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 2020

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 2020.

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	192,285

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 2020.

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 2020, the issued share capital of the Bank is RM437,500,002 comprising RM395,500,002 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
Steven Ronald Clayton
Faisal bin Ismail (retired on 28 August 2020)
Omar bin Malek Ali Merican (retired on 11 January 2021)
John Terrence Murphy
Mahani binti Amat (appointed on 11 January 2021)

In accordance with Article 99 of the Bank's Constitution, Robert Armor Morris 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, Mahani Binti Amat, 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.

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 1.1.2020	Acquired	Disposed	As at 31.12.2020
JPMorgan Chase & Co.				
Steven Ronald Clayton	7,443	2,422	-	9,865
John Terrence Murphy	8,487	3,236	3,727	7,996

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.

BUSINESS STRATEGY AND REVIEW 2020

The Bank's key businesses, in particular transaction services, trade, wholesale banking and markets flow business, delivered moderate growth which further strengthened its position within the domestic Malaysian market.

The Bank recorded a profit before tax of RM256 million in financial year 2020, an increase of RM86 million against financial year 2019. Net interest income decreased by RM7 million or 8% to RM84 million, contributed by lower interest income on financial assets held at fair value through other comprehensive income and interest income from loans other than recoveries from impaired loans of RM11 million and RM2 million respectively; offset by the decrease in the interest expense arising from deposits from customers of RM6 million. Other operating income increased by RM81 million or 33%, mainly arising from the increase in unrealised gain from revaluation of derivatives and net gain on derivatives of RM37 million and RM13 million respectively. Meanwhile, operating expenses decreased by RM13 million or 8% to RM152 million.

The Bank's total assets increased by 1% to RM9.3 billion, contributed by higher securities purchased under resale agreement, derivative assets and amount due from related entities of RM1.1 billion, RM892 million and RM383 million respectively, offset by lower cash and short-term fund, and financial assets held at fair value through other comprehensive income of RM1.8 billion and RM592 million respectively. Additionally, other assets decreased by RM165 million or 64%, mainly due to decrease in booking of trade receivables for MGS and GII. The Bank's total liabilities decreased by 1% to RM7.6 billion, contributed by lower deposits from customers of RM1.2 billion, offset by higher derivative liabilities of RM903 million. The Bank's total capital ratio remained strong at 25.4%, with its Tier 1 capital ratio at 25.2% as at end of 2020.

BUSINESS OUTLOOK FOR 2021

The Bank continues to operate in an uncertain environment going into 2021 due to a combination of geo-economic factors as well as the Covid-19 virus. The Malaysian economy is an open, export-orientated economy and is therefore heavily exposed to macro factors that influence economic growth. The roll-out of vaccines to tackle Covid-19 is a positive development and we will monitor and analyze the social and economic benefits as they occur and be prepared to support clients as necessary as the situation evolves. In the meantime, the Bank will continue to ensure that clients' needs are met by our broad product mix and global network while at the same time managing risk.

The Bank will continue to focus on multi-national corporations, large domestic corporates, financial institutions and non-bank financial institutions, providing them with a broad mix of products and services across Corporate Banking, Wholesale Payments and Markets. With the support of our parent's strong capitalization, fortress balance sheet and proven track record in facing adverse conditions, the Bank is confident of evolving even stronger following recovery from the current environment.

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J.P. MORGAN CHASE BANK BERHAD
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 2021. Signed on behalf of the Board of Directors:

ROBERT ARMOR MORRIS
DIRECTOR

STEVEN RONALD CLAYTON
DIRECTOR

Kuala Lumpur
18 May 2021

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Cash and short-term funds	2	3,018,499	4,799,172
Securities purchased under resale agreement		2,873,109	1,814,557
Financial assets held at fair value through profit and loss ("FVTPL")	3	739,050	408,409
Derivative financial instruments	4	1,479,003	587,362
Financial assets held at fair value through other comprehensive income ("FVOCI")	5	251,574	843,453
Loans and advances	6	253,661	265,291
Amounts due from related parties	7	536,365	153,149
Statutory deposits with Bank Negara Malaysia	8	2	2
Other assets	9	94,275	259,729
Tax recoverable		33,236	31,305
Deferred tax assets	10	4,374	3,051
Fixed assets	11	13,893	14,914
Right-of-use assets	12	13,118	9,421
TOTAL ASSETS		9,310,159	9,189,815
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	4,559,355	5,777,317
Deposits and placements of banks and other financial institutions	14	499,683	389,572
Obligations on securities sold under repurchase agreements		183,926	51,759
Derivative financial instruments	4	1,464,676	561,192
Amounts due to related parties	15	693,701	579,424
Other liabilities	16	171,145	286,072
Total liabilities		7,572,486	7,645,336
Share capital	17	437,500	437,500
Retained earnings		1,286,237	1,089,820
Reserves	18	13,936	17,159
Shareholder's equity		1,737,673	1,544,479
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		9,310,159	9,189,815
COMMITMENTS AND CONTINGENCIES	26	117,468,596	86,726,113

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J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Interest income	19	151,412	163,011
Interest expense	20	(67,703)	(71,932)
Net interest income		83,709	91,079
Other operating income	21	328,571	247,670
Net income		412,280	338,749
Operating expenses	22	(151,878)	(165,096)
Operating profit before allowances		260,402	173,653
Expected credit losses on loans and advances	23	(4,627)	(4,334)
Profit before taxation		255,775	169,319
Taxation	25	(63,490)	(48,253)
Net profit for the financial year		192,285	121,066
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
- Net unrealised gain/(loss) on revaluation of financial assets held at fair value through other comprehensive income		1,197	(42)
- Income tax relating to component of other comprehensive income		(288)	10
Other comprehensive income/(loss), net of tax		909	(32)
Total comprehensive income for the financial year		193,194	121,034

