MIDF AMANAH INVESTMENT BANK BERHAD

197501002077 (23878-X)
(Incorporated in Malaysia)

Directors’ Report and Audited Financial Statements
31 December 2019

197501002077 (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 2019.

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.

Results

	Group RM'000	Bank RM'000
Profit for the financial year	37,316	37,332

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 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

No dividends have been paid or declared by the Bank since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2019.

Directors

The Directors who served since the beginning of the financial year to the date of this report are:

Directors of the Bank
Datuk Azizan Hj. Abd. Rahman
Dato' Charon Wardini Mokhzani
Dato' Kaziah Abdul Kadir
Encik Ahlan Nasri Mohd Nasir
Puan Sri Shahrizan Abdullah
Encik Azlan Abdullah
Datuk Mohd Nasir Ali (Appointed on 5 August 2019)

The name of the directors of the Bank's subsidiaries in office since the beginning of the financial year to date of this report are:

Directors of MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd and MIDF Amanah Investment Nominees (Asing) Sdn Bhd

Sheikh Shahruddin Sheikh Salim
Wan Ahmad Satria Wan Hussein

Directors' interests

None of the Directors in office at 31 December 2019 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.

During the financial year, the Group and the Bank had made payments amounting to RM46,600 (2018: RM45,000) on insurance premium for indemnity for its directors and officer. Such payments are recognised as an expense in the profit or loss incurred.

Indemnification of Directors and Officers

The Group and the Bank, through the ultimate holding company, Malaysia Industrial Development Finance Berhad has maintained, a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM40.0 million (2018: RM40.0 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office for the Group and the Bank. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Options granted over unissued shares

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

Other statutory information

(a) 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 allowance 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.

Other statutory information (cont'd.)

(b) 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 allowance 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.

(c) 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.

(d) In the opinion of the Directors:

(i) 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 will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and

(ii) 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.

Review of 2019

Malaysia's gross domestic product ("GDP") growth expanded 4.3% year-on-year ("yoy") in 2019. The GDP growth was affected by sluggish investment and weak external trade. Nevertheless, the economy continues to expand supported by domestic demand particularly private consumption. Distributive trade grew 6.0% yoy and continues to remain high at RM1.33 trillion in 2019, with inflation remaining stable at below 1.0%.

Activities in the equities market slowed down in 2019 compared to the previous year. Average daily traded value went down 19.4% to RM1.93 billion shares from RM2.39 billion shares in 2018. Average daily volume traded was down slightly by 1.3% to 2.51 billion from 2.55 billion over the same period. This was on account of heightened geopolitical tension which took centre stage. There were 30 IPOs listed in 2019 (2018: 22), with 4 listings in the Main Market, 11 for ACE Market and 15 for the LEAP Market.

Subsequent to the 25 basis points ("bps") cut in the Overnight Policy Rate ("OPR") to 3.00% in early May 2019, BNM had reduced the Statutory Reserve Requirement ("SRR") ratio to 3.00% from 3.50% effective 16 November 2019 to ensure sufficient liquidity in the domestic financial system. Meanwhile, KLIBOR eased further by 1 to 3 bps across the board in the 4th Quarter of 2019. The 1-month, 3-month, 6-month and 1-year KLIBOR closed the year 2019 at 3.17%, 3.35%, 3.51% and 3.64% respectively.

In the capital market, overall benchmark Malaysian Government Securities ("MGS") continued its positive momentum in the 4th Quarter of 2019, with yields down further by 3 to 11 bps. The local bond market saw the return of foreign players and investors driving the price higher, translating into lower yield. The MGS yields had declined between 60 to 80 bps across the board since the beginning of the year. The benchmark 3-year, 5-year, 7-year and 10-year MGS closed the year at around 3.00%, 3.19%, 3.30% and 3.31% respectively. The declining yields were seen in the corporate bonds and Sukuk market similarly.

Prospects 2020

On 22 January 2020, BNM further cut the OPR by 25 bps to 2.75 %, which resulted in further drop in the local bond yields across the board. The trading and investment activities in the local bond market are envisaged to remain on a cautious mode in the near term, amid persistent uncertainty surrounding the global market. The appetite for the local bonds by both domestic and foreign players are expected to remain strong considering the current local bond yields are still attractive as opposed to negative yielding bonds experienced in other countries. Furthermore, continued ample liquidity in the domestic banking system would lend support to the vibrant local bond market in 2020.

The Bank expects to face a challenging operating landscape, with external uncertainties weighing on the domestic sentiment and technological innovation which will lead to more competitive landscape, and potentially transform the financial services industry. The Bank will continue focusing its effort on managing the Bank's balance sheet as well as enhancing efforts for business activity. Cognisant of the prevailing market conditions, the Bank will remain focused on its efforts to improve revenue streams.

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MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Holding and ultimate holding companies

The immediate, penultimate and ultimate holding companies are Malaysian Industrial Development Finance Berhad ("MIDF"), Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB") respectively. All companies are incorporated in Malaysia.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 25 to the financial statements.

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

Datuk Azizan Hj. Abd. Rahman

Dato' Charon Wardini Mokhzani

Kuala Lumpur, Malaysia

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MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Datuk Azizan Hj. Abd. Rahman and Dato' Charon Wardini Mokhzani, 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 12 to 168 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2019 and of their financial performance and cash flows for the financial year then ended.

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

Datuk Azizan Hj. Abd. Rahman

Dato' Charon Wardini Mokhzani

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Datuk Joseph Dominic Silva being the 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 12 to 168 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 Joseph Dominic Silva at Kuala Lumpur in Federal Territory on
- 3 JUN 2020

Datuk Joseph Dominic Silva

Before me,

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2019-31/12/2021
MALAYSIA

Commissioner for Oaths

Lot 333, 3rd Floor, Wisma MA
Jalan Raja Chulan,
50200 Kuala Lumpur

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Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
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Chartered Accountants
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Independent auditors' report to the member of MIDF Amanah Investment Bank Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MIDF Amanah Investment Bank Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements 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 12 to 168.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2019, and of its financial performance and 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.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and 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 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.

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 of the directors' report but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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Independent auditors' report to the member of
MIDF Amanah Investment Bank Berhad (cont'd.)
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Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and 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 financial statements of the Group and the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 MIDF Amanah Investment Bank Berhad (cont'd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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Independent auditors' report to the member of
MIDF Amanah Investment Bank Berhad (cont'd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

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

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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF: 0039
Chartered Accountants

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
1 June 2020

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MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short-term funds	4	573,537	105,746	571,264	105,426
Financial assets at fair value through profit or loss ("FVTPL")	5	-	11	-	11
Financial investments at fair value through other comprehensive income ("FVOCI")	6	1,416,930	925,774	1,416,930	925,774
Financial investments at amortised cost	7	2,590,828	2,785,101	2,590,828	2,785,101
Loans, advances and financing	8	555,145	484,354	555,145	484,354
Other assets	10	78,518	108,306	80,746	108,561
Statutory deposits with Bank Negara Malaysia	11	108,016	127,220	108,016	127,220
Investment in subsidiaries	12	-	-	*	*
Property, plant and equipment	13	773	931	773	931
Intangible assets	14	2,294	2,384	2,294	2,384
Deferred tax assets	15	4,056	9,017	4,056	9,017
Total assets		5,330,097	4,548,844	5,330,052	4,548,779
Liabilities					
Deposits from customers	16	3,469,155	2,340,035	3,469,155	2,340,035
Deposits and placements of banks and other financial institutions	17	953,916	1,346,075	953,916	1,346,075
Derivative liabilities	9	786	117	786	117
Other liabilities	18	85,345	85,953	85,344	85,952
Provision for tax and zakat		1,305	7	1,302	-
Total liabilities		4,510,507	3,772,187	4,510,503	3,772,179
Equity					
Share capital	19	369,111	369,111	369,111	369,111
Reserves	20	450,479	407,546	450,438	407,489
Total equity		819,590	776,657	819,549	776,600
Total liabilities and equity		5,330,097	4,548,844	5,330,052	4,548,779
Commitments and contingencies	33	694,574	386,004	694,574	386,004

* Denotes RM4

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

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MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of profit or loss
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Operating revenue	2(t)	254,440	240,810	254,511	240,853
Interest income	21	87,744	104,645	87,744	104,645
Interest expense	22	(69,115)	(81,379)	(69,115)	(81,379)
Net interest income		18,629	23,266	18,629	23,266
Net income from Islamic Banking operation		53,466	38,573	53,466	38,573
Non-interest income	23	25,363	29,980	25,354	29,922
		97,458	91,819	97,449	91,761
Staff costs	24	(45,794)	(30,470)	(45,794)	(30,470)
Depreciation and amortisation		(1,916)	(1,977)	(1,916)	(1,977)
Other operating expenses	25	(22,692)	(21,037)	(22,684)	(21,029)
Operating profit before allowances		27,056	38,335	27,055	38,285
Impairment loss written back/ (made) on:					
- loans, advances and financing	27	21,100	(44,414)	21,100	(44,414)
- financial investments	28	3,997	(17,922)	3,997	(17,922)
- other assets	29	(1,005)	(645)	(1,005)	(645)
Profit/(loss) before taxation and zakat		51,148	(24,646)	51,147	(24,696)
Taxation	30	(12,530)	4,980	(12,513)	5,003
Zakat		(1,302)	-	(1,302)	-
Profit/(loss) for the financial year		37,316	(19,666)	37,332	(19,693)
Earnings/(losses) per ordinary share (sen)					
- Basic and diluted	31	24.1	(12.7)		

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2019

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) for the financial year	37,316	(19,666)	37,332	(19,693)
Other comprehensive income/(loss):				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Changes in allowance for expected credit loss ("ECL") for investments at FVOCI	35	44	35	44
Net gain/(loss) on financial investments at FVOCI				
- Transfer of gain to profit or loss upon disposal	(14,665)	(2,815)	(14,665)	(2,815)
- Fair value changes	22,238	(921)	22,238	(921)
	7,608	(3,692)	7,608	(3,692)
Income tax relating to net (gain)/loss on financial investments at FVOCI (Note 15)	(1,807)	897	(1,807)	897
	(1,807)	897	(1,807)	897
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	5,801	(2,795)	5,801	(2,795)
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods:				
Re-measurement (loss)/gain on defined benefit plans (Note 18(b))	(242)	147	(242)	147
Income tax relating to re-measurement loss/(gain) on defined benefit plans (Note 15)	58	(35)	58	(35)
Net other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods	(184)	112	(184)	112
Other comprehensive income/(loss) for the financial year	5,617	(2,683)	5,617	(2,683)
Total comprehensive income/(loss) for the financial year	42,933	(22,349)	42,949	(22,376)

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

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MIDF Amanah Investment Bank Berhad
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Statements of changes in equity
For the financial year ended 31 December 2019

Group	<---- Non-distributable ----			---->	Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Securities available-for-sale reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2019	369,111	19,389	-	(2,114)	390,271	776,657
Profit for the financial year	-	-	-	-	37,316	37,316
Other comprehensive income/(loss)	-	-	-	5,801	(184)	5,617
Total comprehensive income for the financial year	-	-	-	5,801	37,132	42,933
Transaction with owner						
Transfer from regulatory reserve	-	(1,959)	-	-	1,959	-
At 31 December 2019	369,111	17,430	-	3,687	429,362	819,590
At 1 January 2018	369,111	2,573	(18,576)	-	427,593	780,701
Effects of adoption of MFRS 9	-	19,055	18,576	681	(20,007)	18,305
At 1 January 2018, restated	369,111	21,628	-	681	407,586	799,006
Loss for the financial year	-	-	-	-	(19,666)	(19,666)
Other comprehensive (loss)/income	-	-	-	(2,795)	112	(2,683)
Total comprehensive loss for the financial year	-	-	-	(2,795)	(19,554)	(22,349)
Transaction with owner						
Transfer from regulatory reserve	-	(2,239)	-	-	2,239	-
At 31 December 2018	369,111	19,389	-	(2,114)	390,271	776,657
	Note 19	Note 20(a)	Note 20(b)	Note 20(b)		

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2019 (cont'd.)

Bank	Share capital RM'000	Regulatory reserve RM'000	Securities available-for-sale reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
	<---------------------------- Non-distributable			---------------------------->	Distributable	
At 1 January 2019	369,111	19,389	-	(2,114)	390,214	776,600
Profit for the financial year	-	-	-	-	37,332	37,332
Other comprehensive income/(loss)	-	-	-	5,801	(184)	5,617
Total comprehensive income for the financial year	-	-	-	5,801	37,148	42,949
Transaction with owner						
Transfer from regulatory reserve	-	(1,959)	-	-	1,959	-
At 31 December 2019	369,111	17,430	-	3,687	429,321	819,549
At 1 January 2018	369,111	2,573	(18,576)	-	427,563	780,671
Effects of adoption of MFRS 9	-	19,055	18,576	681	(20,007)	18,305
At 1 January 2018, restated	369,111	21,628	-	681	407,556	798,976
Loss for the financial year	-	-	-	-	(19,693)	(19,693)
Other comprehensive (loss)/income	-	-	-	(2,795)	112	(2,683)
Total comprehensive loss for the financial year	-	-	-	(2,795)	(19,581)	(22,376)
Transaction with owner						
Transfer from regulatory reserve	-	(2,239)	-	-	2,239	-
At 31 December 2018	369,111	19,389	-	(2,114)	390,214	776,600
	Note 19	Note 20(a)	Note 20(b)	Note 20(b)		

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

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MIDF Amanah Investment Bank Berhad
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Statements of cash flows
For the financial year ended 31 December 2019

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(loss) before taxation and zakat	51,148	(24,646)	51,147	(24,696)
Adjustments for:				
Depreciation and amortisation	1,916	1,977	1,916	1,977
Gain on disposal of property, plant and equipment	(38)	-	(38)	-
Accretion of discount less amortisation of premium	(3,980)	(15,017)	(3,980)	(15,017)
Net gain on sale of financial assets at FVTPL	(5,924)	(4,144)	(5,924)	(4,144)
Net gain on sale of financial investments at FVOCI	(14,665)	(2,815)	(14,665)	(2,815)
Net gain on sale of financial investments at amortised cost	(2,212)	(113)	(2,212)	(113)
Net unrealised loss on revaluation of derivative instruments	669	195	669	195
Impairment loss (written back)/made on:				
- loans, advances and financing	(21,100)	44,414	(21,100)	44,414
- financial investments	(3,997)	17,922	(3,997)	17,922
- other assets	1,005	645	1,005	645
Dividend income	(98)	(1,516)	(169)	(1,559)
Over recognition of intangible assets	37	-	37	-
Expense off on intangible assets	326	-	326	-
Provision for employee benefits	148	263	148	263
	3,235	17,165	3,163	17,072

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd.)				
(Increase)/decrease in operating assets:				
Financial investments at FVOCI	(258,486)	111,627	(258,486)	111,627
Loans, advances and financing	(49,691)	(24,944)	(49,691)	(24,944)
Other assets	19,329	119,110	17,356	119,572
Statutory deposits with Bank Negara Malaysia	19,204	(12,938)	19,204	(12,938)
Increase/(decrease) in operating liabilities:				
Deposits from customers and deposits and placements of banks and other financial institutions	736,961	(133,001)	736,961	(133,001)
Other liabilities	(1,036)	(111,519)	(1,036)	(111,519)
Cash generated from/(used in) operations	469,516	(34,500)	467,471	(34,131)
Taxes refunded/(paid)	170	(19)	191	-
Zakat paid	-	(1,454)	-	(1,454)
Net cash generated from/(used in) operating activities	469,686	(35,973)	467,662	(35,585)
Cash flows from investing activities				
Dividends received	98	1,516	169	1,559
Purchase of property, plant and equipment	(341)	(825)	(341)	(825)
Purchase of intangible assets	(1,690)	(413)	(1,690)	(413)
Proceeds from disposal of property, plant and equipment	38	-	38	-
Net cash (used in)/generated from investing activities	(1,895)	278	(1,824)	321
Net increase /(decrease) in cash and cash equivalents	467,791	(35,695)	465,838	(35,264)
Cash and cash equivalents at 1 January	105,746	141,441	105,426	140,690
Cash and cash equivalents at 31 December	573,537	105,746	571,264	105,426
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 4)	573,537	105,746	571,264	105,426

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

Notes to the financial statements - 31 December 2019

1. Corporate information

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 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 changes in the nature of these activities during the financial year.

The immediate, penultimate and ultimate holding companies are Malaysian Industrial Development Finance Berhad ("MIDF"), Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB") respectively. All companies are incorporated in Malaysia.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

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, 2016 in Malaysia.

The Group and the Bank present the statements of financial position in the order of liquidity.

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

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional and presentation currency. All values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

During the financial year, certain comparative figures have been restated to conform with current year's presentation which better reflect the nature of the items. The Group's and the Bank's prior financial year's results were not affected by these reclassification.

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

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

(i) Adoption of MFRS, Amendments and Annual Improvements to Standards

The Group and the Bank have adopted the following pronouncements, with a date of initial application of 1 January 2019.

- MFRS 16 Leases
- IC Int.23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 3 - Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendment to MFRS 9 - Prepayments Features with Negative Compensation
- Amendments to MFRS 11 - Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendments to MFRS 112 - Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendment to MFRS 119 - Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123 - Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)
- Amendment to MFRS 128 - Long-term Interest in Associates and Joint Ventures

The adoption of the above pronouncements did not have material financial impact on the Group and the Bank except as disclosed below.

(a) MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group has elected not to reassess whether the contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117.

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

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

(i) Adoption of MFRS, Amendments and Annual Improvements to Standards (cont'd.)

(a) MFRS 16 Leases (cont'd.)

The Group adopted MFRS 16 using the modified retrospective method of adoption for which comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application of 1 January 2019.

