

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

**Directors' Report and Audited Financial Statements**  
**31 December 2017**

23878-X

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

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

**Directors' report**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017.

**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 10 to the financial statements.

**Results**

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Profit for the financial year	<u>20,785</u>	<u>20,786</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 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature.

**Reserves and provisions**

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

**Dividends**

The amounts of dividends paid by the Bank since 31 December 2016 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2016:	
Single tier interim dividend of RM0.32258 on 155,000,000 Ordinary Shares of RM1.00 each, paid on 28 April 2017.	<u>50,000</u>

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

**MIDF Amanah Investment Bank Berhad  
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**Directors**

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

Datuk Azizan Hj. Abd. Rahman  
Datuk Mohd. Najib Hj. Abdullah  
Mr. Philip Tan Puay Koon  
Dato' Kaziah Abd Kadir  
Encik Ahlan Nasri Mohd Nasir (Appointed on 4 April 2017)  
Puan Sri Shahrizan Abdullah (Appointed on 17 May 2017)  
Encik Azlan Abdullah (Appointed on 18 May 2017)  
Mr. Tai Keat Chai (Resigned on 5 January 2017)  
Encik Mustaffa Ahmad (Resigned on 5 January 2017)

In accordance with Articles 65 and 65A of the Company's Articles of Association, Datuk Azizan Hj. Abd. Rahman and Datuk Mohd. Najib Hj. Abdullah shall retire from the Board by rotation at the forthcoming Annual General Meeting of the Bank and being eligible, offer themselves for re-election.

**Directors' interests**

None of the Directors in office at 31 December 2017 had any interest in the ordinary shares of the Bank or its related companies during the financial year.

**Directors' benefits**

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank or of related companies as disclosed in Note 24 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 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.

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**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.
- (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.

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**Other statutory information (cont'd.)**

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

**Review of 2017**

The gross domestic product (GDP) for Malaysia grew at a rate of 5.9% year-on-year in 2017.

FBMKLCI's strong rally in the first half of 2017, lost steam as geopolitical risks, including the on-going rhetoric exchanges between US and North Korea and rising concerns over the progress of Brexit talks affects market sentiment. After peaking at 1,796.75 points during the second quarter, the index then went down to 1,710.00 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 high on 1,796.81 points, for a 9.5% growth against last year's closing price.

In 2017, activities in the equities market was more pronounced than in the previous year. Average daily traded volume went up 52% to 2.5 billion shares from 1.6 billion shares in 2016, fueled by strong interests in small and mid-cap counters. The FBM Small Cap index was up 15.6% in 2017, close to doubling the 8.5% gain seen by the benchmark FBMKLCI index. Meanwhile, average daily volume traded was also up 28% to RM2.3 billion from RM1.8 billion over the same period. Cumulatively for the year to date 2017, Malaysia still leads ASEAN with a net foreign inflow of RM10.3 billion into the local bourse.

In the primary market, Bursa Malaysia had 14 IPOs, including 2 listings under the newly formed LEAP market with total fund raised of RM7.5 billion. This was higher than the 12 IPOs seen last year with total fund raised of RM1.2 billion.

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**Review of 2017 (cont'd.)**

Meanwhile, for the fixed income market, the start of Quarter 4 2017 saw interest in Ringgit sovereign bonds/sukuk initially falling amidst apprehension pertaining to events brewing in the US, particularly on spillover effects of a more hawkish Federal Reserve stance, President Trump's tax cut proposal, as well as uncertainty on decisions post-global central bank meetings. BNM also appeared to take on a more hawkish stance, following very healthy domestic economic numbers. Such was the situation that yields on the 10-year MGS rose up to around 4.08%.

Ringgit sovereign bonds turned positive in the later part of November 2017, supported largely by renewed demand from foreign parties, as the Ringgit firmed against the greenback. In tandem, the yield on the 10-years MGS tested the 3.85% level yet again, before gyrating into a range of 3.90-3.95%.

Issuance of domestic corporate bonds/sukuk was healthy, spurred by issuers' interest to raise borrowings before the prospects of higher interest rates. A major issuance, on the final working day of 2017, was lead-managed by the Bank, namely the sukuk programmes, totaling RM5.65 billion, by PNB Merdeka Ventures Sdn Bhd.

In the money market, OPR unchanged at 3.00% as at year end, and Bank Negara Malaysia announced the increased to 3.25% on 25 January 2018. The benchmark 3-months KLIBOR remained unchanged throughout the year, at 3.43%.

The Bank expects to face a challenging operating landscape, which tied to regulatory compliance, disruptive models and technologies and uncertainty in policy development in the advance economies which weigh 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 improving its fee-based revenue streams while maintaining a strict discipline over its operational costs.

**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.

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**MIDF Amanah Investment Bank Berhad  
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**Auditors and auditors' remuneration**

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

Auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 MAR 2018



Datuk Azizan bin Hj. Abd. Rahman  
Kuala Lumpur, Malaysia



Datuk Mohd. Najib bin Hj. Abdullah



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**MIDF Amanah Investment Bank Berhad  
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**Statement by Directors  
Pursuant to Section 251(2) of the Companies Act 2016**

We, Datuk Azizan bin Hj. Abd. Rahman and Datuk Mohd. Najib bin Hj. Abdullah, 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 139 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 2017 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 MAR 2018

  
Datuk Azizan bin Hj. Abd. Rahman  
Kuala Lumpur, Malaysia

  
Datuk Mohd. Najib bin Hj. Abdullah

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

I, Datuk Mohd. Najib bin Hj. Abdullah, being the Group Managing Director/Chief Executive Officer primarily responsible for the financial management of MIDF Amanah Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 139 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

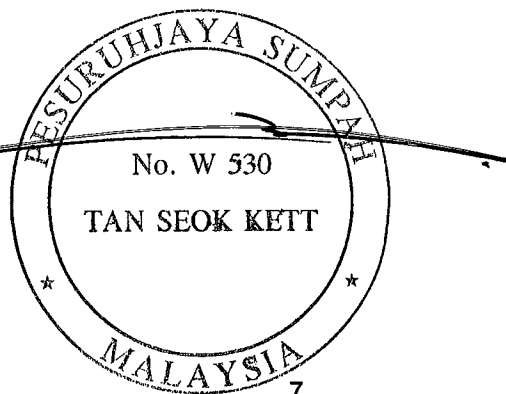
Subscribed and solemnly declared by the  
abovenamed Datuk Mohd. Najib bin Hj. Abdullah  
at Kuala Lumpur in Federal  
Territory on 29 MAR 2018

  
Datuk Mohd. Najib bin Hj. Abdullah

Before me,

Commissioner for Oaths

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



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

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of MIDF Amanah Investment Bank Berhad, which comprise the statements of financial position as at 31 December 2017 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 139.

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 2017, 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.

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

In connection with our audit of the financial statements of the Group and 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.

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

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

- 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.



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

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 2018

Muhammad Syarizal Bin Abdul Rahim  
No. 03157/01/2019 J  
Chartered Accountant

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

**Statements of financial position as at 31 December 2017**

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Cash and short-term funds	4	141,441	34,233	140,690	34,175
Securities available-for-sale	5	3,822,038	3,542,363	3,822,038	3,542,363
Loans, advances and financing	6	503,824	556,843	503,824	556,843
Derivative assets	7	78	528	78	528
Other assets	8	221,141	108,150	221,858	108,173
Statutory deposits with Bank Negara Malaysia	9	114,282	114,645	114,282	114,645
Investment in subsidiaries	10	-	-	*	*
Property, plant and equipment	11	724	1,263	724	1,263
Intangible assets	12	3,330	2,530	3,330	2,530
Deferred tax assets	13	10,036	15,998	10,036	15,998
<b>Total assets</b>		<u>4,816,894</u>	<u>4,376,553</u>	<u>4,816,860</u>	<u>4,376,518</u>
<b>Liabilities</b>					
Deposits from customers	14	1,937,469	1,987,757	1,937,469	1,987,757
Deposits and placements of banks and other financial institutions	15	1,881,642	1,521,857	1,881,642	1,521,857
Other liabilities	16	215,626	79,439	215,625	79,438
Provision for zakat		1,456	1,528	1,453	1,525
<b>Total liabilities</b>		<u>4,036,193</u>	<u>3,590,581</u>	<u>4,036,189</u>	<u>3,590,577</u>
<b>Equity</b>					
Share capital	17	369,111	155,000	369,111	155,000
Reserves	18	411,590	630,972	411,560	630,941
<b>Total equity</b>		<u>780,701</u>	<u>785,972</u>	<u>780,671</u>	<u>785,941</u>
<b>Total liabilities and equity</b>		<u>4,816,894</u>	<u>4,376,553</u>	<u>4,816,860</u>	<u>4,376,518</u>
<b>Commitments and contingencies</b>	31	<u>548,014</u>	<u>475,289</u>	<u>548,014</u>	<u>475,289</u>

\* Denotes RM4

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

**MIDF Amanah Investment Bank Berhad**  
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**Statements of profit or loss**  
**For the financial year ended 31 December 2017**

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating revenue	2(s)	249,858	254,504	249,901	254,550
Interest income	19	114,535	134,275	114,535	134,275
Interest expense	20	(93,524)	(100,865)	(93,524)	(100,865)
Net interest income		21,011	33,410	21,011	33,410
Net income from Islamic Banking operation	39	51,089	49,009	51,089	49,009
Non-interest income	21	34,134	38,540	34,113	38,520
		106,234	120,959	106,213	120,939
Staff costs	22	(35,153)	(30,018)	(35,153)	(30,018)
Depreciation and amortisation		(1,577)	(772)	(1,577)	(772)
Other operating expenses	23	(21,193)	(20,070)	(21,185)	(20,062)
Operating profit before allowances		48,311	70,099	48,298	70,087
Impairment loss written back/ (made) on:					
- loans, advances and financing	25	8,392	5,825	8,392	5,825
- securities	26	(28,432)	(748)	(28,432)	(748)
- other assets	27	(835)	(596)	(835)	(596)
Profit before taxation and zakat		27,436	74,580	27,423	74,568
Taxation	28	(5,884)	(17,995)	(5,870)	(17,981)
Zakat		(767)	(902)	(767)	(902)
Profit for the financial year		20,785	55,683	20,786	55,685
Earnings per ordinary share (sen)					
- Basic and diluted	29	13.4	35.9		

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

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**MIDF Amanah Investment Bank Berhad  
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**Statements of comprehensive income  
For the financial year ended 31 December 2017**

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year	20,785	55,683	20,786	55,685
Other comprehensive income/(loss):				
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>				
Net gain/(loss) on securities available-for-sale				
- Transfer of gain to profit or loss upon disposal	(4,900)	(2,508)	(4,900)	(2,508)
- Fair value changes	36,424	(18,819)	36,424	(18,819)
	<u>31,524</u>	<u>(21,327)</u>	<u>31,524</u>	<u>(21,327)</u>
Income tax relating to net (gain)/loss on securities available-for-sale	(7,565)	5,119	(7,565)	5,119
	<u>(7,565)</u>	<u>5,119</u>	<u>(7,565)</u>	<u>5,119</u>
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<u>23,959</u>	<u>(16,208)</u>	<u>23,959</u>	<u>(16,208)</u>
<b>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</b>				
Re-measurement loss on defined benefit plans (Note 16(b))	(19)	-	(19)	-
Income tax relating to re-measurement loss on defined benefit plans	4	-	4	-
	<u>(15)</u>	<u>-</u>	<u>(15)</u>	<u>-</u>
<b>Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>	<u>(15)</u>	<u>-</u>	<u>(15)</u>	<u>-</u>
Other comprehensive income/(loss) for the financial year	<u>23,944</u>	<u>(16,208)</u>	<u>23,944</u>	<u>(16,208)</u>
Total comprehensive income for the financial year	<u>44,729</u>	<u>39,475</u>	<u>44,730</u>	<u>39,477</u>

