

**MIDF AMANAH INVESTMENT BANK
BERHAD
(23878-X)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 December 2018**

23878-X

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

Contents	Page
Directors' report	1 - 6
Statement by directors	7
Statutory declaration	7
Independent auditors' report	8 - 11
Statements of financial position	12
Statements of profit or loss	13
Statements of comprehensive income	14
Statements of changes in equity	15 - 16
Statements of cash flows	17 - 18
Notes to the financial statements	19 - 167

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Directors' report

The Directors hereby submit their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018.

Principal activities

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

Results

	Group RM'000	Bank RM'000
Loss for the financial year	<u>(19,666)</u>	<u>(19,693)</u>

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 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 27 to the financial statements.

Reserves and provisions

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

Dividends

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2018 and 31 December 2017.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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 (Appointed on 2 July 2018)

Dato' Kaziah Abd Kadir

Encik Ahlan Nasri Mohd Nasir

Puan Sri Shahrizan Abdullah

Encik Azlan Abdullah

Datuk Mohd. Najib Hj. Abdullah (Resigned on 30 June 2018)

Mr. Philip Tan Puay Koon (Resigned on 31 December 2018)

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 Shahrudin Sheikh Salim

Wan Ahmad Satria Wan Hussein

Directors' interests

None of the Directors in office at 31 December 2018 had any interest in the ordinary shares of the Bank or its related companies during the financial year.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

Directors' benefits

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

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Indemnification of Directors and Officers

The Group and the Bank, through the ultimate holding company, Malaysia Industrial Development Finance Berhad has maintained, a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM40.0 million (2017: RM40.0 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office for the Group and the Bank. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Options granted over unissued shares

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

Other statutory information

- (a) Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

Other statutory information (cont'd.)

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; or
 - (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Bank.
- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

Review of 2018

The gross domestic product (GDP) for Malaysia grew at a 4.7% year-on-year in 2018.

Malaysia's GDP growth was seen at 4.4% year-on-year for the 3rd Quarter of 2018 ("3rd Quarter"), expanding below 5% for two consecutive quarters. The growth moderation in the 3rd Quarter is in line with the previous overall business confidence which stood at 6%, slowest in 5-quarters, as well as contractions in commodity-based sectors such as agriculture and mining & quarrying.

FBMKLCI saw a 5.2% decline in 2018, as geopolitical risks, including the on-going trade war between US and China coupled with rising concerns over the progress of Brexit talks, affected market sentiment. After peaking at 1,895 points during the second quarter, the index then went down to 1,635 points level before the year-end rally during the last two weeks of the year enable it to recoup some of the losses to end the year at 1,691 points.

In 2018, activities in the equities market was more pronounced than in the previous year. Average daily traded value went up 3.4% to RM2.39 billion shares from RM2.31 billion shares in 2017, fueled by interests in banking sectors as well as the volatile movement of the market. The KL Finance index was up 2.5% in 2018, outperforming the benchmark FBMKLCI index. Meanwhile, average daily volume traded was also up 0.4% to 2.55 billion from 2.54 billion over the same period.

In the primary market, Bursa Malaysia had 22 IPOs in 2018 (2017: 14), with 11 listings for the LEAP market (2017: 2) followed by 9 listings for the ACE market and 2 listings for the Main Market.

Bank Negara Malaysia ("BNM") continued to maintain the Overnight Policy Rate ("OPR") unchanged at 3.25% throughout the 4th Quarter of 2018. Ample liquidity also remained in the banking system in the 4th Quarter, reflecting BNM's accommodative monetary policy stance. Given a stable OPR, the benchmark KLIBORs closed the year of 2018 unchanged across the board from the 3rd Quarter levels, with 1-month, 3-month, 6-month and 1-year KLIBOR stayed the same at 3.43%, 3.69%, 3.80% and 3.90% respectively.

In the fixed income market, trading activities in the local sovereign and corporate bonds were very much dictated by the external global factors. The escalating US-China trade tension, fear of contagion effect arising from weakening emerging market currencies as well as gradual increase in US interest rates continued to be the major concerns affecting the local bond market sentiment. Despite the market uncertainty and volatility which saw the foreign players exiting the local market, our sovereign bonds were well supported by the domestic players and investors looking for higher yields.

In general, yields of the local sovereign bonds had shot up by 10 to 25 basis points across the board this year, in tandem with the rising trend in the US. The benchmark 3-year, 5-year, 7-year and 10-year Malaysian Government Securities ("MGS") settled the year 2018 at 3.62%, 3.77%, 4.00% and 4.08% respectively. Meanwhile, the benchmark 3-year, 5-year, 7-year and 10-year Government Investment Issues-i ("GII-i") closed the year at 3.70%, 3.83%, 4.07% and 4.24% respectively.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

Prospects 2019

Moving into 2019, the trading and investment activities in the local bond market are envisaged to remain on a cautious mode in the near term, amid persistent uncertainty surrounding the global market.

The Bank expects to face a challenging operating landscape, with tighter regulatory compliance, technology innovation to potentially transform the financial services industry, and uncertainty in the advanced economies weighing on the domestic sentiment. The Bank will continue focusing its effort on managing the Bank's balance sheet as well as enhancing efforts for business activity. Cognisant of the prevailing market conditions, the Bank will remain focused on its efforts to improve revenue streams.

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, have expressed their willingness to continue in office.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2019.



Datuk Azizan Hj. Abd. Rahman

Kuala Lumpur, Malaysia



Dato' Charon Wardini Mokhzani

**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 167 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 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 March 2019.


Datuk Azizan Hj. Abd. Rahman
Kuala Lumpur, Malaysia


Dato' Charon Wardini Mokhzani

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

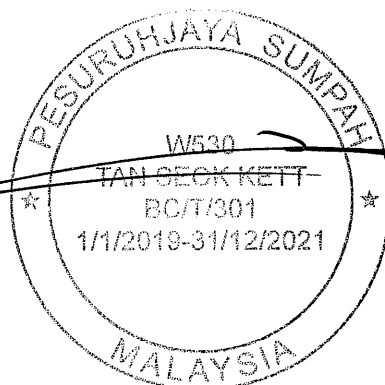
I, Dato' Charon Wardini Mokhzani being the Director and Chief Executive Officer primarily responsible for the financial management of MIDF Amanah Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 167 are in my opinion correct, 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 Dato' Charon Wardini Mokhzani
at Kuala Lumpur in Federal Territory on
29 March 2019.


Dato' Charon Wardini Mokhzani

Before me,

Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50000 Kuala Lumpur.
Commissioner for Oaths



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 2018 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 167.

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 2018, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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.

23878-X

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

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.



Building a better
working world

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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.



Building a better
working world

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

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia
29 March 2019



Muhammad Syarizal Bin Abdul Rahim

No. 03157/01/2021 J

Chartered Accountant

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Cash and short-term funds	4	105,746	141,441	105,426	140,690
Financial assets at fair value through profit or loss ("FVTPL")	5	11	-	11	-
Financial investments at fair value through other comprehensive income ("FVOCI")/ securities available-for-sale	6	925,774	3,822,038	925,774	3,822,038
Financial investments at amortised cost	7	2,785,096	-	2,785,096	-
Loans, advances and financing	8	483,864	503,824	483,864	503,824
Derivative assets	9	-	78	-	78
Other assets	10	108,306	221,141	108,561	221,858
Statutory deposits with Bank Negara Malaysia	11	127,220	114,282	127,220	114,282
Investment in subsidiaries	12	-	-	*	*
Property, plant and equipment	13	931	724	931	724
Intangible assets	14	2,384	3,330	2,384	3,330
Deferred tax assets	15	9,017	10,036	9,017	10,036
Total assets		4,548,349	4,816,894	4,548,284	4,816,860
Liabilities					
Deposits from customers	16	2,340,035	1,937,469	2,340,035	1,937,469
Deposits and placements of banks and other financial institutions	17	1,346,075	1,881,642	1,346,075	1,881,642
Derivative liabilities	9	117	-	117	-
Other liabilities	18	85,458	215,626	85,457	215,625
Provision for tax and zakat		7	1,456	-	1,453
Total liabilities		3,771,692	4,036,193	3,771,684	4,036,189
Equity					
Share capital	19	369,111	369,111	369,111	369,111
Reserves	20	407,546	411,590	407,489	411,560
Total equity		776,657	780,701	776,600	780,671
Total liabilities and equity		4,548,349	4,816,894	4,548,284	4,816,860
Commitments and contingencies	33	386,004	548,014	386,004	548,014

* 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 2018

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	2(s)	240,810	249,858	240,853	249,901
Interest income	21	104,645	114,535	104,645	114,535
Interest expense	22	(81,379)	(93,524)	(81,379)	(93,524)
Net interest income		23,266	21,011	23,266	21,011
Net income from Islamic					
Banking operation	41	38,573	51,089	38,573	51,089
Non-interest income	23	29,980	34,134	29,922	34,113
		91,819	106,234	91,761	106,213
Staff costs	24	(30,470)	(35,153)	(30,470)	(35,153)
Depreciation and amortisation		(1,977)	(1,577)	(1,977)	(1,577)
Other operating expenses	25	(21,037)	(21,193)	(21,029)	(21,185)
Operating profit before allowances		38,335	48,311	38,285	48,298
Impairment loss (made)/written back on:					
- loans, advances and financing	27	(44,414)	8,392	(44,414)	8,392
- financial investments	28	(17,922)	(28,432)	(17,922)	(28,432)
- other assets	29	(645)	(835)	(645)	(835)
(Loss)/profit before taxation and zakat		(24,646)	27,436	(24,696)	27,423
Taxation	30	4,980	(5,884)	5,003	(5,870)
Zakat		-	(767)	-	(767)
(Loss)/profit for the financial year		(19,666)	20,785	(19,693)	20,786
(Losses)/earnings per ordinary share (sen)					
- Basic and diluted	31	(12.7)	13.4		

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the financial year	(19,666)	20,785	(19,693)	20,786
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Changes in allowance for expected credit loss ("ECL")	44	-	44	-
Net gain/(loss) on financial investments at FVOCI/securities available-for-sale				
- Transfer of gain to profit or loss upon disposal	(2,815)	(4,900)	(2,815)	(4,900)
- Fair value changes	(921)	36,424	(921)	36,424
	(3,736)	31,524	(3,736)	31,524
Income tax relating to net gain on financial investments at FVOCI/securities available-for-sale	897	(7,565)	897	(7,565)
	897	(7,565)	897	(7,565)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(2,795)	23,959	(2,795)	23,959
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain/(loss) on defined benefit plans (Note 18(b))	147	(19)	147	(19)
Income tax relating to re-measurement (gain)/loss on defined benefit plans	(35)	4	(35)	4
Net other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods	112	(15)	112	(15)
Other comprehensive (loss)/income for the financial year	(2,683)	23,944	(2,683)	23,944
Total comprehensive (loss)/income for the financial year	(22,349)	44,729	(22,376)	44,730

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 2018

Group	Non-distributable				Distributable			Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Securities available-for-sale reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	
At 1 January 2017	155,000	214,111	164,252	3,932	(42,535)	-	291,212	785,972
Profit for the financial year	-	-	-	-	-	-	20,785	20,785
Other comprehensive income/(loss)	-	-	-	-	23,959	-	(15)	23,944
Total comprehensive income for the financial year	-	-	-	-	23,959	-	20,770	44,729
Transaction with owner								
Transfer to retained earnings	-	-	(164,252)	-	-	-	164,252	-
Transfer from regulatory reserve	-	-	-	(1,359)	-	-	1,359	-
Transfer from share premium	214,111	(214,111)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(50,000)	(50,000)
At 31 December 2017	369,111	-	-	2,573	(18,576)	-	427,593	780,701
At 1 January 2018	369,111	-	-	2,573	(18,576)	-	427,593	780,701
Effects of adoption of MFRS 9	-	-	-	19,055	18,576	681	(20,007)	18,305
At 1 January 2018, restated	369,111	-	-	21,628	-	681	407,586	799,006
Loss for the financial year	-	-	-	-	-	-	(19,666)	(19,666)
Other comprehensive (loss)/income	-	-	-	-	-	(2,795)	112	(2,683)
Total comprehensive income for the financial year	-	-	-	-	-	(2,795)	(19,554)	(22,349)
Transaction with owner								
Transfer from regulatory reserve	-	-	-	(2,239)	-	-	2,239	-
At 31 December 2018	369,111	-	-	19,389	-	(2,114)	390,271	776,657
Note 19		Note 20(a)	Note 20(b)	Note 20(c)	Note 20(c)	Note 20(c)	Note 20(c)	

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2018 (cont'd.)

Bank	Non-distributable					Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Securities available-for-sale reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	
At 1 January 2017	155,000	214,111	164,252	3,932	(42,535)	-	291,181	785,941
Profit for the financial year	-	-	-	-	-	-	20,786	20,786
Other comprehensive income/(loss)	-	-	-	-	23,959	-	(15)	23,944
Total comprehensive income for the financial year	-	-	-	-	23,959	-	20,771	44,730
Transaction with owner								
Transfer to retained earnings	-	-	(164,252)	-	-	-	164,252	-
Transfer from regulatory reserve	-	-	-	(1,359)	-	-	1,359	-
Transfer from share premium	214,111	(214,111)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(50,000)	(50,000)
At 31 December 2017	369,111	-	-	2,573	(18,576)	-	427,563	780,671
At 1 January 2018	369,111	-	-	2,573	(18,576)	-	427,563	780,671
Effects of adoption of MFRS 9	-	-	-	19,055	18,576	681	(20,007)	18,305
At 1 January 2018, restated	369,111	-	-	21,628	-	681	407,556	798,976
Loss for the financial year	-	-	-	-	-	-	(19,693)	(19,693)
Other comprehensive (loss)/income	-	-	-	-	-	(2,795)	112	(2,683)
Total comprehensive income for the financial year	-	-	-	-	-	(2,795)	(19,581)	(22,376)
Transaction with owner								
Transfer from regulatory reserve	-	-	-	(2,239)	-	-	2,239	-
At 31 December 2018	369,111	-	-	19,389	-	(2,114)	390,214	776,600
Note 19		Note 20(a)	Note 20(b)	Note 20(c)	Note 20(c)	Note 20(c)		

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 2018

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
(Loss)/profit before taxation and zakat	(24,646)	27,436	(24,696)	27,423
Adjustments for:				
Depreciation and amortisation	1,977	1,577	1,977	1,577
Accretion of discount less amortisation of premium	(15,017)	(15,811)	(15,017)	(15,811)
Net gain on sale of financial assets at FVTPL/securities held-for-trading	(4,144)	(13)	(4,144)	(13)
Net gain on sale of financial investments at FVOCI/securities available-for-sale	(2,815)	(4,900)	(2,815)	(4,900)
Net gain on sale of financial investments at amortised cost	(113)	-	(113)	-
Net unrealised loss on revaluation of derivative instruments	195	450	195	450
Impairment loss made/(written back) on:				
- loans, advances and financing	44,414	(8,392)	44,414	(8,392)
- financial investments	17,922	28,432	17,922	28,432
- other assets	645	835	645	835
Dividend income	(1,516)	(1,850)	(1,559)	(1,893)
Provision for employee benefits	263	268	263	268
	<u>17,165</u>	<u>28,032</u>	<u>17,072</u>	<u>27,976</u>
Increase/(decrease) in operating assets:				
Financial investments at FVOCI/ securities available-for-sale	111,632	(255,859)	111,632	(255,859)
Loans, advances and financing	(24,454)	61,411	(24,454)	61,411
Other assets	119,110	(119,496)	119,572	(120,190)
Statutory deposits with Bank Negara Malaysia	(12,938)	363	(12,938)	363
(Decrease)/increase in operating liabilities:				
Deposits from customers and deposits and placements of banks and other financial institutions	(133,001)	309,497	(133,001)	309,497
Other liabilities	(112,014)	135,904	(112,014)	135,904
Cash (used in)/generated from operations	(34,500)	159,852	(34,131)	159,102
Taxes paid	(19)	(1,818)	-	(1,804)
Zakat paid	(1,454)	(838)	(1,454)	(838)
Net cash (used in)/generated from operating activities	<u>(35,973)</u>	<u>157,196</u>	<u>(35,585)</u>	<u>156,460</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the financial year ended 31 December 2018 (cont'd.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities				
Dividends received	1,516	1,850	1,559	1,893
Purchase of property, plant and equipment	(825)	(132)	(825)	(132)
Purchase of intangible assets	(413)	(1,706)	(413)	(1,706)
Net cash generated from investing activities	<u>278</u>	<u>12</u>	<u>321</u>	<u>55</u>
Cash flows from financing activity				
Dividends paid	-	(50,000)	-	(50,000)
Net cash used in financing activity	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net (decrease)/increase in cash and cash equivalents	(35,695)	107,208	(35,264)	106,515
Cash and cash equivalents at 1 January	<u>141,441</u>	<u>34,233</u>	<u>140,690</u>	<u>34,175</u>
Cash and cash equivalents at 31 December	<u>105,746</u>	<u>141,441</u>	<u>105,426</u>	<u>140,690</u>
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 4)	<u>105,746</u>	<u>141,441</u>	<u>105,426</u>	<u>140,690</u>

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 December 2018

1. Corporate information

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

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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 2018.

