ERNST & YOUNG

MIDF AMANAH INVESTMENT BANK BERHAD

(23878-X)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2012

23878-X
MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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Directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2012.

Principal activities

The Bank is principally engaged in investment banking and related financial services. The principal activities of the subsidiaries are the provision of nominees' services as disclosed in Note 12 to the financial statements.

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

Results

	Group RM'000	Bank RM'000
Profit for the year attributable to equity holder of the Bank	80,504	80,498

In the opinion of the Directors, the results of the operations of the Group and of the Bank for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the change in accounting policies as disclosed in Note 2(a) of the financial statements.

Reserves and provisions

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

Dividends

The amounts of dividends paid by the Bank since 31 December 2011 were as follows:

	RM'000
Final dividend of 900% on 1,500,000 Non-Cumulative Perpetual Preference Shares of RM1 each less 25% taxation in respect of financial year ended 31 December 2011 paid on 9 July 2012	10,125
Final dividend of 19.5% on 155,000,000 Ordinary Shares of RM1 each less 25% taxation in respect of financial year ended 31 December 2011 paid on 9 July 2012	22,669
	32,794

Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final dividend in respect of current financial year ended 31 December 2012, of 900% on 1,500,000 Non-Cumulative Perpetual Preference Shares of RM1 each less 25% taxation, amounting to RM10,125,000 and 20% on 155,000,000 Ordinary Shares of RM1 each less 25% taxation, amounting to RM23,250,000, will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

Directors

The Directors who served since the date of the last report and at the date of this report are:

YBhg. Tan Sri Dato' Mahmood bin Taib (Chairman)
YBhg. Dato' Kalsom binti Abdul Rahman
YBhg. Datuk Mohd. Najib bin Hj. Abdullah
Mr. Tai Keat Chai
Encik Mustaffa bin Ahmad
Encik Sharkawi bin Alis
YBhg. Datuk Azizan bin Hj. Abd. Rahman (Appointed on 01.01.2013)
Mr. Philip Tan Puay Koon (Appointed on 01.01.2013)

Directors' interests

None of the Directors in office at 31 December 2012 had any interest in the ordinary shares of the Bank or its related companies during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 26 to the financial statements or of related companies) by reason of a contract made by the Bank or a related company 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.

There were no arrangements during and at the end of the financial year which had the object of enabling 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.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

Other statutory information

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps:

(i) 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; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the financial statements of the Group and of the Bank inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Bank misleading.

Other statutory information (cont'd.)

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

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

(ii) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Bank.

No contingent liability or other liability of the Group and 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 substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

Business strategy for year 2012

2012 had turned out to be better than that prognosed at the beginning of the year. The debt crisis in Europe was kept under control and although global trade growth was depressed, many trade-oriented economies remained on the growth path.

The global economic storyline in 2012 was very much dictated by the continued sizeable monetary easing being undertaken in the Western economies. In the U.S, the Federal Reserve announced an unprecedented open-ended liquidity injection exercise, popularly known as the QE3. The central banks in the Eurozone, U.K and Japan also engaged in monetary stimulus to prop up their economies.

The net effect of these development was an influx of liquidity to Asia, especially the developing countries. Malaysia was one of the beneficiaries as a huge amount of foreign liquidity found its way into its bond and equity markets. Despite the a huge liquidity flow, financial markets were surprising less volatile than that witnessed in preceding years. This was partly attributable to a more stable crude oil price, especially in the second half of the year. The benchmark FBM KLCI index managed to register an increase of 10.3% for 2012, which was better than the 0.8% recorded in 2011.

Meanwhile, despite the move by several regional peers to lower their policy interest rates, Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") unchanged, reiterating its view that the prevailing stance of monetary policy is accommodative and supportive of the economy. Malaysia's gross domestic product growth in 2012 was 5.6%, after reporting a surprisingly strong 6.4% growth in the fourth quarter.

In essence, Malaysia went though a period of relative calm in its real, monetary and financial economy in 2012.

Business strategy for year 2012 (cont'd.)

The Bank kept to its balance sheet cleansing strategy in 2012. There were still some significant provisions charged during the year, but these were from the residual problematic accounts. The Bank is now in a much better position to pursue its growth strategy.