J.P. MORGAN CHASE BANK BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	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/(loss) 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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (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 2019		127,500	133	11,953	14,206	959,653	1,113,445
Capital contribution	17	310,000	-	-	-	-	310,000
Net profit for the financial year		-	-	-	-	121,066	121,066
Other comprehensive income (net of tax)		-	(32)	-	-	-	(32)
Net unrealised gain/(loss) on revaluation of financial assets at fair value through other comprehensive income		-	(42)	-	-	-	(42)
Income tax relating to component of other comprehensive income		-	10	-	-	-	10
Total comprehensive income for the financial year		-	(32)	-	-	121,066	121,034
Transfer from regulatory reserve		-	-	-	(9,101)	9,101	-
		437,500	101	11,953	5,105	1,089,820	1,544,479

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	255,775	169,319
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of fixed assets	5,875	3,586
Amortisation of lease	4,626	3,915
Expected credit losses on loan and advances	4,627	4,334
Net gain on derivatives	(16,256)	(2,865)
Net unrealised gain from revaluation of financial assets held at fair value through profit and loss	(77)	(203)
Net unrealised gain in revaluation on derivatives	(64,186)	(27,538)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	190,384	150,548
Increase in securities purchased under resale agreement	(1,058,552)	(1,775,391)
(Increase)/decrease amount due from related parties	(204,624)	264,246
(Increase)/decrease in financial assets held at FVTPL	(330,564)	1,615,946
Decrease in derivative financial instruments	92,285	25,910
Decrease in financial assets held at FVOCI	592,788	512,984
Decrease in loans and advances	7,003	83,524
Decrease/(increase) in other assets	170,173	(192,010)
Decrease in deposits from customers	(1,217,962)	(286,920)
Increase/(decrease) in deposits and placements of banks and other financial institutions	110,111	(161,219)
(Decrease)/increase in other liabilities	(114,927)	154,802
Increase in obligation on securities sold under repurchase agreement	132,167	29,944
Increase/(decrease) in amount due to related parties	114,277	(564,105)
Cash used in from operating activities	(1,517,441)	(141,741)
Income taxes paid	(75,000)	(55,000)
Net cash used in operating activities	(1,592,441)	(196,741)

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of fixed assets		(4,854)	(14,415)
Net cash used in investing activity		(4,854)	(14,415)
CASH FLOWS FROM FINANCING ACTIVITY			
Capital contribution		-	310,000
Lease rental payment		(4,786)	(4,045)
Net cash (used in)/generated from financing activity		(4,786)	305,955
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,602,081)	94,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		4,852,434	4,757,635
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		3,250,353	4,852,434
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	2	3,018,499	4,799,172
Amount due from related parties	7	231,854	53,262
		3,250,353	4,852,434

J.P. MORGAN CHASE BANK BERHAD
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 2020:

- The Conceptual Framework for Financial Reporting ("Framework")
- Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108)
- Amendments to MFRS 9, 139 and 7 on interest rate benchmark reform

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.

The following standards and amendments have been adopted for the first time by the Bank for the financial year beginning on 1 June 2020:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

A BASIS OF PREPARATION (CONTINUED)

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

The following standards and amendments have been adopted for the first time by the Bank for the financial year beginning on 1 June 2020 (continued):

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

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

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

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

The amendments shall be applied retrospectively.

(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 2020.

- 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 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.

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 2020. (Continued)

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

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  The amendments shall be applied retrospectively.

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

(c) Changes in regulatory requirements

- Measures to Assist Individuals, Small-Medium Enterprises ("SMEs") and Corporates Affected by COVID-19.

  On 25 March 2020, BNM had announced a number of regulatory and supervisory measures in support of efforts by banking institutions to assist individuals, SMEs and corporations to manage the impact of the COVID-19 outbreak.

  Banking institutions will grant an automatic moratorium on all loan/financing repayments for a period of 6 months, with effect from 1 April 2020 to all individuals and SMEs. This offer is applicable to performing loans, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020.

  Banking institutions will also facilitate requests by corporations to defer or restructure their loans/financing repayments in a way that will enable viable corporations to preserve jobs and resume economic activities when conditions improve.

  To further support lending/financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%. The Bank has elected to continue maintain the minimum, in aggregate, Stage 1 and Stage 2 provisions and regulatory reserves of no less than 1% of all credit exposure.

A BASIS OF PREPARATION (CONTINUED)

(c) Changes in regulatory requirements (Continued)

- Measures to Assist Individuals, Small-Medium Enterprises ("SMEs") and Corporates Affected by COVID-19. (Continued)

  The implementation of the Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80%. Banking institutions are expected to restore their buffer to the minimum regulatory requirements and comply with a 100% NSFR ratio from 30 September 2021.

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

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.

C RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

(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 resale agreements are securities which the Bank has purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the Statement of Financial Position.

E FINANCIAL ASSETS AND LIABILITIES

(a) Classification and measurement

The Bank classifies its financial assets as amortised cost, fair value through other comprehensive income or fair value through profit or loss. 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 are collected, how the assets' performance is evaluated, how risks are assessed and managed.

On initial recognition, financial liabilities are classified as either amortised cost or fair value through profit or loss.

(b) Recognition and derecognition

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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

(c) Measurement at initial recognition

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) 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.

(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.

E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Subsequent measurement (Continued)

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

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The 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.

(e) 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 horizon 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.

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 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(f) 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/ 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.

(g) Determining fair value

The fair value of financial instruments measured at FVTPL and FVOCI such as exchange-traded and over-the-counter securities and derivatives, is determined by reference to a quoted market price for that instrument or by using internally developed valuation models. Where the fair value is calculated by using internally developed valuation models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including interest rate yield curves, equities prices, option volatilities and currency rates.

(h) 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 relief measures, includes to reduce the regulatory reserves held against expected losses to 0%. The Bank has elected to maintain the regulatory reserves at 1% as of 31 December 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.

H IMPAIRMENT OF NON-FINANCIAL ASSETS

The Bank assesses at each balance sheet date whether there is objective evidence that an asset is impaired. An asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of loss event and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

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.

Leased assets are presented as a separate line item in Notes to the statement of financial position.

Leased assets under lease arrangement classified as finance lease is amortised in equal instalments over the period of the respective leases that range from 1 to 9 years.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss.

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.

