.
Stage 2: Lifetime ECL - not credit impaired	For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.
Stage 3: Lifetime ECL - credit impaired	Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

For further details on the stages, refer to accounting policy Note 21.

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
- Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Group and the Bank
- Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and the Bank
- No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit rating system
- Credit impaired	When one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

Credit Quality	Ratings
- Good	Aaa to A3
- Fair	Baa1 to Baa3
- No Rating	Unrated
- Credit impaired	Default

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

Group 2020	Gross Carrying Amount: Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	4,641,617	38,655	3,135,306	-	7,815,578	(9,017)
Stage 1	4,641,617	38,655	3,135,306	-	7,815,578	(9,017)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	2,780,155	343,423	2,945,961	-	6,069,539	(96)
Stage 1	2,780,155	343,423	2,945,961	-	6,069,539	(96)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	11,407,756	2,789,476	27,950,277	1,020	42,148,529	(37,863)
Stage 1	11,331,321	2,789,476	26,739,107	-	40,859,904	(37,729)
Stage 2	76,435	-	1,211,170	-	1,287,605	(134)
Stage 3	-	-	-	1,020	1,020	-
Financial investments at amortised cost	1,721,706	-	14,515,018	140,252	16,376,976	(371,709)
Stage 1	1,721,706	-	13,567,919	-	15,289,625	(11,871)
Stage 2	-	-	947,099	-	947,099	(220,148)
Stage 3	-	-	-	140,252	140,252	(139,690)
Loans, advances and financing	153,448,634	13,101,779	16,381,973	3,181,126	186,113,512	(3,806,358)
Stage 1	137,540,671	8,996,356	15,579,451	-	162,116,478	(812,037)
Stage 2	15,907,963	4,105,423	802,366	-	20,815,752	(1,385,283)
Stage 3	-	-	156	3,181,126	3,181,282	(1,609,038)
Reinsurance assets	369,960	-	-	-	369,960	-
Stage 1	369,960	-	-	-	369,960	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
	174,369,828	16,273,333	64,928,535	3,322,398	258,894,094	(4,225,043)

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
Simplified Approach					
Gross carrying amount:					
- Clients' and brokers' balances	1,325,901	13,828	29,906	1,369,635	(30,067)
- Other financial assets	36,980	14,442	20,052	71,474	(24,388)
	1,362,881	28,270	49,958	1,441,109	(54,455)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

Group 2019	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
	← Gross Carrying Amount				→	
General Approach						
Short term funds (exclude cash in hand)	4,289,836	127,901	6,141,913	-	10,559,650	(3,083)
Stage 1	4,289,836	127,901	6,141,913	-	10,559,650	(3,083)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	724,881	9,448	361,646	-	1,095,975	(408)
Stage 1	724,881	9,448	361,646	-	1,095,975	(408)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	13,345,530	-	25,762,955	1,020	39,109,505	(44,264)
Stage 1	13,345,530	-	25,762,955	-	39,108,485	(44,264)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	1,020	1,020	-
Financial investments at amortised cost	1,896,594	-	12,524,619	140,425	14,561,638	(312,229)
Stage 1	1,871,584	-	11,896,968	-	13,768,552	(23,081)
Stage 2	25,010	-	627,651	-	652,661	(149,285)
Stage 3	-	-	-	140,425	140,425	(139,863)
Loans, advances and financing	121,093,537	37,172,947	14,429,189	3,479,175	176,174,848	(2,980,082)
Stage 1	114,529,057	30,950,924	14,128,382	-	159,608,363	(567,095)
Stage 2	6,564,480	6,222,023	300,807	-	13,087,310	(864,051)
Stage 3	-	-	-	3,479,175	3,479,175	(1,548,936)
Reinsurance assets	410,763	-	-	-	410,763	-
Stage 1	410,763	-	-	-	410,763	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
	141,761,141	37,310,296	59,220,322	3,620,620	241,912,379	(3,340,066)

Other financial assets for the Group of RM1,239,204,000 (2019: RM952,007,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
Simplified Approach					
Gross carrying amount:					
- Clients' and brokers' balances	893,054	1,401	19,765	914,220	(20,772)
- Other financial assets	200,822	18,475	16,667	235,964	(29,705)
	1,093,876	19,876	36,432	1,150,184	(50,477)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

	Gross Carrying Amount					
Bank 2020	Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	6,232,742	26,575	616,469	-	6,875,786	(7,121)
Stage 1	6,232,742	26,575	616,469	-	6,875,786	(7,121)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	8,662,214	343,423	442,266	-	9,447,903	-
Stage 1	8,662,214	343,423	442,266	-	9,447,903	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Investment account due from designated financial institutions	8,840,858	-	-	-	8,840,858	-
Stage 1	8,840,858	-	-	-	8,840,858	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	9,667,957	2,789,476	22,699,605	1,020	35,158,058	(35,857)
Stage 1	9,591,522	2,789,476	21,631,550	-	34,012,548	(35,723)
Stage 2	76,435	-	1,068,055	-	1,144,490	(134)
Stage 3	-	-	-	1,020	1,020	-
Financial investments at amortised cost	1,527,648	-	8,894,469	62,805	10,484,922	(288,929)
Stage 1	1,527,648	-	8,616,358	-	10,144,006	(6,674)
Stage 2	-	-	278,111	-	278,111	(220,013)
Stage 3	-	-	-	62,805	62,805	(62,242)
Loans, advances and financing	98,798,654	4,298,880	6,958,077	2,354,397	112,410,008	(2,903,505)
Stage 1	88,297,025	1,805,058	6,662,714	-	96,764,797	(638,222)
Stage 2	10,501,629	2,493,822	295,363	-	13,290,814	(1,037,670)
Stage 3	-	-	-	2,354,397	2,354,397	(1,227,613)
	133,730,073	7,458,354	39,610,886	2,418,222	183,217,535	(3,235,412)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

Bank 2019	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	3,006,708	23,942	1,481,500	-	4,512,150	(2,733)
Stage 1	3,006,708	23,942	1,481,500	-	4,512,150	(2,733)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	5,267,908	-	82,064	-	5,349,972	(340)
Stage 1	5,267,908	-	82,064	-	5,349,972	(340)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Investment account due from designated financial institutions	8,229,334	-	-	-	8,229,334	-
Stage 1	8,229,334	-	-	-	8,229,334	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	12,453,840	-	20,825,101	1,020	33,279,961	(41,865)
Stage 1	12,453,840	-	20,825,101	-	33,278,941	(41,865)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	1,020	1,020	-
Financial investments at amortised cost	1,433,118	-	8,435,187	62,978	9,931,283	(228,481)
Stage 1	1,408,108	-	8,435,187	-	9,843,295	(16,970)
Stage 2	25,010	-	-	-	25,010	(149,096)
Stage 3	-	-	-	62,978	62,978	(62,415)
Loans, advances and financing	79,115,728	21,552,575	6,356,135	2,623,781	109,648,219	(2,305,896)
Stage 1	74,212,459	16,884,002	6,136,839	-	97,233,300	(324,042)
Stage 2	4,903,269	4,668,573	219,296	-	9,791,138	(802,764)
Stage 3	-	-	-	2,623,781	2,623,781	(1,179,090)
	109,506,636	21,576,517	37,179,987	2,687,779	170,950,919	(2,579,315)

Other financial assets for the Bank of RM1,021,009,000 (2019: RM751,623,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 2020	Short term funds and deposits and placements with banks and other financial institutions˘ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	63,453	102,634	3,465,857	-	-	25	834,255	4,466,224
Mining and quarrying	-	2,704	52,487	-	389,611	-	-	5	593,328	1,038,135
Manufacturing	-	13,376	104,982	560	9,421,004	-	-	6,734	7,139,496	16,686,152
Electricity, gas and water	-	-	1,539,464	75,550	1,680,463	-	-	2,348	667,078	3,964,903
Construction	-	17,326	1,720,626	1,019,050	13,163,308	-	-	2,000	7,727,311	23,649,621
Wholesale & retail trade and restaurant & hotel	-	-	186,726	159,024	17,472,541	-	-	1,526	7,324,483	25,144,300
Transport, storage and communication	-	13,657	3,821,677	1,035,519	7,127,700	-	-	78,752	1,653,763	13,731,068
Finance, insurance, real estate and business services	9,059,478	105,019	17,793,729	8,546,288	21,318,283	-	-	2,043,502	10,180,985	69,047,284
Government and government agencies	4,825,639	2,238,908	16,550,532	5,290,398	3,497,372	-	-	50,059	-	32,452,908
Others	-	-	314,853	8,263	106,968,335	1,339,571	369,960	755,494	21,304,014	131,060,490
	13,885,117	2,390,990	42,148,529	16,237,286	184,504,474	1,339,571	369,960	2,940,445	57,424,713	321,241,085

˘ Excludes stage 1 expected credit losses amounting to RM9,113,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM2,071,116,000.
@ Excludes equity instruments amounting to RM754,730,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM232,019,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM2,197,320,000 and positive fair value changes amounting to RM117,725,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM3,000.
* Excludes allowance for credit losses for non-credit impaired amounting to RM676,000. Other financial assets include other assets amounting to RM1,286,290,000 and derivative assets amounting to RM1,653,479,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below (continued):

Group 2019	Short term funds and deposits and placements with banks and other financial institutions˘ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	112,119	107,991	3,608,651	-	-	283	817,934	4,646,978
Mining and quarrying	-	-	-	-	559,223	-	-	12	630,954	1,190,189
Manufacturing	-	4,136	5,532	560	9,219,965	-	-	5,805	7,149,174	16,385,172
Electricity, gas and water	-	70,152	1,167,552	135,883	2,121,777	-	-	12,175	811,229	4,318,768
Construction	-	-	1,106,488	602,423	12,208,157	-	-	3,753	7,476,456	21,397,277
Wholesale & retail trade and restaurant & hotel	-	-	57,236	150,247	14,197,804	-	-	2,613	6,852,628	21,260,528
Transport, storage and communication	-	43,445	3,450,322	1,126,804	6,912,781	-	-	32,397	1,021,432	12,587,181
Finance, insurance, real estate and business services	6,657,446	471,505	18,249,924	7,415,213	20,408,676	-	-	922,651	11,710,410	65,835,825
Government and government agencies	4,998,179	2,144,858	14,632,005	4,874,182	5,495,679	-	-	7,399	-	32,152,302
Others	-	-	328,327	8,472	99,893,199	893,555	410,763	1,026,434	20,472,189	123,032,939
	11,655,625	2,734,096	39,109,505	14,421,775	174,625,912	893,555	410,763	2,013,522	56,942,406	302,807,159

˘ Excludes stage 1 expected credit losses amounting to RM3,491,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM1,889,351,000.
@ Excludes equity instruments amounting to RM695,799,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM172,366,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,431,146,000 and positive fair value changes amounting to RM41,906,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM107,000.
* Other financial assets include other assets amounting to RM1,158,266,000 and derivative assets amounting to RM855,256,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

Bank 2020	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	26,631	-	1,934,744	25	556,483	2,517,883
Mining and quarrying	-	36	52,487	-	206,684	5	554,822	814,034
Manufacturing	-	13,376	104,982	560	6,916,418	6,505	6,127,049	13,168,890
Electricity, gas and water	-	-	1,393,937	30,187	1,308,248	1,918	531,572	3,265,862
Construction	-	17,326	1,322,659	664,852	7,992,714	473	5,728,636	15,726,660
Wholesale & retail trade and restaurant & hotel	-	-	156,588	159,024	14,785,135	1,526	6,395,967	21,498,240
Transport, storage and communication	-	13,657	3,014,881	722,737	1,668,844	78,328	1,023,330	6,521,777
Finance, insurance, real estate and business services	24,620,450	106,276	16,103,871	5,306,754	14,828,506	2,389,388	8,403,565	71,758,810
Government and government agencies	544,097	2,131,230	12,982,022	3,538,566	65,260	59	-	19,261,234
Others	-	-	-	-	61,475,842	333,349	14,868,311	76,677,502
	25,164,547	2,281,901	35,158,058	10,422,680	111,182,395	2,811,576	44,189,735	231,210,892

ˇ Excludes stage 1 expected credit losses amounting to RM7,121,000.
~ Excludes equity instruments amounting to RM3,400,000.
@ Excludes equity instruments amounting to RM711,582,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM226,687,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,675,892,000 and positive fair value changes amounting to RM8,681,000.
* Other financial assets include other assets amounting to RM1,021,009,000 and derivative assets amounting to RM1,790,567,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

Bank Restated 2019	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions˘ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	76,072	-	2,066,980	283	545,784	2,689,119
Mining and quarrying	-	-	-	-	347,650	12	603,816	951,478
Manufacturing	-	4,136	5,532	560	6,874,492	4,882	6,059,987	12,949,589
Electricity, gas and water	-	70,152	1,056,536	90,426	1,727,919	9,364	679,862	3,634,259
Construction	-	-	801,705	376,863	7,208,004	2,253	5,726,451	14,115,276
Wholesale & retail trade and restaurant & hotel	-	-	57,236	150,247	11,605,209	1,809	6,187,163	18,001,664
Transport, storage and communication	-	43,445	2,704,514	969,631	1,767,863	32,080	737,337	6,254,870
Finance, insurance, real estate and business services	17,302,721	471,505	16,955,984	4,809,696	13,249,998	1,007,961	10,199,549	63,997,414
Government and government agencies	788,735	1,937,713	11,622,382	3,471,445	1,911,967	7,399	-	19,739,641
Others	-	-	-	-	61,709,047	589,164	13,808,845	76,107,056
	18,091,456	2,526,951	33,279,961	9,868,868	108,469,129	1,655,207	44,548,794	218,440,366

˘ Excludes stage 1 expected credit losses amounting to RM3,073,000.
~ Excludes equity instruments amounting to RM3,337,000.
@ Excludes equity instruments amounting to RM654,311,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM166,066,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,126,806,000 and positive fair value changes amounting to RM3,342,000.
* Other financial assets include other assets amounting to RM751,623,000 and derivative assets amounting to RM903,584,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 2020	Short term funds and deposits and placements with banks and other financial institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	10,460,435	2,298,659	39,731,358	16,237,286	180,507,101	1,339,220	336,186	2,262,424	55,372,139	308,544,808
- Malaysia	6,798,538	2,295,207	34,006,353	15,629,617	162,249,796	946,682	331,793	2,002,259	49,306,941	273,567,186
- Singapore	1,632,836	3,452	4,105,773	577,258	12,409,917	-	4,393	178,654	3,983,602	22,895,885
- Thailand	70,352	-	1,316,440	-	1,708,399	149,365	-	57,769	976,740	4,279,065
- Brunei	453,791	-	-	30,411	179,394	-	-	1	27,039	690,636
- Indonesia	188,278	-	231,865	-	967,023	243,173	-	7,344	315,879	1,953,562
- Cambodia	1,093,208	-	-	-	2,344,235	-	-	13,652	656,983	4,108,078
- Laos	192,225	-	-	-	157,878	-	-	2,232	72,360	424,695
- Vietnam	30,290	-	-	-	452,974	-	-	513	31,424	515,201
- Philippines	917	-	70,927	-	18,427	-	-	-	1,107	91,378
- Myanmar	-	-	-	-	19,058	-	-	-	64	19,122
South Asia	50,229	92,331	372,502	-	1,211,293	-	34	11,090	179,218	1,916,697
East Asia	2,109,485	-	683,578	-	1,184,067	351	11,796	444,546	694,620	5,128,443
Central Asia	-	-	-	-	920	-	-	-	-	920
Middle East	289,740	-	87,827	-	268,604	-	-	981	132,716	779,868
Europe	320,637	-	866,282	-	239,122	-	20,597	175,428	955,508	2,577,574
North America	654,108	-	406,982	-	1,040,566	-	1,347	42,980	90,034	2,236,017
Others	483	-	-	-	52,801	-	-	2,996	478	56,758
	13,885,117	2,390,990	42,148,529	16,237,286	184,504,474	1,339,571	369,960	2,940,445	57,424,713	321,241,085

ˇ Excludes stage 1 expected credit losses amounting to RM9,113,000.

~ Excludes equity instruments, unit trusts and private equity funds amounting to RM2,071,116,000.

@ Excludes equity instruments amounting to RM754,730,000.

¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM232,019,000.

Excludes stage 1 and stage 2 expected credit losses amounting to RM2,197,320,000 and positive fair value changes amounting to RM117,725,000.

^ Excludes allowance for credit losses for non-credit impaired amounting to RM3,000.

* Excludes allowance for credit losses for non-credit impaired amounting to RM676,000. Other financial assets include other assets amounting to RM1,286,290,000 and derivative assets amounting to RM1,653,479,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Group's financial assets, including commitments and contingencies, are set out below (continued):

Group 2019	Short term funds and deposits and placements with banks and other financial institutions˘ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	9,847,378	2,528,374	36,209,979	14,421,775	170,657,336	847,126	373,031	1,734,633	53,786,047	290,405,679
- Malaysia	6,585,763	2,475,497	30,788,655	14,118,881	154,763,720	479,187	371,998	1,533,645	47,734,692	258,852,038
- Singapore	1,287,509	52,877	3,895,357	272,494	10,580,169	78,588	1,033	145,456	3,936,345	20,249,828
- Thailand	81,880	-	1,272,384	-	2,069,035	151,614	-	28,138	1,052,230	4,655,281
- Brunei	73,332	-	-	30,400	175,076	-	-	-	189,633	468,441
- Indonesia	166,521	-	253,583	-	460,166	137,737	-	10,881	208,185	1,237,073
- Cambodia	1,391,618	-	-	-	2,135,152	-	-	15,019	567,228	4,109,017
- Laos	228,075	-	-	-	195,137	-	-	1,196	54,702	479,110
- Vietnam	32,281	-	-	-	239,174	-	-	298	41,805	313,558
- Philippines	399	-	-	-	20,611	-	-	-	1,124	22,134
- Myanmar	-	-	-	-	19,096	-	-	-	103	19,199
South Asia	151,353	184,601	346,137	-	1,061,221	538	110	20,331	723,281	2,487,572
East Asia	702,541	14,359	716,988	-	1,349,197	41,968	28,464	175,764	1,496,913	4,526,194
Central Asia	-	-	-	-	1,130	-	-	-	-	1,130
Middle East	4,520	-	218,636	-	90,725	-	18	-	25,766	339,665
Europe	207,743	-	1,101,518	-	230,008	-	8,717	77,790	744,242	2,370,018
North America	741,044	6,762	516,247	-	1,182,376	3,923	423	5,004	163,951	2,619,730
Others	1,046	-	-	-	53,919	-	-	-	2,206	57,171
	11,655,625	2,734,096	39,109,505	14,421,775	174,625,912	893,555	410,763	2,013,522	56,942,406	302,807,159

˘ Excludes stage 1 expected credit losses amounting to RM3,491,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM1,889,351,000.
@ Excludes equity instruments amounting to RM695,799,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM172,366,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,431,146,000 and positive fair value changes amounting to RM41,906,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM107,000.
* Other financial assets include other assets amounting to RM1,158,266,000 and derivative assets amounting to RM855,256,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

Bank 2020	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	21,811,775	2,189,571	32,740,887	10,422,680	108,877,774	2,137,945	42,251,954	220,432,586
- Malaysia	19,407,766	2,186,118	27,015,882	9,815,011	93,717,287	1,942,090	37,324,958	191,409,112
- Singapore	1,622,107	3,453	4,105,773	577,258	12,345,718	167,986	3,956,498	22,778,793
- Thailand	31,674	-	1,316,440	-	1,573,466	27,661	798,925	3,748,166
- Brunei	372,530	-	-	30,411	177,614	1	26,943	607,499
- Indonesia	4,143	-	231,865	-	619,850	207	112,930	968,995
- Cambodia	204,523	-	-	-	380	-	-	204,903
- Laos	168,489	-	-	-	1,043	-	-	169,532
- Vietnam	76	-	-	-	408,123	-	30,529	438,728
- Philippines	467	-	70,927	-	15,890	-	1,107	88,391
- Myanmar	-	-	-	-	18,403	-	64	18,467
South Asia	26,333	92,330	372,502	-	1,072,760	11,090	173,905	1,748,920
East Asia	2,081,360	-	683,578	-	454,221	441,137	690,460	4,350,756
Middle East	288,650	-	87,827	-	39,843	-	132,716	549,036
Europe	315,024	-	866,282	-	86,787	175,428	940,680	2,384,201
North America	640,922	-	406,982	-	640,345	42,980	20	1,731,249
Others	483	-	-	-	10,665	2,996	-	14,144
	25,164,547	2,281,901	35,158,058	10,422,680	111,182,395	2,811,576	44,189,735	231,210,892

ˇ Excludes stage 1 expected credit losses amounting to RM7,121,000.
~ Excludes equity instruments amounting to RM3,400,000.
@ Excludes equity instruments amounting to RM711,582,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM226,687,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,675,892,000 and positive fair value changes amounting to RM8,681,000.
* Other financial assets include other assets amounting to RM1,021,009,000 and derivative assets amounting to RM1,790,567,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

Bank Restated 2019	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions˘ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised costs¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	16,369,651	2,321,229	30,406,013	9,868,868	106,203,532	1,381,308	41,999,580	208,550,181
- Malaysia	14,636,950	2,268,352	24,984,691	9,565,974	93,257,641	1,277,229	37,070,280	183,061,117
- Singapore	1,211,072	52,877	3,895,355	272,494	10,345,340	102,733	3,771,563	19,651,434
- Thailand	24,897	-	1,272,384	-	1,839,878	1,341	864,954	4,003,454
- Brunei	71,622	-	-	30,400	173,475	-	189,633	465,130
- Indonesia	6,721	-	253,583	-	324,825	5	61,023	646,157
- Cambodia	209,685	-	-	-	34,984	-	-	244,669
- Laos	208,283	-	-	-	1,054	-	-	209,337
- Vietnam	140	-	-	-	189,671	-	40,900	230,711
- Philippines	281	-	-	-	18,278	-	1,124	19,683
- Myanmar	-	-	-	-	18,386	-	103	18,489
South Asia	146,336	184,601	346,139	-	963,636	20,331	682,425	2,343,468
East Asia	636,061	14,359	716,988	-	427,254	170,774	1,412,999	3,378,435
Middle East	3,819	-	193,056	-	22,715	-	25,766	245,356
Europe	203,254	-	1,101,518	-	86,432	77,790	354,269	1,823,263
North America	731,289	6,762	516,247	-	757,157	5,004	73,755	2,090,214
Others	1,046	-	-	-	8,403	-	-	9,449
	18,091,456	2,526,951	33,279,961	9,868,868	108,469,129	1,655,207	44,548,794	218,440,366

˘ Excludes stage 1 expected credit losses amounting to RM3,073,000.