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



**MIDF Amanah Investment Bank Berhad**  
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**Statements of changes in equity**  
**For the financial year ended 31 December 2017**

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	Retained profits RM'000	
At 1 January 2016	155,000	214,111	164,252	1,458	(26,327)	238,003	746,497
Profit for the financial year	-	-	-	-	-	55,683	55,683
Other comprehensive loss	-	-	-	-	(16,208)	-	(16,208)
Total comprehensive income for the financial year	-	-	-	-	(16,208)	55,683	39,475
<b>Transaction with owner</b>							
Transfer to regulatory reserve	-	-	-	2,474	-	(2,474)	-
At 31 December 2016	155,000	214,111	164,252	3,932	(42,535)	291,212	785,972
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
<b>Transaction with owner</b>							
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 (Note 30)	-	-	-	-	-	(50,000)	(50,000)
At 31 December 2017	369,111	-	-	2,573	(18,576)	427,593	780,701
	Note 17		Note 18(a)	Note 18(b)	Note 18(c)		

**MIDF Amanah Investment Bank Berhad**  
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**Statements of changes in equity**  
For the financial year ended 31 December 2017 (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	Retained profits RM'000	
At 1 January 2016	155,000	214,111	164,252	1,458	(26,327)	237,970	746,464
Profit for the financial year	-	-	-	-	-	55,685	55,685
Other comprehensive loss	-	-	-	-	(16,208)	-	(16,208)
Total comprehensive income for the financial year	-	-	-	-	(16,208)	55,685	39,477
<b>Transaction with owner</b>							
Transfer to regulatory reserve	-	-	-	2,474	-	(2,474)	-
At 31 December 2016	155,000	214,111	164,252	3,932	(42,535)	291,181	785,941
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
<b>Transaction with owner</b>							
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 (Note 30)	-	-	-	-	-	(50,000)	(50,000)
At 31 December 2017	369,111	-	-	2,573	(18,576)	427,563	780,671
	Note 17		Note 18(a)	Note 18(b)	Note 18(c)		

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

**MIDF Amanah Investment Bank Berhad**  
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**Statements of cash flows**

**For the financial year ended 31 December 2017**

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	27,436	74,580	27,423	74,568
Adjustments for:				
Depreciation and amortisation	1,577	772	1,577	772
Accretion of discount less amortisation of premium	(15,811)	(6,945)	(15,811)	(6,945)
Net gain on sale of securities - held-for-trading	(13)	-	(13)	-
Net gain on sale of securities - available-for-sale	(4,900)	(2,508)	(4,900)	(2,508)
Net gain on sale of securities held-to-maturity	-	(14,333)	-	(14,333)
Net unrealised loss on :				
- revaluation of derivative instruments	450	3,638	450	3,638
Impairment loss (written back)/made on:				
- loans, advances and financing	(8,392)	(5,825)	(8,392)	(5,825)
- securities	28,432	748	28,432	748
- other assets	835	596	835	596
Dividend income	(1,850)	(591)	(1,893)	(637)
Provision for employee benefits	268	297	268	297
Operating cash flows before working capital changes carried forward	28,032	50,429	27,976	50,371

**MIDF Amanah Investment Bank Berhad**  
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**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
<b>(cont'd.)</b>				
Operating cash flows before working capital changes brought forward	28,032	50,429	27,976	50,371
(Increase)/decrease in operating assets:				
Securities available-for-sale	(255,859)	(311,683)	(255,859)	(311,683)
Loans, advances and financing	61,411	134,997	61,411	134,997
Other assets	(119,496)	20,726	(120,190)	21,294
Statutory deposits with Bank Negara Malaysia	363	10,394	363	10,394
Increase/(decrease) in operating liabilities:				
Deposits from customers and deposits and placements of banks and other financial institutions	309,497	159,611	309,497	159,611
Other liabilities	135,904	(48,512)	135,904	(48,513)
Cash generated from operations	159,852	15,962	159,102	16,471
Taxes paid	(1,818)	(18,219)	(1,804)	(18,205)
Zakat paid	(838)	(600)	(838)	(600)
Net cash generated from /(used in) operating activities	157,196	(2,857)	156,460	(2,334)
<b>Cash flows from investing activities</b>				
Dividends received	1,850	591	1,893	637
Purchase of property, plant and equipment	(132)	(568)	(132)	(568)
Purchase of intangible assets	(1,706)	(2,453)	(1,706)	(2,453)
Net cash generated from /(used in) investing activities	12	(2,430)	55	(2,384)

**MIDF Amanah Investment Bank Berhad**  
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**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activity</b>				
Dividends paid	(50,000)	-	(50,000)	-
Net cash used in financing activity	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	107,208	(5,287)	106,515	(4,718)
<b>Cash and cash equivalents at 1 January</b>	<u>34,233</u>	<u>39,520</u>	<u>34,175</u>	<u>38,893</u>
<b>Cash and cash equivalents at 31 December</b>	<u>141,441</u>	<u>34,233</u>	<u>140,690</u>	<u>34,175</u>
<b>Cash and cash equivalents comprise of:</b>				
Cash and short-term funds (Note 4)	<u>141,441</u>	<u>34,233</u>	<u>140,690</u>	<u>34,175</u>

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

**MIDF Amanah Investment Bank Berhad  
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**Notes to the financial statements - 31 December 2017**

**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 10.

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 2018.

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

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

**(i) Adoption of 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 2017.

- Amendments to MFRS 12 (*Annual Improvements to MFRS Standards 2014-2016 cycle*)
- Amendments to MFRS 107 Statement of Cash Flows - *Disclosure Initiative*
- Amendments to MFRS 112 Income Taxes - *Recognition of Deferred Tax Assets for Unrealised Losses*

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

**Companies Act, 2016**

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders.

Among the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Bank will cease to have par or nominal value;
- (c) utilisation of the share premium account in accordance with Section 618 of the New Act within the twenty four (24) months period allowed; and
- (d) the Bank's remaining share premium and capital redemption reserves will become part of the share capital.

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

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

**(ii) Standards issued but not yet effective**

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

<b>Description</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to MFRS 1 and MFRS 128 ( <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i> )	1 January 2018
Amendments to MFRS 2 - <i>Classification and Measurement of Share-Based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 - <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 15 <i>Clarifications to MFRS 15</i>	1 January 2018
MFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendments to MFRS 140 - <i>Transfers of Investment Property</i>	1 January 2018
IC Int. 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 9 - <i>Prepayment Features with Negative Compensation</i>	1 January 2019
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



**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

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

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.

<b>Description</b>	<b>Effective for financial periods beginning on or after</b>
Amendments to MFRS 112 - <i>Income Taxes</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 123 - <i>Borrowing Costs</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 - <i>Long-Term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 11 - <i>Joint Arrangements</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
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:

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

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

**(a) MFRS 9 *Financial Instruments***

This standard contains new requirements for classification and measurement, impairment, and hedge accounting for financial instruments. It will introduce significant changes in the way that the Group and the Bank accounts for financial instruments.

The key areas of significant impact and the reasonably estimable financial transitional differences upon adoption of MFRS 9 in replacing MFRS 139 *Financial Instruments: Recognition and Measurement* are summarised below:

**Classification and measurement**

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

The MFRS 139 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and amortised cost have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; or
- Financial assets FVTPL

The accounting for financial liabilities remains largely the same as it was under MFRS 139, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

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

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

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.

**Impairment**

The adoption of MFRS 9 has fundamentally changed the Group's and the Bank's accounting for loans, advances and financing loss impairments by replacing incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Bank to record an allowance for ECLs for all loans, advances and financing and other debt 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.

The ECL model also applies to contract assets under MFRS 15 *Revenue* from Contracts with Customers and lease receivables under MFRS 117 *Leases*. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition 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.

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

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

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

**Impairment (cont'd.)**

- 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.

**Transition impact**

Upon adoption of the new standard on 1 January 2018, it is expected that there would be a Day 1 adjustment to the retained earnings arising from the following:

- Classification of certain financial asset from MFRS 139 to MFRS 9 and the consequential change to the measurement amount;
- Transfer of AFS loss reserve to retained earnings; and
- Additional provisioning from financial assets arising from the introduction of the expected credit loss approach.

The transitional impact is based on management's best estimates as at the reporting date. The information provided in this note is focused upon material items; it does not represent a complete list of expected adjustments. The adjustments and estimated financial impacts are subject to the review of the Auditors.

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

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

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

**(b) MFRS 15 Revenue from Contracts with Customers**

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and established a new five-step model which will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group and the Bank are in the process of assessing the financial implication for adopting MFRS 15. The adoption of MFRS 15 is not expected to have any material impact on financial statements of the Group and of the Bank.

**(c) MFRS 16 Leases**

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. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2017. 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.

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.

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

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

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)(iii). 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**

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

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

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

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

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(d) Financial assets (cont'd.)**

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

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

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

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

**(ii) Loans and receivables**

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

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

**(iii) Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that the Group 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  
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**2. Summary of significant accounting policies (cont'd.)**

**(d) Financial assets (cont'd.)**

**(iv) Available-for-sale financial assets**

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

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

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

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

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

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

**(e) 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.

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

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

**(g) Impairment of assets**

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

**(i) 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 first assesses 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.

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.

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

**(g) Impairment of assets (cont'd.)**

**(i) Impairment of financial assets carried at amortised cost (cont'd.)**

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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the internal grading system, that considers the credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of individual loss experience for assets. Individual loss experience is adjusted based on the current observable data to reflect the effects of current conditions on which the individual loss experience is based.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest and/or principal repayment and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

<b>Types of accounts</b>	<b>Criteria for classification as impaired</b>
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

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

**(g) Impairment of assets (cont'd.)**

**(ii) Individual impairment of available-for-sale financial assets**

For individually significant securities available-for-sale 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 defines "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.

Interest income on debt instruments continues to be accrued on the reduced carrying amount and is accrued using the rate of interest which is used to discount the estimated future cash flows for the purpose of measuring the impairment loss.

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

**(g) Impairment of assets (cont'd.)**

**(iii) Other non-financial assets**

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.

Any reversal of impairment loss for these non-financial assets is recognised in profit or loss. The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years.

**(h) 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.

**(i) 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.

**(j) Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Except for the derivatives which are classified as fair value through profit and loss as described in Note 2(d)(i), the Group classifies all its financial liabilities as financial liabilities at amortised cost.

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

**(j) Financial liabilities (cont'd.)**

Financial liabilities at amortised cost are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When 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, and the difference in the respective carrying amounts is recognised in profit or loss.

**(k) Offsetting financial instruments**

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

**(l) 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.

**(m) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.



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**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.

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**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.

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**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  
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**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 36.

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 36.

**MIDF Amanah Investment Bank Berhad  
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**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 and receivables, and securities, including amortisation of premium and accretion of discount, is recognised using the effective interest/yield method.

(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.

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.

(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.

**MIDF Amanah Investment Bank Berhad  
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**2. Summary of significant accounting policies (cont'd.)**

**(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.

**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:

	<b>Note</b>
- Financial risk management objectives and policies	35
- Sensitivity analysis disclosures	16(b), 35(b)

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

**(a) Critical judgement made in applying accounting policies**

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

**(i) Impairment on loans, advances and financing**

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in profit or loss.