The Group elected to use the following practical expedients to leases previously classified as operating leases using the modified retrospective method:

- elected to apply the accounting for short-term leases in MFRS 16 to leases for which the lease term ends within 12 months of the date of initial application; and

- using hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

As at 1 January 2019 and 31 December 2019, based on management's assessment, there are:

- no right-of-use assets;
- lease liabilities; or
- deferred tax arising from adoption of MFRS 16.

that are required to be recognised and presented separately in the statement of financial position.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets.

There is no impact on other comprehensive income or the basic and diluted earnings per share.

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

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

(ii) Standards issued but not yet effective

At the date of authorisation of the financial statements, the following pronouncements were issued but not yet effective and have not been adopted by the Group and the Bank.

Description	Effective for financial periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3: *Business Combinations*	1 January 2020
Amendments to MFRS 101: *Presentation of Financial Statements*	1 January 2020
Amendments to MFRS 108: *Accounting Policies, Changes in Acccounting Estimates & Errors*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Bank plans to adopt the above pronouncements when they become effective in the respective financial year. These standards and interpretation are expected to have no significant impact to the financial statements of the Group and of the Bank upon their initial application.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2019. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Bank’s voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statement of profit and loss and consolidated statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained profits, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

(c) Investment in subsidiaries

A subsidiary is an entity over which the Bank has control as described in Note 2(b).

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(g). On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised in statements of profit or loss.

(d) Financial assets and liabilities

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

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.

When financial assets or financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial assets or financial liabilities not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and financial investments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition (Day 1 profit or loss), the Group and the Bank recognised the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b) In all other cases, the difference is deferred and the timing of recognistion of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

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

(d) Financial assets and liabilities (cont'd.)

(i) Classification and subsequent measurement

Financial assets

The Group and the Bank determines the classification of their financial assets at initial recognition based on the following measurement categories:

- FVTPL;
- FVOCI; or
- Amortised cost.

To determine their classification and measurement category, the financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group and the Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

(a) Business model 1 - Hold to Collect (Amortised cost)

- Business objective is to collect contractual cash flows over the life of the financial assets.
- Sales should be insignificant in value or infrequent.

(b) Business Model 2 - Hold to Collect and Sell (FVOCI)

- Business objective is both to collect contractual cash flows and sell financial assets.
- Financial investments under this Business Model are mainly those with the objectives to:
  i) Manage everyday liquidity needs (e.g. frequent sales activity of significant value to demonstrate liquidity or to cover everyday liquidity needs, without the intention of short-term profit taking);
  ii) Maintain a particular interest yield profile (e.g. active management of the portfolio on an opportunistic basis to increase return by reinvesting in higher yielding financial assets) ; and
  iii) Match the duration of the financial assets to the duration of the liabilities that those assets are funding.

(c) Business Model 3 - FVTPL

- Business objective is neither Business Model 1 nor Business Model 2.
- Financial investments are mainly held for trading and manage on a fair value basis.

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

(d) Financial assets and liabilities (cont'd.)

(i) Classification and subsequent measurement (cont'd.)

Financial assets (cont'd.)

<u>Solely payments of principal and interest ("SPPI") test</u>

As a second step, SPPI Test must be carried out for all financial assets to identify if contractual cash flows are ‘solely payment of principal and interest on the principal amount outstanding’ which is consistent with a ‘basic lending arrangement’.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic leading arrangement. To make the SPPI assessment, the Group and the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group and the Bank reclassified financial investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the financial year.

Financial assets - Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured. Interest/profit income from these financial assets is measured using the EIR method.

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

(d) Financial assets and liabilities (cont'd.)

(i) Classification and subsequent measurement (cont'd.)

Financial assets - FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Non-Interest Income". Interest/profit income from these financial assets is measured using the EIR method.

Financial assets - FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL investments and is recognised in profit or loss and presented in the profit or loss statement within "Non-Interest Income" in the period in which it arises, unless it arised from financial investments that were designated at fair value or which are not held for trading, in which case they are presented separately in "Non-Interest Income". Interest/profit income from these financial assets is measured using the EIR method.

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.

Equity instruments

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

The Group and the Bank measures all equity investments at FVTPL, except where the Group's and the Bank's has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI (with no recycling) provided that is neither held for trading nor a contingent consideration recognised by acquirer in a business combination.

For equity instruments elected on FVOCI (no recycling), gain or loss on disposal is recognised in equity and dividends are recognised in profit or loss.

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

(d) Financial assets and liabilities (cont'd.)

(i) Classification and subsequent measurement (cont'd.)

Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

(ii) Impairment

The Group and the Bank assesses on a forward-looking basis the ECL associated with its financial investments assets carried at amortised cost and FVOCI and with the exposure arising from loan, advances and financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment assessment.

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired ("POCI"), the allowance is based on the change in the ECLs over the life of the asset.

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

(d) Financial assets and liabilities (cont'd.)

(ii) Impairment (cont'd.)

The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL

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

- Stage 2: Lifetime ECL – non-credit impaired

  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

- Stage 3: Lifetime ECL – credit impaired

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

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Both 12 months ECL and life time ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

(d) Financial assets and liabilities (cont'd.)

(ii) Impairment (cont'd.)

The calculation of ECLs

The Group and the Bank calculate ECLs based on multiple probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD")

  The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- Exposure at Default ("EAD")

  The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- Loss Given Default ("LGD")

  The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

(d) Financial assets and liabilities (cont'd.)

(ii) Impairment (cont'd.)

When estimating the ECLs, the Group and the Bank considers three scenarios (a base case, an upside case and a downside case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financial assets are expected to be recovered, including the probability that the financial assets will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarised below:

- Stage 1

  The 12 months ECLs is calculated as the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- Stage 2

  When a financial assets has shown a significant increase in credit risk since origination, the Group and the Bank records an allowance for the life time ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3

  For financial assets considered credit-impaired, the Group and the Bank recognises the lifetime ECLs for these instrument. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI

  POCI assets are financial assets that are credit impaired on initial recognition. The Group and the Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

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

(d) Financial assets and liabilities (cont'd.)

(ii) Impairment (cont'd.)

- Loan, advances and financing commitments and letters of credit

  When estimating life time ECLs for undrawn loan, advances and financing commitments, the Group and the Bank calculates ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- Financial guarantee contracts

  The Group's and the Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

- Other financial assets

  The Group and the Bank is applying simplified approach to assess the ECL for other financial assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance should be measured at initial recognition and throughout the life of the other financial assets at an amount equal to lifetime ECL. The simplified approach adopted for the Group and the Bank is based on weighted average of the historical loss experience.

Financial investments measured at FVOCI

The ECLs for financial investments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

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

(d) Financial assets and liabilities (cont'd.)

(ii) Impairment (cont'd.)

Forward looking information

In its ECL models, the Group and the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product
- Overnight Policy Rate
- Inflation
- Industrial Production Index
- Export
- Equity Market
- Commodity
- Imports
- Distributive Trade Sales
- Manufacturing (Mfg) Sales
- Producer Price Index : For Local Production
- Short-term Interest Rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group and the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's and the Bank’s statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group and the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

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

(d) Financial assets and liabilities (cont'd.)

(ii) Impairment (cont'd.)

Write off

Financial assets are written off either partially or in their entirety only when the Group and the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(iii) Modification of loans, advances and financing

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans, advances and financing to customers. When this happens, the Group and the Bank assesses whether or not the new terms are substantially different to the original terms. The Group and the Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan, advances and financing.

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan, advances and financing term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan, advances and financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan, advances and financing.

If the terms are substantially different, the Group and the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotaition is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

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

(d) Financial assets and liabilities (cont'd.)

(iii) Modification of loans, advances and financing (cont'd.)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than modification

Financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

a) the Group and the Bank transfers substantially all the risks and rewards of ownership, or
b) the Group and the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Group and the Bank has not retained control.

Pass-through arrangements are transactions whereby the Group and the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'). These transactions will result in derecognition if the Group and the Bank:

a) Has no obligation to make payments unless it collects equivalent amounts from the assets;
b) Is prohibited from selling or pledging the assets; and
c) Has obligation to remit any cash it collects from the assets without material delay.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

Collateral (shares and bonds) furnished by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not recognised because the Group and the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group and the Bank retains a subordinated residual interest.

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

(d) Financial assets and liabilities (cont'd.)

(iv) Derecognition other than modification (cont'd.)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(e) Financial guarantee contracts and loan, advances and financing commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a financial investments. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Loans, advances and financing commitments provided by the Group and the Bank are measured as the amount of the loss allowance. The Group and the Bank has not provided any commitment to provide loans, advances and financing at a below-market interest/profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

(e) Financial guarantee contracts and loan, advances and financing commitments (cont'd.)

For loans, advances and financing commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group and the Bank cannot separately identify the ECL on the undrawn commitment component from those on the loans, advances and financing component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loans, advances and financing. To the extent that the combined ECLs exceed the gross carrying amount of the loans, advances and financing, the ECLs are recognised as a provision.

(f) Derivatives

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

(g) Impairment on non-financial investments

Other non-financial assets such as property, plant and equipment, intangible assets, right-of-use assets and investments in subsidiaries are reviewed for objective indications of impairment at each reporting date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying amount over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in profit or loss.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for recognition and measurement of impairment loss is in accordance with Note 2(g). Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the assets and restoring the site on which the asset is located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(h) Property, plant and equipment (cont'd.)

(i) Recognition and measurement (cont'd.)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "non-interest income” or “other operating expenses” respectively in the statements of profit or loss.

(ii) Subsequent costs

Subsequent costs incurred in replacing part of an item of property, plant and equipment are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is recognised on a straight-line basis calculated to write off the cost of each asset to its residual value over its estimated useful lives as follows:

Office equipment	5 years
Motor vehicles	5 years
Computers	3 years
Renovations	5 years
Furniture, fixtures and fittings	5 years

The depreciable amount is determined after deducting the residual amount.

Depreciation methods, useful lives and residual values of assets are reviewed, and adjusted if appropriate, at the reporting date.

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

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The policy for recognition and measurement of impairment loss is in accordance with Note 2(g). Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The computer software is amortised on a straight-line basis over its estimated useful life of 3 years. Work-in-progress represents IT system costs, and are not amortised as these assets are not available for use.

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

(j) Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>The Group as a lessee</u>

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2(g).

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

(j) Lease (cont'd.)

(b) Lease liabilities (cont'd.)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of lowvalue assets are recognised as expense on a straight-line basis over the lease term.

Leases classified as operating leases under MFRS 117

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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

(k) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash on hand, bank balances and deposits and placements with banks and other financial institutions with original maturity of three months or less.

(l) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not recognised as the assets of the Group.

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported 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.

(n) Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contribution to the Employees' Provident Fund ("EPF") and are recognised as an expense in profit or loss as incurred. Once contributions have been paid, the Bank has no further obligations.

(iii) Defined benefits plans

The Group operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statements of financial position with a corresponding debit or credit to retained profits through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'staff costs' in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

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

(p) Income tax

(i) Current income tax

Current income tax for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax is not recognised if the temporary difference arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

(q) Zakat

This represents business zakat payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on a rate of 2.5775%.

(r) Share capital

Preference share capital is classified as an equity if it is non-redeemable, or redeemable but only at the option of the Bank, or if dividend payments are at the discretion of the Bank. Dividends thereon are recognised in equity in the period which they are declared.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(s) Fair value measurement

The Group and the Bank measure financial instruments such as financial investments available-for-sale and derivatives at fair value at each statement of financial position date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group and to the Bank.

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

(s) Fair value measurement (cont'd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 38.

In addition, the fair value hierarchies of financial instruments that are not measured at fair value, but for which fair value is disclosed, are presented in Note 38.

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

(t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Interest/profit income from loans, advances and financing, and financial investments, including amortisation of premium and accretion of discount, is recognised using the effective interest/yield method.

When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Group and the Bank calculates interest/profit income by applying the EIR to the net amortised cost of the financial asset (i.e. net of ECL provision). If the financial assets cures and is no longer credit-impaired, the Group and the Bank reverts to calculating interest/profit income on a gross basis.

For POCI financial assets, the Group and the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

(ii) Income from Islamic Banking business is recognised in accordance with Shariah principles.

(iii) Fee-based activities:

Corporate advisory, project feasibility study, participation and underwriting fees are recognised as income by reference to the stage of completion in satisfying the performance obligation over time or at point in time.

Portfolio management, commitment, guarantee and agency fees and commissions are recognised as income on a time apportionment basis.

Fees received from capital market activities are recognised when the right to receive payment is established.

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

(t) Revenue recognition (cont'd.)

(iv) Dividend income are recognised when the right to receive payment is established.

Operating revenue of the Group comprises all types of revenue derived from investment banking (including stockbroking), income from Islamic Banking operations and nominee services but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest/profit income, gross fee income, investment income, gross dividends and other income derived from banking operations.

(u) Interest expense and financing costs

Interest expense and attributable profit (on activities relating to Islamic Banking business) on deposits of the Group is recognised on an effective interest/yield method.

(v) Earnings per ordinary share

The Group presents basic and diluted earnings per share information for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the financial period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(w) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. Critical accounting estimates and judgements

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group’s exposure to risks and uncertainties includes:

	Note
- Financial risk management objectives and policies	37
- Sensitivity analysis disclosures	18(b), 37(b)

(a) Critical judgement made in applying accounting policies

(i) Impairment on loans, advances and financing

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's and the Bank’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank’s internal credit grading model, which assigns PDs to the individual grades.

- The Group's and the Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment.

- The segmentation of financial assets when their ECL is assessed on a collective basis.

3. Critical accounting estimates and judgements (cont'd.)

(a) Critical judgement made in applying accounting policies (cont'd.)

(i) Impairment on loans, advances and financing (cont'd.)

- Development of ECL models, including the various formulas and the choice of inputs.

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group and Bank’s policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

When deferred tax assets are recognised, assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of revenue, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

3. Critical accounting estimates and judgements (cont'd.)

(b) Key source of estimation uncertainty

(i) Income taxes

Significant estimate is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in which the determination is made.

(ii) Fair value estimations of financial investments at FVOCI

Quoted financial investments

The fair value of quoted financial investments is derived from market bid price. In the absence of market bid price in an active markets, the fair value of quoted financial investments is derived based on the following fair value hierarchy:

- Recent quoted last transacted price;
- Discounted cash flow method; or
- Relative price approach.

The Group uses acceptable valuation technique which involves making assumptions based on market conditions and other factors as of the reporting date.

Unquoted financial investments

The fair value of unquoted financial investments is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flow method which involves making assumptions based on market conditions and other factors as of the reporting date.

4. Cash and short-term funds

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	38,637	56,746	36,364	56,426
Money at call and deposit placements maturing within one month	534,900	49,000	534,900	49,000
	573,537	105,746	571,264	105,426

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM2,813,000 and RM2,684,000 respectively (2018: RM3,804,000 and RM3,749,000 respectively). These amounts are excluded from the cash and short-term funds of the Group and of the Bank.

There are no ECLs relating to cash and balances with banks and other financial institutions because funds are placed with local institutions whereby there were no historical losses incurred.

5. Financial assets at FVTPL

	Group and Bank	
	2019	2018
	RM'000	RM'000
Unquoted instruments in Malaysia:		
Loan Stocks	-	11
	-	11

6. Financial investments at FVOCI

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
At fair value		
Money market instruments:		
Malaysian Government Securities	-	287,748
Government Investment Issues	848,578	432,327
Negotiable Instruments of Deposit	199,724	-
	1,048,302	720,075
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	363,611	200,618
Loan Stocks	4,260	4,324
Shares	757	757
	368,628	205,699
	1,416,930	925,774

The table below shows the credit quality and the maximum exposure to credit risk based on the Group and the Bank's internal credit rating system and classification of ECL stages . The amounts presented are gross of ECL allowances.

Group and Bank	**Stage 1 Collective RM'000**	**Stage 3 Individual RM'000**	**Total RM'000**
31 December 2019			
Superior	1,154,554	-	1,154,554
Strong	257,360	-	257,360
Unacceptable	-	114,487	114,487
	1,411,914	114,487	1,526,401
31 December 2018			
Superior	804,891	-	804,891
Very strong	25,071	-	25,071
Strong	25,093	-	25,093
Good	65,638	-	65,638
Unacceptable	-	114,487	114,487
	920,693	114,487	1,035,180

6. Financial investments at FVOCI (cont'd.)

An analysis of changes in the corresponding ECL allowances in relation to FVOCI is, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2019	44	110,163	110,207
Made (Note 28)	35	65	100
At 31 December 2019	79	110,228	110,307
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
- Transfer from individual impairment allowance	-	143,543	143,543
At 1 January 2018, restated	-	143,543	143,543
Impairment made (Note 28)	44	14,435	14,479
Written off	-	(47,815)	(47,815)
At 31 December 2018	44	110,163	110,207

7. Financial investments at amortised cost

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Money market instruments:		
Malaysian Government Securities	-	194,282
Government Investment Issues	670,663	480,228
	670,663	674,510
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	1,917,185	2,106,998
Loan stocks	9,606	9,462
	1,926,791	2,116,460
Less: ECL allowance	(6,626)	(5,869)
	2,590,828	2,785,101

7. Financial investments at amortised cost (cont'd.)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages. The amounts presented are gross of ECL allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2019				
Superior	1,806,931	-	-	1,806,931
Strong	596,252	-	-	596,252
Fair	-	129,157	-	129,157
Unacceptable	-	-	65,114	65,114
	2,403,183	129,157	65,114	2,597,454
31 December 2018				
Superior	1,926,439	-	-	1,926,439
Very strong	374,331	-	-	374,331
Strong	79,995	-	-	79,995
Good	335,117	-	-	335,117
Unacceptable	-	-	75,088	75,088
	2,715,882	-	75,088	2,790,970

7. Financial investments at amortised cost (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to amortised cost is, as follows:

Group and Bank	**Stage 1 Collective RM'000**	**Stage 2 Collective RM'000**	**Stage 3 Individual RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2019	2,715,882	-	75,088	2,790,970
New assets purchased	706,406	-	-	706,406
Assets derecognised or matured (excluding written off)	(890,286)	-	(8)	(890,294)
Transfers to Stage 2	(128,819)	128,819	-	-
Impact on year end ECLs of exposure transferred between stages during the year	-	338	-	338
Unwind of discount (recognised in interest income)	-	-	144	144
Recoveries	-	-	(10,110)	(10,110)
As at 31 December 2019	2,403,183	129,157	65,114	2,597,454
Gross carrying amount as at 1 January 2018	-	-	-	-
Effects of adopting of MFRS 9	2,612,222	-	78,215	2,690,437
Gross carrying amount as at 1 January 2018, restated	2,612,222	-	78,215	2,690,437
New assets purchased	554,952	-	1,870	556,822
Assets derecognised or matured (excluding written off)	(451,292)	-	(4,997)	(456,289)
As at 31 December 2018	2,715,882	-	75,088	2,790,970

7. Financial investments at amortised cost (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to amortised cost is, as follows: (cont'd.)

