MIDF AMANAH INVESTMENT BANK BERHAD

197501002077 (23878-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2020

197501002077 (23878-X)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Contents	**Page**

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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 2020.

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 11 to the financial statements.

Results

	Group RM'000	Bank RM'000
Profit for the financial year	45,259	45,253

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 2020 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

A single tier interim dividend in respect of the current financial year ended 31 December 2020 of 12.903 sen per share on 155,000,000 ordinary shares, amounting to a net dividend payable of RM20.0 million has been approved by the Board of Directors on 24 February 2021. On 4 June 2021, Bank Negara Malaysia ("BNM") approved this dividend.

The financial statements for the current financial year ended 31 December 2020 do not reflect this proposed dividend. Such dividend, will be accounted for in the financial statements as an appropriation of the retained profits in the next financial year ending 31 December 2021.

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
Encik Azlan Abdullah
Datuk Mohd Nasir Ali
Puan Sri Shahrizan Abdullah (Retired on 17 May 2020)

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 2020 had any interest in the ordinary shares of the Bank or its related companies during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Group and the Bank were a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Group and the Bank or any other body corporate.

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.

Indemnification of Directors and Officers

The Group and the Bank, through the immediate 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 (2019: 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.

During the financial year, the Group and the Bank had made payments amounting to RM53,300 (2019: RM46,600) on insurance premium for indemnity for their directors and officer. Such payments are recognised as an expense in profit or loss as incurred.

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.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the Directors are not aware of any circumstances 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.

Other statutory information (cont'd.)

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

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

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

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability 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 affect the ability of the Group or of the Bank to meet their obligations 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 or of the Bank for the financial year in which this report is made.

Review of 2020

Faced with uncertainty caused by a pandemic that led to economic shocks, Malaysia’s Gross Domestic Product ("GDP") for 2020 contracted by 5.6%. Restrictions on mobility, low oil prices, supply chain disruptions and economic sector closures weighed on economic activity and unemployment during the finanical year. Malaysia’s diversified economic base helped cushion some of the downward growth pressures experienced in Q2 2020 when the quarterly GDP for that period declined by 17.1% year-on-year ("y-o-y").

Activity in the equities market in terms of volume value grew strongly in 2020. Average daily traded value rose by more than 100% to RM4.2 billion in 2020 from RM1.93 billion in 2019. Average daily traded volume almost tripled to 7.32 billion shares from 2.51 billion shares in 2019. Meanwhile, the FBM KLCI index rose +2.4% y-o-y to close at 1,627.21, recovering from the trough at the onset of the Covid-19 pandemic. There were 12 initial public offerings ("IPO") listed in 2020 (2019: 30), with 2 listings in the main board and 10 for the ACE market.

Review of 2020 (cont'd.)

As an effort to mitigate the severe impact of the Covid-19 pandemic on the economy, Bank Negara Malaysia ("BNM") had decided to reduce the Overnight Policy Rate ("OPR") by a total of 125 basis points from 3.00% to 1.75% in 2020. BNM had also reduced the Statutory Reserve Requirement ("SRR") by 100 basis points from 3.00% to 2.00% as a pre-emptive measure to ensure adequate liquidity in the banking system, in-line with its accommodative monetary policy stance. Against the backdrop of favourable rates, net financing to the private sector continued to expand at 4.4% on an annual basis. Total outstanding loans grew by 3.7% attributed to growth in the household and business segments.

Following the decline in the OPR, the benchmark KLIBOR also closed the Year 2020 lower across the board. The 1-, 3-, 6- and 12-month KLIBOR settled at 1.86%, 1.94%, 2.07% and 2.20% respectively as compared to 3.17%, 3.35%, 3.51% and 3.64% as at end of 2019.

Meanwhile, in the fixed income market, the ringgit sovereign bonds continued their strong rally in 2020 as yields declined in tandem with the drop in the OPR. The market also saw increased appetite from foreign players for the ringgit sovereign bonds due to attractive real interest rates relative to negative yielding bonds in some other parts of the world. The 3-, 5- and 10-year Malaysian Government Securities ("MGS") closed the Year 2020 at 1.88%, 2.12% and 2.65% respectively. Overall, the ringgit sovereign bond market was well supported, and similar trends were seen in the corporate bond and sukuk market as well.

Outlook 2021

While near-term growth in 2021 will be affected by the scarring caused by re-introduction of stricter containment measures in early-2021, the impact however is expected to be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards driven by the recovery in global demand for manufactured goods and primary commodities, turnaround in public and private sector expenditure, continued support from policy measures, and higher production from existing and new facilities in the manufacturing and mining sectors. The vaccine roll-out is also expected to boost confidence and lift sentiments. The International Monetary Fund ("IMF") too anticipates global growth of 5.5% in 2021.

On the back of this optimism and a slightly more positive economic outlook, inflation is expected to gradually kick in as the economy recovers. Based on this and as well as higher supply of ringgit sovereign bonds in 2021, bond yields are expected to climb higher. Increasing yields will potentially pave the way for higher re-investment yields. Given this scenario, the trading and investment activities in the local bond markets are expected to remain active whilst maintaining a cautious stance as bond players remain nimble and rebalance their bond portfolio positions. With anticipated strong appetite for ringgit sovereign bonds by both local and foreign players, it is envisaged that the Malaysian bond market will continue to remain vibrant in 2021.

The Bank will remain vigilant in the evolving 2021 operating landscape, whilst maintaining a cautiously optimistic outlook. The Bank will strive to maintain a healthy balance between growth and diligence as it pursues its activities in 2021.

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 of Directors in accordance with a resolution of the Directors dated 21 June 2021.

Datuk Azizan Hj. Abd. Rahman

Dato' Charon Wardini Mokhzani

Kuala Lumpur, Malaysia

197501002077 (23878-X)

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 166 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 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 June 2021.

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 166 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

2 1 JUN 2021

Datuk Joseph Dominic Silva

Before me,

PESURUHJAYA SUMPAH
NO. W 689
EDHAM REZA SHAH BIN DATO' ABDUL RAHMAN
S.A.P, B.K.T
BC/E/160
1 JAN 2021 - 31 DIS 2023
MALAYSIA

Commissioner for Oaths

TETUAN ABDUL RAHMAN & PARTNERS
PEGUAMBELA & PEGUAMCARA
LEVEL 27, MENARA HAW PAR
JALAN SULTAN ISMAIL
50250 KUALA LUMPUR

EY
Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

197501002077 (23878-X)

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 2020 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 165.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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 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 of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

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 of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

197501002077 (23878-X)

**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 judgement 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.

- 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.

197501002077 (23878-X)

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.)

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

Ahmad Qadri Bin Jahubar Sathik
No. 03254/05/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
21 June 2021

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2020

		Group		Bank	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Assets					
Cash and short-term funds	4	321,736	573,537	308,360	571,264
Financial investments at fair value through other comprehensive income ("FVOCI")	5	2,324,776	1,416,930	2,324,776	1,416,930
Financial investments at amortised cost	6	2,299,532	2,590,828	2,299,532	2,590,828
Loans, advances and financing	7	1,369,240	555,145	1,369,240	555,145
Other assets	9	72,022	78,518	85,346	80,746
Statutory deposits with Bank Negara Malaysia	10	104,495	108,016	104,495	108,016
Investment in subsidiaries	11	-	-	-*	-*
Property, plant and equipment	12	446	773	446	773
Intangible assets	13	1,729	2,294	1,729	2,294
Right-of-use asset	14	4,355	-	4,355	-
Deferred tax assets	15	5,281	4,056	5,281	4,056
Total assets		6,503,612	5,330,097	6,503,560	5,330,052
Liabilities					
Deposits from customers	16	4,489,737	3,469,155	4,489,737	3,469,155
Deposits and placements of banks and other financial institutions	17	1,049,399	953,916	1,049,399	953,916
Derivative liabilities	8	86	786	86	786
Other liabilities	18	82,388	85,345	82,385	85,344
Lease liability	14	4,355	-	4,355	-
Provision for tax and zakat		1,586	1,305	1,584	1,302
Total liabilities		5,627,551	4,510,507	5,627,546	4,510,503
Equity					
Share capital	19	369,111	369,111	369,111	369,111
Reserves	20	506,950	450,479	506,903	450,438
Total equity		876,061	819,590	876,014	819,549
Total liabilities and equity		6,503,612	5,330,097	6,503,560	5,330,052
Commitments and contingencies	33	1,057,125	694,574	1,057,125	694,574

* Denotes RM4

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of profit or loss
For the financial year ended 31 December 2020

		Group		Bank	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating revenue	2(t)	289,109	254,498	289,107	254,511
Interest income	21	58,309	87,744	58,309	87,744
Interest expense	22	(31,930)	(69,115)	(31,930)	(69,115)
Net interest income		26,379	18,629	26,379	18,629
Net income from Islamic Banking operation	41(t)	95,755	53,466	95,755	53,466
Non-interest income	23	24,492	25,363	24,446	25,354
		146,626	97,458	146,580	97,449
Staff costs	24	(46,633)	(45,794)	(46,633)	(45,794)
Depreciation and amortisation		(1,308)	(1,916)	(1,308)	(1,916)
Other operating expenses	25	(21,774)	(22,692)	(21,754)	(22,684)
Operating profit before allowances		76,911	27,056	76,885	27,055
Impairment loss (made)/written back on:					
- loans, advances and financing	27	(15,173)	21,100	(15,173)	21,100
- financial investments	28	2,827	3,997	2,827	3,997
- other assets	29	(825)	(1,005)	(825)	(1,005)
Profit before taxation and zakat		63,740	51,148	63,714	51,147
Taxation	30	(16,897)	(12,530)	(16,877)	(12,513)
Zakat		(1,584)	(1,302)	(1,584)	(1,302)
Profit for the financial year		45,259	37,316	45,253	37,332
Earnings per ordinary share (sen)					
- Basic and diluted	31	29.2	24.1		

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

197501002077 (23878-X)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2020

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the financial year	45,259	37,316	45,253	37,332
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	224	35	224	35
Net gain/(loss) on financial investments at FVOCI				
- Transfer of gain to profit or loss upon disposal	(22,065)	(14,665)	(22,065)	(14,665)
- Fair value changes	36,684	22,238	36,684	22,238
	14,843	7,608	14,843	7,608
Income tax relating to net gain on financial investments at FVOCI (Note 15)	(3,528)	(1,807)	(3,528)	(1,807)
	(3,528)	(1,807)	(3,528)	(1,807)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	11,315	5,801	11,315	5,801
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods:				
Re-measurement loss on defined benefit plans (Note 18(b))	(136)	(242)	(136)	(242)
Income tax relating to re-measurement loss on defined benefit plans (Note 15)	33	58	33	58
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(103)	(184)	(103)	(184)
Other comprehensive income for the financial year	11,212	5,617	11,212	5,617
Total comprehensive income for the financial year	56,471	42,933	56,465	42,949

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2020

	<------------ Non-distributable		------------>	Distributable	
Group	**Share capital RM'000**	**Regulatory reserve RM'000**	**FVOCI reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2020	369,111	17,430	3,687	429,362	819,590
Profit for the financial year	-	-	-	45,259	45,259
Other comprehensive income/(loss)	-	-	11,315	(103)	11,212
Total comprehensive income for the financial year	-	-	11,315	45,156	56,471
Transaction with owner					
Transfer from regulatory reserve	-	(1,106)	-	1,106	-
At 31 December 2020	369,111	16,324	15,002	475,624	876,061
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
	Note 19	Note 20(a)	Note 20(b)		

197501002077 (23878-X)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2020 (cont'd.)