- *MFRS 9 Financial Instruments*
- *MFRS 15 Revenue from Contracts with Customers*
- *IC Int. 22 Foreign Currency Transactions and Advance Consideration*

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

(a) MFRS 9 Financial Instruments

Transition disclosure - Classification and measurement of financial instruments

The Group and the Bank has applied for the first time, MFRS 9 Financial Instruments ("MFRS 9") which replaced MFRS 139 Financial Instruments, effective for annual periods beginning on or after 1 January 2018. The comparative information for 2017 for financial instruments has not been restated in the scope of MFRS 9.

Therefore, the comparative information for 2017 is reported under MFRS 139 and is not comparable to the information presented as at 31 December 2018. The reclassification and measurement of financial assets and liabilities affected by MFRS 9 is summarised in Table 1 which also presents the difference in carrying amount of the Group and the Bank's financial instruments as at 1 January 2018 between MFRS 139 and MFRS 9 to show the quantitative impact.

Differences and the transition impact arising from the adoption of MFRS 9 of the Group have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Table 2. For the Bank, the transition impact arising from the adoption of MFRS 9 is similar to the Group, with minimal changes to the amount of cash and short-term funds and other assets.

The differences and transition impact on Islamic Banking Scheme ("SPI") is disclosed in Note 41(s).

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

(a) MFRS 9 Financial Instruments (cont'd.)

**Transition disclosure - Classification and measurement of financial
instruments (cont'd.)**

Table 1 - Classification and measurement

Summary of the classification and measurement of the Group's financial instruments on 1 January 2018 are as follow:

	Note	Measurement Category		Carrying amount as at 1 January 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:					
Cash and short-term funds	(iii)	Loans and receivables	Amortised cost	141,441	141,441
Equity instruments	(i)	AFS	FVOCI	757	757
Equity instruments	(i)	AFS	FVTPL	19,737	19,737
Financial investments	(ii)	AFS	Amortised cost	2,664,469	2,689,380
Financial investments	(ii)	AFS	FVOCI	1,137,064	1,137,064
Financial investments	(ii)	AFS	FVTPL	11	11
Loans, advances and financing	(iii)	Loans and receivables	Amortised cost	503,824	503,172
Derivative assets		FVTPL	FVTPL	78	78
Other assets	(iii)	Loans and receivables	Amortised cost	221,141	221,269
Statutory deposits with Bank Negara Malaysia	(iii)	Loans and receivables	Amortised cost	114,282	114,282
Financial liabilities:					
Deposits from customers	(iv)	Amortised cost	Amortised cost	1,937,469	1,937,469
Deposits and placements of banks and other financial institutions		Amortised cost	Amortised cost	1,881,642	1,881,642
Other liabilities		Amortised cost	Amortised cost	215,626	215,626

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

(a) MFRS 9 Financial Instruments (cont'd.)

(i) Under MFRS 9, all equity instruments are required to be accounted for at fair value either based on:

- FVOCI (Without Recycling); or
- FVTPL

For equity instruments held for trading, the Group and the Bank has elected to classify as equity instruments as FVTPL; while for those not held for trading, the equity instruments as classified as FVOCI.

(ii) Classification of financial investments previously recorded under MFRS 139 as Available-for-sale ("AFS") is accounted for as follows:

- Financial investments that pass the contractual cash flows assessment, also known as Solely Payment of Principal and Interest ("SPPI Test") and are intended to be held to maturity to collect the contractual cash flows are accounted for at Amortised Cost.
- Financial investments that pass the SPPI Test and its business model is achieved by both collecting contractual cash flows and selling of these assets are accounted for as FVOCI.
- Financial investments that fail the SPPI test are accounted for at FVTPL.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

(a) MFRS 9 Financial Instruments (cont'd.)

- (iii) Loan, advances and financing, statutory deposits with BNM, trade receivables, other receivables which are financial assets, cash and bank balances and cash for trading margins, security deposits and dividend distributions that have previously been classified as loan and receivables are now classified as amortised cost. The Group and the Bank intends to hold the assets to maturity to collect contractual cashflows and these cashflows consist solely of payments of principal and interest on the principal amount outstanding.
- (iv) If an entity chooses to measure a financial liability at FVTPL, changes in fair value related to changes in own credit risk to be presented separately in OCI but not in profit or loss. As at 1 January 2018, the Group and the Bank does not elect for any financial liability to be classified at FVTPL.
- (v) Under MFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

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

(a) MFRS 9 Financial Instruments (cont'd.)

Table 2 - Effects of reclassification and remeasurement

Reconciliation of the carrying amount of the Group's statement of financial position from MFRS 139 Financial Instruments to MFRS 9 Financial Instruments as at 1 January 2018 are as follow:

	Original (MFRS 139) Carrying amount RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount RM'000
Financial investments - AFS	3,822,038	(3,822,038)	-	-
Gross carrying value	3,966,210	(3,966,210)	-	-
Individual impairment reclassified to ECL	(144,172)	144,172	-	-
Financial investments - Amortised cost		2,664,469	24,911	2,689,380
Gross	-	2,665,098	-	-
ECL	-	(629)	(428)	-
Fair value remeasurement	-	-	25,339	-
Financial investments - FVOCI		1,137,821	-	1,137,821
Fair value	-	1,281,364	-	-
ECL	-	(143,543)	-	-
Financial assets - FVTPL		19,748	-	19,748
Fair value	-	19,748	-	-
Loans, advances and financing:	503,824	-	(652)	503,172
Opening balance	503,824	-	-	-
Gross carrying value	568,098	-	-	-
Individual impairment allowance	(60,759)	60,759	-	-
Collective impairment allowance	(3,515)	3,515	-	-
ECL	-	-	(652)	-
Reclassification - Stage 3	-	(60,759)	-	-
Reclassification - Stage 1	-	(3,515)	-	-
Remeasurement	-	-	(652)	-
Total loans, advances and financing	-	-	-	503,172
Deferred tax assets:	10,036	(5,868)	(215)	3,953
Opening balance	10,036	-	-	-
Reversal of deferred tax relating to AFS revaluation reserve	-	(5,868)	-	-
Recognition of deferred tax relating to FVOCI revaluation reserve	-	-	(215)	-
Total deferred tax assets	-	-	-	3,953
Other assets:	221,141	-	128	221,269
Opening balance	221,141	-	-	-
Gross carrying value	225,367	-	-	-
Individual impairment reclassified to ECL	(4,226)	4,226	-	-
ECL	-	-	128	-
Reclassification	-	(4,226)	-	-
Remeasurement	-	-	128	-
Other assets	-	-	-	221,269
Retained earnings:	427,593	-	(20,007)	407,586
Opening balance	427,593	-	-	-
Increase in loss allowance for:				
- loans, advances and financing	-	-	(652)	-
- financial investments at amortised cost	-	-	(428)	-
- other assets	-	-	128	-
Transfer to regulatory reserve	-	-	(19,055)	-
Total retained earnings	-	-	-	407,586
AFS reserve	(18,576)	18,576	-	-
FVOCI reserve:	-	-	681	681
Opening balance	-	-	-	-
Fair value changes arising from the revaluation of financial investments at FVOCI	-	-	144,224	-
Transfer of loss allowance	-	-	(143,543)	-
Total FVOCI reserve	-	-	-	681
Regulatory reserve:	2,573	-	19,055	21,628
Opening balance	2,573	-	-	-
Transfer from retained earnings	-	-	19,055	-
Total regulatory reserve	-	-	-	21,628

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

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

(a) MFRS 9 Financial Instruments (cont'd.)

Impairment Calculation

The adoption of MFRS 9 has fundamentally changed the Group's and the Bank's accounting for financial assets impairments by replacing incurred loss approach with a forward-looking ECL approach. MFRS 9 requires the Group and the Bank to record an allowance for ECLs for financial investments not carried at FVTPL, all loans, advances and financing and other financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. 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.

(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
MFRS 16 <i>Leases</i>	1 January 2019
IC Int.23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 - <i>Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 11 - <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112 - <i>Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 123 - <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

Description	Effective for financial periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

MFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

MFRS 16 Leases supersedes MFRS 117, Leases and the related interpretations. Under MFRS 16, a lease contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by lessee as finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in income statement. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either the operating leases or finance leases and account for them differently.

The Group and the Bank are in the process of assessing the financial implication for adopting MFRS 16. The adoption of MFRS 16 is not expected to have any material impact on financial statements of the Group and of the Bank.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

**(iii) BNM's Policy on Classification and Impairment Provisions for Loans/
Financing**

BNM, had on 2 February 2018, issued the Policy on Financial Reporting. The requirements to the Policy are effective for financial years beginning on or after 1 January 2018.

The Bank is required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2018. 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.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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 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 statements of profit or loss.

(d) Financial assets and liabilities

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

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

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

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b) In all other cases, the difference is deferred and the timing of 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 determines the classification of their financial assets at initial recognition based on the following measurement categories:

- FVTPL;
- FVOCI; or
- Amortised cost.

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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.)

Business model assessment

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

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

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

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

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

(c) Business Model 3 - FVTPL

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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.)

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

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

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

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

Financial assets - Amortised cost

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

Financial assets - FVOCI

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

Financial assets - FVTPL

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

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

Equity instruments

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

Financial Liabilities

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

Loan and receivables (Policy applicable before 1 January 2018)

Loans and receivables category comprises financial investments that are not quoted in an active market.

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

Held-to-maturity investments (Policy applicable before 1 January 2018)

Held-to-maturity investments category comprises financial investments that the Group has the positive intention and ability to hold them to maturity.

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

Available-for-sale financial assets (Policy applicable before 1 January 2018)

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

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

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

(ii) Impairment

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

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

- Stage 1: 12-month ECL

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

- Stage 2: Lifetime ECL – non-credit impaired

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

- Stage 3: Lifetime ECL – credit impaired

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

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

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

(ii) Impairment (cont'd.)

The calculation of ECLs

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

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

- **Probability of Default ("PD")**

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

- **Exposure at Default ("EAD")**

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

- **Loss Given Default ("LGD")**

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

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

The mechanics of the ECL method are summarised below:

- Stage 1

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

- Stage 2

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

- Stage 3

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

- POCI

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

- Loan, advances and financing commitments and letters of credit

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

- Financial guarantee contracts

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

- Other financial assets

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

Financial investments measured at FVOCI

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

Forward looking information

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

- Gross Domestic Product growth
- Manufacturing sales
- Central Bank base rates
- Industrial Price Index

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

Collateral valuation

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

Impairment of assets (Policy applicable before 1 January 2018)

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

Individual impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans, advances and financing to customers as well as held to maturity investments), the Group and the Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of individual impairment allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an impairment allowance account and the amount of the individual impairment allowance is recognised in profit or loss.

If, in a subsequent period, the amount of the individual impairment allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised individual impairment allowance shall be reversed and recognised in profit or loss.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

Individual impairment of financial assets carried at amortised cost (cont'd.)

The reversal of individual impairment allowance shall not result in the carrying amount of the financial assets that exceeds what the amortised cost would have been, had the impairment not been recognised, at the date the impairment is reversed.

An uncollectible financial asset classified as impaired is written-off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

Subsequent to individual impairment allowance made, interest income continues to be accrued on the reduced carrying amount and it is accrued using the original effective interest rate which is used to discount the future cash flows for the purpose of measuring the individual impairment allowance.

The clients' accounts relating to the stockbroking business are classified as impaired under the following circumstances:

Types of accounts	Criteria for classification as impaired
Contra losses	When the account remains outstanding for 16 calendar days or more from the date of contra transactions
Overdue purchase contract	When the account remains outstanding from T+5 market days onwards
Margin accounts	When the equity has fallen below 130% of the outstanding balance

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(ii) Impairment (cont'd.)

Individual impairment of available-for-sale financial assets

For individually significant available-for-sale securities in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity is transferred from equity to profit or loss, even though the securities have not been derecognised. The amount of the cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

In the case of unquoted debt instruments classified as available-for-sale, the impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss.

For quoted equity instruments classified as available-for-sale, objective evidence of impairment also includes significant or prolonged decline in fair value of the investment below its cost. The Group and the Bank define "significant" generally as more than 20% shortfall in its fair value against cost and "prolonged" as the fair value has been below its cost for more than twelve (12) months. The amount of impairment loss is recognised in profit or loss.

Impairment loss recognised on investments in equity instruments classified as available-for-sale is not reversed through profit or loss subsequent to its recognition. Reversals of impairment loss on debt instruments classified as available-for-sale are recognised in profit or loss if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Write-offs

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(iii) Modification of loans, advances and financing

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

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

(iv) Derecognition other than modification

Financial assets

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

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

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

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

Financial liabilities

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

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

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

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

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

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

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

(f) Derivatives

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

(g) Impairment on non-financial investments

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

(h) Property, plant and equipment

(i) Recognition and measurement

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The depreciable amount is determined after deducting the residual amount.

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(i) Intangible assets

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

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

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

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(j) 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.

(k) Fiduciary assets

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

(l) Offsetting financial instruments

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

(m) Provision

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(n) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefits plans

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

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

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(o) Income tax

(i) Current income tax

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

(ii) Deferred tax

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

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

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

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(p) 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%.

(q) Share capital

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

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

(r) Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

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

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

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

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

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

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

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(s) Revenue recognition

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

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

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

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

- (ii) Income from Islamic Banking business is recognised in accordance with Shariah principles.
- (iii) Fee-based activities:

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

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(s) Revenue recognition (cont'd.)

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

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

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

(t) Interest expense and financing costs

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

(u) Earnings per ordinary share

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

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

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

(v) Contingent liabilities

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

3. Critical accounting estimates and judgements

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

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

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

(a) Critical judgement made in applying accounting policies

(i) Impairment on loans, advances and financing

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

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

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades.
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

(ii) Deferred tax assets

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(b) Key source of estimation uncertainty

(i) Income taxes

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

(ii) Fair value estimations of financial investments at FVOCI

Quoted financial investments

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

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

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

Unquoted financial investments

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

4. Cash and short-term funds

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and balances with banks and other financial institutions	56,746	115,441	56,426	114,690
Money at call and deposit placements maturing within one month	49,000	26,000	49,000	26,000
	<u>105,746</u>	<u>141,441</u>	<u>105,426</u>	<u>140,690</u>

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM3,804,000 and RM3,749,000 respectively (2017: RM2,304,000 and RM1,343,000 respectively). These amounts are excluded from the cash and short-term funds of the Group and of the Bank.