The fair value of the employee services received in exchange for the grant of stock-based awards is recognised as an expense in the income statement with a corresponding increase in the option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the stock–based awards on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Bank revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date as well as the number of shares that will vest on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the option reserve over the remaining vesting period.

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 resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

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

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. The Bank's assets reported at fair value are based upon quoted market prices or upon internally developed models that utilise independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

The degree of management judgement involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are traded actively and have quoted market prices or parameters readily available, there is little-to-no subjectivity in determining fair value. When observable market prices and parameters do not exist, management judgement is necessary to estimate fair value. The valuation process takes into consideration factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk.

The Bank's financial assets held at fair value through profit and loss are valued based upon quoted market prices. The Bank's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – that is, parameters that are actively quoted and can be validated to external sources, including industry-pricing services. Certain derivatives, however, are valued based upon models with significant unobservable market parameters – that is, parameters that must be estimated and are, therefore, subject to management judgement to substantiate the model valuation. These instruments are normally either traded less actively or trade activity is one way. Management's judgement includes recording fair value adjustments (i.e., reductions) to model valuations to account for parameter uncertainty when valuing complex or less actively traded derivative transactions.

Q CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	129,293	34,486
Money at call and deposit placements maturing within one month	2,889,206	4,764,686
	3,018,499	4,799,172

3 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2020 RM'000	2019 RM'000
Money market instruments		
Malaysian Government Securities	464,225	198,330
Malaysian Treasury Bills	-	4,926
Malaysian Government Investment Issuance	196,298	107,744
Malaysian Government Guaranteed Bonds	72,036	91,107
Unquoted securities		
Unquoted shares	6,491	6,302
	739,050	408,409

4 DERIVATIVE FINANCIAL INSTRUMENTS

	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)

4 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Notional amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
At 31 December 2019			
Foreign exchange derivatives			
Currency forwards	31,068,092	222,018	(262,973)
Cross-currency interest rate swaps	4,226,514	78,369	(84,944)
Currency options	132,446	111	(1,172)
	35,427,052	300,498	(349,089)
Interest rate derivatives			
Interest rate swaps	46,537,324	228,170	(164,394)
Credit related derivatives			
Credit default swaps	352,579	7,140	(1,146)
Equity related derivatives			
Equity options	2,355,736	51,554	(46,563)
Total derivative assets/(liabilities)	84,672,691	587,362	(561,192)

5 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RM'000	2019 RM'000
Money market instruments		
Malaysian Government Investment Issuance	53,083	-
Bank Negara Interbank Bills	-	745,932
Malaysian Treasury Bills	198,491	97,521
	251,574	843,453

6 LOANS AND ADVANCES

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

	2020 RM'000	2019 RM'000
Overdrafts	50,317	50,814
Housing loans	550	579
Staff loans	453	572
Revolving credits	129,043	180,366
Trade finance	81,485	33,764
	261,848	266,095
Less: Expected credit loss ("ECL) on loans and advances:		
- Credit impaired	(23)	(24)
- Not credit impaired	(8,164)	(780)
Total net loans and advances	253,661	265,291

6 LOANS AND ADVANCES (CONTINUED)

	2020 RM'000	2019 RM'000
(ii) The maturity structure of loans and advances are as follows:		
Maturity within		
- one year	260,882	265,107
- one year to three years	85	58
- three years to five years	296	255
- over five years	585	675
	261,848	266,095
(iii) Loans and advances analysed by type of customers are as follows:		
Domestic business enterprises	251,731	260,463
Individuals	1,003	1,151
Foreign entities	9,114	4,481
	261,848	266,095
(iv) Loans and advances analysed by interest sensitivity are as follows:		
Fixed rate		
- Housing loans	1,003	1,151
Variable rate		
- Cost-plus	260,845	264,944
	261,848	266,095
(v) Loans and advances analysed by their economic purpose are as follows:		
Purchase of landed properties	1,003	1,151
Working capital	260,845	264,944
	261,848	266,095
(vi) Loans and advances analysed by their geographical distribution are as follows:		
In Malaysia	252,734	261,614
Other countries	9,114	4,481
	261,848	266,095

6 LOANS AND ADVANCES (CONTINUED)

		2020 RM'000	2019 RM'000
(vii)	Loans and advances analysed by measurement basis are as follows:		
	Amortised cost	261,848	266,095
(viii)	Impaired loans		
(a)	Movements in impaired loans and advances are as follows:		
	At 1 January	92	66
	Classified as impaired during the financial year	2	33
	Amount recovered	(4)	(7)
	At 31 December	90	92
	ECL – credit impaired	(23)	(24)
	Net impaired loans and advances	67	68
	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	90	92
(c)	Impaired loans analysed by their geographical distribution are as follows:		
	Malaysia	90	92

7 AMOUNTS DUE FROM RELATED PARTIES

	2020 RM'000	2019 RM'000
Current deposits	231,854	53,262
Securities purchased under resale agreement	270,975	-
Other receivables	33,536	99,887
	536,365	153,149

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 2020, the Bank has RM2,000 (2019: RM2,000) statutory deposits with BNM.

9 OTHER ASSETS

	2020 RM'000	2019 RM'000
Other receivables	86,669	258,441
Deposits and prepayments	7,606	1,288
	94,275	259,729

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.