Bank	**<-------------------- Non-distributable --------------------> Share capital RM'000**	**Regulatory reserve RM'000**	**FVOCI reserve RM'000**	**Distributable Retained profits RM'000**	**Total RM'000**
At 1 January 2020	369,111	17,430	3,687	429,321	819,549
Profit for the financial year	-	-	-	45,253	45,253
Other comprehensive income/(loss)	-	-	11,315	(103)	11,212
Total comprehensive income for the financial year	-	-	11,315	45,150	56,465
Transaction with owner					
Transfer from regulatory reserve	-	(1,106)	-	1,106	-
At 31 December 2020	369,111	16,324	15,002	475,577	876,014
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
	Note 19	Note 20(a)	Note 20(b)		

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2020

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation and zakat	63,740	51,148	63,714	51,147
Adjustments for:				
Depreciation and amortisation	1,308	1,916	1,308	1,916
Gain on disposal of property, plant and equipment	-	(38)	-	(38)
Accretion of discount less amortisation of premium	6,692	(3,980)	6,692	(3,980)
Net loss/(gain) on sale of financial assets at FVTPL	208	(5,924)	208	(5,924)
Net gain on sale of financial investments at FVOCI	(22,065)	(14,665)	(22,065)	(14,665)
Net gain on sale of financial investments at amortised cost	-	(2,212)	-	(2,212)
Net unrealised (gain)/loss on revaluation of derivative instruments	(699)	669	(699)	669
Impairment loss made/(written back) on:				
- loans, advances and financing	15,173	(21,099)	15,173	(21,099)
- financial investments	2,770	904	2,770	904
- other assets	825	1,339	825	1,339
Dividend income	(196)	(98)	(251)	(169)
Property, plant and equipment written off	2	-	2	-
Intangible assets written off	366	363	366	363
Provision for employee benefits	192	148	192	148
	68,316	8,471	68,235	8,399

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2020 (cont'd.)

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities (cont'd.)				
(Increase)/decrease in operating assets:				
Financial investments	(589,312)	(263,387)	(589,312)	(263,387)
Loans, advances and financing	(829,268)	(49,692)	(829,268)	(49,692)
Other assets	(3,300)	18,995	(14,396)	17,022
Statutory deposits with Bank Negara Malaysia	3,521	19,204	3,521	19,204
Increase/(decrease) in operating liabilities:				
Deposits from customers and deposits and placements of banks and other financial institutions	1,116,065	736,961	1,116,065	736,961
Other liabilities	(3,286)	(1,036)	(3,288)	(1,036)
Cash (used in)/generated from operations	(237,264)	469,516	(248,443)	467,471
Taxes (paid)/refunded	(12,647)	170	(12,626)	191
Zakat paid	(1,302)	-	(1,302)	-
Net cash (used in)/generated from operating activities	(251,213)	469,686	(262,371)	467,662
Cash flows from investing activities				
Dividends received	196	98	251	169
Purchase of property, plant and equipment	(97)	(341)	(97)	(341)
Purchase of intangible assets	(687)	(1,690)	(687)	(1,690)
Proceeds from disposal of property, plant and equipment	-	38	-	38
Net cash used in investing activities	(588)	(1,895)	(533)	(1,824)
Net (decrease)/increase in cash and cash equivalents	(251,801)	467,791	(262,904)	465,838
Cash and cash equivalents at 1 January	573,537	105,746	571,264	105,426
Cash and cash equivalents at 31 December	321,736	573,537	308,360	571,264
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 4)	321,736	573,537	308,360	571,264

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

Notes to the financial statements - 31 December 2020

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 11.

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 on 21 June 2021.

2. Summary of significant accounting policies

(a) Basis of preparation

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

The 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 and the Bank 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.

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 2020.

- Amendments to MFRS 3: *Definition of a Business*
- Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*
- Revised Conceptual Framework For Financial Reporting
- Amendments to MFRS 101 and MFRS 108: *Definition of Material*

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

(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**
Amendment to MFRS 16: *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: *Interest Rate Benchmark Reform - Phase 2*	1 January 2021
Amendments to MFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to MFRS 3: *Reference to Conceptual Framework*	1 January 2022
Annual improvements to MFRS Standards 2018 - 2020 Cycle	1 January 2022
Amendments to MFRS 116: *Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137: *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 101: *Classification of Liabilities as Current or Non-current*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 101: *Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108: *Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

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

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

The Group and the Bank plan 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 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 2020. 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.

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.

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

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

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 and the Bank had directly disposed of the related assets or liabilities.

(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 profit or loss.

(d) Financial assets and liabilities

Financial assets and liabilities are recognised in the statement of financial position when the Group and the Bank have 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.

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

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

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 in OCI.

b) In all other cases, the difference is deferred and the timing of recognition 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.

(i) Classification and subsequent measurement

Financial assets

The Group and the Bank determine 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.

<u>Business model assessment</u>

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

(a) <u>Business Model 1 - Hold to Collect (Amortised cost)</u>

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

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.)

(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.

Solely payments of principal and interest ("SPPI") test

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 apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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.)

Solely payments of principal and interest ("SPPI") test (cont'd.)

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 reclassify 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 income from these financial assets is measured using the effective interest rate ("EIR") method.

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.

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

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

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

Financial assets - FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the statements of profit or loss under the caption of "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 measure all equity investments at FVTPL, except where the Group's and the Bank's have 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.

Financial liabilities, other than loan commitments and financial guarantees, are measured either 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 in 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.

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

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

(ii) Impairment

The Group and the Bank assess 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 loans, 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.

The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*. 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.

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

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

(ii) Impairment (cont'd.)

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

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 consider 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 lifetime 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 calculate 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 asset has shown a significant increase in credit risk since origination, the Group and the Bank record an allowance for the lifetime 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 recognise the lifetime ECLs for these instruments. 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 recognise 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.)

- Loans, advances and financing commitments and letters of credit

  When estimate lifetime ECLs for undrawn loans, advances and financing commitments, the Group and the Bank calculate 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 profit or loss, 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 are 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 are 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 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 rely 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 seek 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 statements 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 use 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 have 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 renegotiate or otherwise modify the contractual cash flows of loans, advances and financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loans, advances and financing;
- Significant extension of the loans, advances and financing term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loans, advances and financing is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loans, advances and financing.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new EIR for the asset. The date of renegotiation 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 assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the 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 recalculate 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 transfer substantially all the risks and rewards of ownership; or
b) The Group and the Bank neither transfer 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 retain 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 Group and the Bank consider 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 retain 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 retain 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 loans, 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 have 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.

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.

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

(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 assets

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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group and the Bank estimate the asset’s or cash generating unit's ("CGU") recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(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.

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.

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

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

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

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 statement 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 Bank 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 value.

Assets in progress are not depreciated as these assets are not available for use.

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 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 and the Bank assess 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.

The Group and the Bank as a lessee

The Group and the Bank apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognise 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 and the Bank recognise 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 policy in Note 2(g).

(b) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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 the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank 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 and the Bank use its incremental borrowing rate ("IBR") 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 and the Bank apply 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 low-value assets are recognised as expense on a straight-line basis over the lease term.

(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, which are subject to an insignificant risk of changes in value.

(l) Fiduciary assets

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

(m) Offsetting financial instruments

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

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

(n) Provision

A provision is recognised if, as a result of a past event, the Group and the Bank have 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.

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses 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 and the Bank operate 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 statement 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 and the Bank recognise restructuring-related costs.

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

(o) Employee benefits (cont'd.)

(iii) Defined benefits plans (cont'd.)

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group and the Bank recognise the following changes in the net defined benefit obligation under ‘staff costs’ in the statements of 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.

(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 assets 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 assets to be recovered.

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

(p) Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

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 tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(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

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 at FVOCI 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.

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

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

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

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 use 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 determine 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 and 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 calculate 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 asset cures and is no longer credit-impaired, the Group and the Bank revert to calculating interest/profit income on a gross basis.

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

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

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

(iii) Fee and commission income:

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group and the Bank provide a service to their customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's and the Bank’s performance as the Group and the Bank perform.

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

(t) Revenue recognition (cont'd.)

(iii) Fee and commission income: (cont'd.)

Services provided where the Group's and the Bank’s performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

(iv) Dividend income is 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 and of the Bank are recognised on an effective interest/yield basis.

(v) Earnings per ordinary share ("EPS")

The Group and the Bank present basic and diluted earnings per share information for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholder 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 shareholder 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 statement 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 and the Bank's 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.

(a) Critical judgements made in applying accounting policies

The followings are the judgements made by management in the process of applying the Group's and the Bank's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment loss on financial assets

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 lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- 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; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

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

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

(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 uncertainties, 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.

(b) Key sources 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 and the Bank recognise 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

<u>Unquoted financial investments - shares and loan stock</u>

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	31,936	38,637	18,560	36,364
Money at call and deposit placements maturing within one month	289,800	534,900	289,800	534,900
	321,736	573,537	308,360	571,264

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM6,928,000 and RM6,925,000 respectively (2019: RM2,813,000 and RM2,684,000 respectively). These amounts are excluded from the cash and short-term funds of the Group and 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 investments at FVOCI

	Group and Bank	
	2020 RM'000	2019 RM'000
At fair value		
Money market instruments:		
Government Investment Issues	1,363,641	848,578
Malaysian Treasury Bills	230,386	-
Cagamas Berhad Bonds	70,000	-
Negotiable Instruments of Deposit	-	199,724
	1,664,027	1,048,302
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	655,466	363,611
Loan Stocks	3,783	4,260
Shares	1,500	757
	660,749	368,628
	2,324,776	1,416,930

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

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2020			
Superior	1,925,350	-	1,925,350
Strong	394,143	-	394,143
Unacceptable	-	3,783	3,783
	2,319,493	3,783	2,323,276
31 December 2019			
Superior	1,154,553	-	1,154,553
Strong	257,360	-	257,360
Unacceptable	-	4,260	4,260
	1,411,913	4,260	1,416,173

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 2020	79	110,228	110,307
Impairment made (Note 28)	224	477	701
Write back (Note 28)	-	(1,609)	(1,609)
Written off	-	(34,669)	(34,669)
At 31 December 2020	303	74,427	74,730
At 1 January 2019	44	110,163	110,207
Impairment made (Note 28)	35	65	100
At 31 December 2019	79	110,228	110,307

There was no Stage 2 exposure as at 31 December 2020 and 31 December 2019.