Efforts to enhance revenue channels were intensified last year. The Bank successfully advised and managed one public listing in 2012 and participated in the underwriting of most major IPOs on Bursa in 2012. The Bank also completed several advisory work but the bulk of fee-based income of the Bank continued to be contributed by the stock brokerage business which was adversely affected by lower volatility of prices, although overall volume was relatively similar to that in the preceding year. Meanwhile, the Bank sees potential in the share margin business, which can be a rewarding revenue channel if managed judiciously.

When the OPR established a peak at 3.00 % in May 2011, the Bank had aggressively acquired Malaysian sovereign bonds. This proved to be a profitable move, as bond yields subsequently fell, in light of continuing uncertainties on the state of the global economy.

By February 2012, bond yields had been driven down to levels that offered an opportunity to take profit and potentially maximise total returns. The bonds were progressively sold throughout the first half of 2012, but with a view to re-build the portfolio again in the future, at the same, or better yields.

2012 proved to be a record year for supply of Private Debt Securities ("PDS"), presenting an opportunity to rebuild and enhance the Bank's long-term fixed asset portfolio, following sales of its government bonds.

The total income from net interest and capital gains made for a successful 2012 for money and capital market activities.

Outlook for year 2013

A tremendous amount of global market and economic uncertainty was removed in the second half of last year. Leadership transition issues were settled in the U.S, China, France and Japan among others. A potential economic depression was averted after a fiscal deal was agreed in the U.S, enabling concerns over a "fiscal cliff" to lapse. Global trade should rebound and the growth pace should quicken for most economies. In short, there is basis for greater optimism about the economy moving forward.

While Malaysia's GDP growth in 2013 will continue to be driven by domestic demand, the external sector may spring a surprise, as the base was depressed last year. Private consumption should continue to be buoyed by low unemployment, the new minimum wage law, low inflation, Visit Malaysia Year 2013-14 and spillovers from the Government's Economic Transformation Programmes (ETPs).

While there are plenty of positive overtures to the economy, the Bank is cognisant of the risks related to the sizeable overhang of foreign liquidity in the system. Barring the risks of this liquidity withdrawal, the Malaysian economy should be on a stable growth trajectory, with the potential for the GDP to grow as high as 5.8% this year.

Despite the positive assessment of the economy, the Bank maintains a mixed perspective of its business performance in 2013. For its fee-based activities, the Bank is cautiously optimistic that its business performance will be stronger in 2013. The revitalised local equity market, with a host of large-capitalised offerings, has attracted foreign investors' attention, as evidenced by the flow-of-fund data. The Bank continues to see opportunities in equity broking, initial public offerings, share placements, underwriting and advisory. These are the focus areas where efforts and resources have been channeled towards capacity building.

However, the Bank sees a challenging year for its fund-based business, especially in emulating its achievements last year as market opportunities to realize gains may be slightly constricted.

Ringgit sovereign bonds have been continually pushed down by foreign investors hunting for better returns, and foreign exchange gains, but there is little motivation for local investors to do the same.

The prospect of inflation, an obstacle to further monetary easing, has skewed the direction of risk somewhat, leading to the likelihood of interest rates rising sometime in the near future.

This will, however, not dampen the bank's fund-based activities, and we continue to seek opportunity and value in income-generating assets, which we shall complement with some locking-in of funding cost via longer dated interest rate swaps.

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Holding and ultimate holding companies

The immediate holding company is Malaysian Industrial Development Finance Berhad ("MIDF"). The Directors regard Yayasan Pelaburan Bumiputra ("YPB") as the ultimate holding company. Both companies are incorporated in Malaysia.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 April 2013.

Tan Sri Dato' Mahmood bin Taib

Tai Keat Chai

Kuala Lumpur, Malaysia

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MIDF Amanah Investment Bank Berhad
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Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Mahmood bin Taib and Tai Keat Chai, being two of the Directors of MIDF Amanah Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 18 April 2013.

Tan Sri Dato' Mahmood bin Taib

Tai Keat Chai

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Datuk Mohd. Najib bin Hj Abdullah, being the Group Managing Director/Chief Executive Officer primarily responsible for the financial management of MIDF Amanah Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 156 are in my opinion 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.