**(ii) Impairment on securities**

The Group reviews their securities available-for-sale at each reporting date to assess whether there are any objective evidence that these investments are impaired. If there are indicators or objective evidence, these investments are subjected to impairment review.

In carrying out the impairment review, the following management's judgements are required:

- (i)** Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii)** Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

**(iii) 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.

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

**(b) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**(i) Fair value estimations of securities available-for-sale**

Quoted debt securities

The fair value of quoted debt securities is derived from market bid price. In the absence of market bid price in an active markets, the fair value of quoted debt securities 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 debt securities

The fair value of unquoted debt securities 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.

**(ii) Impairment on loans, advances and financing**

In particular, management's estimation of the amount and timing of future cash flows is required when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.



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

**(b) Key sources of estimation uncertainty (cont'd.)**

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

Loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

**(iii) 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.

**(iv) Deferred tax assets**

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.

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**4. Cash and short-term funds**

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and balances with banks and other financial institutions	115,441	34,233	114,690	34,175
Money at call and deposit placements maturing within one month	26,000	-	26,000	-
	<u>141,441</u>	<u>34,233</u>	<u>140,690</u>	<u>34,175</u>

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM2,304,000 and RM1,343,000 respectively (2016: RM1,183,000 and RM959,000 respectively). These amounts are excluded from the cash and short-term funds of the Group and of the Bank.

**5. Securities available-for-sale**

	Group and Bank	
	2017 RM'000	2016 RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Securities	481,359	471,465
Government Investment Issues	384,266	507,028
Negotiable Instruments of Deposit	497,021	248,925
	<u>1,362,646</u>	<u>1,227,418</u>
Quoted securities in Malaysia:		
Shares	<u>19,737</u>	<u>21,218</u>
Unquoted securities in Malaysia:		
Corporate Bonds	2,426,744	2,288,043
Loan Stocks	12,154	4,927
	<u>2,438,898</u>	<u>2,292,970</u>
<b>At cost</b>		
Unquoted securities in Malaysia:		
Shares	757	757
	<u>3,822,038</u>	<u>3,542,363</u>

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**6. Loans, advances and financing**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans/financing		
Syndicated term loans/financing	238,832	282,629
Other term loans	11,848	87,522
	<u>250,680</u>	<u>370,151</u>
Margin accounts	317,038	261,148
Staff loans	380	528
Gross loans, advances and financing	<u>568,098</u>	<u>631,827</u>
Less: Impairment allowances		
- Collective impairment allowance	(3,515)	(2,784)
- Individual impairment allowance	(60,759)	(72,200)
Net loans, advances and financing	<u>503,824</u>	<u>556,843</u>

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

**(a) Gross loans, advances and financing**

**(i) By types of customer**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises		
- Small medium enterprises	372,486	426,557
Individuals	195,612	205,270
Gross loans, advances and financing	<u>568,098</u>	<u>631,827</u>

**(ii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
Staff loans	380	528
Margin accounts	317,038	261,148
Variable rate		
Cost-plus	250,680	370,151
Gross loans, advances and financing	<u>568,098</u>	<u>631,827</u>

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**6. Loans, advances and financing (cont'd.)**

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

**(iii) By economic sector**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Mining and quarrying	98,048	88,730
Manufacturing	61,939	72,900
Wholesale & retail trade and restaurants & hotels	27,390	10,828
Finance, insurance and business services	143,356	212,378
Education, health and others	32,556	41,721
Household	195,612	205,270
Others	9,197	-
Gross loans, advances and financing	<u>568,098</u>	<u>631,827</u>

**(iv) By maturity profile**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	397,963	433,621
One year to five years	170,068	198,085
After five years	67	121
Gross loans, advances and financing	<u>568,098</u>	<u>631,827</u>

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**6. Loans, advances and financing (cont'd.)**

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

**(i) Movements in ILs are as follows:**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	260,003	208,040
Classified as impaired	11,848	90,238
Recovered	(105,052)	(22,120)
Written off	-	(16,155)
At 31 December	<u>166,799</u>	<u>260,003</u>
Less: Individual impairment allowance	(60,759)	(72,200)
Net ILs	<u>106,040</u>	<u>187,803</u>
Ratio of net ILs to gross loans, advances and financing less individual impairment allowance	<u>20.90%</u>	<u>33.56%</u>

**(ii) ILs by economic sector:**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Mining and quarrying	98,048	88,730
Manufacturing	57,900	72,900
Wholesale & retail trade and restaurants & hotels	10,827	10,827
Finance, insurance and business services	-	87,522
Household	24	24
	<u>166,799</u>	<u>260,003</u>

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**6. Loans, advances and financing (cont'd.)**

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

**(i) Individual impairment allowance**

<b>Group and Bank</b>	<b>Term loans/ financing RM'000</b>	<b>Staff loans RM'000</b>	<b>Margin accounts RM'000</b>	<b>Total RM'000</b>
<b>2016</b>				
At 1 January	86,235	21	817	87,073
Impairment made	9,517	3	7	9,527
Written back	(644)	-	-	(644)
Discount unwind	(7,601)	-	-	(7,601)
Written off	(15,331)	-	(824)	(16,155)
At 31 December	<u>72,176</u>	<u>24</u>	<u>-</u>	<u>72,200</u>
<b>2017</b>				
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	<u>60,735</u>	<u>24</u>	<u>-</u>	<u>60,759</u>

**(ii) Collective impairment allowance**

<b>Terms loans/financing</b>	<b>Group and Bank</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
At 1 January	2,784	6,856
Impairment made/(written back)	731	(4,072)
At 31 December	<u>3,515</u>	<u>2,784</u>
Ratio of collective impairment allowance to gross loans, advances and financing less individual impairment allowance (including regulatory reserve)	<u>1.20%</u>	<u>1.20%</u>

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**7. Derivative assets/liabilities**

<b>Group and Bank</b>	<b>Contract or underlying principal amount RM'000</b>	<b>Derivative assets RM'000</b>	<b>Derivative liabilities RM'000</b>
<b>2017</b>			
Interest rate related derivatives:			
- Interest rate swaps	100,000	78	-
<b>2016</b>			
Interest rate related derivatives:			
- Interest rate swaps	320,000	528	-

**8. Other assets**

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest/profit receivables		26,719	28,135	26,719	28,135
Amounts due from brokers and clients	(a)	165,308	44,890	165,308	44,890
Deposits, prepayments and other receivables		12,546	11,840	12,546	11,840
Less: Individual impairment allowance	(b)	(4,226)	(3,187)	(4,226)	(3,187)
		<u>8,320</u>	<u>8,653</u>	<u>8,320</u>	<u>8,653</u>
Amount recoverable from Danaharta		96,973	97,032	96,973	97,032
Less: Individual impairment allowance		(96,973)	(97,032)	(96,973)	(97,032)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from related companies	(c)	35	43	35	43
Amount due from subsidiaries	(c)	-	-	717	23
Tax recoverable		20,759	26,429	20,759	26,429
		<u>221,141</u>	<u>108,150</u>	<u>221,858</u>	<u>108,173</u>

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**8. Other assets (cont'd.)**

(a) Amounts due from brokers and clients

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Brokers	52,399	24,654
Clients	112,909	20,236
	<u>165,308</u>	<u>44,890</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.

Movements in individual impairment allowance on amount due from clients:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	-	(2,567)
Impairment made (Note 27)	-	(1)
Written off	-	2,568
At 31 December	<u>-</u>	<u>-</u>

(b) Deposits, prepayments and other receivables

Movements in individual impairment allowance:

<b>Group and Bank</b>	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	(3,187)	(3,232)
Impairment made (Note 27)	(968)	(833)
Written back (Note 27)	74	248
Written off	-	580
Adjustment	(145)	50
At 31 December	<u>(4,226)</u>	<u>(3,187)</u>



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**8. 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.

**9. 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.

**10. Investment in subsidiaries**

	<b>Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	4	4

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

<b>Name of companies</b>	<b>Effective ownership interest</b>		<b>Principal activities</b>
	<b>2017</b>	<b>2016</b>	
	<b>%</b>	<b>%</b>	
MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd	100	100	Nominees services
MIDF Amanah Investment Nominees (Asing) Sdn Bhd	100	100	Nominees services

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**11. Property, plant and equipment**

<b>Group and Bank</b>	<b>Renovations RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Computers RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>					
At 1 January 2016	536	3,729	18,604	475	23,344
Additions	-	-	568	-	568
Disposals	-	-	(11)	-	(11)
Transfer from related companies	-	-	21	-	21
Written off	-	(14)	(12,345)	-	(12,359)
At 31 December 2016	536	3,715	6,837	475	11,563
Additions	-	1	131	-	132
Transfer to related company	-	-	(3)	-	(3)
Written off	-	-	(9)	-	(9)
At 31 December 2017	536	3,716	6,956	475	11,683

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**11. Property, plant and equipment (cont'd.)**

<b>Group and Bank (cont'd.)</b>	<b>Renovations RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Computers RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Accumulated depreciation</b>					
At 1 January 2016	531	3,708	17,410	352	22,001
Charge for the financial year	2	9	609	28	648
Disposals	-	-	(11)	-	(11)
Transfer from related companies	-	-	21	-	21
Written off	-	(15)	(12,344)	-	(12,359)
At 31 December 2016	533	3,702	5,685	380	10,300
Charge for the financial year	1	6	635	29	671
Transfer to related company	-	-	(3)	-	(3)
Written off	-	-	(9)	-	(9)
At 31 December 2017	534	3,708	6,308	409	10,959
<b>Net book value</b>					
At 31 December 2017	2	8	648	66	724
At 31 December 2016	3	13	1,152	95	1,263

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**12. Intangible assets**

Group and Bank	Computer software RM'000	Work in progress RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2016	2,599	-	2,599
Additions	160	2,293	2,453
At 31 December 2016	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
<b>Accumulated amortisation</b>			
At 1 January 2016	2,398	-	2,398
Amortisation	124	-	124
At 31 December 2016	2,522	-	2,522
Amortisation	906	-	906
At 31 December 2017	3,428	-	3,428
<b>Net book value</b>			
At 31 December 2017	2,971	359	3,330
At 31 December 2016	237	2,293	2,530

**13. Deferred tax**

	Group and Bank	
	2017 RM'000	2016 RM'000
At 1 January	15,998	14,553
Recognised in profit or loss	1,599	(3,674)
Recognised in other comprehensive income	(7,561)	5,119
At 31 December	10,036	15,998

Presented after appropriate offsetting as follows:

	Group and Bank	
	2017 RM'000	2016 RM'000
Deferred tax assets	10,321	16,275
Deferred tax liabilities	(285)	(277)
	10,036	15,998

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**13. 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**

<b>Group and Bank</b>	<b>Profit equalisation reserve RM'000</b>	<b>Revaluation of securities available- for-sale RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	2,233	8,314	4,201	14,748
Recognised in profit or loss	(2,233)	-	(1,359)	(3,592)
Recognised in other comprehensive income	-	5,119	-	5,119
At 31 December 2016	-	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

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**13. 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**

<b>Group and Bank</b>	<b>Accelerated capital allowance RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	(195)	(195)
Recognised in profit or loss	(82)	(82)
At 31 December 2016	<u>(277)</u>	<u>(277)</u>
Recognised in profit or loss	(8)	(8)
At 31 December 2017	<u>(285)</u>	<u>(285)</u>

**14. Deposits from customers**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) By types of deposit</b>		
Call deposits	10,192	31,072
Fixed deposits	1,927,277	1,956,685
	<u>1,937,469</u>	<u>1,987,757</u>
<b>(b) By types of customer</b>		
Business enterprises	1,465,036	1,678,421
Government and statutory bodies	469,857	306,847
Individual	2,576	2,489
	<u>1,937,469</u>	<u>1,987,757</u>
<b>(c) The maturity structure of term deposits is as follows:</b>		
Due within six months	1,805,695	1,955,495
Six months to one year	116,101	32,262
One year to two years	15,673	-
	<u>1,937,469</u>	<u>1,987,757</u>

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**15. Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Call deposits</b>		
- Other financial institutions	3,860	3,811
<b>(b) Fixed deposits</b>		
- Licensed banks	68,700	12,300
- Other financial institutions	1,809,082	1,505,746
	<u>1,877,782</u>	<u>1,518,046</u>
	<u>1,881,642</u>	<u>1,521,857</u>

**16. Other liabilities**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts due to clients	(a)	171,633	47,136	171,633	47,136
Interest/profit payables		23,643	18,148	23,643	18,148
Accrued liabilities and other payables		15,963	10,374	15,963	10,374
Employee benefits	(b)	3,391	3,104	3,391	3,104
Amount due to immediate holding company	(c)	988	676	988	676
Amount due to related company	(c)	8	1	7	-
		<u>215,626</u>	<u>79,439</u>	<u>215,625</u>	<u>79,438</u>

(a) Amounts due to clients

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Clients	171,633	47,136

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.

