Registration No.

199401030666 (316347-D)

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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J.P. MORGAN CHASE BANK BERHAD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Directors are pleased to submit their report to the members together with the audited financial statements of the Bank for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services.

There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	59,524

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the Bank's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2021.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 31 December 2021, the issued share capital of the Bank is RM437,500,002 comprising 395,500,002 ordinary shares.

EQUITY COMPENSATION BENEFITS

The ultimate holding company, JPMorgan Chase & Co. ("JPMC") has a Long-Term Incentive Plan ("LTIP") that provides for grants of common stock-based awards, including stock options, restricted stock, and restricted stock units ("RSU") to certain key employees employed by JPMC and its subsidiaries. JPMC also grants stock options to other employees as recognition of the services rendered, under its broad-based employee stock option plan such as the Value Sharing Plan.

Details of the equity compensation benefits are set out in Note 32 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 as follows:

Osman Tarique Morad
Robert Armor Morris
John Terrence Murphy
Mahani binti Amat
Wong Hooi Ching (appointed on 3 January 2022)
Steven Ronald Clayton (resigned on 3 January 2022)

In accordance with Article 99 of the Bank's Constitution, Osman Tarique Morad retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 103 of the Bank's Constitution, Wong Hooi Ching, who was appointed to the Board after the last Annual General Meeting, retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

DIRECTORS' BENEFITS

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object was to enable 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 except that certain Directors received remuneration as Directors and employees of the Bank and related corporations, and share options granted to Directors of the Bank by the ultimate holding company.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration as disclosed in Note 24 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.

DIRECTORS' INTEREST IN SHARES AND OPTIONS

According to the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year has any interest in the shares, restricted stock units and share options (collectively "Shares") of the Bank and/or its related corporations during the financial year, save for the following:

	Number of Shares			
	As at 1.1.2021	Acquired	Disposed	As at 31.12.2021
JPMorgan Chase & Co.				
Steven Ronald Clayton	9,865	2,663	(5,815)	6,713
John Terrence Murphy	7,996	3,145	(3,786)	7,355

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 24 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 22 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

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

CURRENT ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Bank had been written down to an amount which the current assets 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 current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities in the Bank's financial statements 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 Bank which has arisen since the end of the financial year which secures the liability of any other person; or

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

No contingent or other liability of the Bank has become enforceable or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Bank to meet its obligations 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 Bank which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the Bank's operations during 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.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Bank's operations for the current financial year in which this report is made.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

BUSINESS STRATEGY AND REVIEW 2021

Despite continued uncertainty throughout 2021, the Bank's key businesses, in particular transaction services, trade, wholesale banking and markets flow business, delivered satisfactory results after experiencing an extraordinary year of 2020.

The Bank recorded a profit before tax of RM84 million in financial year 2021, a decrease of RM173 million against financial year 2020. Net interest income decreased by RM13 million or 15% to RM71 million, contributed by decrease in interest income from money at call and placements with financial institutions and interest income on financial assets held at fair value through other comprehensive income of RM40 million and RM9 million respectively, and increase in interest expense arising from deposits and placements of banks and other financial institutions of RM8 million; offset by the decrease in the interest expense arising from deposits from customers of RM45 million. Other operating income decreased by RM134 million or 41%, mainly arising from unrealised loss from revaluation of derivatives of RM21 million and decrease in net gain from financial assets held at fair value through profit and loss of RM41 million. Meanwhile, operating expenses increased by RM32 million or 21% to RM184 million.

The Bank's total assets increased by 11% to RM10 billion, contributed by higher cash and short-term fund of RM1.6 billion, offset lower derivative assets and securities purchased under resale agreement of RM657 million and RM430 million respectively. Additionally, other assets increased by RM281 million or >100%, mainly due to increase in booking of trade receivables for MGS and GII. The Bank's total liabilities increased by 13% to RM8.6 billion, contributed by higher amount due to related parties of RM1.5 billion, offset by lower derivative liabilities of RM734 million. The Bank's total capital ratio remained strong at 24.2%, with its Tier 1 capital ratio at 24.0% as at end of 2021.

BUSINESS OUTLOOK FOR 2022

The Bank continues to address the impact of a challenging environment even as the pandemic enters a third year.

Malaysia is an open, export-orientated economy and is therefore exposed to macro factors that influence economic growth.

The high vaccination rate in Malaysia, however, is a positive development and the Bank stands ready to support clients – comprising of multi-national corporations, large domestic corporates, financial institutions and non-bank financial institutions – with its broad product mix across Corporate Banking, Payments and Markets.

Our commitment to developing our business in Malaysia has allowed us to become a leader among foreign banks in the country, and we are confident of further growth with the support of the Bank's strong capitalization, global network and fortress balance sheet.

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ULTIMATE HOLDING CORPORATION

The Directors regard JPMorgan Chase & Co., a corporation incorporated in the United States of America, as the ultimate holding corporation of the Bank.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 30 March 2022. Signed on behalf of the Board of Directors:

ROBERT ARMOR MORRIS
DIRECTOR

WONG HOOI CHING
DIRECTOR

Kuala Lumpur
19 May 2022

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J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	2	4,624,936	3,018,499
Securities purchased under resale agreement		2,442,786	2,873,109
Financial assets held at fair value through profit and loss ("FVTPL")	3	611,164	739,050
Derivative financial instruments	4	821,733	1,479,003
Financial assets held at fair value through other comprehensive income ("FVOCI")	5	377,948	251,574
Loans and advances	6	461,288	253,661
Amounts due from related parties	7	566,929	536,365
Statutory deposits with Bank Negara Malaysia	8	2	2
Other assets	9	374,982	94,275
Tax recoverable		34,475	33,236
Deferred tax assets	10	5,834	4,374
Fixed assets	11	8,909	13,893
Right-of-use assets	12	15,898	13,118
TOTAL ASSETS		10,346,884	9,310,159
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	4,173,237	4,559,355
Deposits and placements of banks and other financial institutions	14	586,965	499,683
Obligations on securities sold under repurchase agreements		343,738	183,926
Derivative financial instruments	4	731,034	1,464,676
Amounts due to related parties	15	2,218,618	693,701
Other liabilities	16	496,788	171,145
Total liabilities		8,550,380	7,572,486
Share capital	17	437,500	437,500
Retained earnings		1,340,841	1,286,237
Reserves	18	18,163	13,936
Shareholder's equity		1,796,504	1,737,673
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		10,346,884	9,310,159
COMMITMENTS AND CONTINGENCIES	26	119,148,257	117,468,596

J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Interest income	19	101,090	151,498
Interest expense	20	(30,181)	(67,789)
Net interest income		70,909	83,709
Other operating income	21	194,766	328,571
Net income		265,675	412,280
Operating expenses	22	(183,795)	(151,878)
Operating profit before allowances		81,880	260,402
Expected credit losses on loans and advances	23	1,729	(4,627)
Profit before taxation		83,609	255,775
Taxation	25	(24,085)	(63,490)
Net profit for the financial year		59,524	192,285
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
- Net unrealised (loss)/gain on revaluation of financial assets held at fair value through other comprehensive income		(911)	1,197
- Income tax relating to component of other comprehensive income		218	(288)
Other comprehensive (loss)/income, net of tax		(693)	909
Total comprehensive income for the financial year		58,831	193,194

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital RM'000	Fair value reserve of OCI RM'000	Option reserve RM'000	Regulatory reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2021		437,500	1,010	11,953	973	1,286,237	1,737,673
Net profit for the financial year		-	-	-	-	59,524	59,524
Other comprehensive income (net of tax)		-	(693)	-	-	-	(693)
Net unrealised gain on revaluation of financial assets at fair value through other comprehensive income		-	(911)	-	-	-	(911)
Income tax relating to component of other comprehensive income		-	218	-	-	-	218
Total comprehensive income for the financial year		-	(693)	-	-	59,524	58,831
Transfer to regulatory reserve		-	-	-	4,920	(4,920)	-
		437,500	317	11,953	5,893	1,340,841	1,796,504

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Share capital RM'000	Fair value reserve of OCI RM'000	Option reserve RM'000	Regulatory reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2020		437,500	101	11,953	5,105	1,089,820	1,544,479
Net profit for the financial year		-	-	-	-	192,285	192,285
Other comprehensive income (net of tax)		-	909	-	-	-	909
Net unrealised gain on revaluation of financial assets at fair value through other comprehensive income		-	1,197	-	-	-	1,197
Income tax relating to component of other comprehensive income		-	(288)	-	-	-	(288)
Total comprehensive income for the financial year		-	909	-	-	192,285	193,194
Transfer from regulatory reserve		-	-	-	(4,132)	4,132	-
		437,500	1,010	11,953	973	1,286,237	1,737,673

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J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	83,609	255,775
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of fixed assets	7,407	5,875
Amortisation of lease	4,905	4,626
Loss on disposal of fixed assets	198	-
Expected credit losses on loan and advances	(1,729)	4,627
Net gain on derivatives	(34,518)	(16,256)
Net unrealised loss/(gain) from revaluation of financial assets held at fair value through profit and loss	2,696	(77)
Net unrealised loss/(gain) in revaluation on derivatives	20,599	(64,186)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	83,167	190,384
Decrease/(increase) in securities purchased under resale agreement	430,323	(1,058,552)
Increase in amount due from related parties	(81,079)	(204,624)
Decrease/(increase) in financial assets held at FVTPL	125,190	(330,564)
(Increase)/decrease in derivative financial instruments	(62,453)	92,285
(Increase)/decrease in financial assets held at FVOCI	(127,067)	592,788
(Increase)/decrease in loans and advances	(205,898)	7,003
(Increase)/decrease in other assets	(283,534)	170,173
Decrease in deposits from customers	(386,118)	(1,217,962)
Increase in deposits and placements of banks and other financial institutions	87,282	110,111
Increase/(decrease) in other liabilities	325,643	(114,927)
Increase in obligation on securities sold under repurchase agreement	159,812	132,167
Increase in amount due to related parties	1,524,917	114,277
Cash generated from/(used in) operating activities	1,590,185	(1,517,441)
Income taxes paid	(26,565)	(75,000)
Net cash generated from/(used in) operating activities	1,563,620	(1,592,441)

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of fixed assets		(2,621)	(4,854)
Net cash used in investing activity		(2,621)	(4,854)
CASH FLOWS FROM FINANCING ACTIVITY			
Lease rental payment		(5,077)	(4,786)
Net cash used in financing activity		(5,077)	(4,786)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,555,922	(1,602,081)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		3,250,353	4,852,434
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		4,806,275	3,250,353
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	2	4,624,936	3,018,499
Amount due from related parties	7	181,339	231,854
		4,806,275	3,250,353

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements and are also consistent with those applied in the previous year, unless otherwise stated.

A BASIS OF PREPARATION

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

The financial statements have been prepared on a going concern basis under historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS and IFRS 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 year. It also requires the Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in accounting policy Note Q.

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

The following standards and amendments have been adopted for the first time by the Bank for the financial year beginning on 1 January 2021:

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

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

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

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

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

  The amendments shall be applied retrospectively.

A BASIS OF PREPARATION (CONTINUED)

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

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

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

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

  The amendments shall be applied retrospectively.

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

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

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

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

  The amendments shall be applied retrospectively.

A BASIS OF PREPARATION (CONTINUED)

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

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

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

The adoption of the above amendments to published standards is not expected to give rise to any material financial impact to the Bank.

B INCOME RECOGNITION

Interest income is recognised in the income statement using the effective interest method. Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. When calculating the effective interest, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate.

Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method and is recognised in the income statement as part of interest income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

C RECOGNITION OF FEES AND OTHER INCOME

The Bank earn fees and other income from a diverse range of products and services provided to its customers. Fees and other income are recognised when the Bank has satisfied its performance obligation in providing the promised products and services to the customer, and is recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Bank generally satisfy its performance obligation and recognises the fees and other income on the following basis:

(i) Transaction-based fee and other income is recognised on the completion of the transaction. Such fees include fees related to the service charges and fees, and loans and advance arrangement fees. These fees constitute a single performance obligation.

(ii) For a service that is provided over a period of time, fee and other income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include commitment fee income, which relating to loans and guarantee fees

Net gain or loss from sales of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are recognised in Statements of Comprehensive Income upon sales of the securities, as the difference between net sales proceeds and the carrying amount of the financial assets.

D REPURCHASE AGREEMENTS

Securities purchased under agreements to resell, and securities sold under agreements to repurchase, are treated as collateralised lending and borrowing transactions respectively. The consideration for the transaction can be in the form of cash or securities. If the consideration for the purchase or sale of securities is given in cash the transaction is recorded on the balance sheet within securities purchased/sold under agreement to resell/repurchase. If the consideration is received or given in the form of securities the transaction is recorded off balance sheet. The difference between the sales and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

E FINANCIAL ASSETS AND LIABILITIES

(a) Recognition of financial assets and financial liabilities

The Bank recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Bank commits to purchase or sell an asset.

E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

On initial recognition, financial liabilities are classified as measured at either amortised cost or FVTPL

(c) Subsequent measurement

There are three measurement categories into which the Bank classifies its financial assets:

(i) Amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement).

Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statement and presented in net gain and loss from financial instruments together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

Financial assets measured at amortised cost include cash and short-term funds, loans and advances, certain securities purchased under resale agreements, amount due from related parties, statutory deposits with BNM and other assets.

Financial liabilities are measured at amortised cost unless they are held for trading or designated as measured at fair value through profit or loss.

E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Subsequent measurement (continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets are measured at FVOCI if they are held under a business model with the objective of both collecting contractual cash flows and selling the financial assets ("Hold to Collect and Sell"), and they have contractual terms under which cash flows are SPPI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in other gains/(losses) on financial instruments. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) on financial instruments and impairment losses are presented as separate line item in the Statement of Comprehensive Income.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in income statement and presented net within other gains/(losses) on financial instruments in the period which they arise. Transaction costs of financial assets carried at FVTPL are expensed off in income statement.