6. Financial investments at amortised cost

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Money market instruments:		
Government Investment Issues	563,195	670,663
	563,195	670,663
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	1,736,757	1,917,185
Loan stocks	9,789	9,606
	1,746,546	1,926,791
Less: ECL allowance	(10,209)	(6,626)
	2,299,532	2,590,828

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2020				
Superior	1,648,691	-	-	1,648,691
Strong	481,273	-	-	481,273
Fair	-	129,515	-	129,515
Unacceptable	-	-	50,262	50,262
	2,129,964	129,515	50,262	2,309,741
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

6. 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 2020	2,403,183	129,157	65,114	2,597,454
New assets purchased	65,069	-	-	65,069
Assets derecognised or matured (excluding written off)	(338,288)	-	-	(338,288)
Unwind of discount (recognised in interest income)	-	358	184	542
Recoveries	-	-	(15,036)	(15,036)
As at 31 December 2020	2,129,964	129,515	50,262	2,309,741
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

6. 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 2020	207	887	5,532	6,626
Impairment made during the financial year	582	1,539	1,498	3,619
Written back	-	-	(36)	(36)
At 31 December 2020	789	2,426	6,994	10,209
At 1 January 2019	330	-	5,539	5,869
Transfers to Stage 2	(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

7. Loans, advances and financing

	Group and Bank 2020 RM'000	2019 RM'000
Term loans/financing		
Syndicated term loans/financing	264,217	133,841
Other term loans	627,207	97,365
	891,424	231,206
Margin accounts	546,408	378,632
Staff loans	333	403
Gross loans, advances and financing	1,438,165	610,241
Less: ECL allowance	(68,925)	(55,096)
Net loans, advances and financing	1,369,240	555,145

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

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

(a) Gross loans, advances and financing

(i) By types of customer

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Domestic business enterprises		
- Small medium enterprises	1,061,985	406,738
Individuals	376,180	203,503
Gross loans, advances and financing	1,438,165	610,241

(ii) By interest rate sensitivity

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Fixed rate		
Staff loans	333	403
Margin accounts	546,408	378,632
Variable rate		
Cost-plus	891,424	231,206
Gross loans, advances and financing	1,438,165	610,241

(iii) By economic sector

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Finance, insurance and business services	446,073	232,754
Household	376,180	203,503
Electricity, gas and water supply	323,724	-
Construction	78,817	59,422
Manufacturing	72,584	68,457
Transport, storage and communications	57,072	-
Mining and quarrying	55,083	-
Wholesale & retail trade and restaurants & hotels	24,159	25,753
Others	4,473	20,352
Gross loans, advances and financing	1,438,165	610,241

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

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

(iv) By maturity profile

	Group and Bank 2020 RM'000	2019 RM'000
Within one year	1,203,386	505,608
One year to five years	122,135	32,141
After five years	112,644	72,492
Gross loans, advances and financing	1,438,165	610,241

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

(i) Movements in ILs are as follows:

	Group and Bank 2020 RM'000	2019 RM'000
At 1 January	61,189	159,240
Classified as impaired	473	19
Recovered	(515)	(73,262)
Written off	-	(24,808)
At 31 December	61,147	61,189
Less: ECL allowance	(54,462)	(53,669)
Net ILs	6,685	7,520
Ratio of net ILs to gross loans, advances and financing less ECL allowance (Stage 3)	0.48%	1.35%

(ii) ILs by economic sector:

	Group and Bank 2020 RM'000	2019 RM'000
Manufacturing	50,400	50,400
Wholesale & retail trade and restaurants & hotels	10,728	10,770
Household	19	19
	61,147	61,189

7. 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.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2020			
Strong	27,079	-	27,079
Good	559,759	-	559,759
Acceptable	210,652	-	210,652
Fair	32,805	-	32,805
Unacceptable	-	61,129	61,129
	830,295	61,129	891,424
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

7. 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 loans, 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 2020	170,036	61,170	231,206
New assets originated	665,962	-	665,962
Assets derecognised or repaid (excluding written off)	(5,703)	(41)	(5,744)
As at 31 December 2020	830,295	61,129	891,424
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

7. 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 2020	1,427	53,669	55,096
Transfer (Note 18(d))	1,321	-	1,321
Impairment made during the financial year	11,715	834	12,549
Written back	-	(41)	(41)
At 31 December 2020	14,463	54,462	68,925
At 1 January 2019	941	100,721	101,662
Transfer (Note 18(d))	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

There was no Stage 2 exposure as at 31 December 2020 and 31 December 2019.

7. 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.

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
31 December 2020			
Very strong	33,154	-	33,154
Strong	217,135	-	217,135
Good	58,742	-	58,742
Acceptable	201,754	-	201,754
Fair	35,623	-	35,623
Total	546,408	-	546,408
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

7. 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 2020	375,642	2,990	378,632
New assets originated	168,544	-	168,544
Assets derecognised or repaid (excluding written off)	(768)	-	(768)
Transfers from Stage 2	2,990	(2,990)	-
As at 31 December 2020	546,408	-	546,408
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)	-
As at 31 December 2019	375,642	2,990	378,632

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.

Staff loans

From the total staff loan outstanding, RM Nil (2019: RM19,369) is classified under Stage 3 ECL allowances.

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

(d) Exposures to COVID-19 impacted sectors

Group and Bank	On-balance sheet (net of impairment) 2020 RM'000	2019 RM'000	Undrawn (off-balance sheet) 2020 RM'000	2019 RM'000	Total exposures 2020 RM'000	2019 RM'000
Finance, insurance and business services, mining and quarrying	153,313	97,365	9,674	64,674	162,987	162,039

(e) COVID-19 customer relief and support measures

Group and Bank	Stage 1 RM'000	Total RM'000
31 December 2020		
<u>Non-retail customers: Small Medium Enterprise</u>		
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	32,805	32,805
Matured and repaying as per revised schedules	32,805	32,805

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

(f) Overlays and adjustments for expected credit loss amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit loss with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

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

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The borrowers who have received repayment supports remain in their existing stages. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECLs.

The impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM1.2 million as at 31 December 2020.

8. Derivative liabilities

Group and Bank	Contract or underlying principal amount RM'000	Derivative liabilities RM'000
2020		
Interest rate related derivatives:		
- Interest rate swaps	400,000	(86)
2019		
Interest rate related derivatives:		
- Interest rate swaps	100,000	(786)

9. Other assets

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Interest/profit receivables		38,047	34,342	38,047	34,342
Amounts due from brokers and clients	(a)	16,844	22,762	16,844	22,762
Deposits, prepayments and other receivables		17,712	13,159	17,712	13,159
Less: ECL allowance	(b)	(4,135)	(4,072)	(4,135)	(4,072)
		13,577	9,087	13,577	9,087
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)	419	221	419	221
Amount due from subsidiaries	(c)	-	-	13,324	2,228
Tax recoverable		3,135	12,106	3,135	12,106
		72,022	78,518	85,346	80,746

9. Other assets (cont'd.)

(a) Amounts due from brokers and clients

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Brokers	4,925	-
Clients	11,919	22,762
	16,844	22,762

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	
	2020	**2019**
	RM'000	**RM'000**
At 1 January	4,072	4,330
Impairment made (Note 29)	858	1,618
Written back (Note 29)	(33)	(279)
Written off	(762)	(1,597)
At 31 December	4,135	4,072

(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.

10. 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.

As announced by BNM on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully meet the Statutory Reserve Requirement ("SRR") compliance. The flexibility is available until 31 May 2021.

11. Investment in subsidiaries

	Bank	
	2020	**2019**
	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**
	2020	**2019**	
	%	**%**	
MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd	100	100	Nominees services
MIDF Amanah Investment Nominees (Asing) Sdn Bhd	100	100	Nominees services

12. 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 2020	547	3,746	7,969	143	128	12,533
Additions	-	3	82	-	12	97
Write off	-	(2)	-	-	(2)	(4)
Transfer from work-in-progress	-	-	125	-	(125)	-
Reclass from intangible assets	-	-	10	-	-	10
At 31 December 2020	547	3,747	8,186	143	13	12,636
At 1 January 2019	536	3,716	7,773	475	54	12,554
Additions	11	32	212	-	86	341
Disposals	-	-	-	(332)	-	(332)
Transfer to related companies	-	-	7	-	-	7
Write off	-	(2)	(35)	-	-	(37)
Transfer	-	-	12	-	(12)	-
At 31 December 2019	547	3,746	7,969	143	128	12,533

12. 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 2020	536	3,720	7,369	135	-	11,760
Charge for the financial year	3	8	413	8	-	432
Write off	-	(2)	-	-	-	(2)
At 31 December 2020	539	3,726	7,782	143	-	12,190
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
Write off	-	(2)	(35)	-	-	(37)
At 31 December 2019	536	3,720	7,369	135	-	11,760
Net book value						
At 31 December 2020	8	21	404	-	13	446
At 31 December 2019	11	26	600	8	128	773

13. Intangible assets

Group and Bank	Computer software RM'000	Work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2020	7,307	1,191	8,498
Additions	687	-	687
Transfer from work-in-progress	62	(62)	-
Reclass to property, plant and equipment	-	(10)	(10)
Written off	-	(366)	(366)
At 31 December 2020	8,056	753	8,809
At 1 January 2019	6,829	342	7,171
Additions	499	1,191	1,690
Transfer	16	(16)	-
Written off	(37)	(326)	(363)
At 31 December 2019	7,307	1,191	8,498
Accumulated amortisation			
At 1 January 2020	6,204	-	6,204
Amortisation	876	-	876
At 31 December 2020	7,080	-	7,080
At 1 January 2019	4,787	-	4,787
Amortisation	1,417	-	1,417
At 31 December 2019	6,204	-	6,204
Net book value			
At 31 December 2020	976	753	1,729
At 31 December 2019	1,103	1,191	2,294

14. (a) Right-of-use asset

The Bank has a lease contract for its office space with a lease term of 2 years.

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
At 1 January	-	-
Addition	4,355	-
At 31 December	4,355	-

(b) Lease liability

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
At 1 January	-	-
Addition	4,355	-
At 31 December	4,355	-

15. Deferred tax

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
At 1 January	4,056	9,017
Recognised in profit or loss (Note 30)	4,720	(3,212)
Recognised in other comprehensive income	(3,495)	(1,749)
At 31 December	5,281	4,056

15. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Deferred tax assets	5,281	4,056

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 2020	-	-	1,005	4,263	5,268
Recognised in profit or loss	-	-	3,666	1,137	4,803
Recognised in other comprehensive income	-	-	-	33	33
At 31 December 2020	-	-	4,671	5,433	10,104
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

* includes provision for bonus, retirement benefits and deferred income.

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 2020	(1,125)	(87)	(1,212)
Recognised in profit or loss	-	(83)	(83)
Recognised in other comprehensive income	(3,528)	-	(3,528)
At 31 December 2020	(4,653)	(170)	(4,823)
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)

16. Deposits from customers

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
(a) By types of deposits		
Call deposits	27,548	4,774
Fixed deposits	4,462,189	3,464,381
	4,489,737	3,469,155
(b) By types of customers		
Business enterprises	1,799,303	1,685,339
Government and statutory bodies	2,687,690	1,781,225
Individual	2,744	2,591
	4,489,737	3,469,155
(c) By maturity structure of term deposits		
Due within six months	4,023,063	3,154,336
Six months to one year	466,674	280,819
One year to two years	-	34,000
	4,489,737	3,469,155

17. Deposits and placements of banks and other financial institutions

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
(a) Call deposits		
- Other financial institutions	9,532	2,169
(b) Fixed deposits		
- Other financial institutions	1,039,867	951,747
	1,049,399	953,916

18. Other liabilities

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Amounts due to clients	(a)	22,353	24,452	22,353	24,452
Interest/profit payables		27,598	33,537	27,598	33,537
Accrued liabilities and other payables		25,552	21,352	25,552	21,352
Employee benefits	(b)	2,348	2,020	2,348	2,020
Amount due to immediate holding company	(c)	1,914	2,828	1,914	2,828
Amount due to related company	(c)	29	1	26	-
ECL allowances on loans, advances and financing commitments and financial investments	(d)	2,594	1,155	2,594	1,155
		82,388	85,345	82,385	85,344

18. Other liabilities (cont'd.)

(a) Amounts due to broker and clients

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Brokers	8,179	15,126
Clients	14,174	9,326
	22,353	24,452

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 statement of financial position is determined as follows:

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Present value of unfunded defined benefit obligations	2,348	2,020
Present value of net obligations	2,348	2,020
Analysed as:		
Non current		
Later than 1 year but not later than 2 years	-	-
Later than 2 years but not later than 5 years	127	132
Later than 5 years	2,221	1,888
	2,348	2,020

18. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

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

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
At 1 January	2,020	1,946
Benefits paid	-	(316)
	2,020	1,630
Recognised in profit or loss:		
Current service cost	108	76
Interest cost	84	72
	192	148
Recognised in other comprehensive income:		
Remeasurement of the net defined benefit liability:		
- Actuarial loss arising from plan experience	108	108
- Actuarial gain arising from changes in demographic assumptions	-	(2)
- Actuarial loss arising from changes in financial assumptions	28	136
	136	242
At 31 December	2,348	2,020

Principal actuarial assumptions used are as follows:

	Group and Bank 2020	Group and Bank 2019
Discount rate	3.50%	4.15%
Future salary increase	5.00%	5.50%
Mortality rate	0.02% - 0.70%	0.02% - 0.70%

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				
2020	(87)	90	88	(86)
2019	(82)	86	85	(81)

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.