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

5. Financial assets at FVTPL

	Group and Bank	
	2018 RM'000	2017 RM'000
Unquoted instruments in Malaysia: Loan Stocks	11	-
	<u>11</u>	<u>-</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

6. Financial investments at FVOCI/securities available-for-sale

	Group and Bank	
	2018	2017
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Securities	287,748	481,359
Government Investment Issues	432,327	384,266
Negotiable Instruments of Deposit	-	497,021
	<u>720,075</u>	<u>1,362,646</u>
Quoted instruments in Malaysia:		
Shares	-	19,737
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	200,618	2,426,744
Loan Stocks	4,324	12,154
Shares	757	757
	<u>205,699</u>	<u>2,439,655</u>
	<u>925,774</u>	<u>3,822,038</u>

The table below shows the credit quality and the maximum exposure to credit risk based on the Group and the Bank's internal credit rating system and classification of ECL stages as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1	Stage 3	Total
	Collective	Individual	Total
	RM'000	RM'000	RM'000
31 December 2018			
Superior	804,891	-	804,891
Very strong	25,071	-	25,071
Strong	25,093	-	25,093
Good	65,638	-	65,638
Unacceptable	-	114,487	114,487
	<u>920,693</u>	<u>114,487</u>	<u>1,035,180</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

6. Financial investments at FVOCI/securities available-for-sale (cont'd.)

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

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

7. Financial investments at amortised cost

	Group and Bank	
	2018 RM'000	2017 RM'000
Money market instruments:		
Malaysian Government Securities	194,282	-
Government Investment Issues	480,228	-
	<u>674,510</u>	<u>-</u>
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	2,106,998	-
Loan stocks	9,462	-
	<u>2,116,460</u>	<u>-</u>
Less: ECL allowance	(5,874)	-
	<u>2,785,096</u>	<u>-</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and classification of ECL stages as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2018			
Superior	1,926,439	-	1,926,439
Very strong	374,331	-	374,331
Strong	79,995	-	79,995
Good	335,117	-	335,117
Unacceptable	-	75,088	75,088
	<u>2,715,882</u>	<u>75,088</u>	<u>2,790,970</u>

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 3 Individual RM'000	Total RM'000
31 December 2018			
Gross carrying amount as at 1 January 2018	-	-	-
Effects of adopting of MFRS 9	<u>2,612,222</u>	<u>78,215</u>	<u>2,690,437</u>
Gross carrying amount as at 1 January 2018, restated	2,612,222	78,215	2,690,437
New assets originated or purchased	554,952	1,870	556,822
Assets derecognised or matured (excluding write offs)	<u>(451,292)</u>	<u>(4,997)</u>	<u>(456,289)</u>
	<u>2,715,882</u>	<u>75,088</u>	<u>2,790,970</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off balance sheet RM'000	Total RM'000
At 1 January 2018	-	-	-	-
Effects of adoption of MFRS 9				
- Transfer from individual impairment allowance	-	629	-	629
- Remeasurement under ECL	428	-	-	428
At 1 January, restated	428	629	-	1,057
Impairment made during the financial year	-	4,910	9	4,919
Written back	(102)	-	-	(102)
Transfers	4	-	(4)	-
At 31 December 2018	330	5,539	5	5,874

8. Loans, advances and financing

	Group and Bank	
	2018 RM'000	2017 RM'000
Term loans/financing		
Syndicated term loans/financing	224,407	238,832
Other term loans	11,848	11,848
	236,255	250,680
Margin accounts	349,388	317,038
Staff loans	373	380
Gross loans, advances and financing	586,016	568,098
Less: Impairment allowances		
- Collective impairment allowance	-	(3,515)
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance	(102,152)	-
Net loans, advances and financing	483,864	503,824

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Gross loans, advances and financing

(i) By types of customer

	Group and Bank	
	2018	2017
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	379,979	372,486
Individuals	206,037	195,612
Gross loans, advances and financing	<u>586,016</u>	<u>568,098</u>

(ii) By interest rate sensitivity

	Group and Bank	
	2018	2017
	RM'000	RM'000
Fixed rate		
Staff loans	373	380
Margin accounts	349,388	317,038
Variable rate		
Cost-plus	236,255	250,680
Gross loans, advances and financing	<u>586,016</u>	<u>568,098</u>

(iii) By economic sector

	Group and Bank	
	2018	2017
	RM'000	RM'000
Mining and quarrying	98,048	98,048
Manufacturing	54,756	61,939
Construction	43,222	-
Wholesale & retail trade and restaurants & hotels	25,741	27,390
Finance, insurance and business services	138,661	143,356
Education, health and others	-	32,556
Household	206,037	195,612
Others	19,551	9,197
Gross loans, advances and financing	<u>586,016</u>	<u>568,098</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

(iv) By maturity profile

	Group and Bank	
	2018	2017
	RM'000	RM'000
Within one year	509,008	397,963
One year to five years	76,987	170,068
After five years	21	67
Gross loans, advances and financing	<u>586,016</u>	<u>568,098</u>

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

(i) Movements in ILs are as follows:

	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January	166,799	260,003
Classified as impaired	-	11,848
Recovered	(59)	(105,052)
Written off	(7,500)	-
At 31 December	<u>159,240</u>	<u>166,799</u>
Less:		
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance	(100,721)	-
Net ILs	<u>58,519</u>	<u>106,040</u>
Ratio of net ILs to gross loans, advances and financing less ECL allowance (stage 3)/individual impairment allowance	<u>12.06%</u>	<u>20.90%</u>

(ii) ILs by economic sector:

	Group and Bank	
	2018	2017
	RM'000	RM'000
Mining and quarrying	98,048	98,048
Manufacturing	50,399	57,900
Wholesale & retail trade and restaurants & hotels	10,769	10,827
Household	24	24
	<u>159,240</u>	<u>166,799</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

(i) Collective impairment allowance

Terms loans/financing	Group and Bank	
	2018 RM'000	2017 RM'000
At 1 January	3,515	2,784
Effects of adoption of MFRS 9	(3,515)	-
	-	2,784
Impairment made	-	731
At 31 December	-	3,515
Ratio of collective impairment allowance to gross loans, advances and financing less individual impairment allowance (including regulatory reserve)	-	1.20%

(ii) Individual impairment allowance

Group and Bank	Term loans/financing RM'000	Staff loans RM'000	Margin accounts RM'000	Total RM'000
2017				
At 1 January	72,176	24	-	72,200
Impairment made	1,121	-	-	1,121
Written back	(1,324)	-	-	(1,324)
Discount unwind	(1,510)	-	-	(1,510)
Written off	(757)	-	-	(757)
Reclassification to securities available-for-sale	(8,971)	-	-	(8,971)
At 31 December	60,735	24	-	60,759
2018				
At 1 January	60,735	24	-	60,759
Effects of adoption of MFRS 9	(60,735)	(24)	-	(60,759)
At 31 December	-	-	-	-

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

(iii) Expected credit loss allowance

Corporate loan, advances 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 as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2018			
Very strong	34,222	-	34,222
Fair	42,816	-	42,816
Unacceptable	-	159,217	159,217
	<u>77,038</u>	<u>159,217</u>	<u>236,255</u>

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2018			
Gross carrying amount as at			
1 January 2018	181,952	68,728	250,680
New assets originated or purchased	158,877	-	158,877
Assets derecognised or repaid			
(excluding write offs)	(165,743)	(59)	(165,802)
Transfers to Stage 3	(98,048)	98,048	-
Amounts written off	-	(7,500)	(7,500)
	<u>77,038</u>	<u>159,217</u>	<u>236,255</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

(iii) Expected credit loss allowance (cont'd.)

Corporate loan, advances and financing (cont'd.)

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off balance sheet RM'000	Total RM'000
At 1 January	-	-	-	-
Effects of adoption of MFRS 9				
- Transfer from individual/ collective impairment allowance	3,515	60,759	-	64,274
- Remeasurement under ECL	(1,797)	-	2,449	652
At 1 January, restated	1,718	60,759	2,449	64,926
Transfer	1,959	-	(1,959)	-
Impairment made during the financial year (Note 27)	-	47,548	-	47,548
Written back (Note 27)	(2,736)	(86)	-	(2,822)
Written off	-	(7,500)	-	(7,500)
At 31 December	941	100,721	490	102,152

Share margin 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 as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
31 December 2018			
Very strong	54,413	-	54,413
Strong	82,901	-	82,901
Good	48,331	4,121	52,452
Acceptable	150,449	4,816	155,265
Fair	4,357	-	4,357
Total	340,451	8,937	349,388

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

(ii) Expected credit loss allowance (cont'd.)

Share margin financing (cont'd.)

An analysis of changes in the gross carrying amount in relation to share margin financing is, as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
31 December 2018			
Gross carrying amount as at 1 January 2018	317,038	-	317,038
New assets originated or purchased	41,829	-	41,829
Assets derecognised or repaid (excluding write offs)	(9,479)	-	(9,479)
Transfers to Stage 2	(8,937)	8,937	-
	340,451	8,937	349,388

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

9. Derivative assets/liabilities

Group and Bank	Contract or underlying principal amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
2018			
Interest rate related derivatives:			
- Interest rate swaps	100,000	-	(117)
	100,000	78	-
2017			
Interest rate related derivatives:			
- Interest rate swaps	100,000	78	-
	100,000	78	-

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

10. Other assets

	Note	Group		Bank	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest/profit receivables		33,117	26,719	33,117	26,719
Amounts due from brokers and clients	(a)	45,733	165,308	45,733	165,308
Deposits, prepayments and other receivables		12,054	12,546	12,054	12,546
Less:					
- Individual impairment allowance	(b)	-	(4,226)	-	(4,226)
- Expected credit loss allowance	(b)	(4,330)	-	(4,330)	-
		<u>7,724</u>	<u>8,320</u>	<u>7,724</u>	<u>8,320</u>
Amount recoverable from Danaharta		96,973	96,973	96,973	96,973
Less:					
- Individual impairment allowance		-	(96,973)	-	(96,973)
- Expected credit loss allowance		(96,973)	-	(96,973)	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from related companies	(c)	172	35	172	35
Amount due from subsidiaries	(c)	-	-	255	717
Tax recoverable		21,560	20,759	21,560	20,759
		<u>108,306</u>	<u>221,141</u>	<u>108,561</u>	<u>221,858</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

10. Other assets (cont'd.)

(a) Amounts due from brokers and clients

	Group and Bank	
	2018	2017
	RM'000	RM'000
Brokers	33,865	52,399
Clients	11,868	112,909
	<u>45,733</u>	<u>165,308</u>

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) Individual impairment allowance

Group and Bank	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January	(4,226)	(3,187)
Effects of adoption of MFRS 9	4,226	-
	-	(3,187)
Impairment made (Note 29)	-	(968)
Written back (Note 29)	-	74
Adjustment	-	(145)
At 31 December	-	(4,226)

(ii) Expected credit loss allowance

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

10. Other assets (cont'd.)

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

11. Statutory deposits with Bank Negara Malaysia

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

12. Investment in subsidiaries

	Bank	
	2018	2017
	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
	2018	2017	
	%	%	
MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd	100	100	Nominees services
MIDF Amanah Investment Nominees (Asing) Sdn Bhd	100	100	Nominees services

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment

Group and Bank	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2017	536	3,715	6,837	475	11,563
Additions	-	1	131	-	132
Transfer to related companies	-	-	(3)	-	(3)
Written off	-	-	(9)	-	(9)
At 31 December 2017	536	3,716	6,956	475	11,683
Additions	-	-	825	-	825
Written off	-	-	(8)	-	(8)
At 31 December 2018	536	3,716	7,773	475	12,500

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Group and Bank (cont'd.)					
Accumulated depreciation					
At 1 January 2017	533	3,702	5,685	380	10,300
Charge for the financial year	1	6	635	29	671
Transfer to related companies	-	-	(3)	-	(3)
Written off	-	-	(9)	-	(9)
At 31 December 2017	534	3,708	6,308	409	10,959
Charge for the financial year	1	6	582	29	618
Written off	-	-	(8)	-	(8)
At 31 December 2018	535	3,714	6,882	438	11,569
Net book value					
At 31 December 2018	1	2	891	37	931
At 31 December 2017	2	8	648	66	724

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

14. Intangible assets

Group and Bank	Computer software RM'000	Work in progress RM'000	Total RM'000
Cost			
At 1 January 2017	2,759	2,293	5,052
Additions	1,347	359	1,706
Reclassification	2,293	(2,293)	-
At 31 December 2017	6,399	359	6,758
Additions	413	-	413
Reclassification	17	(17)	-
At 31 December 2018	6,829	342	7,171
Accumulated amortisation			
At 1 January 2017	2,522	-	2,522
Amortisation	906	-	906
At 31 December 2017	3,428	-	3,428
Amortisation	1,359	-	1,359
At 31 December 2018	4,787	-	4,787
Net book value			
At 31 December 2018	2,042	342	2,384
At 31 December 2017	2,971	359	3,330

15. Deferred tax

	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January	10,036	15,998
Effects of adoption of MFRS 9	(6,083)	-
At 1 January 2018, restated	3,953	15,998
Recognised in profit or loss	4,202	1,599
Recognised in other comprehensive income	862	(7,561)
At 31 December	9,017	10,036

Presented after appropriate offsetting as follows:

	Group and Bank	
	2018	2017
	RM'000	RM'000
Deferred tax assets	9,476	10,321
Deferred tax liabilities	(459)	(285)
	9,017	10,036

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

15. Deferred tax (cont'd.)

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/ securities		Other temporary differences RM'000	Total RM'000
		available- for-sale RM'000			
At 1 January 2017	-	13,433		2,842	16,275
Recognised in profit or loss	-	-		1,607	1,607
Recognised in other comprehensive income	-	(7,565)		4	(7,561)
At 31 December 2017	-	5,868		4,453	10,321
Effects of adoption of MFRS 9	-	(6,083)		-	(6,083)
At 1 January 2018, restated	-	(215)		4,453	4,238
Recognised in profit or loss	7,078	-		(2,702)	4,376
Recognised in other comprehensive income	-	897		(35)	862
At 31 December 2018	7,078	682		1,716	9,476

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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	Accelerated capital allowance RM'000	Total RM'000
At 1 January 2017	(277)	(277)
Recognised in profit or loss	(8)	(8)
At 31 December 2017	<u>(285)</u>	<u>(285)</u>
Recognised in profit or loss	(174)	(174)
At 31 December 2018	<u>(459)</u>	<u>(459)</u>

16. Deposits from customers

	Group and Bank	
	2018	2017
	RM'000	RM'000
(a) By types of deposit		
Call deposits	15,578	10,192
Fixed deposits	2,324,457	1,927,277
	<u>2,340,035</u>	<u>1,937,469</u>
(b) By types of customer		
Business enterprises	1,745,620	1,465,036
Government and statutory bodies	591,782	469,857
Individual	2,633	2,576
	<u>2,340,035</u>	<u>1,937,469</u>
(c) The maturity structure of term deposits is as follows:		
Due within six months	2,253,045	1,805,695
Six months to one year	70,990	116,101
One year to two years	16,000	15,673
	<u>2,340,035</u>	<u>1,937,469</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2018	2017
	RM'000	RM'000
(a) Call deposits		
- Other financial institutions	5,724	3,860
(b) Fixed deposits		
- Licensed banks	194,100	68,700
- Other financial institutions	1,146,251	1,809,082
	<u>1,340,351</u>	<u>1,877,782</u>
	<u>1,346,075</u>	<u>1,881,642</u>