Financial assets measured at FVTPL include fixed income securities and reverse repurchase agreement.

(d) Impairment of financial assets and lending-related commitments

Instruments in scope of Traditional Credit Product ("TCP") include loans and advances, lending-related commitments, and other lending products stemming from extensions of credit to borrowers. The Bank establishes an expected credit losses ("ECL") for these instruments to ensure they are reflected in the financial statements at the Bank's best estimate of the net amount expected to be collected. The ECL is determined on in-scope financial instruments measured at amortized cost or FVOCI. ECL are measured collectively via a portfolio-based (modeled) approach for Stage 1 and 2 assets but are generally measured individually for Stage 3 assets. ECL are forecasted over the 12-month term or expected life of in-scope financial instruments, where the forecast period includes the reasonable and supportable (R&S) forecast period, the reversion period and the residual period and considers the time value of money.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of circumstances that are inherently uncertain. Further, estimating the allowance involves consideration of a range of possible outcomes, which management evaluates to determine its best estimate. Subsequent evaluations of the TCP portfolio, in light of the circumstances then prevailing, may result in significant changes in the ECL in future periods.

E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Impairment of financial assets and lending-related commitments (continued)

The Bank must consider the appropriateness of decisions and judgments regarding methodology and inputs utilized in developing estimates of ECL each reporting period and document them appropriately.

Note 30 provides more detail on how the expected credit loss allowance is measured.

(e) Write-off

Loan and advances on the balance sheet are written off when it is highly certain that a loss has been realised. The determination of whether to recognise a write-off includes the prioritisation of the Bank's claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity or the loan collateral.

All other financial assets are written off when there is no reasonable expectation of recovery and the amount of loss can be reasonably estimated or when the asset is past due for a specified period.

(f) Determining 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.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

For financial assets and liabilities measured at FVTPL and FVOCI, most market parameters in the valuation model are either directly observable or are implied from instrument prices. When input values do not directly correspond to the most actively traded market parameters the model may perform numerical procedures in the pricing such as interpolation.

(g) Regulatory reserve requirements

Pursuant to BNM letter dated 1 November 2017, effective from 1 January 2018, the Bank shall maintain, in aggregate, Stage 1 and Stage 2 provisions and regulatory reserves of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysia Government, Bank, a licensed bank, a licensed investment bank, a licensed Islamic Bank and a prescribed development financial institution) net of Stage 3 provision.

On 25 March 2020, BNM had announced a number of temporary relief measures, includes reducing the regulatory reserves held against expected losses to 0%. The Bank has elected to maintain the regulatory reserves at 1% for 2021 and 2020.

F DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. 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 value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the income statement.

G OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

H IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

I FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets is calculated on a straight-line basis over the estimated useful lives.

The principal useful lives used are as follows:

	Years
Bank premises	
- improvements, furniture and fittings	Lower of the remaining lease term or 10 years
- office machinery and equipment	5
Computers	3 - 5

The residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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

At each balance sheet date, the Bank assesses 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

J CURRENCY TRANSLATIONS

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Monetary assets and monetary liabilities in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into Ringgit Malaysia at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into Ringgit Malaysia at the exchange rate ruling at the date when the transaction was initially recognised.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Ringgit Malaysia at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement except for differences arising on FVOCI non-monetary financial assets, which are included in the OCI reserve.

K CURRENT AND DEFERRED INCOME TAX

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting of each jurisdiction in which the Bank operates and generates taxable income and includes all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. 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 is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred 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.

Deferred income tax related to fair value remeasurement of financial investments at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

L EMPLOYEE BENEFITS

Short-term employee benefits

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 Bank.

Defined contribution plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the national pension scheme, Employees' Provident Fund (EPF).

The Bank's contributions to EPF are charged to the income statement in the period to which they related. Once the contributions have been paid, the Bank has no further payment obligations.

Equity compensation benefits

Staff costs include equity compensation expenses arising from the grant of stock-based awards to the employees of the Bank which are equity-settled. The details of the stock-based awards available are described in Note 32.

Stock-based payment awards may be made to employees of the Bank under the Firm's incentive awards schemes. The fair value of any such shares, rights to shares or share options is measured when the conditional award is made. This value is recognised as the compensation expense to the Bank over the period to which the performance criteria relate together with employer's other payroll taxes. All of the awards granted are equity settled. The Firm estimates the level of forfeitures and applies this forfeiture rate at the grant date.

The Bank has recognised all equity compensation benefits as equity-settled, whereby all these employee benefit expenses are credited to "Option reserve" under equity. For employee benefit expenses where the Bank has an obligation to settle with JPMorgan Chase & Co the corresponding amounts are transferred from "Option reserve" to "Other liabilities".

M PROVISION

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the Bank, or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the financial statements; however disclosure is made unless the probability of settlement is remote.

N FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require 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.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees 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.

O CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term funds and amount due from related parties. Only short term deposits under amount due from related parties are considered as cash and cash equivalents.

P LEASES

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Bank (i.e. the commencement date).

ROU Asset

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The ROU asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the ROU asset or the lease term. The estimated useful life of the ROU asset is determined on the same basis as those of the property and equipment. In addition, the ROU asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

P LEASES (CONTINUED)

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate. The lease liability is measured at amortized cost using a constant periodic rate of interest. It is remeasured when there is a change in an index or rate, or if the Bank changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in earnings if the carrying amount of the ROU asset has been reduced to zero.

The Bank presents the lease liabilities as a separate line item in Note to the statement of financial position. Interest expense on the lease liability is presented within the operating expense in the statement of comprehensive income.

Short-term leases and leases of low-value

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, office furniture and auto equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

Q CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank's accounting policies and use of estimates are integral to understanding its reported results. The Bank's most complex accounting estimates require management's judgement to ascertain the valuation of assets and liabilities. The Bank has established detailed policies and control procedures intended to ensure that valuation methods, including any judgements made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Bank believes its estimates for determining the valuation of its assets and liabilities are appropriate. The following is a brief description of the Bank's critical accounting estimates involving significant valuation judgement.

(a) Fair value of financial instruments

The Bank carries a significant portion of its assets and liabilities at fair value on a recurring basis. Estimating fair value often requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Bank. For instruments valued using internally developed models that use significant unobservable inputs that are classified within level 3 of the valuation hierarchy, judgements used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use. Second, the lack of observability of certain significant inputs requires management to assess all relevant empirical data in deriving valuation inputs - including, for example, transaction details, yield curves, interest rates, prepayment rates, default rates, volatilities, correlations, equity or debt prices, valuations of comparable instruments, foreign exchange rates and credit curves.

Q CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Fair value of financial instruments (continued)

For instruments classified in levels 2 and 3, management judgement must be applied to assess the appropriate level of valuation adjustments to reflect counterparty credit quality, the Bank's creditworthiness, market funding rates, liquidity considerations, unobservable parameters, and for portfolios that meet specified criteria, the size of the net open risk position. The judgements made are typically affected by the type of product and its specific contractual terms, and the level of liquidity for the product or within the market as a whole.

(b) Measurement of the Expected credit losses ("ECL")

An allowance for ECL is required for financial assets measured at amortised cost and fair value through other comprehensive income as well as lending-related commitments such as loan commitments and financial guarantees. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviours. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 30, which also sets out key sensitivities of the ECL to changes in these inputs.

A number of significant judgements are also required in measuring ECL, such as:

- Determining the criteria for identifying when financial instruments have experienced a significant increase in credit risk;
- Choosing appropriate forecasts and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type financial instrument/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

For Multinational Corporations ("MNC") exposures which are not supported by legally enforceable guarantee, management makes judgement based of local standalone risk grading for ECL measurement.

1 GENERAL INFORMATION

The principal activities of the Bank are banking and related financial services. There was no significant change in the nature of these activities during the financial year.

The Bank is a wholly-owned subsidiary of J.P. Morgan International Finance Ltd., a corporation incorporated in the United States of America. The Directors regard JPMorgan Chase & Co., a corporation incorporated in the United States of America, as the Bank's ultimate holding corporation.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The principal place of business and address of the registered office of the Bank is Level 18, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

2 CASH AND SHORT-TERM FUNDS

	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	126,731	129,293
Money at call and deposit placements maturing within one month	4,498,205	2,889,206
	4,624,936	3,018,499

3 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2021 RM'000	2020 RM'000
Money market instruments		
Malaysian Government Securities	442,108	464,225
Malaysian Government Investment Issuance	138,485	196,298
Malaysian Government Guaranteed Bonds	24,016	72,036
Unquoted securities		
Unquoted shares	6,555	6,491
	611,164	739,050

4 DERIVATIVE FINANCIAL INSTRUMENTS

	Notional amount	Fair values	
		Assets	Liabilities
	RM'000	RM'000	RM'000
At 31 December 2021			
Foreign exchange derivatives			
Currency forwards	46,451,016	217,011	(247,623)
Cross-currency interest rate swaps	2,852,406	44,461	(45,972)
Currency options	816,954	5,867	(5,867)
	50,120,376	267,339	(299,462)
Interest rate derivatives			
Interest rate swaps	65,045,019	425,242	(314,375)
Interest rate options	30,000	4,446	-
Credit related derivatives			
Credit default swaps	362,367	6,950	(2,081)
Equity related derivatives			
Equity options	1,705,317	117,756	(115,116)
Total derivative assets/(liabilities)	117,263,079	821,733	(731,034)

4 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Notional amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
At 31 December 2020			
Foreign exchange derivatives			
Currency forwards	40,805,286	573,790	(721,271)
Cross-currency interest rate swaps	3,187,727	118,233	(98,722)
	43,993,013	692,023	(819,993)
Interest rate derivatives			
Interest rate swaps	69,708,754	708,115	(575,380)
Credit related derivatives			
Credit default swaps	352,650	10,052	(5,066)
Equity related derivatives			
Equity options	1,584,575	68,813	(64,237)
Total derivative assets/(liabilities)	115,638,992	1,479,003	(1,464,676)

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RM'000	2020 RM'000
Money market instruments		
Malaysian Government Investment Issuance	51,923	53,083
Malaysian Treasury Bills	326,025	198,491
	377,948	251,574

6 LOANS AND ADVANCES

(i) Loans and advances analysed by type of loan are as follows:

	2021 RM'000	2020 RM'000
Overdrafts	148,974	50,317
Housing loans	531	550
Staff loans	407	453
Revolving credits	232,316	129,043
Trade finance	85,945	81,485
	468,173	261,848
Less: Expected credit loss ("ECL) on loans and advances:		
- Credit impaired	(46)	(23)
- Not credit impaired	(6,839)	(8,164)
Total net loans and advances	461,288	253,661

6 LOANS AND ADVANCES (CONTINUED)

	2021 RM'000	2020 RM'000
(ii) The maturity structure of loans and advances are as follows:		
Maturity within		
- one year	467,278	260,882
- one year to three years	332	85
- three years to five years	26	296
- over five years	537	585
	468,173	261,848
(iii) Loans and advances analysed by type of customers are as follows:		
Domestic business enterprises	461,848	251,731
Individuals	938	1,003
Foreign entities	5,387	9,114
	468,173	261,848
(iv) Loans and advances analysed by interest sensitivity are as follows:		
Fixed rate		
- Housing loans	938	1,003
Variable rate		
- Cost-plus	467,235	260,845
	468,173	261,848
(v) Loans and advances analysed by their economic purpose are as follows:		
Purchase of landed properties	938	1,003
Working capital	467,235	260,845
	468,173	261,848
(vi) Loans and advances analysed by their geographical distribution are as follows:		
In Malaysia	462,786	252,734
Other countries	5,387	9,114
	468,173	261,848

6 LOANS AND ADVANCES (CONTINUED)

		2021 RM'000	2020 RM'000
(vii)	Loans and advances analysed by measurement basis are as follows:		
	Amortised cost	468,173	261,848
(viii)	Impaired loans		
(a)	Movements in impaired loans and advances are as follows:		
	At 1 January	90	92
	Classified as impaired during the financial year	116	2
	Amount recovered	(8)	(4)
	At 31 December	198	90
	ECL – credit impaired	(46)	(23)
	Net impaired loans and advances	152	67
	Ratio of net impaired loans and advances to net loans and advances	0.03%	0.03%
(b)	Impaired loans analysed by their economic purpose are as follows:		
	Purchase of landed property	198	90
(c)	Impaired loans analysed by their geographical distribution are as follows:		
	Malaysia	198	90

7 AMOUNTS DUE FROM RELATED PARTIES

	2021 RM'000	2020 RM'000
Current deposits	181,339	231,854
Securities purchased under resale agreement	164,515	270,975
Other receivables	221,075	33,536
	566,929	536,365

8 STATUTORY DEPOSITS WITH BNM

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

As of 31 December 2021, the Bank has RM2,000 (2020: RM2,000) statutory deposits with BNM.

9 OTHER ASSETS

	2021 RM'000	2020 RM'000
Receivable from securities sold pending settlement	372,298	86,669
Other receivable, deposits and prepayments	2,684	7,606
	374,982	94,275

10 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the Statement of Financial Position.