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2019	330	-	5,539	5,869
Transfers	(14)	14	-	-
Impairment made during the financial year	-	873	149	1,022
Written back	(109)	-	(110)	(219)
Discount unwind	-	-	(46)	(46)
At 31 December 2019	207	887	5,532	6,626
At 1 January 2018	-	-	-	-
Effects of adoption of MFRS 9				
- Transfer from individual impairment allowance	-	-	629	629
- Remeasurement under ECL	428	-	-	428
At 1 January 2018, restated	428	-	629	1,057
Impairment made during the financial year	-	-	4,910	4,910
Written back	(102)	-	-	(102)
Transfers	4	-	-	4
At 31 December 2018	330	-	5,539	5,869

8. Loans, advances and financing

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Term loans/financing		
Syndicated term loans/financing	133,841	224,407
Other term loans	97,365	11,848
	231,206	236,255
Margin accounts	378,632	349,388
Staff loans	403	373
Gross loans, advances and financing	610,241	586,016
Less: ECL allowance	(55,096)	(101,662)
Net loans, advances and financing	555,145	484,354

The Group and the Bank operate principally in Malaysia and hence, disclosure of information by geographical area is not presented.

(a) Gross loans, advances and financing

(i) By types of customer

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Domestic business enterprises		
- Small medium enterprises	406,738	293,779
Foreign business enterprises	-	86,200
Individuals	203,503	206,037
Gross loans, advances and financing	610,241	586,016

(ii) By interest rate sensitivity

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Fixed rate		
Staff loans	403	373
Margin accounts	378,632	349,388
Variable rate		
Cost-plus	231,206	236,255
Gross loans, advances and financing	610,241	586,016

8. Loans, advances and financing (cont'd.)

(a) Gross loans, advances and financing (cont'd.)

(iii) By economic sector

	Group and Bank	
	2019	2018
	RM'000	RM'000
Mining and quarrying	-	98,048
Manufacturing	68,457	54,756
Construction	59,422	43,222
Wholesale & retail trade and restaurants & hotels	25,753	25,741
Finance, insurance and business services	232,754	138,661
Household	203,503	206,037
Others	20,352	19,551
Gross loans, advances and financing	610,241	586,016

(iv) By maturity profile

	Group and Bank	
	2019	2018
	RM'000	RM'000
Within one year	505,608	509,008
One year to five years	32,141	34,327
After five years	72,492	42,681
Gross loans, advances and financing	610,241	586,016

8. Loans, advances and financing (cont'd.)

(b) Impaired loans, advances and financing ("ILs")

(i) Movements in ILs are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 January	159,240	166,799
Classified as impaired	19	-
Recovered	(73,262)	(59)
Written off	(24,808)	(7,500)
At 31 December	61,189	159,240
Less: ECL allowance	(53,669)	(100,721)
Net ILs	7,520	58,519
Ratio of net ILs to gross loans, advances and financing less ECL allowance (Stage 3)	1.35%	12.06%

(ii) ILs by economic sector:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Mining and quarrying	-	98,048
Manufacturing	50,400	50,399
Wholesale & retail trade and restaurants & hotels	10,770	10,769
Household	19	24
	61,189	159,240

8. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets

(i) ECL allowance

Term loans and financing

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2019			
Strong	59,422	-	59,422
Good	78,690	-	78,690
Fair	31,924	-	31,924
Unacceptable	-	61,170	61,170
	170,036	61,170	231,206
31 December 2018			
Very strong	34,222	-	34,222
Fair	42,816	-	42,816
Unacceptable	-	159,217	159,217
	77,038	159,217	236,255

8. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets (cont'd.)

(i) ECL allowance (cont'd.)

Term loans and financing (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate loan, advances and financing is, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	77,038	159,217	236,255
New assets originated	127,221	-	127,221
Assets derecognised or repaid (excluding written off)	(34,223)	(73,262)	(107,485)
Amounts written off	-	(24,785)	(24,785)
As at 31 December 2019	170,036	61,170	231,206
Gross carrying amount as at 1 January 2018	181,952	68,728	250,680
New assets originated	158,877	-	158,877
Assets derecognised or repaid (excluding written off)	(165,743)	(59)	(165,802)
Transfers to Stage 3	(98,048)	98,048	-
Amounts written off	-	(7,500)	(7,500)
As at 31 December 2018	77,038	159,217	236,255

8. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets (cont'd.)

(i) ECL allowance (cont'd.)

Term loans and financing (cont'd.)

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2019	941	100,721	101,662
Transfer	362	-	362
Impairment made during the financial year	124	67	191
Written back	-	(22,311)	(22,311)
Written off	-	(24,808)	(24,808)
At 31 December 2019	1,427	53,669	55,096
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
- Transfer from individual/collective impairment allowance	3,515	60,759	64,274
- Remeasurement under ECL	(1,797)	-	(1,797)
At 1 January, restated	1,718	60,759	62,477
Transfer	1,959	-	1,959
Impairment made during the financial year	-	47,548	47,548
Written back	(2,736)	(86)	(2,822)
Written off	-	(7,500)	(7,500)
At 31 December 2018	941	100,721	101,662

8. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets (cont'd.)

(i) ECL allowance (cont'd.)

Margin accounts

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
31 December 2019			
Very strong	34,848	-	34,848
Strong	105,771	-	105,771
Good	60,208	-	60,208
Acceptable	115,378	2,990	118,368
Fair	59,437	-	59,437
Total	375,642	2,990	378,632
31 December 2018			
Very strong	54,413	-	54,413
Strong	82,901	-	82,901
Good	48,331	4,121	52,452
Acceptable	150,449	4,816	155,265
Fair	4,357	-	4,357
Total	340,451	8,937	349,388

8. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets (cont'd.)

(i) ECL allowance (cont'd.)

Margin accounts (cont'd.)

An analysis of changes in the gross carrying amount in relation to margin accounts are, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	340,451	8,937	349,388
New assets originated	38,563	-	38,563
Assets derecognised or repaid (excluding written off)	(9,319)	-	(9,319)
Transfers from Stage 2	5,947	(5,947)	-
	375,642	2,990	378,632
Gross carrying amount as at 1 January 2018	317,038	-	317,038
New assets originated	41,829		41,829
Assets derecognised or repaid (excluding written off)	(9,479)	-	(9,479)
Transfers to Stage 2	(8,937)	8,937	-
	340,451	8,937	349,388

No ECL allowance provided for margin accounts as the existing mechanism (monitoring, margin call, force selling) caters for any potential shortfall and full provision is made immediately for any shortfall of collateral compared to loan and financing balance on a daily basis.

9. Derivative assets/liabilities

Group and Bank	Contract or underlying principal amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
2019			
Interest rate related derivatives:			
- Interest rate swaps	100,000	-	(786)
2018			
Interest rate related derivatives:			
- Interest rate swaps	100,000	-	(117)

10. Other assets

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Interest/profit receivables		34,342	33,117	34,342	33,117
Amounts due from brokers and clients	(a)	22,762	45,733	22,762	45,733
Deposits, prepayments and other receivables		13,159	12,054	13,159	12,054
Less: ECL allowance	(b)	(4,072)	(4,330)	(4,072)	(4,330)
		9,087	7,724	9,087	7,724
Amount recoverable from Danaharta		96,973	96,973	96,973	96,973
Less: ECL allowance		(96,973)	(96,973)	(96,973)	(96,973)
		-	-	-	-
Amount due from related companies	(c)	221	172	221	172
Amount due from subsidiaries	(c)	-	-	2,228	255
Tax recoverable		12,106	21,560	12,106	21,560
		78,518	108,306	80,746	108,561

10. Other assets (cont'd.)

(a) Amounts due from brokers and clients

	Group and Bank	
	2019	2018
	RM'000	RM'000
Brokers	-	33,865
Clients	22,762	11,868
	22,762	45,733

Brokers' and clients' debit balances arose from trading of securities through the Bank which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) Deposits, prepayments and other receivables

Movements in impairment allowance:

(i) ECL allowance

	Group and Bank	
	2019	2018
Group and Bank	**RM'000**	**RM'000**
At 1 January	4,330	-
Effects of adoption of MFRS 9		
- Transfer from individual impairment allowance	-	4,226
- Remeasurement under ECL	-	(128)
	4,330	4,098
Impairment made (Note 29)	1,618	1,409
Written back (Note 29)	(279)	(695)
Written off	(1,597)	(482)
At 31 December	4,072	4,330

(c) The amounts due from related companies and subsidiaries arose mainly from expenses paid on behalf of the companies. These amounts are non-trade in nature, unsecured, interest-free and are repayable on demand.

11. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

12. Investment in subsidiaries

	Bank	
	2019	**2018**
	RM	**RM**
Unquoted shares, at cost	4	4

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of companies	Effective ownership interest		Principal activities
	2019	**2018**	
	%	**%**	
MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd	100	100	Nominees services
MIDF Amanah Investment Nominees (Asing) Sdn Bhd	100	100	Nominees services

13. Property, plant and equipment

Group and Bank	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2019	536	3,716	7,773	475	54	12,554
Additions	11	32	212	-	86	341
Disposals	-	-	-	(332)	-	(332)
Transfer from related company	-	-	7	-	-	7
Written off	-	(2)	(35)	-	-	(37)
Transfer	-	-	12	-	(12)	-
At 31 December 2019	547	3,746	7,969	143	128	12,533
At 1 January 2018	536	3,716	7,010	475	-	11,737
Additions	-	-	771	-	54	825
Written off	-	-	(8)	-	-	(8)
At 31 December 2018	536	3,716	7,773	475	54	12,554

13. Property, plant and equipment (cont'd.)

Group and Bank (cont'd.)	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2019	535	3,714	6,936	438	-	11,623
Charge for the financial year	1	8	461	29	-	499
Disposals	-	-	-	(332)	-	(332)
Transfer from related company	-	-	7	-	-	7
Written off	-	(2)	(35)	-	-	(37)
At 31 December 2019	536	3,720	7,369	135	-	11,760
At 1 January 2018	534	3,708	6,362	409	-	11,013
Charge for the financial year	1	6	582	29	-	618
Written off	-	-	(8)	-	-	(8)
At 31 December 2018	535	3,714	6,936	438	-	11,623
Net book value						
At 31 December 2019	11	26	600	8	128	773
At 31 December 2018	1	2	837	37	54	931

14. Intangible assets

Group and Bank	Computer software RM'000	Work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2019	6,829	342	7,171
Additions	499	1,191	1,690
Transfer	16	(16)	-
Over recognition	(37)	-	(37)
Expensed off	-	(326)	(326)
At 31 December 2019	7,307	1,191	8,498
At 1 January 2018	6,399	359	6,758
Additions	413	-	413
Reclassification	17	(17)	-
At 31 December 2018	6,829	342	7,171
Accumulated amortisation			
At 1 January 2019	4,787	-	4,787
Amortisation	1,417	-	1,417
At 31 December 2019	6,204	-	6,204
At 1 January 2018	3,428	-	3,428
Amortisation	1,359	-	1,359
At 31 December 2018	4,787	-	4,787
Net book value			
At 31 December 2019	1,103	1,191	2,294
At 31 December 2018	2,042	342	2,384

15. Deferred tax

	Group and Bank 2019 RM'000	2018 RM'000
At 1 January	9,017	10,036
Effects of adoption of MFRS 9	-	(6,083)
At 1 January, restated	9,017	3,953
Recognised in profit or loss (Note 30)	(3,212)	4,202
Recognised in other comprehensive income	(1,749)	862
At 31 December	4,056	9,017

15. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Deferred tax assets	5,268	9,476
Deferred tax liabilities	(1,212)	(459)
	4,056	9,017

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets

Group and Bank	Unutilised tax losses RM'000	Revaluation of FVOCI RM'000	ECL allowance RM'000	Provision for liabilities* RM'000	Total RM'000
At 1 January 2019	7,078	682	462	1,254	9,476
Recognised in profit or loss	(7,078)	-	543	2,951	(3,584)
Recognised in other comprehensive income	-	(682)	-	58	(624)
At 31 December 2019	-	-	1,005	4,263	5,268
At 1 January 2018	-	5,868	2,248	2,205	10,321
Effects of adoption of MFRS 9	-	(6,083)	-	-	(6,083)
At 1 January 2018, restated	-	(215)	2,248	2,205	4,238
Recognised in profit or loss	7,078	-	(1,786)	(916)	4,376
Recognised in other comprehensive income	-	897	-	(35)	862
At 31 December 2018	7,078	682	462	1,254	9,476

* includes provision for bonus and retirement benefits.

15. Deferred tax (cont'd.)

Deferred tax assets is offset when there is a legally enforceable right set off current tax assets against current tax liabilities and when the deferred taxes relates to the same taxation authority.

Deferred tax liabilities

Group and Bank	Revaluation of FVOCI RM'000	Accelerated capital allowance RM'000	Total RM'000
At 1 January 2019	-	(459)	(459)
Recognised in profit or loss	-	372	372
Recognised in other comprehensive income	(1,125)	-	(1,125)
At 31 December 2019	(1,125)	(87)	(1,212)
At 1 January 2018	-	(285)	(285)
Recognised in profit or loss	-	(174)	(174)
At 31 December 2018	-	(459)	(459)

16. Deposits from customers

	Group and Bank 2019 RM'000	2018 RM'000
(a) By types of deposit		
Call deposits	4,774	15,578
Fixed deposits	3,464,381	2,324,457
	3,469,155	2,340,035
(b) By types of customer		
Business enterprises	1,685,339	1,745,620
Government and statutory bodies	1,781,225	591,782
Individual	2,591	2,633
	3,469,155	2,340,035
(c) The maturity structure of term deposits is as follows:		
Due within six months	3,154,336	2,253,045
Six months to one year	280,819	70,990
One year to two years	34,000	16,000
	3,469,155	2,340,035

17. Deposits and placements of banks and other financial institutions

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
(a) Call deposits		
- Other financial institutions	2,169	5,724
(b) Fixed deposits		
- Licensed banks	-	194,100
- Other financial institutions	951,747	1,146,251
	951,747	1,340,351
	953,916	1,346,075

18. Other liabilities

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amounts due to clients	(a)	24,452	51,571	24,452	51,571
Interest/profit payables		33,537	22,539	33,537	22,539
Accrued liabilities and other payables		21,352	8,323	21,352	8,323
Employee benefits	(b)	2,020	1,946	2,020	1,946
Amount due to immediate holding company	(c)	2,828	1,075	2,828	1,075
Amount due to related company	(c)	1	4	-	3
ECL allowances on loans, advances and financing commitments and financial investments	(d)	1,155	495	1,155	495
		85,345	85,953	85,344	85,952

18. Other liabilities (cont'd.)

(a) Amounts due to clients

	Group and Bank	
	2019	2018
	RM'000	RM'000
Brokers	15,126	-
Clients	9,326	51,571
	24,452	51,571

Clients' credit balances arose from trading of securities through the Bank which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) Employee benefits

The Group and the Bank operate an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Scheme is a final salary plan and the level of benefits provided depends on the employees' length of service and salary at retirement age.

Under the retirement benefit scheme, eligible employees are entitled to retirement benefits based on the length of service and last drawn salary. Retirement benefits are payable only to eligible employees who have completed at least five years of service with the Group and the Bank at the time of their retirement.

The amount of retirement benefits recognised in the statements of financial position is determined as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Present value of unfunded defined benefit obligations	2,020	1,946
Fair value of plan assets	-	-
Present value of net obligations	2,020	1,946
Analysed as:		
Non current		
Later than 1 year but not later than 2 years	-	70
Later than 2 years but not later than 5 years	132	248
Later than 5 years	1,888	1,628
	2,020	1,946

18. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

Movements in the net defined benefit liability recognised in the statements of financial position are as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
At 1 January	1,946	3,391
Benefits paid	(316)	(1,561)
	1,630	1,830
Recognised in profit or loss:		
Current service cost	76	130
Interest cost	72	133
	148	263
Recognised in other comprehensive income:		
Remeasurement of the net defined benefit liability:		
- Actuarial loss arising from plan experience	108	-
- Actuarial gain arising from changes in demographic assumptions	(2)	(147)
- Actuarial loss arising from changes in financial assumptions	136	-
	242	(147)
At 31 December	2,020	1,946

Principal actuarial assumptions used are as follows:

	Group and Bank 2019	Group and Bank 2018
Discount rate	4.15%	5.00%
Future salary increase	5.50%	5.50%
Mortality rate	0.14% - 0.70%	0.14% - 0.29%

18. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

A sensitivity analysis for the significant assumptions above is as shown below:

Assumptions	**Discount rate**		**Future salary increase**	
Sensitivity analysis	**0.5% increase RM'000**	**0.5% decrease RM'000**	**0.5% increase RM'000**	**0.5% decrease RM'000**
Group and Bank				
(Decrease)/increase in the net defined benefit obligation				
2019	(82)	86	85	(81)
2018	(122)	32	31	(122)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(c) The amounts due to immediate holding company and related company are non-trade in nature, unsecured, interest-free and are repayable on demand.