Subscribed and solemnly declared by the abovenamed Datuk Mohd. Najib bin Hj Abdullah at Kuala Lumpur in the Federal Territory on 26 APR 2013

Datuk Mohd. Najib bin Hj Abdullah

Before me,

PESURUHJAYA SUMPAH
W 565
AISHAH BT SHAHUL HAMEED
PJK
MALAYSIA

Commissioner for Oaths

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Independent auditors' report to the member of MIDF Amanah Investment Bank Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MIDF Amanah Investment Bank Berhad ("the Bank"), which comprise statements of financial position as at 31 December 2012 of the Group and of the Bank, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 156.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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Independent auditors' report to the member of MIDF Amanah Investment Bank Berhad (cont'd.) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst + Young

Ernst & Young
AF: 0039
Chartered Accountants

Wan Daneena Liza binti Wan Abdul Rahman
No. 2978/03/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
1 8 APR 2013

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Statements of financial position as at 31 December 2012

Group	**Note**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**01.01.2011 RM'000**
Assets				
Cash and short-term funds	3	36,619	59,696	207,814
Deposits and placements with licensed banks and other financial institutions	4	-	-	100,000
Securities held-for-trading	5	400,170	27,273	324,104
Securities available-for-sale	6	3,668,141	4,269,565	2,275,487
Securities held-to-maturity	7	603,189	389,068	102,955
Loans and advances	8	144,477	280,576	205,077
Derivative assets	9	644	131	1,385
Other assets	10	182,167	162,439	156,395
Statutory deposits with Bank Negara Malaysia	11	134,028	171,496	19,083
Property, plant and equipment	13	898	1,941	2,877
Intangible assets	14	1,598	2,300	-
Deferred tax assets	15	309	16,187	36,163
Total assets		5,172,240	5,380,672	3,431,340
Liabilities				
Deposits from customers	16	1,716,415	1,955,629	1,446,261
Deposits and placements of banks and other financial institutions	17	2,448,619	2,516,543	1,127,892
Derivative liabilities	9	1,486	1,450	-
Other liabilities	18	190,956	128,153	145,930
Provision for taxation and zakat		7,025	641	504
Total liabilities		4,364,501	4,602,416	2,720,587
Equity				
Share capital	19	156,500	156,500	156,500
Reserves	20	651,239	621,756	554,253
Total equity		807,739	778,256	710,753
Total liabilities and equity		5,172,240	5,380,672	3,431,340
Commitments and contingencies	33	1,041,305	365,527	302,368

Statements of financial position as at 31 December 2012 (cont'd.)

Bank	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Assets				
Cash and short-term funds	3	36,402	58,490	207,697
Deposits and placements with licensed banks and other financial institutions	4	-	-	100,000
Securities held-for-trading	5	400,170	27,273	324,104
Securities available-for-sale	6	3,668,141	4,269,565	2,275,487
Securities held-to-maturity	7	603,189	389,068	102,955
Loans and advances	8	144,477	280,576	205,077
Derivative assets	9	644	131	1,385
Other assets	10	182,349	163,616	156,481
Statutory deposits with Bank Negara Malaysia	11	134,028	171,496	19,083
Investment in subsidiaries	12	*	*	*
Property, plant and equipment	13	898	1,941	2,877
Intangible assets	14	1,598	2,300	-
Deferred tax assets	15	309	16,187	36,163
Total assets		5,172,205	5,380,643	3,431,309
Liabilities				
Deposits from customers	16	1,716,415	1,955,629	1,446,261
Deposits and placements of banks and other financial institutions	17	2,448,619	2,516,543	1,127,892
Derivative liabilities	9	1,486	1,450	-
Other liabilities	18	190,953	128,150	145,915
Provision for taxation and zakat		7,025	641	504
Total liabilities		4,364,498	4,602,413	2,720,572
Equity				
Share capital	19	156,500	156,500	156,500
Reserves	20	651,207	621,730	554,237
Total equity		807,707	778,230	710,737
Total liabilities and equity		5,172,205	5,380,643	3,431,309
Commitments and contingencies	33	1,041,305	365,527	302,368

* Denotes RM4

The accompanying notes are an integral part of these financial statements.