	2020 RM'000	2019 RM'000
Excess of depreciation over capital allowances	(489)	(1,040)
Financial assets held at fair value through other comprehensive income	(319)	(31)
Other liabilities	5,182	4,122
Deferred tax assets	4,374	3,051

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
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
2019				
At 1 January	(98)	(41)	3,259	3,120
(Debited)/Credited to Income Statement (Note 25)	(942)	-	863	(79)
Credited to reserve	-	10	-	10
At 31 December	(1,040)	(31)	4,122	3,051

11 FIXED ASSETS

	Bank premises RM'000	Computers RM'000	Total RM'000
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
2019			
Cost			
At 1 January	16,945	19,551	36,496
Additions	902	13,513	14,415
Disposals and write-off	(208)	(1,582)	(1,790)
At 31 December	17,639	31,482	49,121
Accumulated depreciation			
At 1 January	15,351	17,060	32,411
Charge for the financial year	1,092	2,494	3,586
Disposals and write-off	(208)	(1,582)	(1,790)
At 31 December	16,235	17,972	34,207
Net book value			
At 31 December	1,404	13,510	14,914

12 RIGHTS-OF-USE ASSETS

	2020 RM'000	2019 RM'000
Balance as at 1 January, by class of underlying assets:		
Properties	9,421	9,530
Additions to the ROU assets during the financial year	8,323	3,720
Remeasurements to ROU assets for the period	-	86
Depreciation charge of ROU assets by class of underlying assets:		
Properties	(4,626)	(3,915)
Balance as at 31 December	13,118	9,421
Interest expense on lease liabilities	283	224
Total cash outflow for leases	4,786	4,045
	5,069	4,269

Lease Liabilities Maturity Analysis

	2020 RM'000	2019 RM'000
Lease liabilities – Maturity Analysis – Contractual Undiscounted Cash Flows		
Less than one year	4,834	4,368
One to five years	8,968	5,298
Total undiscounted lease liabilities at 31 December	13,802	9,666

13 DEPOSITS FROM CUSTOMERS

	2020 RM'000	2019 RM'000
(i) Deposits from customers analysed by type of deposits are as follows:		
Demand deposits	4,508,850	5,748,406
Fixed deposits	50,505	28,911
	4,559,355	5,777,317
Maturity structure of fixed deposits are as follows:		
Due within six months	50,505	28,911
(ii) Deposits from customers analysed by type of customers are as follows:		
Business enterprises	4,558,574	5,777,073
Others	781	244
	4,559,355	5,777,317

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 RM'000	2019 RM'000
Licensed banks	366,015	254,593
Other financial institutions	133,668	134,979
	499,683	389,572

15 AMOUNTS DUE TO RELATED PARTIES

	2020 RM'000	2019 RM'000
Current deposits	239,311	211,894
Fixed deposits	427,802	352,770
Other payables	26,588	14,760
	693,701	579,424

16 OTHER LIABILITIES

	2020 RM'000	2019 RM'000
Other payables	138,408	255,808
Accruals and charges	17,535	16,274
Lease liabilities	13,335	9,371
Expected credit losses – off-balance sheet lending commitment	1,867	4,619
	171,145	286,072

17 SHARE CAPITAL

	2020		2019	
	Number of ordinary Shares '000	RM'000	Number of ordinary shares '000	RM'000
Issued and fully paid:				
At 1 January	395,500	437,500	85,500	127,500
Capital Contribution	-	-	310,000	310,000
At 31 December	395,500	437,500	395,500	437,500

The Bank has on 11 June 2019 issued and fully paid-up 310,000,000 new ordinary shares in capital at an issue price of RM1.00 each for cash to the parent company, J.P. Morgan International Finance Ltd. This increase in capital contribution is qualified as Common Equity Tier-1 for the purpose of capital adequacy requirements.

18 RESERVES

	2020 RM'000	2019 RM'000
Option reserve	11,953	11,953
Regulatory reserve	973	5,105
Fair value reserve – Financial asset through other comprehensive income	1,010	101
	13,936	17,159

(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:

	2020 RM'000	2019 RM'000
At 1 January	101	133
- Net unrealised gain/(loss) on revaluation of financial assets measured at fair value through other comprehensive income debt instruments	1,197	(42)
- Income tax relating to component of other comprehensive income	(288)	10
At 31 December	1,010	101

19 INTEREST INCOME

	2020 RM'000	2019 RM'000
Loans and advances		
- Interest income other than recoveries from impaired loans	8,712	11,081
- Recoveries from impaired loans	2	6
Money at call and placements with financial institutions	128,021	126,133
Financial assets held at fair value through other comprehensive income	14,677	25,791
	151,412	163,011

20 INTEREST EXPENSE

	2020 RM'000	2019 RM'000
Deposits from customers	57,589	63,734
Deposits and placements of banks and other financial institutions	10,114	8,198
	67,703	71,932

21 OTHER OPERATING INCOME

	2020 RM'000	2019 RM'000
Fee income:		
Service charges and fees	4,328	4,301
Guarantee fees	2,821	3,888
	7,149	8,189
Net income from securities:		
- Net gain from sale of financial assets held at fair value through profit and loss	45,167	32,630
- Net unrealised gain from revaluation of financial assets held at fair value through profit and loss	77	203
- Interest income from financial assets held at fair value through profit and loss	35,014	35,685
Derivatives:		
- Net gain on derivatives	16,256	2,865
- Unrealised gain from revaluation of derivatives	64,186	27,538
Other income:		
Foreign exchange gain	71,369	61,777
Management and attribution income	89,294	78,738
Other non-operating income	59	45
	328,571	247,670

22 OPERATING EXPENSES

	2020 RM'000	2019 RM'000
(a) Operating expenses		
Personnel costs:		
- Wages, salaries and bonuses	47,768	46,046
- Defined contribution retirement plan	6,671	6,418
- Other employee benefits	7,568	7,517
	62,007	59,981
Establishment costs:		
- Equipment and fittings repairs, maintenance and rental	545	1,521
- Amortisation of lease	4,626	3,915
- Depreciation of fixed assets	5,875	3,586
- Utilities	1,091	878
- Others	1,742	1,198
	13,879	11,098
Marketing expenses	504	1,949
Administration and general expenses:		
- Management and attribution fees paid	63,778	77,077
- Banking and corporate expenses	4,641	6,986
- Office supplies, communication expenses and insurance	4,526	5,147
- Other general expenses	2,543	2,858
	75,488	92,068
	151,878	165,096

The above expenditure includes the following statutory disclosures:

	2020 RM'000	2019 RM'000
Directors' remuneration (Note 24)	6,093	5,644
Hire of equipment	284	284
Auditors' remuneration:		
- audit fees	367	374
- non-audit fees	35	58