	2021 RM'000	2020 RM'000
Excess of depreciation over capital allowances	(375)	(489)
Financial assets held at fair value through other comprehensive income	(101)	(319)
Other liabilities	6,310	5,182
Deferred tax assets	5,834	4,374

10 DEFERRED TAX ASSETS (CONTINUED)

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

	Excess of depreciation over capital allowances RM'000	Fair value through other comprehensive income RM'000	Other liabilities RM'000	Total RM'000
2021				
At 1 January	(489)	(319)	5,182	4,374
Credited to Income Statement (Note 25)	114	-	1,128	1,242
Charged to reserve	-	218	-	218
At 31 December	(375)	(101)	6,310	5,834
2020				
At 1 January	(1,040)	(31)	4,122	3,051
Credited to Income Statement (Note 25)	551	-	1,060	1,611
Charged to reserve	-	(288)	-	(288)
At 31 December	(489)	(319)	5,182	4,374

11 FIXED ASSETS

	Bank premises RM'000	Computers RM'000	Total RM'000
2021			
Cost			
At 1 January	20,762	22,476	43,238
Additions	2,256	365	2,621
Disposal and write-off	(879)	-	(879)
At 31 December	22,139	22,841	44,980
Accumulated depreciation			
At 1 January	16,367	12,978	29,345
Charge for the financial year	2,231	5,176	7,407
Disposals and write-off	(681)	-	(681)
At 31 December	17,917	18,154	36,071
Net book value			
At 31 December	4,222	4,687	8,909
2020			
Cost			
At 1 January	17,639	31,482	49,121
Additions	3,653	1,201	4,854
Disposals and write-off	(530)	(10,207)	(10,737)
At 31 December	20,762	22,476	43,238
Accumulated depreciation			
At 1 January	16,235	17,972	34,207
Charge for the financial year	662	5,213	5,875
Disposals and write-off	(530)	(10,207)	(10,737)
At 31 December	16,367	12,978	29,345
Net book value			
At 31 December	4,395	9,498	13,893

12 RIGHTS-OF-USE ASSETS

	2021 RM'000	2020 RM'000
Balance as at 1 January, by class of underlying assets:		
Properties	13,118	9,421
Additions to the ROU assets during the financial year	7,685	8,323
Depreciation charge of ROU assets by class of underlying assets:		
Properties	(4,905)	(4,626)
Balance as at 31 December	15,898	13,118
Interest expense on lease liabilities	214	283
Total cash outflow for leases	5,077	4,786
	5,291	5,069

Lease Liabilities Maturity Analysis

	2021 RM'000	2020 RM'000
Lease liabilities – Maturity Analysis – Contractual Undiscounted Cash Flows		
Less than one year	5,253	4,834
One to five years	11,260	8,968
Total undiscounted lease liabilities at 31 December	16,513	13,802

13 DEPOSITS FROM CUSTOMERS

	2021 RM'000	2020 RM'000
(i) Deposits from customers analysed by type of deposits are as follows:		
Demand deposits	4,091,831	4,508,850
Fixed deposits	81,406	50,505
	4,173,237	4,559,355
Maturity structure of fixed deposits are as follows:		
Due within six months	81,406	50,505
(ii) Deposits from customers analysed by type of customers are as follows:		
Business enterprises	4,172,135	4,558,574
Others	1,102	781
	4,173,237	4,559,355

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 RM'000	2020 RM'000
Licensed banks	452,916	366,015
Other financial institutions	134,049	133,668
	586,965	499,683

15 AMOUNTS DUE TO RELATED PARTIES

	2021 RM'000	2020 RM'000
Current deposits	242,176	239,311
Fixed deposits	193,185	427,802
Securities sold under repurchase agreement	1,762,338	-
Other payables	20,919	26,588
	2,218,618	693,701

16 OTHER LIABILITIES

	2021 RM'000	2020 RM'000
Other payables	459,742	138,408
Accruals and charges	19,444	17,535
Lease liabilities	16,157	13,335
Expected credit losses – off-balance sheet lending commitment	1,445	1,867
	496,788	171,145

17 SHARE CAPITAL

	2021		2020	
	Number of ordinary Shares '000	RM'000	Number of ordinary shares '000	RM'000
Issued and fully paid:				
At 1 January / 31 December	395,500	437,500	395,500	437,500

18 RESERVES

	2021 RM'000	2020 RM'000
Option reserve	11,953	11,953
Regulatory reserve	5,893	973
Fair value reserve – Financial asset through other comprehensive income	317	1,010
	18,163	13,936

(i) The option reserve is maintained in compliance with MFRS 2 - Share-based payment.

(ii) Regulatory reserve of the Bank is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology.

(iii) Movement of the fair value reserve of financial assets held at fair value through other comprehensive income is as follows:

	2021 RM'000	2020 RM'000
At 1 January	1,010	101
- Net unrealised (loss)/gain on revaluation of financial assets measured at fair value through other comprehensive income debt instruments	(911)	1,197
- Income tax relating to component of other comprehensive income	218	(288)
At 31 December	317	1,010

19 INTEREST INCOME

Loans and advances		
- Interest income other than recoveries from impaired loans	7,405	8,712
- Recoveries from impaired loans	3	2
Money at call and placements with financial institutions	87,991	128,021
Financial assets held at fair value through other comprehensive income	5,510	14,677
Other interest income	181	86
	101,090	151,498

20 INTEREST EXPENSE

	2021 RM'000	2020 RM'000
Deposits from customers	12,366	57,675
Deposits and placements of banks and other financial institutions	17,815	10,114
	30,181	67,789

21 OTHER OPERATING INCOME

	2021 RM'000	2020 RM'000
Fee income:		
Service charges and fees	5,174	4,328
Guarantee fees	1,933	2,821
	7,107	7,149
Net income from securities:		
- Net gain from sale of financial assets held at fair value through profit and loss	4,227	45,167
- Net unrealised (loss)/gain from revaluation of financial assets held at fair value through profit and loss	(2,696)	77
- Interest income from financial assets held at fair value through profit and loss	30,593	35,014
Derivatives:		
- Net gain on derivatives	34,518	16,256
- Unrealised (loss)/gain from revaluation of derivatives	(20,599)	64,186
Other income:		
Foreign exchange gain	57,241	71,369
Management and attribution income	84,375	89,294
Other non-operating income	-	59
	194,766	328,571

22 OPERATING EXPENSES

	2021 RM'000	2020 RM'000
(a) Operating expenses		
Personnel costs:		
- Wages, salaries and bonuses	51,663	47,768
- Defined contribution retirement plan	7,206	6,671
- Other employee benefits	8,480	7,568
	67,349	62,007
Establishment costs:		
- Equipment and fittings repairs, maintenance and rental	319	545
- Amortisation of lease	4,905	4,626
- Depreciation of fixed assets	7,407	5,875
- Utilities	867	1,091
- Others	360	1,742
	13,858	13,879
Marketing expenses	410	504
Administration and general expenses:		
- Management and attribution fees paid	89,099	63,778
- Banking and corporate expenses	4,992	4,641
- Office supplies, communication expenses and insurance	4,715	4,526
- Other general expenses	3,372	2,543
	102,178	75,488
	183,795	151,878

The above expenditure includes the following statutory disclosures:

	2021 RM'000	2020 RM'000
Directors' remuneration (Note 24)	6,214	6,093
Hire of equipment	276	284
Auditors' remuneration:		
- audit fees	357	367
- non-audit fees	32	35

22 OPERATING EXPENSES (CONTINUED)

(b) Management and attribution fees breakdown by geographical location

	2021 RM'000	2020 RM'000
United States of America ("USA")	33,421	23,333
Singapore	22,694	18,922
Hong Kong	14,124	7,516
United Kingdom	6,548	3,818
Malaysia	3,720	2,835
Australia	2,543	1,096
Japan	1,227	1,046
China	823	356
Others	3,999	4,856
	89,099	63,778

Management and attribution fees breakdown by type of services

	2021 RM'000	2020 RM'000
Information Technology Related Support	27,105	17,512
Sales and Marketing Attribution	13,498	12,190
Transaction Management Services	15,160	9,691
Operational Services Support	5,851	5,907
Treasury Support	3,657	1,221
Credit Portfolio Group	3,636	2,273
Trade Support	3,613	1,843
Finance Support	3,175	2,149
Wholesale Client Onboarding	2,990	3,283
Corporate & Management Oversight	1,524	1,481
Others	8,890	6,228
	89,099	63,778

23 EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

	2021 RM'000	2020 RM'000
Expected credit losses made on loans and advances:		
ECL – off-balance sheet lending commitment	422	2,752
ECL – loans and advances	1,302	(7,383)
Loans and advances recovered	5	4
	1,729	(4,627)

24 DIRECTORS' REMUNERATION

	2021 RM'000	2020 RM'000
Chief Executive Officer:		
- Salary, bonuses and other remuneration	5,055	4,753
- Defined contribution retirement plan	594	570
- Benefits-in-kind	35	142
	5,684	5,465
Executive Director:		
- Fees/allowances		
John Terrence Murphy	-	-
	-	-
Non-executive Directors:		
- Fees/allowances		
Faisal Bin Ismail (retired on 28 August 2020)	-	104
Omar bin Malek Ali Merican (retired on 11 January 2021)	4	167
Robert Armor Morris	170	168
Osman Tarique Morad	191	189
Mahani binti Amat	165	-
	530	628

25 TAXATION

(a) Tax expense for the financial year

	2021 RM'000	2020 RM'000
Current year tax		
- Malaysian income tax	23,442	63,736
- Under provision in respect of prior year	1,885	1,365
Deferred tax		
- Origination and reversal of temporary differences	(693)	(928)
- Over provision in respect of prior years	(549)	(683)
	24,085	63,490

(b) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before tax is as follows:

	2021 RM'000	2020 RM'000
Profit before taxation	83,609	255,775
Tax calculated at a tax rate of 24%	20,066	61,386
Expenses not deductible for tax purposes	2,683	1,422
Under provision in respect of prior year	1,885	1,365
Over provision of temporary differences in prior years	(549)	(683)
Tax expense	24,085	63,490

26 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	2021 Principal amount RM'000	2020 Principal amount RM'000
Credit-related		
Direct credit substitutes	263,690	110,081
Transaction-related contingent items	26,062	31,974
Short-term self-liquidating trade related contingencies	308	14,522
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- over one year	23,290	302
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,571,828	1,672,725
Treasury-related		
Foreign exchange related contracts:		
- less than one year	47,588,914	41,345,468
- one year to less than five years	2,531,462	2,527,005
- more than five years	-	120,540
Interest rate related contracts:		
- less than one year	23,555,312	23,423,274
- one year to less than five years	38,398,314	43,323,128
- more than five years	3,121,393	2,962,352
Credit related contracts:		
- less than one year	70,822	-
- one year to less than five years	291,545	352,650
Equity related contracts:		
- less than one year	1,633,094	1,271,273
- one year to less than five years	72,223	313,302
	119,148,257	117,468,596

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related parties	Relationship
JPMorgan Chase & Co.	Ultimate holding corporation
JPMorgan Chase Bank, N.A., New York	Subsidiary of ultimate holding corporation ("the Head Office")
JPMorgan Chase Bank, N.A., Hong Kong	Branch of the Head Office
JPMorgan Chase Bank, N.A., Labuan	Branch of the Head Office
JPMorgan Chase Bank, N.A., Frankfurt	Branch of the Head Office
JPMorgan Chase Bank, N.A., London	Branch of the Head Office
JPMorgan Chase Bank, N.A., Singapore	Branch of the Head Office
JPMorgan Chase Bank, N.A., Chicago	Branch of the Head Office
JPMorgan Chase Bank, N.A., Tokyo	Branch of the Head Office
JPMorgan Chase Bank, N.A., Australia	Branch of the Head Office
JPMorgan Chase Bank, N.A., Korea	Branch of the Head Office
JPMorgan Chase Bank, N.A., Philippines	Branch of the Head Office
JPMorgan Chase Bank, N.A., Bangkok	Branch of the Head Office
JPMorgan Chase Bank, N.A., Indonesia	Branch of the Head Office
JPMorgan Chase Bank, N.A., India	Branch of the Head Office
JPMorgan Chase Bank, N.A., China	Branch of the Head Office
JPMorgan Chase Bank, N.A., Dubai	Branch of the Head Office
JPMorgan Chase Bank, N.A., Vietnam	Branch of the Head Office
J.P. Morgan Securities LLC	Subsidiary of ultimate holding corporation
J.P. Morgan Securities Asia Private Limited	Subsidiary of ultimate holding corporation
JPMorgan Securities (Malaysia) Sdn Bhd	Subsidiary of ultimate holding corporation
J.P. Morgan Services (Malaysia) Sdn Bhd	Subsidiary of ultimate holding corporation
J.P. Morgan Securities (Asia Pacific) Limited	Subsidiary of ultimate holding corporation
JPMorgan Securities Japan Co., Ltd.	Subsidiary of ultimate holding corporation
JPMorgan Securities Plc	Subsidiary of ultimate holding corporation
JPMorgan Securities (Thailand) Limited	Subsidiary of ultimate holding corporation
J.P. Morgan (S.E.A.) Limited	Subsidiary of ultimate holding corporation
J.P. Morgan Ventures Energy Corporation	Subsidiary of ultimate holding corporation

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes all the Directors and members of the Management Committee.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Set out below are other significant related party transactions and balances.

	2021		2020	
	Related entities	Key management personnel	Related entities	Key management personnel
	RM'000	RM'000	RM'000	RM'000
Significant related party transactions of the Bank:				
Income				
Interest on current deposit	397	-	139	-
Interest from money at call and placements with financial institutions	54	-	238	-
Management and attributions fees received	84,375	-	89,294	-
Expense				
Interest on current deposit	1,207	-	1,411	-
Interest on fixed deposit	572	-	972	-
Interest on cash collateral	3	-	51	-
Interest on repurchase agreement	800	-	-	-
Rental recovery	(2,716)	-	(1,888)	-
Nostro charges	83	-	256	-
Management and attribution fees paid	89,099	-	63,778	-
Personnel expenses	-	15,259	-	15,501
Related party balances of the Bank:				
Amount due from				
Current deposit	181,339	-	231,854	-
Securities purchased under resale agreement	164,515	-	270,975	-
Other receivables	221,075	-	33,536	-
	566,929	-	536,365	-
Amount due to				
Current deposit	242,176	-	239,311	-
Fixed deposit	193,185	-	427,802	-
Securities sold under repurchase agreement	1,762,338	-	-	-
Other payables	20,919	-	26,588	-
	2,218,618	-	693,701	-

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Interest rates on deposits were at normal commercial rates.