~ Excludes equity instruments amounting to RM3,337,000.

@ Excludes equity instruments amounting to RM654,311,000.

¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM166,066,000.

Excludes stage 1 and stage 2 expected credit losses amounting to RM1,126,806,000 and positive fair value changes amounting to RM3,342,000.

* Other financial assets include other assets amounting to RM751,623,000 and derivative assets amounting to RM903,584,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(v) Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the income statements.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended 31 December 2020, and are still subject to enforcement activities was RM82.5 million and RM67.7 million (2019: RM60.6 million and RM54.6 million) for the Group and the Bank respectively.

(vi) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised as net modification loss in the income statements as disclosed in Note 40, with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more, excluding borrowers under moratorium repayment during the year due to COVID-19 pandemic.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(vii) Sensitivity analysis

The Group and the Bank have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key variables, such as private consumption, unemployment rates, inflation and KLIBOR-3M, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group and the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

2020	Changes	Increase/(Decrease) in ECL Group		Bank	
		RM'000	RM'000	RM'000	RM'000
(a) Retail					
Private consumption	+/- 200bps	(67,109)	71,459	(60,969)	64,997
Unemployment rates	+/- 50bps	110,589	(101,920)	101,079	(93,049)
Inflation	+/- 100bps	30,326	(26,805)	28,306	(25,129)
(b) Non-retail					
Private consumption	+/- 200bps	(24,250)	23,487	(15,648)	15,303
KLIBOR-3M	+/- 25bps	16,666	(16,628)	9,754	(9,599)

2019	Changes	Increase/(Decrease) in ECL Group		Bank	
		RM'000	RM'000	RM'000	RM'000
(a) Retail					
Private consumption	+/- 50bps	(6,743)	9,951	(5,689)	8,527
Unemployment rates	+/- 10bps	14,043	(13,607)	12,402	(12,016)
Inflation	+/- 5bps	905	(912)	825	(826)
(b) Non-retail					
Private consumption	+/- 50bps	(5,388)	4,570	(3,632)	3,025
KLIBOR-3M	+/- 25bps	17,283	(17,307)	10,782	(10,728)

Retail comprises substantially household sector as disclosed in Note 8(e) under loans, advances and financing by economic sector.

Non-retail comprises other than household sector as disclosed in Note 8(e) under loans, advances and financing by economic sector.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities

The Group and the Bank report financial assets and financial liabilities on a net basis on the balance sheet 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:

(i) all financial assets and liabilities that are reported on the balance sheet; and

(ii) all derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets/ financial liabilities	Related amounts not set off in the statements of financial position		
Group 2020	**RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets				
Derivative assets	**1,653,479**	**(700,180)**	**(396,704)**	**556,595**
Financial liabilities				
Obligations on securities sold under repurchase agreements	**972,963**	**-**	**(1,570)**	**971,393**
Derivative liabilities	**2,034,795**	**(700,180)**	**(132,778)**	**1,201,837**
2019				
Financial assets				
Derivative assets	855,256	(379,414)	(177,444)	298,398
Financial liabilities				
Derivative liabilities	1,160,927	(379,414)	(38,410)	743,103

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities (continued)

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements (continued):

Bank 2020	Gross amounts of recognised financial assets/ financial liabilities RM'000	Related amounts not set off in the statements of financial position Financial instruments RM'000	 Financial collateral RM'000	Net amount RM'000
Financial assets				
Derivative assets	**1,790,567**	**(700,180)**	**(396,704)**	**693,683**
Financial liabilities				
Obligations on securities sold under repurchase agreements	**4,740,494**	**-**	**(1,570)**	**4,738,924**
Derivative liabilities	**1,979,142**	**(700,180)**	**(132,778)**	**1,146,184**
2019				
Financial assets				
Derivative assets	903,584	(379,414)	(177,444)	346,726
Financial liabilities				
Derivative liabilities	1,155,074	(379,414)	(38,410)	737,250

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments

The Group and the Bank analyses its financial instruments measured at fair value into three categories as described below:

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 significant inputs are not based on observable market data.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
Financial assets at FVTPL:	**518,459**	**3,396,562**	**547,085**	**4,462,106**
- Money market instruments	**-**	**2,238,908**	**-**	**2,238,908**
- Quoted securities	**518,459**	**-**	**-**	**518,459**
- Unquoted securities	**-**	**1,157,654**	**547,085**	**1,704,739**
Financial assets at FVOCI:	**1,922**	**42,147,509**	**753,828**	**42,903,259**
- Money market instruments	**-**	**15,287,958**	**-**	**15,287,958**
- Quoted securities	**1,922**	**-**	**-**	**1,922**
- Unquoted securities	**-**	**26,859,551**	**753,828**	**27,613,379**
Derivative assets	**-**	**1,653,479**	**-**	**1,653,479**
	520,381	**47,197,550**	**1,300,913**	**49,018,844**
Financial liabilities				
Derivative liabilities	**71,703**	**1,963,092**	**-**	**2,034,795**
2019				
Financial assets				
Financial assets at FVTPL:	375,403	3,742,448	505,596	4,623,447
- Money market instruments	-	2,144,858	-	2,144,858
- Quoted securities	375,403	-	-	375,403
- Unquoted securities	-	1,597,590	505,596	2,103,186
Financial assets at FVOCI:	2,418	39,108,486	694,400	39,805,304
- Money market instruments	-	13,875,143	-	13,875,143
- Quoted securities	2,418	-	-	2,418
- Unquoted securities	-	25,233,343	694,400	25,927,743
Derivative assets	3,000	852,256	-	855,256
	380,821	43,703,190	1,199,996	45,284,007
Financial liabilities				
Derivative liabilities	4,277	1,156,650	-	1,160,927

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy (continued):

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
Financial assets at FVTPL:	**6,882**	**2,264,762**	**13,657**	**2,285,301**
- Money market instruments	**-**	**2,131,230**	**-**	**2,131,230**
- Quoted securities	**6,882**	**-**	**-**	**6,882**
- Unquoted securities	**-**	**133,532**	**13,657**	**147,189**
Financial assets at FVOCI:	**-**	**35,157,038**	**712,602**	**35,869,640**
- Money market instruments	**-**	**12,885,005**	**-**	**12,885,005**
- Unquoted securities	**-**	**22,272,033**	**712,602**	**22,984,635**
Derivative assets	**-**	**1,790,567**	**-**	**1,790,567**
	6,882	**39,212,367**	**726,259**	**39,945,508**
Financial liabilities				
Derivative liabilities	**-**	**1,979,142**	**-**	**1,979,142**
2019				
Financial assets				
Financial assets at FVTPL:	6,661	2,510,748	12,879	2,530,288
- Money market instruments	-	1,937,713	-	1,937,713
- Quoted securities	6,661	-	-	6,661
- Unquoted securities	-	573,035	12,879	585,914
Financial assets at FVOCI:	-	33,278,941	655,331	33,934,272
- Money market instruments	-	11,971,912	-	11,971,912
- Unquoted securities	-	21,307,029	655,331	21,962,360
Derivative assets	-	903,584	-	903,584
	6,661	36,693,273	668,210	37,368,144
Financial liabilities				
Derivative liabilities	-	1,155,074	-	1,155,074

There were no transfers between Level 1 and 2 during the financial year.

(i) Valuation techniques

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 quoted securities and unit trusts.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

(i) Valuation techniques (continued)

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, unquoted private equity funds, non-transferable and non-tradable perpetual notes/sukuk, impaired securities and unquoted corporate loan stocks. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. Fair values for unquoted private equity funds are based on enterprise valuation method where the main input include earnings before interest, taxes, depreciation and amortisation ('EBITDA'), comparable companies earning multiple and marketable discount. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value measurements in Level 3

The following represents the changes in Level 3 instruments for the Group and the Bank:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVTPL				
Balance as at the beginning of financial year	**505,596**	449,420	**12,879**	12,145
Total net gain recognised in income statements	**56,815**	33,817	**-**	-
Purchases	**7,567**	28,218	**778**	734
Settlements/distribution	**(12,249)**	(792)	**-**	-
Exchange differences	**(10,644)**	(5,067)	**-**	-
Balance as at the end of the financial year	**547,085**	505,596	**13,657**	12,879

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVOCI				
Balance as at the beginning of financial year	**694,400**	767,926	**655,331**	638,477
Total net gain recognised in other comprehensive income	**60,340**	18,745	**58,169**	16,854
Settlements/disposal	**(898)**	(92,290)	**(898)**	-
Exchange differences	**(14)**	19	**-**	-
Balance as at the end of the financial year	**753,828**	694,400	**712,602**	655,331

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2020				
Financial assets				
Deposits and placements with banks and other financial institutions	**6,069,443**	**6,070,338**	**9,447,903**	**9,455,682**
Investment account due from designated financial institutions	**-**	**-**	**8,840,858**	**9,047,106**
Financial investments at amortised cost	**16,005,267**	**16,356,135**	**10,195,993**	**10,420,409**
Loans, advances and financing	**182,424,879**	**183,283,598**	**109,515,184**	**109,553,942**
Financial liabilities				
Deposits from customers	**203,470,783**	**203,521,225**	**134,310,974**	**134,352,864**
Deposits and placements of banks and other financial institutions	**21,035,186**	**20,767,863**	**24,610,611**	**24,333,704**
Recourse obligation on loans sold to Cagamas	**3,023,760**	**3,179,978**	**-**	**-**
Senior debt securities	**3,545,150**	**3,664,110**	**3,545,150**	**3,664,110**
Subordinated obligations	**2,718,729**	**2,780,013**	**1,762,067**	**1,792,195**
2019				
Financial assets				
Deposits and placements with banks and other financial institutions	1,095,567	1,095,567	5,349,632	5,339,988
Investment account due from designated financial institutions	-	-	8,229,334	8,372,010
Financial investments at amortised cost	14,249,409	14,463,088	9,702,802	9,841,068
Loans, advances and financing	173,236,672	173,624,707	107,345,665	107,385,404
Financial liabilities				
Deposits from customers	190,555,225	190,787,914	131,571,124	131,695,782
Deposits and placements of banks and other financial institutions	21,539,329	21,391,935	19,173,832	19,030,056
Recourse obligation on loans sold to Cagamas	3,535,996	3,731,751	1,265,757	1,292,558
Senior debt securities	3,296,763	3,364,821	3,296,763	3,364,821
Subordinated obligations	2,724,224	2,766,242	1,565,396	1,589,627

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
Deposits and placements with banks and other financial institutions	**-**	**6,070,338**	**-**	**6,070,338**
Financial investments at amortised cost	**-**	**10,953,326**	**5,402,809**	**16,356,135**
Loans, advances and financing	**-**	**183,283,598**	**-**	**183,283,598**
Financial liabilities				
Deposits from customers	**-**	**203,521,225**	**-**	**203,521,225**
Deposits and placements of banks and other financial institutions	**-**	**20,767,863**	**-**	**20,767,863**
Recourse obligation on loans sold to Cagamas	**-**	**3,179,978**	**-**	**3,179,978**
Senior debt securities	**-**	**3,664,110**	**-**	**3,664,110**
Subordinated obligations	**-**	**2,780,013**	**-**	**2,780,013**
2019				
Financial assets				
Deposits and placements with banks and other financial institutions	-	1,095,567	-	1,095,567
Financial investments at amortised cost	-	10,008,143	4,454,945	14,463,088
Loans, advances and financing	-	173,624,707	-	173,624,707
Financial liabilities				
Deposits from customers	-	190,787,914	-	190,787,914
Deposits and placements of banks and other financial institutions	-	21,391,935	-	21,391,935
Recourse obligation on loans sold to Cagamas	-	3,731,751	-	3,731,751
Senior debt securities	-	3,364,821	-	3,364,821
Subordinated obligations	-	2,766,242	-	2,766,242

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value but for which fair value is disclosed:

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
Deposits and placements with banks and other financial institutions	**-**	**9,455,682**	**-**	**9,455,682**
Investment account due from designated financial institutions	**-**	**9,047,106**	**-**	**9,047,106**
Financial investments at amortised cost	**-**	**7,748,495**	**2,671,914**	**10,420,409**
Loans, advances and financing	**-**	**109,553,942**	**-**	**109,553,942**
Financial liabilities				
Deposits from customers	**-**	**134,352,864**	**-**	**134,352,864**
Deposits and placements of banks and other financial institutions	**-**	**24,333,704**	**-**	**24,333,704**
Senior debt securities	**-**	**3,664,110**	**-**	**3,664,110**
Subordinated obligations	**-**	**1,792,195**	**-**	**1,792,195**
2019				
Financial assets				
Deposits and placements with banks and other financial institutions	-	5,339,988	-	5,339,988
Investment account due from designated financial institutions	-	8,372,010	-	8,372,010
Financial investments at amortised cost	-	7,569,772	2,271,296	9,841,068
Loans, advances and financing	-	107,385,404	-	107,385,404
Financial liabilities				
Deposits from customers	-	131,695,782	-	131,695,782
Deposits and placements of banks and other financial institutions	-	19,030,056	-	19,030,056
Recourse obligation on loans sold to Cagamas	-	1,292,558	-	1,292,558
Senior debt securities	-	3,364,821	-	3,364,821
Subordinated obligations	-	1,589,627	-	1,589,627

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions:

(i) Cash and short term funds, deposits and placements with financial institutions and investment account due from designated financial institutions

For cash and short term funds, deposits and placements with financial institutions and investment account due from designated financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For the items with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost

The estimated fair value for financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions: (continued)

(vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Lease liabilities

The estimated fair value of lease liabilities with maturities of less than six months approximate the carrying values. For other lease liabilities with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates of incremental borrowings.

(x) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(xi) Senior debt securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xiii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xiv) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Current Year

(1) Proposed cessation of business operations of subsidiaries in Hong Kong

RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations. RHB Investment Bank had on 14 February 2020 injected additional capital into RHB Hong Kong as disclosed in Note 15.

The increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow RHB Investment Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

As part of RHB Hong Kong Group:

(i) RHB (China) Investment Advisory Co Ltd had been deregistered with the registration authority in China on 17 June 2020 as disclosed in Note 15; and

(ii) RHB Finance Hong Kong Limited, RHB Asset Management Limited, RHB Capital Hong Kong Limited and RHB Wealth Management Hong Kong Limited have commenced the application for member's voluntary winding up as disclosed in Note 15.

(2) Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore')

RHB Investment Bank, a wholly owned subsidiary of the Bank has on 29 June 2020, entered into a conditional share purchase agreement with Phillip Securities Pte Ltd ('Purchaser') in respect of the disposal of its entire equity interest in its wholly owned subsidiary, RHB Securities Singapore ('Disposal').

Prior to the completion of the Disposal, RHB Securities Singapore undertook a corporate exercise to transfer the following businesses and assets to the Bank ('Business Transfer'):

(i) the client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales;

(ii) the entire equity interests of RHB Securities Singapore's wholly-owned subsidiaries in RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and

(iii) other assets and liabilities in respect of item (i) above.

The Disposal is conditional upon the completion of the Business Transfer but not vice versa.

With the Disposal, the Bank will be in a position to better serve its wholesale clients in Singapore with the transfer of the capital markets business to RHB Bank Singapore. The increasingly competitive broking environment has made it no longer viable for RHB Securities Singapore to continue its stock broking business.

The Business Transfer and the Disposal were completed on 31 August 2020 and 11 September 2020 respectively, following approvals from the relevant regulatory authorities in Malaysia and Singapore.

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore') (continued)

(i) Effects of Business Transfer

The Business Transfer which was based on the respective carrying value of the identified businesses, assets and liabilities of SGD20,572,000 (equivalent to RM62,798,000) on completion date, with the corresponding goodwill in accordance with predecessor accounting at the Bank level, was settled in cash. The Business Transfer does not have any significant effect to the financial results of the Bank and there is no financial impact from the Group's perspective.

The Bank has adopted the predecessor accounting to reflect the Business Transfer and the effects of the restatement arising therefrom are as follows:

Statements of Financial Position
As at 31 December 2019

Bank	As previously reported RM'000	Effect of predecessor accounting RM'000	As restated RM'000
ASSETS			
Cash and short term funds	5,502,893	-	5,502,893
Deposits and placements with banks and other financial institutions	5,349,632	-	5,349,632
Investment account due from designated financial institutions	8,229,334	-	8,229,334
Financial assets at FVTPL	2,530,288	-	2,530,288
Financial assets at FVOCI	33,934,272	-	33,934,272
Financial investments at amortised cost	9,702,802	-	9,702,802
Loans, advances and financing	107,345,665	-	107,345,665
Other assets	1,104,726	115	1,104,841
Derivative assets	903,584	-	903,584
Statutory deposits	2,608,316	-	2,608,316
Tax recoverable	433,364	-	433,364
Investments in subsidiaries	4,913,885	594	4,914,479
Right of use assets	85,960	55	86,015
Property, plant and equipment	753,638	33	753,671
Goodwill	1,651,542	63,371	1,714,913
Intangible assets	548,434	3	548,437
TOTAL ASSETS	185,598,335	64,171	185,662,506

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore') (continued)

(i) Effects of Business Transfer (continued)

The Bank has adopted the predecessor accounting to reflect the Business Transfer and the effects of the restatement arising therefrom are as follows (continued):

Statements of Financial Position
As at 31 December 2019

Bank	As previously reported RM'000	Effect of predecessor accounting RM'000	As restated RM'000
LIABILITIES			
Deposits from customers	131,571,124	-	131,571,124
Deposits and placements of banks and other financial institutions	19,173,832	-	19,173,832
Obligations on securities sold under repurchase agreements	3,772,623	-	3,772,623
Bills and acceptances payable	205,528	-	205,528
Other liabilities	1,780,860	64,115	1,844,975
Derivative liabilities	1,155,074	-	1,155,074
Recourse obligation on loans sold to Cagamas	1,265,757	-	1,265,757
Deferred tax liabilities	136,711	-	136,711
Lease liabilities	85,267	56	85,323
Borrowings	840,177	-	840,177
Senior debt securities	3,296,763	-	3,296,763
Subordinated obligations	1,565,396	-	1,565,396
TOTAL LIABILITIES	164,849,112	64,171	164,913,283
Share capital	6,994,103	-	6,994,103
Reserves	13,755,120	-	13,755,120
TOTAL EQUITY	20,749,223	-	20,749,223
TOTAL LIABILITIES AND EQUITY	185,598,335	64,171	185,662,506

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore') (continued)

(ii) Effects of Disposal

The Disposal consideration which was based on the net tangible assets of RHB Securities Singapore preceding the completion date and adjustments mutually agreed between RHB Investment Bank and the Purchaser, was settled partially via cash and a set-off against intercompany balances owing by RHB Investment Bank to RHB Securities Singapore arising from the Business Transfer.

The Group had accounted for the Disposal of RHB Securities Singapore as a discontinued operation in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Financial information relating to the discontinued operation are as follows:

(a) Cash flows and net assets on disposal date

	RM'000
Cash and short-term funds	37,327
Loans and advances	61,554
Net clients and brokers' balances	82,344
Other assets	115,436
Derivative assets	23
Right of use assets	3,466
Property, plant and equipment	3,277
Intangible assets	2,783
Other liabilities	(9,585)
Lease liabilities	(3,598)
Borrowings	(6,177)
Total net assets derecognised	286,850
Less: Realisation of foreign exchange reserve and net investment hedge	(75,603)
Gain on disposal of a subsidiary	55,017
Sales consideration	266,264
Less: Contingent consideration	(17,228)
Less: Non cash consideration	(12,991)
Less: Deed of set-off on proceeds from Business Transfer	(62,798)
Sales consideration received in cash	173,247
Less: Cash and short-term funds of the subsidiary disposed	(37,327)
Exchange differences	281
Cash inflow on disposal of a subsidiary	136,201

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore') (continued)

(ii) Effects of Disposal (continued)

The Group had accounted for the Disposal of RHB Securities Singapore as a discontinued operation in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Financial information relating to the discontinued operation are as follows (continued):

(b) Financial performance and cash flow

Income Statement for the Financial Year Ended 31 December 2020

	Group	
	2020 RM'000	**2019 RM'000**
Interest income	**4,339**	9,506
Interest expense	**(709)**	(2,440)
Net interest income	**3,630**	7,066
Other operating income	**36,560**	36,177
Net income	**40,190**	43,243
Other operating expenses	**(61,140)**	(84,423)
Operating loss before allowances	**(20,950)**	(41,180)
Allowance for credit losses on financial assets	**(937)**	(2,718)
Net operating loss before taxation	**(21,887)**	(43,898)
Taxation	**1,531**	(328)
Gain on disposal of a subsidiary	**55,017**	-
Net profit/(loss) from discontinued operation for the financial year	**34,661**	(44,226)

Statement of Comprehensive Income for the Financial Year Ended 31 December 2020

	Group	
	2020 RM'000	**2019 RM'000**
Net profit/(loss) from discontinued operation for the financial year	**34,661**	(44,226)
Other comprehensive income/(loss) in respect of:		
Items that will be reclassified subsequently to profit or loss:		
- Realisation of foreign exchange reserve and net investment hedge from discontinued operation	**(75,603)**	(25)
Other comprehensive loss, net of tax, for the financial year	**(75,603)**	(25)
Total comprehensive loss from discontinued operation for the financial year	**(40,942)**	(44,251)

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(2) Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore') (continued)

(ii) Effects of Disposal (continued)

The Group had accounted for the Disposal of RHB Securities Singapore as a discontinued operation in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Financial information relating to the discontinued operation are as follows (continued):

(b) Financial performance and cash flow (continued)

Statements of Cash Flow for the Financial Year Ended 31 December 2020

	Group	
	2020 RM'000	2019 RM'000
From discontinued operation:		
Net cash generated from operating activities	**27,134**	28,999
Net cash used in investing activities	**(585)**	(1,899)
Net cash used in financing activities	**(74,912)**	(22,736)
Net (decrease)/increase in cash and cash equivalents	**(48,363)**	4,364

(3) Bancatakaful service agreements between RHB Islamic Bank and Syarikat Takaful Malaysia Keluarga Berhad ('STMKB') and Syarikat Takaful Malaysia Am Berhad ('STMAB')

RHB Islamic Bank had on 28 July 2020, entered into the following agreements:

(i) Bancatakaful service agreement in respect of family Takaful products ('Family Bancatakaful Agreement') with STMKB; and

(ii) Bancatakaful service agreement in respect of general Takaful products ('General Bancatakaful Agreement') with STMAB, a wholly-owned subsidiary of STMKB.