18. Other liabilities

		Group		Bank	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Amounts due to clients	(a)	51,571	171,633	51,571	171,633
Interest/profit payables		22,539	23,643	22,539	23,643
Accrued liabilities and other payables		8,323	15,963	8,323	15,963
Employee benefits	(b)	1,946	3,391	1,946	3,391
Amount due to immediate holding company	(c)	1,075	988	1,075	988
Amount due to related company	(c)	4	8	3	7
		<u>85,458</u>	<u>215,626</u>	<u>85,457</u>	<u>215,625</u>

(a) Amounts due to clients

	Group and Bank	
	2018	2017
	RM'000	RM'000
Clients	<u>51,571</u>	<u>171,633</u>

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.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

18. Other liabilities (cont'd.)

(b) Employee benefits

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

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

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
Present value of unfunded defined benefit obligations	1,946	3,391
Fair value of plan assets	-	-
Present value of net obligations	<u>1,946</u>	<u>3,391</u>
<i>Analysed as:</i>		
Non current		
Later than 1 year but not later than 2 years	70	1,085
Later than 2 years but not later than 5 years	248	75
Later than 5 years	1,628	2,231
	<u>1,946</u>	<u>3,391</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

18. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January	3,391	3,104
Benefits paid	(1,561)	-
	<u>1,830</u>	<u>3,104</u>
Recognised in profit or loss:		
Current service cost	130	144
Interest cost	133	124
	<u>263</u>	<u>268</u>
Recognised in other comprehensive income:		
Remeasurement of the net defined benefit liability:		
Actuarial (gain)/loss arising from changes in demographic assumptions	(147)	19
	<u>(147)</u>	<u>19</u>
At 31 December	<u>1,946</u>	<u>3,391</u>

Principal actuarial assumptions used are as follows:

	Group and Bank	
	2018	2017
Discount rate	5.00%	5.00%
Future salary increase	5.50%	5.00%

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

Assumptions	Discount rate		Future salary increase	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Sensitivity analysis	RM'000	RM'000	RM'000	RM'000

Group and Bank

(Decrease)/increase in the net defined benefit obligation

2018	(122)	32	31	(122)
2017	(58)	60	60	(58)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

18. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

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.

19. Share capital

	Group and Bank			
	Number of shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At 1 January				
Ordinary shares	155,000	155,000	369,111	155,000
Transfer from Share Premium	-	-	-	214,111
At 31 December	<u>155,000</u>	<u>155,000</u>	<u>369,111</u>	<u>369,111</u>

20. Reserves

(a) Statutory reserve

The statutory reserve is maintained in compliance with the provisions of the Financial Services Act, 2013 and is not distributable as cash dividends. Following Bank Negara Malaysia's policy document on Capital Funds issued on 3 May 2017 whereby the previous requirements to maintain a reserve fund is no longer required given the implementation of the Capital Conservation Buffer under the Capital Adequacy Framework, the Group and the Bank transferred its statutory reserve back to retained profits in 2017.

(b) 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 Revised Policies Document on Classification and Impairment Provisions for Loans/Financing issued on 2 February 2018.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

20. Reserves (cont'd.)

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

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

21. Interest income

	Group and Bank	
	2018	2017
	RM'000	RM'000
Loans, advances and financing		
- Interest income on non-impaired loans	31,132	20,146
- Interest income on impaired loans ("ILs")	-	1,510
Money at call and deposit placements with financial institutions	3,868	7,354
Financial assets at FVTPL/securities held-for-trading	26	3
Financial investments at FVOCI/securities available-for-sale		
- Interest income on non-impaired instruments	15,720	81,201
- Interest income on impaired instruments	-	3,955
Financial investments at amortised cost		
- Interest income on non-impaired instruments	52,309	-
- Interest income on impaired instruments	1,856	-
Derivative instruments	96	194
	<u>105,007</u>	<u>114,363</u>
Accretion of discount less amortisation of premium	(362)	172
	<u>104,645</u>	<u>114,535</u>

22. Interest expense

	Group and Bank	
	2018	2017
	RM'000	RM'000
Deposits from customers	54,524	58,157
Deposits and placements of banks and other financial institutions	26,851	35,367
Derivative instruments	4	-
	<u>81,379</u>	<u>93,524</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

23. Non-interest income

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fee income:				
Fees on loans and advances	145	49	145	49
Corporate advisory fees	3,467	2,218	3,467	2,218
Underwriting fees	350	901	350	901
Management fees	-	286	-	286
Brokerage commission	16,153	20,959	16,153	20,959
Other fee income [^]	3,342	7,422	3,342	7,422
	<u>23,457</u>	<u>31,835</u>	<u>23,457</u>	<u>31,835</u>
Investment income/(loss):				
Net gain on sale of financial assets at FVTPL/securities held-for-trading	1,912	13	1,912	13
Net gain/(loss) on sale of financial investments at FVOCI/securities available-for-sale	768	(7)	768	(7)
Net gain on sale of financial investments at amortised costs	113	-	113	-
Net unrealised loss on revaluation of derivative instruments	(195)	(450)	(195)	(450)
	<u>2,598</u>	<u>(444)</u>	<u>2,598</u>	<u>(444)</u>
Gross dividends from:				
Financial assets at FVTPL	1,394	-	1,394	-
Financial investments at FVOCI/securities available-for-sale	122	1,850	122	1,850
Subsidiaries	-	-	43	43
	<u>1,516</u>	<u>1,850</u>	<u>1,559</u>	<u>1,893</u>
Other income:				
Intercompany management fee	825	741	724	677
Others [*]	1,584	152	1,584	152
	<u>2,409</u>	<u>893</u>	<u>2,308</u>	<u>829</u>
	<u>29,980</u>	<u>34,134</u>	<u>29,922</u>	<u>34,113</u>

[^] Included in prior year's other fee income of the Group and of the Bank is an extension fee received of RM5.0 million upon settlement of principal loan outstanding by a customer.

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

24. Staff costs

	Group and Bank	
	2018	2017
	RM'000	RM'000
Wages, salaries and bonuses	23,426	27,786
Executive Director/Chief Executive Officer		
- Fees	179	120
Employees' benefits (Note 18(b))	263	268
Defined contribution plans	3,580	4,285
Social security costs	143	132
Other staff related expenses	2,879	2,562
	<u>30,470</u>	<u>35,153</u>

25. Other operating expenses

	Group		Bank	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
Rental of:				
- office equipment	36	42	36	42
- premises	2,285	2,304	2,285	2,304
General repairs and maintenance	42	48	42	48
Insurance	170	202	170	202
Electricity	60	59	60	59
IT expenses	4,799	4,743	4,799	4,743
	<u>7,392</u>	<u>7,398</u>	<u>7,392</u>	<u>7,398</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	1,398	1,462	1,398	1,462
Entertainment	402	412	402	412
	<u>1,800</u>	<u>1,874</u>	<u>1,800</u>	<u>1,874</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

25. Other operating expenses (cont'd.)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Administrative and general expenses				
Auditors' remuneration				
- Audit	241	212	238	206
- Regulatory related services	-	15	-	15
- Other services	254	254	254	254
Non-Executive Directors' remuneration (Note 26(b))	858	771	858	771
Communication expenses	156	150	156	150
Management fees	6,694	6,745	6,694	6,745
Professional fees	303	594	303	594
Security commission's levy	1,274	1,453	1,274	1,453
Brokerage fee	1,107	1,002	1,107	1,002
Bursa fees	220	157	220	157
License fees and stamp duty	205	185	205	185
Corporate dealers' and remisiers' commissions	71	93	71	93
Others	462	290	457	288
	<u>11,845</u>	<u>11,921</u>	<u>11,837</u>	<u>11,913</u>
	<u>21,037</u>	<u>21,193</u>	<u>21,029</u>	<u>21,185</u>

26. Directors' remuneration

The details of remuneration receivable by Directors of the Group and the Bank during the financial year are as follows:

	Group and Bank	
	2018 RM'000	2017 RM'000
Directors of the Bank		
(a) Executive Director/Chief Executive Officer:		
Other emoluments	179	120
Total remuneration	<u>179</u>	<u>120</u>
(b) Non-Executive Directors:		
Fees	658	595
Other emoluments	200	176
Total remuneration	<u>858</u>	<u>771</u>
	<u>1,037</u>	<u>891</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

26. Directors' remuneration (cont'd.)

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

	Number of Directors	
	2018	2017
Executive Director		
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	1	1
	<hr/>	<hr/>
Non-Executive Directors		
Below RM10,000	2	2
RM50,001 - RM100,000	-	3
RM100,001 – RM150,000	3	1
RM150,001 – RM200,000	3	2
	<hr/>	<hr/>

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

	Group and Bank		
	Fees RM'000	Other emoluments RM'000	Total RM'000
2018			
Executive Director:			
Dato' Charon Wardini Mokhzani (Appointed on 2 July 2018)	-	119	119
Datuk Mohd. Najib Hj. Abdullah (Resigned on 30 June 2018)	-	60	60
	<hr/>	<hr/>	<hr/>
	-	179	179
Non-Executive Directors			
Datuk Azizan Hj. Abd. Rahman	130	34	164
Encik Ahlan Nasri Mohd Nasir	115	40	155
Encik Azlan Abdullah	115	37	152
Puan Sri Shahrizan Abdullah	105	36	141
Mr. Philip Tan Puay Koon	95	27	122
Dato' Kaziah Abdul Kadir	95	25	120
Mr. Tai Keat Chai (Resigned on 5 January 2017)*	2	-	2
Encik Mustaffa Ahmad (Resigned on 5 January 2017)*	2	-	2
	<hr/>	<hr/>	<hr/>
	659	199	858
Total Directors' remuneration	<hr/>	<hr/>	<hr/>
	659	378	1,037

* Payment made in arrears

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

26. Directors' remuneration (cont'd.)

	Group and Bank		
	Fees RM'000	Other emoluments RM'000	Total RM'000
2017			
Executive Director:			
Datuk Mohd. Najib Hj. Abdullah	-	120	120
Non-Executive Directors			
Datuk Azizan Hj. Abd. Rahman	146	41	187
Dato' Kaziah Abdul Kadir	117	39	156
Mr. Philip Tan Puay Koon	117	33	150
Encik Ahlan Nasri Mohd Nasir (Appointed on 4 April 2017)	77	22	99
Encik Azlan Abdullah (Appointed on 18 May 2017)	70	24	94
Puan Sri Shahrizan Abdullah (Appointed on 17 May 2017)	64	17	81
Encik Mustaffa Ahmad (Resigned on 5 January 2017)	3	-	3
Mr. Tai Keat Chai (Resigned on 5 January 2017)	1	-	1
	<u>595</u>	<u>176</u>	<u>771</u>
Total Directors' remuneration	<u>595</u>	<u>296</u>	<u>891</u>

The directors of the Bank's subsidiaries did not received nor become entitled to receive any benefit (other than the fixed salary of a full time employee of the Bank) by reason of the contract made by the Bank or related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

	Group and Bank	
	2018 RM'000	2017 RM'000
Collective impairment allowance (Note 8(c)(i))		
- Made	-	(731)
Individual impairment allowance (Note 8(c)(ii))		
- Made	-	(1,121)
- Written back	-	1,324
Expected credit loss allowance (Note 8(c)(iii))		
- Made	(47,548)	-
- Written back	2,822	-
Interest on impaired loans recovered	-	8,920
Bad debts recovered	312	-
	<u>(44,414)</u>	<u>8,392</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

28. Impairment loss made on financial investments/securities

	Group and Bank	
	2018	2017
	RM'000	RM'000
Financial investments at FVOCI/securities available-for-sale (net)	(14,479)	(28,432)
Financial investments at amortised cost	(4,817)	-
Interest on impaired financial investments recovered	1,374	-
	<u>(17,922)</u>	<u>(28,432)</u>

29. Impairment loss made on other assets

	Group and Bank	
	2018	2017
	RM'000	RM'000
Impairment loss (made)/written back on other debtors:		
- Made (Note 10(b)(i))	-	(968)
- Written back (Note 10(b)(i))	-	74
	<u>-</u>	<u>(894)</u>
- Written back from Danaharta (Note 8)	-	59
	<u>-</u>	<u>(835)</u>
Expected credit loss allowance		
- Made (Note 10(b)(ii))	(1,409)	-
- Written back (Note 10(b)(ii))	695	-
	<u>(714)</u>	<u>-</u>
Bad debts recovered	69	-
	<u>(645)</u>	<u>(835)</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

30. Taxation

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax expense				
- Current financial year	23	7,647	-	7,633
- Over provision in prior years	(801)	(164)	(801)	(164)
	<u>(778)</u>	<u>7,483</u>	<u>(801)</u>	<u>7,469</u>
Deferred tax expense (Note 15):				
- Relating to origination and reversal of temporary differences	(6,133)	(1,599)	(6,133)	(1,599)
- Under provision in prior years	1,931	-	1,931	-
	<u>(4,202)</u>	<u>(1,599)</u>	<u>(4,202)</u>	<u>(1,599)</u>
Tax (credit)/expense for the year	<u>(4,980)</u>	<u>5,884</u>	<u>(5,003)</u>	<u>5,870</u>

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation and zakat	<u>(24,646)</u>	<u>27,436</u>	<u>(24,696)</u>	<u>27,423</u>
Taxation at Malaysian Statutory tax rate of 24% (2017: 24%)	(5,915)	6,585	(5,927)	6,582
Utilisation of capital allowance previously not recognised	(213)	-	(213)	-
Income not subject to tax	(363)	(724)	(374)	(735)
Expenses not deductible for tax purpose	381	187	381	187
Over provision of income tax in prior years	(801)	(164)	(801)	(164)
Under provision of deferred tax in prior years	1,931	-	1,931	-
Tax (credit)/expense for the financial year	<u>(4,980)</u>	<u>5,884</u>	<u>(5,003)</u>	<u>5,870</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

31. (Losses)/earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share is based on the Group's (loss)/profit for the financial year of (RM19,666,000) (2017: RM20,785,000) by the weighted average number of ordinary shares of 155,000,000 (2017: 155,000,000).

32. Dividends

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

33. Commitments and contingencies

	<----- 2018 ----->			<----- 2017 ----->		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000
Group and Bank						
Interest rate related contracts with an original maturity of:						
- not exceeding one year	100,000	2,000	400	100,000	194	39
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	133,664	26,733	26,733	283,014	56,603	56,603
- exceeding one year	152,340	76,170	76,170	165,000	82,500	82,500
Total	386,004	104,903	103,303	548,014	139,297	139,142

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

Capital commitment

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	
	2018 RM'000	2017 RM'000
Authorised but not contracted	4,988	4,378

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

34. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2018	2017
	RM'000	RM'000
(i) Outstanding credit exposures with connected parties	173,832	152,500
(ii) Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	5.05%	4.15%
(iii) Percentage of outstanding credit exposures to connected parties which is 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.