(d) Movements in the ECL allowances on loans, 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 2020	1,149	6	1,155
Transfers (Note 7(c)(i))	(1,321)	-	(1,321)
Impairment made during the financial year	3,213	106	3,319
Written back	(548)	(11)	(559)
At 31 December 2020	2,493	101	2,594
At 1 January 2019	490	5	495
Transfers (Note 7(c)(i))	(362)	-	(362)
Impairment made during the financial year	1,021	1	1,022
At 31 December 2019	1,149	6	1,155

19. Share capital

	Group and Bank			
	Number of shares		Amount	
	2020	2019	2020	2019
	'000	'000	RM'000	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 Policy Document on Financial Reporting issued on 27 September 2019.

(b) FVOCI reserve

The FVOCI reserve arises from the change in the fair value of the financial investments at FVOCI, net of tax and is not distributable as cash dividends.

21. Interest income

	Group and Bank	
	2020	2019
	RM'000	RM'000
Loans, advances and financing		
- Interest income on non-impaired loans	33,721	28,556
Money at call and deposit placements with financial institutions	3,880	7,621
Financial assets at FVTPL	15	68
Financial investments at FVOCI		
- Interest income on non-impaired instruments	4,642	11,271
Financial investments at amortised cost		
- Interest income on non-impaired instruments	16,144	40,849
- Interest income on impaired instruments	234	360
Others	16	-
	58,652	88,725
Accretion of discount less amortisation of premium	(343)	(981)
	58,309	87,744

22. Interest expense

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Deposits from customers	25,149	51,598
Deposits and placements of banks and other financial institutions	5,465	17,306
Derivative instruments	1,316	211
	31,930	69,115

23. Non-interest income

	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Fee income:				
Fees on loans and advances	65	110	65	110
Corporate advisory fees	4,757	2,480	4,757	2,480
Underwriting fees	594	298	594	298
Brokerage commission	10,460	10,272	10,460	10,272
Placement fee	1,157	22	1,157	22
Other fee income	4,327	3,663	4,270	3,605
	21,360	16,845	21,303	16,787
Investment income:				
Net gain on sale of financial assets at FVTPL	120	45	120	45
Net gain on sale of financial investments at FVOCI	1,571	6,243	1,571	6,243
Net gain on sale of financial investments at amortised costs	-	2,115	-	2,115
Net unrealised gain/(loss) on revaluation of derivatives instruments	699	(669)	699	(669)
	2,390	7,734	2,390	7,734
Gross dividends from:				
Financial investments at FVOCI	196	98	196	98
Subsidiaries	-	-	55	71
	196	98	251	169
Other income:				
Gain on disposal of property, plant and equipment	-	38	-	38
Intercompany management fee	180	336	180	336
Others	366	312	322	290
	546	686	502	664
	24,492	25,363	24,446	25,354

24. Staff costs

	Group and Bank	
	2020	2019
	RM'000	RM'000
Wages, salaries and bonuses	38,092	37,058
Executive Director/Chief Executive Officer		
- Fees (Note 26(b))	109	51
Employees' benefits (Note 18(b))	192	148
Defined contribution plans	5,829	5,638
Social security costs	154	145
Other staff related expenses	2,257	2,754
	46,633	45,794

25. Other operating expenses

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
Rental of:				
- office equipments ^	20	40	20	40
- premises *	2,214	2,295	2,214	2,295
General repairs and maintenance	44	87	44	87
Insurance	191	198	191	198
Electricity	46	69	46	69
IT expenses	5,519	5,189	5,519	5,189
	8,034	7,878	8,034	7,878
Promotion and marketing-related expenses				
Business promotion and advertisement	612	1,257	612	1,257
Entertainment	290	470	290	470
	902	1,727	902	1,727

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

25. Other operating expenses (cont'd.)

	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Administrative and general expenses				
Auditors' remuneration				
- Audit	256	256	253	253
Non-Executive Directors' remuneration (Note 26(c))	790	792	790	792
Communication expenses	115	127	115	127
Management fees	8,354	8,345	8,354	8,345
Professional fees	342	931	342	931
Security commission's levy	576	694	576	694
Brokerage fee	908	716	908	716
Bursa fees	238	250	238	250
License fees and stamp duty	175	322	175	322
Corporate dealers' and remisiers' commissions	150	67	150	67
Regulatory expenses	494	154	494	154
Others	440	433	423	428
	12,838	13,087	12,818	13,079
	21,774	22,692	21,754	22,684

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 2020 RM'000	Group and Bank 2019 RM'000
(a) Chief Executive Officer:		
Salary	1,020	510
Bonus	569	-
Defined contribution plans	281	92
Leave passage	20	20
Benefits-in-kinds	76	40
Total remuneration	1,966	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	
	2020	2019
	RM'000	RM'000
(b) Executive Director/Chief Executive Officer:		
Fees	80	40
Other emoluments	29	11
Total remuneration	109	51
(c) Non-Executive Directors:		
Fees	595	617
Other emoluments	184	175
Benefit-in-kind	11	-
Total remuneration	790	792
(d) Shariah members:		
Fees	37	42
Other emoluments	31	30
Total remuneration	68	72
	2,933	1,577

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

Group and Bank **2020**	**Salary** **RM'000**	**Fees** **RM'000**	**Bonus** **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	1,020	-	569	281	20	-	76	1,966
Executive Director:								
Dato' Charon Wardini Mokhzani	-	80	-	-	-	29	-	109
Non-Executive Directors:								
Datuk Azizan Hj. Abd. Rahman	-	120	-	-	-	27	3	150
Encik Ahlan Nasri Mohd Nasir	-	115	-	-	-	39	-	154
Encik Azlan Abdullah	-	115	-	-	-	41	-	156
Puan Sri Shahrizan Abdullah (Retired on 17 May 2020)	-	40	-	-	-	12	2	54
Dato' Kaziah Abdul Kadir	-	80	-	-	-	25	4	109
Datuk Mohd Nasir Ali	-	125	-	-	-	40	2	167
	-	595		-	-	184	11	790
Shariah members:								
Ir. Dr. Muhammad Fuad Bin Abdullah (Retired on 31 March 2020)	-	3	-	-	-	2	-	5
YBhg. Dato Muhamad Asri Hj. Abdullah (Retired on 31 March 2020)	-	2	-	-	-	2	-	4
Dr. Mohamad Sabri Zakaria	-	12	-	-	-	9	-	21
Ustaz Mazrul Shahir Md Zuki	-	10	-	-	-	9	-	19
En. Ahmad Lutfi Abdull Mutalip	-	10	-	-	-	9	-	19
	-	37	-	-	-	31	-	68
Total	1,020	712	569	281	20	244	87	2,933

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

Group and Bank 2019	Salary RM'000	Fees RM'000	Bonus 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 Directors of the Bank's subsidiaries did not receive 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 (made)/written back on loans, advances and financing

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
ECL allowance		
- Made	(15,762)	(1,212)
- Written back	589	22,311
	(15,173)	21,099
Interest on impaired loans recovered	-	1
	(15,173)	21,100

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

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Financial investments at FVOCI (net)	908	(100)
Financial investments at amortised cost (net)	(3,678)	(804)
Interest on impaired financial investments recovered	5,597	4,901
	2,827	3,997

29. Impairment loss (made)/written back on other assets

	Group and Bank	
	2020 RM'000	2019 RM'000
ECL allowance (Note 9(b)(i))		
- Made	(858)	(1,618)
- Written back	33	279
	(825)	(1,339)
Bad debts recovered	-	334
	(825)	(1,005)

30. Taxation

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax expense:				
- Current financial year	20,412	9,318	20,392	9,301
- Under provision in prior years	1,205	-	1,205	-
	21,617	9,318	21,597	9,301
Deferred tax expense (Note 15):				
- Relating to origination and reversal of temporary differences	(5,136)	3,368	(5,136)	3,368
- Under/(over) provision in prior years	416	(156)	416	(156)
	(4,720)	3,212	(4,720)	3,212
Tax expense for the year	16,897	12,530	16,877	12,513

30. Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Bank are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation and zakat	63,740	51,148	63,714	51,147
Taxation at Malaysian Statutory tax rate of 24%	15,298	12,276	15,292	12,275
Income not subject to tax	(46)	(25)	(60)	(41)
Expenses not deductible for tax purpose	336	466	336	466
Tax deduction on zakat payment	(312)	(31)	(312)	(31)
Under provision of income tax in prior years	1,205	-	1,205	-
Under/(over) provision of deferred tax in prior years	416	(156)	416	(156)
Tax expense for the financial year	16,897	12,530	16,877	12,513

31. Earnings 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 RM45,259,000 (2019: RM37,316,000) by the weighted average number of ordinary shares of 155,000,000 (2019: 155,000,000).

32. Dividends

A single tier interim dividend in respect of the current financial year ended 31 December 2020 of 12.903 sen per share on 155,000,000 ordinary shares, amounting to a net dividend payable of RM20.0 million has been approved by the Board of Directors on 24 February 2021. On 4 June 2021, Bank Negara Malaysia ("BNM") approved this dividend.

The financial statements for the current financial year ended 31 December 2020 do not reflect this proposed dividend. Such dividend, will be accounted for in the financial statements as an appropriation of the retained profits in the next financial year ending 31 December 2021.

33. Commitments and contingencies

Group and Bank	2020 Principal amount RM'000	2020 Credit equivalent amount* RM'000	2020 Risk-weighted amount RM'000	2019 Principal amount RM'000	2019 Credit equivalent amount* RM'000	2019 Risk-weighted amount RM'000
Direct credit substitutes	1,000	1,000	1,000	-	-	-
Interest rate related contracts with an original maturity of:						
- Over one year to five years	400,000	13,244	2,649	100,000	1,000	200
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	384,155	76,831	76,831	441,992	88,399	88,399
- exceeding one year	271,970	135,985	135,985	152,582	76,291	76,291
Total	1,057,125	227,060	216,465	694,574	165,690	164,890

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

<u>Capital commitment</u>

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

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Authorised but not contracted	16,540	14,282

34. Credit exposures arising from credit transactions with connected parties

	Group and Bank 2020 RM'000	2019 RM'000
(i) Outstanding credit exposures with connected parties	244,801	260,102
(ii) Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	5.23%	7.24%
(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
2020			
Assets			
Cash and short-term funds	321,736	-	321,736
Financial investments at FVOCI	1,007,676	1,317,100	2,324,776
Financial investments at amortised cost	408,162	1,891,370	2,299,532
Loans, advances and financing	1,139,882	229,358	1,369,240
Other assets	37,754	34,268	72,022
Statutory deposits with Bank Negara Malaysia	-	104,495	104,495
Property, plant and equipment	-	446	446
Intangible assets	-	1,729	1,729
Right-of-use asset	-	4,355	4,355
Deferred tax assets	-	5,281	5,281
Total assets	2,915,210	3,588,402	6,503,612
Liabilities			
Deposits from customers	4,489,737	-	4,489,737
Deposits and placements of banks and other financial institutions	1,049,399	-	1,049,399
Derivative liabilities	-	86	86
Other liabilities	78,459	3,929	82,388
Lease liability	2,201	2,154	4,355
Provision for tax and zakat	1,586	-	1,586
Total liabilities	5,621,382	6,169	5,627,551

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

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.)