18. Other liabilities (cont'd.)

(d) Movements in the ECL allowances on loan, advances and financing commitments and financial investments are as follows:

Group and Bank	Loans, advances and financing commitments RM'000	Financial investments RM'000	Total RM'000
Stage 1 Collective			
At 1 January 2019	490	5	495
Transfers	(362)	-	(362)
Impairment made during the financial year	1,021	1	1,022
At 31 December 2019	1,149	6	1,155
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
- Remeasurement under ECL	2,449	-	2,449
At 1 January 2018, restated	2,449	-	2,449
Transfers	(1,959)	(4)	(1,963)
Impairment made during the financial year	-	9	9
At 31 December 2018	490	5	495

19. Share capital

	Group and Bank			
	Number of shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 January				
Ordinary shares	155,000	155,000	369,111	369,111
At 31 December	155,000	155,000	369,111	369,111

20. Reserves

(a) Regulatory reserve

Regulatory reserve is maintained in addition to the collective impairment allowance that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's Guideline on Financial Reporting issued on 27 September 2019.

(b) FVOCI reserve/securities available-for-sale reserve

The FVOCI reserve/securities available-for-sale reserve arises from the change in the fair value of the financial investments at FVOCI/securities available-for-sale and is not distributable as cash dividends.

21. Interest income

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Loans, advances and financing		
- Interest income on non-impaired loans	28,556	31,132
Money at call and deposit placements with financial institutions	7,621	3,868
Financial assets at FVTPL	68	26
Financial investments at FVOCI		
- Interest income on non-impaired instruments	11,271	15,720
Financial investments at amortised cost		
- Interest income on non-impaired instruments	40,849	52,309
- Interest income on impaired instruments	360	1,856
Derivative instruments	-	96
	88,725	105,007
Accretion of discount less amortisation of premium	(981)	(362)
	87,744	104,645

22. Interest expense

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Deposits from customers	51,598	54,524
Deposits and placements of banks and other financial institutions	17,306	26,851
Derivative instruments	211	4
	69,115	81,379

23. Non-interest income

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Fees on loans and advances	110	145	110	145
Corporate advisory fees	2,480	3,467	2,480	3,467
Underwriting fees	298	350	298	350
Brokerage commission	10,272	16,153	10,272	16,153
Other fee income	3,627	3,342	3,627	3,342
	16,787	23,457	16,787	23,457
Investment income:				
Net gain on sale of financial assets at FVTPL	45	1,912	45	1,912
Net gain on sale of financial investments at FVOCI	6,243	768	6,243	768
Net gain on sale of financial investments at amortised costs	2,115	113	2,115	113
Net unrealised loss on revaluation of derivative instruments	(669)	(195)	(669)	(195)
	7,734	2,598	7,734	2,598
Gross dividends from:				
Financial assets at FVTPL	-	1,394	-	1,394
Financial investments at FVOCI	98	122	98	122
Subsidiaries	-	-	71	43
	98	1,516	169	1,559
Other income:				
Gain on disposal of property, plant and equipment	38	-	38	-
Intercompany management fee	416	825	336	724
Others *	290	1,584	290	1,584
	744	2,409	664	2,308
	25,363	29,980	25,354	29,922

* Included in prior year's other income of the Group and of the Bank is RM1.2 million of ta'widh charged/recovered from defaulted client.

24. Staff costs

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Wages, salaries and bonuses	37,058	23,426
Executive Director/Chief Executive Officer		
- Fees (Note 26 (b))	51	179
Employees' benefits (Note 18(b))	148	263
Defined contribution plans	5,638	3,580
Social security costs	145	143
Other staff related expenses	2,754	2,879
	45,794	30,470

25. Other operating expenses

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Establishment costs				
Rental of:				
- office equipment ^	40	36	40	36
- premises *	2,295	2,285	2,295	2,285
General repairs and maintenance	87	42	87	42
Insurance	198	170	198	170
Electricity	69	60	69	60
IT expenses	5,189	4,799	5,189	4,799
	7,878	7,392	7,878	7,392
Promotion and marketing-related expenses				
Business promotion and advertisement	1,257	1,398	1,257	1,398
Entertainment	470	402	470	402
	1,727	1,800	1,727	1,800

^ Expense relating to leases of low-value assets.
* Expense relating to short-term leases.

25. Other operating expenses (cont'd.)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Administrative and general expenses				
Auditors' remuneration				
- Audit	256	241	253	238
- Other services	-	254	-	254
Non-Executive Directors' remuneration (Note 26(c))	792	858	792	858
Communication expenses	127	156	127	156
Management fees	8,345	6,694	8,345	6,694
Professional fees	931	303	931	303
Security commission's levy	694	1,274	694	1,274
Brokerage fee	716	1,107	716	1,107
Bursa fees	250	220	250	220
License fees and stamp duty	322	205	322	205
Corporate dealers' and remisiers' commissions	67	71	67	71
Others	587	462	582	457
	13,087	11,845	13,079	11,837
	22,692	21,037	22,684	21,029

26. Chief Executive Officer, Directors and Shariah members' remuneration

The details of remuneration receivable by Chief Executive Officer, Directors and Shariah members of the Group and the Bank during the financial year are as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
(a) Chief Executive Officer:		
Salary	510	-
Defined contribution plans	92	-
Leave passage	20	-
Benefits-in-kinds	40	-
Total remuneration	662	-

26. Chief Executive Officer, Directors and Shariah members' remuneration (cont'd.)

The details of remuneration receivable by Chief Executive Officer, Directors and Shariah members of the Group and the Bank during the financial year are as follows: (cont'd.)

	Group and Bank	
	2019	**)**
	RM'000	**RM'000**
(b) Executive Director/Chief Executive Officer:		
Fees	40	-
Other emoluments	11	179
Total remuneration	51	179
(c) Non-Executive Directors:		
Fees	617	658
Other emoluments	175	200
Total remuneration	792	858
(d) Shariah members:		
Fees	42	42
Other emoluments	30	19
Total remuneration	72	61
	1,577	1,098

The number of Chief Executive Officer, Directors and Shariah members of the Group and the Bank whose total remuneration during the financial year fall within the following bands, are as follows:

	Number of Directors	
	2019	**2018**
Chief Executive Officer:		
RM500,001 – RM1,000,000	1	-
Executive Director/Chief Executive Officer:		
RM50,001 – RM100,000	1	1
RM100,001 – RM150,000	-	1
Non-Executive Directors:		
Below RM10,000	-	2
RM50,001 - RM100,000	1	-
RM100,001 – RM150,000	2	3
RM150,001 – RM200,000	3	3
Shariah members:		
RM10,000 - RM50,000	5	5

26. Chief Executive Officer, Directors and Shariah members' remuneration (cont'd.)

Group and Bank 2019	Salary RM'000	Fees RM'000	Defined contribution plans RM'000	Leave passages RM'000	Other emoluments RM'000	Benefits -in-kinds RM'000	Total RM'000
Chief Executive Officer:							
Datuk Joseph Dominic Silva (Appointed on 1 July 2019)	510	-	92	20	-	40	662
Executive Director/Chief Executive Officer:							
Dato' Charon Wardini Mokhzani	-	40	-	-	11	-	51
Non-Executive Directors:							
Datuk Azizan Hj. Abd. Rahman	-	137	-	-	30	-	167
Encik Ahlan Nasri Mohd Nasir	-	115	-	-	39	-	154
Encik Azlan Abdullah	-	119	-	-	38	-	157
Puan Sri Shahrizan Abdullah	-	105	-	-	28	-	133
Dato' Kaziah Abdul Kadir	-	97	-	-	25	-	122
Datuk Mohd Nasir Ali (Appointed on 5 August 2019)	-	44	-	-	15	-	59
	-	617	-	-	175	-	792
Shariah members:							
Ir. Dr. Muhammad Fuad Bin Abdullah	-	10	-	-	6	-	16
YBhg. Dato Muhamad Asri Hj. Abdullah	-	8	-	-	6	-	14
Dr. Mohamad Sabri Zakaria	-	8	-	-	6	-	14
Ustaz Mazrul Shahir Md Zuki	-	8	-	-	6	-	14
En. Ahmad Lutfi Abdull Mutalip	-	8	-	-	6	-	14
	-	42	-	-	30	-	72
Total	510	699	92	20	216	40	1,577

26. Chief Executive Officer, Directors and Shariah members' remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the Directors of the Group and the Bank are as follows: (cont'd.)

Group and Bank **2018**	**Fees** **RM'000**	**Other emoluments** **RM'000**	**Total** **RM'000**
Executive Director/Chief Executive Officer:			
Dato' Charon Wardini Mokhzani (Appointed on 2 July 2018)	-	119	119
Datuk Mohd. Najib Hj. Abdullah (Resigned on 30 June 2018)	-	60	60
	-	179	179
Non-Executive Directors:			
Datuk Azizan Hj. Abd. Rahman	130	34	164
Encik Ahlan Nasri Mohd Nasir	115	40	155
Encik Azlan Abdullah	115	37	152
Puan Sri Shahrizan Abdullah	105	36	141
Mr. Philip Tan Puay Koon (Resigned on 31 December 2018)	95	27	122
Dato' Kaziah Abdul Kadir	95	25	120
Mr. Tai Keat Chai (Resigned on 5 January 2017)*	2	-	2
Encik Mustaffa Ahmad (Resigned on 5 January 2017)*	2	-	2
	659	199	858
Shariah members:			
Ir. Dr. Muhammad Fuad Bin Abdullah	10	4	14
YBhg. Dato Muhamad Asri Hj. Abdullah	8	4	12
Dr. Mohamad Sabri Zakaria	8	4	12
Ustaz Mazrul Shahir Md Zuki	8	3	11
En. Ahmad Lutfi Abdull Mutalip	8	4	12
	42	19	61
Total	701	397	1,098

* Payment made in arrears

The directors of the Bank's subsidiaries did not received nor become entitled to receive any benefit (other than the fixed salary of a full time employee of the Bank) by reason of the contract made by the Bank or 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.

Shariah members are appointed by the immediate holding company.

27. Impairment loss written back/(made) on loans, advances and financing

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
ECL allowance		
- Made	(1,212)	(47,548)
- Written back	22,311	2,822
	21,099	(44,726)
Interest on impaired loans recovered	1	-
Bad debts recovered	-	312
	21,100	(44,414)

28. Impairment loss written back/(made) on financial investments

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Financial investments at FVOCI (net) (Note 6)	(100)	(14,479)
Financial investments at amortised cost	(804)	(4,817)
Interest on impaired financial investments recovered	4,901	1,374
	3,997	(17,922)

29. Impairment loss made on other assets

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
ECL allowance (Note 10(b)(i))		
- Made	(1,618)	(1,409)
- Written back	279	695
	(1,339)	(714)
Bad debts recovered	334	69
	(1,005)	(645)

30. Taxation

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense				
- Current financial year	9,318	23	9,301	-
- Over provision in prior years	-	(801)	-	(801)
	9,318	(778)	9,301	(801)
Deferred tax expense (Note 15):				
- Relating to origination and reversal of temporary differences	3,368	(6,133)	3,368	(6,133)
- (Over)/under provision in prior years	(156)	1,931	(156)	1,931
	3,212	(4,202)	3,212	(4,202)
Tax expense/(credit) for the year	12,530	(4,980)	12,513	(5,003)

A reconciliation of income tax expense/(credit) applicable to profit/(loss) before taxation and zakat at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) before taxation and zakat	51,148	(24,646)	51,147	(24,696)
Taxation at Malaysian Statutory tax rate of 24% (2018: 24%)	12,276	(5,915)	12,275	(5,927)
Utilisation of capital allowance previously not recognised	-	(213)	-	(213)
Income not subject to tax	(25)	(363)	(41)	(374)
Expenses not deductible for tax purpose	435	381	435	381
Over provision of income tax in prior years	-	(801)	-	(801)
(Over)/under provision of deferred tax in prior years	(156)	1,931	(156)	1,931
Tax expense/(credit) for the financial year	12,530	(4,980)	12,513	(5,003)

31. Earnings/(losses) per ordinary share

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit for the financial year of RM37,316,000 (2018: loss of RM19,666,000) by the weighted average number of ordinary shares of 155,000,000 (2018: 155,000,000).

32. Dividends

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2019 and 31 December 2018.

33. Commitments and contingencies

Group and Bank	<------------------ 2019		----------------->	<------------------ 2018		----------------->
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000
Interest rate related contracts with an original maturity of:						
- not exceeding one year	100,000	1,000	200	100,000	2,000	400
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	441,992	88,399	88,399	133,664	26,733	26,733
- exceeding one year	152,582	76,291	76,291	152,340	76,170	76,170
Total	694,574	165,690	164,890	386,004	104,903	103,303

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

33. Commitments and contingencies (cont'd.)

Capital commitment

Capital expenditures pertaining to the Group and the Company approved by Directors but not provided for in the financial statements are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Authorised but not contracted	14,282	4,988

34. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2019 RM'000	2018 RM'000
(i) Outstanding credit exposures with connected parties	260,102	173,832
(ii) Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	7.24%	5.05%
(iii) Percentage of outstanding credit exposures to connected parties which are impaired or in default	Nil	Nil

35. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2019			
Assets			
Cash and short-term funds	573,537	-	573,537
Financial investments at FVOCI	605,446	811,484	1,416,930
Financial investments at amortised cost	396,109	2,194,719	2,590,828
Loans, advances and financing	451,525	103,620	555,145
Other assets	45,330	33,188	78,518
Statutory deposits with Bank Negara Malaysia	-	108,016	108,016
Property, plant and equipment	-	773	773
Intangible assets	-	2,294	2,294
Deferred tax assets	-	4,056	4,056
Total assets	2,071,947	3,258,150	5,330,097
Liabilities			
Deposits from customers	3,435,155	34,000	3,469,155
Deposits and placements of banks and other financial institutions	953,916	-	953,916
Derivative liabilities	-	786	786
Other liabilities	82,210	3,135	85,345
Provision for tax and zakat	1,305	-	1,305
Total liabilities	4,472,586	37,921	4,510,507

35. Maturity analysis of assets and liabilities (cont'd.)

Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2018			
Assets			
Cash and short-term funds	105,746	-	105,746
Financial assets at FVTPL	-	11	11
Financial investments at FVOCI	94,411	831,363	925,774
Financial investments at amortised cost	189,927	2,595,174	2,785,101
Loans, advances and financing	408,288	76,066	484,354
Other assets	88,029	20,277	108,306
Statutory deposits with Bank Negara Malaysia	-	127,220	127,220
Property, plant and equipment	-	931	931
Intangible assets	-	2,384	2,384
Deferred tax assets	-	9,017	9,017
Total assets	886,401	3,662,443	4,548,844
Liabilities			
Deposits from customers	2,324,035	16,000	2,340,035
Deposits and placements of banks and other financial institutions	1,346,075	-	1,346,075
Derivative liabilities	-	117	117
Other liabilities	81,946	4,007	85,953
Provision for tax and zakat	7	-	7
Total liabilities	3,752,063	20,124	3,772,187

35. Maturity analysis of assets and liabilities (cont'd.)

Bank	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2019			
Assets			
Cash and short-term funds	571,264	-	571,264
Financial investments at FVOCI	605,446	811,484	1,416,930
Financial investments at amortised cost	396,109	2,194,719	2,590,828
Loans, advances and financing	451,525	103,620	555,145
Other assets	47,558	33,188	80,746
Statutory deposits with Bank Negara Malaysia	-	108,016	108,016
Investment in subsidiaries	-	*	*
Property, plant and equipment	-	773	773
Intangible assets	-	2,294	2,294
Deferred tax assets	-	4,056	4,056
Total assets	2,071,902	3,258,150	5,330,052
Liabilities			
Deposits from customers	3,435,155	34,000	3,469,155
Deposits and placements of banks and other financial institutions	953,916	-	953,916
Derivative liabilities	-	786	786
Other liabilities	82,209	3,135	85,344
Provision for tax and zakat	1,302	-	1,302
Total liabilities	4,472,582	37,921	4,510,503

* Denotes RM4

35. Maturity analysis of assets and liabilities (cont'd.)

Bank	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2018			
Assets			
Cash and short-term funds	105,426	-	105,426
Financial assets at FVTPL	-	11	11
Financial investments at FVOCI	94,411	831,363	925,774
Financial investments at amortised cost	189,927	2,595,174	2,785,101
Loans, advances and financing	408,288	76,066	484,354
Other assets	88,284	20,277	108,561
Statutory deposits with Bank Negara Malaysia	-	127,220	127,220
Investment in subsidiaries	-	*	*
Property, plant and equipment	-	931	931
Intangible assets	-	2,384	2,384
Deferred tax assets	-	9,017	9,017
Total assets	886,336	3,662,443	4,548,779
Liabilities			
Deposits from customers	2,324,035	16,000	2,340,035
Deposits and placements of banks and other financial institutions	1,346,075	-	1,346,075
Derivative liabilities	-	117	117
Other liabilities	81,945	4,007	85,952
Total liabilities	3,752,055	20,124	3,772,179

* Denotes RM4

36. Related party disclosures

(a) Significant related party transactions and balances

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entitites.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and of the Bank.