The salient terms of the Bancatakaful Agreements are as follows:

Family Bancatakaful Agreement	General Bancatakaful Agreement
(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to RHB Islamic Bank meeting the pre-agreed budgets for the family credit Takaful products, and shall end on 31 July 2025. In event that RHB Islamic Bank fails to meet the pre-agreed budgets for the family credit Takaful products at the end of the 5th year of the contract period, the tenure of the Family Bancatakaful Agreement may be extended for a period of up to 1 year;	(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to RHB Islamic Bank meeting the pre-agreed budgets for the general Takaful products, and shall end on 31 July 2025. In event that RHB Islamic Bank fails to meet the pre-agreed budgets for the general Takaful products at the end of the 5th year of the contract period, the tenure of the General Bancatakaful Agreement may be extended for a period of up to 1 year; and

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(3) Bancatakaful service agreements between RHB Islamic Bank and Syarikat Takaful Malaysia Keluarga Berhad ('STMKB') and Syarikat Takaful Malaysia Am Berhad ('STMAB') (continued)

The salient terms of the Bancatakaful Agreements are as follows (continued):

Family Bancatakaful Agreement	General Bancatakaful Agreement
(b) RHB Islamic Bank shall sell, distribute, market and promote family credit Takaful products developed by STMKB for distribution by RHB Islamic Bank on an exclusive basis to the extent permitted by the applicable laws and regulatory requirements. In consideration thereof, STMKB will pay a facilitation fee of RM145 million to RHB Islamic Bank; and	(b) RHB Islamic Bank shall sell, distribute, market and promote general Takaful products developed by STMAB for distribution by RHB Islamic Bank on an exclusive basis to the extent permitted by the applicable laws and regulatory requirements. In consideration thereof, STMAB will pay a facilitation fee of RM6 million to RHB Islamic Bank.
(c) STMKB shall have the right of first refusal to develop and offer for sale by RHB Islamic Bank non-credit related/advisory family Takaful products proposed by RHB Islamic Bank, in accordance with the terms of the Family Bancatakaful Agreement.	

(4) Proposed establishment of a Dividend Reinvestment Plan ('DRP')

On 17 December 2020, the Bank announced that it proposes to undertake the establishment of a DRP that provides the shareholders of the Bank ('Shareholders') with an option to elect to reinvest, in whole or in part, their cash dividend declared by the Bank in new RHB Bank Shares ('DRP Shares') ('Proposed DRP').

The rationale of the Proposed DRP is as follows:

(i) It provides the Bank with flexibility in managing and strengthening its capital position as part of the Bank's capital management strategy. The reinvestment of dividend by the Shareholders for DRP Shares will also enlarge the share capital base of the Bank.

The cash retained which would otherwise be used for the payment of dividend, may be utilised for working capital, repay borrowings and/or other requirements of the Bank or RHB Banking Group to be identified at the point when such funds are retained.

(ii) It allows Shareholders to have the option of reinvesting further into the Bank and provides the Shareholders with the following:

(a) an opportunity to enhance and maximise the value of their shareholdings in the Bank by investing in DRP Shares at a discount; and

(b) flexibility to the Shareholders in meeting their investment objectives as the Shareholders would have the option of receiving dividend in cash and/or reinvesting in DRP Shares.

(iii) The implementation of the Proposed DRP will provide an avenue to the Shareholders to exercise the electable portion under the reinvestment option into DRP Shares in lieu of receiving cash.

(iv) The Proposed DRP may potentially improve the trading liquidity of RHB Bank shares as well as strengthen the financial position and capital base of the Bank through the issuance of DRP Shares.

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(4) Proposed establishment of a Dividend Reinvestment Plan ('DRP') (continued)

The Proposed DRP is not conditional or inter-conditional upon any other corporate exercise being or proposed to be undertaken by the Bank. However, the Proposed DRP is conditional upon the following:

(i) approval from BNM for the implementation of the Proposed DRP, of which application to BNM has been submitted on 18 January 2021;

(ii) Bursa Malaysia Securities Berhad ('Bursa Securities') for the listing and quotation of the DRP Shares on the Main Market of Bursa Securities;

(iii) the approval from Shareholders for the Proposed DRP at the forthcoming Annual General Meeting; and

(iv) any other relevant authority and/or party, if required.

The effects of the Proposed DRP on the share capital, substantial shareholders' shareholdings, net assets, gearing, earnings and earnings per share as well as the number of new ordinary shares to be issued by the Bank are dependent on the following:

(i) the quantum of the dividend to be announced by the Board of which the Proposed DRP can be applied with;

(ii) the Board's decision on the proportion/size of the electable portion;

(iii) the issue price;

(iv) the extent to which Shareholders elect to exercise the reinvestment option;

(v) the applicable withholding tax rates of the Shareholders; and

(vi) any necessary downward adjustment by the Board to the final number of DRP Shares to be allotted and issued to any of the Shareholders.

None of the Bank's Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed DRP apart from their respective entitlements under the Proposed DRP to which all Shareholders are similarly entitled.

(5) Proposed disposal of RHB International Trust (L) Ltd ('RHBIT')

RHB Bank (L) Ltd ('RHBBL') has on 14 December 2020 entered into a conditional share sale and purchase agreement with Pacific Trustees Berhad ('Pacific Trustees') in respect of the proposed disposal of its entire equity interest in RHBIT for a cash consideration of approximately USD173,490 ('Proposed Disposal').

Upon completion of the Proposed Disposal, RHBIT will cease to be a wholly-owned subsidiary of RHBBL. Barring any unforeseen circumstances and subject to regulatory approval being obtained from the Labuan Financial Services Authority ('Labuan FSA') for the Proposed Disposal, the Proposed Disposal is expected to be completed in the first quarter of 2021.

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Prior Year

(6) Acquisition by RHB Investment Bank of the remaining 51% equity interest in RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') ('Acquisition')

Prior to 19 February 2019, RHB Investment Bank, a wholly-owned subsidiary of the Bank, held 49% equity interest in RHB Securities Vietnam and has accounted for this investment as a joint venture.

RHB Investment Bank had on 19 February 2019 completed the acquisition of the remaining 51% equity interest in RHB Securities Vietnam following the full payment of the purchase consideration of VND121,629,915,000 (equivalent to RM21,400,000) to Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company.

RHB Securities Vietnam had since become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019.

The Group had accounted for the Acquisition of RHB Securities Vietnam in accordance with MFRS 3 'Business Combination' and the following are the accounting effects:

(i) Equity interest previously held as joint venture at 49% in RHB Securities Vietnam was deemed as disposed at fair value, giving rise to a gain on disposal of RM258,000 as disclosed in Note 38.

	RM'000
Fair value of previously held equity interest	15,934
Less: Equity attributable to net assets	(15,676)
Gain on remeasurement of previously held equity interest in a joint venture	258

(ii) The acquisition of assets and liabilities of RHB Securities Vietnam on acquisition date were as follows:

	RM'000
Cash and short term funds	1,765
Deposits and placements with banks and other financial institutions	30,345
Other assets	397
Property, plant and equipment	30
Other liabilities	(18)
Total identifiable net assets	32,519
Less: Fair value of previously held equity interest	(15,934)
Goodwill arising from acquisition	4,815
Cash consideration	21,400

(iii) Effect of financial results

The financial results of the Acquisition in the period between the date of acquisition and the date of statements of financial position was not significant to the Group.

(iv) The net cash flows arising from the Acquisition was as follows:

	RM'000
Cash settlement	(21,400)
Cash and short term funds	1,765
Deposits and placements with banks and other financial institutions	30,345
Acquisition of a subsidiary, net of cash and cash equivalents acquired	10,710

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

Prior Year (continued)

(7) Reorganisation of the equity, economic and fixed income and currencies research operations of RHB Research Institute Sdn Bhd ('RHBRI') into RHB Investment Bank and the Bank

In 2019, RHB Investment Bank undertook a reorganisation of its equity and economic research operations, previously housed under RHBRI, a wholly-owned subsidiary of RHB Investment Bank, into a division within RHB Investment Bank, while their fixed income and currencies research function is absorbed by the Bank.

The Reorganisation was intended to streamline the research operations under RHB Investment Bank and the Bank, and to rationalise the costs of maintaining a separate licensed entity for research.

The Securities Commission Malaysia ('SC') had on 15 April 2019, granted approval for the Reorganisation, including the variation of RHB Investment Bank's Capital Market Services Licence ('CMSL') to include the regulated activity of Investment Advice.

Following SC's approval, the Reorganisation was completed on 2 May 2019 via an Asset Purchase Agreement ('APA') entered into between RHB Investment Bank and RHBRI and included a novation of contracts entered into by RHBRI and a transfer of employees. Similarly, the Bank and RHBRI entered into an APA in relation to the transfer of assets.

RHBRI has since surrendered its CMSL and had commenced member's voluntary winding up on 30 September 2020 as disclosed in Note 15.

58 EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

(a) Proposed capital repayment by RHB Investment Bank

RHB Investment Bank had on 12 January 2021 passed a special resolution to reduce its issued and paid up ordinary share capital pursuant to Section 117 of Companies Act 2016 ('CA 2016'), by way of:

(i) cancellation of 20,000,000 ordinary shares in RHB Investment Bank which are held by the Bank, resulting in the total number of issued ordinary shares in RHB Investment Bank being reduced from 100,000,000 ordinary shares to 80,000,000 ordinary shares; and

(ii) reduction of RHB Investment Bank's share capital from RM1,487,773,000 to RM1,220,000,000 by repaying the surplus capital of the amount of RM267,773,000 to the Bank.

Upon the elapsed time as required under CA 2016, RHB Investment Bank shall make the necessary lodgments with the Companies Commission of Malaysia ('CCM') for the Proposed Capital Repayment. The reduction of the share capital shall take effect upon CCM issuing a confirmation notice.

(b) On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of COVID-19 cases. The lock down may have a negative impact on the Group's and the Bank's results of operations, similar to the areas highlighted in the Directors' Report. The Group and the Bank are not able to predict the potential future direct or indirect effects resulted from the movement control order. However, the Group and the Bank are taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

STATEMENT BY DIRECTORS

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

We, Tan Sri Azlan Zainol and Dato' Khairussaleh Ramli, being two of the Directors of RHB Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 8 to 212 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2020 and financial performance of the Group and of the Bank for the financial year ended on 31 December 2020 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 dated 24 February 2021.

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Syed Ahmad Taufik Albar, the Officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 212 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

SYED AHMAD TAUFIK ALBAR
(MIA Membership No: 29842)

Subscribed and solemnly declared by the abovenamed Syed Ahmad Taufik Albar at Kuala Lumpur in Malaysia on 24 February 2021.

COMMISSIONER FOR OATHS
Kuala Lumpur

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Bank Berhad ('the Bank') and its subsidiaries ('the Group') give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 212.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

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 matter	How our audit addressed the key audit matter

Allowances for credit losses of loans, advances and financing for the Group and the Bank
 	
Refer to:
- Accounting policy 21;
- Critical accounting estimate (2); and
- Notes 8, 43, 55(e)(vii) of the financial statements.
 	
MFRS 9 introduces an expected credit loss ('ECL') impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.
 	
This is an area of focus as the Directors make significant judgements in applying the accounting requirements for measuring ECL, such as:
- Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model;
- Identification of loans, advances and financing that have experienced a significant increase in credit risk;
- Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and datasets to be used as input to the models, including identifying and calculating adjustments to model output (model overlay adjustments), given the economic uncertainty arising from COVID-19 that may impact future expected credit losses.
	Individual assessment
	
	We evaluated the design and operating effectiveness of the controls over the process of identification of loans, advances and financing that have experienced significant increase in credit risk, process of identification of loss event and the process of forecasting future cash flows to determine the ECL amount.
	
	In addition, we tested a sample of loans, advances and financing selected based on risk with particular focus on the impact of COVID-19 on high risk industries, and formed our judgement whether the Directors' assessment on either the occurrence of loss event or significant increase in credit risk was appropriate. Where a loss event or significant increase in credit risk had been identified, we checked the ECL calculated for exposures assessed on an individual basis. We checked the forecasts of future cash flows prepared by the Directors to calculate the amount of ECL. We assessed the reasonableness of the assumptions underlying the forecasted cash flows. In addition, we compared the collateral values assumed in the cash flow forecasts to external valuation reports.
	
	Collective assessment
	
	To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have:
	- Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9;
	- Tested the design and operating effectiveness of the controls relating to:
	  • Governance and model development, including model build, model approval and model validation;
	  • Data used to determine the allowances for credit losses; and
	  • Calculation, review and approval of the ECL calculation
	- Assessed and tested the significant modelling assumptions;
	- Assessed and considered reasonableness of forward-looking 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; and
	- Checked the accuracy of data and calculation of the ECL amount, on a sample basis;
	
	Based on the above procedures, the results of our evaluation of the allowances for credit losses for loans, advances and financing are consistent with the Directors' assessment.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill for the Group Refer to accounting policy 7, critical accounting estimate (3) and Note 19 of the financial statements. As required by MFRS 136, an annual impairment assessment is performed on the goodwill balance of RM2,654.1 million. The recoverable amount of each cash generating unit ('CGU') with allocated goodwill is determined based on the higher of value in use ('VIU') and fair value less cost of disposal. The Directors have determined VIU to be the recoverable amount of these CGU. We focused on this area due to the size of the carrying amount of the goodwill, which represented 0.98% of total assets and because the Directors make significant estimates about the future cash flows of these CGU and the discount rate applied to each CGU.	We tested the Directors' impairment assessment of goodwill by performing the following procedures: - Agreed the cash flow projection of each CGU to the approved budget by the Directors for the respective CGU, taking into account the impact of COVID-19. We also compared previous projection to actual result of each CGU to assess the reasonableness of assumptions used in the cash flow projections; - Assessed reasonableness of discount rates which reflects the specific risk relating to each CGU based on external information, with higher risk premium to the discount rate to reflect the COVID-19 uncertainties; - Evaluated the reasonableness of growth rates beyond three years ('Terminal Growth Rates') based on historical results, economic outlook and industry forecasts; - Performed sensitivity analysis over Terminal Growth Rates and discount rates used in the determination of the VIU cash flows to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the evidence obtained we found that the assumptions used by the Directors in the impairment assessment of goodwill were consistent with our understanding.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditors' report, and the 2020 Annual Report, which is expected to be made available to us after that date. Other information 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 on the other information that we obtained prior to the date of this auditors' report, 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

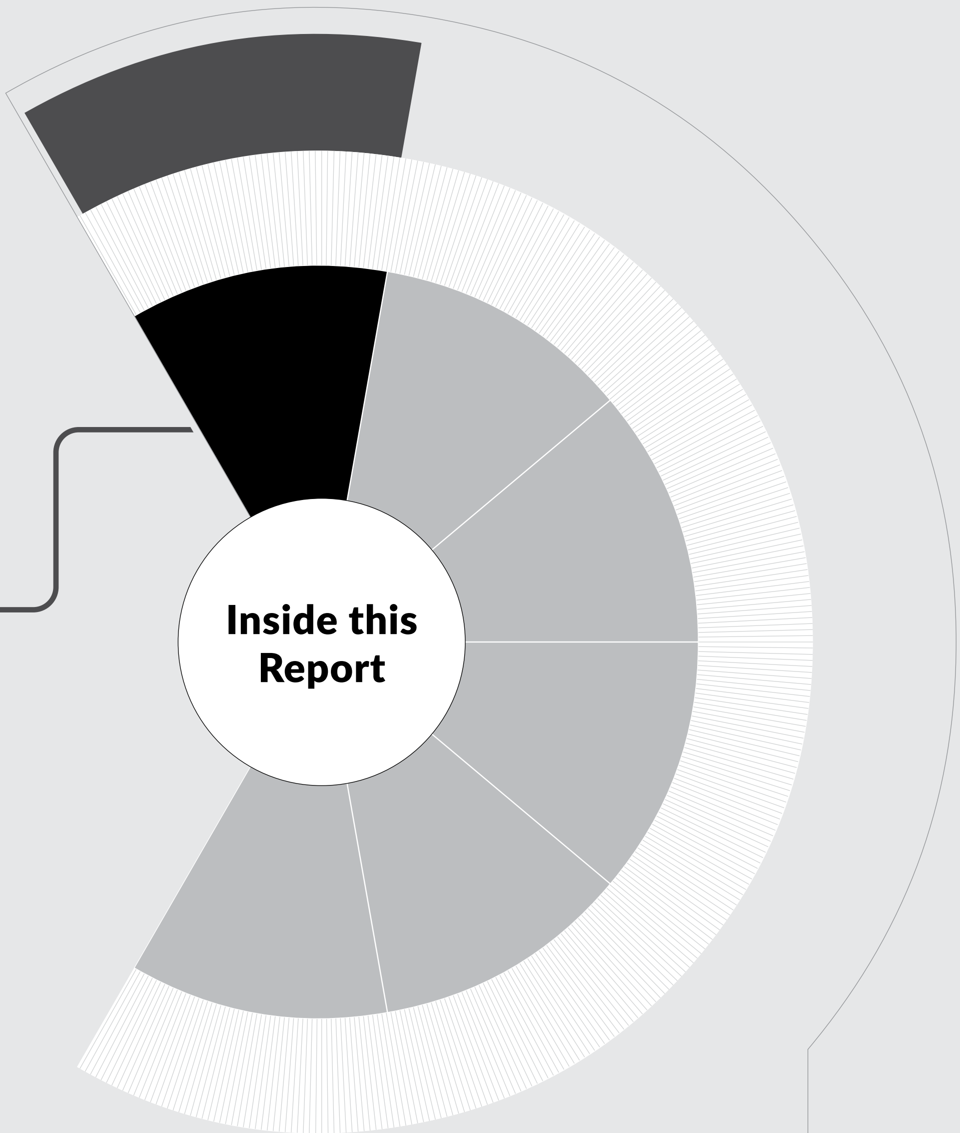
This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2021 J
Chartered Accountant

Kuala Lumpur
24 February 2021

BASEL II PILLAR 3 DISCLOSURES



AS AT 31 DECEMBER 2020

LIST OF TABLES

STATEMENT BY GROUP MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Bank Berhad for the year ended 31 December 2020 are accurate and complete.

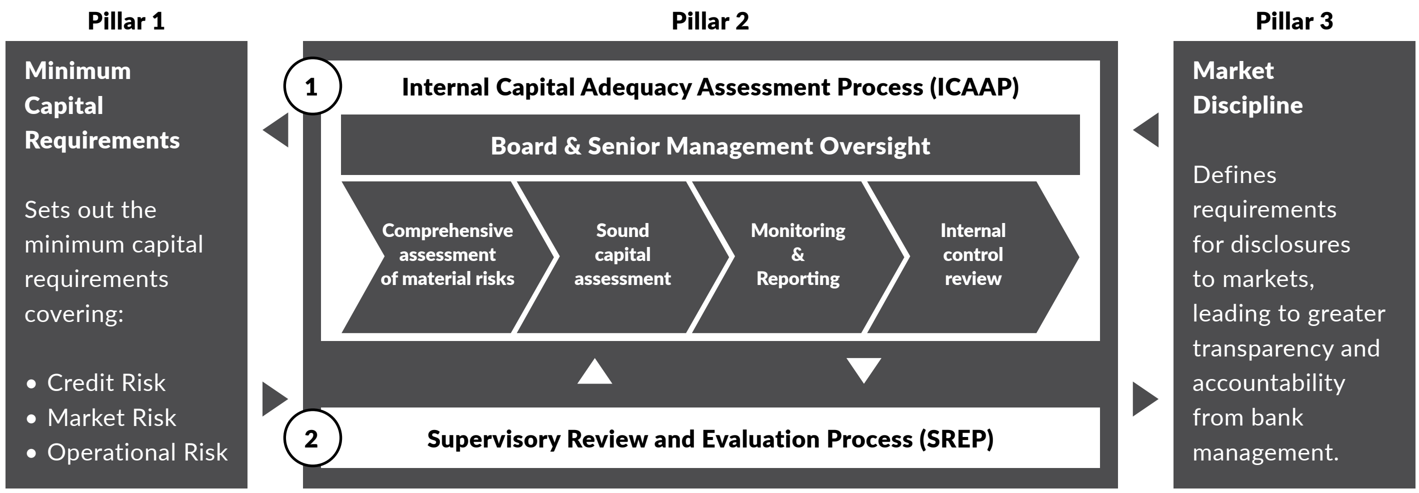
DATO' KHAIRUSSALEH BIN RAMLI
Group Managing Director

1.0 INTRODUCTION

This document describes RHB Bank Group's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM's Pillar 3 Guidelines).

BNM's guidelines on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. It is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance, and public disclosure. The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

For the purpose of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the respective banking entities within the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad			
RHB Investment Bank Berhad	Standardised Approach		

Pillar 2 comprises two components as follows:

- Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
- Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

1.0 INTRODUCTION (CONTINUED)

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

Basis of Disclosure

The annual Pillar 3 disclosure report is published in accordance with BNM's Pillar 3 Guidelines. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

Comparative Information

This document covers the qualitative and quantitative information for financial year ended 31 December 2020 with comparative quantitative information of the preceding financial year ended 31 December 2019.

Frequency of Disclosure

The qualitative disclosures contained herein are updated on an annual basis and more frequently, if there are significant changes in the interim reporting period. The disclosures on capital adequacy and structure are made on a quarterly basis and all other quantitative disclosures are made on a semi-annual basis in accordance to the Group's reporting period.

Medium and Location of Disclosure

The Group's Pillar 3 disclosure report is made available under the Investor Relations section of the Group's website at www.rhbgroup.com as a separate report in the Group's Annual Report 2020, after the notes to the financial statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Bank Berhad's information is presented on a consolidated basis, i.e. RHB Bank Berhad with its overseas operations and its subsidiaries, and is referred to as "RHB Bank Group" or "the Group".