Bank	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2020			
Assets			
Cash and short-term funds	308,360	-	308,360
Financial investments at FVOCI	1,007,676	1,317,100	2,324,776
Financial investments at amortised cost	408,162	1,891,370	2,299,532
Loans, advances and financing	1,139,882	229,358	1,369,240
Other assets	51,078	34,268	85,346
Statutory deposits with Bank Negara Malaysia	-	104,495	104,495
Investment in subsidiaries	-	*	*
Property, plant and equipment	-	446	446
Intangible assets	-	1,729	1,729
Right-of-use asset	-	4,355	4,355
Deferred tax assets	-	5,281	5,281
Total assets	2,915,158	3,588,402	6,503,560
Liabilities			
Deposits from customers	4,489,737	-	4,489,737
Deposits and placements of banks and other financial institutions	1,049,399	-	1,049,399
Derivative liabilities	-	86	86
Other liabilities	78,456	3,929	82,385
Lease liability	2,201	2,154	4,355
Provision for tax and zakat	1,584	-	1,584
Total liabilities	5,621,377	6,169	5,627,546

* 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
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

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 and the Bank 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 entities.

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 the Bank either directly or indirectly. The key management personnel includes all the Directors, Heads of Business Units and Chief Executive Officer of the Group and of the Bank.

The following significant transactions between the Group and the Bank and related parties took place at terms mutually agreed between the parties during the financial year.

	Group and Bank	
	2020 RM'000	2019 RM'000
Penultimate holding company		
Income:		
Interest income on financial investments	4,216	3,633
Brokerage fees earned	1,258	2,517
Fee income	150	163
Immediate holding company		
Income:		
Fee income	1,200	1,000
Expenditure:		
Rental of premises	2,202	2,270
Management fees	8,354	8,345
Other related companies		
Income:		
Interest income on financial investments	1,845	1,410
Interest income on loans, advances and financing	3,882	2,801
Brokerage fees earned	2,332	2,841
Fee income	323	340
Management fees	180	336
Expenditure:		
Interest expense on deposits	6,701	12,902

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 the Bank with their related parties are as follows:

	Group and Bank 2020 RM'000	2019 RM'000
Penultimate holding company		
Amount due from:		
Financial investments	81,000	81,000
Other related companies		
Amount due to:		
Deposits from customers	123,301	184,742
Deposits from placements of banks and other financial institutions	21,516	13,216
Other payables	341	379
Amount due from:		
Fee receivable	91	7
Sundry deposits	553	553
Loans, advances and financing	78,571	59,204
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	
	2020	2019
	RM'000	RM'000
Short-term employment benefits	9,376	8,138
Defined contribution plan	1,386	1,142
Defined benefit plan	88	271
	10,850	9,551

Included in the above is Directors' remuneration amounting to RM899,000 (2019: RM843,000) 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 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.

During the year, 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's and the Bank's assessment, there is no significant impact on the 2020 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVOCI	2,324,776	1,416,930	2,324,776	1,416,930
Financial assets at amortised cost:				
- Cash and short-term funds	321,736	573,537	308,360	571,264
- Financial investments	2,299,532	2,590,828	2,299,532	2,590,828
- Loans, advances and financing	1,369,240	555,145	1,369,240	555,145
- Other assets	172,674	173,845	185,998	176,073
	4,163,182	3,893,355	4,163,130	3,893,310
Financial liabilities at amortised cost:				
- Deposits from customers	4,489,737	3,469,155	4,489,737	3,469,155
- Deposits and placements of banks and other financial institutions	1,049,399	953,916	1,049,399	953,916
- Other liabilities	59,039	68,602	59,036	68,601
	5,598,175	4,491,673	5,598,172	4,491,672
Financial liabilities at FVTPL:				
- Derivative liabilities	86	786	86	786

(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

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

(a) Credit risk (cont'd.)

- 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.

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

Definition of default and cure

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 and the Bank;
- 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 considered as ‘cured’ and therefore re-classified out of Stage 3 when none of the default criteria have been present. 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 loans, advances and financing and financial investments not rated by RAM and MARC, the Group and the Bank use 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 have 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 loans, 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 loans, 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 Group and the Bank determine 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 have 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 loans, 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 lifetime 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 apply 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 **2020**	**Manufacturing RM'000**	**Household/ Individual RM'000**	**Education, health and others RM'000**	**Finance, insurance, real estate and business services RM'000**	**Electricity, gas and water supply RM'000**	**Government and Central Bank RM'000**	**Others RM'000**	**Total RM'000**
Financial assets								
Cash and short-term funds	-	-	-	321,736	-	-	-	321,736
Financial investments at FVOCI								
- Money market instruments	-	-	-	70,000	-	1,594,027	-	1,664,027
- Unquoted instruments	3,783	-	-	370,285	185,315	-	99,866	659,249
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	563,195	-	563,195
- Corporate Bonds/Sukuk	73,238	-	430,038	680,868	205,094	-	347,099	1,736,337
Loans, advances and financing								
- Term loans/financing	28,623	-	-	285,804	320,404	-	187,668	822,499
- Margin accounts	-	375,847	-	152,658	-	-	17,903	546,408
- Others	-	333	-	-	-	-	-	333
Other financial assets	-	-	-	109,420	-	-	63,254	172,674
	105,644	376,180	430,038	1,990,771	710,813	2,157,222	715,790	6,486,458
Commitments and contingencies								
Other commitments	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	109,424	563,637	430,038	2,259,923	759,632	2,157,222	863,707	7,143,583

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	Household/ Individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank 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 securities	4,260	-	-	206,482	110,984	-	46,145	367,871
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	670,663	-	670,663
- Corporate Bonds/Sukuk	89,568	-	430,071	819,885	160,204	-	420,437	1,920,165
Loans, advances and financing								
- Term loans/financing	20,666	-	-	96,398	-	-	59,046	176,110
- Margin accounts	4,807	203,100	-	135,388	-	-	35,337	378,632
- Others	-	403	-	-	-	-	-	403
Other financial assets	-	-	-	108,016	-	-	65,829	173,845
	119,301	203,503	430,071	1,939,706	271,188	1,718,965	626,794	5,309,528
Commitments and contingencies								
Other commitments	12,897	127,850	-	251,612	50,000	-	152,215	594,574
	12,897	127,850	-	251,612	50,000	-	152,215	594,574
	132,198	331,353	430,071	2,191,318	321,188	1,718,965	779,009	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.)

Bank 2020	Manufacturing RM'000	Household/ Individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
Financial assets								
Cash and short-term funds	-	-	-	308,360	-	-	-	308,360
Financial investments at FVOCI								
- Money market instruments	-	-	-	70,000	-	1,594,027	-	1,664,027
- Unquoted instruments	3,783	-	-	370,285	185,315	-	99,866	659,249
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	563,195	-	563,195
- Corporate Bonds/Sukuk	73,238	-	430,038	680,868	205,094	-	347,099	1,736,337
Loans, advances and financing								
- Term loans/financing	28,623	-	-	285,804	320,404	-	187,668	822,499
- Margin accounts	-	375,847	-	152,658	-	-	17,903	546,408
- Others	-	333	-	-	-	-	-	333
Other financial assets	-	-	-	109,420	-	-	76,578	185,998
	105,644	376,180	430,038	1,977,395	710,813	2,157,222	729,114	6,486,406
Commitments and contingencies								
Other commitments	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	109,424	563,637	430,038	2,246,547	759,632	2,157,222	877,031	7,143,531

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	Household/ Individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank 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
- Corporate Bonds/Sukuk	4,260	-	-	206,482	110,984	-	46,145	367,871
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	670,663	-	670,663
- Corporate Bonds/Sukuk	89,568	-	430,071	819,885	160,204	-	420,437	1,920,165
Loans, advances and financing								
- Term loans/financing	20,666	-	-	96,398	-	-	59,046	176,110
- Margin accounts	4,807	203,100	-	135,388	-	-	35,337	378,632
- Others	-	403	-	-	-	-	-	403
Other financial assets	-	-	-	108,016	-	-	68,057	176,073
	119,301	203,503	430,071	1,937,433	271,188	1,718,965	629,022	5,309,483
Commitments and contingencies								
Other commitments	12,897	127,850	-	251,612	50,000	-	152,215	594,574
	12,897	127,850	-	251,612	50,000	-	152,215	594,574
	132,198	331,353	430,071	2,189,045	321,188	1,718,965	781,237	5,904,057

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
2020				
Financial assets				
Cash and short-term funds	321,736	-	-	321,736
Financial investments at FVOCI				
- Money market instruments	1,664,027	-	-	1,664,027
- Unquoted instruments	655,466	-	3,783	659,249
Financial investments at amortised cost				
- Money market instruments	563,195	-	-	563,195
- Corporate Bond/Sukuk	1,566,769	129,515	50,262	1,746,546
Loans, advances and financing				
- Term loans	830,295	-	61,129	891,424
- Margin accounts	546,408	-	-	546,408
- Others	314	-	19	333
Other financial assets	172,674	-	99,825	272,499
	6,320,884	129,515	215,018	6,665,417

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
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 securities	363,611	-	4,260	367,871
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	-	100,091	273,936
	5,108,540	132,147	230,654	5,471,341

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
2020				
Financial assets				
Cash and short-term funds	308,360	-	-	308,360
Financial investments at FVOCI				
- Money market instruments	1,664,027	-	-	1,664,027
- Unquoted instruments	655,466	-	3,783	659,249
Financial investments at amortised cost				
- Money market instruments	563,195	-	-	563,195
- Corporate Bond/Sukuk	1,566,769	129,515	50,262	1,746,546
Loans, advances and financing				
- Term loans	830,295	-	61,129	891,424
- Margin accounts	546,408	-	-	546,408
- Others	314	-	19	333
Other financial assets	185,998	-	99,825	285,823
	6,320,832	129,515	215,018	6,665,365

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 securities	363,611	-	4,260	367,871
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	-	100,091	276,164
	5,108,495	132,147	230,654	5,471,296

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 2020, 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 are at 42% (2019: 72%). 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 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 2020. The sensitivity of equity is calculated by revaluing fixed rate financial investments at FVOCI at 31 December 2020 and 2019 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**
2020		
Change in basis points		
+25	2,064	(11,071)
- 25	(2,064)	11,071
2019		
Change in basis points		
+25	424	(9,318)
- 25	(424)	9,318

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.