The following significant transactions between the Group and the Bank and related parties took place at arm's length during the financial year.

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Penultimate holding company		
Income:		
Interest income on financial investments	3,633	1,995
Brokerage fees earned	2,517	5,183
Fee income	163	138
Immediate holding company		
Income:		
Fee income	1,000	-
Expenditure:		
Rental of premises	2,270	2,259
Management fees	8,345	6,694
Other related companies		
Income:		
Interest income on financial investments	1,410	1,410
Interest income on loans, advances and financing	2,801	998
Brokerage fees earned	2,841	3,593
Fee income	340	297
Expenditure:		
Interest expense on deposits	12,902	9,924

36. Related party disclosures (cont'd.)

(a) Significant related party transactions and balances (cont'd.)

In addition to the related party information disclosed elsewhere in the financial statements, the significant outstanding balances of the Group and of the Bank with their related parties are as follows:

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Penultimate holding company		
Amount due from:		
Financial investments	81,000	35,000
Other related companies		
Amount due to:		
Deposits from placements of banks and other financial institutions	15,716	21,908
Other payables	379	1,365
Amount due from:		
Sundry deposits	553	553
Loans, advances and financing	59,204	42,660
Financial investments	30,000	30,000

Other related companies include companies within the YPB Group and companies related to the Directors of the Bank.

36. Related party disclosures (cont'd.)

(b) Compensation of key management personnel

	Group and Bank	
	2019	2018
	RM'000	RM'000
Short-term employment benefits	8,138	8,472
Defined contribution plan	1,142	835
Defined benefit plan	271	35
	9,551	9,342

Included in the above is Directors' remuneration amounting to RM843,000 (2018: RM1,037,000) as further disclosed in Note 26.

37. Financial risk management objectives and policies

The Group and the Bank are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, equity price risk and liquidity risk.

The Board of Directors recognises that all areas of the Group's and of the Bank's business involve some degree of risk and is committed to ensure that an effective risk management process is in place to manage those risks. The Group and the Bank are guided by the MIDF Group Enterprise Risk Management Framework ("ERM") for the process of managing risk. ERM provides a systematic approach on how to identify, prioritise and manage the Bank's overall risks. The Board of Directors is primarily responsible for the effective management of all risks across the Group and the Bank and decides the risk management policy and procedures, set prudential limits, auditing, reporting and review mechanism. Operationally, the risk management responsibilities are entrusted to the Risk Management Committee and Head of Risk Management. The Board of Directors is assisted by the following Board committees in its overall responsibility for risk oversight within the Bank:

- Risk Management Committee;
- Audit Compliance Committee ("ACC"); and
- Credit Committee.

Subsequent to the financial year ended 31 December 2019, there were significant uncertainties noted surrounding the growth outlook emanating from:
(i) novel coronavirus ("Covid-19") pandemic;
(ii) the sudden drop in oil prices; and
(iii) domestic politics.

At the date of this report, based on the Group and the Bank's assessment, there is no significant impact on the 2019 results of the Group and the Bank arising from these subsequent events. The Group and the Bank will continuously monitor and assess the developments and its economic impact.

37. Financial risk management objectives and policies (cont'd.)

The following sections provide details regarding the Group's and Bank's exposure to the above mentioned key financial risks and the objectives, policies and processes for the management of these risks.

The carrying amounts of financial instruments by categories are as follows:

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	-	11	-	11
Financial assets at FVOCI	1,416,930	925,774	1,416,930	925,774
Financial assets at amortised cost:				
- Cash and short-term funds	573,537	105,746	571,264	105,426
- Financial investments	2,590,828	2,785,101	2,590,828	2,785,101
- Loans, advances and financing	555,145	484,354	555,145	484,354
- Other assets	173,845	213,392	176,073	213,647
Financial liabilities at amortised cost	4,491,673	3,767,417	4,491,672	3,767,416
Derivatives liabilities	786	117	786	117

(a) Credit risk

Credit risk is the risk that the Group and the Bank will incur a loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Credit risk is monitored by the credit risk department of the Group's and the Bank’s independent Credit Risk Management Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. The credit risk unit's roles and responsibilities are as follows:-

- Develops, reviews and maintains the credit risk management policies;
- Recommends, review and articulate risk limits;
- Performs independent credit review i.e. reviews all credit proposals and periodic review of all credit review papers (excluding impaired and remedial assets) to provide independent assessments on risks identification and mitigations in order to assist the approving authorities to make informed decisions and to minimize potential losses due to credit defaults; and
- Individual and Portfolio Credits Limit Monitoring;
  - i) Monitors the compliance of limits through the implementation of a systematic reporting which provide the platform to alert the Management/Board on any breaches that must be responded and addressed by the respective departments; and
  - ii) Recommends control measures to mitigate credit risk during monitoring of the limits.

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

The Group and the Bank actively use collateral to reduce its credit risk. The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group and the Bank to assess the potential loss as a result of the risks to which it is exposed to and take corrective action plans.

(i) Impairment assessment

<u>Definition of default and cure</u>

The default definition adopted by the Group and the Bank are as follows:

- Where the principal or interest/profit or both of the financing is past due for more than 90 days or 3 calendar months;
- When the financing is classified as rescheduled / restructured in CCRIS;
- Cross default on other credit obligations within the Group;
- Where the outstanding amount has been in excess of the approved limit for 90 days or 3 calendar months or less and the financing exhibits weaknesses;
- Where repayments are scheduled on intervals of 3 months or longer, the financing is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness;
- Receiver and manager appointed;
- Material fraud with investigation report;
- Company classified under PN4 and/or PN17/ GN3; or
- Internal rating of 11

Financial instrument is consider as ‘cured’ and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Internal rating and PD estimation process

The Group's and the Bank's independent Credit Risk Department operates its internal rating model. For financial investments, the Group and the Bank adopted the external rating from External Credit Assessment Institutions, namely RAM Rating Services Bhd ("RAM") and Malaysian Rating Corporation Bhd ("MARC") to measure the credit quality of the counterparty, while the internal rating system is used as a benchmark. For loan, advances and financing and financial investments not rated by RAM and MARC, the Group and the Bank uses its internal rating system to measure the credit quality of the assets. The internal credit rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

There are eleven (11) internal rating grades, where Risk Grade 1 being the best grade while Risk Grade 11 being the worst grade or default grade. The model incorporates both qualitative and quantitative information and, in addition to information specific to the client, utilise supplemental external information that could affect the borrower's behaviour. The internal rating is as follows:

Risk Grade	Risk Category
1	Superior
2	Very Strong
3	Strong
4	Good
5	Acceptable
6	Fair
7	Weak
8	Unacceptable
9	Substandard
10	Doubtful
11	Default

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Internal rating and PD estimation process (cont'd.)

The Group and the Bank has insufficient historical default data to develop its own PD. Due to the unavailability of the data, publicly available peer group experience is being used as a proxy for Observed Default Rate ("ODR") for loan, advances and financing. For financial investments, default rates from RAM's Default Study: Corporate Default and Rating Transition is being used as a proxy. Analysis is performed to observe the correlation between the logit of ODR and range of shortlisted Macroeconomic Factors ("MEF") obtained from the Bank’s Research Department. From the analysis, where any MEF are correlated and intuitive relationships exist, regression analysis will be performed. Selection of MEF is based on results from the correlation test. Predicted PDs (Point in Time (PiT) PD) are then developed based on the forecast of the selected MEF. The PiT PD is applied as 12-month PD for Stage 1 accounts.

(iii) Exposure at default (EAD)

The exposure at default represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, advances and financing, the Group and the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EADs by modeling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

(iv) Loss given default

The Group and the Bank has insufficient historical recovery rate to develop its own LGD. Due to the unavailability of the data, publicly available peer group experience is being used as a proxy for recovery rate for loan, advances and financing. For financial investments, recovery rates based on the type of bond from Moody's Annual Default Study: Corporate Default and Recovery Rates is being used as a proxy. Analysis is performed to observe the correlation between the logit of recovery rates and range of shortlisted MEF obtained from the Bank’s Research Department. From the analysis, where any MEF are correlated and intuitive relationship exist, regression analysis will be performed. Selection of MEF is based on results from correlation test. Predicted LGDs (Point in Time (PiT) LGD) are then developed based on the forecast of selected MEF. The PiT LGD is applied as 12-month LGD for Stage 1 accounts.

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(v) Significant increase in credit risk

The Group and the Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or life time ECL, the Group and the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Group and the Bank considers an exposure to have significantly increased in credit risk when risk rating is downgraded either internally or externally. Regardless of the change in credit grades, if coupon payment are past due, the credit risk is deemed to have increased significantly since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the Group and the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

(vi) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements.

The Group's and Bank's concentrations of credit risk are managed by counterparty and by economic sector.

The following table shows the maximum exposure to credit risk (without taking into account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, by economic sector. Where financial instruments are recorded at fair value, the amounts shown 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. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to counterparties.

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vi) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Group 2019	Manufacturing RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communications RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short-term funds	-	-	-	573,537	-	573,537
Financial investments at FVOCI						
- Money market instruments	-	-	-	-	1,048,302	1,048,302
- Unquoted instruments	4,260	-	-	196,482	167,129	367,871
Financial investments at amortised cost						
- Money market instruments	-	-	-	-	670,663	670,663
- Corporate Bonds/Sukuk	89,569	-	20,072	515,637	1,294,887	1,920,165
Loans, advances and financing						
- Term loans/financing	20,666	-	-	96,398	59,046	176,110
- Margin accounts	4,807	14,984	-	135,388	223,453	378,632
- Others	-	-	-	-	403	403
Other financial assets	-	-	-	108,016	65,829	173,845
	119,302	14,984	20,072	1,625,458	3,529,712	5,309,528
Commitments and contingencies						
Other commitments	62,705	-	50	263,418	268,401	594,574
	62,705	-	50	263,418	268,401	594,574
	182,007	14,984	20,122	1,888,876	3,798,113	5,904,102

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vi) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Group **2018**	**Manufacturing RM'000**	**Wholesale and retail trade and restaurants and hotels RM'000**	**Transport, storage and communications RM'000**	**Finance, insurance and business services RM'000**	**Others RM'000**	**Total RM'000**
Financial assets						
Cash and short-term funds	-	-	-	105,746	-	105,746
Financial assets at FVTPL						
- Unquoted instruments	-	-	-	11	-	11
Financial investments at FVOCI						
- Money market instruments	-	-	-	-	720,075	720,075
- Unquoted securities	4,325	-	-	130,072	70,545	204,942
Financial investments at amortised cost						
- Money market instruments	-	-	-	-	674,510	674,510
- Corporate Bonds/Sukuk	99,533	-	210,144	730,018	1,070,896	2,110,591
Loans, advances and financing						
- Term loans/financing	7,568	-	-	34,014	93,034	134,616
- Margin accounts	4,357	14,972	-	104,437	225,622	349,388
- Others	-	-	-	-	350	350
Other financial assets	-	-	-	161,085	52,307	213,392
	115,783	14,972	210,144	1,265,383	2,907,339	4,513,621
Commitments and contingencies						
Other commitments	-	-	-	56,276	229,728	286,004
	-	-	-	56,276	229,728	286,004
	115,783	14,972	210,144	1,321,659	3,137,067	4,799,625

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vi) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Bank 2019	Manufacturing RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communications RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short-term funds	-	-	-	571,264	-	571,264
Financial investments at FVOCI						
- Money market instruments	-	-	-	-	1,048,302	1,048,302
- Unquoted instruments	4,260	-	-	196,482	167,129	367,871
Financial investments at amortised cost						
- Money market instruments	-	-	-	-	670,663	670,663
- Corporate Bonds/Sukuk	89,569	-	20,072	515,637	1,294,887	1,920,165
Loans, advances and financing						
- Term loans/financing	20,666	-	-	96,398	59,046	176,110
- Margin accounts	4,807	14,984	-	135,388	223,453	378,632
- Others	-	-	-	-	403	403
Other financial assets	-	-	-	108,016	68,057	176,073
	119,302	14,984	20,072	1,623,185	3,531,940	5,309,483
Commitments and contingencies						
Other commitments	62,705	-	50	263,418	268,401	594,574
	62,705	-	50	263,418	268,401	594,574
	182,007	14,984	20,122	1,886,603	3,800,341	5,904,057

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vi) Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.)

Bank **2018**	**Manufacturing RM'000**	**Wholesale and retail trade and restaurants and hotels RM'000**	**Transport, storage and communications RM'000**	**Finance, insurance and business services RM'000**	**Others RM'000**	**Total RM'000**
Financial assets						
Cash and short-term funds	-	-	-	105,426	-	105,426
Financial assets at FVTPL						
- Money market instruments	-	-	-	11	-	11
Financial investments at FVOCI						
- Money market instruments	-	-	-	-	720,075	720,075
- Corporate Bonds/Sukuk	4,325	-	-	130,072	70,545	204,942
Financial investments at amortised cost						
- Money market instruments	-	-	-	-	674,510	674,510
- Corporate Bonds/Sukuk	99,533	-	210,144	730,018	1,070,896	2,110,591
Loans, advances and financing						
- Term loans/financing	7,568	-	-	34,014	93,034	134,616
- Margin accounts	4,357	14,972	-	104,437	225,622	349,388
- Others	-	-	-	-	350	350
Other financial assets	-	-	-	161,085	52,562	213,647
	115,783	14,972	210,144	1,265,063	2,907,594	4,513,556
Commitments and contingencies						
Other commitments	-	-	-	56,276	229,728	286,004
	-	-	-	56,276	229,728	286,004
	115,783	14,972	210,144	1,321,339	3,137,322	4,799,560

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vii) Credit quality by class of financial asset

The credit quality of financial assets is managed by the Group and the Bank using internal credit ratings. The table below shows the credit quality of financial assets exposed to credit risk, based on the Group's and the Bank's internal credit rating system. The amounts are presented gross of impairment allowances.

Group	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2019				
Financial assets				
Cash and short-term funds	573,537	-	-	573,537
Financial investments at FVOCI				
- Money market instruments	1,048,302	-	-	1,048,302
- Unquoted instruments	363,612	-	114,487	478,099
Financial investments at amortised cost				
- Money market instruments	670,663	-	-	670,663
- Corporate Bond/Sukuk	1,732,520	129,157	65,114	1,926,791
Loans, advances and financing				
- Term loans	170,036	-	61,170	231,206
- Margin accounts	375,642	2,990	-	378,632
- Others	384	-	19	403
Other financial assets	173,845	-	-	173,845
	5,108,541	132,147	240,790	5,481,478

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vii) Credit quality by class of financial asset (cont'd.)

Group	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2018				
Financial assets				
Cash and short-term funds	105,746	-	-	105,746
Financial assets at FVTPL				
- Money market instruments	11	-	-	11
Financial investments at FVOCI				
- Money market instruments	720,075	-	-	720,075
- Unquoted securities	200,618	-	114,487	315,105
Financial investments at amortised cost				
- Money market instruments	674,510	-	-	674,510
- Corporate Bond/Sukuk	2,041,372	-	75,088	2,116,460
Loans, advances and financing				
- Term loans	77,038	-	159,217	236,255
- Margin accounts	340,451	8,937	-	349,388
- Others	349	-	24	373
Other financial assets	213,392	-	-	213,392
	4,373,562	8,937	348,816	4,731,315

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vii) Credit quality by class of financial asset (cont'd.)

Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2019				
Financial assets				
Cash and short-term funds	571,264	-	-	571,264
Financial investments at FVOCI				
- Money market instruments	1,048,302	-	-	1,048,302
- Unquoted instruments	363,612	-	114,487	478,099
Financial investments at amortised cost				
- Money market instruments	670,663	-	-	670,663
- Corporate Bond/Sukuk	1,732,520	129,157	65,114	1,926,791
Loans, advances and financing				
- Term loans	170,036	-	61,170	231,206
- Margin accounts	375,642	2,990	-	378,632
- Others	384	-	19	403
Other financial assets	176,073	-	-	176,073
	5,108,496	132,147	240,790	5,481,433

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(vii) Credit quality by class of financial asset (cont'd.)

Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2018				
Financial assets				
Cash and short-term funds	105,426	-	-	105,426
Financial assets at FVTPL				
- Money market instruments	11	-	-	11
Financial investments at FVOCI				
- Money market instruments	720,075	-	-	720,075
- Unquoted securities	200,618	-	114,487	315,105
Financial investments at amortised cost				
- Money market instruments	674,510	-	-	674,510
- Corporate Bond/Sukuk	2,041,372	-	75,088	2,116,460
Loans, advances and financing				
- Term loans	77,038	-	159,217	236,255
- Margin accounts	340,451	8,937	-	349,388
- Others	349	-	24	373
Other financial assets	213,647	-	-	213,647
	4,373,497	8,937	348,816	4,731,250

37. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(viii) Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Bank to mitigate credit risk are fixed deposits, securities, commercial and residential properties, machineries, motor vehicles and trade receivables.

As at 31 December 2019, the financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is at 72% (2018: 87%). The financial effect of collateral held for other financial assets is not significant.

(ix) Collateral repossessed

The Group and the Bank took no possession of any properties or other pledged assets during the financial year.

It is the Group's and the Bank's policy in general to dispose off repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of loans and securities.

(b) Interest rate risks

Interest rate risks are the exposure of the Group’s and the Bank's interest rate-sensitive assets and interest rate-sensitive liabilities/borrowings to movements in interest rates.

It is the Group’s and the Bank's policy to contain interest rate risks within prudent levels. The Group and the Bank have procedures to regularly review the impact of interest rates on the financial position of the Group and of the Bank so that appropriate action is taken to mitigate the risks.