Key management compensation:

	2021 RM'000	2020 RM'000
Short-term employee benefits	15,259	15,501
	Unit	Unit
Shares, restricted stock units and share options balance of ultimate holding corporation	18,880	22,084

Included in the above is the Executive Directors' compensation which is disclosed in Note 24. The shares, restricted stock units and share options are granted on the same terms and conditions as those offered to other employees of the Bank.

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", which became effective on 1 January 2008, are as follows:

	2021 RM'000	2020 RM'000
Outstanding credit exposures with connected parties	298,836	259,238
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	7.56%	6.41%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0%	0%

28 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Bank has lease commitments in respect of vehicles, which is classified as operating leases. A summary of the non-cancellable long-term commitments representing minimum rentals which the Bank is obliged to pay are as follows:

	2021 RM'000	2020 RM'000
Not later than one year	97	106
Later than one year and not later than five years	-	97

29 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratios of the Bank are as follows:

	2021 RM'000	2020 RM'000
Tier-I capital		
Paid-up share capital	437,500	437,500
Retained earnings	1,340,841	1,286,237
Fair value reserve through other comprehensive income	317	1,010
Option reserve	11,953	11,953
	1,790,611	1,736,700
Deferred tax assets	(5,834)	(4,374)
Financial Assets at fair value through other comprehensive income	(174)	(555)
Total Tier I capital	1,784,603	1,731,771
Tier-II capital		
Regulatory reserve	5,893	973
ECL not credit impaired	6,839	8,164
Total Tier II capital	12,732	9,137
Total capital	1,797,335	1,740,908
Common Equity Tier 1 capital ratio	24.042%	25.238%
Tier 1 capital ratio	24.042%	25.238%
Total capital ratio	24.214%	25.371%

29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2021:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	5,635,681	5,635,681	41,660	3,333
Public Sector Entities	19,946	19,946	3,989	319
Banks	2,331,968	2,331,968	466,394	37,311
Insurance companies, securities firms and fund managers	540,995	540,995	156,689	12,535
Corporates	467,253	467,253	467,253	37,380
Regulatory retail	407	407	407	33
Residential mortgages	334	334	122	10
Other assets	93,400	93,400	766,087	61,287
Defaulted exposures	159	159	145	12
Total on-balance sheet Exposures	9,090,143	9,090,143	1,902,746	152,220
Off-balance sheet exposures				
Over-the-counter ('OTC') Derivatives	3,197,678	3,197,678	1,295,165	103,613
Off balance sheet exposures other than OTC derivatives	288,428	288,428	281,115	22,489
Total off-balance sheet exposures	3,486,106	3,486,106	1,576,280	126,102
Total on and off-balance sheet Exposures	12,576,249	12,576,249	3,479,026	278,322
	Long position	Short position		
(b) Market risk				
Interest rate risk	119,338,039	118,012,168	3,159,354	252,748
Foreign currency risk	1,279	24,730	24,730	1,978
Options risk			109,775	8,782
(c) Operational risk			649,901	51,992
Total risk weighted assets and capital requirements			7,422,786	593,822

29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2020:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	3,347,139	3,347,139	200,900	16,072
Banks	3,084,994	3,084,994	617,031	49,360
Insurance companies, securities firms and fund managers	357,588	357,588	98,995	7,920
Corporates	260,845	260,845	260,845	20,868
Regulatory retail	453	453	453	36
Residential mortgages	456	456	159	13
Higher risk assets	4	4	6	1
Other assets	60,784	60,784	110,019	8,802
Defaulted exposures	67	67	33	3
Total on-balance sheet Exposures	7,112,330	7,112,330	1,288,441	103,075
Off-balance sheet exposures				
Over-the-counter ('OTC') Derivatives	3,656,338	3,656,338	1,486,799	118,944
Off balance sheet exposures other than OTC derivatives	129,123	129,123	120,558	9,645
Total off-balance sheet exposures	3,785,461	3,785,461	1,607,357	128,589
Total on and off-balance sheet Exposures	10,897,791	10,897,791	2,895,798	231,664
	Long position	Short position		
(b) Market risk				
Interest rate risk	116,183,228	113,935,586	3,137,272	250,982
Foreign currency risk	2,676	52,629	52,629	4,210
Options risk			134,513	10,761
(c) Operational risk			641,638	51,331
Total risk weighted assets and capital requirements			6,861,850	548,948

29 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2021:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	263,690	263,690	259,553
Transaction-related contingent items	26,062	13,031	9,855
Short-term self-liquidating trade related Contingencies	308	62	62
Foreign exchange related contracts:			
- less than one year	47,588,914	949,229	462,954
- one year to less than five years	2,531,462	231,757	86,204
Interest rate related contracts:			
- less than one year	23,555,312	122,893	47,427
- one year to less than five years	38,398,314	1,182,563	407,879
- more than five years	3,121,393	396,997	173,807
Credit derivative contracts			
- less than one year	70,822	9,766	4,883
- one year to less than five years	291,545	50,708	18,969
Equity related contracts			
- less than one year	1,633,094	243,303	88,054
- one year to less than five years	72,223	10,462	4,988
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	23,290	11,645	11,645
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,571,828	-	-
	119,148,257	3,486,106	1,576,280

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

29 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2020:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	110,081	110,081	105,177
Transaction-related contingent items	31,974	15,987	12,326
Short-term self-liquidating trade related Contingencies	14,522	2,904	2,904
Foreign exchange related contracts:			
- less than one year	41,345,468	1,221,827	579,427
- one year to less than five years	2,527,005	277,461	98,510
- more than five years	120,540	21,914	7,095
Interest rate related contracts:			
- less than one year	23,423,274	118,206	42,630
- one year to less than five years	43,323,128	1,471,298	548,244
- more than five years	2,962,352	277,867	84,631
Credit derivative contracts			
- one year to less than five years	352,650	66,588	24,416
Equity related contracts			
- less than one year	1,271,273	149,180	78,486
- one year to less than five years	313,302	51,997	23,360
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	302	151	151
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,672,725	-	-
	117,468,596	3,785,461	1,607,357

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

30 FINANCIAL RISK MANAGEMENT

The Bank has developed and implemented comprehensive policies and procedures to identify, mitigate and monitor risk across the entity which are based on JPMC policies. These practices rely on constant communications, judgement and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

(i) Credit risk

Impact of COVID-19 pandemic

The COVID-19 pandemic has stressed many MEVs used in the Bank's ECL estimates, which creates additional challenges in the use of modelled credit loss estimates and increases the reliance on management judgement. The estimated impact of COVID-19 is incorporated into ECL through MEVs and forward-looking scenarios, which generally resulted in more loans exhibiting significant increase in credit risk since initial recognition, and as a result classified as Stage 2. As Stage 2 loans have ECL based on a probability of default ("PD") over the lifetime of the loan (as opposed to 12 months in Stage 1), the Bank's overall ECL decreased.

The Bank has enhanced its statistical model methodology used for collective assessment to better estimate expected credit losses. Key model enhancements included:

- Expansion of forecasting during the reasonable and supportable period from using three forward looking scenarios (central, adverse and upside) to five forward looking scenarios (central, relative upside, extreme upside, relative adverse and extreme adverse).

- Introduction of large loan uncertainty ("LLU"), captures the variation in loan sizes across the portfolio by taking into consideration the risk of large exposures defaulting due to the nonhomogeneous nature of the portfolio.

Approach to measuring expected credit losses

The Bank estimates credit impairment through an allowance for expected credit losses ("ECLs"). ECLs are recognised for financial assets that are measured at amortised cost or FVOCI and for specified lending-related commitments, such as loan commitments and financial guarantee contracts. The measurement of ECLs must reflect:

(a) An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes

(b) The time value of money; and

(c) Reasonable and evidence-based information about past events, current economic conditions, and forecasts of future economic conditions.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Expected credit loss measurement (continued)

Approach to measuring expected credit losses (continued)

The measurement of ECL also reflects how the Bank manages the financial instruments it uses for credit risk purposes such as Traditional Credit Products ("TCP"), debt securities measured at FVOCI, and non-traditional credit products ("Non-TCP"). TCP are wholesale loans and lending-related commitments from extensions of credit to borrowers (including intercompany and affiliated entities); debt securities which are debt instruments such as government bonds; whereas Non-TCP are all other debt financial assets measured at amortised cost which include, but are not limited, to reverse repurchase agreements, margin loans, fee receivables, and inter-company receivables (such as cash and deposits).

The following table sets out the balances of the Bank's financial assets that are measured at amortised cost or FVOCI by the respective TCP, Non-TCP and debt securities categories.

	31 December 2021		
Balance sheet categories	TCP RM'000	Non-TCP RM'000	Debt securities RM'000
Assets			
Cash and short-term funds	-	4,624,936	-
Securities purchased under resale agreement	-	-	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	-	377,948
Loans and advances	461,288	-	-
Amount due from related parties	-	402,414	-
Other assets	-	374,982	-

	31 December 2020		
Balance sheet categories	TCP RM'000	Non-TCP RM'000	Debt securities RM'000
Assets			
Cash and short-term funds	-	3,018,499	-
Securities purchased under resale agreement	-	2,737,692	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	-	251,574
Loans and advances	253,661	-	-
Amount due from related parties	-	265,390	-
Other assets	-	94,275	-

Off-balance sheet lending-related commitments which are categorised as TCP with an ECL allowance of RM1,445,000 (2020: RM1,867,000) and is reported in other liabilities are not included in the table above.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Impact of staging on measuring expected credit losses

ECLs are measured using a three stage model based on changes in credit quality of the financial instrument since it was initially recognised ("initial recognition"):

- Stage 1 – performing financial instruments that have not had a significant increase in credit risk since initial recognition;
- Stage 2 – performing financial instruments that have experienced a significant increase in credit risk; and
- Stage 3 – non-performing financial instruments that have been determined to be credit-impaired.

Stage 3 - Default and credit-impairment

Financial instruments are included in Stage 3 when there is objective evidence of impairment at the reporting date. For Stage 3 instruments, ECL is calculated considering the probability of default over the remaining life of each instrument ("lifetime ECL") on an individual asset basis and interest income is calculated on the net carrying amount (that is, net of the allowance for expected credit losses). All financial assets, regardless of their category as TCP, Non-TCP or debt security, are considered to be credit-impaired and included in Stage 3 when one or more of the following events that has a detrimental impact on the estimated future cash flows of that financial asset has occurred:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A default or past due event;
(c) The Bank has granted a concession to the borrower for economic or contractual reasons relating to the borrower's financial difficulty;
(d) It has become probable the borrower will enter bankruptcy or other financial reorganisation;
(e) An active market for that financial asset no longer exists because of the borrower's financial difficulties; or
(f) A financial asset is purchased or originated at a deep discount that reflects a credit loss has been incurred.

The criteria above are consistent with how the Bank defines 'default' for internal credit risk management purposes.

A financial asset is considered to no longer be in default (i.e. the default has been cured) when the borrower has made payments for a minimum of six months and there is other objective evidence of credit improvement. However, for assets that were considered to be Stage 3 as a result of a restructuring where the borrower experiencing difficulty was granted a financial concession, there is no cure period and the asset will remain in Stage 3.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Stage 2 - Significant increase in credit risk

Financial instruments that have experienced a significant increase in credit risk ("SICR") since initial recognition for which there is no objective evidence of impairment are included in Stage 2. For Stage 2 instruments, ECL is calculated considering the probability of default over the remaining life of the instrument ("lifetime ECL") on a collective basis and interest income is calculated on the gross carrying amount of the asset (that is, without deduction for the expected credit loss allowance).

The Bank assesses for evidence of a SICR by considering whether there has been a change in the risk of a default occurring since the financial instrument was initially recognised.

For TCP, the Bank considers a financial instrument to have experienced a SICR when any of the following quantitative or qualitative criteria has been met:

- Quantitative criteria

  The Bank determines whether the probability of a default ("PD") occurring has changed between a financial instruments initial recognition and the reporting date of a financial instrument. If the change in PD exceeds certain thresholds, the instrument has experienced a SICR. The assessment of the PD takes into account reasonable and supportable information, including information about past events, current and future economic conditions.

  - Default grade 1 to 4+ at initial recognition: 3 notch downgrade (minimum) unless the rating after downgrade remains 3- or better;
  - Default grade 4 to 5- at initial recognition: 2 notch downgrade; and
  - Default grade 6+ to 8 at initial recognition: 1 notch downgrade.

- Qualitative criteria

  The Bank monitors borrowers that may become impaired by including them on its watch list. Obligors that are on the watch list are considered to have experienced SICR. The Bank also monitors changes in internal credit risk ratings (relative to the credit rating on initial recognition) and delinquency triggers to determine if a borrower has experienced SICR.

  The Bank's TCP portfolio is mostly comprised of large, international, wholesale borrowers. For these borrowers, short-term delinquencies alone are not considered to be a meaningful credit quality indicator as the Bank's experience has shown that other internal credit quality indicators generally identifies increases in credit risk well before delinquency. As such, the Bank has determined that using the quantitative and qualitative criteria described above are most appropriate for capturing SICR for TCP.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Stage 2 - Significant increase in credit risk (continued)

- Qualitative criteria (continued)

  Financial instruments that are in Stage 2 are moved to Stage 1 in the period that the quantitative and qualitative criteria for a SICR no longer exist.

  The approach for determining whether there has been a SICR for Non-TCP portfolios depends on the type of instrument. The Bank presumes non-TCP financial assets that are 30 days past due have experienced a SICR and are included in Stage 2. Finally, the remainder of the Bank's Non-TCP are mostly short-term and generally no SICR has arisen prior to the maturity of that instrument.

Stage 1 - Unimpaired and without significant increase in credit risk

Financial instruments that have not experienced SICR since initial recognition are included in Stage 1 unless they are purchased or originated credit impaired ("POCI"). For Stage 1 instruments, ECL is calculated by considering the probability of default within 12 months after the reporting date on a collective basis and interest income is calculated on the gross carrying amount of the asset (that is, without deduction for the expected credit loss allowance).