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital as guided by BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components).

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 15 to the financial statements for list of consolidated entities.

RHB Bank Group offers Islamic banking financial services via its wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2020, there were no capital deficiencies in RHB Bank Berhad or any of its subsidiaries.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently and to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Group's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Group to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Group aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With a comprehensive capital management, the Group aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements. The capital management activities involve capital strategy, capital planning and capital allocation/structuring/optimisation.

- **Capital Strategy**
  Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and regulatory capital adequacy requirements. A comprehensive capital adequacy assessment is conducted semi-annually to ensure that the target capital level is appropriate.

- **Capital Planning**
  Based on strategic direction and regulatory requirements, the Group formulates a comprehensive and forward looking capital plan to:
  (i) support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate and aligned with the Group's risk appetite;
  (ii) provide adequate capital for business growth, changes in asset mix or to cover unanticipated losses.

  The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Group maintains adequate capital on a forward-looking basis.

  The Group also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the respective committees before submission to the relevant Boards for approval.

- **Capital Allocation/Structuring/Optimisation**
  The Group determines the amount of capital allocated to each entity and business line based on capital performance target and available funding. An efficient allocation of capital drives returns for the Group's shareholders.

  Capital structuring affects the Group through its impact on cash flow and cost of capital. The Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Group determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

  The Group optimises its capital by integrating risk-based capital into strategy and aligning this with performance measurement.

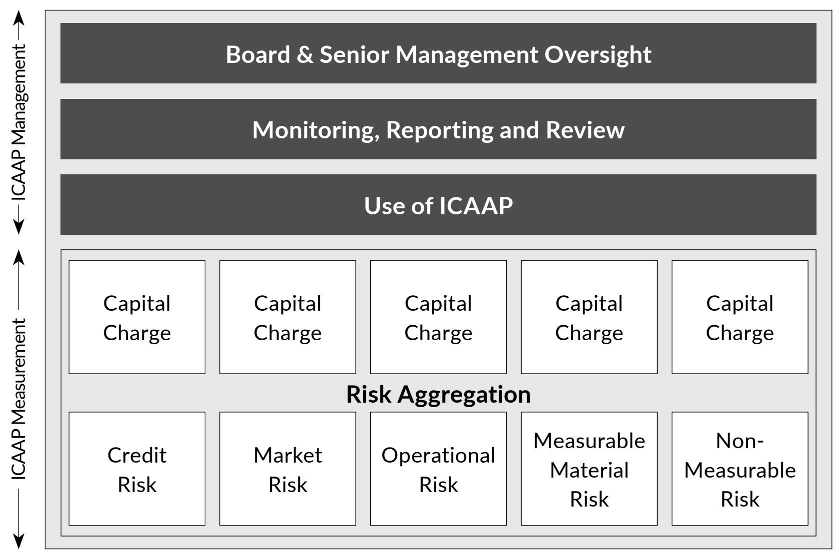
  The Group also aims to achieve a balance between dividend payout and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend payout recommendation on an annual basis.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2), the Group has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Group's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Group summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



Key Requirements

- Establish rigorous corporate governance and senior management oversight.
- Establish risk-based strategy including defining and setting the Bank's appetite and tolerance for risk.
- Access and measure all material risks inherent in the Group's business.
- Review, monitor, control and report on all material risks.
- Demonstrate that ICAAP forms an integral part of day-to-day management process and decision making culture of the Group.
- Relate capital to level of risk an ensure capital adequacy using scenario analysis and stress testing methods.

3.2 Basel III Implementation

The Group maintains the capital ratios and Liquidity Coverage Ratio (LCR) above the regulatory requirements as required under Basel III. For Net Stable Funding Ratio (NSFR), banking institutions are required to report the NSFR under the observation period effective from June 2015. In July 2019, BNM has issued the final NSFR policy document, which will be effective from 1 July 2020 where banking institutions are expected to maintain a minimum NSFR of 100% at the consolidated level i.e. at RHB Banking Group level.

On 24 March 2020, BNM issued a letter on Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak which includes the relaxation on LCR and NSFR. Banking institutions are allowed to operate below the minimum LCR of 100% and the NSFR minimum requirement is lowered to 80%, and will be restored to minimum 100% by 30 September 2021. Notwithstanding this, the LCR and NSFR at RHB Banking Group level have been maintained at above 100%.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Common Equity Tier I (CET I) Capital Ratio	4.5%
Tier I Capital Ratio	6.0%
Total Capital Ratio	8.0%

In addition, the Group is required to maintain additional capital buffers in the form of CET I capital above the minimum CET I, Tier I and total capital ratios set out above. The capital buffers shall comprise of capital conservation buffer (CCB) of 2.50% and countercyclical capital buffer (CCyB) ranging from 0% to 2.50%. The CCB is intended to enable the banking system to withstand future periods of stress whilst CCyB is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. CCyB is determined based on the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

On 5 February 2020, BNM issued a policy document on Domestic Systemically Important Bank (D-SIB) Framework which sets out the assessment methodology to identify D-SIBs in Malaysia and relevant reporting requirements. Financial institutions that are designated as D-SIB is required to maintain higher capital buffers to meet regulatory capital requirements that include a Higher Loss Absorbency (HLA) requirement.

Pursuant to the D-SIB Framework, the applicable HLA requirements ranges between 0.5% to 1.0% of risk-weighted assets, at the consolidated level. The HLA requirement for designated D-SIBs will come into effect on 31 January 2021. The list of D-SIBs will be updated annually by BNM. RHB Banking Group is not designated as D-SIB in the latest D-SIB listing published by BNM in the Financial Stability Review for First Half 2020. However, the listing will continue to be closely monitored for any changes to the Group's D-SIB status.

The capital ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank), RHB Islamic Bank and RHB Investment Bank as at 31 December 2020 and 31 December 2019 are:

Table 1: Capital Adequacy Ratios

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
	2020	2019	2020	2019	2020	2019	2020	2019
Before proposed dividends								
Common Equity Tier I Capital Ratio	**16.416%**	16.883%	**14.945%**	15.145%	**14.877%**	13.922%	**36.116%**	33.144%
Tier I Capital Ratio	**16.416%**	16.884%	**14.945%**	15.145%	**14.877%**	13.922%	**36.116%**	33.144%
Total Capital Ratio	**18.598%**	19.207%	**17.231%**	17.331%	**17.977%**	16.939%	**46.862%**	57.169%
After proposed dividends and DRP[v]								
Common Equity Tier I Capital Ratio	**16.188%**	16.271%	**14.632%**	14.319%	**14.714%**	13.627%	**36.116%**	24.764%
Tier I Capital Ratio	**16.188%**	16.271%	**14.632%**	14.319%	**14.714%**	13.627%	**36.116%**	24.764%
Total Capital Ratio	**18.370%**	18.594%	**16.918%**	16.505%	**17.815%**	16.644%	**46.862%**	48.788%

[v] With the implementation of the Proposed Dividend Reinvestment Plan (DRP) (as disclosed in Note 57(4)) in the Financial Statements), the amount of dividend to be deducted from the Group and the Bank's CET I Capital may be reduced by the portion of dividend reinvested by the shareholders. This will correspondingly increase the Group and the Bank capital ratios.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

The following table shows the breakdown of RWA by risk types as at 31 December 2020 and 31 December 2019:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
Risk Types	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Credit RWA	**117,398,841**	105,139,766	**85,311,553**	77,851,675	**35,557,840**	29,308,355	**793,669**	794,533
Credit RWA Absorbed by PSIA	**-**	-	**-**	-	**(7,202,054)**	(5,833,615)	**-**	-
Market RWA	**4,314,070**	3,844,722	**3,783,371**	3,394,037	**210,344**	293,518	**300,706**	127,778
Operational RWA	**12,677,517**	12,058,426	**8,734,782**	8,535,951	**2,223,938**	1,937,774	**858,966**	784,006
Additional RWA due to Capital Floor	**-**	-	**-**	-	**43,510**	4,746,219	**-**	-
Total RWA	**134,390,428**	121,042,914	**97,829,706**	89,781,663	**30,833,578**	30,452,251	**1,953,341**	1,706,317

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2020 and 31 December 2019:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2020

	RWA				Minimum Capital Requirements			
Risk Types	**RHB Bank Group RM'000**	**RHB Bank RM'000**	**RHB Islamic Bank RM'000**	**RHB Investment Bank RM'000**	**RHB Bank Group RM'000**	**RHB Bank RM'000**	**RHB Islamic Bank RM'000**	**RHB Investment Bank RM'000**
Credit Risk, of which	**117,398,841**	**85,311,553**	**28,355,786**	**793,669**	**9,391,907**	**6,824,924**	**2,268,462**	**63,494**
Under Foundation Internal Ratings-Based (F-IRB) Approach	**58,516,812**	**45,259,840**	**19,419,193**	**-**	**4,681,345**	**3,620,787**	**1,553,535**	**-**
Under Advanced Internal Ratings-Based (A-IRB) Approach	**31,163,051**	**21,618,354**	**9,585,391**	**-**	**2,493,044**	**1,729,468**	**766,831**	**-**
Under Standardised Approach	**27,718,978**	**18,433,359**	**6,553,256**	**793,669**	**2,217,518**	**1,474,669**	**524,260**	**63,494**
Absorbed by PSIA under F-IRB Approach	**-**	**-**	**(6,170,838)**	**-**	**-**	**-**	**(493,667)**	**-**
Absorbed by PSIA under Standardised Approach	**-**	**-**	**(1,031,216)**	**-**	**-**	**-**	**(82,497)**	**-**
Market Risk								
Under Standardised Approach	**4,314,070**	**3,783,371**	**210,344**	**300,706**	**345,126**	**302,670**	**16,828**	**24,056**
Operational Risk								
Under Basic Indicator Approach	**12,677,517**	**8,734,782**	**2,223,938**	**858,966**	**1,014,201**	**698,782**	**177,915**	**68,717**
Additional RWA due to Capital Floor	**-**	**-**	**43,510**	**-**	**-**	**-**	**3,481**	**-**
Total	**134,390,428**	**97,829,706**	**30,833,578**	**1,953,341**	**10,751,234**	**7,826,376**	**2,466,686**	**156,267**

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (continued)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2019

	RWA				Minimum Capital Requirements			
Risk Types	**RHB Bank Group RM'000**	**RHB Bank RM'000**	**RHB Islamic Bank RM'000**	**RHB Investment Bank RM'000**	**RHB Bank Group RM'000**	**RHB Bank RM'000**	**RHB Islamic Bank RM'000**	**RHB Investment Bank RM'000**
Credit Risk, of which	105,139,766	77,851,675	23,474,740	794,533	8,411,181	6,228,134	1,877,979	63,563
Under Foundation Internal Ratings-Based (F-IRB) Approach	50,545,923	39,589,504	15,768,181	-	4,043,674	3,167,160	1,261,454	-
Under Advanced Internal Ratings-Based (A-IRB) Approach	29,225,136	21,061,924	8,228,983	-	2,338,011	1,684,954	658,319	-
Under Standardised Approach	25,368,707	17,200,247	5,311,191	794,533	2,029,496	1,376,020	424,895	63,563
Absorbed by PSIA under F-IRB Approach	-	-	(4,837,663)	-	-	-	(387,013)	-
Absorbed by PSIA under Standardised Approach	-	-	(995,952)	-	-	-	(79,676)	-
Market Risk								
Under Standardised Approach	3,844,722	3,394,037	293,518	127,778	307,578	271,523	23,481	10,222
Operational Risk								
Under Basic Indicator Approach	12,058,426	8,535,951	1,937,774	784,006	964,674	682,876	155,022	62,720
Additional RWA due to Capital Floor	-	-	4,746,219	-	-	-	379,698	-
Total	121,042,914	89,781,663	30,452,251	1,706,317	9,683,433	7,182,533	2,436,180	136,505

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

The Credit RWA for RHB Bank Group increased by RM12 billion, mainly due to the growth in non-retail exposures and increase in Mortgage and Personal Financing Portfolios as well as retail portfolio booked under RHB Singapore.

Market RWA for RHB Bank Group increased by RM469 million mainly due to increase in Interest Rate Risk/Profit Rate Risk and FX RWA.

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Group. Tier I capital consists primarily of ordinary share capital, retained profits and other reserves. Tier II capital consists of subordinated obligations, surplus eligible provisions over expected losses and general provisions. Refer to Note 54 in the Financial Statements for the details of these capital instruments.

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31 December 2020 and 31 December 2019:

Table 4: Capital Structure

	RHB Bank Group		RHB Bank@	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	**6,994,103**	6,994,103	**6,994,103**	6,994,103
Retained profits	**17,339,102**	15,614,585	**13,660,680**	12,606,320
Other reserves	**556,644**	727,132	**444,776**	490,905
Fair value through other comprehensive income (FVOCI) reserves	**1,817,650**	1,283,816	**1,541,980**	1,123,748
Less:				
Goodwill	**(2,638,198)**	(2,638,198)	**(1,714,913)**	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	**(533,609)**	(535,880)	**(487,937)**	(478,305)
Deferred tax assets	**(352,107)**	(175,214)	**(247,523)**	(141,690)
55% of cumulative gains arising from change in value of FVOCI instruments	**(999,707)**	(706,099)	**(848,089)**	(618,061)
Investment in subsidiaries	**(102,425)**	(102,425)	**(4,701,080)**	(4,713,568)
Investments in associates and joint ventures	**(12)**	(9,512)	**-**	-
Other deductions#	**(19,504)**	(16,144)	**(21,261)**	(14,189)
Total Common Equity Tier I Capital	**22,061,937**	20,436,164	**14,620,736**	13,597,721
Qualifying non-controlling interests recognised as Tier I Capital	**210**	220	**-**	-
Total Tier I Capital	**22,062,147**	20,436,384	**14,620,736**	13,597,721

4.0 CAPITAL STRUCTURE (CONTINUED)

Table 4: Capital Structure (continued)

	RHB Bank Group		RHB Bank@	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment*	**-**	300,000	**-**	300,000
Subordinated obligations meeting all relevant criteria	**1,749,531**	1,249,527	**1,749,531**	1,249,527
Qualifying capital instruments of a subsidiary issued to third parties+	**465,001**	490,764	**-**	-
Surplus eligible provisions over expected losses	**538,079**	478,626	**401,269**	363,909
General provisions^	**179,727**	293,276	**85,599**	183,354
Less:				
Investment in capital instrument of financial and insurance/takaful entities	**-**	-	**-**	(134,187)
Total Tier II Capital	**2,932,338**	2,812,193	**2,236,399**	1,962,603
Total Capital	**24,994,485**	23,248,577	**16,857,135**	15,560,324

@ The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

Pursuant to Basel II Market Risk Para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

* Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

+ Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 17.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

^ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 Financial Instruments and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach for credit risk.

Includes the qualifying regulatory reserves of the Group and Bank of RM12,200,000 (31 December 2019 : RM202,449,000) and RM Nil (31 December 2019 : RM101,096,000) respectively.

5.0 RISK MANAGEMENT

Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

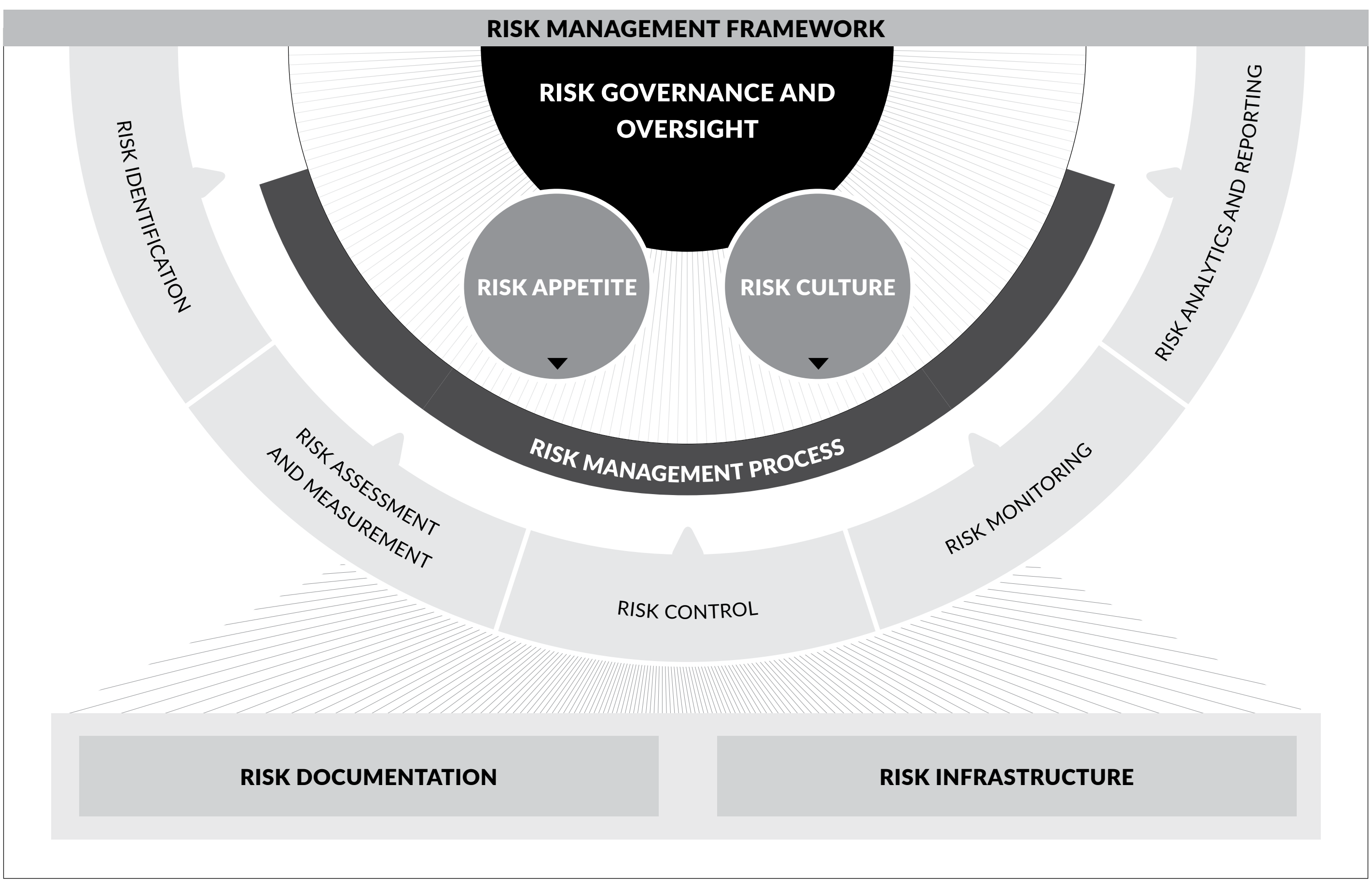
Effective risk management is fundamental to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.

- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk- adjusted returns.

The Group Risk Management Framework is represented in the following diagram:



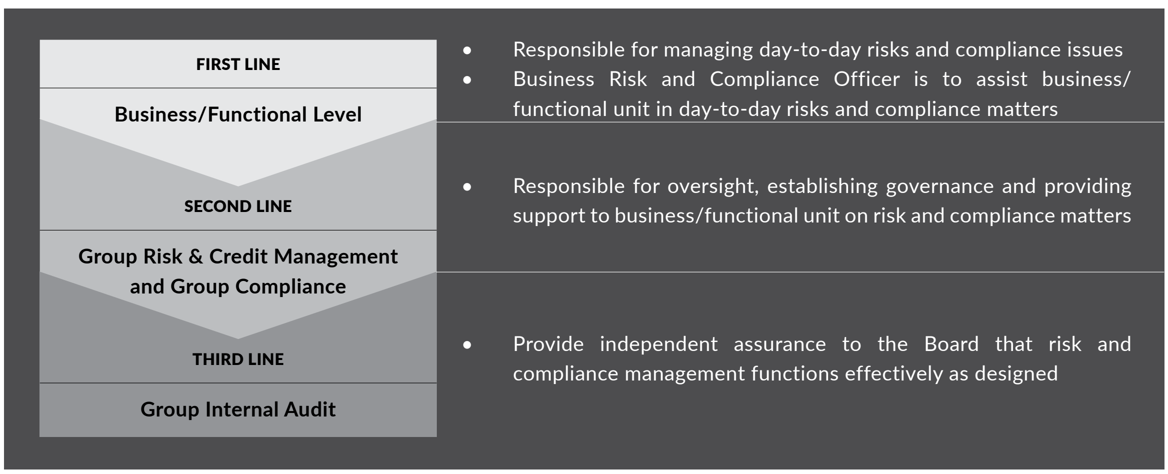
5.0 RISK MANAGEMENT (CONTINUED)

Key Features of the framework are:

Risk Governance and Oversight	The Board of Directors sits at the apex of the risk governance structure and is ultimately responsible for the Group's/respective entities' risk management strategy, appetite, framework and oversight of risk management activities. In order to manage the businesses and risks across all subsidiaries in an integrated basis, Group level committees are established to ensure consistency in practices. However, the Group maintains entity-specific committees to allow for greater flexibility and agility in managing specific regulatory and business requirements. Each Board Risk Committee which reports directly to the respective Boards provides oversight and assists the respective Boards to review the Group's overall risk management philosophy, frameworks, policies and models, and risk issues relevant and unique to its business. The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee (GMC). The Investment Bank Risk Management Committee is responsible for oversight of risk management matters relating to RHB Investment Bank Group's business whilst the Group Asset and Liability Committee (Group ALCO) oversees market risk, liquidity risk and balance sheet management. The Group Chief Risk Officer (GCRO) who reports directly to the Group Managing Director; is responsible for the risk management function. The main roles and responsibilities of GCRO are: 1. Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group; 2 Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models; 3 Developing proactive, balanced and risk attuned culture within the Group; and 4. Advising senior management, management level committees, board level risk committees and Board of Directors of the Group's entities on risk issues and their possible impact on the Group in the achievement of its objectives and strategies. GCRO is supported by the entities chief risk officers and various teams within risk management function: 1. The entities' chief risk officers main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview. They are supported by their respective risk management teams with support from the risk management function from the Group. 2. The risk management function are teams who specialise in the respective risks and responsible for the active oversight of Group-wide functional risk management and support the respective entities/chief risk officers. Group Risk and Credit Management consist of Group Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Operational Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Group Risk Operations, Group Credit Management, Regional Risk & IB Risk Management and Insurance Risk Management.