Statements of profit or loss
For the year ended 31 December 2012

		Group		Bank	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	21	154,749	153,701	154,749	153,701
Interest expense	22	(103,328)	(86,542)	(103,328)	(86,542)
Net interest income		51,421	67,159	51,421	67,159
Net income from Islamic Banking operation	41	25,267	16,836	25,267	16,836
Non-interest income	23	79,530	49,080	79,511	49,056
		156,218	133,075	156,199	133,051
Staff costs	24	(33,841)	(22,991)	(33,841)	(22,991)
Depreciation and amortisation		(1,998)	(1,537)	(1,998)	(1,537)
Operating expenses	25	(18,873)	(17,763)	(18,866)	(17,755)
Operating profit		101,506	90,784	101,494	90,768
Impairment loss written back/(made) on loans and advances	27	1,657	(24,952)	1,657	(24,952)
Impairment loss on other assets	28	(906)	(2,107)	(906)	(2,107)
Impairment loss written back/(made) on securities	29	9,896	(14,627)	9,896	(14,627)
Profit before taxation and zakat		112,153	49,098	112,141	49,082
Taxation	30	(30,977)	(10,287)	(30,971)	(10,281)
Zakat		(672)	(387)	(672)	(387)
Profit for the year attributable to equity holder of the Bank		80,504	38,424	80,498	38,414
Earnings per ordinary share (sen) - Basic and diluted	31	51.9	24.8		

The accompanying notes are an integral part of these financial statements.

Statements of comprehensive income
For the year ended 31 December 2012

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit for the year attributable to equity holder of the Bank	80,504	38,424	80,498	38,414
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Net (loss)/gain on securities available-for-sale				
Cumulative (gain)/loss transferred to profit or loss upon disposal	(62,683)	975	(62,683)	975
Cumulative loss reclassified to profit or loss	-	947	-	947
Fair value changes	28,525	36,852	28,525	36,852
	(34,158)	38,774	(34,158)	38,774
Income tax relating to net loss/(gain) on securities available-for-sale	8,540	(9,695)	8,540	(9,695)
Other comprehensive (loss)/income for the year, net of tax	(25,618)	29,079	(25,618)	29,079
Total comprehensive income for the year attributable to equity holder of the Bank	54,886	67,503	54,880	67,493

The accompanying notes are an integral part of these financial statements.

Statements of changes in equity
For the year ended 31 December 2012

	<-------- Non-distributable				-------->	Distributable	
Group	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Profit equalisation reserve RM'000**	**Securities available-for-sale reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2011	156,500	362,611	115,520	-	10,265	65,857	710,753
Profit for the year	-	-	-	-	-	38,424	38,424
Other comprehensive income	-	-	-	-	29,079	-	29,079
Total comprehensive income for the year	-	-	-	-	29,079	38,424	67,503
Transfer to statutory reserve	-	-	11,000	-	-	(11,000)	-
At 31 December 2011	156,500	362,611	126,520	-	39,344	93,281	778,256
At 1 January 2012	156,500	362,611	126,520	-	39,344	93,281	778,256
Transfer to profit equalisation reserve (Note 2(a))	-	-	-	7,391	-	-	7,391
	156,500	362,611	126,520	7,391	39,344	93,281	785,647
Profit for the year	-	-	-	-	-	80,504	80,504
Other comprehensive income	-	-	-	-	(25,618)	-	(25,618)
Total comprehensive income for the year	-	-	-	-	(25,618)	80,504	54,886
Net transfer to profit equalisation reserve for the year (Note 2(a))	-	-	-	1,760	-	(1,760)	-
Transfer to statutory reserve	-	-	21,000	-	-	(21,000)	-
Dividends (Note 32)	-	-	-	-	-	(32,794)	(32,794)
At 31 December 2012	156,500	362,611	147,520	9,151	13,726	118,231	807,739
	Note 19		Note 20(a)	Note 20(b)	Note 20(c)	Note 20(d)	

Statements of changes in equity
For the year ended 31 December 2012 (cont'd)