Sensitivity analysis of ECL due to staging

The following table shows the impact of staging on the Bank's ECL recognised on balance sheet, by comparing the allowance if all performing financial assets were in Stage 1 or if all such assets were in Stage 2 to the actual ECL recorded on these assets as at 31 December 2021:

	Gross loans and advances RM'000	ECL- All performing loans in Stage 1 RM'000	Impact of change in staging on the statement of comprehensive income RM'000
Stage 1	381,500	1,171	-
Stage 2	86,475	5,663	5

	Gross loans and advances RM'000	ECL- All performing loans in Stage 2 RM'000	Impact of change in staging on the statement of comprehensive income RM'000
Stage 1	381,500	1,171	-
Stage 2	86,475	5,668	-

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Sensitivity analysis of ECL due to staging (Continued)

The following table shows the impact of staging on the Bank's ECL recognised on balance sheet, by comparing the allowance if all performing financial assets were in Stage 1 or if all such assets were in Stage 2 to the actual ECL recorded on these assets as at 31 December 2020:

	Gross loans and advances RM'000	ECL- All performing loans in Stage 1 RM'000	Impact of change in staging on the statement of comprehensive income RM'000
Stage 1	216,159	3,346	-
Stage 2	45,599	4,813	5

	Gross loans and advances RM'000	ECL- All performing loans in Stage 2 RM'000	Impact of change in staging on the statement of comprehensive income RM'000
Stage 1	216,159	3,375	(29)
Stage 2	45,599	4,818	-

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

ECL measurement for TCP Portfolios

Key Inputs

ECL for stage 1 and stage 2 assets is determined using a collective assessment model that estimates losses expected on the portfolio from possible defaults in the next 12 months or lifetime depending on whether the instrument is included in stage 1 or 2. The 12-month ECL are calculated by multiplying the 12-month Probability of Default, Exposure at Default and Loss Given Default. Lifetime ECL are calculated using the lifetime PD instead. These inputs are collectively known as the modeled estimate and are described in further detail below:

Probability of Default ("PD"): The PD model estimates the probability of a borrower defaulting given certain macroeconomic scenarios and the probability of a borrower moving from one risk rating to another during the reasonable and supportable period. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

Exposure at Default ("EAD"): Exposure at Default represents the gross exposure of the Bank upon the Obligor's default and is characterized, as follows:

- Term Loans - EAD is 100% of exposure, net of amortization.
- Revolving commitments - EAD is a model-based estimate that considers the expectation of future utilization at the facility level in the case of a default under a given macroeconomic environment. After the Reasonable and Supportable ("R&S") forecast period, a long run EAD is determined based on the facility's risk characteristics.
- All other unfunded committed facilities - EAD is determined judgmentally and where appropriate, empirically, based on the type of credit facility, line of business, underlying risk characteristics, and utilization.

Loss Given Default ("LGD"): LGD, also known as loss severity, represents the amount of loss, expressed as a percentage, in the event the facility defaults under a given forecasted macroeconomic environment during the reasonable and supportable period. Beyond the reasonable and supportable period long run historical average LGD is used based on the Loan's risk characteristics (e.g., secured type, region, line of business). The modeled estimate is subsequently adjusted for Large Loan Uncertainty ("LLU").

Forward-looking information

ECL estimates are derived from historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Bank develops forecasted economics scenarios. The Bank moved from three forward looking scenario (base, upside and downside cases) to five forward looking scenarios (base, relative upside, extreme upside, relative downside and extreme downside) during the year. Each of these scenarios contains a set of MEVs that reflect forward-looking economic and financial conditions. MEVs include, but are not limited to FX rates, inflation and GDP per country or country block. MEVs for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Forward-looking information (continued)

On a quarterly basis, the five economic scenarios are updated and probability weighted. Judgement is involved to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other two scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of a TCP portfolio based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical MEVs and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD values.

ECL calculation

ECL calculation is based on the forward-looking PD, LGD, and EAD values for each of the scenarios to produce the scenario credit losses ("SCLs"). The modelled ECL estimate is a probability-weighted calculation of the five SCLs discounted using the original effective interest rate or an approximation thereof.

The modelled ECL results are reviewed by management and adjustments ('management overlays') are considered to ensure final results reflect the Bank's best estimate of ECLs on its exposures. Management overlays are only applied if necessary to account for significant idiosyncratic risks which are not yet reflected in underlying risk ratings, LGD, exposure profile or scenario weights used and which are expected to have a high probability of occurrence.

The Bank follows the policies and practices established by JPMC's Credit Risk Policy Group and BNM's Best Practices for the Management of Credit Risk and the Assessment of the Allowance for Credit Losses, to preserve the independence and integrity of the of the approval and decision-making process.

For Multinational Corporations ("MNC") exposures which are not supported by legally enforceable guarantee, management makes judgement based of local standalone risk grading for ECL measurement.

There have not been any significant changes in estimation techniques or assumptions made during the reporting period.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Stage 3 portfolio estimation techniques

In estimating ECL for Stage 3 Loans using an individual discounted cash flow assessment, broad economic conditions affecting a borrower are less relevant as they may not have a direct impact on the specific borrower and its ability to service its debts. Consequently, the Bank believes that borrower specific scenarios are the most relevant in estimating expected credit losses in an individual discounted cash flow assessment. When applying the discounted cash flow methodology, the Bank projects cash flows under three borrower-specific forecast scenarios that are reviewed, adjusted and ultimately blended into one-probability weighted calculation of ECL.

ECL measurement for Non-TCP portfolio

The Bank's approach to measuring ECLs for Non-TCP portfolios depends on the type of instrument.

Fee receivables

For fee receivables arising from contracts with customers (e.g. brokerage fee receivables), the Bank applies a provision matrix as a practical expedient for calculating expected credit losses. The matrix provides that in the case of institutional customers, a receivable is considered to have experienced SICR (i.e. Stage 2) if it is 90 days past due and credit-impaired (i.e. Stage 3) if it is 180 days past due at which point an ECL for 100% of the amount owned is recognised. In the case of non-institutional customers, a receivable is considered to have experienced SICR (i.e. Stage 2) if it is 30 days past due and credit-impaired (i.e. Stage 3) if it is 90 days past due at which point an ECL for 100% of the amount owned is recognised. The Bank has not had significant losses on its fee receivable portfolios and the ECL impact is considered to be immaterial.

Other non-TCP

The Bank has determined that ECLs on all other non-TCP portfolios are immaterial due to: the existence of credit risk mitigants such as the existence of the collateral; the credit quality of the borrower (e.g. investment-grade); and/or the short-term nature of the instrument. Similarly, the Bank has determined that these non-TCP portfolios are without SICR (i.e Stage 1) due to the credit quality of the borrower and/or the short-term nature of the instrument.

For inter-company loans and receivables, the Bank evaluates the counterparty based on the consolidated Firm's resolution and recovery plan, tenor of the loan/receivable, and any collateral received. The Bank has not experienced any losses on inter-company loans and receivables.

The Bank continues to monitor its Non-TCP portfolios to ensure the described framework is appropriate and its exposure to credit risk and ECLs on these portfolios is adequately reflected in the allowance for credit losses.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

ECL and gross carrying amount reconciliation

The following tables provide an explanation of the change in the loss allowance during the year by respective product classes. The tables also set out how significant changes in the gross carrying amount of financial instruments contributed to the changes in the loss allowance:

(a) Loans and advances to customers at amortised cost

	Stage 1	Stage 2	Stage 3	
	12 months ECL	Lifetime ECL Non Credit Impaired	Lifetime ECL Credit Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Expected credit losses				
As at 1 January 2021	3,346	4,818	23	8,187
New originated	175	-	-	175
Changes due to change in credit risk	(2,350)	855	(4)	(1,499)
Transfers from Stage 2 to Stage 3	-	(5)	27	22
As at 31 December 2021	1,171	5,668	46	6,885
Expected credit losses				
As at 1 January 2020	105	675	24	804
Loans derecognised or repaid	(14)	-	-	(14)
New originated	35	-	-	35
Changes due to change in credit risk	285	4,443	(1)	4,727
Transfers:				
Transfer from Stage 1 to Stage 2	(2)	21	-	19
Transfer from Stage 2 to Stage 1	128	(330)	-	(202)
Changes in model	2,809	9	-	2,818
As at 31 December 2020	3,346	4,818	23	8,187

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

ECL and gross carrying amount reconciliation (continued)

(a) Loans and advances to customers at amortised cost (continued)

The allowance on ECL recognised in the period is impacted by the following judgement criteria:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Decrease in ECL in 2021 as compared to 2020 mainly attributed to the decrease in credit risk for the existing loans and advances.

(b) Lending related commitments and financial guarantee contracts

	Stage 1	Stage 2	Stage 3	
	12 months ECL	Lifetime ECL Non Credit Impaired	Lifetime ECL Credit Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Expected credit losses				
As at 1 January 2021	1,208	659	-	1,867
Loans derecognised or repaid	(1)	(16)	-	(17)
New originated	142	-	-	142
Changes due to change in credit risk	(315)	(232)	-	(547)
As at 31 December 2021	1,034	411	-	1,445

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

(b) Lending related commitments and financial guarantee contracts (continued)

	Stage 1	Stage 2	Stage 3	
	12 months ECL	Lifetime ECL Non Credit Impaired	Lifetime ECL Credit Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Expected credit losses				
As at 1 January 2020	251	4,368	-	4,619
Loans derecognised or repaid	-	(4,048)	-	(4,048)
New originated	1	16	-	17
Changes due to change in credit risk	158	299	-	457
Transfer from Stage 1 to Stage 2	(5)	-	-	(5)
Changes in model	803	24	-	827
As at 31 December 2020	1,208	659	-	1,867

Decrease in ECL in 2021 as compared to 2020 for lending related commitments and financial guarantee contracts mainly attributable to the decrease in credit risk.

Debt securities at FVOCI

For the year ended 31 December 2021 and 31 December 2020, debt securities at FVOCI were only Malaysia Government-related securities, in which the ECL is immaterial.

Loan Modifications

There were no financial assets and loan commitments that were modified for the year ended 31 December 2021 and 31 December 2020.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position, including derivative financial instruments.

The maximum exposure is shown gross, without taking account of any collateral held or other credit enhancements.

	Note	2021 RM'000	2020 RM'000
Assets			
Cash and short-term funds	2	4,624,936	3,018,499
Securities purchased under resale agreement		2,442,786	2,873,109
Financial assets held at fair value through profit and loss ("FVTPL")	3	611,164	739,050
Derivative financial instruments	4	821,733	1,479,003
Financial assets at fair value through other comprehensive income ("FVOCI")	5	377,948	251,574
Loans and advances#	6	461,288	253,661
Amount due from related parties	7	566,929	536,365
Statutory deposits with BNM	8	2	2
Other assets	9	374,982	94,275
Total assets*		10,281,768	9,245,538
Commitments and contingencies		1,885,178	1,829,604

* Excludes deferred tax assets, right-of-use assets, tax recoverable and fixed assets.
\# Includes ECL allowance of RM6,885,000 (2020: RM8,187,000).

Where financial instruments are recorded by fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by geographical sectors

Credit risk exposure analysed by country in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The country exposure analysis is based on the residency of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

31.12.2021	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Malaysia	4,534,678	2,442,786	611,164	707,187	377,948	462,786	9,251	215,092	9,360,892	2,699,849
United Kingdom	-	-	-	36,159	-	-	372,709	137	409,005	424,557
USA	-	-	-	25,597	-	303	176,954	-	202,854	125,288
Hong Kong	-	-	-	6,130	-	-	4,255	-	10,385	58,809
Singapore	6,989	-	-	31,813	-	523	496	158,875	198,696	130,196
Others	82,877	-	-	14,847	-	4,561	3,264	7	105,556	47,407
	4,624,544	2,442,786	611,164	821,733	377,948	468,173	566,929	374,111	10,287,388	3,486,106
Assets not subject to credit risk	392	-	-	-	-	(6,885)	-	65,989	59,496	-
	4,624,936	2,442,786	611,164	821,733	377,948	461,288	566,929	440,100	10,346,884	3,486,106

* Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, right-of-use assets, fixed assets and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by geographical sectors (continued)

31.12.2020

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Malaysia	3,005,566	2,873,109	739,050	1,186,360	251,574	252,734	7,310	18,236	8,333,939	2,951,520
United Kingdom	-	-	-	123,576	-	-	286,746	-	410,322	416,637
USA	-	-	-	69,460	-	4,264	237,436	-	311,160	141,113
Hong Kong	-	-	-	7,125	-	-	2,104	-	9,229	25,326
Singapore	6,978	-	-	79,055	-	248	349	75,609	162,239	223,540
Others	5,559	-	-	13,427	-	4,602	2,420	-	26,008	27,325
	3,018,103	2,873,109	739,050	1,479,003	251,574	261,848	536,365	93,845	9,252,897	3,785,461
Assets not subject to credit risk	396	-	-	-	-	(8,187)	-	65,053	57,262	-
	3,018,499	2,873,109	739,050	1,479,003	251,574	253,661	536,365	158,898	9,310,159	3,785,461

* Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, right-of-use assets, fixed assets and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The industry sector exposure analysis is based on the industry sector of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

31.12.2021

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	-	18,257	-	221,338	-	108	239,703	219,163
Wholesale and retail	-	-	-	3,438	-	85,209	-	-	88,647	20,804
Finance, insurance and business services	98,016	1,777,370	6,555	775,652	-	148,551	566,929	352,501	3,725,574	2,907,900
Government and Government Agencies	4,526,528	665,416	604,609	5,155	377,948	-	-	19,946	6,199,602	98,467
Electricity, gas and Water	-	-	-	2,307	-	1,082	-	121	3,510	144,630
Transport, storage and communication	-	-	-	-	-	11,055	-	2	11,057	6,257

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

31.12.2021	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	938	-	-	938	151
Others	-	-	-	16,924	-	-	-	1,433	18,357	88,734
	4,624,544	2,442,786	611,164	821,733	377,948	468,173	566,929	374,111	10,287,388	3,486,106
Assets not subject to credit risk	392	-	-	-	-	(6,885)	-	65,989	59,496	-
	4,624,936	2,442,786	611,164	821,733	377,948	461,288	566,929	440,100	10,346,884	3,486,106

** Other assets include tax recoverable, deferred tax assets, right-of-use assets, fixed assets, statutory deposits with Bank Negara Malaysia and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 29.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

										31.12.2020
	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	-	38,493	-	170,145	-	16	208,654	205,031
Wholesale and retail	-	-	-	14,447	-	161	-	-	14,608	30,107
Finance, insurance and business services	79,280	2,737,692	6,490	1,405,020	-	84,801	536,365	86,669	4,936,317	3,366,837
Government and Government Agencies	2,938,823	135,417	732,560	13,144	251,574	-	-	-	4,071,518	105,216
Electricity, gas and Water	-	-	-	-	-	-	-	1	1	1,522
Transport, storage and communication	-	-	-	121	-	5,738	-	-	5,859	6,503

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

31.12.2020

	Short-term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	1,003	-	-	1,003	151
Others	-	-	-	7,778	-	-	-	7,159	14,937	70,094
	3,018,103	2,873,109	739,050	1,479,003	251,574	261,848	536,365	93,845	9,252,897	3,785,461
Assets not subject to credit risk	396	-	-	-	-	(8,187)		65,053	57,262	-
	3,018,499	2,873,109	739,050	1,479,003	251,574	253,661	536,365	158,898	9,310,159	3,785,461

** Other assets include tax recoverable, deferred tax assets, right-of-use assets, fixed assets, statutory deposits with Bank Negara Malaysia and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 29.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Analysis of Loans and Advances

(a) The Bank's loans and advances to customers is comprised of wholesale loans and individual loan. The table below presents the Bank's non-impaired and impaired loans.