2018	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
Group			
Assets			
Cash and short-term funds	105,746	-	105,746
Financial assets at FVTPL	-	11	11
Financial investments at FVOCI	94,412	831,362	925,774
Financial investments at amortised cost	189,927	2,595,169	2,785,096
Loans, advances and financing	408,288	75,576	483,864
Other assets	88,029	20,277	108,306
Statutory deposits with Bank Negara Malaysia	-	127,220	127,220
Property, plant and equipment	-	931	931
Intangible assets	-	2,384	2,384
Deferred tax assets	-	9,017	9,017
Total assets	886,402	3,661,947	4,548,349
Liabilities			
Deposits from customers	2,324,035	16,000	2,340,035
Deposits and placements of banks and other financial institutions	1,346,075	-	1,346,075
Derivative liabilities	-	117	117
Other liabilities	81,946	3,512	85,458
Provision for tax and zakat	7	-	7
Total liabilities	3,752,063	19,629	3,771,692

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2017			
Group			
Assets			
Cash and short-term funds	141,441	-	141,441
Securities available-for-sale	1,079,126	2,742,912	3,822,038
Loans, advances and financing	336,278	167,546	503,824
Derivative assets	78	-	78
Other assets	193,387	27,754	221,141
Statutory deposits with Bank Negara Malaysia	-	114,282	114,282
Property, plant and equipment	-	724	724
Intangible assets	-	3,330	3,330
Deferred tax assets	-	10,036	10,036
Total assets	<u>1,750,310</u>	<u>3,066,584</u>	<u>4,816,894</u>
Liabilities			
Deposits from customers	1,921,796	15,673	1,937,469
Deposits and placements of banks and other financial institutions	1,881,642	-	1,881,642
Other liabilities	211,561	4,065	215,626
Provision for tax and zakat	1,456	-	1,456
Total liabilities	<u>4,016,455</u>	<u>19,738</u>	<u>4,036,193</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2018			
Bank			
Assets			
Cash and short-term funds	105,426	-	105,426
Financial assets at FVTPL	-	11	11
Financial investments at FVOCI	94,412	831,362	925,774
Financial investments at amortised cost	189,927	2,595,169	2,785,096
Loans, advances and financing	408,288	75,576	483,864
Other assets	88,284	20,277	108,561
Statutory deposits with Bank Negara Malaysia	-	127,220	127,220
Investment in subsidiaries	-	*	*
Property, plant and equipment	-	931	931
Intangible assets	-	2,384	2,384
Deferred tax assets	-	9,017	9,017
Total assets	<u>886,337</u>	<u>3,661,947</u>	<u>4,548,284</u>
Liabilities			
Deposits from customers	2,324,035	16,000	2,340,035
Deposits and placements of banks and other financial institutions	1,346,075	-	1,346,075
Derivative liabilities	-	117	117
Other liabilities	81,945	3,512	85,457
Total liabilities	<u>3,752,055</u>	<u>19,629</u>	<u>3,771,684</u>

* Denotes RM4

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2017			
Bank			
Assets			
Cash and short-term funds	140,690	-	140,690
Securities available-for-sale	1,079,126	2,742,912	3,822,038
Loans, advances and financing	336,278	167,546	503,824
Derivative assets	78	-	78
Other assets	194,104	27,754	221,858
Statutory deposits with Bank Negara Malaysia	-	114,282	114,282
Investment in subsidiaries	-	*	*
Property, plant and equipment	-	724	724
Intangible assets	-	3,330	3,330
Deferred tax assets	-	10,036	10,036
Total assets	<u>1,750,276</u>	<u>3,066,584</u>	<u>4,816,860</u>
Liabilities			
Deposits from customers	1,921,796	15,673	1,937,469
Deposits and placements of banks and other financial institutions	1,881,642	-	1,881,642
Other liabilities	211,560	4,065	215,625
Provision for tax and zakat	1,453	-	1,453
Total liabilities	<u>4,016,451</u>	<u>19,738</u>	<u>4,036,189</u>

* Denotes RM4

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

36. Related party disclosures

(a) Significant related party transactions and balances

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
Penultimate holding company		
Income:		
Interest income on financial investments/securities	1,995	1,995
Brokerage fees earned	5,183	6,783
Fee income	138	11,313
	<hr/>	<hr/>
Immediate holding company		
Expenditure:		
Rental of premises	2,259	2,276
Management fees	6,694	6,745
	<hr/>	<hr/>
Other related companies		
Income:		
Interest income on financial investments/securities	1,410	4,704
Interest income on loans, advances and financing	998	-
Brokerage fees earned	3,593	3,165
Fee income	297	1,971
Expenditure:		
Interest expense on deposits	9,924	4,738
	<hr/>	<hr/>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

36. Related party disclosures (cont'd.)

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

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
Penultimate holding company		
Amount due from:		
Fee receivable	-	138
Financial investments/securities	35,000	35,000
	<u>35,000</u>	<u>35,000</u>
Other related companies		
Amount due to:		
Deposits from placements of banks and other financial institutions	21,908	126,099
Other payables	1,365	185
Amount due from:		
Fee receivable	-	71
Sundry deposits	553	553
Financial investments/securities	30,000	179,244
	<u>30,000</u>	<u>179,244</u>

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

(b) Compensation of key management personnel

	Group and Bank	
	2018	2017
	RM'000	RM'000
Short-term employment benefits	8,472	7,732
Defined contribution plan	835	1,094
Defined benefit plan	35	129
	<u>9,342</u>	<u>8,955</u>

Included in the above is Directors' remuneration amounting to RM1,037,000 (2017: RM891,000) as further disclosed in Note 26.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

37. Financial risk management objectives and policies

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

The Board of Directors recognises that all areas of the Group's and of the Bank's business involve some degree of risk and is committed to ensure that an effective risk management process is in place to manage those risks. The Group and the Bank are guided by the MIDF Group Enterprise Risk Management Framework ("ERM") for the process of managing risk. ERM provides a systematic approach on how to identify, prioritise and manage the Bank's overall risks.

The Board of Directors is primarily responsible for the effective management of all risks across the Group and the Bank and decides the risk management policy and procedures, set prudential limits, auditing, reporting and review mechanism. Operationally, the risk management responsibilities are entrusted to the Risk Management Committee and Head of Risk Management.

The Board of Directors is assisted by the following Board committees in its overall responsibility for risk oversight within the Bank:

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

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVTPL	11	-	11	-
Financial assets at FVOCI/ securities available-for-sale	925,774	3,822,038	925,774	3,822,038
Financial assets at amortised cost:				
- Cash and short-term funds	105,746	141,441	105,426	140,690
- Financial instruments	2,785,096	-	2,785,096	-
- Loans, advances and financing	483,864	503,824	483,864	503,824
- Other assets	213,392	313,953	213,647	314,670
Derivatives assets	-	78	-	78
Financial liabilities at amortised cost	3,769,622	4,031,346	3,769,621	4,031,345
Derivatives liabilities	117	-	117	-

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(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. Credit risk unit's roles and responsibilities are as follows:-

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

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.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

(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;
- 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; and
- Internal rating of 8

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

(ii) Internal rating and PD estimation process

The Group's and the Bank's independent Credit Risk Department operates its internal rating models. 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 internal rating system is used as a benchmarking. For loan, advances and financing and financial investments not rated by RAM and MARC, the Group and the Bank uses 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.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

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

There are eight internal rating grades, where Risk Grade 1 being the best grade while Risk Grade 8 being the worst grade. The models incorporate 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 description for the risk grade and internal rating is as follows:

Risk Grade	Risk Category	Description
1	Superior	Superior safety for payment of financial obligations. It is judged to be the best or prime quality of credit.
2	Very Strong	High safety for timely payment of financial obligations.
3	Strong	Medium high safety of timely payment of financial obligations.
4	Good	Lower high safety for timely payment of financial obligations.
5	Acceptable	Adequate safety for timely payment of financial obligations. More susceptible to changes in circumstances and economic conditions than debts in higher-rated categories.
6	Fair	Moderate safety for timely payment of financial obligations. Lacking in certain protective elements. Changes in circumstances are more likely to lead to weakened capacity to meet financial obligations than debts in higher-rates categories.
7	Weak	Lower moderate safety for timely payment of financial obligations. Lacking in certain protective elements. Changes in circumstance are more likely to weaken the capacity to meet financial obligations than debts in higher-rated categories.
8	Unacceptable	Weak safety for timely payment of financial obligations. Vulnerable to moderately adverse developments both internal and external.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

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

The Group and the Bank has insufficient historical default data to develop its own PD. Due to the unavailability of the data, publicly available peer group experience is being used as a proxy for Observed Default Rate (ODR). 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 above 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 PDs (Point in Time (PiT) PD) are then developed based on the forecasted of selected MEF. The PiT PD is applied as 12-month PD for Stage 1 accounts.

(iii) Exposure at default (EAD)

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

(iv) Loss given default

LGD values are assessed every three months by the Bank's credit risk department. The Group and the Bank has insufficient historical default data 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. The chosen proxy is published default study data by Moody's. LGD for financial investments are determine based on type of bond.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

(v) Significant increase in credit risk

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

(i) 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.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

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

Group 2018	Manufacturing RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communications RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short-term funds	-	-	-	105,746	-	105,746
Financial assets at FVTPL						
- Unquoted instruments	-	-	-	11	-	11
Financial investments at FVOCI						
- Money market instruments	-	-	-	-	720,075	720,075
- Unquoted instruments	4,325	-	-	130,072	70,545	204,942
Financial investments at amortised cost						
- Money market instruments	-	-	-	-	674,510	674,510
- Corporate Bonds/Sukuk	99,533	-	210,144	730,018	1,070,891	2,110,586
Loans, advances and financing						
- Term loans/financing	7,568	-	-	34,014	92,544	134,126
- Margin accounts	4,357	14,972	-	104,437	225,622	349,388
- Others	-	-	-	-	350	350
Other financial assets						
	115,783	14,972	210,144	1,265,383	2,906,844	4,513,126
Commitments and contingencies						
Other commitments						
	-	-	-	56,276	229,728	286,004
	-	-	-	56,276	229,728	286,004
	115,783	14,972	210,144	1,321,659	3,136,572	4,799,130

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

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

Group 2017	Manufacturing RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communications RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short-term funds	-	-	-	141,441	-	141,441
Securities available-for-sale						
- Money market instruments	-	-	-	497,021	865,625	1,362,646
- Unquoted securities	171,786	9,965	197,854	736,670	1,322,623	2,438,898
Loans, advances and financing						
- Term loans/financing	7,986	6	-	-	178,438	186,430
- Margin accounts	-	-	-	121,806	195,232	317,038
- Others	-	-	-	-	356	356
Derivative assets	-	-	-	78	-	78
Other financial assets						
	179,772	9,971	197,854	1,663,697	147,272	313,953
						4,760,840
Commitments and contingencies						
Other commitments						
	-	-	115,000	45,494	287,520	448,014
	-	-	115,000	45,494	287,520	448,014
	179,772	9,971	312,854	1,709,191	2,997,066	5,208,854

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

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

Bank 2018	Manufacturing RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communications RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short-term funds	-	-	-	105,426	-	105,426
Financial assets at FVTPL						
- Unquoted instruments	-	-	-	11	-	11
Financial investments at FVOCI						
- Money market instruments	-	-	-	-	720,075	720,075
- Unquoted instruments	4,325	-	-	130,072	70,545	204,942
Financial investments at amortised cost						
- Money market instruments	-	-	-	-	674,510	674,510
- Corporate Bonds/Sukuk	99,533	-	210,144	730,018	1,070,891	2,110,586
Loans, advances and financing						
- Term loans/financing	7,568	-	-	34,014	92,544	134,126
- Margin accounts	4,357	14,972	-	104,437	225,622	349,388
- Others	-	-	-	-	350	350
Other financial assets						
	115,783	14,972	210,144	1,265,063	2,907,099	4,513,061
Commitments and contingencies						
Other commitments						
	-	-	-	56,276	229,728	286,004
	-	-	-	56,276	229,728	286,004
	115,783	14,972	210,144	1,321,339	3,136,827	4,799,065

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

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

Bank 2017	Manufacturing RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communications RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short-term funds	-	-	-	140,690	-	140,690
Securities available-for-sale						
- Money market instruments	-	-	-	497,021	865,625	1,362,646
- Corporate Bonds/Sukuk	171,786	9,965	197,854	736,670	1,322,623	2,438,898
Loans, advances and financing						
- Term loans/financing	7,986	6	-	-	178,438	186,430
- Margin accounts	-	-	-	121,806	195,232	317,038
- Others	-	-	-	-	356	356
Derivative assets	-	-	-	78	-	78
Other financial assets	-	-	-	166,681	147,989	314,670
	179,772	9,971	197,854	1,662,946	2,710,263	4,760,806
Commitments and contingencies						
Other commitments	-	-	115,000	45,494	287,520	448,014
	-	-	115,000	45,494	287,520	448,014
	179,772	9,971	312,854	1,708,440	2,997,783	5,208,820

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

(ii) 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 3 Individual RM'000	Off Balance Sheet RM'000	Total RM'000
2018				
Financial assets				
Cash and short-term funds	105,746	-	-	105,746
Financial assets at FVTPL				
- Unquoted instruments	11	-	-	11
Financial investments at FVOCI				
- Money market instruments	720,075	-	-	720,075
- Unquoted instruments	200,618	114,487	-	315,105
Financial investments at amortised cost				
- Money market instruments	674,510	-	-	674,510
- Corporate Bonds/Sukuk	2,041,372	75,088	-	2,116,460
Loans, advances and financing				
- Term loans	77,039	159,216	-	236,255
- Margin accounts	349,388	-	-	349,388
- Others	349	24	-	373
Other financial assets	213,392	-	-	213,392
	4,382,511	348,815	-	4,731,326

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

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

Group	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Individually impaired RM'000	Total RM'000
2017				
Financial assets				
Cash and short-term funds	141,441	-	-	141,441
Securities available-for-sale				
- Money market instruments	1,362,646	-	-	1,362,646
- Unquoted securities	2,309,796	-	129,102	2,438,898
Loans, advances and financing				
- Term loans	83,905	-	166,775	250,680
- Margin accounts	317,038	-	-	317,038
- Others	356	-	24	380
Derivative assets	78	-	-	78
Other financial assets	313,953	-	4,226	318,179
	<u>4,529,213</u>	<u>-</u>	<u>300,127</u>	<u>4,829,340</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

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

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off Balance Sheet RM'000	Total RM'000
Bank				
2018				
Financial assets				
Cash and short-term funds	105,426	-	-	105,426
Financial assets at FVTPL				
- Unquoted instruments	11	-	-	11
Financial investments at FVOCI				
- Money market instruments	720,075	-	-	720,075
- Unquoted instruments	200,618	114,487	-	315,105
Financial investments at amortised cost				
- Money market instruments	674,510	-	-	674,510
- Corporate Bonds/ Sukuk	2,041,372	75,088	-	2,116,460
Loans, advances and financing				
- Term loans	77,039	159,216	-	236,255
- Margin accounts	349,388	-	-	349,388
- Others	349	24	-	373
Other financial assets	213,647	-	-	213,647
	<u>4,382,435</u>	<u>348,815</u>	<u>-</u>	<u>4,731,261</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Credit risk (cont'd.)

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

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Individually impaired RM'000	Total RM'000
Bank				
2017				
Financial assets				
Cash and short-term funds	140,690	-	-	140,690
Securities available-for-sale				
- Money market instruments	1,362,646	-	-	1,362,646
- Unquoted securities	2,309,796	-	129,102	2,438,898
Loans, advances and financing				
- Term loans	83,905	-	166,775	250,680
- Margin accounts	317,038	-	-	317,038
- Others	356	-	24	380
Derivative assets	78	-	-	78
Other financial assets	314,670	-	4,226	318,896
	<u>4,529,179</u>	<u>-</u>	<u>300,127</u>	<u>4,829,306</u>

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(a) Credit risk (cont'd.)