22 OPERATING EXPENSES (CONTINUED)

	2020 RM'000	2019 RM'000
(a) Management and attribution fees breakdown by geographical location		
United States of America ("USA")	23,333	24,909
Singapore	18,922	25,089
Hong Kong	7,516	13,203
United Kingdom	3,818	7,072
Malaysia	2,835	989
India	2,080	278
Australia	1,096	1,125
Japan	1,046	1,017
Others	3,132	3,395
	63,778	77,077
Management and attribution fees breakdown by type of services		
Information Technology Related Support	17,512	21,139
Sales and Marketing Attribution	12,190	10,356
Transaction Management Services	9,691	16,937
Operational Services Support	5,907	4,680
Wholesale Client Onboarding	3,283	2,820
Credit Portfolio Group	2,273	2,689
Finance Support	2,149	3,032
Trade Support	1,843	549
Corporate & Management Oversight	1,481	1,248
Treasury Support	1,221	3,226
Others	6,228	10,401
	63,778	77,077

23 EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

	2020 RM'000	2019 RM'000
Expected credit losses written-back/(made) on loans and advances:		
ECL – off-balance sheet lending commitment	2,752	(3,737)
ECL – loans and advances	(7,383)	(599)
Loans and advances recovered	4	2
	(4,627)	(4,334)

24 DIRECTORS' REMUNERATION

	2020 RM'000	2019 RM'000
Chief Executive Officer:		
- Salary, bonuses and other remuneration	4,753	4,522
- Defined contribution retirement plan	570	530
- Benefits-in-kind	142	35
	5,465	5,087
Executive Director:		
- Fees/allowances		
Terrence Murphy	-	-
	-	-
Non-executive Directors:		
- Fees/allowances		
Faisal Bin Ismail (retired on 28 August 2020)	104	129
Omar bin Malek Ali Merican	167	129
Robert Armor Morris	168	141
Osman Tarique Morad	189	158
	628	557

25 TAXATION

	2020 RM'000	2019 RM'000
(a) Tax expense for the financial year		
Current year tax		
- Malaysian income tax	63,736	41,395
- Under provision in respect of prior year	1,365	6,779
Deferred tax		
- Origination and reversal of temporary differences	(928)	687
- Over provision in respect of prior years	(683)	(608)
	63,490	48,253

(b) Numerical reconciliation of income tax expense

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

	2020 RM'000	2019 RM'000
Profit before taxation	255,775	169,319
Tax calculated at a tax rate of 24%	61,386	40,636
Expenses not deductible for tax purposes	1,422	1,446
Under provision in respect of prior year	1,365	6,779
Over provision of temporary differences in prior years	(683)	(608)
Tax expense	63,490	48,253

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:

	2020 Principal amount RM'000	2019 Principal amount RM'000
Credit-related		
Direct credit substitutes	110,081	177,275
Transaction-related contingent items	31,974	74,006
Short-term self-liquidating trade related contingencies	14,522	14,826
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- over one year	302	172,217
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	1,615,098
Treasury-related		
Foreign exchange related contracts:		
- less than one year	41,345,468	31,745,761
- one year to less than five years	2,527,005	3,558,501
- more than five years	120,540	122,790
Interest rate related contracts:		
- less than one year	23,423,274	9,624,026
- one year to less than five years	43,323,128	34,587,526
- more than five years	2,962,352	2,325,772
Credit related contracts:		
- less than one year	-	31,150
- one year to less than five years	352,650	321,429
Equity related contracts:		
- less than one year	1,271,273	1,556,590
- one year to less than five years	313,302	799,146
	117,468,596	86,726,113

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 Malaysia Ltd.	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.

	2020		2019	
	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	139	-	117	-
Interest on fixed deposit	-	-	2	-
Interest from money at call and placements with financial institutions	238	-	1,298	-
Management and attributions fees received	89,294	-	78,738	-
Expense				
Interest on current deposit	1,411	-	1,538	-
Interest on fixed deposit	972	-	1,766	-
Interest on cash collateral	51	-	135	-
Rental recovery	(1,888)	-	(1,155)	-
Nostro charges	256	-	71	-
Management and attribution fees paid	63,778	-	77,077	-
Personnel expenses	-	15,501	-	14,209
Related party balances of the Bank:				
Amount due from				
Current deposit	231,854	-	53,262	-
Securities purchased under resale agreement	270,975	-	-	-
Other receivables	33,536	-	99,887	-
	536,365	-	153,149	-
Amount due to				
Current deposit	239,311	-	211,894	-
Fixed deposit	427,802	-	352,770	-
Other payables	26,588	-	14,760	-
	693,701	-	579,424	-

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.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Interest rates on deposits were at normal commercial rates.

Key management compensation:

	2020 RM'000	2019 RM'000
Short-term employee benefits	15,501	14,209
	Unit	Unit
Shares, restricted stock units and share options balance of ultimate holding corporation	22,084	19,395

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:

	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	259,238	276,326
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.41%	8.81%
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:

	2020 RM'000	2019 RM'000
Not later than one year	106	104
Later than one year and not later than five years	97	201

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:

	2020 RM'000	2019 RM'000
Tier-I capital		
Paid-up share capital	437,500	437,500
Retained earnings	1,286,237	1,089,820
Fair value reserve through other comprehensive income	1,010	101
Option reserve	11,953	11,953
	1,736,700	1,539,374
Deferred tax assets	(4,374)	(3,051)
Financial Assets at fair value through other comprehensive income	(555)	(56)
Total Tier I capital	1,731,771	1,536,267
Tier-II capital		
Regulatory reserve	973	5,105
ECL not credit impaired	8,164	780
Total Tier II capital	9,137	5,885
Total capital	1,740,908	1,542,152
Common Equity Tier 1 capital ratio	25.238%	35.328%
Tier 1 capital ratio	25.238%	35.328%
Total capital ratio	25.371%	35.464%

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)

Total risk weighted assets and capital requirements as at 31 December 2019:

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	5,781,829	5,781,829	81,863	6,549
Banks	1,862,069	1,862,069	372,550	29,804
Insurance companies, securities firms and fund managers	259,050	259,050	129,829	10,386
Corporates	264,944	264,944	264,944	21,196
Residential mortgages	1,054	1,054	369	30
Higher risk assets	4	4	6	1
Other assets	32,520	32,520	32,009	2,561
Defaulted exposures	68	68	34	3
Total on-balance sheet exposures	8,201,538	8,201,538	881,604	70,530
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,568,067	2,568,067	932,265	74,581
Off balance sheet exposures other than OTC derivatives	303,351	303,351	275,386	22,031
Total off-balance sheet exposures	2,871,418	2,871,418	1,207,651	96,612
Total on and off-balance sheet exposures	11,072,956	11,072,956	2,089,255	167,142
	Long position	Short position		
(b) Market risk				
Interest rate risk	112,328,805	111,562,393	1,468,018	117,442
Foreign currency risk	9,786	-	9,786	783
Options risk			263,112	21,049
(c) Operational risk			518,381	41,470
Total risk weighted assets and capital requirements			4,348,552	347,886

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.

29 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2019:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	177,275	177,275	153,588
Transaction-related contingent items	74,006	37,003	32,724
Short-term self-liquidating trade related contingencies	14,826	2,965	2,965
Foreign exchange related contracts:			
- less than one year	31,745,761	699,788	297,717
- one year to less than five years	3,558,501	350,243	119,476
- more than five years	122,790	22,660	6,619
Interest rate related contracts:			
- less than one year	9,624,026	36,969	11,494
- one year to less than five years	34,587,526	927,672	271,892
- more than five years	2,325,772	187,103	50,925
Credit derivative contracts			
- less than one year	31,150	3,115	623
- one year to less than five years	321,429	62,608	24,984
Equity related contracts			
- less than one year	1,556,590	145,572	76,804
- one year to less than five years	799,146	132,337	71,732
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	172,217	86,108	86,108
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	1,615,098	-	-
	86,726,113	2,871,418	1,207,651

* 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 MEVs to degrees not experienced in recent history, 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 increased.

In 2020, the Bank 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.

Expected credit loss measurement

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 supportable 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; 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 or loans.

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 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	-

			31 December 2019
Balance sheet categories	TCP RM'000	Non-TCP RM'000	Debt securities RM'000
Assets			
Cash and short-term funds	-	4,799,172	-
Securities purchased under resale agreement	-	1,640,748	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	-	843,453
Loans and advances	265,291	-	-
Amount due from related parties	-	153,149	-
Other assets	-	259,729	-

Off-balance sheet lending-related commitments which are categorised as TCP with an ECL allowance of RM1,867,000 (2019: RM4,619,000) 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. 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 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 2020:

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

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

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 2019:

	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	152,702	105	-
Stage 2	113,301	17	658

	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	152,702	216	(111)
Stage 2	113,301	675	-

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 four 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 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
Expected credit losses				
As at 1 January 2019	138	43	23	204
Loans derecognised or repaid	(13)	(3)	-	(16)
New originated	13	-	-	13
Changes due to change in credit risk	(33)	635	1	603
As at 31 December 2019	105	675	24	804

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.

Increase in ECL in 2020 as compared to 2019 mainly arising the increase in credit risk for the exiting 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 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

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

(c) 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 2019	253	630	-	883
Loans derecognised or repaid	(59)	(558)	-	(617)
New originated	5	-	-	5
Changes due to change in credit risk	137	-	-	137
Transfers:				
Transfer from Stage 1 to Stage 2	(90)	4,367	-	4,277
Transfer from Stage 2 to Stage 1	5	(71)	-	(66)
As at 31 December 2019	251	4,368	-	4,619

Decrease in ECL in 2020 as compared to 2019 for lending related commitments and financial guarantee contracts mainly attributable to the decrease in exposures.

Debt securities at FVOCI

For the year ended 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 2020 and 31 December 2019.

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	2020 RM'000	2019 RM'000
Assets			
Cash and short-term funds	2	3,018,499	4,799,172
Securities purchased under resale agreement		2,873,109	1,814,557
Financial assets held at fair value through profit and loss ("FVTPL")	3	739,050	408,409
Derivative financial instruments	4	1,479,003	587,362
Financial assets at fair value through other comprehensive income ("FVOCI")	5	251,574	843,453
Loans and advances#	6	253,661	265,291
Amount due from related parties	7	536,365	153,149
Statutory deposits with BNM	8	2	2
Other assets	9	94,275	259,729
Total assets*		9,245,538	9,131,124
Commitments and contingencies	29	3,785,461	2,871,418

* Excludes deferred tax assets, right-of-use assets and fixed assets.
\# Includes ECL allowance of RM8,187,000 (2019: RM804,000)

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 29.

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.

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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).

										31.12.2020
	Short-term funds and placements with financial institutions	Securities purchased under resale agreement	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at other comprehensive income	Loans and advances	Amount due from related parties	Other assets*	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 geographical sectors (continued)

31.12.2019

	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	4,785,906	1,814,557	408,409	477,329	843,453	261,615	95,590	734	8,687,593	2,311,285
United Kingdom	-	-	-	48,569	-	-	1,739	-	50,308	292,093
USA	-	-	-	34,878	-	-	49,814	35	84,727	133,613
Hong Kong	-	-	-	3,303	-	-	4,888	2	8,193	24,950
Singapore	4,213	-	-	20,611	-	365	322	258,443	283,954	98,637
Others	8,541	-	-	2,672	-	4,115	796	-	16,124	10,840
	4,798,660	1,814,557	408,409	587,362	843,453	266,095	153,149	259,214	9,130,899	2,871,418
Assets not subject to credit risk	512	-	-	-	-	(804)	-	59,208	58,916	-
	4,799,172	1,814,557	408,409	587,362	843,453	265,291	153,149	318,422	9,189,815	2,871,418

* 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).