Group 2020	<--- Non-trading book Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	> 1 - 5 years RM'000	> 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	289,800	-	-	-	-	31,936	-	321,736	1.75
Financial investments at FVOCI	70,000	160,662	773,231	1,075,002	240,598	3,783	-	2,323,276	2.27
Financial investments at amortised cost	-	159,715	205,180	1,588,923	302,447	43,267	-	2,299,532	2.65
Loans, advances and financing									
- non-impaired	92,697	457,623	479,833	234,221	112,644	(14,463) *	-	1,362,555	5.59
- impaired	-	-	-	-	-	6,685	-	6,685	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	104,495	-	104,495	-
Other assets	-	-	-	-	-	68,179	-	68,179	-
Total assets	452,497	778,000	1,458,244	2,898,146	655,689	243,882	-	6,486,458	
Liabilities									
Deposits from customers	1,791,446	1,643,161	1,027,582	-	-	27,548	-	4,489,737	2.21
Deposits and placements of banks and other financial institutions	771,784	213,991	54,092	-	-	9,532	-	1,049,399	1.95
Derivative liabilities	-	-	-	-	-	-	86	86	-
Other liabilities	-	-	-	-	-	65,986	-	65,986	-
Total liabilities	2,563,230	1,857,152	1,081,674	-	-	103,066	86	5,605,208	

* ECL allowance

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

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

Group 2020 (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	-	-	-	-	-	876,061	-	876,061	-
Total liabilities and shareholder's equity	2,563,230	1,857,152	1,081,674	-	-	979,127	86	6,481,269	
On-balance sheet interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(735,245)	(86)	5,189	
Total interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(735,245)	(86)	5,189	

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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	534,900	-	-	-	-	38,637	-	573,537	2.90
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	7.35
- impaired	-	-	-	-	-	7,520	-	7,520	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	108,016	-	108,016	-
Other assets	-	-	-	-	-	65,829	-	65,829	-
Total assets	852,753	285,883	778,397	2,148,027	962,052	282,416	-	5,309,528	
Liabilities									
Deposits from customers	1,736,343	856,382	837,656	34,000	-	4,774	-	3,469,155	3.55
Deposits and placements of banks and other financial institutions	453,864	321,362	176,521	-	-	2,169	-	953,916	3.38
Derivative liabilities	-	-	-	-	-	-	786	786	-
Other liabilities	-	-	-	-	-	69,754	-	69,754	-
Total liabilities	2,190,207	1,177,744	1,014,177	34,000	-	76,697	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 month	> 1 - 3 months	>3 - 12 months	> 1 - 5 years	> 5 years	Non-interest sensitive	Trading book	Total	interest 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	1,014,177	34,000	-	896,287	786	5,313,201	
On-balance sheet interest sensitivity gap	(1,337,454)	(891,861)	(235,780)	2,114,027	962,052	(613,871)	(786)	(3,673)	
Total interest sensitivity gap	(1,337,454)	(891,861)	(235,780)	2,114,027	962,052	(613,871)	(786)	(3,673)	

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
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	289,800	-	-	-	-	18,560	-	308,360	1.75
Financial investments at FVOCI	70,000	160,662	773,231	1,075,002	240,598	3,783		2,323,276	2.27
Financial investments at amortised cost	-	159,715	205,180	1,588,923	302,447	43,267	-	2,299,532	2.65
Loans, advances and financing									
- non-impaired	92,697	457,623	479,833	234,221	112,644	(14,463)*	-	1,362,555	5.59
- impaired	-	-	-	-	-	6,685	-	6,685	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	104,495	-	104,495	-
Other assets	-	-	-	-	-	81,503	-	81,503	-
Total assets	452,497	778,000	1,458,244	2,898,146	655,689	243,830	-	6,486,406	
Liabilities									
Deposits from customers	1,791,446	1,643,161	1,027,582	-	-	27,548	-	4,489,737	2.21
Deposits and placements of banks and other financial institutions	771,784	213,991	54,092	-	-	9,532	-	1,049,399	1.95
Derivative liabilities	-	-	-	-	-	-	86	86	-
Other liabilities	-	-	-	-	-	65,985	-	65,985	-
Total liabilities	2,563,230	1,857,152	1,081,674	-	-	103,065	86	5,605,207	

* ECL allowance

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
2020 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	876,014	-	876,014	-
Total liabilities and shareholder's equity	2,563,230	1,857,152	1,081,674	-	-	979,079	86	6,481,221	
On-balance sheet interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(735,249)	(86)	5,185	
Total interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(735,249)	(86)	5,185	

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

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

Bank 2019	<---- Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	Non-trading book > 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	534,900	-	-	-	-	36,364	-	571,264	2.90
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	7.35
- impaired	-	-	-	-	-	7,520	-	7,520	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	108,016	-	108,016	-
Other assets	-	-	-	-	-	68,057	-	68,057	-
Total assets	852,753	285,883	778,397	2,148,027	962,052	282,371	-	5,309,483	
Liabilities									
Deposits from customers	1,736,343	856,382	837,656	34,000	-	4,774	-	3,469,155	3.55
Deposits and placements of banks and other financial institutions	453,864	321,362	176,521	-	-	2,169	-	953,916	3.38
Derivative liabilities	-	-	-	-	-	-	786	786	-
Other liabilities	-	-	-	-	-	69,756	-	69,756	-
Total liabilities	2,190,207	1,177,744	1,014,177	34,000	-	76,699	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	1,014,177	34,000	-	896,248	786	5,313,162	
On-balance sheet interest sensitivity gap	(1,337,454)	(891,861)	(235,780)	2,114,027	962,052	(613,877)	(786)	(3,679)	
Total interest sensitivity gap	(1,337,454)	(891,861)	(235,780)	2,114,027	962,052	(613,877)	(786)	(3,679)	

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:

- <u>Funding liquidity risk</u>
  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.

- <u>Market liquidity risk</u>
  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 **2020**	**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	31,936	289,800	-	-	-	-	321,736
Financial investments at FVOCI	3,783	70,000	160,662	773,231	1,075,002	242,098	2,324,776
Financial investments at amortised cost	43,267	-	159,715	205,180	1,588,923	302,447	2,299,532
Loans, advances and financing	6,685	146,668	457,512	529,017	117,870	111,488	1,369,240
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	104,495	104,495
Other assets	5,547	17,260	15,191	12,672	16,062	1,447	68,179
Total assets	91,218	523,728	793,080	1,520,100	2,797,857	761,975	6,487,958
Liabilities							
Deposits from customers	27,548	1,791,446	1,643,161	1,027,582	-	-	4,489,737
Deposits and placements of banks and other financial institutions	9,532	771,784	213,991	54,092	-	-	1,049,399
Derivative liabilities	-	-	-	-	86	-	86
Other liabilities	4,991	32,323	14,189	9,657	2,605	2,221	65,986
Total liabilities	42,071	2,595,553	1,871,341	1,091,331	2,691	2,221	5,605,208
Net maturity mismatch	49,147	(2,071,825)	(1,078,261)	428,769	2,795,166	759,754	882,750

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

(d) Liquidity risks (cont'd.)

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.)

Bank 2020	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	18,560	289,800	-	-	-	-	308,360
Financial investments at FVOCI	3,783	70,000	160,662	773,231	1,075,002	242,098	2,324,776
Financial investments at amortised cost	43,267	-	159,715	205,180	1,588,923	302,447	2,299,532
Loans, advances and financing	6,685	146,668	457,512	529,017	117,870	111,488	1,369,240
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	104,495	104,495
Other assets	18,871	17,260	15,191	12,672	16,062	1,447	81,503
Total assets	91,166	523,728	793,080	1,520,100	2,797,857	761,975	6,487,906
Liabilities							
Deposits from customers	27,548	1,791,446	1,643,161	1,027,582	-	-	4,489,737
Deposits and placements of banks and other financial institutions	9,532	771,784	213,991	54,092	-	-	1,049,399
Derivative liabilities	-	-	-	-	86	-	86
Other liabilities	4,988	32,323	14,189	9,659	2,605	2,221	65,985
Total liabilities	42,068	2,595,553	1,871,341	1,091,333	2,691	2,221	5,605,207
Net maturity mismatch	49,098	(2,071,825)	(1,078,261)	428,767	2,795,166	759,754	882,699

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

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 incorporates 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 **2020**	**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	27,979	1,792,854	1,649,949	1,039,694	-	-	4,510,476
Deposits and placements of banks and other financial institutions	9,670	772,206	214,630	54,637	-	-	1,051,143
Other financial liabilities	4,991	32,323	14,233	9,743	2,692	3,000	66,982
	42,640	2,597,383	1,878,812	1,104,074	2,692	3,000	5,628,601
Derivative liabilities							
Interest rate swaps	-	-	-	-	86	-	86
	-	-	-	-	86	-	86
Unrecognised firm commitments							
Other commitments	657,125	-	-	-	-	-	657,125
	657,125	-	-	-	-	-	657,125
Total financial liabilities	699,765	2,597,383	1,878,812	1,104,074	2,778	3,000	6,285,812

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

(d) Liquidity risks (cont'd.)

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.)

Bank 2020	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	27,979	1,792,854	1,649,949	1,039,694	-	-	4,510,476
Deposits and placements of banks and other financial institutions	9,670	772,206	214,630	54,637	-	-	1,051,143
Other financial liabilities	4,988	32,323	14,233	9,745	2,692	3,000	66,981
	42,637	2,597,383	1,878,812	1,104,076	2,692	3,000	5,628,600
Derivative liabilities							
Interest rate swaps	-	-	-	-	86	-	86
	-	-	-	-	86	-	86
Unrecognised firm commitments							
Other commitments	657,125	-	-	-	-	-	657,125
	657,125	-	-	-	-	-	657,125
Total financial liabilities	699,762	2,597,383	1,878,812	1,104,076	2,778	3,000	6,285,811

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

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 the Bank, other than those with carrying amounts which are reasonable approximations of fair values:

	2020		2019	
Group and Bank	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Financial investments at amortised cost	2,299,532	2,228,162	2,590,828	2,550,554
Loans, advances and financing - staff loans *	333	271	403	317

* 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(ii).

(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 are 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 instalment 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.

(iii) Fair value hierarchy

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 assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for the assets or liabilities 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
2020				
Assets measured at fair value				
Financial investments at FVOCI				
- Money market instruments	-	1,664,027	-	1,664,027
- Unquoted instruments	-	655,466	3,783	659,249
Assets for which fair values are disclosed:				
Financial investment at at amortised costs				
Money market instruments	-	531,414	-	531,414
Corporate Bonds/Sukuk	-	1,686,959	9,789	1,696,748
Loans, advances and financing - staff loans	-	271	-	271
Liability measured at fair value				
Derivative liabilities	-	86	-	86

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	-	363,611	4,260	367,871
Assets for which fair values are disclosed:				
Financial investment at at amortised costs				
Money market instruments	-	657,057	-	657,057
Corporate Bonds/Sukuk	-	1,883,891	9,606	1,893,497
Loans, advances and financing - staff loans	-	317	-	317
Liability measured at fair value				
Derivative liabilities	-	786	-	786

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	
	2020	2019
	RM'000	RM'000
Financial investments at FVOCI		
Unquoted instruments		
At 1 January	4,260	4,324
Revaluation gain/(loss)	1,132	(64)
	1,132	(64)
Settlements	(1,609)	-
At 31 December	3,783	4,260

There was no transfers between Level 2 and Level 3 during the current and previous financial year for the Group and the Bank.

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.

The fair value is determined through the discounted cash flow method. The discounted cash flow takes into consideration future cash flows derived from recoverable amount such as value of collateral assessed by an external professional valuer. The discounted cash flow apply 1 to 2 years at discounted rate of 4.41% (2019: discounted cash flow is within 1 to 2 years, discounted rate: 3.99% - 4.36%).

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 are 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 Group's and the Bank's capital management are to ensure that the Group and the Bank comply 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 Group and the Bank manage 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 Group and 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 Group and the Bank.

The Bank has complied in full with all its externally imposed capital requirements for the financial years ended 31 December 2020 and 2019.