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**16. 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Present value of unfunded defined benefit obligations	3,391	3,104
Fair value of plan assets	-	-
Present value of net obligations	<u>3,391</u>	<u>3,104</u>
<i>Analysed as:</i>		
Non current		
Later than 1 year but not later than 2 years	1,085	-
Later than 2 years but not later than 5 years	75	1,416
Later than 5 years	2,231	1,688
	<u>3,391</u>	<u>3,104</u>



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**16. 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	3,104	2,807
Recognised in profit or loss:		
Current service cost	144	138
Interest cost	124	159
	<u>268</u>	<u>297</u>
Recognised in other comprehensive income:		
Remeasurement of the net defined benefit liability:		
Actuarial loss arising from changes in demographic assumptions	19	-
	<u>19</u>	<u>-</u>
At 31 December	<u>3,391</u>	<u>3,104</u>

Principal actuarial assumptions used are as follows:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
Discount rate	5.00%	5.00%
Future salary increase	5.00%	5.00%

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

<b>Assumptions</b>	<b>Discount rate</b>		<b>Future salary increase</b>	
	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>
<b>Sensitivity analysis</b>	<b>increase</b>	<b>decrease</b>	<b>increase</b>	<b>decrease</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**Group and Bank**

(Decrease)/increase in the net defined benefit obligation

<b>2017</b>	(58)	60	60	(58)
<b>2016</b>	(58)	60	60	(58)

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**16. 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.

**17. Share capital**

	Group and Bank			
	Number of shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
<b>Issued and fully paid:</b>				
At 1 January				
Ordinary shares	155,000	155,000	155,000	155,000
Transfer from Share Premium	-	-	214,111	-
At 31 December	<u>155,000</u>	<u>155,000</u>	<u>369,111</u>	<u>155,000</u>

**18. 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 recent 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.

(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 Clarification and Impairment Provisions for Loans/Financing issued on 6 April 2015.

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**18. Reserves (cont'd.)**

**(c) Securities available-for-sale reserve**

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

**19. Interest income**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing		
- Interest income on non-impaired loans	20,146	25,675
- Interest income on impaired loans ("ILs")	1,510	7,601
Money at call and deposit placements with financial institutions	7,354	4,098
Securities held-for-trading	3	-
Securities available-for-sale		
- Interest income on non-impaired securities	81,201	58,910
- Interest income on impaired securities	3,955	445
Securities held-to-maturity		
- Interest income on non-impaired securities	-	36,115
Derivative instruments	194	1,878
	<u>114,363</u>	<u>134,722</u>
Accretion of discount less amortisation of premium	172	(447)
	<u>114,535</u>	<u>134,275</u>

**20. Interest expense**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	58,157	55,181
Deposits and placements of banks and other financial institutions	35,367	45,684
	<u>93,524</u>	<u>100,865</u>

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**21. Non-interest income**

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Fee income:</b>				
Fees on loans and advances	49	49	49	49
Corporate advisory fees	2,218	2,165	2,218	2,165
Underwriting fees	901	1,697	901	1,697
Management fees	286	-	286	-
Brokerage commission	20,959	18,108	20,959	18,108
Other fee income *	7,422	3,679	7,422	3,679
	<u>31,835</u>	<u>25,698</u>	<u>31,835</u>	<u>25,698</u>
<b>Investment income/(loss):</b>				
Net gain on sale of securities held-for-trading	13	-	13	-
Net (loss)/gain on sale of securities available-for-sale	(7)	2,469	(7)	2,469
Net gain on sale of securities held-to-maturity	-	12,080	-	12,080
Net unrealised loss on revaluation of derivative instruments	(450)	(3,638)	(450)	(3,638)
	<u>(444)</u>	<u>10,911</u>	<u>(444)</u>	<u>10,911</u>
<b>Gross dividends from:</b>				
Securities available-for-sale	1,850	591	1,850	591
Subsidiaries	-	-	43	46
	<u>1,850</u>	<u>591</u>	<u>1,893</u>	<u>637</u>
<b>Other income:</b>				
Intercompany management fee	741	647	677	581
Others	152	693	152	693
	<u>893</u>	<u>1,340</u>	<u>829</u>	<u>1,274</u>
	<u>34,134</u>	<u>38,540</u>	<u>34,113</u>	<u>38,520</u>

\* Included in current 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.

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**22. Staff costs**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonuses	27,786	24,277
Executive Director/Chief Executive Officer		
- Fees	120	120
Employees' benefits (Note 16(b))	268	297
Defined contribution plans	4,285	3,555
Social security costs	132	119
Other staff related expenses	2,562	1,650
	<u>35,153</u>	<u>30,018</u>

**23. Other operating expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Establishment costs				
Rental of:				
- office equipment	42	53	42	53
- premises	2,304	2,383	2,304	2,383
General repairs and maintenance	48	49	48	49
Insurance	202	275	202	275
Electricity	59	67	59	67
IT expenses	4,743	3,586	4,743	3,586
	<u>7,398</u>	<u>6,413</u>	<u>7,398</u>	<u>6,413</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	1,462	1,851	1,462	1,851
Entertainment	412	416	412	416
	<u>1,874</u>	<u>2,267</u>	<u>1,874</u>	<u>2,267</u>

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**23. Other operating expenses (cont'd.)**

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Administrative and general expenses				
Auditors' remuneration				
- Audit	212	212	206	206
- Regulatory related services	15	-	15	-
- Other services	254	90	254	90
Non-Executive Directors' remuneration (Note 24 (b))	771	605	771	605
Communication expenses	150	181	150	181
Management fees	6,745	6,639	6,745	6,639
Professional fees	594	509	594	627
Security commission's levy	1,453	1,111	1,453	1,111
Brokerage fee	1,002	971	1,002	971
Bursa fees	157	168	157	168
License fees and stamp duty	185	192	185	192
Corporate dealers' and remisiers' commissions	93	55	93	55
Others	290	657	288	537
	<u>11,921</u>	<u>11,390</u>	<u>11,913</u>	<u>11,382</u>
	<u>21,193</u>	<u>20,070</u>	<u>21,185</u>	<u>20,062</u>

**24. Directors' remuneration**

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

	Group and Bank	
	2017 RM'000	2016 RM'000
<b>Directors of the Bank</b>		
(a) Executive Director/Chief Executive Officer:		
Other emoluments	120	120
Total remuneration	<u>120</u>	<u>120</u>
(b) Non-Executive Directors:		
Fees	595	426
Other emoluments	176	179
Total remuneration	<u>771</u>	<u>605</u>
	<u>891</u>	<u>725</u>

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**24. Directors' remuneration (cont'd.)**

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

	<b>Number of Directors</b>	
	<b>2017</b>	<b>2016</b>
Executive Director		
RM100,001 – RM150,000	<u>1</u>	<u>1</u>
Non-Executive Directors		
Below RM10,000	2	-
RM10,000 - RM50,000	-	3
RM50,001 - RM100,000	3	1
RM100,001 – RM150,000	1	3
RM150,001 – RM200,000	<u>2</u>	<u>-</u>

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

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

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**24. Directors' remuneration (cont'd.)**

	Group and Bank		
	Fees RM'000	Other emoluments RM'000	Total RM'000
<b>2016</b>			
Executive Director:			
Datuk Mohd. Najib Hj. Abdullah	-	120	120
Non-Executive Directors			
Datuk Azizan Hj. Abd. Rahman	102	39	141
Dato' Kalsom Abd. Rahman	30	9	39
Mr. Tai Keat Chai	82	39	121
Encik Mustaffa Ahmad	89	45	134
Sharkawi Alis	33	13	46
Mr. Philip Tan Puay Koon	70	25	95
Dato' Kaziah Abdul Kadir	20	9	29
	<u>426</u>	<u>179</u>	<u>605</u>
Total Directors' remuneration	<u>426</u>	<u>299</u>	<u>725</u>

**25. Impairment loss written back on loans, advances and financing**

	Group and Bank	
	2017 RM'000	2016 RM'000
Collective impairment allowance		
- (Made)/written back (Note 6(c)(ii))	(731)	4,072
Individual impairment allowance		
- Made (Note 6(c)(i))	(1,121)	(9,527)
- Written back (Note 6(c)(i))	1,324	644
Interest on impaired loans recovered	8,920	10,050
Bad debts recovered	-	586
	<u>8,392</u>	<u>5,825</u>



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**26. Impairment loss made on securities**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Securities available-for-sale (net)	(28,432)	(2,172)
Interest on impaired securities recovered	-	383
Bad debts recovered	-	1,041
	<u>(28,432)</u>	<u>(748)</u>

**27. Impairment loss made on other assets**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Impairment loss made on amount due from brokers and clients		
- Made (Note 8(a))	-	(1)
- Written off	-	(10)
	<u>-</u>	<u>(11)</u>
Impairment loss (made)/written back on other debtors:		
- Made (Note 8(b))	(968)	(833)
- Written back (Note 8(b))	74	248
	<u>(894)</u>	<u>(585)</u>
- Written back from Danaharta (Note 8)	59	-
	<u>(835)</u>	<u>(596)</u>

**28. Taxation**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax expense				
- Current financial year	7,647	14,247	7,633	14,233
- (Over)/under provision in prior years	(164)	74	(164)	74
	<u>7,483</u>	<u>14,321</u>	<u>7,469</u>	<u>14,307</u>
Deferred tax expense (Note 13):				
- Relating to origination and reversal of temporary differences	(1,599)	3,674	(1,599)	3,674
	<u>(1,599)</u>	<u>3,674</u>	<u>(1,599)</u>	<u>3,674</u>
Tax expense for the financial year	<u>5,884</u>	<u>17,995</u>	<u>5,870</u>	<u>17,981</u>

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**28. Taxation (cont'd.)**

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation and zakat	27,436	74,580	27,423	74,568
Taxation at Malaysian Statutory tax rate of 24% (2016: 24%)	6,585	17,899	6,582	17,896
Income not subject to tax	(724)	(134)	(735)	(145)
Expenses not deductible for tax purpose	187	156	187	156
(Over)/under provision of income tax in prior years	(164)	74	(164)	74
Tax expense for the financial year	5,884	17,995	5,870	17,981

**29. Earnings per ordinary share**

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit for the financial year of RM20,785,000 (2016: RM55,683,000) by the weighted average number of ordinary shares of 155,000,000 (2016: 155,000,000).