31.12.2020	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)

Concentration risk by industry sectors (continued)

31.12.2019

	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	-	-	-	30,796	-	183,365	-	140	214,301	245,216
Wholesale and retail	-	-	-	5,347	-	-	-	4	5,351	16,885
Finance, insurance and business services	68,780	1,640,748	6,302	541,443	-	39,907	153,149	258,471	2,708,800	2,425,383
Government and Government Agencies	4,729,880	173,809	402,107	6,556	843,453	-	-	94	6,155,899	35,203
Electricity, gas and water	-	-	-	1,129	-	-	-	64	1,193	2,247
Transport, storage and communication	-	-	-	4	-	4,105	-	49	4,158	82,477

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

31.12.2019

	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	-	-	-	-	-	1,151	-	-	1,151	155
Others	-	-	-	2,087	-	37,567	-	392	40,046	63,852
	4,798,660	1,814,557	408,409	587,362	843,453	266,095	153,149	259,214	9,130,899	2,871,418
Assets not subject to credit risk	512	-	-	-	-	(804)	-	59,208	58,916	-
	4,799,172	1,814,557	408,409	587,362	843,453	265,291	153,149	318,422	9,189,815	2,871,418

** 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
2020			
Gross amount			
- Non credit impaired	260,845	913	261,758
- Credit impaired	-	90	90
Provision for expected credit losses	(8,164)	(23)	(8,187)
	252,681	980	253,661
2019			
Gross amount			
- Non credit impaired	264,944	1,059	266,003
- Credit impaired	-	92	92
Provision for expected credit losses	(778)	(26)	(804)
	264,166	1,125	265,291

(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 RM90,000 (2019: RM92,000).

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
2020		
Gross amount	90	90
Fair value of collateral	382	382
2019		
Gross amount	92	92
Fair value of collateral	340	340

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 2020
	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	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 2020
	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	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

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets (continued)

Loans and advances

	Stages			MFRS 9 2019
	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	77,474	835	-	78,309
Non-investment-grade				
BB+/Ba1 -> B-/B3	75,228	112,466	92	187,786
Gross carrying amount	152,702	113,301	92	266,095
Loss allowance	(105)	(675)	(24)	(804)
Net carrying amount	152,597	112,626	68	265,291

Loan Commitments and Financial Guarantees contract

	Stages			MFRS 9 2019
	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	190,267	-	-	190,267
Non-investment-grade				
BB+/Ba1 -> B-/B3	100,615	168	-	100,783
CCC+/Caa1 and below	-	82,473	-	82,473
Gross carrying amount*	290,882	82,641	-	373,523
Loss allowance	(251)	(4,368)	-	(4,619)
Net carrying amount	290,631	78,273	-	368,904

* 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	Bank Negara Interbank Bills	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
AAA	732,559	53,083	198,491	-	984,133
2019					
AAA	402,107	-	97,521	745,932	1,245,560

(ii) Market risk

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:

	2020 RM'000	2019 RM'000
99% VaR	8,169	1,056

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; it 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, cybersecurity 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.

Operational Risk Governance

The lines of business (LOB) and corporate functions hold ownership, responsibility and accountability 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. 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.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk (continued)

Operational Risk Governance (continued)

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 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.

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. CCOR Management provides oversight of these activities and may also perform independent assessments of significant operational risk events and area of concentrated or emerging 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).

Operational Risk Monitoring and Testing

The results of risk assessments performed by CCOR Management 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, CCOR Management 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. CCOR Management may advise the LOBs and corporate functions in the development and implementation of action plans.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk (continued)

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. CCOR Management 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.

(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 and 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.

31.12.2020	Non trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	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	2,871,869	-	-	-	-	-	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	291,358	-	-	-	-	-	245,007	536,365
Statutory deposits with BNM	-	-	-	-	-	-	2	2
Other assets #	-	-	-	-	-	-	158,896	158,896
Total assets	6,127,048	157,825	226,779	53,247	565	2,204,207	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	4,879,532	600	25,888	-	-	1,464,676	1,201,790	7,572,486
Interest rate gap	1,247,516	157,225	200,891	53,247	565			

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

								31.12.2019
	Non trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	4,764,282	-	-	-	-	-	34,890	4,799,172
Securities purchased under resale agreement	1,812,795	-	-	-	-	-	1,762	1,814,557
Financial assets held at fair value through profit and loss ("FVTPL")	-	-	-	-	-	398,668	9,741	408,409
Derivative financial instruments	-	-	-	-	-	587,362	-	587,362
Financial assets held at fair value through other comprehensive income ("FVOCI")	-	745,847	97,606	-	-	-	-	843,453
Loans and advances								
- Non-credit impaired	140,913	99,264	24,919	251	656	-	(780)	265,223
- Credit-impaired	-	-	-	-	-	-	68	68
Amount due from related parties	778	-	-	-	-	-	152,371	153,149
Statutory deposits with BNM	-	-	-	-	-	-	2	2
Other assets #	-	-	-	-	-	-	318,420	318,420
Total assets	6,718,768	845,111	122,525	251	656	986,030	516,474	9,189,815

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)

								31.12.2019
	← Non trading book				→			
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non-interest sensitive RM'000	Total RM'000
Liabilities								
Deposits from customers	5,179,263	700	-	-	-	-	597,354	5,777,317
Deposits and placements of banks and other financial institutions	106,656	-	-	-	-	-	282,916	389,572
Obligations on securities sold under repurchase agreements	51,293	-	-	-	-	-	466	51,759
Derivative financial instruments	-	-	-	-	-	561,192	-	561,192
Amount due to related parties	392,757	-	25,203	-	-	-	161,464	579,424
Other liabilities	-	-	-	-	-	-	286,072	286,072
Total liabilities	5,729,969	700	25,203	-	-	561,192	1,328,272	7,645,336
Interest rate gap	988,799	844,411	97,322	251	656			

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.