Bank	<---	--- Non-distributable ---	---	---	--->	Distributable	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Securities available-for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011	156,500	362,611	115,520	-	10,265	65,841	710,737
Profit for the year	-	-	-	-	-	38,414	38,414
Other comprehensive income	-	-	-	-	29,079	-	29,079
Total comprehensive income for the year	-	-	-	-	29,079	38,414	67,493
Transfer to statutory reserve	-	-	11,000	-	-	(11,000)	-
At 31 December 2011	156,500	362,611	126,520	-	39,344	93,255	778,230
At 1 January 2012	156,500	362,611	126,520	-	39,344	93,255	778,230
Transfer to profit equalisation reserve (Note 2(a))	-	-	-	7,391	-	-	7,391
	156,500	362,611	126,520	7,391	39,344	93,255	785,621
Profit for the year	-	-	-	-	-	80,498	80,498
Other comprehensive income	-	-	-	-	(25,618)	-	(25,618)
Total comprehensive income for the year	-	-	-	-	(25,618)	80,498	54,880
Net transfer to profit equalisation reserve for the year (Note 2(a))	-	-	-	1,760	-	(1,760)	-
Transfer to statutory reserve	-	-	21,000	-	-	(21,000)	-
Dividends (Note 32)	-	-	-	-	-	(32,794)	(32,794)
At 31 December 2012	156,500	362,611	147,520	9,151	13,726	118,199	807,707
	Note 19		Note 20(a)	Note 20(b)	Note 20(c)	Note 20(d)	

The accompanying notes are an integral part of these financial statements.

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Statements of cash flows
For the year ended 31 December 2012

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	112,153	49,098	112,141	49,082
Adjustments for:				
Depreciation and amortisation	1,998	1,537	1,998	1,537
Gain on disposal of property, plant and equipment	(23)	(26)	(23)	(26)
Property, plant and equipment written off	15	-	15	-
Accretion of discount less amortisation of premium	(47,386)	(32,559)	(47,386)	(32,559)
Net gain on sale of securities held-for-trading	(49)	(999)	(49)	(999)
Net (gain)/loss on sale of securities available-for-sale	(62,683)	975	(62,683)	975
Net gain on sale of securities held-to-maturity	(53)	(459)	(53)	(459)
Net unrealised loss/(gain) on revaluation of securities held-for-trading	3	(1)	3	(1)
Net unrealised (gain)/loss on revaluation of derivative instruments	(477)	2,704	(477)	2,704
Impairment loss on loans and advances	4,141	33,535	4,141	33,535
Impairment loss on other assets	906	2,107	906	2,107
Impairment loss (written back)/made on securities	(9,896)	14,627	(9,896)	14,627
Dividend income	(635)	(9,741)	(635)	(9,741)
Allowance for profit equalisation reserve	7,390	4,461	7,390	4,461
Operating cash flows before working capital changes carried forward	5,404	65,259	5,392	65,243

Statements of cash flows
For the year ended 31 December 2012 (cont'd)

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Cash flows from operating activities (cont'd)				
Operating cash flows before working capital changes brought forward	5,404	65,259	5,392	65,243
Decrease/(increase) in operating assets/liabilities:				
Securities held-for-trading, securities available-for-sale and securities held-to-maturity	100,312	(1,926,170)	100,312	(1,926,170)
Loans and advances	131,958	(109,034)	131,958	(109,034)
Other assets	(20,567)	(8,219)	(19,570)	(9,307)
Statutory deposits with Bank Negara Malaysia	37,468	(152,413)	37,468	(152,413)
Deposits from customers and deposits and placements of banks and other financial institutions	(307,138)	1,898,019	(307,138)	1,898,019
Other liabilities	62,804	(22,238)	62,804	(22,226)
Cash used in operations	10,241	(254,796)	11,226	(255,888)
Taxes refunded/(paid)	(4)	213	-	216
Zakat paid	(841)	(250)	(841)	(250)
Net cash generated from/(used in) operating activities	9,396	(254,833)	10,385	(255,922)
Cash flows from investing activities				
Dividends received	566	9,590	566	9,590
Purchase of property, plant and equipment	(268)	(655)	(268)	(655)
Proceeds from disposal of property, plant and equipment	23	80	23	80
Purchase of intangible assets	-	(2,300)	-	(2,300)
Net cash generated from investing activities	321	6,715	321	6,715

Statements of cash flows
For the year ended 31 December 2012 (cont'd)