5.0 RISK MANAGEMENT (CONTINUED)

Key Features of the framework are: (continued)

Risk Appetite	The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations. The alignment of the Group's business strategy with its risk strategy, and vice-versa is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.
Risk Culture	The Group subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and risk management is managed via a 'three lines of defence' model. Business/functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk. The approach is based on the 'three lines of defence' model as depicted below: 
Risk Management Process	The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken. • Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and proactive and timely identification of risk within the Group's business operations. This ensures that risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary. • Assessment and Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency. • Controlling: Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This is also to ensure risk exposures are managed within the Group's or entity's risk appetite. • Monitoring: Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures. • Analytics and Reporting: Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision- making process. In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

5.0 RISK MANAGEMENT (CONTINUED)

Key Features of the framework are: (continued)

Risk Documentation	The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are effected consistently across the Group.
Risk Infrastructure	The Group has organised its resources and talents into specific functions, and invested in the technology, including data management to support the Group's risk management activities.

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing, trade finance and its placement, underwritings, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not happen in isolation as certain risk event (e.g. fluctuation of interest rate and FX) may give rise to both market and credit risks.

6.1 Credit Risk Management Oversight and Organisation

The Group Credit Committee (GCC) is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.

GCC will direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Group's loan/asset book. GCC also acts as the body which, through the relevant Board committees, recommends to the respective Boards, on matters pertaining to credit risk (such as credit and underwriting evaluation/approval/procedure, and delegated lending/financing authorities).

The Group Investment Underwriting Committee (GIUC) deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

The Board Credit Committee's (BCC) main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC and/or GIUC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective members of the Boards for approval.

The Group Credit Management has the functional responsibility to ensure that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit manager and decided upon by the delegated lending/financing authority/relevant committees.

6.0 CREDIT RISK (CONTINUED)

6.1 Credit Risk Management Oversight and Organisation (continued)

All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review on a sampling basis by Group Internal Audit. With the exception of credit applications for consumer and approved products under program lending/financing which can be auto approved by loan origination system or business units' supervisors, all other credit facilities, are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint or escalated approval is required for all discretionary lending/financing between business and independent credit underwriters, except for end-financing, which can only be singly assessed by independent credit underwriters. Loans/financing which are beyond the delegated lending/financing authority limits will be escalated to the relevant committees for approval.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring, risk reporting and development of credit policies and guidelines. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the senior management, respective commitees and the Board. These reports include various credit risk aspects such as portfolio quality, expected losses, and concentration risk exposures. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon BNM's Policy on Credit Risk. The Group abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Latest regulator requirement and industry best practices are instilled in the continual updating of the Group Credit Policy.

The Group's credit risk management process is documented in the Group Credit Guidelines (GCG) and the Group Credit Procedures Manual (GCPM) which set out the operational procedures and guidelines governing the credit processes within the Group.

The GCG and GCPM have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans/financing and advances are carried out consistently and uniformly by the business origination and other credit support functions within the Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are individually evaluated and risk-rated. Credit underwriters identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment activities, the Group is also exposed to credit risks from trading, derivative and debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (continued)

Lending/Financing to Consumers and Small Businesses

For retail and small business' program lending/financing, credit risk is managed on a portfolio basis leveraging on internal credit rating models; Retail lending/financing products comprise residential mortgages/home financing, credit cards, motor vehicle financing, commercial property loans/financing, personal financing, and Amanah Saham Bumiputera (ASB) financing.

Whilst for small business' non-program lending/financing, credit risk is assessed and extended based on a set of clearly defined credit risk acceptance criteria, regular post approval review and credit risk monitoring to enable rigorous risk assessment, objective decision making, cost efficient processing and effective portfolio management.

Lending/Financing to Share Margin Financing

Loans/financing to share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Bursa Securities Rules.

For share margin financing, credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

Credit Transformation

The Bank has embarked on an end-to-end credit transformation journey to support business growth responsibility and protect the asset quality in challenging times. The coverage of the transformation initiative covers the core business segments of Retail Banking, Business Banking and Corporate Banking.

Credit War Room

Established to steer, coordinate and ensure the effective implementation of the Group's repayment assistance strategy in relation to borrowers/customers affected by the COVID-19 pandemic, in a consistent and structured response across RHB Banking Group headed by the Group Managing Director in line with BNM requirement for financial institutions to set-up a dedicated function led by the chief executive officer of the banking institution.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by financing type, the Group applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB Approach.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (continued)

Credit Risk Measurement (continued)

The followings represent the dimensions considered in the credit risk measurement:

1.0 Probability of Default (PD)

Probability of default refer to likelihood that a borrower/customer is unable to meet its debt obligation. For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via respective scoring model i.e. application scorecard, behavioural scorecard and customer centric scorecard.

2.0 Loss Given Default (LGD)

LGD is the amount of loss incurred when a borrower/customer defaults. For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which the coverage of collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is determined at respective segment (or pool) level.

3.0 Exposure at Default (EAD)

EAD is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Group's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Group is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as loans/financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Group on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing facilities;
- Unutilised credit card lines; and
- Credit equivalent amount of derivative financial instruments.

6.0 CREDIT RISK (CONTINUED)

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan/financing, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

Counterparty risk is typically associated with two broad classes of financial products:

- Over-the-counter derivatives such as interest rate/profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending.

Derivative financial instruments are entered into for hedging or proprietary trading purposes governed by Board approved limits and internal controls.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Group monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches

The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2020 compared with 31 December 2019, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector;
- residual maturity; and
- disclosures under the Standardised Approach by risk weights.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2020

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	23,906,282	23,906,282	1,867,692	149,415
Public Sector Entities	12,107,920	12,036,320	212,541	17,003
Banks, Development Financial Institutions & MDBs	14,870,492	14,870,492	4,894,893	391,592
Insurance/Takaful Cos, Securities Firms & Fund Managers	320,076	320,076	292,065	23,365
Corporates	8,855,939	6,972,482	5,741,043	459,284
Regulatory Retail	9,390,264	8,405,065	7,322,378	585,790
Residential Mortgages	625,222	621,626	221,389	17,711
Higher Risk Assets	539,699	539,699	809,549	64,764
Other Assets	5,193,190	5,193,190	2,782,040	222,563
Equity Exposures	847,280	847,280	847,280	67,782
Defaulted Exposures	301,489	298,103	306,173	24,494
Total On-Balance Sheet Exposures	76,957,853	74,010,615	25,297,043	2,023,763
Off-Balance Sheet Exposures				
OTC Derivatives	1,767,821	1,365,944	365,219	29,218
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,404,887	6,924,511	2,052,291	164,183
Defaulted Exposures	16,429	16,317	4,425	354
Total Off-Balance Sheet Exposures	10,189,137	8,306,772	2,421,935	193,755
Total On and Off-Balance Sheet Exposures under SA	87,146,990	82,317,387	27,718,978	2,217,518
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	85,154,974	85,154,974	50,164,165	4,013,133
Corporate Exposures (excluding exposures with firm size adjustments)	47,286,595	49,340,526	26,873,682	2,149,895
Corporate Exposures (with firm size adjustments)	28,202,033	28,202,033	17,674,542	1,413,963
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,794,854	1,684,200	1,337,956	107,036
Income Producing Real Estate	7,871,492	5,928,215	4,277,985	342,239
Defaulted Exposures	2,000,874	2,000,874	90,860	7,269
Total On-Balance Sheet Exposures	87,155,848	87,155,848	50,255,025	4,020,402

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2020 (continued)

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
OTC Derivatives	260,772	260,772	411,978	32,958
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,005,728	8,005,728	4,537,536	363,003
Defaulted Exposures	8,762	8,762	-	-
Total Off-Balance Sheet Exposures	**8,275,262**	**8,275,262**	**4,949,514**	**395,961**
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	101,518,135	101,518,135	26,416,365	2,113,309
Residential Mortgages Exposures	52,152,434	52,152,434	12,123,314	969,865
Qualifying Revolving Retail Exposures	1,944,172	1,944,172	1,308,413	104,673
Hire Purchase Exposures	8,664,130	8,664,130	2,976,402	238,112
Other Retail Exposures	38,757,399	38,757,399	10,008,236	800,659
Defaulted Exposures	1,713,255	1,713,255	475,207	38,017
Total On-Balance Sheet Exposures	**103,231,390**	**103,231,390**	**26,891,572**	**2,151,326**
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	13,212,912	13,212,912	2,386,348	190,908
Defaulted Exposures	64,004	64,004	121,185	9,695
Total Off-Balance Sheet Exposures	**13,276,916**	**13,276,916**	**2,507,533**	**200,603**
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	**211,939,416**	**211,939,416**	**84,603,644**	**6,768,292**
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			**89,679,863**	**7,174,389**
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	**299,086,406**	**294,256,803**	**117,398,841**	**9,391,907**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2019

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	26,920,496	26,920,496	1,548,525	123,882
Public Sector Entities	12,178,720	12,109,599	181,202	14,496
Banks, Development Financial Institutions & MDBs	12,065,470	12,065,470	4,224,306	337,944
Insurance/Takaful Cos, Securities Firms & Fund Managers	467,809	467,809	456,864	36,549
Corporates	8,675,860	6,878,125	5,691,561	455,325
Regulatory Retail	7,904,673	6,988,028	6,240,533	499,243
Residential Mortgages	704,636	698,635	247,144	19,772
Higher Risk Assets	499,061	499,061	748,591	59,887
Other Assets	4,405,512	4,405,512	2,584,618	206,769
Equity Exposures	789,911	789,911	789,911	63,193
Defaulted Exposures	341,474	337,189	372,056	29,764
Total On-Balance Sheet Exposures	74,953,622	72,159,835	23,085,311	1,846,824
Off-Balance Sheet Exposures				
OTC Derivatives	1,500,970	1,323,081	346,959	27,757
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,746,103	5,797,957	1,922,110	153,769
Defaulted Exposures	23,343	23,306	14,327	1,146
Total Off-Balance Sheet Exposures	9,270,416	7,144,344	2,283,396	182,672
Total On and Off-Balance Sheet Exposures under SA	84,224,038	79,304,179	25,368,707	2,029,496
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	78,962,953	78,962,953	43,070,897	3,445,671
Corporate Exposures (excluding exposures with firm size adjustments)	43,624,645	45,226,232	22,168,413	1,773,473
Corporate Exposures (with firm size adjustments)	26,743,327	26,743,327	15,654,346	1,252,347
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,959,743	1,724,972	1,399,664	111,973
Income Producing Real Estate	6,635,238	5,268,422	3,848,474	307,878
Defaulted Exposures	2,100,745	2,100,745	74,535	5,963
Total On-Balance Sheet Exposures	81,063,698	81,063,698	43,145,432	3,451,634

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2019 (continued)

RHB Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
OTC Derivatives	131,117	131,117	133,087	10,647
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,799,962	7,799,962	4,406,314	352,505
Defaulted Exposures	50,102	50,102	-	-
Total Off-Balance Sheet Exposures	7,981,181	7,981,181	4,539,401	363,152
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	95,350,659	95,350,659	24,332,679	1,946,614
Residential Mortgages Exposures	47,908,190	47,908,190	10,664,009	853,121
Qualifying Revolving Retail Exposures	2,098,887	2,098,887	1,473,938	117,915
Hire Purchase Exposures	7,867,243	7,867,243	2,695,664	215,653
Other Retail Exposures	37,476,339	37,476,339	9,499,068	759,925
Defaulted Exposures	1,820,854	1,820,854	626,895	50,152
Total On-Balance Sheet Exposures	97,171,513	97,171,513	24,959,574	1,996,766
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	13,324,556	13,324,556	2,499,901	199,992
Defaulted Exposures	65,203	65,203	111,408	8,913
Total Off-Balance Sheet Exposures	13,389,759	13,389,759	2,611,309	208,905
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	199,606,151	199,606,151	75,255,716	6,020,457
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			79,771,059	6,381,685
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	283,830,189	278,910,330	105,139,766	8,411,181

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2020

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Direct credit substitutes	1,219,814		1,125,434	593,940
Transaction related contingent items	3,202,339		1,527,778	800,659
Short term self liquidating trade related contingencies	903,594		186,074	159,009
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	5,843		5,843	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	4,915,427		4,915,427	128,533
Foreign exchange related contracts	7,283,773	58,737	198,385	139,901
1 year or less	6,733,194	58,248	156,704	81,351
Over 1 year to 5 years	550,579	489	41,681	58,550
Over 5 years	-	-	-	-
Interest/profit rate related contracts	1,725,629	36,640	53,432	58,820
1 year or less	712,163	8,785	10,290	6,729
Over 1 year to 5 years	1,013,466	27,855	43,142	52,091
Over 5 years	-	-	-	-
Equity related contracts	229,392	16,759	30,522	-
1 year or less	229,392	16,759	30,522	-
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Commodity contracts	172,418	1,994	4,749	8,262
1 year or less	58,552	-	-	-
Over 1 year to 5 years	113,866	1,994	4,749	8,262
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	90,644,493	543,805	1,741,505	570,214
Other commitments, such as formal standby facilities and credit/ financing lines, with original maturity of over 1 year	29,238,089		20,928,131	7,245,429
Other commitments, such as formal standby facilities and credit/ financing lines, with original maturity of up to 1 year	1,727,065		378,350	51,250
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,212,542		645,685	122,965
Total	**157,480,418**	**657,935**	**31,741,315**	**9,878,982**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2019

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Direct credit substitutes	1,386,004		1,287,421	637,653
Transaction related contingent items	4,258,393		2,058,639	1,082,763
Short term self liquidating trade related contingencies	1,311,586		274,370	192,090
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	4,119,202		4,119,202	57,408
Foreign exchange related contracts	14,803,615	48,662	218,004	86,993
1 year or less	14,743,355	48,662	217,677	86,424
Over 1 year to 5 years	60,260	-	327	569
Over 5 years	-	-	-	-
Interest/profit rate related contracts	1,654,997	23,926	43,462	34,833
1 year or less	503,714	5,370	5,874	1,164
Over 1 year to 5 years	1,151,283	18,556	37,588	33,669
Over 5 years	-	-	-	-
Equity related contracts	-	-	-	-
1 year or less	-	-	-	-
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Commodity contracts	-	-	-	-
1 year or less	-	-	-	-
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	77,026,777	278,580	1,370,621	358,220
Other commitments, such as formal standby facilities and credit/ financing lines, with original maturity of over 1 year	27,701,607		20,240,913	6,777,546
Other commitments, such as formal standby facilities and credit/ financing lines, with original maturity of up to 1 year	1,861,774		395,120	73,001
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,303,840		633,604	133,599
Total	150,427,795	351,168	30,641,356	9,434,106

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2020

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Hong Kong RM'000	Indonesia RM'000	Vietnam RM'000	Total RM'000
Exposures under Standardised Approach										
Sovereigns & Central Banks	18,204,307	4,777,898	761,931	106,123	1,095,671	201,678	-	-	-	25,147,608
Public Sector Entities	13,024,727	724,478	201,224	-	-	-	-	-	-	13,950,429
Banks, Development Financial Institutions & MDBs	12,686,520	4,283,387	115,904	237,572	352,155	2,620	11,642	123,581	30,213	17,843,594
Insurance/Takaful Cos, Securities Firms & Fund Managers	324,868	3,577	-	-	-	-	351	38	-	328,834
Corporates	6,728,824	1,809,321	1,920,637	79,245	1,684,880	61,261	-	87,223	-	12,371,391
Regulatory Retail	6,368,441	2,440,146	59,347	110,967	1,010,721	131,767	-	142,345	-	10,263,734
Residential Mortgages	95,119	566,112	-	-	-	-	-	-	-	661,231
Higher Risk Assets	539,296	-	264	-	101	-	-	38	-	539,699
Other Assets	4,180,744	355,447	217,447	22,002	124,212	19,901	1,970	269,656	1,811	5,193,190
Total Exposures under Standardised Approach	62,152,846	14,960,366	3,276,754	555,909	4,267,740	417,227	13,963	622,881	32,024	86,299,710
Exposures under IRB Approach										
Corporates, of which	84,029,500	11,401,610	-	-	-	-	-	-	-	95,431,110
Corporate Exposures (excluding exposures with firm size adjustments)	48,470,563	3,888,448	-	-	-	-	-	-	-	52,359,011
Corporate Exposures (with firm size adjustments)	26,812,094	5,510,598	-	-	-	-	-	-	-	32,322,692
Specialised Lending Exposures (Slotting Approach)										
Project Finance	1,855,640	174,865	-	-	-	-	-	-	-	2,030,505
Income Producing Real Estate	6,891,203	1,827,699	-	-	-	-	-	-	-	8,718,902
Retail, of which	116,508,306	-	-	-	-	-	-	-	-	116,508,306
Residential Mortgages Exposures	55,154,627	-	-	-	-	-	-	-	-	55,154,627
Qualifying Revolving Retail Exposures	3,073,519	-	-	-	-	-	-	-	-	3,073,519
Hire Purchase Exposures	8,718,386	-	-	-	-	-	-	-	-	8,718,386
Other Retail Exposures	49,561,774	-	-	-	-	-	-	-	-	49,561,774
Total Exposures under IRB Approach	200,537,806	11,401,610	-	-	-	-	-	-	-	211,939,416
Total Exposures under Standardised and IRB Approaches	262,690,652	26,361,976	3,276,754	555,909	4,267,740	417,227	13,963	622,881	32,024	298,239,126

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2019

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Hong Kong RM'000	Indonesia RM'000	Vietnam RM'000	Total RM'000
Exposures under Standardised Approach										
Sovereigns & Central Banks	22,007,111	4,203,716	663,574	116,309	1,216,971	229,569	-	-	-	28,437,250
Public Sector Entities	12,634,006	623,767	258,860	-	-	-	-	-	-	13,516,633
Banks, Development Financial Institutions & MDBs	10,313,653	4,133,366	150,534	181,533	583,302	971	60,276	100,481	32,140	15,556,256
Insurance/Takaful Cos, Securities Firms & Fund Managers	464,344	6,828	-	-	-	-	2,592	-	-	473,764
Corporates	5,363,171	1,784,682	2,126,510	82,669	1,574,922	59,233	37,507	31,430	-	11,060,124
Regulatory Retail	5,732,397	1,699,721	60,453	100,804	875,411	162,203	19,040	86,688	-	8,736,717
Residential Mortgages	99,025	649,785	-	-	-	-	-	-	-	748,810
Higher Risk Assets	498,644	-	275	-	102	-	-	40	-	499,061
Other Assets	3,498,083	386,441	217,117	23,802	61,441	14,860	36,321	166,366	1,081	4,405,512
Total Exposures under Standardised Approach	60,610,434	13,488,306	3,477,323	505,117	4,312,149	466,836	155,736	385,005	33,221	83,434,127
Exposures under IRB Approach										
Corporates, of which	79,679,746	9,365,133	-	-	-	-	-	-	-	89,044,879
Corporate Exposures (excluding exposures with firm size adjustments)	45,593,730	3,109,540	-	-	-	-	-	-	-	48,703,270
Corporate Exposures (with firm size adjustments)	26,078,960	4,700,129	-	-	-	-	-	-	-	30,779,089
Specialised Lending Exposures (Slotting Approach)										
Project Finance	2,004,426	271,930	-	-	-	-	-	-	-	2,276,356
Income Producing Real Estate	6,002,630	1,283,534	-	-	-	-	-	-	-	7,286,164
Retail, of which	110,561,272	-	-	-	-	-	-	-	-	110,561,272
Residential Mortgages Exposures	50,530,431	-	-	-	-	-	-	-	-	50,530,431
Qualifying Revolving Retail Exposures	3,279,347	-	-	-	-	-	-	-	-	3,279,347
Hire Purchase Exposures	7,926,534	-	-	-	-	-	-	-	-	7,926,534
Other Retail Exposures	48,824,960	-	-	-	-	-	-	-	-	48,824,960
Total Exposures under IRB Approach	190,241,018	9,365,133	-	-	-	-	-	-	-	199,606,151
Total Exposures under Standardised and IRB Approaches	250,851,452	22,853,439	3,477,323	505,117	4,312,149	466,836	155,736	385,005	33,221	283,040,278

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2020

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	6,269,117	18,878,491	-	-	25,147,608
Public Sector Entities	-	-	-	-	98,599	1,410	38,884	3,474,520	10,337,016	-	-	13,950,429
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	17,843,594	-	-	-	17,843,594
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	328,834	-	-	-	328,834
Corporates	35,833	36,047	745,114	194,779	448,781	1,025,438	497,213	6,550,963	217,112	2,620,111	-	12,371,391
Regulatory Retail	4,447	3,503	87,297	12,071	89,602	167,147	30,088	90,628	13,270	9,765,681	-	10,263,734
Residential Mortgages	-	-	-	-	-	-	-	-	-	661,231	-	661,231
Higher Risk Assets	-	-	3	-	-	-	-	539,595	-	-	101	539,699
Other Assets	-	-	-	-	-	-	-	198,319	-	-	4,994,871	5,193,190
Total Exposures under Standardised Approach	**40,280**	**39,550**	**832,414**	**206,850**	**636,982**	**1,193,995**	**566,185**	**35,295,570**	**29,445,889**	**13,047,023**	**4,994,972**	**86,299,710**
Exposures under IRB Approach												
Corporates, of which	**3,823,310**	**1,429,173**	**8,827,206**	**5,765,007**	**17,696,483**	**12,505,048**	**12,213,620**	**30,199,013**	**2,972,250**	**-**	**-**	**95,431,110**
Corporate Exposures (excluding exposures with firm size adjustments)	1,201,937	1,062,111	5,118,436	3,881,624	5,706,919	4,336,981	9,554,417	19,100,365	2,396,221	-	-	52,359,011
Corporate Exposures (with firm size adjustments)	2,621,373	192,684	3,383,485	1,452,831	6,750,843	7,325,519	2,626,217	7,393,711	576,029	-	-	32,322,692
Specialised Lending Exposures (Slotting Approach)												
Project Finance	-	174,378	325,285	430,552	1,083,054	-	-	17,236	-	-	-	2,030,505
Income Producing Real Estate	-	-	-	-	4,155,667	842,548	32,986	3,687,701	-	-	-	8,718,902
Retail, of which	**330,901**	**67,220**	**2,375,177**	**13,829**	**2,142,614**	**6,402,556**	**840,357**	**3,641,561**	**300,525**	**100,393,566**	**-**	**116,508,306**
Residential Mortgages Exposures	-	-	-	-	-	-	-	-	-	55,154,627	-	55,154,627
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	3,073,519	-	3,073,519
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	8,718,386	-	8,718,386
Other Retail Exposures	330,901	67,220	2,375,177	13,829	2,142,614	6,402,556	840,357	3,641,561	300,525	33,447,034	-	49,561,774
Total Exposures under IRB Approach	**4,154,211**	**1,496,393**	**11,202,383**	**5,778,836**	**19,839,097**	**18,907,604**	**13,053,977**	**33,840,574**	**3,272,775**	**100,393,566**	**-**	**211,939,416**
Total Exposures under Standardised and IRB Approaches	**4,194,491**	**1,535,943**	**12,034,797**	**5,985,686**	**20,476,079**	**20,101,599**	**13,620,162**	**69,136,144**	**32,718,664**	**113,440,589**	**4,994,972**	**298,239,126**