The management of these risks are the responsibility of the Bank’s Asset and Liability Management Committee (“ALCO”). The ALCO regularly reviews and monitors the composition of the Bank’s interest rate-sensitive assets and liabilities taking into consideration the interest rate outlook and its impact on the Group's and the Bank’s financial position.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's and the Bank's profit before taxation and equity.

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

The sensitivity of profit before taxation is the effect of the assumed changes in interest rates on profit before taxation, based on the floating rate of non-trading financial assets and financial liabilities held as at 31 December 2019. The sensitivity of equity is calculated by revaluing fixed rate financial investments at FVOCI at 31 December 2019 and 2018 respectively for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Group and Bank	Sensitivity of profit before taxation - Increase/ (decrease) RM '000	Sensitivity of equity - Increase/ (decrease) RM '000
2019		
Change in basis points		
+25	424	(9,318)
- 25	(424)	9,318
2018		
Change in basis points		
+25	192	(9,535)
- 25	(192)	9,535

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table indicates the EIR at the reporting date and the periods in which they reprice or mature, whichever is earlier.

	<------ Non-trading book					------>			Effective
Group	**Up to 1 month**	**> 1 - 3 months**	**>3 - 12 months**	**> 1 - 5 years**	**> 5 years**	**Non-interest sensitive**	**Trading book**	**Total**	**interest rate**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets									
Cash and short-term funds	-	-	-	-	-	573,537	-	573,537	-
Financial investments at FVOCI	199,724	-	401,462	356,439	454,288	4,260	-	1,416,173	3.41
Financial investments at amortised cost	5,000	19,992	311,536	1,759,447	435,272	59,581	-	2,590,828	3.58
Loans, advances and financing									
- non-impaired	113,129	265,891	65,399	32,141	72,492	(1,427) *	-	547,625	8.23
- impaired	-	-	-	-	-	7,520	-	7,520	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	108,016	-	108,016	-
Other assets	-	-	-	-	-	65,829	-	65,829	-
Total assets	317,853	285,883	778,397	2,148,027	962,052	817,316	-	5,309,528	
Liabilities									
Deposits from customers	1,736,343	856,382	842,430	34,000	-	-	-	3,469,155	3.55
Deposits and placements of banks and other financial institutions	453,864	321,362	178,690	-	-	-	-	953,916	3.38
Derivative liabilities	-	-	-	-	-	-	786	786	-
Other liabilities	-	-	-	-	-	69,754	-	69,754	-
Total liabilities	2,190,207	1,177,744	1,021,120	34,000	-	69,754	786	4,493,611	

* ECL allowance

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Group	<---------- Non-trading book					---------->			Effective
	Up to	> 1 - 3	>3 - 12	> 1 - 5	> 5	Non-interest	Trading		interest
	1 month	months	months	years	years	sensitive	book	Total	rate
2019 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	819,590	-	819,590	-
Total liabilities and shareholder's equity	2,190,207	1,177,744	1,021,120	34,000	-	889,344	786	5,313,201	
On-balance sheet interest sensitivity gap	(1,872,354)	(891,861)	(242,723)	2,114,027	962,052	(72,028)	(786)	(3,673)	
Total interest sensitivity gap	(1,872,354)	(891,861)	(242,723)	2,114,027	962,052	(72,028)	(786)	(3,673)	

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Group	<--- Non-trading book					--->			Effective
	Up to	> 1 - 3	>3 - 12	> 1 - 5	> 5	Non-interest	Trading		interest
	1 month	months	months	years	years	sensitive	book	Total	rate
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets									
Cash and short-term funds	-	-	-	-	-	105,746	-	105,746	-
Financial assets at FVTPL	-	-	-	-	-	11	-	11	-
Financial investments at FVOCI	-	-	90,087	394,685	435,921	4,324	-	925,017	4.01
Financial investments at amortised cost	5,000	9,998	174,929	1,828,211	697,410	69,553	-	2,785,101	4.35
Loans, advances and financing									
- non-impaired	151,418	198,292	59	34,327	42,680	(941) *	-	425,835	7.52
- impaired	-	-	-	-	-	58,519	-	58,519	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	-	127,220	-
Other assets	-	-	-	-	-	86,172	-	86,172	-
Total assets	156,418	208,290	265,075	2,257,223	1,176,011	450,604	-	4,513,621	
Liabilities									
Deposits from customers	1,489,265	662,982	187,788	-	-	-	-	2,340,035	3.70
Deposits and placements of banks and other financial institutions	942,953	100,300	302,822	-	-	-	-	1,346,075	3.55
Derivative liabilities	-	-	-	-	-	-	117	117	-
Other liabilities	-	-	-	-	-	81,795	-	81,795	-
Total liabilities	2,432,218	763,282	490,610	-	-	81,795	117	3,768,022	

* ECL allowance

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Group	<---- Non-trading book					---->			Effective
	Up to	> 1 - 3	>3 - 12	> 1 - 5	> 5	Non-interest	Trading		interest
	1 month	months	months	years	years	sensitive	book	Total	rate
2018 (cont'd.)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Shareholder's equity	-	-	-	-	-	776,657	-	776,657	-
Total liabilities and shareholder's equity	2,432,218	763,282	490,610	-	-	858,452	117	4,544,679	
On-balance sheet interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,011	(407,848)	(117)	(31,058)	
Total interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,011	(407,848)	(117)	(31,058)	

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Bank	<---------- Non-trading book					---------->			Effective
	Up to	> 1 - 3	>3 - 12	> 1 - 5	> 5	Non-interest	Trading		interest
	1 month	months	months	years	years	sensitive	book	Total	rate
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	-	-	-	-	-	571,264	-	571,264	-
Financial investments at FVOCI	199,724	-	401,462	356,439	454,288	4,260		1,416,173	3.41
Financial investments at amortised cost	5,000	19,992	311,536	1,759,447	435,272	59,581	-	2,590,828	3.58
Loans, advances and financing									
- non-impaired	113,129	265,891	65,399	32,141	72,492	(1,427)*	-	547,625	8.23
- impaired	-	-	-	-	-	7,520	-	7,520	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	108,016	-	108,016	-
Other assets	-	-	-	-	-	68,057	-	68,057	-
Total assets	317,853	285,883	778,397	2,148,027	962,052	817,271	-	5,309,483	
Liabilities									
Deposits from customers	1,736,343	856,382	842,430	34,000	-	-	-	3,469,155	3.55
Deposits and placements of banks and other financial institutions	453,864	321,362	178,690	-	-	-	-	953,916	3.38
Derivative liabilities	-	-	-	-	-	-	786	786	-
Other liabilities	-	-	-	-	-	69,756	-	69,756	-
Total liabilities	2,190,207	1,177,744	1,021,120	34,000	-	69,756	786	4,493,613	

* ECL allowance

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Bank 2019 (cont'd.)	<---- Non-trading book ---- Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	Non-interest sensitive RM'000 ---->	Trading book RM'000	Total RM'000	Effective interest rate %
Shareholder's equity	-	-	-	-	-	819,549	-	819,549	-
Total liabilities and shareholder's equity	2,190,207	1,177,744	1,021,120	34,000	-	889,305	786	5,313,162	
On-balance sheet interest sensitivity gap	(1,872,354)	(891,861)	(242,723)	2,114,027	962,052	(72,034)	(786)	(3,679)	
Total interest sensitivity gap	(1,872,354)	(891,861)	(242,723)	2,114,027	962,052	(72,034)	(786)	(3,679)	

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Bank 2018	Non-trading book Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	-	-	-	-	-	105,426	-	105,426	-
Financial assets at FVTPL	-	-	-	-	-	11	-	11	-
Financial investments at FVOCI	-	-	90,087	394,685	435,921	4,324	-	925,017	4.01
Financial investments at amortised cost	5,000	9,998	174,929	1,828,211	697,410	69,553	-	2,785,101	4.35
Loans, advances and financing									
- non-impaired	151,418	198,292	59	34,327	42,680	(941) *	-	425,835	7.52
- impaired	-	-	-	-	-	58,519	-	58,519	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	-	127,220	-
Other assets	-	-	-	-	-	86,427	-	86,427	-
Total assets	156,418	208,290	265,075	2,257,223	1,176,011	450,539	-	4,513,556	
Liabilities									
Deposits from customers	1,489,265	662,982	187,788	-	-	-	-	2,340,035	3.70
Deposits and placements of banks and other financial institutions	942,953	100,300	302,822	-	-	-	-	1,346,075	3.55
Derivative liabilities	-	-	-	-	-	-	117	117	-
Other liabilities	-	-	-	-	-	81,801	-	81,801	-
Total liabilities	2,432,218	763,282	490,610	-	-	81,801	117	3,768,028	

* ECL allowance

37. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risks (cont'd.)

Bank 2018 (cont'd.)	Non-trading book Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Shareholder's equity	-	-	-	-	-	776,600	-	776,600	-
Total liabilities and shareholder's equity	2,432,218	763,282	490,610	-	-	858,401	117	4,544,628	
On-balance sheet interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,011	(407,862)	(117)	(31,072)	
Total interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,011	(407,862)	(117)	(31,072)	

37. Financial risk management objectives and policies (cont'd.)

(c) Operational risks

Operational risks are the risks of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group and the Bank have established appropriate policies and procedures with the objective to minimise losses arising from operational risks. Policies and procedures are based on the principles of dual control, segregation of duties, independent checks and verification process, empowerment through a defined authority structure and limits as well as maintaining back-up procedures for key activities, and the need for contingency planning.

(d) Liquidity risk

Liquidity risk is defined as the risk of losses arising from the inability to meet cash flow obligations in a timely and cost effective manner. It appears in two (“2”) forms as follow:

- Funding liquidity risk
  The risk in which the Group and the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank.

- Market liquidity risk
  The risk that the Group and the Bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.

It is also the Group’s and the Bank's policy to maintain sufficient liquidity and cash flow to fund daily operations and to meet its obligations to depositors, borrowers and clients. Cash flows are analysed to ascertain any funding shortfall and measures are taken to address the liquidity gap. All fund raising exercises are reviewed and approved by the Board of Directors of the Bank.

Liquidity risks are being managed by the Bank’s ALCO. The ALCO reviews and monitors the liquidity position using “Bank Negara Malaysia’s Liquidity Framework for Investment Banking” that is based on the behavioural cash flow of assets, liabilities and off-balance sheet commitments.

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

The table below summarises the maturity profile of the Group's and of the Bank's assets and liabilities as at reporting date based on remaining contractual maturity:

Group **2019**	**On demand RM'000**	**Under 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 to 5 years RM'000**	**>5 years RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	38,637	534,900	-	-	-	-	573,537
Financial investments at FVOCI	4,260	199,724	-	401,462	356,439	455,045	1,416,930
Financial investments at amortised cost	59,581	5,000	19,992	311,536	1,759,447	435,272	2,590,828
Loans, advances and financing	7,520	113,129	265,891	64,985	31,588	72,032	555,145
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	108,016	108,016
Other assets	3,525	22,854	11,424	9,203	14,729	4,094	65,829
Total assets	113,523	875,607	297,307	787,186	2,162,203	1,074,459	5,310,285
Liabilities							
Deposits from customers	4,774	1,736,343	856,382	837,656	34,000	-	3,469,155
Deposits and placements of banks and other financial institutions	2,169	453,864	321,362	176,521	-	-	953,916
Derivative liabilities	-	-	-	-	786	-	786
Other liabilities	4,361	35,579	18,556	8,907	463	1,888	69,754
Total liabilities	11,304	2,225,786	1,196,300	1,023,084	35,249	1,888	4,493,611
Net maturity mismatch	102,219	(1,350,179)	(898,993)	(235,898)	2,126,954	1,072,571	816,674

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

Group 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	56,746	49,000	-	-	-	-	105,746
Financial assets at FVTPL	-	-	-	-	11	-	11
Financial investments at FVOCI	4,324	-	-	90,087	394,685	436,678	925,774
Financial investments at amortised cost	-	5,000	9,998	174,929	1,828,211	766,963	2,785,101
Loans, advances and financing	58,519	-	349,710	59	33,385	42,681	484,354
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	127,220
Other assets	3,944	45,877	5,436	16,436	11,178	3,301	86,172
Total assets	123,533	99,877	365,144	281,511	2,267,470	1,376,843	4,514,378
Liabilities							
Deposits from customers	15,578	1,489,265	662,982	156,210	16,000	-	2,340,035
Deposits and placements of banks and other financial institutions	5,724	941,428	100,300	298,623	-	-	1,346,075
Derivative liabilities	-	-	-	-	117	-	117
Other liabilities	1,903	60,005	8,069	9,029	1,161	1,628	81,795
Total liabilities	23,205	2,490,698	771,351	463,862	17,278	1,628	3,768,022
Net maturity mismatch	100,328	(2,390,821)	(406,207)	(182,351)	2,250,192	1,375,215	746,356

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

Bank 2019	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	36,364	534,900	-	-	-	-	571,264
Financial investments at FVOCI	4,260	199,724	-	401,462	356,439	455,045	1,416,930
Financial investments at amortised cost	59,581	5,000	19,992	311,536	1,759,447	435,272	2,590,828
Loans, advances and financing	7,520	113,129	265,891	64,985	31,588	72,032	555,145
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	108,016	108,016
Other assets	5,753	22,854	11,424	9,203	14,729	4,094	68,057
Total assets	113,478	875,607	297,307	787,186	2,162,203	1,074,459	5,310,240
Liabilities							
Deposits from customers	4,774	1,736,343	856,382	837,656	34,000	-	3,469,155
Deposits and placements of banks and other financial institutions	2,169	453,864	321,362	176,521	-	-	953,916
Derivative liabilities	-	-	-	-	786	-	786
Other liabilities	4,360	35,579	18,556	8,910	463	1,888	69,756
Total liabilities	11,303	2,225,786	1,196,300	1,023,087	35,249	1,888	4,493,613
Net maturity mismatch	102,175	(1,350,179)	(898,993)	(235,901)	2,126,954	1,072,571	816,627

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

Bank 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	56,426	49,000	-	-	-	-	105,426
Financial assets at FVTPL	-	-	-	-	11	-	11
Financial investments at FVOCI	4,324	-	-	90,087	394,685	436,678	925,774
Financial investments at amortised cost	-	5,000	9,998	174,929	1,828,211	766,963	2,785,101
Loans, advances and financing	58,519	-	349,710	59	33,385	42,681	484,354
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	127,220
Other assets	4,199	45,877	5,436	16,436	11,178	3,301	86,427
Total assets	123,468	99,877	365,144	281,511	2,267,470	1,376,843	4,514,313
Liabilities							
Deposits from customers	15,578	1,489,265	662,982	156,210	16,000	-	2,340,035
Deposits and placements of banks and other financial institutions	5,724	941,428	100,300	298,623	-	-	1,346,075
Derivative liabilities	-	-	-	-	117	-	117
Other liabilities	1,902	60,005	8,069	9,036	1,161	1,628	81,801
Total liabilities	23,204	2,490,698	771,351	463,869	17,278	1,628	3,768,028
Net maturity mismatch	100,264	(2,390,821)	(406,207)	(182,358)	2,250,192	1,375,215	746,285

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group and the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Bank's deposit retention history.

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

The following table shows the contractual undiscounted cash flows payable for financial liabilities, including unrecognised firm commitments, by remaining contractual maturity. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The financial liabilities in the table below will not agree to the balances reported in the statements of financial position as the table incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Group **2019**	**On demand RM'000**	**Under 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 to 5 years RM'000**	**>5 years RM'000**	**Total RM'000**
Non-derivative financial liabilities							
Deposits from customers	4,891	1,738,586	862,428	853,766	35,610	-	3,495,281
Deposits and placements of banks and other financial institutions	2,190	454,235	322,957	179,935	-	-	959,317
Other financial liabilities	4,361	35,579	18,556	8,907	463	1,888	69,754
	11,442	2,228,400	1,203,941	1,042,608	36,073	1,888	4,524,352
Derivative liabilities							
Interest rate swaps	-	-	-	-	786	-	786
	-	-	-	-	786	-	786
Unrecognised firm commitments							
Other commitments	594,574	-	-	-	-	-	594,574
	594,574	-	-	-	-	-	594,574
Total financial liabilities	606,016	2,228,400	1,203,941	1,042,608	36,859	1,888	5,119,712

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

Group 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	15,638	1,491,155	667,783	159,525	16,788	-	2,350,889
Deposits and placements of banks and other financial institutions	5,784	942,014	100,967	303,397	-	-	1,352,162
Other financial liabilities	1,903	60,005	8,069	9,029	1,161	1,628	81,795
	23,325	2,493,174	776,819	471,951	17,949	1,628	3,784,846
Derivative liabilities							
Interest rate swaps	-	-	-	-	117	-	117
	-	-	-	-	117	-	117
Unrecognised firm commitments							
Other commitments	286,004	-	-	-	-	-	286,004
	286,004	-	-	-	-	-	286,004
Total financial liabilities	309,329	2,493,174	776,819	471,951	18,066	1,628	4,070,967

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

Bank 2019	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	4,891	1,738,586	862,428	853,766	35,610	-	3,495,281
Deposits and placements of banks and other financial institutions	2,190	454,235	322,957	179,935	-	-	959,317
Other financial liabilities	4,360	35,579	18,556	8,910	463	1,888	69,756
	11,441	2,228,400	1,203,941	1,042,611	36,073	1,888	4,524,354
Derivative liabilities							
Interest rate swaps	-	-	-	-	786	-	786
	-	-	-	-	786	-	786
Unrecognised firm commitments							
Other commitments	594,574	-	-	-	-	-	594,574
	594,574	-	-	-	-	-	594,574
Total financial liabilities	606,015	2,228,400	1,203,941	1,042,611	36,859	1,888	5,119,714

37. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risks (cont'd.)