	Corporates RM'000	Individuals RM'000	Total RM'000
2021			
Gross amount			
- Non credit impaired	467,235	740	467,975
- Credit impaired	-	198	198
Provision for expected credit losses	(6,817)	(68)	(6,885)
	460,418	870	461,288
2020			
Gross amount			
- Non credit impaired	260,845	913	261,758
- Credit impaired	-	90	90
Provision for expected credit losses	(8,142)	(45)	(8,187)
	252,703	958	253,661

(b) Loans and advances individually impaired

The individual impaired loans and advances to customers before taking into consideration the cash flows from collateral held is RM198,000 (2020: RM90,000).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	Individuals RM'000	Total RM'000
2021		
Gross amount	198	198
Fair value of collateral	2,041	2,041
2020		
Gross amount	90	90
Fair value of collateral	382	382

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets

The table below presents the Bank's credit exposure to gross loans and advances, loan commitments and financial guarantee contracts before any allowance for ECL. The credit quality and credit concentration are managed within the JPMorgan Chase's Credit Risk Management function. The ratings scale is based on the JPMorgan Chase's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's Investors Service.

Loans and advances

			Stages	MFRS 9 2021
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	111,166	-	-	111,166
Non-investment-grade				
BB+/Ba1 -> B-/B3	270,334	333	198	270,865
CCC+/Caa1 and below	-	86,142	-	86,142
Gross carrying amount	381,500	86,475	198	468,173
Loss allowance	(1,171)	(5,668)	(46)	(6,885)
Net carrying amount	380,329	80,807	152	461,288

Loan Commitments and Financial Guarantees contract

			Stages	MFRS 9 2021
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	45,963	-	-	45,963
Non-investment-grade				
BB+/Ba1 -> B-/B3	260,828	-	-	260,828
CCC+/Caa1 and below	-	6,257	-	6,257
Gross carrying amount	306,791	6,257	-	313,048
Loss allowance	(1,034)	(411)	-	(1,445)
Net carrying amount	305,757	5,846	-	311,603

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets (continued)

Loans and advances

	Stages			MFRS 9
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2020 Total
	RM'000	RM'000	RM'000	RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	50,263	-	-	50,263
Non-investment-grade				
BB+/Ba1 -> B-/B3	165,896	460	90	166,446
CCC+/Caa1 and below	-	45,139	-	45,139
Gross carrying amount	216,159	45,599	90	261,848
Loss allowance	(3,346)	(4,818)	(23)	(8,187)
Net carrying amount	212,813	40,781	67	253,661

Loan Commitments and Financial Guarantees contract

	Stages			MFRS 9
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2020 Total
	RM'000	RM'000	RM'000	RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	35,764	-	-	35,764
Non-investment-grade				
BB+/Ba1 -> B-/B3	91,768	23,010	-	114,778
CCC+/Caa1 and below	-	6,035	-	6,035
Gross carrying amount	127,532	29,045	-	156,577
Loss allowance	(1,208)	(659)	-	(1,867)
Net carrying amount	126,324	28,386	-	154,710

* Gross carrying amount excludes intercompany financial guarantee contracts (Non-TCP Product) of RM64,491,000

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets (continued)

The table below presents an analysis of the credit quality of securities for the Bank by rating:

	Fair value through profit or loss	Fair value through other comprehensive income		
	Malaysia Government related securities	Malaysia Government Investment Issuance	Malaysia Treasury Bills	Total
	RM'000	RM'000	RM'000	RM'000
2021				
AAA	604,609	51,923	326,025	982,557
2020				
AAA	732,559	53,083	198,491	984,133

(ii) Market risk

Interbank Offered Rate ("IBOR") Transition

The Financial Stability Board ("FSB") and the Financial Stability Oversight Council ("FSOC") have observed that the secular decline in interbank short-term funding poses structural risks for unsecured benchmark interest rates such as Interbank Offered Rates ("IBORs"), and therefore regulators and market participants in various jurisdictions have been working to identify alternative reference rates that are compliant with the International Organization of Securities Commission's standards for transaction-based benchmarks. On 5 March 2021, the Financial Conduct Authority ("FCA") confirmed the delay to the cessation of the principal tenors of U.S. dollar LIBOR (i.e., overnight, one-month, three-month, six-month and 12-month LIBOR) until 30 June 2023 and announced that there has been no change to the scheduled cessation of U.K. sterling, Japanese yen, Swiss franc and Euro LIBOR, as well as the remaining tenors of U.S. dollar LIBOR, from 31 December 2021.

On November 16, 2021 the Financial Conduct Authority ("FCA") confirmed that it will allow, for a period of at least one year, the use of "synthetic" U.K. sterling and Japanese yen LIBOR rates in all legacy LIBOR contracts, other than cleared derivatives, that had not been transitioned to replacement rates by January 1, 2022. The use of these synthetic LIBORs will allow market participants additional time to complete their transition to replacement rates or otherwise to reduce their exposure to contracts that do not have robust fallback mechanisms and that are difficult to amend.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interbank Offered Rate ("IBOR") Transition (continued)

The Firm established a Firmwide LIBOR Transition program in early 2018. The Firmwide CFO and the CEO of the Corporate & Investment Bank ("CIB") oversee the program as senior sponsors. In 2021, the Firm continued to work towards reducing its exposure to IBOR-referencing contracts, including derivatives, bilateral and syndicated loans, securities, and debt and preferred stock issuances, to meet the industry milestones and recommendations published by National Working Groups ("NWG"). In 2021, the Firm prioritized contract remediation for those currencies and tenors of LIBOR for which publication ceased on 31 December 2021.

The Firm has made significant progress towards reducing its exposure to IBOR-referencing contracts, including in derivatives, bilateral and syndicated loans, securities, and debt and preferred stock issuances, and is on-track to meet its internal milestones for contract remediation as well as the industry milestones and recommendations published by National Working Groups. In connection with the transition from LIBOR, as of December 31, 2021 the Firm had remediated substantially all of the notional amount of its bilateral derivatives contracts linked to non-U.S. dollar LIBOR, and substantially all of its non-U.S. dollar LIBOR linked loans. During the fourth quarter of 2021, the principal central counterparties ("CCPs") converted cleared derivatives contracts linked to non-U.S. dollar LIBOR to replacement rates before the cessation of the publication of those LIBORs on December 31, 2021. The Firm continues its client outreach with respect to U.S. dollar LIBOR referencing contracts.

The Federal Reserve, the OCC and the FDIC and the FCA have encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR as a reference rate by 31 December 2021, and in connection with this, the Bank and Firm now offers various floating rate products, and provides and arranges various types of floating rate debt financings, that reference the Secured Overnight Financing Rate ("SOFR") across its businesses. The Bank and Firm will continue to engage with clients in relation to USD LIBOR transition in 2022 and will continue to support clients as they transition to SOFR.

The table below shows the outstanding principal amounts of non-derivative financial instruments, the gross notional values of derivative financial instruments and the contractual amounts of off-balance sheet exposures held by the Bank as at 31 December 2021 that are subject to IBOR reform. The table includes financial instruments with a contractual maturity date later than the relevant agreed IBOR cessation date and includes contracts that have been changed to incorporate the new alternative reference rates but which have yet to become effective as at 31 December 2021.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interbank Offered Rate ("IBOR") Transition (continued)

	MYR KLIBOR RM'000	USD LIBOR RM'000	Multiple basis RM'000
Non-derivative financial assets (outstanding Principal amount):			
Loan	88,348	198,237	27,025
Derivative financial instruments (outstanding Principal amount):			
Interest rate derivative - OTC	61,631,702	2,600,293	1,986,617
Off-balance sheet exposure (contractual amount):			
Loan commitments	-	-	74,988

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

Market Risk Management monitors market risks throughout the Firm and defines market risk policies, procedures and frameworks. The Market Risk Management function seeks to manage risk, facilitate risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile.

Risk Governance & Policy Framework

The Bank's approach to market risk governance mirrors the Firmwide approach and is outlined in the Bank's Market Risk Management Framework ('Framework'), which includes the following:

- Responsibilities of the CRO and Market Risk Officer ("MRO")
- Market Risk measures utilised such as Value-at-Risk ("VaR"), Stress and non-statistical measures
- Controls such as the Bank's market risk limit framework (limit levels, limit signatories, limit reviews and escalation)

The Bank's Board of Directors approves substantive changes to the Framework and approves this Framework annually.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Risk Measurement

There is no single measure to capture market risk and therefore the Bank uses various metrics both statistical and non-statistical to assess risk. The appropriate set of risk measures utilized for a given business activity is tailored based on business mandate, risk horizon, materiality, market volatility and other factors.

VaR

The Bank utilises Value-at-Risk ("VaR"), a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment.

The VaR framework is employed across the Firm using historical simulation based on data for the previous 12 months.

VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 99% confidence level.

The table below shows the result of the Bank's VaR:

	2021 RM'000	2020 RM'000
99% VaR	1,908	8,169

The Bank's market risk profile is driven by Credit, Equities, Foreign Exchange, interest rate market related exposures.

Stress Testing

Along with VaR, stress testing is an important tool to assess risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behavior, stress testing reflects the risk of loss from hypothetical changes in the value of market risk sensitive positions applied simultaneously. The Bank runs weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices.

The Bank uses a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios. The flexibility of the stress testing framework allows risk managers to construct new, specific scenarios that can be used to form decisions about future possible stress events.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Stress Testing (continued)

Stress testing complements VaR by allowing risk managers to shock current market prices to more extreme levels relative to those historically realized, and to stress test the relationships between market prices under extreme scenarios.

Stress-test results, trends and qualitative explanations based on current market risk positions are reported to the Bank's RALCO to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency. In addition, results are reported to the Board of Directors.

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant line of business's risk committees and may be redefined on a periodic basis to reflect current market conditions.

Non-Statistical Risk Measures

Measures such as, but not limited to, credit spread sensitivities, option sensitivities, net open positions, basis point values are utilized within specific market context and aggregated across businesses.

Limits

Market risk limits are employed as the primary control to align the Bank's market risk with certain quantitative parameters within the Bank's Risk Appetite framework.

Market Risk sets market risk limits and these are subject to the RALCO approval who confirms compliance with local regulatory requirements.

As part of its holistic analysis of the Bank's market risk, Market Risk must review market risk limits for the Bank at least semi-annually. Limit reviews must consider the underlying trading, investing and hedging strategies of the business as well as capital or regulatory requirements where applicable.

Business units should not exceed their market risk limits unless expressly authorized by a Temporary Limit Approval ("TLA"). A market risk valid limit breach requires that the business take immediate steps to reduce exposure so as to be within limit, unless a temporary limit approval is granted. Market risk limits may be kept at levels close to full utilizations which may cause brief periods of market risk limit breaches among a small proportion of the total number of limits.

Limit utilizations and notifications of valid market risk limit breaches are sent to appropriate Bank's limit signatories, the RALCO, the business and Global LE MR Head daily.

Aged or significant market risk limit breaches are escalated by Market Risk and LERM if not already included as a signatory, Global LE MR Head, Firmwide Risk Executive – Market Risk (FRE MR) and APAC Risk Committee.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Risk Reporting

The Firm and the Bank have their own set of regular market risk reports, which include daily notifications of limit utilisations and limit breaches and where applicable, granular market risk metrics which provide transparency into potential risk concentrations.

COVID-19 Pandemic

Market Risk Management is actively monitoring the impact of the COVID-19 pandemic on market risk exposures by leveraging existing risk measures and controls.

Models used to measure market risk are inherently imprecise and may be limited in their ability to measure certain risks or to predict losses. This imprecision may be heightened when sudden or severe shifts in market conditions occur, such as those observed at the onset of the COVID-19 pandemic.

Market Risk Management periodically reviews the Bank's existing market risk measures to identify opportunities for enhancement, and to the extent appropriate, will calibrate those measures accordingly over time. This is increasingly important in periods of sustained, heightened market volatility.