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from financing activity				
Dividends paid	(32,794)	-	(32,794)	-
Net cash used in financing activity	(32,794)	-	(32,794)	-
Net decrease in cash and cash equivalents	(23,077)	(248,118)	(22,088)	(249,207)
Cash and cash equivalents at 1 January	59,696	307,814	58,490	307,697
Cash and cash equivalents at 31 December	36,619	59,696	36,402	58,490
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 3)	36,619	59,696	36,402	58,490
Deposits and placements with licensed banks and other financial institutions (Note 4)	-	-	-	-
	36,619	59,696	36,402	58,490

The accompanying notes are an integral part of these financial statements.

1. Corporate information

The Bank is principally engaged in investment banking and related financial services. The principal activities of the subsidiaries are the provision of nominees' services as disclosed in Note 12.

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank and the principal place of business are located at Level 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur.

The immediate holding company is Malaysian Industrial Development Finance Berhad ("MIDF"). The Directors regard Yayasan Pelaburan Bumiputra ("YPB") as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were approved and authorised for issue by the Board of Directors on 18 April 2013.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including the year ended 31 December 2011, the Group and the Bank prepared their financial statements in accordance with Financial Reporting Standards in Malaysia ("FRS") as modified by Bank Negara Malaysia. These financial statements for the year ended 31 December 2012 are the Group's and the Bank's first MFRS annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. In preparing these financial statements, the Group's and the Bank's opening statement of financial position were prepared as at 1 January 2011, the Group's and the Bank's date of transition to MFRS. The effects of the change in accounting policy, which have been accounted for retrospectively in accordance with MFRS 1, are disclosed in explanatory note 42.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

(i) Changes in accounting policies

MFRS 101, *Presentation of Financial Statements*

The Group and the Bank have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which is originally effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statements of comprehensive income.

2. **Summary of significant accounting policies (cont'd.)**

(a) **Basis of preparation (cont'd.)**

(i) **Effects of changes in accounting policies (cont'd.)**

MFRS 139, *Financial Instruments: Recognition and Measurement*

Prior to the transition to MFRS framework, the collective impairment allowance of the Group and the Bank was maintained at 1.5% of the total outstanding loans/financing, net of individual impairment allowance, as set out in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing. The Group's and the Bank's internal rate was maintained at 2.0%.

Upon transition to MFRS framework, banking institutions are required to comply with the requirements of MFRS 139 and the revised BNM Guidelines on Classification and Impairment Provisions for Loans/Financing in determining collective impairment allowances. In accordance with MFRS 139, the Bank groups its loans/financing by similar credit risk characteristics and collective impairment allowance is made based on estimated loan loss rates, which are computed using the ratio arising from the variance or shortfall between the discounted cash flow of the collateral and the exposure at default. Loans/financing that have been individually assessed for impairment and found not to be individually impaired are to be grouped for collective assessment of impairment.

The effects of the change in accounting policy, which have been accounted for retrospectively in accordance with MFRS 1, are disclosed in explanatory note 42.

Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18, *Monies Held in Trust by Participating Organisations of Bursa Securities* ("FRSIC Consensus 18")

FRSIC Consensus 18 was issued by MIA on 18 September 2012 as a best practice guidance in respect of accounting for monies held in trust by participating organisations of Bursa Malaysia Securities Berhad ("Bursa Securities"). The consensus is that recognition of trust monies as part of a participating organisation's assets with corresponding liabilities is inappropriate based on the MFRS framework as the participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies and does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources from the participating organisation.

Following FRSIC Consensus 18, monies held in trust by the Bank, which is a participating organisation of Bursa Securities, are no longer recognised as assets and similarly, no corresponding liabilities are accounted for in the statements of financial position of the Group and of the Bank. Previously, monies held in trust by the Bank were accounted as assets and the corresponding liabilities were recognised in the statements of financial position of the Group and of the Bank.

The effects of the change in accounting policy, which have been accounted for retrospectively, are disclosed in explanatory note 42.

2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

(i) Effects of changes in accounting policies (cont'd.)

BNM's Revised Guidelines for profit equalisation reserve ("PER")

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return" (BNM/GP2-i). PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. This amount appropriated is shared by the depositors and the Bank. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of the total capital fund.