Bank 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	15,638	1,491,155	667,783	159,525	16,788	-	2,350,889
Deposits and placements of banks and other financial institutions	5,784	942,014	100,967	303,397	-	-	1,352,162
Other financial liabilities	1,902	60,005	8,069	9,036	1,161	1,628	81,801
	23,324	2,493,174	776,819	471,958	17,949	1,628	3,784,852
Derivative liabilities							
Interest rate swaps	-	-	-	-	117	-	117
	-	-	-	-	117	-	117
Unrecognised firm commitments							
Other commitments	286,004	-	-	-	-	-	286,004
	286,004	-	-	-	-	-	286,004
Total financial liabilities	309,328	2,493,174	776,819	471,958	18,066	1,628	4,070,973

38. Fair value measurement

(i) Fair values of recognised financial instruments

Set out below is a comparison by class of the carrying amounts and fair value of the financial instruments of the Group and of the Bank, other than those with carrying amounts which are reasonable approximations of fair values:

	2019		2018	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Group and Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Loans advances and financing - staff loans *	403	317	373	387

* Excludes loans, advances and financing with carrying amounts approximating fair value.

The carrying amounts of other financial assets and financial liabilities approximate their fair values due to the relatively short term nature of these financial instruments.

The following methods and assumptions were used to estimate the fair values of each class of financial assets and financial liabilities as disclosed in Note 38(iii):

(ii) Determination of fair values

(a) Financial assets at FVTPL, financial investments at FVOCI and financial investments at amortised cost.

Fair values of securities that are actively traded is derived from quoted bid prices. For non-actively traded securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

Where discounted cash flows method is used, the estimated future cash flow shall include projections from liquidation, realisation of collateral assets or estimates of future operating cash flows. The estimated future cash flows (excluding future ECLs that have not yet been incurred) are discounted using applicable prevailing market or indicative rates of return for a similar instruments at the reporting date.

38. Fair value measurement (cont'd.)

(ii) Determination of fair values (cont'd.)

(b) Derivative assets/liabilities

The fair values of derivative instruments are derived using discounted cash flows method.

(c) Loans, advances and financing

The fair values of variable rate loans, advances and financing are estimated to approximate their carrying values. For fixed rate loans, advances and financing, the fair values are estimated based on expected future cash flows of contractual installment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles.

In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. Fair value measurement (cont'd.)

(iii) Fair value hierarchy (cont'd.)

Group and Bank	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2019				
Assets measured at fair value				
Financial investments at FVOCI				
- Money market instruments	-	1,048,302	-	1,048,302
- Unquoted instruments	-	364,368	4,260	368,628
Assets for which fair values are disclosed:				
Loans, advances and financing - staff loans	-	317	-	317
Liability measured at fair value				
Derivative liabilities	-	786	-	786

38. Fair value measurement (cont'd.)

(iii) Fair value hierarchy (cont'd.)

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Assets measured at fair value				
Financial assets at FVTPL				
- Money market instruments	-	-	11	11
Financial investments at FVOCI				
- Money market instruments	-	720,075	-	720,075
- Unquoted instruments	-	201,375	4,324	205,699
Assets for which fair values are disclosed:				
Loans, advances and financing - staff loans	-	387	-	387
Liability measured at fair value				
Derivative liabilities	-	117	-	117

There was no transfer between Level 1 and Level 2 of the fair value hierarchy during the financial year.

38. Fair value measurement (cont'd.)

(iii) Fair value hierarchy (cont'd.)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Financial investments at FVOCI		
Unquoted instruments		
At 1 January	4,324	136,692
Total loss recognised in profit or loss		
Included within impairment loss made on instruments	(64)	(14,435)
	(64)	(14,435)
Settlements	-	(117,933)
At 31 December	4,260	4,324

Changing one or more of the unobservable inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

39. Capital management

The Group's and the Bank's objectives when managing capital are to maintain a strong capital base and safeguard the Group's and the Bank's ability to continue as a going concern, so as to maintain investor, creditor/fund provider and market confidence and to sustain future development of the business.

The review of capital requirements for the Group and the Bank is based on the following requirements and consideration:

(a) Minimum statutory capital requirements pursuant to the prescriptive capital framework issued by Bank Negara Malaysia, the Securities Commission and/or other regulatory authorities;

(b) Capital efficiency measured by the Return of Equity ("ROE") ratio; and

(c) Funding requirements for business operations.

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios in the Basel II and Basel III Framework established by the Basel Committee on Banking Supervision and adopted by Bank Negara Malaysia in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains healthy capital ratios in order to support its business and to maximise shareholder's value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholder, return capital to shareholder or issue capital securities. No changes have been made in the objectives, policies and processes from the previous years. It is, however, under constant scrutiny of the Board of the Bank.

The Bank has complied in full with all its externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

39. Capital management (cont'd.)

(i) The capital adequacy ratio of the Group and of the Bank are as follows:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tier 1 Capital				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	369,111	369,111	369,111	369,111
Regulatory reserve	17,430	19,389	17,430	19,389
FVOCI reserve	3,687	(2,114)	3,687	(2,114)
Retained profits	429,362	390,271	429,321	390,214
	819,590	776,657	819,549	776,600
Less: Regulatory adjustments	(25,808)	(30,790)	(25,808)	(30,790)
Total CET1 Capital	793,782	745,867	793,741	745,810
Total Tier 1 Capital	**793,782**	**745,867**	**793,741**	**745,810**
Tier 2 Capital				
Loss provision/loss provision and regulatory reserve	16,745	14,311	16,767	14,314
Total Tier 2 capital	**16,745**	**14,311**	**16,767**	**14,314**
Total Capital	**810,527**	**760,178**	**810,508**	**760,124**
CET1 Capital Ratio	52.180%	55.454%	52.116%	55.442%
Tier 1 Capital Ratio	52.180%	55.454%	52.116%	55.442%
Total Capital Ratio	53.280%	56.518%	53.217%	56.506%

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total risk-weighted assets for credit risk	1,339,585	1,144,906	1,341,358	1,145,097
Total risk-weighted assets equivalent for market risk	14,927	22,359	14,927	22,359
Total risk-weighted assets equivalent for operational risk	166,741	177,761	166,741	177,761
	1,521,253	1,345,026	1,523,026	1,345,217

40. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Related amount not set off in the statement of financial position		
Group	**Gross amount of recognised financial assets/ financial liabilities RM'000**	**Gross amount set off in the statements of financial position RM'000**	**Net amount presented in the statements of financial position RM'000**	**Amount related to recognised financial instruments RM'000**	**Amount related to financial collateral RM'000**	**Net amount RM'000**
2019						
Other assets	85,647	(7,129)	78,518	-	-	78,518
Other liabilities	92,474	(7,129)	85,345	-	-	85,345
Derivative liabilities	(786)	-	(786)	-	-	(786)
2018						
Other assets	121,167	(12,861)	108,306	-	-	108,306
Other liabilities	98,814	(12,861)	85,953	-	-	85,953
Derivative liabilities	(117)	-	(117)	-	-	(117)

40. Offsetting financial assets and financial liabilities (cont'd)

				Related amount not set off in the statement of financial position		
Bank	**Gross amount of recognised financial assets/ financial liabilities RM'000**	**Gross amount set off in the statements of financial position RM'000**	**Net amount presented in the statements of financial position RM'000**	**Amount related to recognised financial instruments RM'000**	**Amount related to financial collateral RM'000**	**Net amount RM'000**
2019						
Other assets	87,875	(7,129)	80,746	-	-	80,746
Other liabilities	92,473	(7,129)	85,344	-	-	85,344
Derivative liabilities	(786)	-	(786)	-	-	(786)
2018						
Other assets	121,422	(12,861)	108,561	-	-	108,561
Other liabilities	98,813	(12,861)	85,952	-	-	85,952
Derivative liabilities	(117)	-	(117)	-	-	(117)

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and

(ii) cash or securities are received or cash pledged in respect of the transaction described above.

41. The operations of Islamic Banking Scheme (SPI)

The state of affairs at 31 December 2019 and results for the financial year ended on this date under the Islamic banking business ("SPI") of the Group and of the Bank are summarised as follows:

Statements of financial position as at 31 December 2019

		Group and Bank	
		2019	**2018**
	Note	**RM'000**	**RM'000**
Assets			
Cash and short-term funds	(a)	416,493	49,711
Financial investments at FVOCI	(b)	1,268,607	562,844
Financial investments at amortised cost	(c)	2,220,744	1,595,508
Financing and advances	(d)	168,610	127,048
Other assets	(e)	31,640	23,153
Intangible assets	(f)	121	491
Deferred tax assets	(g)	18	1,529
Total assets		4,106,233	2,360,284
Liabilities			
Deposits from customers	(h)	2,595,861	1,118,904
Deposits and placements of banks and other financial institutions	(i)	795,614	603,055
Other liabilities	(j)	73,612	58,877
Provision for taxation and zakat		10,566	-
Total liabilities		3,475,653	1,780,836
Islamic banking capital funds			
Islamic banking funds		396,600	396,600
Reserves		233,980	182,848
Total Islamic banking capital funds		630,580	579,448
Total liabilities and Islamic banking capital funds		4,106,233	2,360,284
Commitment and contigencies	(u)	382,256	122,340

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

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Statements of profit or loss
For the financial year ended 31 December 2019

	Note	Group and Bank 2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds	(k)	122,743	85,973
Income derived from Islamic Banking funds	(l)	19,334	22,621
Impairment loss written back/(made) on financing and advances	(m)	10,803	(32,591)
Impairment loss written back/(made) on financial investments	(n)	4,252	(7,225)
Impairment loss (made)/written back on other assets	(o)	(1,168)	295
Total attributable income		155,964	69,073
Income attributable to depositors	(p)	(88,611)	(70,021)
Net income attributable to reporting institution		67,353	(948)
Staff costs	(q)	(3,501)	(1,879)
Other operating expenses	(r)	(2,635)	(1,993)
Profit/(loss) before taxation and zakat		61,217	(4,820)
Taxation	(s)	(10,724)	1,382
Zakat		(1,302)	-
Profit/(loss) for the financial year		49,191	(3,438)

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

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Statements of comprehensive income
For the financial year ended 31 December 2019

	Group and Bank	
	2019	2018
	RM'000	RM'000
Profit/(loss) for the financial year	49,191	(3,438)
Other comprehensive income/(loss):		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in allowance for ECL for investments at FVOCI	39	40
Net gain on financial investments at FVOCI		
- Transfer of gain to profit or loss upon disposal	(8,422)	(2,047)
- Fair value changes	10,912	2,337
	2,529	330
Income tax relating to net gain on financial investments at FVOCI (Note 41(g))	(588)	(70)
	(588)	(70)
Other comprehensive income for the financial year	1,941	260
Total comprehensive income/(loss) for the financial year	51,132	(3,178)

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Statements of changes in equity
For the financial year ended 31 December 2019

	<------ Non-distributable			------>	Distributable	
Group and Bank	**Islamic banking funds RM'000**	**Regulatory reserve RM'000**	**Securities available-for-sale reserve RM'000**	**FVOCI reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2019	396,600	9,982	-	1,198	171,668	579,448
Profit for the financial year	-	-	-	-	49,191	49,191
Other comprehensive income	-	-	-	1,941	-	1,941
Total comprehensive income for the financial year	-	-	-	1,941	49,191	51,132
Transaction with owner						
Transfer to regulatory reserve	-	(2,379)	-	-	2,379	-
At 31 December 2019	396,600	7,603	-	3,139	223,238	630,580
At 1 January 2018	396,600	-	(5,506)	-	186,879	577,973
Effects of adoption of MFRS 9	-	8,327	5,506	938	(10,118)	4,653
At 1 January 2018, restated	396,600	8,327	-	938	176,761	582,626
Loss for the financial year	-	-	-	-	(3,438)	(3,438)
Other comprehensive income	-	-	-	260	-	260
Total comprehensive income/(loss) for the financial year	-	-	-	260	(3,438)	(3,178)
Transaction with owner						
Transfer to regulatory reserve	-	1,655	-	-	(1,655)	-
At 31 December 2018	396,600	9,982	-	1,198	171,668	579,448

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Statements of cash flows
For the financial year ended 31 December 2019

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit/(loss) before taxation and zakat	61,217	(4,820)
Adjustments for:		
Amortisation of intangible assets	356	369
Accretion of discount less amortisation of premium	(4,961)	(15,379)
Net gain on sale of financial assets at FVTPL	(5,879)	(2,232)
Net gain on sale of financial investments at FVOCI	(8,422)	(2,047)
Net gain on sale of financial investments at amortised cost	(97)	-
Over recognition of intangible assets	14	-
Impairment loss (written back)/made on:		
- Financing and advances	(10,803)	32,591
- Financial investments	(4,252)	7,225
- Other assets	1,168	(295)
Operating profit before working capital changes	28,341	15,412
(Increase)/decrease in operating assets:		
- Financial investments	(1,304,859)	(150,398)
- Other assets	(9,655)	(9,711)
- Financing and advances	(30,759)	7,876
Increase in operating liabilities:		
- Deposits from customers, deposits and placements of banks and other financial institutions	1,669,516	141,819
- Other liabilities	14,198	7,315
Cash generated from operations	366,782	12,313
Zakat paid	-	(1,454)
Net cash generated from operating activities	366,782	10,859
Net increase in cash and cash equivalents	366,782	10,859
Cash and cash equivalents at 1 January	49,711	38,852
Cash and cash equivalents at 31 December	416,493	49,711
Cash and cash equivalents comprise of:		
Cash and short-term funds (Note 41(a))	416,493	49,711

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

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(a) Cash and short-term funds

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	1,493	711
Money at call and deposit placements maturing within one month	415,000	49,000
	416,493	49,711

(b) Financial investments at FVOCI

	Group and Bank	
	2019 RM'000	2018 RM'000
Money market instruments:		
Government Investment Issues	715,384	432,327
Islamic Negotiable Instruments	199,724	-
	915,108	432,327
Corporate Sukuk	353,499	130,517
	1,268,607	562,844

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(b) Financial investments at FVOCI (cont'd.)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages. The amounts presented are gross of ECL allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2019			
Superior	1,011,247	-	1,011,247
Strong	257,360	-	257,360
Unacceptable	-	8,112	8,112
	1,268,607	8,112	1,276,719
31 December 2018			
Superior	457,064	-	457,064
Very strong	15,050	-	15,050
Strong	25,093	-	25,093
Good	65,637	-	65,637
Unacceptable	-	8,112	8,112
	562,844	8,112	570,956

An analysis of changes in the corresponding ECL allowances in relation to FVOCI is, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2019	40	8,112	8,152
Made (Note 41(n))	39	-	39
At 31 December 2019	79	8,112	8,191
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
- Transfer from individual impairment allowance	-	8,839	8,839
At 1 January 2018, restated	-	8,839	8,839
Made (Note 41(n))	40	8,112	8,152
Written off	-	(8,839)	(8,839)
At 31 December 2018	40	8,112	8,152

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(c) Financial investments at amortised costs

	Group and Bank 2019 RM'000	2018 RM'000
Money market instruments:		
Government Investment Issues	664,733	474,299
Corporate Sukuk	1,556,869	1,121,460
	2,221,602	1,595,759
Less: ECL allowance	(858)	(251)
	2,220,744	1,595,508

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages. The amounts presented are gross of ECL allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2019				
Superior	1,541,011	-	-	1,541,011
Strong	526,252	-	-	526,252
Fair	-	99,350	-	99,350
Unacceptable	-	-	54,989	54,989
	2,067,263	99,350	54,989	2,221,602
31 December 2018				
Superior	936,033	-	-	936,033
Very strong	244,474	-	-	244,474
Strong	79,995	-	-	79,995
Good	270,260	-	-	270,260
Unacceptable	-	-	64,997	64,997
	1,530,762	-	64,997	1,595,759

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(c) Financial investments at amortised costs (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to amortised cost is, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	1,530,762	-	64,997	1,595,759
New assets purchased	706,406	-	-	706,406
Assets derecognised or matured (excluding written off)	(70,816)	-	(8)	(70,824)
Transfers to Stage 2	(99,089)	99,089	-	-
Impact on year end ELCs of exposure transferred between stages during the year	-	261	-	261
Recoveries	-	-	(10,000)	(10,000)
As at 31 December 2019	2,067,263	99,350	54,989	2,221,602
Gross carrying amount as at 1 January 2018	-	-	-	-
Effects of adopting of MFRS 9	1,246,585	-	69,994	1,316,579
Gross carrying amount as at 1 January 2018, restated	1,246,585	-	69,994	1,316,579
New assets purchased	475,167	-	-	475,167
Assets derecognised or matured (excluding written off)	(190,990)	-	(4,997)	(195,987)
As at 31 December 2018	1,530,762	-	64,997	1,595,759

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
At 1 January 2019	251	-	251
Transfers	(8)	8	-
Made	-	663	663
Written back	(56)	-	(56)
At 31 December 2019	187	671	858
At 1 January 2018	-	-	-
Efffects of adoption of MFRS 9			
- Remeasurement under ECL	290	-	290
At 1 January 2018, restated	290	-	290
Written back	(39)	-	(39)
At 31 December 2018	251	-	251

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances

	Group and Bank 2019 RM'000	2018 RM'000
Term financing		
- Syndicated term financing	72,671	163,238
- Other term financing	97,366	-
Gross financing and advances	170,037	163,238
Less: ECL allowance	(1,427)	(36,190)
Net financing and advances	168,610	127,048

The Group and the Bank operate principally in Malaysia and hence, disclosure of information by geographical area is not presented.