(ii) 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 2018, the financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is at 87% (2017: 100%). The financial effect of collateral held for other financial assets is not significant.

(iii) Collateral repossessed

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

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

(b) Interest rate risks

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

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

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

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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 non-trading financial assets and financial liabilities held as at 31 December 2018. The sensitivity of equity is calculated by revaluing fixed rate financial investments at FVOCI and securities available-for-sale at 31 December 2018 and 2017 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
2018		
Change in basis points		
+25	192	(9,535)
- 25	(192)	9,689
2017		
Change in basis points		
+25	209	(32,288)
- 25	(209)	32,800

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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	Non-trading book							Effective interest rate %
	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	
2018								Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	105,746	-	105,746
Financial assets at FVTPL	-	-	-	-	-	11	-	11
Financial investments at FVOCI	-	-	90,087	394,685	435,920	5,082	-	925,774
Financial investments at amortised cost	5,000	9,998	174,929	1,828,211	697,410	69,548	-	2,785,096
Loans, advances and financing								
- non-impaired	151,418	198,292	59	34,327	42,680	(941) *	-	425,835
- impaired	-	-	-	-	-	58,519	-	58,519
- off balance sheet	-	-	-	-	-	(490) *	-	(490)
Statutory deposits with Bank								
Negara Malaysia	-	-	-	-	-	127,220	-	127,220
Other assets	-	-	-	-	-	120,638	-	120,638
Total assets	156,418	208,290	265,075	2,257,223	1,176,010	485,333	-	4,548,349
Liabilities								
Deposits from customers	1,489,265	662,982	187,788	-	-	-	-	2,340,035
Deposits and placements of banks and other financial institutions	942,953	100,300	302,822	-	-	-	-	1,346,075
Derivative liabilities	-	-	-	-	-	-	117	117
Other liabilities	-	-	-	-	-	85,465	-	85,465
Total liabilities	2,432,218	763,282	490,610	-	-	85,465	117	3,771,692

* ECL allowance

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Group	Non-trading book						Effective interest rate %
	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	
2018 (cont'd.)							
Shareholder's equity	-	-	-	-	-	776,657	-
Total liabilities and shareholder's equity	2,432,218	763,282	490,610	-	117	862,122	4,548,349
On-balance sheet interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,010	(376,789)	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,010	(376,789)	(117)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Group	Non-trading book							Effective interest rate %
	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	
2017								
Assets								
Cash and short-term funds	-	-	-	-	-	141,441	-	-
Securities available-for-sale	50,016	497,021	375,671	1,819,252	922,903	157,175	-	3,822,038
Loans, advances and financing								
- non-impaired	-	317,314	50	83,868	67	(3,515)*	-	397,784
- impaired	-	-	-	-	-	106,040	-	106,040
Derivative assets	-	-	-	-	-	-	78	78
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,282	-	114,282
Other assets	-	-	-	-	-	235,231	-	235,231
Total assets	50,016	814,335	375,721	1,903,120	922,970	750,654	78	4,816,894
Liabilities								
Deposits from customers	1,126,060	514,310	281,426	15,673	-	-	-	1,937,469
Deposits and placements of banks and other financial institutions	1,244,873	298,733	338,036	-	-	-	-	1,881,642
Other liabilities	-	-	-	-	-	217,082	-	217,082
Total liabilities	2,370,933	813,043	619,462	15,673	-	217,082	-	4,036,193

* Collective impairment allowance

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Group	Non-trading book						Effective interest rate %
	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	
2017 (cont'd.)							
Shareholder's equity	-	-	-	-	-	780,701	-
Total liabilities and shareholder's equity	2,370,933	813,043	619,462	15,673	-	997,783	4,816,894
On-balance sheet interest sensitivity gap	(2,320,917)	1,292	(243,741)	1,887,447	922,970	(247,129)	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	(2,320,917)	1,292	(243,741)	1,887,447	922,970	(247,129)	78

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Bank	Non-trading book							Effective interest rate %
	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	
2018							Total RM'000	
Assets								
Cash and short-term funds	-	-	-	-	-	105,426	105,426	-
Financial assets at FVTPL	-	-	-	-	-	11	11	-
Financial investments at FVOCI	-	-	90,087	394,685	435,920	5,082	925,774	4.01
Financial investments at amortised cost	5,000	9,998	174,929	1,828,211	697,410	69,548	2,785,096	4.35
Loans, advances and financing								
- non-impaired	151,418	198,292	59	34,327	42,680	(941)*	425,835	7.52
- impaired	-	-	-	-	-	58,519	58,519	-
- off balance sheet	-	-	-	-	-	(490)*	(490)	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	127,220	-
Other assets	-	-	-	-	-	120,893	120,893	-
Total assets	156,418	208,290	265,075	2,257,223	1,176,010	485,268	4,548,284	
Liabilities								
Deposits from customers	1,489,265	662,982	187,788	-	-	-	2,340,035	3.70
Deposits and placements of banks and other financial institutions	942,953	100,300	302,822	-	-	-	1,346,075	3.55
Derivative liabilities	-	-	-	-	-	-	117	-
Other liabilities	-	-	-	-	-	85,457	85,457	-
Total liabilities	2,432,218	763,282	490,610	-	-	85,457	3,771,684	

* ECL allowance

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Bank 2018 (cont'd.)	Non-trading book ----->						Effective interest rate %
	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	
Shareholder's equity	-	-	-	-	-	776,600	-
Total liabilities and shareholder's equity	2,432,218	763,282	490,610	-	-	862,057	117 4,548,284
On-balance sheet interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,010	(376,789)	(117) -
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	(2,275,800)	(554,992)	(225,535)	2,257,223	1,176,010	(376,789)	(117) -

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Bank	Non-trading book							Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	> 5 years	Non-interest sensitive	Trading book	
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	140,690	-	140,690
Securities available-for-sale	50,016	497,021	375,671	1,819,252	922,903	157,175	-	3,822,038
Loans, advances and financing	-	-	-	-	-	-	-	-
- non-impaired	-	317,314	50	83,868	67	(3,515) *	-	397,784
- impaired	-	-	-	-	-	106,040	-	106,040
Derivative assets	-	-	-	-	-	-	78	78
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,282	-	114,282
Other assets	-	-	-	-	-	235,948	-	235,948
Total assets	50,016	814,335	375,721	1,903,120	922,970	750,620	78	4,816,860
Liabilities								
Deposits from customers	1,126,060	514,310	281,426	15,673	-	-	-	1,937,469
Deposits and placements of banks and other financial institutions	1,244,873	298,733	338,036	-	-	-	-	1,881,642
Other liabilities	-	-	-	-	-	217,078	-	217,078
Total liabilities	2,370,933	813,043	619,462	15,673	-	217,078	-	4,036,189

* Collective impairment allowance

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

Bank 2017 (cont'd.)	Non-trading book ----->						Effective interest rate %
	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	
Shareholder's equity	-	-	-	-	-	780,671	-
Total liabilities and shareholder's equity	2,370,933	813,043	619,462	15,673	-	997,749	4,816,860
On-balance sheet interest sensitivity gap	(2,320,917)	1,292	(243,741)	1,887,447	922,970	(247,129)	78
Total interest sensitivity gap	(2,320,917)	1,292	(243,741)	1,887,447	922,970	(247,129)	78

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(c) Operational risks

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

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

(d) Liquidity risk

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

- Funding liquidity risk

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

- Market liquidity risk

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

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

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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	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
2018							
Assets							
Cash and short-term funds	56,746	49,000	-	-	-	-	105,746
Financial assets at FVTPL	-	-	-	-	11	-	11
Financial investments at FVOCI	4,325	-	-	90,087	394,685	436,677	925,774
Financial investments at amortised cost	-	5,000	9,998	174,929	1,828,211	766,958	2,785,096
Loans, advances and financing	58,519	-	349,710	59	75,556	20	483,864
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	127,220
Other assets	3,944	46,234	8,374	29,477	25,993	6,616	120,638
Total assets	123,534	100,234	368,082	294,552	2,324,456	1,337,491	4,548,349
Liabilities							
Deposits from customers	15,578	1,489,265	662,982	156,210	16,000	-	2,340,035
Deposits and placements of banks and other financial institutions	5,724	941,428	100,300	298,623	-	-	1,346,075
Derivative liabilities	-	-	-	-	117	-	117
Other liabilities	1,407	60,068	8,187	12,291	1,494	2,018	85,465
Total liabilities	22,709	2,490,761	771,469	467,124	17,611	2,018	3,771,692
Net maturity mismatch	100,825	(2,390,527)	(403,387)	(172,572)	2,306,845	1,335,473	776,657

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

Group	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
2017							
Assets							
Cash and short-term funds	115,441	26,000	-	-	-	-	141,441
Securities available-for-sale	156,418	50,016	497,021	375,671	1,819,252	923,660	3,822,038
Loans, advances and financing	7,992	-	328,236	50	167,479	67	503,824
Derivative assets	-	-	-	78	-	-	78
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,282	114,282
Other assets	3,384	166,743	7,557	15,703	32,117	9,727	235,231
Total assets	283,235	242,759	832,814	391,502	2,018,848	1,047,736	4,816,894
Liabilities							
Deposits from customers	10,192	1,126,060	514,310	271,234	15,673	-	1,937,469
Deposits and placements of banks and other financial institutions	3,860	1,244,873	298,733	334,176	-	-	1,881,642
Other liabilities	2,709	183,962	8,807	17,539	1,834	2,231	217,082
Total liabilities	16,761	2,554,895	821,850	622,949	17,507	2,231	4,036,193
Net maturity mismatch	266,474	(2,312,136)	10,964	(231,447)	2,001,341	1,045,505	780,701

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

Bank	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
2018							
Assets							
Cash and short-term funds	105,426	-	-	-	-	-	105,426
Financial assets at FVTPL	-	-	-	-	11	-	11
Financial investments at FVOCI	4,325	-	-	90,087	394,685	436,677	925,774
Financial investments at amortised cost	-	5,000	9,998	174,929	1,828,211	766,958	2,785,096
Loans, advances and financing	58,519	-	349,710	59	75,556	20	483,864
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	127,220
Other assets	4,199	46,234	8,374	29,477	25,993	6,616	120,893
Total assets	172,469	51,234	368,082	294,552	2,324,456	1,337,491	4,548,284
Liabilities							
Deposits from customers	15,578	1,489,265	662,982	156,210	16,000	-	2,340,035
Deposits and placements of banks and other financial institutions	5,724	941,428	100,300	298,623	-	-	1,346,075
Derivative liabilities	-	-	-	-	117	-	117
Other liabilities	1,407	60,060	8,187	12,291	1,494	2,018	85,457
Total liabilities	22,709	2,490,753	771,469	467,124	17,611	2,018	3,771,684
Net maturity mismatch	149,760	(2,439,519)	(403,387)	(172,572)	2,306,845	1,335,473	776,600

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

Bank	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
2017							
Assets							
Cash and short-term funds	140,690	-	-	-	-	-	140,690
Securities available-for-sale	156,418	50,016	497,021	375,671	1,819,252	923,660	3,822,038
Loans, advances and financing	7,992	-	328,236	50	167,479	67	503,824
Derivative assets	-	-	-	78	-	-	78
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,282	114,282
Other assets	4,101	166,743	7,557	15,703	32,117	9,727	235,948
Total assets	309,201	216,759	832,814	391,502	2,018,848	1,047,736	4,816,860
Liabilities							
Deposits from customers	10,192	1,126,060	514,310	271,234	15,673	-	1,937,469
Deposits and placements of banks and other financial institutions	3,860	1,244,873	298,733	334,176	-	-	1,881,642
Other liabilities	2,709	183,958	8,807	17,539	1,834	2,231	217,078
Total liabilities	16,761	2,554,891	821,850	622,949	17,507	2,231	4,036,189
Net maturity mismatch	292,440	(2,338,132)	10,964	(231,447)	2,001,341	1,045,505	780,671

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.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

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

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

Group	2018					Total RM'000
	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	
Non-derivative financial liabilities						
Deposits from customers	15,626	1,492,979	670,307	158,188	16,045	2,353,145
Deposits and placements of banks and other financial institutions	5,779	943,252	101,040	305,429	-	1,355,500
Other financial liabilities	1,304	54,530	122	3,507	1,131	60,594
	<u>22,709</u>	<u>2,490,761</u>	<u>771,469</u>	<u>467,124</u>	<u>17,176</u>	<u>3,769,239</u>
Derivative liabilities						
Interest rate swaps	-	-	4	-	117	121
	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>117</u>	<u>121</u>
Unrecognised firm commitments						
Other commitments	286,004	-	-	-	-	286,004
	<u>286,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,004</u>
Total financial liabilities	<u>308,713</u>	<u>2,490,761</u>	<u>771,473</u>	<u>467,124</u>	<u>17,293</u>	<u>4,055,364</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

Group	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	Total RM'000
2017						
Non-derivative financial liabilities						
Deposits from customers	10,246	1,128,497	518,600	274,580	15,680	1,947,603
Deposits and placements of banks and other financial institutions	3,945	1,248,593	302,367	340,246	-	1,895,151
Other financial liabilities	2,570	177,805	883	8,123	667	190,048
	16,761	2,554,895	821,850	622,949	16,347	4,032,802
Unrecognised firm commitments						
Other commitments	448,014	-	-	-	-	448,014
	448,014	-	-	-	-	448,014
Total financial liabilities	464,775	2,554,895	821,850	622,949	16,347	4,480,816

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

Bank	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	Total RM'000
2018						
Non-derivative financial liabilities						
Deposits from customers	15,626	1,492,979	670,307	158,188	16,045	2,353,145
Deposits and placements of banks and other financial institutions	5,779	943,252	101,040	305,429	-	1,355,500
Other financial liabilities	1,304	54,522	122	3,507	1,131	60,586
	22,709	2,490,753	771,469	467,124	17,176	3,769,231
Derivative liabilities						
Interest rate swaps	-	-	4	-	117	121
	-	-	4	-	117	121
Unrecognised firm commitments						
Other commitments	286,004	-	-	-	-	286,004
	286,004	-	-	-	-	286,004
Total financial liabilities	308,713	2,490,753	771,473	467,124	17,293	4,055,356

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Liquidity risks (cont'd.)

Bank	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	Total RM'000
2017						
Non-derivative financial liabilities						
Deposits from customers	10,246	1,128,497	518,600	274,580	15,680	1,947,603
Deposits and placements of banks and other financial institutions	3,945	1,248,593	302,367	340,246	-	1,895,151
Other financial liabilities	2,570	177,801	883	8,123	667	190,044
	16,761	2,554,891	821,850	622,949	16,347	4,032,798
Unrecognised firm commitments						
Other commitments	448,014	-	-	-	-	448,014
	448,014	-	-	-	-	448,014
Total financial liabilities	464,775	2,554,891	821,850	622,949	16,347	4,480,812

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

38. Fair value measurement

(i) Fair values of recognised financial instruments

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

Group and Bank	2018		2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Loans advances and financing - staff loans *	373	387	380	309

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

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

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

(ii) Determination of fair values

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

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

Where discounted cash flows method is used, the estimated future cash flow shall include projections from liquidation, realisation of collateral assets or estimates of future operating cash flows. The estimated future cash flows (excluding future expected credit losses 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.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

38. Fair value measurement (cont'd.)

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

(b) Derivative assets/liabilities

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

(c) Loans, advances and financing

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

38. Fair value measurement (cont'd.)

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

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

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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
2017				
Assets measured at fair value				
Securities available-for-sale				
- Money market instruments	-	1,362,646	-	1,362,646
- Quoted instruments	19,737	-	-	19,737
- Unquoted instruments	-	2,302,206	136,692	2,438,898
Derivative assets	-	78	-	78
Assets for which fair values are disclosed:				
Loans, advances and financing - staff loans	-	309	-	309

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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	
	2018	2017
	RM'000	RM'000
Financial investments at FVOCI/securities available -for-sale		
Unquoted instruments		
At 1 January	136,692	328,335
Addition of unquoted instruments	-	7,590
Total loss recognised in profit or loss		
Included within interest income	-	3,955
Included within net income from Islamic Banking operation	-	2,717
Included within impairment loss made on instruments	(14,479)	(18,563)
	<u>(14,479)</u>	<u>(11,891)</u>
Settlements	(117,889)	(187,342)
At 31 December	<u>4,324</u>	<u>136,692</u>

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.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

39. Capital management

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

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

- (a) Minimum statutory capital requirements pursuant to the prescriptive capital framework issued by Bank Negara Malaysia, the Securities Commission and/or other regulatory authorities;
- (b) Capital efficiency measured by the Return of Equity ("ROE") ratio; and
- (c) Funding requirements for business operations.