39. Capital management (cont'd.)

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tier 1 Capital				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	369,111	369,111	369,111	369,111
Regulatory reserve	16,324	17,430	16,324	17,430
FVOCI reserve	15,002	3,687	15,002	3,687
Retained profits	475,624	429,362	475,577	429,321
	876,061	819,590	876,014	819,549
Less: Regulatory adjustments	(31,585)	(25,808)	(31,585)	(25,808)
Total CET1 Capital	844,476	793,782	844,429	793,741
Total Tier 1 Capital	**844,476**	**793,782**	**844,429**	**793,741**
Tier 2 Capital				
Loss provision/loss provision and regulatory reserve	27,330	16,745	27,463	16,767
Total Tier 2 Capital	**27,330**	**16,745**	**27,463**	**16,767**
Total Capital	**871,806**	**810,527**	**871,892**	**810,508**
Before deducting proposed dividend				
CET1 Capital Ratio	33.855%	52.180%	33.709%	52.116%
Tier 1 Capital Ratio	33.855%	52.180%	33.709%	52.116%
Total Capital Ratio	34.950%	53.280%	34.805%	53.217%
After deducting proposed dividend				
CET1 Capital Ratio	33.053%	52.180%	32.910%	52.116%
Tier 1 Capital Ratio	33.053%	52.180%	32.910%	52.116%
Total Capital Ratio	34.148%	53.280%	34.007%	53.217%

39. Capital management (cont'd.)

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total risk-weighted assets for credit risk	2,186,373	1,339,585	2,197,022	1,341,358
Total risk-weighted assets equivalent for market risk	126,987	14,927	126,987	14,927
Total risk-weighted assets equivalent for operational risk	181,066	166,741	181,066	166,741
	2,494,426	1,521,253	2,505,075	1,523,026

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**
2020						
Other assets	76,768	(4,746)	72,022	-	-	72,022
Other liabilities	88,721	(6,333)	82,388	-	-	82,388
Derivative liabilities	86	-	86	(86)	-	-
2019						
Other assets	93,971	(15,453)	78,518	-	-	78,518
Other liabilities	100,798	(15,453)	85,345	-	-	85,345
Derivative liabilities	786	-	786	-	-	786

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

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	Related amount not set off in the statement of financial position: Amount related to recognised financial instruments RM'000	Related amount not set off in the statement of financial position: Amount related to financial collateral RM'000	Net amount RM'000
2020						
Other assets	90,092	(4,746)	85,346	-	-	85,346
Other liabilities	88,718	(6,333)	82,385	-	-	82,385
Derivative liabilities	86	-	86	(86)	-	-
2019						
Other assets	96,199	(15,453)	80,746	-	-	80,746
Other liabilities	87,203	(1,859)	85,344	-	-	85,344
Derivative liabilities	786	-	786	-	-	786

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 2020 and results for the financial year ended on this date under the Islamic banking business ("SPI") of the Group and the Bank are summarised as follows:

Statements of financial position as at 31 December 2020

	Note	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Assets			
Cash and short-term funds	(a)	171,599	416,493
Financial investments at FVOCI	(b)	2,127,193	1,268,607
Financial investments at amortised cost	(c)	1,937,364	2,220,744
Financing and advances	(d)	724,819	168,610
Other assets	(e)	38,776	31,640
Intangible assets	(f)	-	121
Deferred tax assets	(g)	1,201	18
Total assets		5,000,952	4,106,233
Liabilities			
Deposits from customers	(h)	3,381,029	2,595,861
Deposits and placements of banks and other financial institutions	(i)	774,671	795,614
Other liabilities	(j)	90,754	73,612
Provision for taxation and zakat		24,434	10,566
Total liabilities		4,270,888	3,475,653
Islamic banking capital funds			
Islamic banking funds		426,600	396,600
Reserves		303,464	233,980
Total Islamic banking capital funds		730,064	630,580
Total liabilities and Islamic banking capital funds		5,000,952	4,106,233
Commitments and contingencies	(u)	313,443	382,256

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 2020

	Note	Group and Bank 2020 RM'000	2019 RM'000
Income derived from investment of depositors' funds	(k)	179,382	122,743
Income derived from Islamic Banking funds	(l)	27,472	19,334
Impairment loss (made)/written back on financing and advances	(m)	(13,316)	10,803
Impairment loss written back on financial investments	(n)	4,002	4,252
Impairment loss made on other assets	(o)	(705)	(1,168)
Total attributable income		196,835	155,964
Income attributable to depositors	(p)	(111,099)	(88,611)
Total net income		85,736	67,353
Staff costs	(q)	(2,917)	(3,501)
Other operating expenses	(r)	(2,703)	(2,635)
Profit before taxation and zakat		80,116	61,217
Taxation	(s)	(18,683)	(10,724)
Zakat		(1,584)	(1,302)
Profit for the financial year		59,849	49,191

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

Statements of comprehensive income
For the financial year ended 31 December 2020

	Group and Bank 2020 RM'000	2019 RM'000
Profit for the financial year	59,849	49,191
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in allowance for ECL for investments at FVOCI	224	39
Net gain on financial investments at FVOCI		
- Transfer of gain to profit or loss upon disposal	(20,494)	(8,422)
- Fair value changes	32,889	10,912
	12,619	2,529
Income tax relating to net gain on financial investments at FVOCI (Note 41(g))	(2,984)	(588)
	(2,984)	(588)
Other comprehensive income for the financial year	9,635	1,941
Total comprehensive income for the financial year	69,484	51,132

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of changes in equity
For the financial year ended 31 December 2020

Group and Bank	<---------------- Non-distributable ----------------		---------------->	Distributable	
	Islamic banking funds RM'000	**Regulatory reserve RM'000**	**FVOCI reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2020	396,600	7,603	3,139	223,238	630,580
Profit for the financial year	-	-	-	59,849	59,849
Other comprehensive income	-	-	9,635	-	9,635
Total comprehensive income for the financial year	-	-	9,635	59,849	69,484
Transaction with owner					
Transfer from regulatory reserve	-	(1,658)	-	1,658	-
Allocation from head office	30,000	-	-	-	30,000
At 31 December 2020	426,600	5,945	12,774	284,745	730,064
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 from regulatory reserve	-	(2,379)	-	2,379	-
At 31 December 2019	396,600	7,603	3,139	223,238	630,580

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

Statements of cash flows
For the financial year ended 31 December 2020

	Group and Bank 2020 RM'000	2019 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	80,116	61,217
Adjustments for:		
Amortisation of intangible assets	121	356
Accretion of discount less amortisation of premium	6,349	(4,961)
Net loss/(gain) on sale of financial assets at FVTPL	328	(5,879)
Net gain on sale of financial investments at FVOCI	(20,494)	(8,422)
Net gain on sale of financial investments at amortised cost	-	(97)
Intangible assets written off	-	14
Impairment loss made/(written back) on:		
- Financing and advances	13,316	(10,803)
- Financial investments	1,595	649
- Other assets	705	1,168
Operating profit before working capital changes	82,036	33,242
Increase in operating assets:		
- Financial investments	(550,365)	(1,309,760)
- Other assets	(7,841)	(9,655)
- Financing and advances	(569,525)	(30,759)
Increase in operating liabilities:		
- Deposits from customers, deposits and placements of banks and other financial institutions	764,225	1,669,516
- Other liabilities	7,878	14,198
Cash (used in)/generated from operations	(273,592)	366,782
Zakat paid	(1,302)	-
Net cash (used in)/generated from operating activities	(274,894)	366,782

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

Statements of cash flows
For the financial year ended 31 December 2020 (cont'd.)

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Cash flows from financing activity		
Allocation of capital from Head Office	30,000	-
Net cash generated from financing activity	30,000	-
Net (decrease)/increase in cash and cash equivalents	(244,894)	366,782
Cash and cash equivalents at 1 January	416,493	49,711
Cash and cash equivalents at 31 December	171,599	416,493
Cash and cash equivalents comprise of:		
Cash and short-term funds (Note 41(a))	171,599	416,493

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

(a) Cash and short-term funds

	Group and Bank	
	2020	2019
	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,599	1,493
Money at call and deposit placements maturing within one month	170,000	415,000
	171,599	416,493

(b) Financial investments at FVOCI

	Group and Bank	
	2020	2019
	RM'000	RM'000
Money market instruments:		
Government Investment Issues	1,320,469	715,384
Malaysian Treasury Bills	230,386	-
Cagamas Berhad Bonds	20,000	-
Islamic Negotiable Instruments	-	199,724
	1,570,855	915,108
Corporate Sukuk	556,338	353,499
	2,127,193	1,268,607

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.

Group and Bank	Stage 1 Collective RM'000	Total RM'000
31 December 2020		
Superior	1,733,051	1,733,051
Strong	394,142	394,142
	2,127,193	2,127,193
31 December 2019		
Superior	1,011,247	1,011,247
Strong	257,360	257,360
	1,268,607	1,268,607

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 2020	79	8,112	8,191
Made (Note 41(n))	224	-	224
At 31 December 2020	303	8,112	8,415
At 1 January 2019	40	8,112	8,152
Made (Note 41(n))	39	-	39
At 31 December 2019	79	8,112	8,191

There was no Stage 2 exposure as at 31 December 2020 and 31 December 2019.

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

(c) Financial investments at amortised costs

	Group and Bank 2020 RM'000	2019 RM'000
Money market instruments:		
Government Investment Issues	563,195	664,733
Corporate Sukuk	1,376,394	1,556,869
	1,939,589	2,221,602
Less: ECL allowance	(2,225)	(858)
	1,937,364	2,220,744

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.

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2020				
Superior	1,388,701	-	-	1,388,701
Strong	411,273	-	-	411,273
Fair	-	99,626	-	99,626
Unacceptable	-	-	39,989	39,989
	1,799,974	99,626	39,989	1,939,589
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

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 2020	2,067,263	99,350	54,989	2,221,602
New assets purchased	65,069	-	-	65,069
Assets derecognised or matured (excluding written off)	(332,358)	-	-	(332,358)
Unwind of discount (recognised in interest income)	-	276	-	276
Recoveries	-	-	(15,000)	(15,000)
As at 31 December 2020	1,799,974	99,626	39,989	1,939,589
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	-	-
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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
At 1 January 2020	187	671	858
Made	154	1,213	1,367
At 31 December 2020	341	1,884	2,225
At 1 January 2019	251	-	251
Transfers	(8)	8	-
Made	-	663	663
Written back	(56)	-	(56)
At 31 December 2019	187	671	858

There was no Stage 3 exposure as at 31 December 2020 and 31 December 2019.

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

(d) Financing and advances

	Group and Bank	
	2020	2019
	RM'000	RM'000
Term financing		
- Syndicated term financing	203,088	72,671
- Other term financing	535,242	97,366
	738,330	170,037
Staff financing	9	-
Gross financing and advances	738,339	170,037
Less: ECL allowance	(13,520)	(1,427)
Net financing and advances	724,819	168,610

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	
	2020	2019
	RM'000	RM'000
Domestic business enterprises	738,330	170,037
Individuals	9	-
Gross financing and advances	738,339	170,037

(ii) By profit rate sensitivity

	Group and Bank	
	2020	2019
	RM'000	RM'000
Fixed rate		
Staff financing	9	-
Variable rate		
Cost-plus	738,330	170,037
Gross financing and advances	738,339	170,037

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	
	2020	2019
Electricity, gas and water supply	RM'000	RM'000
Finance, insurance and business services	293,416	97,366
Electricity, gas and water supply	231,759	-
Construction	78,817	59,422
Transport, storage and communications	57,072	-
Mining and quarrying	55,083	-
Manufacturing	22,183	13,249
Household	9	-
Gross financing and advances	738,339	170,037

(iv) By maturity profile

	Group and Bank	
	2020	2019
	RM'000	RM'000
Within one year	503,788	65,699
One year to five years	121,927	31,918
After five years	112,624	72,420
Gross financing and advances	738,339	170,037

(v) By classification of Shariah contracts

	Group and Bank	
	2020	2019
	RM'000	RM'000
Term financing		
Commodity Murabahah	738,330	170,037
Staff financing	9	-
Gross financing and advances	738,339	170,037

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 2020 RM'000	Group and Bank 2019 RM'000
At 1 January/31 December	-	86,200
Recovered	-	(62,899)
Written off	-	(23,301)
Net IF	-	-
Ratio of net IF to gross financing and advances less ECL allowance	0.00%	0.00%

(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 2020			
Strong	27,079	-	27,079
Good	467,794	-	467,794
Acceptable	210,652	-	210,652
Fair	32,805	-	32,805
	738,330	-	738,330
31 December 2019			
Strong	59,422	-	59,422
Good	78,690	-	78,690
Fair	31,925	-	31,925
	170,037	-	170,037

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 2020	170,037	-	170,037
New assets originated	574,731	-	574,731
Assets derecognised or repaid (excluding written off)	(6,438)	-	(6,438)
As at 31 December 2020	738,330	-	738,330
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

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 2020	1,427	-	1,427
Transfer	1,112	-	1,112
Made	10,981	-	10,981
At 31 December 2020	13,520	-	13,520
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

There was no Stage 2 exposure as at 31 December 2020 and 31 December 2019.