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2019

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	11,931,856	16,505,394	-	-	28,437,250
Public Sector Entities	-	-	-	-	98,142	-	82,389	2,899,715	10,436,387	-	-	13,516,633
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	15,556,256	-	-	-	15,556,256
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	473,764	-	-	-	473,764
Corporates	50,194	37,348	753,616	200,393	467,803	966,398	234,781	5,460,227	271,648	2,617,716	-	11,060,124
Regulatory Retail	3,912	3,849	28,323	1,019	28,075	51,248	12,213	30,963	2,997	8,574,118	-	8,736,717
Residential Mortgages	-	-	-	-	-	-	-	-	-	748,810	-	748,810
Higher Risk Assets	-	-	3	-	-	-	-	498,955	-	-	103	499,061
Other Assets	-	-	-	-	-	-	-	165,657	-	-	4,239,855	4,405,512
Total Exposures under Standardised Approach	54,106	41,197	781,942	201,412	594,020	1,017,646	329,383	37,017,393	27,216,426	11,940,644	4,239,958	83,434,127
Exposures under IRB Approach												
Corporates, of which	3,897,669	1,536,206	8,777,827	5,866,660	16,192,399	10,694,132	10,638,206	28,232,473	3,209,307	-	-	89,044,879
Corporate Exposures (excluding exposures with firm size adjustments)	1,202,236	1,124,757	5,074,214	3,235,266	5,304,844	4,715,182	7,926,919	17,706,156	2,413,696	-	-	48,703,270
Corporate Exposures (with firm size adjustments)	2,695,433	176,394	3,363,043	1,972,712	6,335,979	5,267,382	2,552,648	7,619,887	795,611	-	-	30,779,089
Specialised Lending Exposures (Slotting Approach)												
Project Finance	-	235,055	340,570	658,682	1,014,420	-	-	27,629	-	-	-	2,276,356
Income Producing Real Estate	-	-	-	-	3,537,156	711,568	158,639	2,878,801	-	-	-	7,286,164
Retail, of which	319,950	89,882	2,204,401	15,237	2,089,471	5,642,715	649,182	3,311,955	342,617	95,895,862	-	110,561,272
Residential Mortgages Exposures	-	-	-	-	-	-	-	-	-	50,530,431	-	50,530,431
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	3,279,347	-	3,279,347
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	7,926,534	-	7,926,534
Other Retail Exposures	319,950	89,882	2,204,401	15,237	2,089,471	5,642,715	649,182	3,311,955	342,617	34,159,550	-	48,824,960
Total Exposures under IRB Approach	4,217,619	1,626,088	10,982,228	5,881,897	18,281,870	16,336,847	11,287,388	31,544,428	3,551,924	95,895,862	-	199,606,151
Total Exposures under Standardised and IRB Approaches	4,271,725	1,667,285	11,764,170	6,083,309	18,875,890	17,354,493	11,616,771	68,561,821	30,768,350	107,836,506	4,239,958	283,040,278

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2020

RHB Bank Group Exposure Class	One Year or Less RM'000	More Than One to Five Years RM'000	Over Five Years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	10,215,968	2,894,939	12,036,701	25,147,608
Public Sector Entities	635,366	4,072,068	9,242,995	13,950,429
Banks, Development Financial Institutions & MDBs	12,363,152	4,444,236	1,036,206	17,843,594
Insurance/Takaful Cos, Securities Firms & Fund Managers	6,611	226,321	95,902	328,834
Corporates	5,870,785	3,782,724	2,717,882	12,371,391
Regulatory Retail	2,575,141	1,413,049	6,275,544	10,263,734
Residential Mortgages	3,421	16,896	640,914	661,231
Higher Risk Assets	364	-	539,335	539,699
Other Assets	-	-	5,193,190	5,193,190
Total Exposures under Standardised Approach	31,670,808	16,850,233	37,778,669	86,299,710
Exposures under IRB Approach				
Corporates, of which	29,240,304	32,635,145	33,555,661	95,431,110
Corporate Exposures (excluding exposures with firm size adjustments)	14,068,595	21,235,611	17,054,805	52,359,011
Corporate Exposures (with firm size adjustments)	11,999,048	7,650,471	12,673,173	32,322,692
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,121,634	445,839	463,032	2,030,505
Income Producing Real Estate	2,051,027	3,303,224	3,364,651	8,718,902
Retail, of which	6,848,023	9,943,200	99,717,083	116,508,306
Residential Mortgages Exposures	37,110	352,011	54,765,506	55,154,627
Qualifying Revolving Retail Exposures	876,966	2,109,402	87,151	3,073,519
Hire Purchase Exposures	63,985	2,192,652	6,461,749	8,718,386
Other Retail Exposures	5,869,962	5,289,135	38,402,677	49,561,774
Total Exposures under IRB Approach	36,088,327	42,578,345	133,272,744	211,939,416
Total Exposures under Standardised and IRB Approaches	67,759,135	59,428,578	171,051,413	298,239,126

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2019

RHB Bank Group Exposure Class	One Year or Less RM'000	More Than One to Five Years RM'000	Over Five Years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	10,228,762	4,377,357	13,831,131	28,437,250
Public Sector Entities	4,029,948	2,925,277	6,561,408	13,516,633
Banks, Development Financial Institutions & MDBs	9,969,283	4,263,544	1,323,429	15,556,256
Insurance/Takaful Cos, Securities Firms & Fund Managers	177,120	256,921	39,723	473,764
Corporates	4,935,439	3,783,497	2,341,188	11,060,124
Regulatory Retail	1,883,512	1,869,264	4,983,941	8,736,717
Residential Mortgages	960	20,637	727,213	748,810
Higher Risk Assets	377	-	498,684	499,061
Other Assets	-	-	4,405,512	4,405,512
Total Exposures under Standardised Approach	31,225,401	17,496,497	34,712,229	83,434,127
Exposures under IRB Approach				
Corporates, of which	26,490,685	32,187,380	30,366,814	89,044,879
Corporate Exposures (excluding exposures with firm size adjustments)	13,380,370	20,449,349	14,873,551	48,703,270
Corporate Exposures (with firm size adjustments)	10,383,085	8,606,455	11,789,549	30,779,089
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,159,497	527,020	589,839	2,276,356
Income Producing Real Estate	1,567,733	2,604,556	3,113,875	7,286,164
Retail, of which	2,138,108	15,414,969	93,008,195	110,561,272
Residential Mortgages Exposures	36,870	360,007	50,133,554	50,530,431
Qualifying Revolving Retail Exposures	388,128	2,879,502	11,717	3,279,347
Hire Purchase Exposures	144,281	2,558,384	5,223,869	7,926,534
Other Retail Exposures	1,568,829	9,617,076	37,639,055	48,824,960
Total Exposures under IRB Approach	28,628,793	47,602,349	123,375,009	199,606,151
Total Exposures under Standardised and IRB Approaches	59,854,194	65,098,846	158,087,238	283,040,278

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are currently in transition to the IRB Approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show RHB Bank Group's credit exposures for its portfolio with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2020

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	**21,454,403**	**12,720,868**	**416,667**	**-**	**2,082,202**	**-**	**-**	**-**	**2,252,583**	**-**	**38,926,723**	**-**
20%	**2,358,020**	**1,123,395**	**10,730,055**	**35,014**	**716,738**	**212,995**	**-**	**-**	**198,209**	**-**	**15,374,426**	**3,074,885**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**602,394**	**-**	**-**	**-**	**602,394**	**210,838**
50%	**54,569**	**33,447**	**4,474,143**	**-**	**214,810**	**7,823**	**31,461**	**-**	**-**	**-**	**4,816,253**	**2,408,127**
75%	**-**	**-**	**-**	**-**	**-**	**4,136,911**	**-**	**-**	**-**	**-**	**4,136,911**	**3,102,683**
100%	**1,101,458**	**-**	**1,124,408**	**293,298**	**6,839,542**	**4,565,025**	**23,741**	**-**	**2,742,398**	**847,280**	**17,537,150**	**17,537,150**
150%	**179,158**	**-**	**26,462**	**-**	**132,849**	**45,362**	**-**	**539,699**	**-**	**-**	**923,530**	**1,385,295**
Total Exposures	**25,147,608**	**13,877,710**	**16,771,735**	**328,312**	**9,986,141**	**8,968,116**	**657,596**	**539,699**	**5,193,190**	**847,280**	**82,317,387**	**27,718,978**

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2019

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	26,460,135	12,304,050	338,967	-	1,334,405	-	-	-	1,688,474	-	42,126,031	-
20%	482,831	1,140,674	7,977,827	-	488,782	-	-	-	165,525	-	10,255,639	2,051,128
35%	-	-	-	-	-	-	684,923	-	-	-	684,923	239,723
50%	50,472	-	4,958,932	21,890	178,812	7,734	22,985	-	-	-	5,240,825	2,620,412
75%	-	-	-	-	-	3,466,698	-	-	-	-	3,466,698	2,600,024
100%	1,443,812	-	886,286	451,361	6,689,478	4,028,383	34,604	-	2,551,513	789,911	16,875,348	16,875,348
150%	-	-	-	-	105,247	50,407	-	499,061	-	-	654,715	982,072
Total Exposures	28,437,250	13,444,724	14,162,012	473,251	8,796,724	7,553,222	742,512	499,061	4,405,512	789,911	79,304,179	25,368,707

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

The following tables show the Group's credit exposures for 31 December 2020 compared with 31 December 2019, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2020

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Public Sector Entities		838,212	-	-	-	13,039,498
Insurance/Takaful Cos, Securities Firms & Fund Managers		35,014	-	-	-	293,298
Corporates		495,564	121,610	26,761	706	9,226,317

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2020 compared with 31 December 2019, according to the ratings by ECAIs: (continued)

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2020 (continued)

Short Term Ratings of Corporates by Approved ECAIs						
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Corporates		115,183	-	-	-	-

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		4,356,722	18,594,017	816,183	1,095,671	201,678	83,337

Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		6,086,976	4,183,100	2,078,776	460,698	-	3,962,185

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2020 compared with 31 December 2019, according to the ratings by ECAIs: (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2019

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Public Sector Entities		780,220	-	-	-	12,664,504
Insurance/Takaful Cos, Securities Firms & Fund Managers		-	21,890	-	-	451,361
Corporates		453,301	112,564	150,854	-	8,080,005

Short Term Ratings of Corporates by Approved ECAIs						
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
Exposure Class		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Corporates		-	-	-	-	-

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2020 compared with 31 December 2019, according to the ratings by ECAIs: (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2019 (continued)

Ratings of Sovereigns and Central Banks by Approved ECAIs Exposure Class	Moody's S&P Fitch R&I	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		3,832,519	22,347,283	713,604	1,216,971	-	326,873

Ratings of Banking Institutions by Approved ECAIs Exposure Class	Moody's S&P Fitch RAM MARC R&I	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		5,190,927	3,125,842	2,339,256	289,466	-	3,216,521

6.0 CREDIT RISK (CONTINUED)

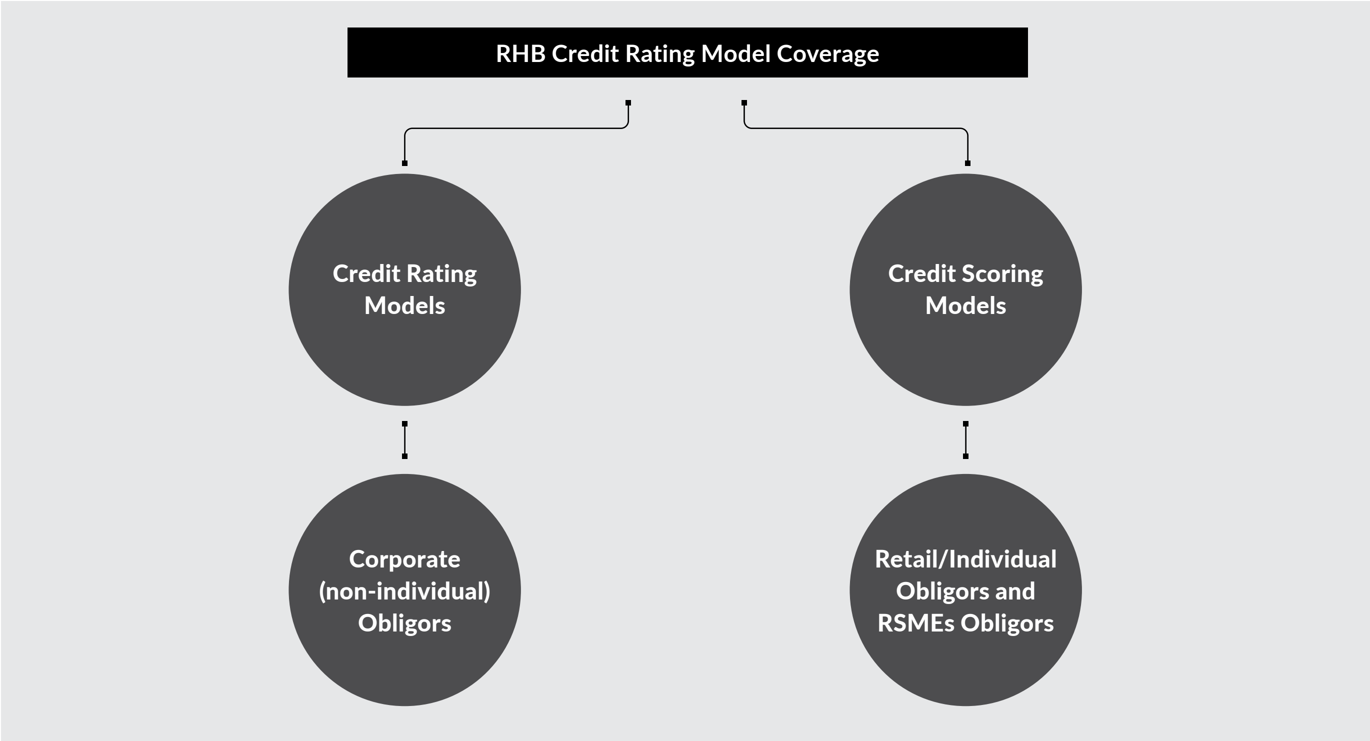
6.6 Internal Credit Rating Models

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed by Group Risk Operations with active participation by the relevant credit experts from the Group's functional units and/or business units.

Internal rating model development, validation and implementation process have been established to govern the development and validation of rating models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by BRC. All models are also subject to independent validation by the Model Validation Team before implementation to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by the Model Validation Team to ensure that they are performing as expected.

Credit risk/rating models can be broadly classified into:

- Credit Rating Models
- Credit Scoring Models



The credit rating models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for RSMEs. These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Application of Internal Ratings

The three components of risk parameters, the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval : PD models are used in the credit approval process in both retail and non- retail portfolios. In high volume retail portfolios, application scorecard, behaviour scorecard and customer centric scorecard are used as one of the risk management tools.
- Policy : Policies are established to govern the use of ratings in credit decisions and monitoring.
- Reporting : Model performance monitoring report is submitted to senior management on periodic basis.
- Capital Management : The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
- Risk Limits : The internal ratings are used in establishing the Group's various internal limits (such as industry risk limit).
- Risk Reward and Pricing : PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

F-IRB for Non-Retail Portfolios

The major non-retail portfolios of the Group are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Specialised lending/financing uses supervisory slotting criteria. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD models are developed with a combination of quantitative and qualitative factors.

A-IRB for Retail Portfolios

For regulatory capital requirements, the Group has adopted the Advanced Internal Ratings-Based (A- IRB) approach for the retail portfolios, i.e. residential mortgages/home financing, credit cards, auto loans/financing, commercial property financing, personal financing, ASB financing and RSMEs. The Group is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, application scorecard, behavioural scorecard and customer centric scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

The following tables set out:

- Exposures subject to the Supervisory Risk Weights;
- Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights;
- Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights; and
- Exposures under IRB Approach by Actual Losses versus Expected Losses.

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 12a: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2020

Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories/Risk Weights	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures						
Project Finance	**-**	**1,665,698**	**253,666**	**-**	**487**	**1,919,851**
Income Producing Real Estate	**2,326,855**	**3,699,031**	**464,677**	**32,387**	**43,687**	**6,566,637**
Total Exposures after Credit Risk Mitigation	**2,326,855**	**5,364,729**	**718,343**	**32,387**	**44,174**	**8,486,488**
Total Risk-Weighted Assets	**1,297,758**	**4,157,962**	**826,094**	**80,968**	**-**	**6,362,782**

Table 12b: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2019

Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories/Risk Weights	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures						
Project Finance	1,790	1,708,235	294,686	-	36,874	2,041,585
Income Producing Real Estate	2,161,775	3,280,082	351,627	24,595	-	5,818,079
Total Exposures after Credit Risk Mitigation	2,163,565	4,988,317	646,313	24,595	36,874	7,859,664
Total Risk-Weighted Assets	1,281,205	3,857,080	743,260	61,488	-	5,943,033

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2020

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Non Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	34,303,690	35.42	45.79	6,527,685
>1 to 4	12,757,306	23.00	56.54	2,667,897
>4 to 12	5,020,814	29.39	116.98	1,919,853
>12 to <100	1,216,442	7.93	39.85	31,771
Default or 100	1,323,678	43.24	6.70	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	54,621,930			11,147,206
Corporate Exposures (with firm size adjustments)				
0 to 1	15,940,765	36.95	43.85	5,372,357
>1 to 4	8,925,607	36.91	76.46	2,071,224
>4 to 12	4,591,574	32.97	96.12	1,303,497
>12 to <100	2,222,962	13.42	55.97	530,775
Default or 100	641,784	38.96	0.34	-
Total Corporate Exposures (with firm size adjustments)	32,322,692			9,277,853
Total Non Retail Exposures	86,944,622			20,425,059
Retail Exposures				
Residential Mortgages Exposures				
0 to 3	48,990,979	16.60	18.57	2,289,845
>3 to 10	3,759,025	16.75	52.66	78,904
>10 to 20	471,585	16.26	80.69	7,846
>20 to <100	1,310,783	16.48	85.13	3,344
Default or 100	622,255	16.33	30.63	22,170
Total Residential Mortgages Exposures	55,154,627			2,402,109

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2020 (continued)

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,660,223	58.63	27.97	3,654,713
>3 to 10	1,009,473	57.41	74.25	423,727
>10 to 20	231,294	55.63	117.00	51,422
>20 to <100	140,263	53.86	148.97	14,274
Default or 100	32,266	50.26	40.71	-
Total Qualifying Revolving Retail Exposures	3,073,519			4,144,136
Hire Purchase Exposures				
0 to 3	8,291,372	43.97	32.00	-
>3 to 10	105,482	46.65	69.54	-
>10 to 20	207,164	45.11	86.07	-
>20 to <100	60,112	45.32	118.72	-
Default or 100	54,256	45.62	3.07	-
Total Hire Purchase Exposures	8,718,386			-
Other Retail Exposures				
0 to 3	33,974,639	21.62	18.84	10,888,808
>3 to 10	11,810,022	20.27	30.49	316,815
>10 to 20	1,025,294	29.95	62.18	18,359
>20 to <100	1,683,337	23.75	54.50	48,519
Default or 100	1,068,482	35.30	36.59	26,493
Total Other Retail Exposures	49,561,774			11,298,994
Total Retail Exposures	116,508,306			17,845,239
Total Non Retail & Retail Exposures under IRB Approach	203,452,928			38,270,298

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2019

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Non Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	33,394,136	35.91	41.80	6,251,751
>1 to 4	4,792,853	42.18	104.23	1,445,299
>4 to 12	9,658,298	13.10	48.64	2,860,165
>12 to <100	1,199,205	10.94	54.94	91,436
Default or 100	1,361,634	43.24	3.55	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	50,406,126			10,648,651
Corporate Exposures (with firm size adjustments)				
0 to 1	16,128,850	36.85	42.15	5,638,974
>1 to 4	8,750,648	36.70	76.07	2,304,334
>4 to 12	3,042,642	28.61	84.16	812,784
>12 to <100	2,104,610	15.28	63.63	179,049
Default or 100	752,339	36.91	3.48	-
Total Corporate Exposures (with firm size adjustments)	30,779,089			8,935,141
Total Non Retail Exposures	81,185,215			19,583,792
Retail Exposures				
Residential Mortgages Exposures				
0 to 3	45,604,407	16.52	18.14	1,795,771
>3 to 10	2,489,230	16.69	52.66	68,064
>10 to 20	426,979	16.24	80.56	7,467
>20 to <100	1,260,251	16.43	86.30	1,375
Default or 100	749,564	16.43	30.16	19,024
Total Residential Mortgages Exposures	50,530,431			1,891,701

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights as at 31 December 2019 (continued)