**30. Dividends**

The amounts of dividends paid by the Bank since 31 December 2016 were as follows:

	Group and Bank 2017 RM'000
In respect of the financial year ended 31 December 2016:	
Single tier interim dividend of RM0.32258 on 155,000,000 Ordinary Shares of RM1.00 each, paid on 28 April 2017.	50,000

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

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**31. Commitments and contingencies**

	<----- 2017 ----->			<----- 2016 ----->		
	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
<b>Group and Bank</b>						
Obligations under an on-going underwriting agreement	-	-	-	10,000	5,000	5,000
Interest rate related contracts with an original maturity of:						
- not exceeding one year	100,000	194	39	220,000	614	123
- exceeding one year	-	-	-	100,000	1,341	268
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	283,014	56,603	56,603	115,289	23,058	23,056
- exceeding one year	165,000	82,500	82,500	30,000	15,000	15,000
<b>Total</b>	<b>548,014</b>	<b>139,297</b>	<b>139,142</b>	<b>475,289</b>	<b>45,013</b>	<b>43,447</b>

\* 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 Company approved by Directors but not provided for in the financial statements are as follows:

	Group and Bank	
	2017 RM'000	2016 RM'000
Authorised but not contracted	4,378	5,408

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**32. Credit exposures arising from credit transactions with connected parties**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Outstanding credit exposures with connected parties	152,500	241,015
(ii) Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	4.15%	6.79%
(iii) Percentage of outstanding credit exposures to connected parties which is impaired or in default	Nil	Nil

**33. 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.

	<b>Within 12 months RM'000</b>	<b>More than 12 months RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<b>Group</b>			
<b>Assets</b>			
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
<b>Total assets</b>	<b>1,750,310</b>	<b>3,066,584</b>	<b>4,816,894</b>
<b>Liabilities</b>			
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 zakat	1,456	-	1,456
<b>Total liabilities</b>	<b>4,016,455</b>	<b>19,738</b>	<b>4,036,193</b>

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

	<b>Within 12 months RM'000</b>	<b>More than 12 months RM'000</b>	<b>Total RM'000</b>
<b>2016</b>			
<b>Group</b>			
<b>Assets</b>			
Cash and short-term funds	34,233	-	34,233
Securities available-for-sale	687,484	2,854,879	3,542,363
Loans, advances and financing	361,420	195,423	556,843
Derivative assets	198	330	528
Other assets	73,159	34,991	108,150
Statutory deposits with Bank Negara Malaysia	-	114,645	114,645
Property, plant and equipment	-	1,263	1,263
Intangible assets	-	2,530	2,530
Deferred tax assets	-	15,998	15,998
<b>Total assets</b>	<b>1,156,494</b>	<b>3,220,059</b>	<b>4,376,553</b>
<b>Liabilities</b>			
Deposits from customers	1,987,757	-	1,987,757
Deposits and placements of banks and other financial institutions	1,521,857	-	1,521,857
Other liabilities	75,473	3,966	79,439
Provision for zakat	1,528	-	1,528
<b>Total liabilities</b>	<b>3,586,615</b>	<b>3,966</b>	<b>3,590,581</b>

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

	<b>Within 12 months RM'000</b>	<b>More than 12 months RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<b>Bank</b>			
<b>Assets</b>			
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
<b>Total assets</b>	<u>1,750,276</u>	<u>3,066,584</u>	<u>4,816,860</u>
<b>Liabilities</b>			
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 zakat	1,453	-	1,453
<b>Total liabilities</b>	<u>4,016,451</u>	<u>19,738</u>	<u>4,036,189</u>

\* Denotes RM4

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

	<b>Within 12 months RM'000</b>	<b>More than 12 months RM'000</b>	<b>Total RM'000</b>
<b>2016</b>			
<b>Bank</b>			
<b>Assets</b>			
Cash and short-term funds	34,175	-	34,175
Securities available-for-sale	687,484	2,854,879	3,542,363
Loans, advances and financing	361,420	195,423	556,843
Derivative assets	198	330	528
Other assets	73,182	34,991	108,173
Statutory deposits with Bank Negara Malaysia	-	114,645	114,645
Investment in subsidiaries	-	*	*
Property, plant and equipment	-	1,263	1,263
Intangible assets	-	2,530	2,530
Deferred tax assets	-	15,998	15,998
<b>Total assets</b>	<u>1,156,459</u>	<u>3,220,059</u>	<u>4,376,518</u>
<b>Liabilities</b>			
Deposits from customers	1,987,757	-	1,987,757
Deposits and placements of banks and other financial institutions	1,521,857	-	1,521,857
Other liabilities	75,472	3,966	79,438
Provision for zakat	1,525	-	1,525
<b>Total liabilities</b>	<u>3,586,611</u>	<u>3,966</u>	<u>3,590,577</u>

\* Denotes RM4

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**34. 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.

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Penultimate holding company</b>		
Income:		
Interest income on securities	1,995	-
Brokerage fees earned	6,783	7,595
Fee income	11,313	-
Expenditure:		
Interest expense on deposits	-	198
	<hr/>	<hr/>
<b>Immediate holding company</b>		
Income:		
Fee income	-	75
Expenditure:		
Rental of premises	2,276	2,346
Management fees	6,745	6,639
	<hr/>	<hr/>
<b>Other related companies</b>		
Income:		
Interest income on securities	4,704	14,635
Brokerage fees earned	3,165	2,148
Fee income	1,971	182
Expenditure:		
Interest expense on deposits	4,738	6,259
	<hr/>	<hr/>



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**34. 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Penultimate holding company</b>		
Amount due from:		
Fee receivable	138	-
Securities	35,000	-
	<u>35,000</u>	<u>-</u>
<b>Other related companies</b>		
Amount due to:		
Deposits from placements of banks and other financial institutions	126,099	104,909
Other payables	185	134
Amount due from:		
Fee receivable	71	80
Sundry deposits	553	553
Securities	179,244	169,475
	<u>179,244</u>	<u>169,475</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**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employment benefits	7,732	8,696
Defined contribution plan	1,094	1,180
Defined benefit plan	129	63
	<u>8,955</u>	<u>9,939</u>

Included in the above is Directors' remuneration amounting to RM891,000 (2016: RM725,000) as further disclosed in Note 24.

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**35. 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:

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial assets at fair value through profit or loss	78	528	78	528
Available-for-sale financial assets	3,822,038	3,542,363	3,822,038	3,542,363
Loans and receivables	959,218	786,731	959,184	786,696
Financial liabilities at amortised cost	<u>4,031,346</u>	<u>3,585,949</u>	<u>4,031,345</u>	<u>3,585,948</u>

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

**(a) Credit risk**

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

- (i) 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.

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**35. 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
<b>Financial assets</b>						
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	-	-	-	166,681	147,272	313,953
	<u>179,772</u>	<u>9,971</u>	<u>197,854</u>	<u>1,663,697</u>	<u>2,709,546</u>	<u>4,760,840</u>
<b>Commitments and contingencies</b>						
Other commitments	-	-	115,000	45,494	287,520	448,014
	-	-	115,000	45,494	287,520	448,014
	<u>179,772</u>	<u>9,971</u>	<u>312,854</u>	<u>1,709,191</u>	<u>2,997,066</u>	<u>5,208,854</u>

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**35. 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 2016	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
<b>Financial assets</b>						
Cash and short-term funds	-	-	-	34,233	-	34,233
Securities available-for-sale						
Money market instruments	-	-	-	248,925	978,493	1,227,418
Unquoted securities	69,432	9,880	229,602	649,216	1,334,840	2,292,970
Loans, advances and financing						
Term loans/financing	12,466	-	-	155,058	127,667	295,191
Margin accounts	-	-	-	56,406	204,742	261,148
Others	-	-	-	-	504	504
Derivative assets	-	-	-	528	-	528
Other financial assets	-	-	-	139,299	56,356	195,655
	<u>81,898</u>	<u>9,880</u>	<u>229,602</u>	<u>1,283,665</u>	<u>2,702,602</u>	<u>4,307,647</u>
<b>Commitments and contingencies</b>						
Obligations under an-ongoing underwriting agreement	-	-	-	-	10,000	10,000
Other commitments	-	-	-	61,593	83,696	145,289
	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,593</u>	<u>93,696</u>	<u>155,289</u>
	<u>81,898</u>	<u>9,880</u>	<u>229,602</u>	<u>1,345,258</u>	<u>2,796,298</u>	<u>4,462,936</u>

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**35. 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
<b>Financial assets</b>						
Cash and short-term funds	-	-	-	140,690	-	140,690
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	-	-	-	166,681	147,989	314,670
	<u>179,772</u>	<u>9,971</u>	<u>197,854</u>	<u>1,662,946</u>	<u>2,710,263</u>	<u>4,760,806</u>
<b>Commitments and contingencies</b>						
Other commitments	-	-	115,000	45,494	287,520	448,014
	-	-	<u>115,000</u>	<u>45,494</u>	<u>287,520</u>	<u>448,014</u>
	<u>179,772</u>	<u>9,971</u>	<u>312,854</u>	<u>1,708,440</u>	<u>2,997,783</u>	<u>5,208,820</u>

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**35. 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 2016	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
<b>Financial assets</b>						
Cash and short-term funds	-	-	-	34,175	-	34,175
Securities available-for-sale						
Money market instruments	-	-	-	248,925	978,493	1,227,418
Unquoted securities	69,432	9,880	229,602	649,216	1,334,840	2,292,970
Loans, advances and financing						
Term loans/financing	12,466	-	-	155,058	127,667	295,191
Margin accounts	-	-	-	56,406	204,742	261,148
Others	-	-	-	-	504	504
Derivative assets	-	-	-	528	-	528
Other financial assets	-	-	-	139,299	56,379	195,678
	81,898	9,880	229,602	1,283,607	2,702,625	4,307,612
<b>Commitments and contingencies</b>						
Obligations under an-ongoing underwriting agreement	-	-	-	-	10,000	10,000
Other commitments	-	-	-	61,593	83,696	145,289
	-	-	-	61,593	93,696	155,289
	81,898	9,880	229,602	1,345,200	2,796,321	4,462,901

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**35. 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.

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Individually impaired RM'000	Total RM'000
<b>Group</b>				
<b>2017</b>				
<b>Financial assets</b>				
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>



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

**(a) Credit risk (cont'd.)**

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

<b>Group</b>	<b>Neither past due nor impaired RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Individually impaired RM'000</b>	<b>Total RM'000</b>
<b>2016</b>				
<b>Financial assets</b>				
Cash and short-term funds	34,233	-	-	34,233
Securities available-for-sale				
Money market instruments	1,227,418	-	-	1,227,418
Unquoted securities	2,220,353	-	72,617	2,292,970
Loans, advances and financing				
Term loans	110,172	-	259,979	370,151
Margin accounts	261,148	-	-	261,148
Others	504	-	24	528
Derivative assets	528	-	-	528
Other financial assets	195,675	-	3,187	198,862
	<u>4,050,031</u>	<u>-</u>	<u>335,807</u>	<u>4,385,838</u>

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

**(a) Credit risk (cont'd.)**

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

<b>Bank</b>	<b>Neither past due nor impaired RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Individually impaired RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
<b>Financial assets</b>				
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>

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**35. 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
<b>Bank</b>				
<b>2016</b>				
<b>Financial assets</b>				
Cash and short-term funds	34,175	-	-	34,175
Securities available-for-sale				
Money market instruments	1,227,418	-	-	1,227,418
Unquoted securities	2,220,353	-	72,617	2,292,970
Loans, advances and financing				
Term loans	110,172	-	259,979	370,151
Margin accounts	261,148	-	-	261,148
Others	504	-	24	528
Derivative assets	528	-	-	528
Other financial assets	195,698	-	3,187	198,885
	<u>4,049,996</u>	<u>-</u>	<u>335,807</u>	<u>4,385,803</u>

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

**(a) Credit risk (cont'd.)**

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

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business and products. 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. The equivalent grades by Rating Agency Malaysia Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC") are benchmarked against each internal credit risk rating class.