Staff financing

All the total staff financing outstanding are classified under Stage 1.

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

(e) Other assets

	Note	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Other debtors, deposits and prepayments		5,152	2,854
Less: ECL allowance	(a)	(1,587)	(1,168)
		3,565	1,686
Profit receivables		34,575	29,954
Amount due from brokers and clients	(b)	636	-
		38,776	31,640

(a) Other debtors, deposits and prepayments

Movement in ECL allowance

Group and Bank	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
At 1 January	1,168	553
Made (Note 41(o))	705	1,259
Write off	(286)	(644)
At 31 December	1,587	1,168

(b) Amount due from brokers and clients

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Brokers	635	-
Clients	1	-
	636	-

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/31 December 2020	1,091	1,091
At 1 January 2019	1,105	1,105
Write off	(14)	(14)
At 31 December 2019	1,091	1,091
Accumulated amortisation		
At 1 January/31 December 2020	970	970
Amortisation	121	121
At 31 December 2020	1,091	1,091
At 1 January 2019	614	614
Amortisation	356	356
At 31 December 2019	970	970
Net book value		
At 31 December 2020	-	-
At 31 December 2019	121	121

(g) Deferred tax

	Group and Bank	
	2020 RM'000	2019 RM'000
At 1 January	18	1,529
Recognised in profit or loss (Note 41(s))	4,167	(923)
Recognised in other comprehensive income	(2,984)	(588)
At 31 December	1,201	18

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

(g) Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Deferred tax assets	1,201	18

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	ECL allowance RM'000	Provision for liabilities* RM'000	Total RM'000
At 1 January 2020	-	675	297	972
Recognised in profit or loss	-	3,500	667	4,167
At 31 December 2020	-	4,175	964	5,139
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

* includes provision for bonus and deferred income.

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 2020	(954)	(954)
Recognised in other comprehensive income	(2,984)	(2,984)
At 31 December 2020	(3,938)	(3,938)
At 1 January 2019	(366)	(366)
Recognised in other comprehensive income	(588)	(588)
At 31 December 2019	(954)	(954)

(h) Deposits from customers

	Group and Bank 2020 RM'000	2019 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	3,381,029	2,595,861
(ii) By types of customer		
Commodity Murabahah fund		
Business enterprises	997,632	957,095
Government and statutory bodies	2,383,397	1,638,766
	3,381,029	2,595,861
(iii) The maturity structure of term deposits is as follows:		
Due within six months	2,927,930	2,306,688
Six months to one year	453,099	255,173
One year to two years	-	34,000
	3,381,029	2,595,861

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

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

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	774,671	795,614
(ii) By types of customer		
Commodity Murabahah fund		
Other financial institutions	774,671	795,614

(j) Other liabilities

	Note	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Profit payable to depositors		20,414	22,035
Amount due to clients		633	-
Sundry creditors and accruals		6,163	4,650
ECL allowances on financing and advances commitments and financial investments	(a)	2,379	1,152
Amount due to immediate holding company		-	104
Amount due to Head Office		61,165	45,671
		90,754	73,612

(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 2020	1,149	3	1,152
Transfer	(1,112)	-	(1,112)
Impairment made during the financial year	2,335	4	2,339
At 31 December 2020	2,372	7	2,379
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

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

(k) Income derived from investment of depositors' funds

	Group and Bank 2020 RM'000	2019 RM'000
Finance income and hibah		
Financing and advances	24,571	4,325
Money at call and deposit placements with financial institutions	5,999	6,410
Financial assets at FVTPL	65	79
Financial investments at FVOCI		
- Profit on non-impaired instruments	54,970	29,770
Financial investments at amortised cost		
- Profit on non-impaired instruments	81,203	64,736
	166,808	105,320
Accretion of discount less amortisation of premium	(5,778)	4,465
Total finance income and hibah	161,030	109,785
Other operating income		
Net (loss)/gain on sale of financial assets at FVTPL	(298)	5,291
Net gain on sale of financial investments at FVOCI	18,650	7,580
Net gain on sale of financial investments at amortised cost	-	87
	18,352	12,958
	179,382	122,743

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

(l) Income derived from investment of Islamic Banking Funds

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Finance income and hibah:		
Financing and advances	2,430	481
Money at call and deposit placements with financial institutions	593	712
Financial assets at FVTPL	6	9
Financial investments at FVOCI		
- Profit on non-impaired instruments	5,437	3,308
Financial investments at amortised cost		
- Profit on non-impaired instruments	8,031	7,193
	16,497	11,703
Accretion of discount less amortisation of premium	(571)	496
Total finance income and hibah	15,926	12,199
Other operating income:		
Net (loss)/gain on sale of financial assets at FVTPL	(30)	588
Net gain on sale of financial investments at FVOCI	1,844	842
Net gain on sale of financial investments at amortised cost	-	10
	1,814	1,440
Fees and others:		
Fee income	9,728	5,692
Other income	4	3
	9,732	5,695
	27,472	19,334

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

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
ECL allowance		
- (Made)/written back in the financial year	(13,316)	10,803
	(13,316)	10,803

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

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

	Group and Bank 2020 RM'000	2019 RM'000
Financial investments at FVOCI (Note 41(b))	(224)	(39)
Financial investments at amortised costs	(1,371)	(610)
Profit on impaired financial investments recovered	5,597	4,901
	4,002	4,252

(o) Impairment loss made on other assets

	Group and Bank 2020 RM'000	2019 RM'000
Other debtors		
- Made in the financial year (net) (Note 41(e)(a))	(705)	(1,259)
Bad debts written off	-	91
	(705)	(1,168)

(p) Income attributable to depositors

	Group and Bank 2020 RM'000	2019 RM'000
Commodity Murabahah fund		
Deposits from customers	88,071	66,613
Deposits and placements of banks and other financial institutions	23,028	21,998
	111,099	88,611

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

(q) Staff costs

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Wages, salaries & bonuses	2,357	2,836
Social security costs	12	11
Defined contribution plan	441	533
Other staff related expenses	107	121
	2,917	3,501

(r) Other operating expenses

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
(i) Establishment costs		
Amortisation of intangible assets	121	356
Rental		
- office equipment ^	4	4
- premises *	141	141
IT expenses	259	259
Others	188	36
	713	796
(ii) Promotion and marketing-related expenses		
Business promotion and advertisement	2	26
Entertainment	6	3
	8	29
(iii) Administrative and general expenses		
Audit fees	27	22
Non-Executive Directors' remuneration	86	68
Management fees	844	649
Professional fees	68	67
Brokerage fees	353	263
Regulatory expenses	25	2
Others	579	739
	1,982	1,810
	2,703	2,635

^ 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	
	2020 RM'000	2019 RM'000
Income tax:		
- Current financial year	22,850	9,801
	22,850	9,801
Deferred tax (Note 41(g)):		
- Relating to origination and reversal of temporary differences	(3,890)	923
- Over provision in prior years	(277)	-
	(4,167)	923
Tax expense for the financial year	18,683	10,724

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Bank are as follows:

	Group and Bank	
	2020 RM'000	2019 RM'000
Profit before taxation	80,116	61,217
Taxation at Malaysian statutory tax rate of 24%	19,228	14,692
Utilisation of prior year unutilised tax losses	-	(4,195)
Expenses not deductible for tax purposes	44	258
Tax deduction on zakat payment	(312)	(31)
Over provision of deferred tax in prior years	(277)	-
Tax expense for the financial year	18,683	10,724

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 2020 RM'000	Group and Bank 2019 RM'000
Income derived from investment of depositors' funds	179,382	122,743
Income derived from investment of Islamic Banking Funds	27,472	19,334
	206,854	142,077
Less: Income attributable to depositors	(111,099)	(88,611)
	95,755	53,466

(u) Commitments and contigencies

Group and Bank	2020 Principal amount RM'000	2020 Credit equivalent amount* RM'000	2020 Risk-weighted amount RM'000	2019 Principal amount RM'000	2019 Credit equivalent amount* RM'000	2019 Risk-weighted amount RM'000
Direct credit substitutes	1,000	1,000	1,000	-	-	-
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	120,474	24,095	24,095	259,674	51,935	51,935
- exceeding one year	191,969	95,984	95,984	122,582	61,291	61,291
Total	313,443	121,079	121,079	382,256	113,226	113,226

* 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.

Group and Bank 2020	<---- Non-trading book ---- Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	Non-interest sensitive RM'000 ---->	Total RM'000	Effective interest rate %
Assets								
Cash and short-term funds	170,000	-	-	-	-	1,599	171,599	1.75
Financial investments at FVOCI	20,000	160,662	674,104	1,031,830	240,597	-	2,127,193	2.23
Financial investments at amortised cost	-	110,035	205,180	1,279,713	302,447	39,989	1,937,364	2.54
Financing and advances - non-impaired	1,454	1,709	388,538	234,014	112,624	(13,520) *	724,819	4.73
Other assets	-	-	-	-	-	38,776	38,776	-
Total assets	191,454	272,406	1,267,822	2,545,557	655,668	66,844	4,999,751	
Liabilities								
Deposits from customers	1,147,022	1,306,426	927,581	-	-	-	3,381,029	2.22
Deposits and placements of banks and other financial institutions	624,589	124,346	25,736	-	-	-	774,671	1.94
Other liabilities	-	-	-	-	-	86,629	86,629	-
Total liabilities	1,771,611	1,430,772	953,317	-	-	86,629	4,242,329	

* ECL allowance

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

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

Group and Bank 2020	<---- Non-trading book ---- Up to 1 month RM'000	> 1 - 3 months RM'000	>3 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Shareholder's equity	-	-	-	-	-	730,064	730,064	-
Total liabilities and shareholder's equity	1,771,611	1,430,772	953,317	-	-	816,693	4,972,393	
On-balance sheet interest sensitivity gap	(1,580,157)	(1,158,366)	314,505	2,545,557	655,668	(749,849)	27,358	
Total interest sensitivity gap	(1,580,157)	(1,158,366)	314,505	2,545,557	655,668	(749,849)	27,358	

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 %
Assets								
Cash and short-term funds	415,000	-	-	-	-	1,493	416,493	2.88
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	6.25
Other assets	-	-	-	-	-	31,629	31,629	-
Total assets	619,879	20,210	762,283	1,696,473	920,554	86,684	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	(1,062,109)	(761,512)	(131,482)	1,662,473	920,554	(614,895)	13,029	
Total interest sensitivity gap	(1,062,109)	(761,512)	(131,482)	1,662,473	920,554	(614,895)	13,029	

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

(w) Capital adequacy

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

	Group and Bank 2020 RM'000	2019 RM'000
Tier 1 Capital		
Common Equity Tier 1 ("CET1") Capital		
Islamic banking fund	426,600	396,600
Regulatory reserve	5,945	7,603
FVOCI reserve	12,774	3,139
Retained profits	284,745	223,238
	730,064	630,580
Less: Regulatory adjustments	(14,172)	(9,468)
Total CET1 Capital, representing Total Tier 1 Capital	**715,892**	**621,112**
Tier 2 Capital		
Loss provision/loss provision and regulatory reserve	16,239	9,590
Total Tier 2 Capital	**16,239**	**9,590**
Total Capital	**732,131**	**630,702**
Before deducting proposed dividend		
CET1 Capital Ratio	51.241%	73.380%
Tier 1 Capital Ratio	51.241%	73.380%
Total Capital Ratio	52.404%	74.513%
After deducting proposed dividend		
CET1 Capital Ratio	49.810%	73.380%
Tier 1 Capital Ratio	49.810%	73.380%
Total Capital Ratio	50.972%	74.513%

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

	Group and Bank 2020 RM'000	2019 RM'000
Total risk-weighted assets for credit risk	1,299,140	767,193
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	97,961	79,238
	1,397,101	846,431