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,617,152	58.55	28.13	3,373,934
>3 to 10	1,164,181	57.84	75.22	502,133
>10 to 20	251,426	56.16	118.24	69,269
>20 to <100	181,851	54.37	151.21	33,144
Default or 100	64,737	54.77	103.10	-
Total Qualifying Revolving Retail Exposures	3,279,347			3,978,480
Hire Purchase Exposures				
0 to 3	7,489,418	43.85	31.69	-
>3 to 10	115,023	46.60	69.17	-
>10 to 20	216,113	45.20	86.27	-
>20 to <100	46,689	45.90	119.99	-
Default or 100	59,291	46.04	0.92	-
Total Hire Purchase Exposures	7,926,534			-
Other Retail Exposures				
0 to 3	34,072,054	20.86	18.79	11,287,199
>3 to 10	11,622,130	20.30	30.27	333,309
>10 to 20	906,134	33.27	69.49	28,921
>20 to <100	1,212,177	23.90	55.29	41,248
Default or 100	1,012,465	33.79	43.95	30,530
Total Other Retail Exposures	48,824,960			11,721,207
Total Retail Exposures	110,561,272			17,591,388
Total Non Retail & Retail Exposures under IRB Approach	191,746,487			37,175,180

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights as at 31 December 2020

RHB Bank Group Expected Losses (EL) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages Exposures			
0 to 1	51,977,630	20.22	2,351,102
>1 to 10	2,397,464	85.22	49,177
>10 to <100	687,558	30.57	740
100	91,975	0.00	1,090
Total Residential Mortgages Exposures	55,154,627		2,402,109
Qualifying Revolving Retail Exposures			
0 to 1	1,315,240	24.06	3,154,601
>1 to 10	1,568,952	73.27	975,261
>10 to <100	189,327	127.14	14,274
100	-	0.00	-
Total Qualifying Revolving Retail Exposures	3,073,519		4,144,136
Hire Purchase Exposures			
0 to 1	8,021,594	30.96	-
>1 to 10	587,231	72.64	-
>10 to <100	95,544	71.06	-
100	14,017	0.00	-
Total Hire Purchase Exposures	8,718,386		-
Other Retail Exposures			
0 to 1	42,420,081	16.43	11,107,399
>1 to 10	5,512,626	72.10	167,744
>10 to <100	1,419,389	70.64	23,212
100	209,678	0.00	639
Total Other Retail Exposures	49,561,774		11,298,994
Total Retail Exposures	116,508,306		17,845,239

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights as at 31 December 2019

RHB Bank Group Expected Losses (EL) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weights %	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages Exposures			
0 to 1	47,636,601	19.40	1,848,750
>1 to 10	2,112,216	87.76	40,783
>10 to <100	698,712	20.45	1,042
100	82,902	0.00	1,126
Total Residential Mortgages Exposures	50,530,431		1,891,701
Qualifying Revolving Retail Exposures			
0 to 1	1,263,892	24.07	2,893,099
>1 to 10	1,749,485	74.25	1,052,237
>10 to <100	265,970	137.70	33,144
100	-	0.00	-
Total Qualifying Revolving Retail Exposures	3,279,347		3,978,480
Hire Purchase Exposures			
0 to 1	7,214,097	30.51	-
>1 to 10	610,870	72.56	-
>10 to <100	85,490	60.65	-
100	16,077	0.00	-
Total Hire Purchase Exposures	7,926,534		-
Other Retail Exposures			
0 to 1	42,084,758	16.45	11,505,870
>1 to 10	5,310,541	72.81	186,065
>10 to <100	1,248,927	70.03	28,450
100	180,734	0.00	822
Total Other Retail Exposures	48,824,960		11,721,207
Total Retail Exposures	110,561,272		17,591,388

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 15: Exposures under IRB Approach by Actual Losses versus Expected Losses

RHB Bank Group Exposure Class	Actual Losses as at 31 December 2020 RM'000	Expected Losses as at 31 December 2019 RM'000	Actual Losses as at 31 December 2019 RM'000	Expected Losses as at 31 December 2018 RM'000
Corporates, of which				
Corporate Exposures (excluding exposures with firm size adjustments)	**540**	**182,973**	86,274	242,452
Corporate Exposures (with firm size adjustments)	**75,411**	**211,598**	85,325	199,259
Specialised Lending Exposures (Slotting Approach)				
- Project Finance	**-**	**17,276**	-	25,649
- Income Producing Real Estate	**15,795**	**34,035**	-	19,033
Retail, of which				
Residential Mortgages Exposures	**43,345**	**166,200**	75,167	154,533
Qualifying Revolving Retail Exposures	**29,057**	**104,582**	59,242	108,864
Hire Purchase Exposures	**21,745**	**46,443**	26,840	51,950
Other Retail Exposures	**193,144**	**363,421**	337,329	389,599
Total	**379,037**	**1,126,528**	670,177	1,191,339

Actual losses are derived from impairment allowances and write-offs during the year, while expected losses (EL) measures the loss expected from the Group's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Group; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Group's exposures over a one-year period and is computed as the product of PD, LGD and EAD for the Group's exposures as at 31 December of the preceding year.

6.7 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Group generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Group's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings, and vehicles. Apart from financial collateral and physical collateral, the Group has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Group's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the Group's collateral system.

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Risk Mitigation (continued)

The Group also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments and On-Balance sheet netting to mitigate its financing exposures. Where possible, the Group enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the loan/financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as impairment of the relevant asset or business rather than as impairment of the original instrument.

The Group has established mechanism to monitor credit and market concentration within its credit mitigation.

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2020 compared with 31 December 2019:

Table 16a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2020

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	**23,906,282**	**-**	**-**
Public Sector Entities	**12,107,920**	**11,023,786**	**71,600**
Banks, Development Financial Institutions & MDBs	**14,870,492**	**416,667**	**-**
Insurance/Takaful Cos, Securities Firms & Fund Managers	**320,076**	**-**	**-**
Corporates	**8,855,939**	**779,198**	**1,883,457**
Regulatory Retail	**9,390,264**	**204,777**	**985,199**
Residential Mortgages	**625,222**	**-**	**3,596**
Higher Risk Assets	**539,699**	**-**	**-**
Other Assets	**5,193,190**	**-**	**-**
Equity Exposures	**847,280**	**-**	**-**
Defaulted Exposures	**301,489**	**507**	**3,386**
Total On-Balance Sheet Exposures	**76,957,853**	**12,424,935**	**2,947,238**
Off-Balance Sheet Exposures			
OTC Derivatives	**1,767,821**	**-**	**401,877**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	**8,404,887**	**3,098,561**	**1,480,376**
Defaulted Exposures	**16,429**	**15,228**	**112**
Total Off-Balance Sheet Exposures	**10,189,137**	**3,113,789**	**1,882,365**
Total On and Off-Balance Sheet Exposures	**87,146,990**	**15,538,724**	**4,829,603**

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 16b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2019

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	26,920,496	-	-
Public Sector Entities	12,178,720	11,203,588	69,121
Banks, Development Financial Institutions & MDBs	12,065,470	338,968	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	467,809	-	-
Corporates	8,675,860	825,846	1,797,735
Regulatory Retail	7,904,673	-	916,645
Residential Mortgages	704,636	-	6,001
Higher Risk Assets	499,061	-	-
Other Assets	4,405,512	-	-
Equity Exposures	789,911	-	-
Defaulted Exposures	341,474	48	4,285
Total On-Balance Sheet Exposures	74,953,622	12,368,450	2,793,787
Off-Balance Sheet Exposures			
OTC Derivatives	1,500,970	-	177,889
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,746,103	1,628,591	1,948,146
Defaulted Exposures	23,343	15,863	37
Total Off-Balance Sheet Exposures	9,270,416	1,644,454	2,126,072
Total On and Off-Balance Sheet Exposures	84,224,038	14,012,904	4,919,859

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 17a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2020

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	85,154,974	28,140,582	2,794,061	14,451,925
Corporate Exposures (excluding exposures with firm size adjustments)	47,286,595	19,989,860	1,029,224	3,594,282
Corporate Exposures (with firm size adjustments)	28,202,033	6,096,791	1,764,837	10,857,643
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,794,854	110,654	-	-
Income Producing Real Estate	7,871,492	1,943,277	-	-
Retail, of which	101,518,135	72,817	8,239,007	68,449,046
Residential Mortgages Exposures	52,152,434	-	-	51,971,339
Qualifying Revolving Retail Exposures	1,944,172	-	-	-
Hire Purchase Exposures	8,664,130	-	-	-
Other Retail Exposures	38,757,399	72,817	8,239,007	16,477,707
Defaulted Exposures	3,714,129	156,403	18,701	1,352,523
Total On-Balance Sheet Exposures	190,387,238	28,369,802	11,051,769	84,253,494
Off-Balance Sheet Exposures				
OTC Derivatives	260,772	-	295	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	21,218,640	1,810,683	818,945	10,603,638
Defaulted Exposures	72,766	-	2,519	36,416
Total Off-Balance Sheet Exposures	21,552,178	1,810,683	821,759	10,640,054
Total On and Off-Balance Sheet Exposures	211,939,416	30,180,485	11,873,528	94,893,548

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 17b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2019

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	78,962,953	23,712,724	2,978,238	12,957,644
Corporate Exposures (excluding exposures with firm size adjustments)	43,624,645	16,645,996	902,475	2,615,874
Corporate Exposures (with firm size adjustments)	26,743,327	5,465,141	2,075,763	10,341,770
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,959,743	234,771	-	-
Income Producing Real Estate	6,635,238	1,366,816	-	-
Retail, of which	95,350,659	33,903	8,475,965	64,058,844
Residential Mortgages Exposures	47,908,190	-	-	47,732,732
Qualifying Revolving Retail Exposures	2,098,887	-	-	-
Hire Purchase Exposures	7,867,243	-	-	-
Other Retail Exposures	37,476,339	33,903	8,475,965	16,326,112
Defaulted Exposures	3,921,599	163,860	37,283	1,539,229
Total On-Balance Sheet Exposures	178,235,211	23,910,487	11,491,486	78,555,717
Off-Balance Sheet Exposures				
OTC Derivatives	131,117	-	41	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	21,124,518	1,363,345	912,662	11,220,730
Defaulted Exposures	115,305	-	20	42,093
Total Off-Balance Sheet Exposures	21,370,940	1,363,345	912,723	11,262,823
Total On and Off-Balance Sheet Exposures	199,606,151	25,273,832	12,404,209	89,818,540

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Concentration Risk

Risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

The Group manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or underlying shares/counters pledged or other factors. To manage this concentration risk, appropriate exposure thresholds/limits are established accordingly.

Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures. In addition, the Group also continuously updates lending or financing guidelines based on periodic reviews of sector risk factors and economic outlook.

Credit Monitoring and Annual Reviews

The Group regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports generated for senior management, respective risk committees and Board, and include information on portfolio quality, credit rating migration and concentration risk exposures.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific loans/financings may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Group believes that heightened risk exists in a particular industry, or the borrower/customer exhibits early warning signals such as defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Risk & Credit Management, there is a mechanism in place for credit monitoring to flagout problematic loans/financing (watch list accounts) for intensive monitoring under Watchlist Credit Management. These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default.

For these cases, Watchlist Credit Management department will conduct independent assessment and work closely with the business units to implement strategies to address lending/business relationships under Watchlist Credit Management to rehabilitate the accounts after discussion with the borrower/customer to determine the root cause of the problem which may result in rescheduling, restructuring or "exit" strategies to be applied. For the larger accounts, regular position update meetings are held with business units to review or revise these strategies. The relevant guidelines are refined from time to time, to better identify, monitor and resolve such accounts.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Group's management, and relevant laws and regulations.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing

The Group adopts BNM's guidelines on Financial Reporting. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, Malaysian Financial Reporting Standards 9 (MFRS 9).

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss (ECL), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as Fair Value Through Profit & Loss and equity securities classified under Fair Value through Other Comprehensive Income or FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Group first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. 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, level of collateralisation and other relevant factors) for collective assessment. Collectively, the individually assessment allowance and collective assessment allowance form the total expected credit allowance for the Group.

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

Stage 1: 12 months ECL – not credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cashflows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

The changes in ECL between two-periods will be recognised in profit and loss.

The assessment of significant deterioration in credit risk since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probabilityweighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the PD, LGD and EAD models. Certain ECL models are leveraging on the existing Group's Basel II Internal Ratings-Based model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Individual Assessment - Impairment Triggers

The borrower/customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or interest/profit or both, of any facility(s) of the borrower/customer is past due for 90 days or 3 months and above.

2. In the case of revolving facilities (e.g. overdraft facilities), the borrower/customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for 90 days or 3 months and above.

3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for less than 90 days or 3 months, the loan/financing exhibits weaknesses (refer to impairment trigger) that would render it to be classified as impaired.

4. Where repayments of the loans/financing are scheduled on intervals of 3 months or longer, the borrower/customer is classified as impaired as soon as a default occurs.

5. Upon occurrence of any one Mandatory Status Triggers (MSTs), both Ancillary Status Trigger (AST) 1 and AST4 or any three ASTs and above. These MSTs and ASTs are pre-defined trigger events approved by the Group to facilitate impairment classification.

6. In the case of share margin facilities, the borrower/customer shall be classified as impaired where the force selling ratio is triggered and after a period of time after force selling has commenced or where margin of finance exceeds a set threshold above the force selling ratio.

Note:
For R&R facilities, the customer shall be classified as impaired in accordance with paras 1 to 4 above based on the revised or restructured terms.

Individual Impairment Allowances

Borrowers/customers under individual assessment and triggered either by any one MSTs, both AST1 and AST4, or any three ASTs and above will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired borrowers/customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired borrowers/customers i.e. net present value of future cashflows are discounted based on original effective interest/profit rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired status under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit or both, of its facilities with the Group being past due less than 90 days or 3 months.

2. Where the borrower/customer exhibits weakness(es) that render it to be classified as impaired, even though the loan/financing is past-due less than 90 days or 3 months, such borrowers may be reclassified as non-impaired status when these weaknesses have been subsequently addressed or resolved.

3. Where the borrower/customer has been individually assessed as impaired due to either any one MSTs, both AST1 and AST4, or any three and above, the borrower/customer may be reclassified as non-impaired status when these triggers have since been addressed and resolved totally, or with only one AST remaining.

4. When the borrower's/customer's share margin account no longer meet the impairment criteria above.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver under approved composite settlement schemes.
3. Abandoned project with no sign of revival. The definition of abandoned project must be in compliance with the definition stated under valuation for abandoned projects.
4. Completed projects but is left abandoned or no occupancy for 12 months with 2 rounds of abortive auctions. This includes units/lots in the same complex/project but have not put up for auction due to cost savings reason.
5. Loans/financing secured with properties which have undergone at least 5 rounds of abortive auctions.
6. Loans/financing secured with property with balance outstanding below RM5,000 subject to judgment obtained against all and borrower(s)/customer(s) uncontactable.
7. For retail and programmed lending/financing impaired loans/financing, the write-off may be expedited for those with ageing of 12 months and above, provided legal action has reached at least writ of summon filed.
8. In the case of credit card and personal financing, aging is at least 6 months and above.

Partial write-offs of impaired loans/financing is permitted under the following circumstances:

1. The value of security (net recoverable amount in the case of IA) is less than the balance outstanding (including principal, accrued interest and other charges) and topping up of the security deficiency is not forthcoming.
2. The shortfall in security value over the outstanding balance (including principal, accrued interest, and any other charges) is uncollectible and worthless; or
3. Loans/financings secured with properties classified as impaired > 3 years with 3 rounds of abortive auctions. The balance outstanding is written down to 50% of the value of security, with the shortfall to be written off.
4. The Group is in the final stage of realising the security/collateral; or
5. The balance outstanding is written down to the value of security i.e. shortfall in security value over the outstanding balances is written-off.
6. Upon disposal of the security, shortfall arising from the set off of auction proceeds against written down balance outstanding, if any, will be written off immediately.
7. In the case of approved settlement arrangement, the Group shall write down the outstanding balance to approved settlement sum at the point of approval of the settlement agreement.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Group's books.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowance for credit losses by industry sector as at 31 December 2020 compared with 31 December 2019:

Table 18a: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Industry Sector as at 31 December 2020

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Agriculture	**49,306**	**11,938**	**67,862**
Mining & Quarrying	**196,348**	**528**	**274,365**
Manufacturing	**405,332**	**46,130**	**514,034**
Electricity, Gas & Water Supply	**258,065**	**6,624**	**89,157**
Construction	**334,416**	**73,912**	**252,578**
Wholesale, Retail Trade, Restaurants & Hotels	**311,533**	**171,198**	**697,756**
Transport, Storage & Communication	**351,259**	**46,279**	**317,474**
Finance, Insurance/Takaful, Real Estate & Business	**248,228**	**131,054**	**298,631**
Education, Health & Others	**11,878**	**97,684**	**81,954**
Household	**988,055**	**3,460,605**	**1,186,552**
Others	**26,862**	**178,887**	**25,995**
Total	**3,181,282**	**4,224,839**	**3,806,358**

Table 18b: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Industry Sector as at 31 December 2019

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Agriculture	60,515	71,407	59,161
Mining & Quarrying	205,586	749	317,769
Manufacturing	505,152	91,363	475,011
Electricity, Gas & Water Supply	288,619	2,848	90,321
Construction	272,855	115,565	256,535
Wholesale, Retail Trade, Restaurants & Hotels	311,918	206,297	221,335
Transport, Storage & Communication	422,749	35,491	269,919
Finance, Insurance/Takaful, Real Estate & Business	222,659	102,932	230,261
Education, Health & Others	32,962	31,535	12,220
Household	1,124,457	4,979,890	833,196
Others	31,703	69,941	214,354
Total	3,479,175	5,708,018	2,980,082

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following table shows the charges/(write back) and write-offs for loans/financing impairment by industry sector as at 31 December 2020 compared with 31 December 2019:

Table 19: Net Charges/(Write back) and Write-Offs for Loans/Financing Impairment by Industry Sector

RHB Bank Group	Twelve Months Period Ended 2020		Twelve Months Period Ended 2019	
Industry Sector	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000
Agriculture	**1,774**	**(6,991)**	13,327	(20)
Mining & Quarrying	**60,793**	**(384)**	40,251	-
Manufacturing	**66,602**	**(46,321)**	20,914	(51,349)
Electricity, Gas & Water Supply	**(8,964)**	**(98)**	41,192	(23,192)
Construction	**45,144**	**(17,105)**	48,250	(83,880)
Wholesale, Retail Trade, Restaurants & Hotels	**22,613**	**(27,846)**	11,943	(14,858)
Transport, Storage & Communication	**12,313**	**(2,565)**	14,161	(89,599)
Finance, Insurance/Takaful, Real Estate & Business	**39,052**	**(16,120)**	33,037	(26,583)
Education, Health & Others	**(517)**	**(2,010)**	1,631	(382)
Household	**200,809**	**(240,727)**	350,525	(376,614)
Others	**633**	**(17,695)**	(18,834)	(5,859)
Total	**440,252**	**(377,862)**	556,397	(672,336)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowance for credit losses by geographical distribution as at 31 December 2020 compared with 31 December 2019:

Table 20a: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Geographical Distribution as at 31 December 2020

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Malaysia	**1,968,795**	**3,846,736**	**2,727,268**
Labuan Offshore	**265,901**	**-**	**269,554**
Singapore	**761,963**	**230,587**	**665,785**
Thailand	**61,364**	**-**	**61,103**
Brunei	**6,590**	**-**	**1,140**
Indonesia	**716**	**-**	**-**
Cambodia	**103,851**	**-**	**74,515**
Hong Kong	**-**	**-**	**-**
Laos	**12,102**	**147,516**	**6,993**
Total	**3,181,282**	**4,224,839**	**3,806,358**

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowance for credit losses by geographical distribution as at 31 December 2020 compared with 31 December 2019: (continued)

Table 20b: Impaired and Past Due Loans/Financing and Allowance for Credit Losses by Geographical Distribution as at 31 December 2019

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance for Credit Losses RM'000
Malaysia	2,206,536	4,845,109	2,028,334
Labuan Offshore	266,821	-	238,698
Singapore	865,907	593,567	642,078
Thailand	34,476	14,328	30,406
Brunei	6,440	10,052	678
Indonesia	-	-	-
Cambodia	81,881	47,118	34,085
Hong Kong	97	-	97
Laos	17,017	197,844	5,706
Total	3,479,175	5,708,018	2,980,082

The following tables show the movement in loans/financing allowance for credit losses as at 31 December 2020 compared with 31 December 2019:

Table 21a: Movement in Loans/Financing Allowance for Credit Losses as at 31 December 2020

RHB Bank Group	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
Balance as at the beginning of the financial year	**567,095**	**864,051**	**1,548,936**	**2,980,082**
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	**179,319**	**(156,045)**	**(23,274)**	**-**
- Transferred to Lifetime ECL not credit impaired (Stage 2)	**(45,425)**	**93,250**	**(47,825)**	**-**
- Transferred to Lifetime ECL credit impaired (Stage 3)	**(3,267)**	**(38,185)**	**41,452**	**-**
	130,627	**(100,980)**	**(29,647)**	**-**
Allowance made/(written back) during the financial year	**198,306**	**691,376**	**611,623**	**1,501,305**
Bad debts written off	**-**	**-**	**(377,862)**	**(377,862)**
Derecognition	**(83,571)**	**(68,327)**	**(141,724)**	**(293,622)**
Disposal of subsidiary	**-**	**-**	**(1,560)**	**(1,560)**
Exchange differences	**(420)**	**(837)**	**(728)**	**(1,985)**
Balance as at the end of the financial year	**812,037**	**1,385,283**	**1,609,038**	**3,806,358**

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show the movement in loans/financing allowance for credit losses as at 31 December 2020 compared with 31 December 2019: (continued)

Table 21b: Movement in Loans/Financing Allowance for Credit Losses as at 31 December 2019

RHB Bank Group	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
Balance as at the beginning of the financial year	591,911	994,604	1,665,078	3,251,593
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	182,069	(141,866)	(40,203)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(35,256)	87,303	(52,047)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(11,211)	(49,845)	61,056	-
	135,602	(104,408)	(31,194)	-
Allowance made/(written back) during the financial year	(71,778)	219,210	740,370	887,802
Bad debts written off	-	-	(672,336)	(672,336)
Changes to model methodologies	(15,311)	(24,356)	(2)	(39,669)
Derecognition	(73,990)	(220,406)	(152,777)	(447,173)
Exchange differences	661	(593)	(203)	(135)
Balance as at the end of the financial year	567,095	864,051	1,548,936	2,980,082

7.0 MARKET RISK

Market risk is the risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

The Group transacts in financial instruments such as debt papers and derivative instruments such as futures, forwards, swaps, and options. Derivative instruments are contracts whose characteristics and value are derived from the underlying instruments that can be a reference to an underlying that may constitute of interest/profit rates, exchange rates, debt paper, equity, indices and commodities.