With the issuance of BNM's Revised Guidelines for PER in May 2011, the PER is accounted for as follows:

(a) The creation of PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from Shariah perspective. The PER of the IAH is classified as liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in profit or loss. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH; and

(b) The PER of the Islamic Banking Institution ("IBI") is allocated from retained profits and classified as separate reserve in equity and is non-distributable. Subsequent apportionment from and distributions to retained profits are treated as transfer between reserves.

(ii) Standards issued but not yet effective

The Group and the Bank have not early adopted the following new and amended standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Bank.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

MFRS 3, *Business Combination* (IFRS 3 Business Combinations issued by International Accounting Standards Board ("IASB") in March 2004)
MFRS 10, *Consolidated Financial Statements*
MFRS 11, *Joint Arrangements*
MFRS 12, *Disclosure of Interests in Other Entities*
MFRS 13, *Fair Value Measurement*
MFRS 119, *Employee Benefits* (IAS 19 as amended by IASB in June 2011)
MFRS 127, *Separate Financial Statements* (IAS 27 amended by IASB in May 2011)
MFRS 128, *Investments in Associates and Joint Ventures* (IAS 28 as amended by IASB in May 2011)

2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

(ii) Standards issued but not yet effective (cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (cont'd.)

IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
Amendments to MFRS contained in the document entitled "*Annual Improvements 2009 - 2011 cycle*"
Government loans (Amendments to MFRS 1)
Disclosures - Offsetting Financial Assets and Finanical Liabilities (Amendments to MFRS 7)
Consolidated Financial Statements, Joint Agreements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9, *Financial Instruments* (IFRS 9 issued by IASB in November 2009)
MFRS 9, *Financial Instruments* (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosure*

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for MFRS 11 and IC Interpretation 20 which are not applicable to the Group and the Bank.

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

2. Summary of significant accounting policies (cont'd.)

(a) Basis of preparation (cont'd.)

Material impact of initial application of a standard, which will be applied retrospectively, is disclosed below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's and the Bank's investment in unquoted securities will be measured at fair value through profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Bank have yet to examine the financial impact of adopting MFRS 9.

MFRS 119, *Employee Benefits* (2011)

The amendments to MFRS 119, *Employee Benefits* change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor method" permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 are effective for annual period beginning on 1 January 2013 and require retrospective application. The Group and the Bank are currently assessing the financial impact of adopting the amendments to MFRS 119.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impact to the current and prior periods financial statements upon their first adoption.

2. Summary of significant accounting policies (cont'd.)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries is stated in the Bank's separate financial statements at cost less any impairment losses, unless the investment is classified as held-for-sale (or included in a disposal group that is classified as held-for-sale).

(ii) Transactions eliminated on consolidation

Intra-group transactions and balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Accounting for business combination

Business combinations are accounted for using acquisition method from the acquisition date, which is the date on which control is transferred to the Group. Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses.

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, it is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Summary of significant accounting policies (cont'd.)

(b) Basis of consolidation (cont'd.)

(iii) Accounting for business combination (cont'd)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

As part of its transition to MFRS, the Group elects not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits and placements with banks and other financial institutions.

(d) Fiduciary assets

The Group and the Bank provide trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group and of the Bank.

(e) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank have become a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held-for-trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are designated as such upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from a change in their fair values are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include interest and dividend income which are recognised separately in profit or loss as part of other expenses or other income.

(ii) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that the Group and the Bank have the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturities would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Group and the Bank from classifying any securities as securities held-to-maturity for the current and following two financial years.

2. Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iv) Available-for-sale financial assets

Available-for-sale category comprises equity and debt instruments that are designated as available-for-sale or are not classified in any of the three preceding categories. These financial assets are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in market conditions.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Other available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except for impairment losses, foreign exchange difference on monetary items and interest calculated using the effective interest method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the settlement date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(f) Impairment of assets

Financial assets, (other than financial assets measured at fair value through profit or loss and investment in subsidiaries) are subject to impairment review at each reporting date. Impairment loss is recognised when there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred "loss event") that the recoverable amount of a financial asset is below its carrying amount. Losses expected as a result of future events, no matter how likely, are not recognised.