**(iii) 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 2017, 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 100% (2016: 82%). The financial effect of collateral held for other financial assets is not significant.

**(iv) 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.

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

**(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.

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**35. 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 2017. The sensitivity of equity is calculated by revaluing fixed rate securities available-for-sale at 31 December 2017 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.

<b>Group and Bank</b>	<b>Sensitivity of profit before taxation - Increase/ (decrease) RM '000</b>	<b>Sensitivity of equity - Increase/ (decrease) RM '000</b>
<b>2017</b>		
<b>Change in basis points</b>		
+25	209	(32,288)
- 25	(209)	32,800
<b>2016</b>		
<b>Change in basis points</b>		
+25	273	(35,573)
- 25	(273)	36,198

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**35. 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 effective interest rates at the reporting date and the periods in which they reprice or mature, whichever is earlier.

Group	←-----Non-trading book-----→					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	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				
<b>2017</b>									
<b>Assets</b>									
Cash and short-term funds	-	-	-	-	-	141,441	-	141,441	-
Securities available-for-sale	50,016	497,021	375,671	1,819,252	922,903	157,175	-	3,822,038	4.17
Loans, advances and financing									
- non-impaired	-	317,314	50	83,868	67	(3,515) *	-	397,784	7.64
- 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	-
<b>Total assets</b>	<b>50,016</b>	<b>814,335</b>	<b>375,721</b>	<b>1,903,120</b>	<b>922,970</b>	<b>750,654</b>	<b>78</b>	<b>4,816,894</b>	
<b>Liabilities</b>									
Deposits from customers	1,126,060	514,310	281,426	15,673	-	-	-	1,937,469	3.58
Deposits and placements of banks and other financial institutions	1,244,873	298,733	338,036	-	-	-	-	1,881,642	3.48
Other liabilities	-	-	-	-	-	217,082	-	217,082	-
<b>Total liabilities</b>	<b>2,370,933</b>	<b>813,043</b>	<b>619,462</b>	<b>15,673</b>	<b>-</b>	<b>217,082</b>	<b>-</b>	<b>4,036,193</b>	

\* Collective impairment allowance

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

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

Group	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	> 5 years	Non-interest sensitive			
2017 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	780,701	-	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)	78	-	
Total interest sensitivity gap	(2,320,917)	1,292	(243,741)	1,887,447	922,970	(247,129)	78	-	



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

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

Group	←-----Non-trading book-----→						Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	> 5 years					
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>Assets</b>										
Cash and short-term funds	-	-	-	-	-	34,233	-	34,233	-	
Securities available-for-sale	10,001	248,925	334,724	1,087,562	1,766,560	94,591	-	3,542,363	4.46	
Loans, advances and financing										
- non-impaired	794	261,492	62	109,355	121	(2,784) *	-	369,040	7.78	
- impaired	-	-	-	-	-	187,803	-	187,803	-	
Derivative assets	-	-	-	-	-	-	528	528	-	
Statutory deposits with Bank										
Negara Malaysia	-	-	-	-	-	114,645	-	114,645	-	
Other assets	-	-	-	-	-	127,941	-	127,941	-	
<b>Total assets</b>	<b>10,795</b>	<b>510,417</b>	<b>334,786</b>	<b>1,196,917</b>	<b>1,766,681</b>	<b>556,429</b>	<b>528</b>	<b>4,376,553</b>		
<b>Liabilities</b>										
Deposits from customers	1,477,194	374,689	135,874	-	-	-	-	1,987,757	3.52	
Deposits and placements of banks and other financial institutions	1,053,999	223,724	244,134	-	-	-	-	1,521,857	3.59	
Other liabilities	-	-	-	-	-	80,967	-	80,967	-	
<b>Total liabilities</b>	<b>2,531,193</b>	<b>598,413</b>	<b>380,008</b>	<b>-</b>	<b>-</b>	<b>80,967</b>	<b>-</b>	<b>3,590,581</b>		

\* Collective impairment allowance

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

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

Group	-----Non-trading book-----						Trading book	Total	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			
2016 (cont'd.)									
Shareholder's equity	-	-	-	-	-	785,972	-	785,972	-
Total liabilities and shareholder's equity	2,531,193	598,413	380,008	-	-	866,939	-	4,376,553	
On-balance sheet interest sensitivity gap	(2,520,398)	(87,996)	(45,222)	1,196,917	1,766,681	(310,510)	528	-	
Total interest sensitivity gap	(2,520,398)	(87,996)	(45,222)	1,196,917	1,766,681	(310,510)	528	-	

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

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

Bank	←-----Non-trading book----->					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	>3 - 12 months	> 1 - 5 years	> 5 years				
<b>2017</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>									
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	4.17
Loans, advances and financing									
- non-impaired	-	317,314	50	83,868	67	(3,515) *	-	397,784	7.64
- 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	-
<b>Total assets</b>	<b>50,016</b>	<b>814,335</b>	<b>375,721</b>	<b>1,903,120</b>	<b>922,970</b>	<b>750,620</b>	<b>78</b>	<b>4,816,860</b>	
<b>Liabilities</b>									
Deposits from customers	1,126,060	514,310	281,426	15,673	-	-	-	1,937,469	3.58
Deposits and placements of banks and other financial institutions	1,244,873	298,733	338,036	-	-	-	-	1,881,642	3.48
Other liabilities	-	-	-	-	-	217,078	-	217,078	-
<b>Total liabilities</b>	<b>2,370,933</b>	<b>813,043</b>	<b>619,462</b>	<b>15,673</b>	<b>-</b>	<b>217,078</b>	<b>-</b>	<b>4,036,189</b>	

\* Collective impairment allowance

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

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

Bank	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	> 5 years				
2017 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Shareholder's equity	-	-	-	-	-	780,671	-	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	-	

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

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

Bank	←-----Non-trading book----->					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	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				
<b>2016</b>									
<b>Assets</b>									
Cash and short-term funds	-	-	-	-	-	34,175	-	34,175	-
Securities available-for-sale	10,001	248,925	334,724	1,087,562	1,766,560	94,591	-	3,542,363	4.46
Loans, advances and financing									
- non-impaired	794	261,492	62	109,355	121	(2,784) *	-	369,040	7.78
- impaired	-	-	-	-	-	187,803	-	187,803	-
Derivative assets	-	-	-	-	-	-	528	528	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,645	-	114,645	-
Other assets	-	-	-	-	-	127,964	-	127,964	-
<b>Total assets</b>	<b>10,795</b>	<b>510,417</b>	<b>334,786</b>	<b>1,196,917</b>	<b>1,766,681</b>	<b>556,394</b>	<b>528</b>	<b>4,376,518</b>	
<b>Liabilities</b>									
Deposits from customers	1,477,194	374,689	135,874	-	-	-	-	1,987,757	3.52
Deposits and placements of banks and other financial institutions	1,053,999	223,724	244,134	-	-	-	-	1,521,857	3.59
Other liabilities	-	-	-	-	-	80,963	-	80,963	-
<b>Total liabilities</b>	<b>2,531,193</b>	<b>598,413</b>	<b>380,008</b>	<b>-</b>	<b>-</b>	<b>80,963</b>	<b>-</b>	<b>3,590,577</b>	

\* Collective impairment allowance

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

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

Bank	←-----Non-trading book----->					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	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				
2016 (cont'd.)									
Shareholder's equity	-	-	-	-	-	785,941	-	785,941	-
Total liabilities and shareholder's equity	2,531,193	598,413	380,008	-	-	866,904	-	4,376,518	
On-balance sheet interest sensitivity gap	(2,520,398)	(87,996)	(45,222)	1,196,917	1,766,681	(310,510)	528	-	
Total interest sensitivity gap	(2,520,398)	(87,996)	(45,222)	1,196,917	1,766,681	(310,510)	528	-	

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

**(c) Equity price risks**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The trading equity price risk exposure arises from equity securities classified as available-for-sale. A 25 per cent increase/decrease in the value of the Bank's available-for-sale equities at 31 December 2017 would have increased/decreased equity by RM4.9 million (2016: RM 5.3 million).

**(d) 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.

**(e) 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.

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

**(e) 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**

<b>2017</b>	<b>On demand RM'000</b>	<b>Under 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>&gt;5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
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
<b>Total assets</b>	<b>283,235</b>	<b>242,759</b>	<b>832,814</b>	<b>391,502</b>	<b>2,018,848</b>	<b>1,047,736</b>	<b>4,816,894</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>16,761</b>	<b>2,554,895</b>	<b>821,850</b>	<b>622,949</b>	<b>17,507</b>	<b>2,231</b>	<b>4,036,193</b>
<b>Net maturity mismatch</b>	<b>266,474</b>	<b>(2,312,136)</b>	<b>10,964</b>	<b>(231,447)</b>	<b>2,001,341</b>	<b>1,045,505</b>	<b>780,701</b>



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

**(e) Liquidity risks (cont'd.)**

**Group**

<b>2016</b>	<b>On demand RM'000</b>	<b>Under 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>&gt;5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	34,233	-	-	-	-	-	34,233
Securities available-for-sale	93,834	10,001	248,925	334,724	1,087,562	1,767,317	3,542,363
Loans, advances and financing	12,465	794	348,099	62	40,331	155,092	556,843
Derivative assets	-	-	-	198	330	-	528
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,645	114,645
Other assets	2,392	45,282	8,438	17,047	38,173	16,609	127,941
<b>Total assets</b>	<b>142,924</b>	<b>56,077</b>	<b>605,462</b>	<b>352,031</b>	<b>1,166,396</b>	<b>2,053,663</b>	<b>4,376,553</b>
<b>Liabilities</b>							
Deposits from customers	31,072	1,471,722	374,689	110,274	-	-	1,987,757
Deposits and placements of banks and other financial institutions	3,811	1,053,999	223,724	240,323	-	-	1,521,857
Other liabilities	3,140	54,354	5,679	13,828	2,278	1,688	80,967
<b>Total liabilities</b>	<b>38,023</b>	<b>2,580,075</b>	<b>604,092</b>	<b>364,425</b>	<b>2,278</b>	<b>1,688</b>	<b>3,590,581</b>
<b>Net maturity mismatch</b>	<b>104,901</b>	<b>(2,523,998)</b>	<b>1,370</b>	<b>(12,394)</b>	<b>1,164,118</b>	<b>2,051,975</b>	<b>785,972</b>

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

**(e) Liquidity risks (cont'd.)**

**Bank**

<b>2017</b>	<b>On demand RM'000</b>	<b>Under 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>&gt;5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
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
<b>Total assets</b>	<b>309,201</b>	<b>216,759</b>	<b>832,814</b>	<b>391,502</b>	<b>2,018,848</b>	<b>1,047,736</b>	<b>4,816,860</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>16,761</b>	<b>2,554,891</b>	<b>821,850</b>	<b>622,949</b>	<b>17,507</b>	<b>2,231</b>	<b>4,036,189</b>
<b>Net maturity mismatch</b>	<b>292,440</b>	<b>(2,338,132)</b>	<b>10,964</b>	<b>(231,447)</b>	<b>2,001,341</b>	<b>1,045,505</b>	<b>780,671</b>

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

**(e) Liquidity risks (cont'd.)**

**Bank**

<b>2016</b>	<b>On demand RM'000</b>	<b>Under 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>&gt;5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	34,175	-	-	-	-	-	34,175
Securities available-for-sale	93,834	10,001	248,925	334,724	1,087,562	1,767,317	3,542,363
Loans, advances and financing	12,465	794	348,099	62	40,331	155,092	556,843
Derivative assets	-	-	-	198	330	-	528
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,645	114,645
Other assets	2,415	45,282	8,438	17,047	38,173	16,609	127,964
<b>Total assets</b>	<b>142,889</b>	<b>56,077</b>	<b>605,462</b>	<b>352,031</b>	<b>1,166,396</b>	<b>2,053,663</b>	<b>4,376,518</b>
<b>Liabilities</b>							
Deposits from customers	31,072	1,471,722	374,689	110,274	-	-	1,987,757
Deposits and placements of banks and other financial institutions	3,811	1,053,999	223,724	240,323	-	-	1,521,857
Other liabilities	3,140	54,350	5,679	13,828	2,278	1,688	80,963
<b>Total liabilities</b>	<b>38,023</b>	<b>2,580,071</b>	<b>604,092</b>	<b>364,425</b>	<b>2,278</b>	<b>1,688</b>	<b>3,590,577</b>
<b>Net maturity mismatch</b>	<b>104,866</b>	<b>(2,523,994)</b>	<b>1,370</b>	<b>(12,394)</b>	<b>1,164,118</b>	<b>2,051,975</b>	<b>785,941</b>

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.