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

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

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

The Bank has complied in full with all its externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

39. Capital management (cont'd.)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Tier 1 Capital</u>				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	369,111	369,111	369,111	369,111
Regulatory reserve	19,389	2,573	19,389	2,573
FVOCI reserve/securities available-for-sale reserve	(2,114)	(18,576)	(2,114)	(18,576)
Retained profits	390,271	427,593	390,214	427,563
	<u>776,657</u>	<u>780,701</u>	<u>776,600</u>	<u>780,671</u>
Less: Regulatory adjustments	(30,790)	(15,939)	(30,790)	(15,939)
Total CET1 Capital	<u>745,867</u>	<u>764,762</u>	<u>745,810</u>	<u>764,732</u>
Total Tier 1 Capital	<u>745,867</u>	<u>764,762</u>	<u>745,810</u>	<u>764,732</u>
<u>Tier 2 Capital</u>				
Loss provision/loss provision and regulatory reserve *	14,311	3,265	14,314	3,265
Total Tier 2 capital	<u>14,311</u>	<u>3,265</u>	<u>14,314</u>	<u>3,265</u>
Total Capital	<u>760,178</u>	<u>768,027</u>	<u>760,124</u>	<u>767,997</u>
CET1 Capital Ratio	55.454%	44.616%	55.442%	44.599%
Tier 1 Capital Ratio	55.454%	44.616%	55.442%	44.599%
Total Capital Ratio	56.518%	44.806%	56.506%	44.789%

* The loss provisions for 2018 is computed based on Para 13.1(d)(ii) of Capital Adequacy Framework (Capital Components) issued by BNM on 2 February 2018.

The Tier 2 Capital for 2017 comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

39. Capital management (cont'd.)

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total risk-weighted assets for credit risk	1,144,906	1,506,887	1,145,097	1,507,454
Total risk-weighted assets equivalent for market risk	22,359	4,750	22,359	4,750
Total risk-weighted assets equivalent for operational risk	177,761	202,479	177,761	202,479
	<u>1,345,026</u>	<u>1,714,116</u>	<u>1,345,217</u>	<u>1,714,683</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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:

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	Related amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2018						
Other assets	121,167	(12,861)	108,306	-	-	108,306
Other liabilities	98,319	(12,861)	85,458	-	-	85,458
Derivative liabilities	(117)	-	(117)	-	-	(117)
2017						
Derivative assets	78	-	78	-	-	78
Other assets	333,787	(112,646)	221,141	-	-	221,141
Other liabilities	328,272	(112,646)	215,626	-	-	215,626

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2018						
Other assets	121,422	(12,861)	108,561	-	-	108,561
Other liabilities	98,318	(12,861)	85,457	-	-	85,457
Derivative liabilities	(117)	-	(117)	-	-	(117)
2017						
Derivative assets	78	-	78	-	-	78
Other assets	334,504	(112,646)	221,858	-	-	221,858
Other liabilities	328,271	(112,646)	215,625	-	-	215,625

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.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

41. The operations of Islamic Banking Scheme (SPI)

The state of affairs at 31 December 2018 and results for the financial year ended on this date under the Islamic banking business ("SPI") of the Group and of the Bank are summarised as follows:

Statements of financial position as at 31 December 2018

	Note	Group and Bank	
		2018 RM'000	2017 RM'000
Assets			
Cash and short-term funds	(a)	49,711	38,852
Financial investments at FVOCI/securities available-for-sale	(b)	562,844	1,995,191
Financial investments at amortised cost	(c)	1,595,508	-
Financing and advances	(d)	126,558	167,515
Other assets	(e)	23,153	13,147
Intangible assets	(f)	491	860
Deferred tax assets	(g)	1,529	2,253
Total assets		<u>2,359,794</u>	<u>2,217,818</u>
Liabilities			
Deposits from customers	(h)	1,118,904	727,464
Deposits and placements of banks and other financial institutions	(i)	603,055	852,676
Other liabilities	(j)	58,387	48,746
Provision for taxation and zakat		-	10,959
Total liabilities		<u>1,780,346</u>	<u>1,639,845</u>
Islamic banking capital funds			
Islamic banking funds		396,600	396,600
Reserves		182,848	181,373
Total Islamic banking capital funds		<u>579,448</u>	<u>577,973</u>
Total liabilities and Islamic banking capital funds		<u>2,359,794</u>	<u>2,217,818</u>

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of profit or loss
For the financial year ended 31 December 2018

	Note	Group and Bank	
		2018 RM'000	2017 RM'000
Income derived from investment of depositors' and others	(k)	108,594	102,082
Income attributable to depositors	(l)	(70,021)	(50,993)
Net income attributable to reporting institution		38,573	51,089
Staff costs	(m)	(1,879)	(2,221)
Other operating expenses	(n)	(1,993)	(1,715)
Operating profit before allowances		34,701	47,153
Impairment loss (made)/written back on:			
- financing and advances	(o)	(32,591)	2,477
- financial investments	(p)	(7,225)	(10,241)
- other assets	(q)	295	(410)
(Loss)/profit before taxation and zakat		(4,820)	38,979
Taxation	(r)	1,382	(9,219)
Zakat		-	(767)
(Loss)/profit for the financial year		(3,438)	28,993

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of comprehensive income
For the financial year ended 31 December 2018

	Group and Bank	
	2018	2017
	RM'000	RM'000
(Loss)/profit for the financial year	<u>(3,438)</u>	<u>28,993</u>
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Changes in allowance for ECL	40	-
Net (gain)/loss on financial investments at FVOCI/securities available-for-sale		
Cumulative gain transferred to profit or loss upon disposal	(2,047)	(4,907)
Fair value changes	<u>2,337</u>	<u>8,524</u>
	<u>290</u>	<u>3,617</u>
Income tax relating to net gain on financial investments at FVOCI/securities available-for-sale	<u>(70)</u>	<u>(868)</u>
	<u>(70)</u>	<u>(868)</u>
Other comprehensive (loss)/income for the financial year	<u>260</u>	<u>2,749</u>
Total comprehensive (loss)/income for the financial year	<u>(3,178)</u>	<u>31,742</u>

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

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 2018

Group and Bank	----- Non-distributable -----				Distributable	
	Islamic banking funds RM'000	Regulatory reserve RM'000	Securities available-for-sale reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2017	396,600	-	(8,255)	-	207,886	596,231
Profit for the financial year	-	-	-	-	28,993	28,993
Other comprehensive income	-	-	2,749	-	-	2,749
Total comprehensive income for the financial year	-	-	2,749	-	28,993	31,742
Transaction with owner						
Dividends (Note 32)	-	-	-	-	(50,000)	(50,000)
At 31 December 2017	396,600	-	(5,506)	-	186,879	577,973
At 1 January 2018	396,600	-	(5,506)	-	186,879	577,973
Effects of adoption of MFRS 9	-	8,327	5,506	938	(10,118)	4,653
At 1 January 2018, restated	396,600	8,327	-	938	176,761	582,626
Loss for the financial year	-	-	-	-	(3,438)	(3,438)
Other comprehensive loss	-	-	-	260	-	260
Total comprehensive loss for the financial year	-	-	-	260	(3,438)	(3,178)
Transaction with owner						
Transfer to regulatory reserve	-	1,655	-	-	(1,655)	-
At 31 December 2018	396,600	9,982	-	1,198	171,668	579,448

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of cash flows

For the financial year ended 31 December 2018

	Group and Bank	
	2018	2017
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/profit before taxation and zakat	(4,820)	38,979
Adjustments for:		
Amortisation	369	245
Accretion of discount less amortisation of premium	(15,379)	(15,639)
Net gain on sale of financial assets at FVTPL	(2,232)	-
Net gain on sale of financial investments at FVOCI/ securities available-for-sale	(2,047)	(4,907)
Impairment loss made/(written back) on:		
- financing and advances	32,591	(2,477)
- financial investments	7,225	10,241
- other assets	(295)	410
Operating profit before working capital changes	<u>15,412</u>	<u>26,852</u>
 (Increase)/decrease in operating assets:		
- Financial investments at FVOCI/securities available- for-sale	(150,398)	(502,326)
- Other assets	(9,711)	39
- Financing and advances	8,366	31,079
 Increase in operating liabilities:		
- Deposits from customers, deposits and placements of banks and other financial institutions	141,819	523,935
- Other liabilities	6,825	10,640
Cash generated from operations	<u>12,313</u>	<u>90,219</u>
Zakat paid	(1,454)	(838)
Net cash generated from operating activities	<u>10,859</u>	<u>89,381</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of cash flows

For the financial year ended 31 December 2018 (cont'd.)

	Group and Bank	
	2018	2017
	RM'000	RM'000
Cash flows from investing activity		
Purchase of intangible assets	-	(1,105)
Net cash used in investing activity	<u>-</u>	<u>(1,105)</u>
Cash flows from financing activity		
Dividends paid	-	(50,000)
Net cash used in financing activity	<u>-</u>	<u>(50,000)</u>
Net increase in cash and cash equivalents	10,859	38,276
Cash and cash equivalents at 1 January	38,852	576
Cash and cash equivalents at 31 December	<u>49,711</u>	<u>38,852</u>
Cash and cash equivalents comprise of:		
Cash and short-term funds (Note 41(a))	<u>49,711</u>	<u>38,852</u>

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(a) Cash and short-term funds

	Group and Bank	
	2018	2017
	RM'000	RM'000
Cash and balances with banks and other financial institutions	711	12,852
Money at call and deposit placements maturing within one month	49,000	26,000
	<u>49,711</u>	<u>38,852</u>

(b) Financial investments at FVOCI/securities available-for-sale

	Group and Bank	
	2018	2017
	RM'000	RM'000
Money market instruments:		
Government Investment Issues	432,327	378,327
Islamic Negotiable Instruments	-	447,008
	<u>432,327</u>	<u>825,335</u>
Corporate Sukuk	<u>130,517</u>	<u>1,169,856</u>
	<u>562,844</u>	<u>1,995,191</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(b) Financial investments at FVOCI/securities available-for-sale (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 as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2018			
Superior	457,064	-	457,064
Very strong	15,050	-	15,050
Strong	25,093	-	25,093
Good	65,637	-	65,637
Unacceptable	-	8,112	8,112
	<u>562,844</u>	<u>8,112</u>	<u>570,956</u>

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
2018			
At 1 January	-	-	-
Effects of adoption of MFRS 9			
- Transfer from individual impairment allowance	-	8,839	8,839
At 1 January, restated	-	8,839	8,839
Made	40	8,112	8,152
Written off	-	(8,839)	(8,839)
At 31 December	<u>40</u>	<u>8,112</u>	<u>8,152</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(c) Financial investments at amortised costs

	Group and Bank	
	2018	2017
	RM'000	RM'000
Money market instruments:		
Government Investment Issues	474,299	-
Corporate Sukuk	1,121,209	-
	<u>1,595,508</u>	<u>-</u>

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 as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1	Stage 3	Total
	Collective	Individual	
	RM'000	RM'000	RM'000
2018			
Superior	936,033	-	936,033
Very strong	244,474	-	244,474
Strong	79,995	-	79,995
Good	270,260	-	270,260
Unacceptable	-	64,997	64,997
	<u>1,530,762</u>	<u>64,997</u>	<u>1,595,759</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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 3 Individual RM'000	Total RM'000
31 December 2018			
Gross carrying amount as at 1 January 2018	-	-	-
Effects of adopting of MFRS 9	1,246,585	69,994	1,316,579
Gross carrying amount as at 1 January 2018, restated	1,246,585	69,994	1,316,579
New assets originated or purchased	475,167	-	475,167
Assets derecognised or matured (excluding write offs)	(190,990)	(4,997)	(195,987)
	<u>1,530,762</u>	<u>64,997</u>	<u>1,595,759</u>

Group and Bank	Stage 3 Collective RM'000	Total RM'000
2018		
At 1 January	-	-
Effects of adoption of MFRS 9 - Remeasurement under ECL	290	290
At 1 January, restated	290	290
Written-back	(39)	(39)
At 31 December	<u>251</u>	<u>251</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(d) Financing and advances

	Group and Bank	
	2018	2017
	RM'000	RM'000
Term financing		
- Syndicated term financing	163,238	170,104
Gross financing and advances	<u>163,238</u>	<u>170,104</u>
Less: Impairment allowances		
- Collective impairment allowance	-	(2,589)
- Expected credit loss allowance	(36,680)	-
Net financing and advances	<u>126,558</u>	<u>167,515</u>

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	
	2018	2017
	RM'000	RM'000
Domestic business enterprises	163,238	170,104
Gross financing and advances	<u>163,238</u>	<u>170,104</u>

(ii) By profit rate sensitivity

	Group and Bank	
	2018	2017
	RM'000	RM'000
Variable rate		
Cost-plus	163,238	170,104
Gross financing and advances	<u>163,238</u>	<u>170,104</u>

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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	
	2018	2017
	RM'000	RM'000
Mining and quarrying	86,200	86,200
Construction	42,816	-
Finance, insurance and business services	34,222	51,348
Education, health and others	-	32,556
Gross financing and advances	<u>163,238</u>	<u>170,104</u>

(iv) By maturity profile

	Group and Bank	
	2018	2017
	RM'000	RM'000
Within one year	86,510	266
One year to five years	76,728	169,838
Gross financing and advances	<u>163,238</u>	<u>170,104</u>

(v) By classification of Shariah contracts

	Group and Bank	
	2018	2017
	RM'000	RM'000
Syndicated term financing		
Commodity Murabahah	163,238	170,104
Gross financing and advances	<u>163,238</u>	<u>170,104</u>

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

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

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

(i) Movements in ILs are as follows:

	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January/31 December	86,200	86,200
Less:		
- Expected credit loss allowance	(35,249)	-
Net IFs	<u>50,951</u>	<u>86,200</u>
Ratio of net IFs to gross financing and advances less ECL allowance	<u>39.81%</u>	<u>50.67%</u>

(ii) IFs by economic sector:

	Group and Bank	
	2018	2017
	RM'000	RM'000
Mining and quarrying	<u>86,200</u>	<u>86,200</u>
	<u>86,200</u>	<u>86,200</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

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

(i) Collective impairment allowance

	Group and Bank	
	2018	2017
	RM'000	RM'000
Term financing		
At 1 January	2,589	2,784
Effects of adoption of MFRS 9	(2,589)	-
	<hr/>	<hr/>
	-	2,784
Written-back	-	(195)
At 31 December	<hr/>	<hr/>
	-	2,589
	<hr/>	<hr/>
Ratio of collective impairment allowance to gross financing and advances less individual impairment allowance	-	1.52%
	<hr/>	<hr/>

(ii) Expected credit loss allowance

Corporate financing and advances

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 as at 31 December 2018. The amounts presented are gross of impairment allowances.