	2020		2019	
	RM	USD	RM	USD
	%	%	%	%
Financial assets				
Cash and short-term funds	1.75	0.11	2.98	1.55
Securities purchased under resale agreement	1.71	-	3.00	-
Financial assets held at fair value through profit and loss ("FVTPL")	3.78	-	4.10	-
Financial assets held at fair value through other comprehensive income ("FVOCI")	2.50	-	2.96	-
Loans and advances	2.66	1.93	3.76	2.75
Financial liabilities				
Deposits from customers	0.93	0.05	2.23	0.82
Deposits and placements of banks and other financial institutions	1.29	0.18	3.73	2.22
Obligations on securities sold under repurchase agreements	3.49	-	4.09	-
Amount due to related parties	1.87	0.09	1.70	1.55

(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)

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	1,122,779	339,247	16,931	46	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
	7,734,721	1,536,997	18,801	19,640	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	1,085,341	365,249	14,045	41	1,464,676
Amount due to related Parties	265,310	428,389	-	2	693,701
Other liabilities	170,794	348	-	3	171,145
	3,867,075	3,659,688	28,472	17,251	7,572,486
Currency gap	3,867,646	(2,122,691)	(9,671)	2,389	

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

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

2019	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	4,343,544	442,873	-	12,755	4,799,172
Securities purchased under resale agreement	1,814,557	-	-	-	1,814,557
Financial assets held at fair value through profit and loss	408,409	-	-	-	408,409
Derivative financial Instruments	433,770	141,897	11,651	44	587,362
Financial assets held at fair value through other comprehensive income	843,453	-	-	-	843,453
Loans and advances	123,253	141,673	365	-	265,291
Amount due from related Parties	-	146,749	611	5,789	153,149
Other assets#	318,215	199	6	2	318,422
	8,285,201	873,391	12,633	18,590	9,189,815
Liabilities					
Deposits from customers	2,937,560	2,801,449	21,579	16,729	5,777,317
Deposits and placements of banks and other financial institutions	304,616	84,956	-	-	389,572
Obligations on securities sold under repurchase agreements	51,759	-	-	-	51,759
Derivative financial Instruments	396,619	155,801	8,430	342	561,192
Amount due to related Parties	235,822	343,602	-	-	579,424
Other liabilities	247,028	39,039	5	-	286,072
	4,173,404	3,424,847	30,014	17,071	7,645,336
Currency gap	4,111,797	(2,551,456)	(17,381)	1,519	

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 Firm has a Liquidity Risk Oversight function whose primary objective is to provide independent assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity Risk Oversight's responsibilities include:

- 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 and Chief investment Office ("CIO") are responsible for liquidity management. The primary objectives of effective 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 Bank's RALCO is responsible for liquidity governance. 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)

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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
2019							
Assets							
Cash and short-term funds	4,765,391	-	-	-	-	34,486	4,799,877
Financial assets held at fair value through profit and loss	-	391,722	-	-	-	6,302	398,024
Financial assets held at fair value through other comprehensive income	-	750,000	100,000	-	-	-	850,000
Loans and advances	145,606	99,643	24,991	313	673	-	271,226
Amount due from related parties	99,085	-	-	-	-	54,064	153,149
Securities purchased under resale agreement	1,772,917	-	-	-	-	-	1,772,917
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2	2
Other assets*	258,565	-	-	-	-	755	259,320
Total financial assets	7,041,564	1,241,365	124,991	313	673	95,609	8,504,515

	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	28,219	701	-	-	-	5,748,406	5,777,326
Deposits and placements of banks and other financial institutions	-	-	-	-	-	389,423	389,423
Amount due to related parties	336,064	-	25,890	6,178	-	211,894	580,026
Obligations on securities sold under repurchase agreements	49,205	-	-	-	-	-	49,205
Other liabilities	212,457	1,111	3,112	5,297	-	64,246	286,223
Total financial liabilities	625,945	1,812	29,002	11,475	-	6,413,969	7,082,203

* 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
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
2019						
Net-settled derivatives	1,089	7,121	16,339	34,754	4,911	64,214
Gross-settled derivatives						
- Receipts	8,990,368	9,891,536	10,016,478	3,718,922	130,502	32,747,806
-Payments	(8,992,123)	(9,896,927)	(10,010,293)	(3,727,575)	(130,236)	(32,757,154)
	(666)	1,730	22,524	26,101	5,177	54,866

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 RM8,187,000 (2019: RM804,000), 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:

2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities purchased under resale agreement	-	2,873,109	-	2,873,109
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)

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

2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities purchased under resale agreement	-	1,814,557	-	1,814,557
Financial assets held at fair value through profit and loss				
- Securities	-	402,107	-	402,107
- Unquoted shares	-	-	6,302	6,302
Derivative financial instruments	-	587,362	-	587,362
Financial assets held at fair value through other comprehensive income	-	843,453	-	843,453
Financial liabilities				
Obligations on securities sold under repurchase agreements	-	51,759	-	51,759
Derivative financial instruments	-	561,192	-	561,192

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
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
2019	
At 1 January	7,530
Fair value changes recognised in statements of comprehensive income	707
Settlements	(1,935)
At 31 December	6,302
Fair value changes recognised in statement of comprehensive income relating to assets held on 31 December 2019	707

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.

	2020		2019	
	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	13,690	100.62	16,509	85.23
Granted during the year	4,400	137.38	5,368	100.54
Vested during the year	(5,888)	136.48	(7,992)	99.56
Transferred during the year	11	116.15	(195)	100.62
Outstanding at 31 December	12,213	116.15	13,690	100.62

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	Gross amount of recognised financial liabilities set off in the Statement of Financial Position	Net amount of financial assets presented in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position		
				Financial instruments	Cash collateral received	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Derivative financial instruments	1,479,003	-	1,479,003	-	288,221	1,190,782
2019						
Derivative financial instruments	587,362	-	587,362	-	111,895	475,467

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (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
2020						
Derivative financial instruments	1,464,676	-	1,464,676	-	87,657	1,377,019
2019						
Derivative financial instruments	561,067	-	561,067	-	65,759	495,308

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 2021.

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 Steven Ronald Clayton, 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 105 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2020 and the financial performance of the Bank for the financial year ended 31 December 2020 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

STEVEN RONALD CLAYTON
DIRECTOR

Kuala Lumpur
18 May 2021

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 105 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 18 May 2021.

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 (316347D)

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 2020, 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 2020, 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 105.

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

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for 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.

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

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
03085/07/2021 J
Chartered Accountant

Kuala Lumpur
18 May 2021