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

**(e) 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**

2017	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
<b>Non-derivative financial liabilities</b>						
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
<b>Unrecognised firm commitments</b>						
Other commitments	448,014	-	-	-	-	448,014
	448,014	-	-	-	-	448,014
<b>Total financial liabilities</b>	<b>464,775</b>	<b>2,554,895</b>	<b>821,850</b>	<b>622,949</b>	<b>16,347</b>	<b>4,480,816</b>

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

**(e) Liquidity risks (cont'd.)**

**Group**

**2016**

	<b>On demand RM'000</b>	<b>Under 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>						
Deposits from customers	31,160	1,475,231	378,019	111,559	-	1,995,969
Deposits and placements of banks and other financial institutions	3,843	1,056,763	225,974	245,213	-	1,531,793
Other financial liabilities	3,020	48,081	99	7,653	862	59,715
	<u>38,023</u>	<u>2,580,075</u>	<u>604,092</u>	<u>364,425</u>	<u>862</u>	<u>3,587,477</u>
<b>Unrecognised firm commitments</b>						
Obligations under an-ongoing underwriting agreement	10,000	-	-	-	-	10,000
Other commitments	145,289	-	-	-	-	145,289
	<u>155,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,289</u>
<b>Total financial liabilities</b>	<u>193,312</u>	<u>2,580,075</u>	<u>604,092</u>	<u>364,425</u>	<u>862</u>	<u>3,742,766</u>

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

**(e) Liquidity risks (cont'd.)**

**Bank**

**2017**

**Non-derivative financial liabilities**

Deposits from customers

Deposits and placements of banks and other  
financial institutions

Other financial liabilities

	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
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
	<u>16,761</u>	<u>2,554,891</u>	<u>821,850</u>	<u>622,949</u>	<u>16,347</u>	<u>4,032,798</u>

**Unrecognised firm commitments**

Other commitments

Other commitments	448,014	-	-	-	-	448,014
	<u>448,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,014</u>

Total financial liabilities

Total financial liabilities	<u>464,775</u>	<u>2,554,891</u>	<u>821,850</u>	<u>622,949</u>	<u>16,347</u>	<u>4,480,812</u>
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**35. Financial risk management objectives and policies (cont'd.)**

**(e) Liquidity risks (cont'd.)**

**Bank**

**2016**

**Non-derivative financial liabilities**

	<b>On demand RM'000</b>	<b>Under 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 to 5 years RM'000</b>	<b>Total RM'000</b>
Deposits from customers	31,160	1,475,231	378,019	111,559	-	1,995,969
Deposits and placements of banks and other financial institutions	3,843	1,056,763	225,974	245,213	-	1,531,793
Other financial liabilities	3,020	48,077	99	7,653	862	59,711
	<u>38,023</u>	<u>2,580,071</u>	<u>604,092</u>	<u>364,425</u>	<u>862</u>	<u>3,587,473</u>

**Unrecognised firm commitments**

Obligations under an-ongoing underwriting agreement	10,000	-	-	-	-	10,000
Other commitments	145,289	-	-	-	-	145,289
	<u>155,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,289</u>

Total financial liabilities

	<u>193,312</u>	<u>2,580,071</u>	<u>604,092</u>	<u>364,425</u>	<u>862</u>	<u>3,742,762</u>
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**MIDF Amanah Investment Bank Berhad  
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**36. 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:

<b>Group and Bank</b>	<b>2017</b>		<b>2016</b>	
	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>
<b>Financial assets</b>				
Loans advances and financing - staff loans *	380	309	528	396

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

Fair value information has not been disclosed for the Group's and the Bank's investment in unquoted shares that are carried at cost because fair value cannot be measured reliably. The investment represents ordinary shares in organisation which was set up for specific socio-economic reason that are not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

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.



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**36. Fair value measurement (cont'd.)**

**(ii) Determination of fair values**

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 36(i):

**(a) Securities held-for-trading, securities available-for-sale and securities held-to-maturity**

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.

**(b) Derivative assets/liabilities**

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

**(c) Loans, advances and financing**

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

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

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**36. Fair value measurement (cont'd.)**

**(iii) Fair value hierarchy**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the 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).

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2017</b>				
<b>Assets measured at fair value</b>				
Securities available-for-sale				
Money market instruments	-	1,362,646	-	1,362,646
Quoted securities	19,737	-	-	19,737
Unquoted securities *	-	2,302,206	136,692	2,438,898
Derivative assets	-	78	-	78
<b>Assets for which fair values are disclosed:</b>				
Loans, advances and financing - staff loans	-	309	-	309

\* Excluded unrated securities for the purpose of fair value hierarchy.

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**36. Fair value measurement (cont'd.)**

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

<b>Group and Bank</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>2016</b>				
<b>Assets measured at fair value</b>				
Securities available-for-sale				
Money market instruments	-	1,227,418	-	1,227,418
Quoted securities	21,218	-	-	21,218
Unquoted securities	-	1,964,635	328,335	2,292,970
Derivative assets	-	528	-	528
<b>Assets for which fair values are disclosed:</b>				
Loans, advances and financing - staff loans	-	396	-	396

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

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**36. 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Securities available-for-sale</b>		
Unquoted securities		
At 1 January	328,335	7,122
Addition of unquoted securities	7,590	323,408
Total loss recognised in profit or loss		
Included within interest income	3,955	445
Included within net income from Islamic Banking operation	2,717	-
Included within impairment loss made on securities	(18,563)	(2,172)
	<u>(11,891)</u>	<u>(1,727)</u>
Settlements	(187,342)	(468)
At 31 December	<u>136,692</u>	<u>328,335</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.

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**37. 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 2017 and 2016.

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**37. Capital management (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier 1 Capital</u></b>				
<b>Common Equity Tier 1 ("CET1") Capital</b>				
Ordinary shares	369,111	155,000	369,111	155,000
Share premium - ordinary share	-	214,111	-	214,111
Statutory reserve	-	164,252	-	164,252
Regulatory reserve	2,573	3,932	2,573	3,932
Securities available-for-sale reserve	(18,576)	(42,535)	(18,576)	(42,535)
Retained profits	427,593	291,212	427,563	291,181
	<u>780,701</u>	<u>785,972</u>	<u>780,671</u>	<u>785,941</u>
Less: Regulatory adjustments	(15,939)	(22,460)	(15,939)	(22,460)
<i>Total CET1 Capital</i>	<u>764,762</u>	<u>763,512</u>	<u>764,732</u>	<u>763,481</u>
<b>Total Tier 1 Capital</b>	<b><u>764,762</u></b>	<b><u>763,512</u></b>	<b><u>764,732</u></b>	<b><u>763,481</u></b>
<b><u>Tier 2 Capital</u></b>				
Collective impairment allowance* and regulatory reserve	3,265	4,819	3,265	4,819
<b>Total Tier 2 capital</b>	<u>3,265</u>	<u>4,819</u>	<u>3,265</u>	<u>4,819</u>
<b>Total Capital</b>	<b><u>768,027</u></b>	<b><u>768,331</u></b>	<b><u>767,997</u></b>	<b><u>768,300</u></b>

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**37. Capital management (cont'd.)**

- (i) The capital adequacy ratio of the Group and of the Bank are as follows (cont'd.):

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CET1 Capital Ratio	44.616%	45.157%	44.599%	45.155%
Tier 1 Capital Ratio	44.616%	45.157%	44.599%	45.155%
Total Capital Ratio	44.806%	45.442%	44.789%	45.440%

- \* The collective impairment allowance are not ascribed to loans/financing classified as impaired as per paragraph 13.1(iv)(b) of the Bank Negara Malaysia's Capital Adequacy Framework.

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total risk-weighted assets for credit risk	1,506,887	1,445,121	1,507,454	1,445,132
Total risk-weighted assets equivalent for market risk	4,750	31,200	4,750	31,200
Total risk-weighted assets equivalent for operational risk	202,479	214,477	202,479	214,477
	<u>1,714,116</u>	<u>1,690,798</u>	<u>1,714,683</u>	<u>1,690,809</u>

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**38. Offsetting financial assets and financial liabilities**

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

	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	
<b>Group</b>						
<b>2017</b>						
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
<b>2016</b>						
Derivative assets	528	-	528	-	-	528
Other assets	128,224	(20,074)	108,150	-	-	108,150
Other liabilities	99,513	(20,074)	79,439	-	-	79,439



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**38. Offsetting financial assets and financial liabilities (cont'd)**

	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	
<b>Bank</b>						
<b>2017</b>						
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
<b>2016</b>						
Derivative assets	528	-	528	-	-	528
Other assets	128,247	(20,074)	108,173	-	-	108,173
Other liabilities	99,512	(20,074)	79,438	-	-	79,438

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.