Group and Bank	Stage 1	Stage 3	Total
	Collective	Individual	
	RM'000	RM'000	RM'000
2018			
Very strong	34,222	-	34,222
Fair	42,816	-	42,816
Unacceptable	-	86,200	86,200
	<hr/>	<hr/>	<hr/>
	77,038	86,200	163,238
	<hr/>	<hr/>	<hr/>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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.)

(ii) Expected credit loss allowance (cont'd.)

Corporate financing and advances (cont'd.)

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000	
31 December 2018				
Gross carrying amount as at				
1 January 2018	170,104	-	170,104	
New assets originated or purchased	42,816	-	42,816	
Assets derecognised or repaid (excluding write offs)	(49,682)	-	(49,682)	
Transfers to Stage 3	(86,200)	86,200	-	
	<u>77,038</u>	<u>86,200</u>	<u>163,238</u>	
Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off Balance Sheet RM'000	Total RM'000
2018				
At 1 January	-	-	-	-
Effects of adoption of MFRS 9				
- Transfer from collective impairment allowance	2,589	-	-	2,589
- Remeasurement under ECL	(871)	-	2,371	1,500
At 1 January, restated	<u>1,718</u>	<u>-</u>	<u>2,371</u>	<u>4,089</u>
Transfer Made	1,881	-	(1,881)	-
Written-back	-	35,249	-	35,249
At 31 December	<u>(2,658)</u>	<u>-</u>	<u>-</u>	<u>(2,658)</u>
	<u>941</u>	<u>35,249</u>	<u>490</u>	<u>36,680</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(e) Other assets

	Note	Group and Bank	
		2018 RM'000	2017 RM'000
Other debtors, deposits and prepayments		813	1,340
Less:			
- Individual impairment allowance	(a)	-	(1,327)
- Expected credit loss allowance	(a)	(553)	-
		<u>260</u>	<u>13</u>
Profit receivables		22,893	13,134
		<u>23,153</u>	<u>13,147</u>

(a) Other debtors, deposits and prepayments

Movement in individual impairment allowance:

	Group and Bank	
	2018 RM'000	2017 RM'000
At 1 January	(1,327)	(770)
Effects of adoption of MFRS 9	1,327	-
At 1 January, restated	-	(770)
Impairment made	-	(414)
Written back	-	4
Adjustment	-	(147)
At 31 December	-	(1,327)

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(e) Other assets (cont'd.)

Movement in expected credit loss allowance

Group and Bank	Total RM'000
2018	
At 1 January	-
Effects of adoption of MFRS 9	
- Transfer from individual impairment allowance	1,327
- Remeasurement under ECL	1
At 1 January, restated	<u>1,328</u>
Written-back	(295)
Made from unearned fee income	1
Write off	(481)
At 31 December	<u>553</u>

(f) Intangible assets

Group and Bank	Computer software RM'000	Total RM'000
Cost		
At 1 January 2017	-	-
Additions	1,105	1,105
At 31 December 2017	<u>1,105</u>	<u>1,105</u>
Additions	-	-
At 31 December 2018	<u>1,105</u>	<u>1,105</u>
Accumulated amortisation		
At 1 January 2017	-	-
Amortisation	245	245
At 31 December 2017	<u>245</u>	<u>245</u>
Amortisation	369	369
At 31 December 2018	<u>614</u>	<u>614</u>
Net book value		
At 31 December 2018	<u>491</u>	<u>491</u>
At 31 December 2017	<u>860</u>	<u>860</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(g) Deferred tax assets

	Group and Bank	
	2018	2017
	RM'000	RM'000
At 1 January	2,253	2,834
Effects of adoption of MFRS 9	(2,036)	-
At 1 January 2018, restated	<u>217</u>	<u>2,834</u>
Recognised in profit or loss (Note 41(r))	1,382	287
Recognised in other comprehensive income	(70)	(868)
At 31 December	<u>1,529</u>	<u>2,253</u>

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

Deferred tax assets

Group and Bank	Unutilised tax losses RM'000	Revaluation of FVOCI/ securities available- for-sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	-	2,608	226	2,834
Recognised in profit or loss	-	-	287	287
Recognised in other comprehensive income	-	(868)	-	(868)
At 31 December 2017	<u>-</u>	<u>1,740</u>	<u>513</u>	<u>2,253</u>
Effects of adoption of MFRS 9	-	(2,036)	-	(2,036)
At 1 January 2018, restated	<u>-</u>	<u>(296)</u>	<u>513</u>	<u>217</u>
Recognised in profit or loss	1,327	-	55	1,382
Recognised in other comprehensive loss	-	(70)	-	(70)
At 31 December 2018	<u>1,327</u>	<u>(366)</u>	<u>568</u>	<u>1,529</u>

Presented after appropriate offsetting as follows:

Deferred tax assets

Group and Bank	
2018	2017
RM'000	RM'000
<u>1,529</u>	<u>2,253</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(h) Deposits from customers

	Group and Bank	
	2018	2017
	RM'000	RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	1,118,904	727,464
	<u>1,118,904</u>	<u>727,464</u>
(ii) By types of customer		
Commodity Murabahah fund		
Business enterprises	738,187	421,717
Government and statutory bodies	380,717	305,747
	<u>1,118,904</u>	<u>727,464</u>
(iii) The maturity structure of term deposits is as follows:		
Due within six months	1,068,904	627,417
Six months to one year	50,000	100,047
	<u>1,118,904</u>	<u>727,464</u>

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	603,055	852,676
	<u>603,055</u>	<u>852,676</u>
(ii) By types of customer		
Commodity Murabahah fund		
Other financial institutions	603,055	852,676
	<u>603,055</u>	<u>852,676</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(j) Other liabilities

	Group and Bank	
	2018	2017
	RM'000	RM'000
Profit payable to depositors	11,407	9,708
Sundry creditors and accruals	3,772	5,629
Due to immediate holding company	23	36
Due to Head Office	43,185	33,373
	<u>58,387</u>	<u>48,746</u>

(k) Income derived from investment of depositors' funds and others

	Group and Bank	
	2018	2017
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	101,023	79,739
(ii) Other deposits	7,571	22,343
	<u>108,594</u>	<u>102,082</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(k) Income derived from investment of depositors' funds and others (cont'd.)

(i) General investment deposits

	Group and Bank	
	2018	2017
	RM'000	RM'000
Income derived from investment of general investment deposits:		
Finance income and hibah		
Money at call and deposit placements with financial institutions	4,301	3,798
Financial investments at FVOCI/securities available-for-sale		
- Profit on non-impaired instruments	14,693	52,678
- Profit on impaired instruments	-	2,717
Financial investments at amortised cost	62,371	-
	<u>81,365</u>	<u>59,193</u>
Accretion of discount less amortisation of premium	15,379	15,639
Total finance income and hibah	<u>96,744</u>	<u>74,832</u>
Other operating income		
Net gain on sale of financial assets at FVTPL	2,232	-
Net gain on sale of financial investments at FVOCI/securities available-for-sale	2,047	4,907
	<u>4,279</u>	<u>4,907</u>
	<u>101,023</u>	<u>79,739</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(k) Income derived from investment of depositors' funds and others (cont'd.)

(ii) Income derived from investment of other deposits

	Group and Bank	
	2018	2017
	RM'000	RM'000
Finance income and hibah		
Financing and advances	6,442	7,618
Other operating income		
Fee income	1,008	14,718
Other income	121	7
	<u>1,129</u>	<u>14,725</u>
	<u>7,571</u>	<u>22,343</u>

(l) Income attributable to depositors

	Group and Bank	
	2018	2017
	RM'000	RM'000
Commodity Murabahah fund		
Deposits from customers	36,476	30,594
Deposits and placements of banks and other financial institutions	33,545	20,399
	<u>70,021</u>	<u>50,993</u>

(m) Staff costs

	Group and Bank	
	2018	2017
	RM'000	RM'000
Wages, salaries & bonuses	1,453	1,774
Social security costs	11	9
Defined contribution plan	283	360
Other staff related expenses	132	78
	<u>1,879</u>	<u>2,221</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(n) Other operating expenses

	Group and Bank	
	2018	2017
	RM'000	RM'000
(i) Establishment costs		
Amortisation	369	245
Rental		
- office equipment	3	4
- premises	140	140
IT expenses	229	229
Others	36	29
	<u>777</u>	<u>647</u>
(ii) Promotion and marketing-related expenses		
Business promotion and advertisement	2	6
Entertainment	14	12
	<u>16</u>	<u>18</u>
(iii) Administrative and general expenses		
Audit fees	22	14
Non-Executive Directors' remuneration	62	57
Communication expenses	5	4
Management fees	495	502
Professional fees	62	65
Brokerage fees	427	353
Others	127	55
	<u>1,200</u>	<u>1,050</u>
	<u>1,993</u>	<u>1,715</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
Collective impairment allowance		
- Written back in the financial year (Note 41(d)(b)(i))	-	195
Expected credit loss allowance		
- Made in the financial year (Note 41(d)(b)(ii))	(32,591)	-
Profit on impaired loans recovered	-	2,282
	<u>(32,591)</u>	<u>2,477</u>

(p) Impairment loss made on financial investments

	Group and Bank	
	2018	2017
	RM'000	RM'000
Financial investments at FVOCI/securities available-for-sale	(8,152)	(10,241)
Financial investments at amortised costs (Note 41(c))	39	-
Profit on impaired financial investments recovered	888	-
	<u>(7,225)</u>	<u>(10,241)</u>

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
Other debtors		
- Written back/(made) in the financial year (net) (Note 41(e)(a))	295	(410)
	<u>295</u>	<u>(410)</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(r) Taxation

	Group and Bank	
	2018	2017
	RM'000	RM'000
Income tax		
- Current financial year	-	9,506
	<u>-</u>	<u>9,506</u>
Deferred tax (Note 41(g)):		
- Relating to origination and reversal of temporary differences	(1,171)	(287)
- Over provision in prior years	(211)	-
	<u>(1,382)</u>	<u>(287)</u>
Tax (credit)/expense for the financial year	<u>(1,382)</u>	<u>9,219</u>

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
(Loss)/profit before taxation	<u>(4,820)</u>	<u>38,979</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(1,157)	9,355
Utilisation of capital allowance previously not recognised	(27)	-
Income not subject to tax	-	(202)
Expenses not deductible for tax purposes	13	66
Over provision of deferred tax in prior years	(211)	-
Tax (credit)/expense for the financial year	<u>(1,382)</u>	<u>9,219</u>

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(r) Capital adequacy

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Common Equity Tier 1 ("CET1") Capital		
Islamic banking fund	396,600	396,600
Regulatory reserve	9,982	-
FVOCI reserve/ securities available-for-sale reserve	1,198	(5,506)
Retained profits	171,668	186,879
	<u>579,448</u>	<u>577,973</u>
Less: Regulatory adjustments	(12,661)	(3,113)
Total CET1 Capital, representing Total Tier 1 Capital	<u>566,787</u>	<u>574,860</u>
 <u>Tier 2 Capital</u>		
Loss provision/loss provision and regulatory reserve *	6,708	692
Total Tier 2 capital	<u>6,708</u>	<u>692</u>
 Total Capital	 <u>573,495</u>	 <u>575,552</u>
 CET1 Capital Ratio	 91.859%	 69.403%
Tier 1 Capital Ratio	91.859%	69.403%
Total Capital Ratio	92.946%	69.487%

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

	Group and Bank	
	2018	2017
	RM'000	RM'000
Total risk-weighted assets for credit risk	536,676	746,716
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	80,345	81,575
	<u>617,021</u>	<u>828,291</u>

* The loss provisions for 2018 is computed based on Para 13.1(d)(ii) of Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM on 2 February 2018.

The Tier 2 Capital for 2017 comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve.

**MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)**

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

(s) Adoption of MFRS 9 Financial Instruments

Table 1 - Classification and measurement

Summary of the classification and measurement of the SPI Group's financial instruments on 1 January 2018 are as follow:

	Measurement Category		Carrying amount as at 1 January 2018	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:				
Cash and short-term funds	Loans and receivables	Amortised cost	38,852	38,852
Financial investments	AFS	Amortised cost	1,308,100	1,316,289
Financial investments	AFS	FVOCI	687,091	687,091
Financing and advances	Loans and receivables	Amortised cost	167,515	167,515
Other assets	Loans and receivables	Amortised cost	13,147	13,146
Financial liabilities:				
Deposits from customers	Amortised cost	Amortised cost	727,464	727,464
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	852,676	852,676
Other liabilities	Amortised cost	Amortised cost	48,746	48,746

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(s) Adoption of MFRS 9 Financial Instruments (cont'd.)

Table 2 - Effects of reclassification and remeasurement

Reconciliation of the carrying amount of the SPI Group's statement of financial position from MFRS 139 Financial Instruments to MFRS 9 Financial Instruments as at 1 January 2018 are as follow:

	Original	Reclassification	Remeasurement	New
	(MFRS 139)			(MFRS 9)
	Carrying	RM'000	RM'000	Carrying
	RM'000			RM'000
Financial investments - AFS	1,995,191	(1,995,191)	-	-
Gross carrying value	2,004,030	(2,004,030)	-	-
Individual impairment reclassified to ECL	(8,839)	8,839	-	-
Financial investments - Amortised cost	-	1,308,100	8,189	1,316,289
Gross	-	1,308,100	-	-
ECL	-	-	(290)	-
Fair value remeasurement	-	-	8,479	-
Financial investments - FVOCI	-	687,091	-	687,091
Fair value	-	695,930	-	-
ECL	-	(8,839)	-	-
Financing and advances:	167,515	-	(1,500)	166,015
Opening balance	167,515	-	-	-
Gross carrying value	170,104	-	-	-
Collective impairment allowance	(2,589)	2,589	-	-
ECL	-	-	(1,500)	-
Reclassification - Stage 1	-	(2,589)	-	-
Remeasurement	-	-	(1,500)	-
Total financing and advances	-	-	-	166,015
Deferred tax assets:	2,253	(1,740)	(296)	217
Opening balance	2,253	-	-	-
Reversal of deferred tax relating to AFS revaluation reserve	-	(1,740)	-	-
Recognition of deferred tax relating to FVOCI revaluation reserve	-	-	(296)	-
Total deferred tax assets	-	-	-	217
Other assets:	13,147	-	(1)	13,146
Opening balance	13,147	-	-	-
Gross carrying value	14,474	-	-	-
Individual impairment allowance	(1,327)	1,327	-	-
ECL	-	-	(1)	-
Reclassification	-	(1,327)	-	-
Remeasurement	-	-	(1)	-
Total other assets	-	-	-	13,146
Retained earnings:	186,879	-	(10,118)	176,761
Opening balance	186,879	-	-	-
Increase in loss allowance for:	-	-	-	-
- financing and advances	-	-	(1,500)	-
- financial investments at amortised cost	-	-	(290)	-
- other assets	-	-	(1)	-
Transfer to regulatory reserve	-	-	(8,327)	-
Total retained earnings	-	-	-	176,761
AFS reserve	(5,506)	5,506	-	-
FVOCI reserve:	-	-	938	938
Opening balance	-	-	-	-
Fair value changes arising from the revaluation of financial investments - FVOCI	-	-	9,777	-
Transfer of loss allowance	-	-	(8,839)	-
Total FVOCI reserve	-	-	-	938
Regulatory reserve:	-	-	8,327	8,327
Opening balance	-	-	-	-
Transfer from retained earnings	-	-	8,327	-
Total regulatory reserve	-	-	-	8,327