(iii) Operational risk

Operational risk is the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the Bank's processes or systems; Operational Risk includes compliance, conduct, legal, and estimations and model risk. Operational risk is inherent in the Bank's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cyber- attacks, inappropriate employee behavior, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Bank's financial position, the characteristics of its businesses, and the markets and regulatory environment in which it operates.

The Firm's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework is designed to enable the Firm and the Bank to govern, identify, measure, monitor and test, manage and report on the Firm's and the Bank's operational risk.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk (continued)

Operational Risk Governance

The lines of business (LOB) and corporate functions are responsible for the management of operational risk. The Firmwide Control Management Organization, which consists of control managers within each LOB and corporate functions, is responsible for the day-to-day execution of the CCOR Framework and the evaluation of the effectiveness of their control environments where targeted remediation efforts may be required. LOBs and corporate functions control committees and the Location Operating committees (LOC) are responsible for reviewing data that indicates the quality and stability of processes, addressing key operational risk issues, focusing on processes with control concerns, and overseeing control remediation.

The Bank maintains a system of comprehensive policies and control framework designed to provide a sound and well-controlled operational environment. Primary responsibility for managing operating risk rests with the business managers. These individuals, with the support of their staff, are responsible for establishing and maintaining internal control procedures that are appropriate for their operating environments. To this end, the objectives of each business activities are identified and the risks associated with those objectives are assessed. The business managers institute a series of standards and procedures to manage these risks and to comply with the Bank's operational risk related policies, considering their nature and magnitude.

Internal Audit conducts annual audits and reviews on key operation areas. The focus of the audit is to provide assurance to management on the compliance with statutory requirements, law, corporate policies and internal guidelines.

Operational Risk Identification

The Firm utilizes a structured risk and control self-assessment process that is executed by the LOBs and corporate functions. As part of this process, the LOBs and corporate functions evaluate the effectiveness of their control environment to assess where controls have failed, and to determine where remediation efforts may be required. The Firm's Operational Risk and Compliance organization ("Operational Risk and Compliance") provides oversight of these activities and may also perform independent assessments of significant operational risk events and area of concentrated or emerging risk.

Operational Risk Measurement

In addition to the level of actual operational risk losses, operational risk measurement includes operational risk based capital which is aligned with Basel requirements. The Bank's operational risk capital requirements continues to be calculated based on the Basic Indicator Approach (BIA).

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk (continued)

Operational Risk Monitoring and Testing

The results of risk assessments performed by Operational Risk and Compliance are leveraged as one of the key criteria in the independent monitoring and testing of the LOBs and corporate functions' compliance with laws and regulation. Through monitoring and testing, Operational Risk and Compliance independently identifies areas of operational risk and tests the effectiveness of controls within the LOBs and corporate functions.

Management of Operational Risk

The operational risk areas or issues identified through monitoring and testing are escalated to the LOBs and corporate functions to be remediated through action plans, as needed, to mitigate operational risk. Operational Risk and Compliance may advise the LOBs and corporate functions in the development and implementation of action plans.

Operational Risk Reporting

Each Line of Business and corporate function should report and escalate the operational risk topics to their respective control committees, including losses, risk assessment, control breaches and respective action plans. Operational Risk and Compliance has established standards to ensure that consistent operational risk reporting and operational risk reports are produced on a Firmwide basis as well as by LOBs and corporate functions. The standards reinforce escalation protocols to senior management and to the Board of Directors.

COVID-19 Pandemic

Under the CCOR Management Framework, Operational Risk and Compliance monitors and assesses COVID-19 related legal and regulatory developments associated with the Firm's financial products and services offered to clients and customers as part of the existing change management process. The Firm will continue to review and assess the impact of the pandemic on operational risk and implement adequate measures as needed.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk

Interest Rate Risk in the Banking Book (IRRBB) is defined as interest rate risk resulting from the Bank's traditional banking activities as a result of movements in interest rates. IRRBB can occur due to a variety of factors, including but not limited to:

- Differences between the timing of rate changes and the timing of cash flows (repricing risk);
- Changing rate relationships among yield curves that affect bank activities (basis risk);
- Changing rate relationships across the spectrum of maturities (yield curve risk); and
- Interest-rate-related options embedded in banking products (option risk).

Treasury/ Chief Investment Office (T/CIO) manages IRRBB exposure on behalf of the Bank by identifying, measuring, modelling, and monitoring IRR across the Bank's balance sheet. T/CIO works with the Lines of Businesses in defining methodologies for measuring IRRBB. T/CIO identifies and understands material balance sheet impact of new initiatives and products, and executes market transactions to manage IRRBB.

The Bank's IRRBB exposure originates from the traditional banking activities that include the extension of loans, taking client deposits. T/CIO is managing the exposure through placements/takings, and the purchase of securities under T/CIO investment portfolio. The majority of the Bank's deposits are Non-Maturity Deposits (NMD) that is modelled as longer dated liabilities by considering deposits run-off profile and analyzing deposits' sensitivity to rate changes. Loans, Placements, Term Deposits, Placements, and Investment Securities under T/CIO investment portfolio are assumed to have contractual maturity with fixed or adjustable rate.

IRRBB is evaluated using two primary metrics, impact to the Bank's earnings through Earnings at Risk (EaR) metric, and impact to the Bank's equity through Economic Value Sensitivity (EVS) metric:

- EaR measures the extent to which changes in interest rates will affect the bank's net interest income (NII) over the following 12 months period under four parallel shift scenarios in interest rate curve.

- EVS determines changes in Economic Value of Equity (EVE) due to changes in interest rates under two parallel and four non-parallel shift scenarios in interest rate curve.

The IRRBB metrics are regularly monitored, reported on a regular basis and presented in the Bank's RALCO Meeting.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at balance sheet date.

	Non trading book							31.12.2021
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	4,497,150	-	-	-	-	-	127,786	4,624,936
Securities purchased under resale Agreement	-	-	-	-	-	2,436,982	5,804	2,442,786
Financial assets held at fair value through profit and loss ("FVTPL")	-	-	-	-	-	599,134	12,030	611,164
Derivative financial instruments	-	-	-	-	-	821,733	-	821,733
Financial assets held at fair value through other comprehensive income ("FVOCI")	-	-	326,005	51,607	-	-	336	377,948
Loans and advances								
- Non-credit impaired	320,946	98,438	47,865	235	491	-	(6,839)	461,136
- Credit-impaired	-	-	-	-	-	-	152	152
Amount due from related parties	147,149	-	-	-	-	164,517	255,263	566,929
Statutory deposits with BNM	-	-	-	-	-	-	2	2
Other assets #	-	-	-	-	-	-	440,098	440,098
Total assets	4,965,245	98,438	373,870	51,842	491	4,022,366	834,632	10,346,884

\# Includes tax recoverable assets, deferred tax assets, right-of-use assets, fixed assets and other assets.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	Non trading book							31.12.2021
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Liabilities								
Deposits from customers	3,814,134	-	-	-	-	-	359,103	4,173,237
Deposits and placements of banks and other financial institutions	377,855	-	-	-	-	-	209,110	586,965
Obligations on securities sold under repurchase agreements	-	-	-	-	-	341,083	2,655	343,738
Derivative financial instruments	-	-	-	-	-	731,034	-	731,034
Amount due to related parties	201,678	-	-	-	-	1,761,871	255,069	2,218,618
Other liabilities	-	-	-	-	-	-	496,788	496,788
Total liabilities	4,393,667	-	-	-	-	2,833,988	1,322,725	8,550,380
Interest rate gap	571,578	98,438	373,870	51,842	491			

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	Non trading book							31.12.2020
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	2,889,085	-	-	-	-	-	129,414	3,018,499
Securities purchased under resale Agreement	2,736,554	-	-	-	-	135,315	1,240	2,873,109
Financial assets held at fair value through profit and loss ("FVTPL")	-	-	-	-	-	725,204	13,846	739,050
Derivative financial instruments	-	-	-	-	-	1,479,003	-	1,479,003
Financial assets held at fair value through other comprehensive income ("FVOCI")	-	-	198,490	52,904	-	-	180	251,574
Loans and advances								
- Non-credit impaired	74,736	157,825	28,289	343	565	-	(8,164)	253,594
- Credit-impaired	-	-	-	-	-	-	67	67
Amount due from related parties	20,371	-	-	-	-	270,987	245,007	536,365
Statutory deposits with BNM	-	-	-	-	-	-	2	2
Other assets #	-	-	-	-	-	-	158,896	158,896
Total assets	5,720,746	157,825	226,779	53,247	565	2,610,509	540,488	9,310,159

\# Includes tax recoverable assets, deferred tax assets, right-of-use assets, fixed assets and other assets.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	Non trading book							31.12.2020
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Liabilities								
Deposits from customers	3,859,087	600	-	-	-	-	699,668	4,559,355
Deposits and placements of banks and other financial institutions	330,686	-	-	-	-	-	168,997	499,683
Obligations on securities sold under repurchase agreements	-	-	-	-	-	182,334	1,592	183,926
Derivative financial instruments	-	-	-	-	-	1,464,676	-	1,464,676
Amount due to related parties	507,425	-	25,888	-	-	-	160,388	693,701
Other liabilities	-	-	-	-	-	-	171,145	171,145
Total liabilities	4,697,198	600	25,888	-	-	1,647,010	1,201,790	7,572,486
Interest rate gap	1,023,548	157,225	200,891	53,247	565			

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

The tables below summarises the effective average interest rate by major currencies for each class of financial assets and financial liabilities. The calculation of effective average interest rate excludes non-interest bearing financial assets and financial liabilities.

	2021		2020	
	RM	USD	RM	USD
	%	%	%	%
Financial assets				
Cash and short-term funds	1.77	0.01	1.75	0.11
Securities purchased under resale agreement	1.72	-	1.71	-
Financial assets held at fair value through profit and loss ("FVTPL")	3.99	-	3.78	-
Financial assets held at fair value through other comprehensive income ("FVOCI")	4.09	-	2.50	-
Loans and advances	2.51	1.50	2.66	1.93
Financial liabilities				
Deposits from customers	0.72	0.02	0.93	0.05
Deposits and placements of banks and other financial institutions	1.20	0.08	1.29	0.18
Obligations on securities sold under repurchase agreements	3.89	-	3.49	-
Amount due to related parties	1.52	0.12	1.87	0.09

(v) Currency risk

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The table at the following page sets out the Bank's exposure to currency risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

2021	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	4,320,063	215,008	-	89,865	4,624,936
Securities purchased under resale agreement	2,442,786	-	-	-	2,442,786
Financial assets held at fair value through profit and loss	611,164	-	-	-	611,164
Derivative financial Instruments	500,048	265,865	14,751	41,069	821,733
Financial assets held at fair value through other comprehensive income	377,948	-	-	-	377,948
Loans and advances	235,365	225,923	-	-	461,288
Amount due from related Parties	58,948	502,589	1,091	4,301	566,929
Other assets#	439,649	306	73	72	440,100
	8,985,971	1,209,691	15,915	135,307	10,346,884
Liabilities					
Deposits from customers	1,489,310	2,607,883	27,133	48,911	4,173,237
Deposits and placements of banks and other financial institutions	407,148	179,817	-	-	586,965
Obligations on securities sold under repurchase agreements	343,738	-	-	-	343,738
Derivative financial Instruments	302,716	356,567	23,545	48,206	731,034
Amount due to related Parties	268,715	1,949,899	-	4	2,218,618
Other liabilities	494,926	1,744	55	63	496,788
	3,306,553	5,095,910	50,733	97,184	8,550,380
Currency gap	5,679,418	(3,886,219)	(34,818)	38,123	

Includes statutory deposits with BNM, tax recoverable, deferred tax assets, right-of-use assets, fixed assets and other assets.

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

2020	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	2,537,420	468,542	-	12,537	3,018,499
Securities purchased under resale agreement	2,873,109	-	-	-	2,873,109
Financial assets held at fair value through profit and loss	739,050	-	-	-	739,050
Derivative financial Instruments	750,659	639,287	35,721	53,336	1,479,003
Financial assets held at fair value through other comprehensive income	251,574	-	-	-	251,574
Loans and advances	52,015	201,398	248	-	253,661
Amount due from related Parties	12	527,678	1,619	7,056	536,365
Other assets#	158,762	132	3	1	158,898
	7,362,601	1,837,037	37,591	72,930	9,310,159
Liabilities					
Deposits from customers	1,810,594	2,717,129	14,427	17,205	4,559,355
Deposits and placements of banks and other financial institutions	351,110	148,573	-	-	499,683
Obligations on securities sold under repurchase agreements	183,926	-	-	-	183,926
Derivative financial Instruments	566,461	876,746	15,754	5,715	1,464,676
Amount due to related Parties	265,310	428,389	-	2	693,701
Other liabilities	170,794	348	-	3	171,145
	3,348,195	4,171,185	30,181	22,925	7,572,486
Currency gap	4,014,406	(2,334,148)	7,410	50,005	

Includes statutory deposits with BNM, tax recoverable, deferred tax assets, right-of-use assets, fixed assets and other assets.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk

Liquidity risk is the risk that the Firm will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

The bank has established limits and Indicators framework; and runs stress testing to manage liquidity risk.

Liquidity risk oversight

The Liquidity Risk Oversight ("LRO") group is part of CIO Treasury and Corporate ("CTC") Risk, an Independent Risk Management function, reporting to the CTC Chief Risk Officer ("CRO") who also serves as the Firmwide Risk Executive of Liquidity Risk. LRO is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRO responsibilities include, but are not limited to:

- Defining, monitoring and reporting liquidity risk metrics;
- Establishing and monitoring limits and indicators including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing an independent review of liquidity risk management processes;
- Monitoring and reporting internal Firmwide and legal entity liquidity stress tests as well as regulatory defined liquidity stress tests;
- Approving or escalating for review new or updated liquidity stress assumptions; and
- Monitoring liquidity positions, balance sheet variances and funding activities.