(a) Gross financing and advances

(i) By types of customer

	Group and Bank 2019 RM'000	2018 RM'000
Domestic business enterprises	170,037	77,038
Foreign business enterprises	-	86,200
Gross financing and advances	170,037	163,238

(ii) By profit rate sensitivity

	Group and Bank 2019 RM'000	2018 RM'000
Variable rate		
Cost-plus	170,037	163,238
Gross financing and advances	170,037	163,238

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(a) Gross financing and advances (cont'd.)

(iii) By economic sector

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Mining and quarrying	-	86,200
Manufacturing	13,249	-
Construction	59,422	42,816
Finance, insurance and business services	97,366	34,222
Gross financing and advances	170,037	163,238

(iv) By maturity profile

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Within one year	65,699	86,510
One year to five years	31,918	34,068
After five years	72,420	42,660
Gross financing and advances	170,037	163,238

(v) By classification of Shariah contracts

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Syndicated term financing		
Commodity Murabahah	170,037	163,238
Gross financing and advances	170,037	163,238

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(b) Impaired financing and advances ("IF")

(i) Movements in IF are as follows:

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
At 1 January/31 December	86,200	86,200
Recovered	(62,899)	-
Written off	(23,301)	-
At 31 December	-	86,200
Less: ECL allowance	-	(35,249)
Net IF	-	50,951
Ratio of net IF to gross financing and advances less ECL allowance	0.00%	39.81%

(ii) IF by economic sector:

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Mining and quarrying	-	86,200
	-	86,200

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(c) Movement in impairment allowances by class of financial assets

(i) ECL allowance

Term financing

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages. The amounts presented are gross of ECL allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2019			
Strong	59,422	-	59,422
Good	78,690	-	78,690
Fair	31,925	-	31,925
	170,037	-	170,037
31 December 2018			
Very strong	34,222	-	34,222
Fair	42,816	-	42,816
Unacceptable	-	86,200	86,200
	77,038	86,200	163,238

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(c) Movement in impairment allowances by class of financial assets (cont'd.)

(i) ECL allowance (cont'd.)

Term financing (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term financing is, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	77,038	86,200	163,238
New assets originated	127,221	-	127,221
Assets derecognised or repaid (excluding written off)	(34,222)	(62,899)	(97,121)
Amounts written off	-	(23,301)	(23,301)
As at 31 December 2019	170,037	-	170,037
Gross carrying amount as at 1 January 2018	170,104	-	170,104
New assets originated	42,816	-	42,816
Assets derecognised or repaid (excluding written off)	(49,682)	-	(49,682)
Transfers to Stage 3	(86,200)	86,200	-
As at 31 December 2018	77,038	86,200	163,238

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(c) Movement in impairment allowances by class of financial assets (cont'd.)

(i) ECL allowance (cont'd.)

Term financing (cont'd.)

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2019	941	35,249	36,190
Transfer	362	-	362
Made	332	-	332
Written back	(208)	(11,948)	(12,156)
Written off	-	(23,301)	(23,301)
At 31 December 2019	1,427	-	1,427
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
- Transfer from collective impairment allowance	2,589	-	2,589
- Remeasurement under ECL	(871)	-	(871)
At 1 January 2018, restated	1,718	-	1,718
Transfer	1,881	-	1,881
Made	-	35,249	35,249
Written back	(2,658)	-	(2,658)
At 31 December 2018	941	35,249	36,190

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(e) Other assets

		Group and Bank	
	Note	**2019**	**2018**
		RM'000	**RM'000**
Other debtors, deposits and prepayments		2,854	813
Less: ECL allowance	(a)	(1,168)	(553)
		1,686	260
Profit receivables		29,954	22,893
		31,640	23,153

(a) Other debtors, deposits and prepayments

Movement in ECL allowance

	Group and Bank	
	2019	**2018**
Group and Bank	**RM'000**	**RM'000**
At 1 January	553	-
Effects of adoption of MFRS 9		
- Transfer from individual impairment allowance	-	1,327
- Remeasurement under ECL	-	1
At 1 January, restated	553	1,328
Made (Note 41(o))	1,259	67
Written back (Note 41(o))	-	(362)
Write off	(644)	(480)
At 31 December	1,168	553

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(f) Intangible assets

Group and Bank	Computer software RM'000	Total RM'000
Cost		
At 1 January 2019	1,105	1,105
Over recognition	(14)	(14)
At 31 December 2019	1,091	1,091
At 1 January 2018	1,105	1,105
Additions	-	-
At 31 December 2018	1,105	1,105
Accumulated amortisation		
At 1 January 2019	614	614
Amortisation	356	356
At 31 December 2019	970	970
At 1 January 2018	245	245
Amortisation	369	369
At 31 December 2018	614	614
Net book value		
At 31 December 2019	121	121
At 31 December 2018	491	491

(g) Deferred tax

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 January	1,529	2,253
Effects of adoption of MFRS 9	-	(2,036)
At 1 January, restated	1,529	217
Recognised in profit or loss (Note 41(s))	(923)	1,382
Recognised in other comprehensive income	(588)	(70)
At 31 December	18	1,529

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(g) Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Deferred tax assets	972	1,895
Deferred tax liabilities	(954)	(366)
	18	1,529

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets

Group and Bank	Unutilised tax losses RM'000	Revaluation of FVOCI RM'000	ECL allowance RM'000	Provision for liabilities* RM'000	Total RM'000
At 1 January 2019	1,327	-	428	140	1,895
Recognised in profit or loss	(1,327)	-	247	157	(923)
At 31 December 2019	-	-	675	297	972
At 1 January 2018	-	1,740	318	195	2,253
Effects of adoption of MFRS 9	-	(2,036)	-	-	(2,036)
At 1 January 2018, restated	-	(296)	318	195	217
Recognised in profit or loss	1,327	-	110	(55)	1,382
Recognised in other comprehensive income	-	296	-	-	296
At 31 December 2018	1,327	-	428	140	1,895

* includes provision for bonus.

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(g) Deferred tax (cont'd.)

Deferred tax assets is offset when there is a legally enforceable right set off current tax assets against current tax liabilities and when the deferred taxes relates to the same taxation authority.

Deferred tax liabilities

Group and Bank	Revaluation of FVOCI RM'000	Total RM'000
At 1 January 2018	(366)	(366)
Recognised in other comprehensive income	(588)	(588)
At 31 December 2019	(954)	(954)
At 1 January 2018	-	-
Recognised in other comprehensive income	(366)	(366)
At 31 December 2018	(366)	(366)

(h) Deposits from customers

	Group and Bank 2019 RM'000	2018 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	2,595,861	1,118,904
(ii) By types of customer		
Commodity Murabahah fund		
Business enterprises	957,095	738,187
Government and statutory bodies	1,638,766	380,717
	2,595,861	1,118,904
(iii) The maturity structure of term deposits is as follows:		
Due within six months	2,306,688	1,068,904
Six months to one year	255,173	50,000
One year to two years	34,000	-
	2,595,861	1,118,904

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(i) Deposits and placements of banks and other financial institutions

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	795,614	603,055
(ii) By types of customer		
Commodity Murabahah fund		
Other financial institutions	795,614	603,055

(j) Other liabilities

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Profit payable to depositors		22,035	11,407
Sundry creditors and accruals		4,650	3,772
ECL allowances on financing and advances commitments and financial investments	(a)	1,152	490
Amount due to immediate holding company		104	23
Amount due to Head Office		45,671	43,185
		73,612	58,877

(a) Movements in the ECL allowances on financing and advances commitments and financial investments are as follows:

Group and Bank	Financing and advances commitments RM'000	Financial investments RM'000	Total RM'000
Stage 1 Collective			
At 1 January 2019	490	-	490
Transfer	(362)	-	(362)
Impairment made during the financial year	1,021	3	1,024
At 31 December 2019	1,149	3	1,152
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
- Remeasurement under ECL	2,371	-	2,371
At 1 January 2018, restated	2,371	-	2,371
Transfer	(1,881)	-	(1,881)
At 31 December 2018	490	-	490

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(k) Income derived from investment of depositors' funds

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Finance income and hibah		
Financing and advances	4,325	5,154
Money at call and deposit placements with financial institutions	6,410	3,441
Financial assets at FVTPL	79	-
Financial investments at FVOCI		
- Profit on non-impaired instruments	29,770	11,754
Financial investments at amortised cost		
- Profit on non-impaired instruments	64,736	49,897
	105,320	70,246
Accretion of discount less amortisation of premium	4,465	12,303
Total finance income and hibah	109,785	82,549
Other operating income		
Net gain on sale of financial assets at FVTPL	5,291	1,786
Net gain on sale of financial investments at FVOCI	7,580	1,638
Net gain on sale of financial investments at amortised cost	87	-
	12,958	3,424
	122,743	85,973

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(l) Income derived from investment of Islamic Banking Funds

	Group and Bank	
	2019	2018
	RM'000	RM'000
Finance income and hibah:		
Financing and advances	481	1,288
Money at call and deposit placements with financial institutions	712	860
Financial assets at FVTPL	9	-
Financial investments at FVOCI		
- Profit on non-impaired instruments	3,308	2,939
Financial investments at amortised cost		
- Profit on non-impaired instruments	7,193	12,474
	11,703	17,561
Accretion of discount less amortisation of premium	496	3,076
Total finance income and hibah	12,199	20,637
Other operating income:		
Net gain on sale of financial assets at FVTPL	588	446
Net gain on sale of financial investments at FVOCI	842	409
Net gain on sale of financial investments at amortised cost	10	-
	1,440	855
Fees and others:		
Fee income	5,692	1,008
Other income	3	121
	5,695	1,129
	19,334	22,621

(m) Impairment loss written back/(made) on financing and advances

	Group and Bank	
	2019	2018
	RM'000	RM'000
ECL allowance		
- Written back/(made) in the financial year	10,803	(32,591)
	10,803	(32,591)

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(n) Impairment loss written back/(made) on financial investments

	Group and Bank 2019 RM'000	2018 RM'000
Financial investments at FVOCI (Note 41(b))	(39)	(8,152)
Financial investments at amortised costs	(610)	39
Profit on impaired financial investments recovered	4,901	888
	4,252	(7,225)

(o) Impairment loss (made)/written back on other assets

	Group and Bank 2019 RM'000	2018 RM'000
Other debtors		
- (Made)/written back in the financial year (net) (Note 41(e)(a))	(1,259)	295
Bad debts written off	91	-
	(1,168)	295

(p) Income attributable to depositors

	Group and Bank 2019 RM'000	2018 RM'000
Commodity Murabahah fund		
Deposits from customers	66,613	36,476
Deposits and placements of banks and other financial institutions	21,998	33,545
	88,611	70,021

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(q) Staff costs

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Wages, salaries & bonuses	2,836	1,453
Social security costs	11	11
Defined contribution plan	533	283
Other staff related expenses	121	132
	3,501	1,879

(r) Other operating expenses

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
(i) Establishment costs		
Amortisation of intangible assets	356	369
Rental		
- office equipment ^	4	3
- premises *	141	140
IT expenses	259	229
Others	36	36
	796	777
(ii) Promotion and marketing-related expenses		
Business promotion and advertisement	3	2
Entertainment	26	14
	29	16
(iii) Administrative and general expenses		
Audit fees	22	22
Non-Executive Directors' remuneration	68	62
Management fees	1,350	495
Professional fees	67	62
Brokerage fees	263	427
Others	40	132
	1,810	1,200
	2,635	1,993

^ Expense relating to leases of low-value assets.
* Expense relating to short-term leases.

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(s) Taxation

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Income tax:		
- Current financial year	9,801	-
	9,801	-
Deferred tax (Note 41(g)):		
- Relating to origination and reversal of temporary differences	923	(1,171)
- Over provision in prior years	-	(211)
	923	(1,382)
Tax expense/(credit) for the financial year	10,724	(1,382)

A reconciliation of income tax expense/(credit) applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Bank is as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Profit/(loss) before taxation	61,217	(4,820)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	14,692	(1,157)
Utilisation of capital allowance previously not recognised	-	(27)
Utilisation of prior year unutilised tax losses	(4,195)	-
Expenses not deductible for tax purposes	227	13
Over provision of deferred tax in prior years	-	(211)
Tax expense/(credit) for the financial year	10,724	(1,382)

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(t) Net income from Islamic Banking

For consolidation with conventional business, net income from operations of Islamic Banking comprises the followings:

	Group and Bank	
	2019	(4,820)
	RM'000	RM'000
Income derived from investment of depositors' funds	122,743	85,973
Income derived from investment of Islamic Banking Funds	19,334	22,621
	142,077	108,594
Less: Income attributable to depositors	(88,611)	(70,021)
	53,466	38,573

(u) Commitments and contigencies

	<------------------ 2019	----------------->		<------------------ 2018	----------------->	
Group and Bank	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	259,674	51,935	51,935	-	-	-
- exceeding one year	122,582	61,291	61,291	122,340	61,170	61,170
Total	382,256	113,226	113,226	122,340	61,170	61,170

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

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(v) Yield/profit rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market yield/profit rates on its financial position and cash flows. The following table indicates the EIR at the reporting date and the periods in which they reprice or mature, whichever is earlier.

	<------- Non-trading book ------->							Effective
Group and Bank	**Up to 1 month**	**> 1 - 3 months**	**>3 - 12 months**	**> 1 - 5 years**	**> 5 years**	**Non-interest sensitive**	**Total**	**interest rate**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets								
Cash and short-term funds	-	-	-	-	-	416,493	416,493	-
Financial investments at FVOCI	199,724	-	391,350	264,670	412,863	-	1,268,607	3.44
Financial investments at amortised cost	5,000	19,992	305,607	1,399,884	435,272	54,989	2,220,744	3.51
Financing and advances								
- non-impaired	155	218	65,326	31,919	72,419	(1,427) *	168,610	8.69
Other assets	-	-	-	-	-	31,629	31,629	-
Total assets	204,879	20,210	762,283	1,696,473	920,554	501,684	4,106,083	
Liabilities								
Deposits from customers	1,286,637	510,631	764,593	34,000	-	-	2,595,861	3.54
Deposits and placements of banks and other financial institutions	395,351	271,091	129,172	-	-	-	795,614	3.35
Other liabilities	-	-	-	-	-	70,999	70,999	-
Total liabilities	1,681,988	781,722	893,765	34,000	-	70,999	3,462,474	

* ECL allowance

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(v) Yield/profit rate risk (cont'd.)

Group and Bank 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	> 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Shareholder's equity	-	-	-	-	-	630,580	630,580	-
Total liabilities and shareholder's equity	1,681,988	781,722	893,765	34,000	-	701,579	4,093,054	
On-balance sheet interest sensitivity gap	(1,477,109)	(761,512)	(131,482)	1,662,473	920,554	(199,895)	13,029	
Total interest sensitivity gap	(1,477,109)	(761,512)	(131,482)	1,662,473	920,554	(199,895)	13,029	

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(v) Yield/profit rate risk (cont'd.)

Group and Bank	<----------	----------	Non-trading book	----------	----------	---------->		Effective
	Up to	> 1 - 3	>3 - 12	> 1 - 5	> 5	Non-interest		interest
	1 month	months	months	years	years	sensitive	Total	rate
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets								
Cash and short-term funds	-	-	-	-	-	49,711	49,711	-
Financial investments at FVOCI	-	-	80,066	332,712	150,066	-	562,844	3.96
Financial investments at amortised cost	5,000	9,998	59,957	952,428	503,128	64,997	1,595,508	4.40
Financing and advances								
- non-impaired	-	309	-	34,069	42,660	(941) *	76,097	6.30
- impaired	-	-	-	-	-	50,951	50,951	-
Other assets	-	-	-	-	-	23,153	23,153	-
Total assets	5,000	10,307	140,023	1,319,209	695,854	187,871	2,358,264	
Liabilities								
Deposits from customers	857,037	161,867	100,000	-	-	-	1,118,904	3.69
Deposits and placements of banks and other financial institutions	335,201	34,854	233,000	-	-	-	603,055	3.62
Other liabilities	-	-	-	-	-	57,241	57,241	-
Total liabilities	1,192,238	196,721	333,000	-	-	57,241	1,779,200	

* ECL allowance

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(v) Yield/profit rate risk (cont'd.)

Group and Bank	<---- Non-trading book					---->		Effective
	Up to	> 1 - 3	>3 - 12	> 1 - 5	> 5	Non-interest		interest
	1 month	months	months	years	years	sensitive	Total	rate
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	579,448	579,448	-
Total liabilities and shareholder's equity	1,192,238	196,721	333,000	-	-	636,689	2,358,648	
On-balance sheet interest sensitivity gap	(1,187,238)	(186,414)	(192,977)	1,319,209	695,854	(448,818)	(384)	
Total interest sensitivity gap	(1,187,238)	(186,414)	(192,977)	1,319,209	695,854	(448,818)	(384)	

41. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(w) Capital adequacy

(i) The capital adequacy ratio of the Group and of the Bank are as follows:

	Group and Bank 2019 RM'000	2018 RM'000
Tier 1 Capital		
Common Equity Tier 1 ("CET1") Capital		
Islamic banking fund	396,600	396,600
Regulatory reserve	7,603	9,982
FVOCI reserve	3,139	1,198
Retained profits	223,238	171,668
	630,580	579,448
Less: Regulatory adjustments	(9,468)	(12,661)
Total CET1 Capital, representing Total Tier 1 Capital	**621,112**	**566,787**
Tier 2 Capital		
Loss provision/loss provision and regulatory reserve	9,590	6,708
Total Tier 2 capital	**9,590**	**6,708**
Total Capital	**630,702**	**573,495**
CET1 Capital Ratio	73.380%	91.859%
Tier 1 Capital Ratio	73.380%	91.859%
Total Capital Ratio	74.513%	92.946%

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows:

	Group and Bank 2019 RM'000	2018 RM'000
Total risk-weighted assets for credit risk	767,193	536,676
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	79,238	80,345
	846,431	617,021