7.0 MARKET RISK (CONTINUED)

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support senior management in the development of market risk framework, risk limits, operationalise the processes and implement measurement methodologies to ensure adequate risk control and oversight are in place. The main responsibility of managing market risk as the first line of defence remains at the respective business units.

The Group Asset and Liability Committee (Group ALCO), GCRC and IBRMC perform a critical role in the management of market risk and support the board committees in the overall market risk management. The management committees meet regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group has established Group Trading Book Policy Statement, frameworks and risk limits as guidance for market risk management. These documents are reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

Market Risk Measurement and Control

The Group applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Group adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites. In addition, the Group conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the specific business units within the allocated limits. All trading positions are monitored independently on a daily basis and in accordance to the established escalation procedures and the key actions to be undertaken. Market risk exposure reports are presented to the senior management, relevant committees and the Board.

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Group's Hedging Policy that prescribes the overall hedge activities that can be executed by the Group and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

Hedging instruments used to mitigate these risks include options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Group's treasury functions with the approval of Group ALCO.

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2020 and 31 December 2019 are shown in the tables below:

Table 22a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2020

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	84,992,931	82,523,550	2,745,616	219,649
Equity Position Risk	225,659	198,744	168,988	13,519
Foreign Currency Risk	1,282,222	152,457	1,273,584	101,887
Options Risk	151,736	358,507	125,882	10,071
Total			4,314,070	345,126

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	88,880,490	86,515,279	2,805,324	224,426
Equity Position Risk	-	-	-	-
Foreign Currency Risk	965,213	188,832	956,576	76,526
Options Risk	151,736	159,763	21,471	1,718
Total			3,783,371	302,670

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	14,072,600	13,966,670	184,125	14,730
Equity Position Risk	-	-	-	-
Foreign Currency Risk	7,639	26,219	26,219	2,098
Options Risk	-	-	-	-
Total			210,344	16,828

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2020 and 31 December 2019 are shown in the tables below: (continued)

Table 22a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2020 (continued)

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	**12,381**	**10,990**	**1,539**	**123**
Equity Position Risk	**225,659**	**198,744**	**70,604**	**5,648**
Foreign Currency Risk	**124,154**	**4,430**	**124,154**	**9,932**
Options Risk	**-**	**198,744**	**104,409**	**8,353**
Total			**300,706**	**24,056**

Note:
As at 31 December 2020,
1. *RHB Bank Group did not have any exposure under commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
2. *RHB Bank did not have any exposure under equity position risk, commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
3. *RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.*
4. *RHB Investment Bank did not have any exposure under commodity risk and inventory risk. The equity position risk is computed based on net long and net short position.*

Table 22b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2019

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	82,804,775	80,475,397	2,802,501	224,200
Equity Position Risk	33,084	8,383	187,786	15,023
Foreign Currency Risk	869,885	79,814	841,656	67,333
Options Risk	50,258	79,559	12,779	1,022
Total			3,844,722	307,578

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2020 and 31 December 2019 are shown in the tables below: (continued)

Table 22b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2019 (continued)

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	85,103,978	82,969,162	2,703,482	216,279
Equity Position Risk	2,111	-	5,805	464
Foreign Currency Risk	708,811	119,451	680,583	54,447
Options Risk	52,369	71,176	4,167	333
Total			3,394,037	271,523

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	10,387,986	10,196,715	249,700	19,976
Equity Position Risk	-	-	-	-
Foreign Currency Risk	43,818	9,884	43,818	3,505
Options Risk	-	-	-	-
Total			293,518	23,481

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	13,500	13,394	-	-
Equity Position Risk	23,565	9,454	38,182	3,055
Foreign Currency Risk	82,792	47,365	82,792	6,623
Options Risk	-	9,454	6,804	544
Total			127,778	10,222

Note:
As at 31 December 2019,
1. *RHB Bank Group did not have any exposure under commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
2. *RHB Bank did not have any exposure under commodity risk, inventory risk, and market risk exposure absorbed by PSIA.*
3. *RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.*
4. *RHB Investment Bank did not have any exposure under commodity risk and inventory risk. The equity position risk is computed based on net long and net short position.*

8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of equity exposures in the banking book. These include:

- Investment in securities (listed and unlisted equity holdings, whether direct/indirect, and includes private equity); and
- Investment in associate companies and joint ventures.

The Group holds positions as a result of debt equity conversions and for socio-economic and non- socio- economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures and unquoted investments are stated at fair value.

The Group Impairment Guidelines provides the guidance of debt equity conversions and management of such exposures to ensure that these exposures are effectively managed and accounted for in the Group's books.

For regulatory capital purpose, RHB Investment Bank Group adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted assets of equity investments of the Group as at 31 December 2020 and 31 December 2019 are shown in the tables below:

Table 23: Equity Exposures in the Banking Book

RHB Bank Group	Gross Credit Exposures		Risk-Weighted Assets	
Equity Type	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Publicly traded				
Investment in unit trust funds	**93,944**	92,983	**93,944**	92,983
Holdings of equity investments	**6,805**	9,889	**6,805**	9,889
Privately held				
For socio economic purposes	**752,401**	692,961	**755,336**	695,922
For non socio economic purposes	**533,829**	493,139	**800,744**	739,708
Total	**1,386,979**	1,288,972	**1,656,829**	1,538,502

	2020 RM'000	**2019 RM'000**
Cumulative Realised Gains/(Loss) from Sale and Liquidations	**(1,060)**	5,664
Total Net Unrealised Gains/(Loss)	**191,685**	82,078

9.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquidity to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk.

Through the Group's Liquidity Risk Policy, the Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the board committees by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Group's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Group to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions. Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources, and contingency funding lines.

The Group has adopted the BNM's liquidity standards on LCR, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. The Group also adopted the NSFR to ensure maintenance of sufficient stable funding sources over a time horizon of up to one year. While BNM has relaxed the minimum requirement of LCR to below 100% and NSFR at 80%, the LCR and NSFR at RHB Banking Group level have been maintained at above 100%.

The Group's Liquidity Incident Management Procedure establishes guidelines for managing liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, it also identifies the individuals responsible for formulating and executing the Group's response to a liquidity event. The Group's Liquidity Incident Management Procedure also covers the entire Group's operations including foreign branch operations.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to the risk of the Group's earnings and economic value of equity due to the adverse movements in interest rate/benchmark rate. The risk may arise from the mismatches in the timing of re-pricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Interest rate risk/rate of return risk in the banking book comprises:

Re-pricing risk (mismatch risk)	• Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest/benchmark rates vary;
Basis risk	• Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest/benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
Yield curve risk	• Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
Embedded optionality	• Arises primarily from options that are embedded in many banking book positions (e.g. some fixed rate mortgage/home financing products give borrowers/customers the option to prepay the loan/financing early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports the board risk committees in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures in the banking book are maintained within defined risk tolerances.

In addition, the Group ALM Policy is established to provide the governance of interest rate risk/rate of return risk in the banking book. Interest/benchmark rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate risk/rate of return risk hedges.

In line with the Group ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest/benchmark rates, interest rate risk/rate of return risk to earnings is controlled using Risk Appetite, MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest/benchmark rates to net earnings and economic value as at 31 December 2020 and 31 December 2019 are shown in the following tables:

Table 24a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2020

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR - Malaysian Ringgit	**410,029**	**(410,029)**	**(1,740,640)**	**1,740,640**
USD - US Dollar	**(24,777)**	**24,777**	**68,963**	**(68,963)**
Others[1]	**54,748**	**(54,748)**	**(455)**	**455**
Total	**440,000**	**(440,000)**	**(1,672,132)**	**1,672,132**

Table 24b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2019

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR - Malaysian Ringgit	373,909	(373,909)	(1,699,034)	1,699,034
USD - US Dollar	(51,195)	51,195	83,528	(83,528)
Others[1]	37,944	(37,944)	(1,526)	1,526
Total	360,658	(360,658)	(1,617,032)	1,617,032

Note:
1. *Inclusive of GBP, EUR, SGD, etc.*
2. *The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.*
3. *The earnings and economic values were computed based on the standardised approach adopted by BNM.*

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure, whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest/benchmark rate change impact.
- For assets and liabilities with non-fix maturity, e.g., current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest/benchmark rate bearing items.

Economic value is characterised by the impact of interest/benchmark rates changes on the value of all net cash flows, i.e., the effect on the economic value of the Group's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/benchmark rates than is offered by the earnings perspective. The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

11.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Group's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Group's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

Analysis and Enhancement	• The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
Education and Awareness	• The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Group personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
Monitoring and Intervention	• This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also monitors and oversees the recovery actions, including business continuity measures in cases of incidents causing disruption to business activities as proposed and undertaken by First Line of Defense.

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated.

The respective business and support units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the senior management, respective committees and the Board that includes various operational risk information such as risk analysis, risk mitigation action plans, risk tools outcomes, risk appetite breaches, significant operational risk events and control failures, and lessons learnt. In addition, key operational risk incidents are reported to senior management daily. Such reporting enables senior management to be informed and deliberate on the identified operational lapses, promptness of corrective actions, and to ensure appropriate risk mitigation decision making and action plans are performed.

11.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Processes and Tools

The Group applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows:

1. Establish the context;
2. Risk identification;
3. Risk analysis;
4. Risk mitigating; and
5. Risk monitoring.

The Group uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following tools are being used:

- **Risk and Control Self-Assessment (RCSA)**

  RCSA is a methodology to build risk profile for each business and support unit. RCSA sets out a structured process for the identification and assessment of inherent operational risk, the effectiveness of the control environment, and the adequacy of the risk mitigation in place. The RCSA process is facilitated by the business and support units themselves jointly with personnel from Group Operational Risk Management.

- **Key Risk Indicators (KRI)**

  KRI is a measurable indicator utilised to track and monitor key operational risk exposures. KRI serves as an early warning signal; once a risk indicator exceeds the predefined threshold, a warning message is sent to a predefined list of users. Business and support units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Key Control Testing (KCT)**

  KCT is a methodology to assist business/functional units in performing assessments periodically to determine the effectiveness of key controls by evaluating whether the control procedures/activities are adequately designed to achieve the goals of the function and control objectives; and testing whether the key controls are operating as intended in actual practice. Effective KCT can lead to early detection of control weakness and deficiencies which will assist the senior management and business/functional units to quickly focus on control weakness and take concentrated efforts where they are most needed.

- **Incident Management and Loss Data Collection (IMLDC)**

  IMLDC provides structured process for the reporting and management of operational risk incidents that have occurred, from the point of discovery until resolution. Business and functional units are required to report and manage all operational risk incidences and losses within defined timeline with further analysis of root cause to avoid further recurrence. Information obtained from such analysis could also be used to review the effectiveness of the RCSA and KRIs.

- **Scenario Analysis**

  Scenario Analysis is used to identify plausible risk scenario that could materialise for assessment. A plausible risk scenario is a possible event resulting in unexpected and extreme losses which may arise when considering a sequence of control failures or individually significant events. Business/functional units are required to assess the potential outcomes related to a variety of operational risks failure, evaluate the vulnerabilities of the Group to the manifestation of plausible risk scenario, and put in appropriate risk mitigation plans to safeguard the Group's safety and soundness.

11.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Strengthening internal controls**

  Internal controls are designed to commensurate operational risk exposures faced by the Group. It is mainly categorised into five components, namely:

  a. Control environment – management oversight and risk culture, which sets the tone and serves as a foundation for all other components;

  b. Risk assessment – analyses identified risks to achieve objectives and ensure risks are well managed;

  c. Control activities – policies and procedures implemented manually and/or system-based to ensure management's directives are executed effectively and efficiently;

  d. Information and communication – relevant operational risk information are captured and communicated accordingly for decision making. Such information must be effective for utilisation, delivered timely, confidentiality is preserved, conform integrity needs, comply with relevant law/regulations, sufficient availability and reliable; and

  e. Monitoring – ongoing assessment and correcting deficiencies of internal control to assure it is operating as intended.

- **Business Continuity Management**

  To mitigate the impact of unforeseen operational risk events, the Group has on-going and actively managed Business Continuity Management (BCM) programme for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Group Business Continuity Management Department.

  The Board of Directors has an oversight function through the BRC and GCRC. The Group Business Continuity Committee, which reports to GCRC, is the committee that oversees the Group's business continuity framework, policies, budget and plans.

- **Outsourcing**

  Due to the need to outsource for cost and operational efficiency, policy and guidelines are put in place to ensure that the risks arising from outsourcing activities are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance/Takaful Management**

  The Group considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Group has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. The Group purchases insurance/Takaful from leading insurers/Takaful providers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and will financially mitigate the economic consequences of risks.

11.0 OPERATIONAL RISK (CONTINUED)

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

The Group recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

Cyber Risk

Cyber Risk refers to threats or vulnerabilities emanating from the connectivity of internal technology infrastructure to the Internet.

This is an inherent risk associated to the industry moving towards the Internet as a channel for the delivery of banking services. The Group recognises the risks associated to cyber and as part of the mitigation shall continuously identify suitable security devices to be deployed and ensure sufficient resources with the right skill sets were allocated to manage this risk. The Group also subscribed to the various threat intelligence providers to obtain the latest cyber landscape information that will used for the risk mitigation. To further provide assurance that the Internet facing application systems are secured, the Group engaged reputable IT security service providers to perform periodic vulnerability assessment/penetration testing where weaknesses detected shall be duly resolved with attestation from external consultants.

New Product and Services Approval Process

The Group has established a Policy on Product Development and Approval and Guidelines on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Group's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2020 and 31 December 2019, are shown below:

Table 25a: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2020

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	**12,677,517**	**8,734,782**	**2,223,938**	**858,966**
Minimum Capital Requirements	**1,014,201**	**698,782**	**177,915**	**68,717**

11.0 OPERATIONAL RISK (CONTINUED)

Capital Treatment for Operational Risk (continued)

Table 25b: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2019

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	12,058,426	8,535,951	1,937,774	784,006
Minimum Capital Requirements	964,674	682,876	155,022	62,720

12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Group will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/profit bearing deposits/placements with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Group is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Group's interests, thus reducing the risks associated with the cross-border business activities. In addition, the Group is also guided by the Country Risk limit, to manage the credit concentration risk arising from changes in the country's business environment where the Group has exposure in.

13.0 REPUTATIONAL RISK

Reputational risk is defined as the risk that negative publicity regarding the conduct of the Group or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputational risk in the Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Group has developed and implemented a reputational risk management policy. The key elements in the management of reputational risk include:

- Practice good corporate governance and culture of integrity to promote execution and achievement of corporate strategies and business objective.
- Manage reputational risk within a very low risk appetite with zero tolerance level reporting approach for incident that affects the Group's reputation.
- Adopt sound risk management practices that include the practice of building "reputation capital" and earning the goodwill of key stakeholder.
- Maintain proper mechanisms to monitor and escalate material lapses/breaches of internal and regulatory policies/guidelines that may place the Group's reputation at risk.
- Maintain proper channels of communication in dealing with internal and external stakeholders.

For the Group's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Group's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

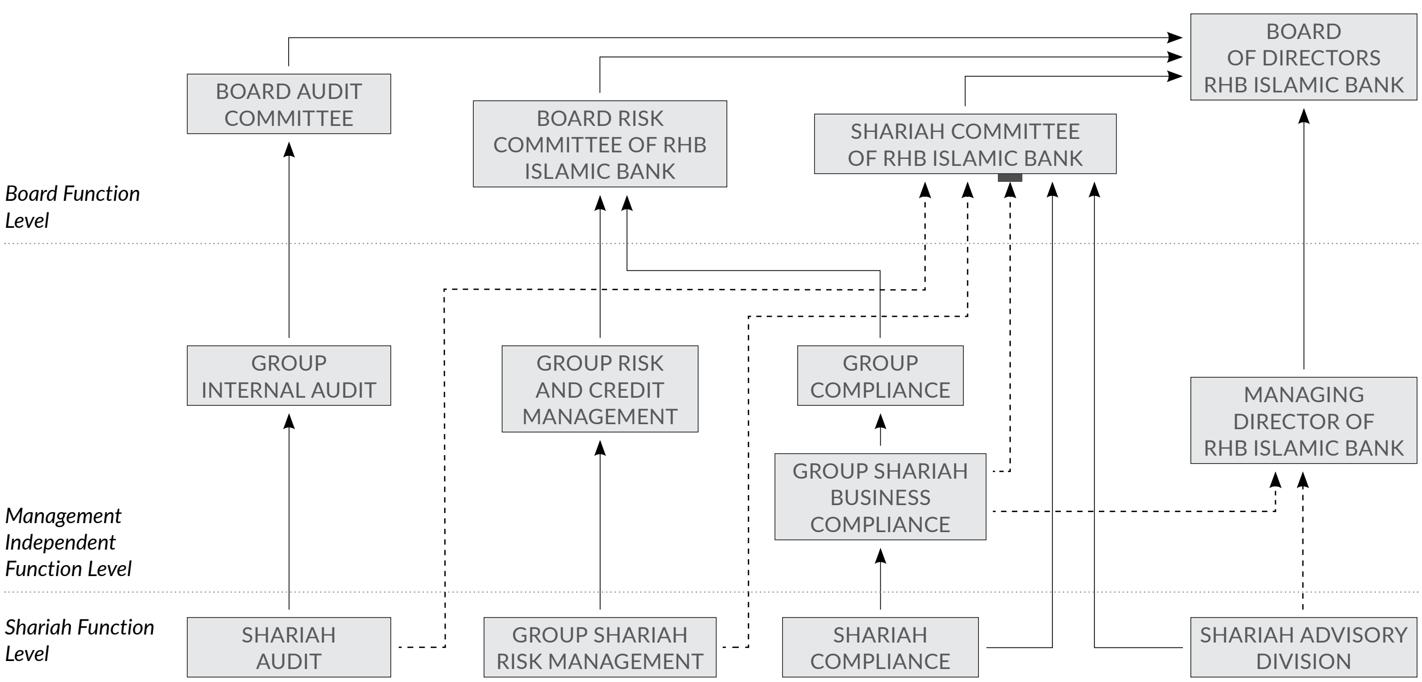
14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

Shariah non-compliance risk is the risk of legal or regulatory sanctions, financial loss or non- financial implications including reputational damage, which RHB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council (SAC) of local regulatory bodies (such as the SAC of the BNM for Malaysia operations), standards on Shariah matters issued by the local regulator, or decisions or advice of the Shariah committee/adviser appointed by respective RHB entities.

A Shariah Governance Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the expectations to all personnel engaged in the Islamic business activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM's Shariah Governance Policy Document.

The main duties and responsibilities of the SCR are to provide objective and sound advice to the Bank on Shariah matters in relation to Islamic business and operations; deliberating, affirming, and addressing any Shariah non-compliance event; as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements. The other entities within the RHB Banking Group without internal Shariah committee established have given the mandate to the SCR to advise on the Shariah matters, which are ultimately governed by the respective entities' board of directors.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

On a functional basis, the RHB Banking Group Islamic businesses are supported by Shariah Advisory Division, Group Shariah Risk Management, Group Shariah Business Compliance and Shariah Audit.

The Head of Shariah Advisory Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank.

The main duties and responsibilities of Shariah Advisory Division include, but not limited to, conduct reviews on Islamic products and services; provide internal Shariah advisory support to the management in its daily business and operational matters; assist the SCR in elaborating and discussing on pertinent Shariah issues; provide in-depth research on competitive analysis in order to assist the SCR's decision-making process; ensure the internal Shariah governance, the internal process flow and policies, and Shariah approval processes are well managed and maintained in an efficient manner; ensure the Bank is in compliance with the highest standard of Shariah governance as set by BNM; serve as the secretariat of the SCR and to act as the mediator between the management and the SCR; oversee the computation and distribution of zakat and funds to be channelled to charity; and to represent the management in any Shariah related matters.

The key role and responsibilities of Group Shariah Risk Management is to facilitate the process of identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any potential Shariah non-compliance events. Group Shariah Risk Management also performs independent assessment and provides support relating to Shariah non-compliance risk.

Group Shariah Business Compliance conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Any incidences of Shariah non-compliance decided by the SCR are reported to the GCRC, Board Risk Committee-i, BRC, the Board of Directors of respective entities in RHB Banking Group and the BNM (for Malaysia operations). Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of any Shariah non-compliant income.

There are 4 Shariah Non-Compliance events reported during the year 2020 with income de-recognised amounting to RM360,426.82. This amount has been channelled to charity during the same year.

15.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest/profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Group's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

15.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 26: Glossary of Terms

A-IRB	Advanced Internal Ratings-Based Approach
BCC	Board Credit Committee
BCM	Business Continuity Management
BNM	Bank Negara Malaysia
Board	Board of Directors
BRC	Board Risk Committee
CAFIB	Capital Adequacy Framework for Islamic Banks
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET	Common Equity Tier
CRM	Credit Risk Mitigation
DFIs	Development Financial Institutions
DRP	Dividend Reinvestment Plan
EAD	Exposure at Default
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EL	Expected Loss
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBP	Pound Sterling
GCC	Group Credit Committee
GCG	Group Credit Guidelines
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GIUC	Group Investment Underwriting Committee
GMC	Group Management Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
IBRMC	Investment Bank Risk Management Committee
ICAAP	Internal Capital Adequacy Assessment Process
IMLDC	Incident Management and Loss Data Collection
IRB Approach	Internal Ratings-Based Approach
ISDA	International Swaps and Derivatives Association
KCT	Key Control Testing
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
MFRS 9	Malaysian Financial Reporting Standards 9
MFRS 139	Malaysian Financial Reporting Standards 139
Moody's	Moody's Investor Services
MYR	Malaysian Ringgit
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RSMEs	Retail Small and Medium Sized Enterprises
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SCR	Shariah Committee of RHB Islamic Bank
SGD	Singapore Dollar
S&P	Standard & Poor's
USD	US Dollar
VaR	Value-at-Risk

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