Liquidity management

Treasury/ Chief investment Office ("TCIO") are responsible for liquidity management. The primary objectives of Firm's liquidity management are to:

- Ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix, and availability of liquidity sources.

Risk governance and measurement

The Board of Directors of the Bank has delegated oversight of liquidity risk to Malaysia Risk/ Asseta and Liabilities Committee (RALCO). Liquidity risk oversight is governed by Malaysia RALCO, co-chaired by the Senior Country Officer and Legal Entity Risk Manager.

As governed by the Malaysia RALCO Terms of Reference, where required, matters will be escalated from Malaysia RALCO to the Malaysia Location Management Committee, Asia Pacific Risk Committee or the Board of Directors. In addition, the Board Risk Committee reviews and recommends to the Board of Directors, for formal approval, the Bank's liquidity risk tolerances, liquidity strategy, and liquidity policy.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

Contingency funding plan

The Firm's contingency funding plan ("CFP") is approved by the Firmwide ALCO and the Board risk Committee. The Bank's addendum to the CFP is approved by the Bank's Board of directors. The CFP and the addendum is a compilation of procedures and action plans for managing liquidity through stress events. The CFP and the addendum incorporate the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify emerging risks or vulnerabilities in the Bank's liquidity position. The CFP identifies the alternative contingent funding and liquidity resources available to the Bank in a period of stress.

Limits and Indicators

The Bank has established internal liquidity risk limits and indicators which are monitored on a daily basis.

Stress Testing

Liquidity risk stress testing is established to ensure that the bank has sufficient liquidity under a variety of adverse scenarios. The results of the liquidity stress tests are significant inputs into the formulation of funding and balance sheet planning.

The table at the following page analyses the Bank's non-derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are in the contractual undiscounted cash flows.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
2021							
Assets							
Cash and short-term funds	4,499,430	-	-	-	-	126,731	4,626,161
Financial assets held at fair value through profit and loss	-	593,214	-	-	-	6,555	599,769
Financial assets held at fair value through other comprehensive income	-	-	330,000	51,024	-	-	381,024
Loans and advances	345,089	98,799	48,017	354	532	-	492,791
Amount due from related parties	223,907	29,999	-	-	-	328,500	582,406
Securities purchased under resale agreement	781,350	1,358,221	316,113	-	-	-	2,455,684
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2	2
Other assets*	371,718	-	-	-	-	1,725	373,443
Total financial assets	6,221,494	2,080,233	694,130	51,378	532	463,513	9,511,280

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from Customers	81,421	-	-	-	-	4,091,831	4,173,252
Deposits and placements of banks and other financial institutions	-	-	-	-	-	586,965	586,965
Amount due to related parties	371,787	1,270,572	337,602	7,084	-	250,883	2,237,928
Obligations on securities sold under repurchase agreements	187,354	158,229	-	-	-	-	345,583
Other liabilities	471,366	1,396	3,916	11,259	-	9,207	497,144
Total financial liabilities	1,111,928	1,430,197	341,518	18,343	-	4,938,886	7,840,872

* Other assets exclude prepayment.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

2020	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	2,889,666	-	-	-	-	129,293	3,018,959
Financial assets held at fair value through profit and loss	-	706,128	-	-	-	6,490	712,618
Financial assets held at fair value through other comprehensive income	-	-	200,000	50,000	-	-	250,000
Loans and advances	83,123	158,456	28,428	27	384	-	270,418
Amount due from related parties	273,144	-	-	-	-	252,226	525,370
Securities purchased under resale agreement	2,733,107	-	-	-	-	-	2,733,107
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2	2
Other assets*	86,620	-	-	-	-	5,756	92,376
Total financial assets	6,065,660	864,584	228,428	50,027	384	393,767	7,602,850

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from Customers	49,913	600	-	-	-	4,508,850	4,559,363
Deposits and placements of banks and other financial institutions	-	-	-	-	-	499,683	499,683
Amount due to related parties	422,306	-	28,054	4,624	-	239,311	694,295
Obligations on securities sold under repurchase agreements	164,366	-	-	-	-	-	164,366
Other liabilities	140,013	1,363	3,244	8,968	-	18,023	171,611
Total financial liabilities	776,598	1,963	31,298	13,592	-	5,265,867	6,089,318

* Other assets exclude prepayment.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

The table below analyses the Bank's derivative financial instruments based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are in the contractual undiscounted cash flows.

	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Net-settled Derivatives	6,192	10,132	36,549	(25,916)	(8,192)	18,765
Gross-settled derivatives						
- Receipts	10,997,764	15,184,524	18,667,692	2,670,694	-	47,520,674
- Payments	(10,997,018)	(15,199,164)	(18,681,212)	(2,671,458)	-	(47,548,852)
	6,938	(4,508)	23,029	(26,680)	(8,192)	(9,413)
2020						
Net-settled Derivatives	6,220	1,510	28,900	77,213	1,630	115,473
Gross-settled derivatives						
- Receipts	9,183,112	13,657,380	15,725,663	2,804,644	125,313	41,496,112
- Payments	(9,199,987)	(13,658,116)	(15,715,198)	(2,792,365)	(125,124)	(41,490,790)
	(10,655)	774	39,365	89,492	1,819	120,795

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

(i) Certain financial instruments

For cash and short-term funds, amount due from/to related parties, statutory deposits with BNM, deposits from customers, deposits and placements of banks and other financial institutions with maturities of less than one year, the carrying value is a reasonable estimate of fair value

For balances relating to the above classes of financial instruments with maturities of more than one year, the carrying value approximates the fair value as these balances are subject to variable interest rate.

(ii) Loans and advances

For non-impaired fixed rate loans, fair values have been estimated by discounting the estimated cash flows using the prevailing market rates of loans and advances with similar credit ratings and maturities. For floating-rate loans, the carrying amount is generally a reasonable estimate of fair value.

The fair value of impaired loans, fixed or floating are based on the carrying value less allowances for ECL, being the expected recoverable amount. In arriving at the fair values for loans on the above bases, the total fair value of the entire loan portfolio has been reduced by RM6,885,000 (2020: RM8,187,000), being the carrying value of the allowance for ECL which covers unidentified losses inherent in the portfolio.

(iii) Credit commitments

The estimated fair values are not readily ascertainable as these financial instruments are generally not traded. In addition, the quantum of fees collected under these arrangements, upon which a fair value could be based, is not material.

(b) Financial instruments measured at fair value

(i) Financial assets held at fair value through profit and loss, fair value through other comprehensive income, securities purchased under resale agreement and obligations on securities sold under repurchase agreements

The estimated fair value is generally based on quoted market prices and observable market prices. Where there is no ready market in certain securities, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

(ii) Derivative financial instruments

The fair value of foreign exchange derivatives, interest rate derivatives and equity derivatives is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date.

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

MFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Level 1: inputs to the valuation methodology include quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.; and
(c) Level 3: one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table represents the Bank's financial assets and liabilities measured at fair value as at financial year ended:

2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities purchased under resale agreement	-	2,607,301	-	2,607,301
Financial assets held at fair value through profit and loss				
- Securities	-	604,609	-	604,609
- Unquoted shares	-	-	6,555	6,555
Derivative financial Instruments	-	821,733	-	821,733
Financial assets held at fair value through other comprehensive income	-	377,948	-	377,948
Financial liabilities				
Obligations on securities sold under repurchase agreements	-	2,106,076	-	2,106,076
Derivative financial instruments	-	731,034	-	731,034

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

The following table represents the Bank's financial assets and liabilities measured at fair value as at financial year ended: (continued)

2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities purchased under resale agreement	-	406,392	-	406,392
Financial assets held at fair value through profit and loss				
- Securities	-	732,559	-	732,559
- Unquoted shares	-	-	6,491	6,491
Derivative financial Instruments	-	1,479,003	-	1,479,003
Financial assets held at fair value through other comprehensive income	-	251,574	-	251,574
Financial liabilities				
Obligations on securities sold under repurchase agreements	-	183,926	-	183,926
Derivative financial instruments	-	1,464,676	-	1,464,676

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

	Financial assets held at fair value through profit and loss RM'000
2021	
At 1 January	6,491
Fair value changes recognised in statements of comprehensive income	125
Disposal	(61)
At 31 December	6,555
Fair value changes recognised in statement of comprehensive income relating to assets held on 31 December 2021	125
2020	
At 1 January	6,302
Fair value changes recognised in statements of comprehensive income	189
At 31 December	6,491
Fair value changes recognised in statement of comprehensive income relating to assets held on 31 December 2020	189

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

Valuation methodologies

The following table describes the valuation methodologies used by the Bank to measure its more significant products/ instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/ instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Equity, debt, and other securities	Quoted market prices	Level 1
	In the absence of quoted market prices, securities are valued based on: • Observable market prices for similar securities • Relevant broker quotes • Discounted cash flows	Level 2 or 3
Derivatives and fully funded OTC instruments	Exchange-traded derivatives that are actively traded and valued using the exchange price	Level 1
	Derivatives that are valued using observable or unobservable valuation inputs as well as considering the contractual terms. The key valuation inputs used will depend on the type of derivative and the nature of the underlying instruments and may include equity prices, commodity prices, interest rate yield curves, foreign exchange rates, volatilities, correlations, credit default swaps ("CDS") spreads and recovery rates.	Level 2 or 3

In infrequent circumstances where the valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3. This category includes unquoted shares. The fair values of unquoted shares are based on the net tangible assets of the affected companies or sales price for pending sales transactions.

32 EMPLOYEE BENEFITS

Equity compensation benefits

The incentive compensation benefits are determined by the ultimate holding corporation, JPMC. The following schemes are applicable to the employees of JPMC:

Long-Term Incentive Plan ("LTIP")

Under the LTIP, common stock-based awards, including stock options, restricted stock, and restricted stock units ("RSU") are granted to certain key employees employed by JPMC and its subsidiaries.

Stock options are granted with an exercise price equal to JPMC's common stock price on the grant date. Generally, options cannot be exercised until at least one year after the grant date and become exercisable over various periods as determined at the time of the grant. These awards generally expire 10 years after grant date.

Restricted stock and RSUs are granted by JPMC at no cost to the recipient. These awards are subject to forfeiture until certain restrictions have lapsed, including continued employment for a specific period. The recipient of a share of restricted stock is entitled to voting rights and dividends on the common stock. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse; the recipient is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding.

Value Sharing Plan is a broad-based employee stock option plan in which JPMC grants stock options to other employees as recognition of the services rendered.

(a) Restricted Stock and RSUs

Compensation expense for restricted stock and RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date, and is recognised in the income statement.

	2021		2020	
	Number of restricted stock/RSU	Weighted average fair value at grant date USD	Number of restricted stock/RSU	Weighted average fair value at grant date USD
Outstanding at 1 January	12,213	116.15	13,690	100.62
Granted during the year	5,750	14018	4,400	137.38
Vested during the year	(4,995)	106.13	(5,888)	136.48
Transferred during the year	(313)	131.04	11	116.15
Outstanding at 31 December	12,655	131.04	12,213	116.15

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILIITIES

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amount of recognised financial assets RM'000	Gross amount of recognised financial liabilities set off in the Statement of Financial Position RM'000	Net amount of financial assets presented in the Statement of Financial Position RM'000	Related amounts not set off in the Statement of Financial Position: Financial instruments RM'000	Related amounts not set off in the Statement of Financial Position: Cash collateral received RM'000	Net amount RM'000
2021						
Derivative financial instruments	821,733	-	821,733	-	268,276	553,457
2020						
Derivative financial instruments	1,479,003	-	1,479,003	-	288,221	1,190,782

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILIITIES (CONTINUED)

(b) Financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements

	Gross amount of recognised financial liabilities RM'000	Gross amount of recognised financial assets set off in the Statement of Financial Position RM'000	Net amount of financial liabilities presented in the Statement of Financial Position RM'000	Related amounts not set off in the Statement of Financial Position: Financial instruments RM'000	Related amounts not set off in the Statement of Financial Position: Cash collateral placed RM'000	Net amount RM'000
2021						
Derivative financial instruments	731,034	-	731,034	-	141,328	589,706
2020						
Derivative financial instruments	1,464,676	-	1,464,676	-	87,657	1,377,019

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

34 APPROVAL OF FINANCIAL STATEMENTS

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

Registration No.

199401030666 (316347-D)

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

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

We, Robert Armor Morris and Wong Hooi Ching, being two of the Directors of J.P. Morgan Chase Bank Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 106 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2021 and the financial performance of the Bank for the financial year ended 31 December 2021 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Bank Negara Malaysia Guidelines and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.

ROBERT ARMOR MORRIS
DIRECTOR

WONG HOOI CHING
DIRECTOR

Kuala Lumpur
19 May 2022

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

I, Yee Mei Yan, being the Officer primarily responsible for the financial management of J.P. Morgan Chase Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 106 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.

YEE MEI YAN

Subscribed and solemnly declared by the above named Yee Mei Yan at Kuala Lumpur in Malaysia on 19 May 2022.

Before me:

PESURUHJAYA SUMPAH
W 805
SAMIRTHA APOSTLER PPN
01-03-2020-31-12-2022
MALAYSIA

COMMISSIONER FOR OATH

Tkt 3, Wisma Maran
28, Medan Pasar
50050 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)
Registration No. 199401030666 (316347-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of J.P. Morgan Chase Bank Berhad ("the Bank") give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its 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 Bank, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 106.

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199401030666 (316347-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements 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 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 Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the 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 Bank that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199401030666 (316347-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) Identify and assess the risks of material misstatement of the financial statements of the 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 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 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 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 Bank to cease to continue as a going concern.

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

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 199401030666 (316347-D)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WILLIAM MAH JIN CHIEK
03085/07/2023 J
Chartered Accountant

Kuala Lumpur
19 May 2022