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**39. The operations of Islamic Banking Scheme (SPI)**

The state of affairs at 31 December 2017 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 2017**

	Note	Group and Bank	
		2017 RM'000	2016 RM'000
<b>Assets</b>			
Cash and short-term funds	(a)	38,852	576
Securities available-for-sale	(b)	1,995,191	1,478,943
Financing and advances	(c)	167,515	196,117
Other assets	(d)	13,147	13,596
Intangible assets	(e)	860	-
Deferred tax assets	(f)	2,253	2,834
<b>Total assets</b>		<b>2,217,818</b>	<b>1,692,066</b>
<b>Liabilities</b>			
Deposits from customers	(g)	727,464	502,766
Deposits and placements of banks and other financial institutions	(h)	852,676	553,439
Other liabilities	(i)	48,746	29,343
Provision for taxation and zakat		10,959	10,287
<b>Total liabilities</b>		<b>1,639,845</b>	<b>1,095,835</b>
<b>Islamic banking capital funds</b>			
Islamic banking funds		396,600	396,600
Reserves		181,373	199,631
<b>Total Islamic banking capital funds</b>		<b>577,973</b>	<b>596,231</b>
<b>Total liabilities and Islamic banking capital funds</b>		<b>2,217,818</b>	<b>1,692,066</b>

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

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

**Statements of profit or loss**  
**For the financial year ended 31 December 2017**

	Note	Group and Bank	
		2017 RM'000	2016 RM'000
Income derived from investment of depositors' and others	(j)	102,082	83,029
Income attributable to depositors	(k)	(50,993)	(34,020)
Net income attributable to reporting institution		51,089	49,009
Staff costs	(l)	(2,221)	(1,840)
Other operating expenses	(m)	(1,715)	(1,460)
Operating profit before allowances		47,153	45,709
Impairment loss written back/(made) on:			
- financing and advances	(n)	2,477	1,709
- securities	(o)	(10,241)	(719)
- other assets	(p)	(410)	(716)
Profit before taxation and zakat		38,979	45,983
Taxation	(q)	(9,219)	(10,995)
Zakat		(767)	(902)
Profit for the financial year		28,993	34,086

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

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

**Statements of comprehensive income**  
**For the financial year ended 31 December 2017**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the financial year	28,993	34,086
Other comprehensive income/(loss):		
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>		
Net gain/(loss) on securities available-for-sale		
Cumulative gain transferred to profit or loss upon disposal	(4,907)	(39)
Fair value changes	8,524	(3,405)
	3,617	(3,444)
Income tax relating to net (gain)/loss on securities available-for-sale	(868)	827
	(868)	827
Other comprehensive income/(loss) for the financial year	2,749	(2,617)
Total comprehensive income for the financial year	31,742	31,469

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

**MIDF Amanah Investment Bank Berhad  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**Statements of changes in equity  
For the financial year ended 31 December 2017**

<b>Group and Bank</b>	<b>&lt;----- Non-distributable -----&gt;</b>		<b>Distributable</b>	
	<b>Islamic banking funds RM'000</b>	<b>Securities available- for-sale reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	396,600	(5,638)	173,800	564,762
Profit for the financial year	-	-	34,086	34,086
Other comprehensive loss	-	(2,617)	-	(2,617)
Total comprehensive income for the financial year	-	(2,617)	34,086	31,469
At 31 December 2016	396,600	(8,255)	207,886	596,231
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
<b>Transaction with owner</b>				
Dividends (Note 30)	-	-	(50,000)	(50,000)
At 31 December 2017	396,600	(5,506)	186,879	577,973

**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**Statements of cash flows**

**For the financial year ended 31 December 2017**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	38,979	45,983
Adjustments for:		
Amortisation	245	-
Accretion of discount less amortisation of premium	(15,639)	(7,392)
Net gain on sale of securities available-for-sale	(4,907)	(39)
Net gain on sale of securities held-to-maturity	-	(2,253)
Impairment loss (written back)/made on:		
- financing and advances	(2,477)	(1,709)
- securities	10,241	719
- other assets	410	716
Operating profit before working capital changes	26,852	36,025
(Increase)/decrease in operating assets:		
- Securities available-for-sale	(502,326)	(398,980)
- Other assets	39	(4,628)
- Financing and advances	31,079	42,041
Increase/(decrease) in operating liabilities:		
- Deposits from customers, deposits and placements of banks and other financial institutions	523,935	335,325
- Other liabilities	10,640	(9,506)
Cash generated from operations	90,219	277
Zakat paid	(838)	(600)
Net cash generated from/(used in) operating activities	89,381	(323)

**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activity</b>		
Purchase of intangible assets	(1,105)	-
Net cash used in investing activity	<u>(1,105)</u>	<u>-</u>
<b>Cash flows from financing activity</b>		
Dividends paid	(50,000)	-
Net cash used in financing activity	<u>(50,000)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	38,276	(323)
<b>Cash and cash equivalents at 1 January</b>	576	899
<b>Cash and cash equivalents at 31 December</b>	<u>38,852</u>	<u>576</u>
<b>Cash and cash equivalents comprise of:</b>		
Cash and short-term funds (Note 39(a))	<u>38,852</u>	<u>576</u>

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

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

**(a) Cash and short-term funds**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	12,852	576
Money at call and deposit placements maturing within one month	26,000	-
	<u>38,852</u>	<u>576</u>

**(b) Securities available-for-sale**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Government Investment Issues	378,327	501,129
Islamic Negotiable Instruments	447,008	248,925
	<u>825,335</u>	<u>750,054</u>
Corporate Bonds/Sukuk	<u>1,169,856</u>	<u>728,889</u>
	<u>1,995,191</u>	<u>1,478,943</u>



**MIDF Amanah Investment Bank Berhad  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**(c) Financing and advances**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Term financing		
- Syndicated term financing	170,104	198,901
Gross financing and advances	<u>170,104</u>	<u>198,901</u>
Less: Impairment allowances		
- Collective impairment allowance	(2,589)	(2,784)
Net financing and advances	<u>167,515</u>	<u>196,117</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**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises	170,104	198,901
Gross financing and advances	<u>170,104</u>	<u>198,901</u>

**(ii) By profit rate sensitivity**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate		
Cost-plus	170,104	198,901
Gross financing and advances	<u>170,104</u>	<u>198,901</u>

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

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

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

**(iii) By economic sector**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Mining and quarrying	86,200	88,730
Finance, insurance and business services	51,348	68,450
Education, health and others	32,556	41,721
Gross financing and advances	<u>170,104</u>	<u>198,901</u>

**(iv) By maturity profile**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	266	1,124
One year to five years	169,838	197,777
Gross financing and advances	<u>170,104</u>	<u>198,901</u>

**(v) By classification of Shariah contracts**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Syndicated term financing		
Commodity Murabahah	170,104	198,901
Gross financing and advances	<u>170,104</u>	<u>198,901</u>

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

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

**(b) Movement in impairment allowances by class of financial assets**

**(i) Collective impairment allowance**

Term financing	Group and Bank	
	2017 RM'000	2016 RM'000
At 1 January	2,784	4,493
Written-back	(195)	(1,709)
At 31 December	<u>2,589</u>	<u>2,784</u>
Ratio of collective impairment allowance to gross financing and advances less individual impairment allowance	<u>1.52%</u>	<u>1.40%</u>

**(d) Other assets**

	Note	Group and Bank	
		2017 RM'000	2016 RM'000
Other debtors, deposits and prepayments		1,340	1,415
Less: Individual impairment allowance	(a)	<u>(1,327)</u>	<u>(770)</u>
Profit receivables		13	645
		<u>13,134</u>	<u>12,951</u>
		<u>13,147</u>	<u>13,596</u>

**(a) Other debtors, deposits and prepayments**

Movement in individual impairment allowance:

	Group and Bank	
	2017 RM'000	2016 RM'000
At 1 January	(770)	(124)
Impairment made	(414)	(921)
Written back	4	205
Written off	-	70
Adjustment	(147)	-
At 31 December	<u>(1,327)</u>	<u>(770)</u>

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

**(e) Intangible assets**

<b>Group and Bank</b>	<b>Computer software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>		
At 31 December 2016	-	-
Additions	1,105	1,105
At 31 December 2017	<u>1,105</u>	<u>1,105</u>
<b>Accumulated amortisation</b>		
At 31 December 2016	-	-
Amortisation	245	245
At 31 December 2017	<u>245</u>	<u>245</u>
<b>Net book value</b>		
At 31 December 2017	<u>860</u>	<u>860</u>
At 31 December 2016	<u>-</u>	<u>-</u>

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

**(f) Deferred tax assets**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	2,834	4,240
Recognised in profit or loss (Note 39(q))	287	(2,233)
Recognised in other comprehensive income	(868)	827
At 31 December	<u>2,253</u>	<u>2,834</u>

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

Deferred tax assets

<b>Group and Bank</b>	<b>Revaluation of securities available-for- sale RM'000</b>	<b>Profit equalisation reserve RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	1,781	2,233	226	4,240
Recognised in profit or loss	-	(2,233)	-	(2,233)
Recognised in other comprehensive income	827	-	-	827
At 31 December 2016	<u>2,608</u>	<u>-</u>	<u>226</u>	<u>2,834</u>
Recognised in profit or loss	-	-	287	287
Recognised in other comprehensive income	(868)	-	-	(868)
At 31 December 2017	<u>1,740</u>	<u>-</u>	<u>513</u>	<u>2,253</u>

<b>Group and Bank</b>	
<b>2017</b>	<b>2016</b>
<b>RM'000</b>	<b>RM'000</b>

Presented after appropriate offsetting as follows:

Deferred tax assets	<u>2,253</u>	<u>2,834</u>
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**(g) Deposits from customers**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By types of deposit</b>		
<b>Commodity Murabahah fund</b>		
Term deposits	727,464	502,766
	<hr/>	<hr/>
<b>(ii) By types of customer</b>		
<b>Commodity Murabahah fund</b>		
Business enterprises	421,717	413,833
Government and statutory bodies	305,747	88,933
	727,464	502,766
	<hr/>	<hr/>
<b>(iii) The maturity structure of term deposits is as follows:</b>		
Due within six months	627,417	-
Six months to one year	100,047	502,766
	727,464	502,766
	<hr/>	<hr/>

**(h) Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By types of deposit</b>		
<b>Commodity Murabahah fund</b>		
Term deposits	852,676	553,439
	<hr/>	<hr/>
<b>(ii) By types of customer</b>		
<b>Commodity Murabahah fund</b>		
Other financial institutions	852,676	553,439
	<hr/>	<hr/>

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

**(i) Other liabilities**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit payable to depositors	9,708	3,717
Sundry creditors and accruals	5,629	1,347
Due to immediate holding company	36	22
Due to Head Office	33,373	24,257
	<u>48,746</u>	<u>29,343</u>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:		
(i) General investment deposits	79,739	63,109
(ii) Other deposits	22,343	19,920
	<u>102,082</u>	<u>83,029</u>

**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

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

**(i) General investment deposits**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of general investment deposits:		
<b>Finance income and hibah</b>		
Money at call and deposit placements with financial institutions	3,798	1,729
Securities available-for-sale		
- Profit on non-impaired securities	52,678	18,998
- Profit on impaired securities	2,717	-
Securities held-to-maturity	-	32,698
	<u>59,193</u>	<u>53,425</u>
Accretion of discount less amortisation of premium	15,639	7,392
Total finance income and hibah	<u>74,832</u>	<u>60,817</u>
<b>Other operating income</b>		
Net gain on sale of securities available-for-sale	4,907	39
Net gain on sale of securities held-to-maturity	-	2,253
	<u>4,907</u>	<u>2,292</u>
	<u>79,739</u>	<u>63,109</u>

**(ii) Income derived from investment of other deposits**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Financing and advances	7,618	17,140
<b>Other operating income</b>		
Fee income	14,718	2,725
Other income	7	55
	<u>14,725</u>	<u>2,780</u>
	<u>22,343</u>	<u>19,920</u>



**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**(k) Income attributable to depositors**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Commodity Murabahah fund</b>		
Deposits from customers	(30,594)	(17,812)
Deposits and placements of banks and other financial institutions	(20,399)	(16,208)
	<u>(50,993)</u>	<u>(34,020)</u>

**(l) Staff costs**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries & bonuses	1,774	1,458
Social security costs	9	8
Defined contribution plan	360	290
Other staff related expenses	78	84
	<u>2,221</u>	<u>1,840</u>

**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**(m) Other operating expenses**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Establishment costs		
Amortisation	245	-
Rental		
- office equipment	4	5
- premises	140	141
IT expenses	229	307
Others	29	33
	<u>647</u>	<u>486</u>
(ii) Promotion and marketing-related expenses		
Business promotion and advertisement	6	8
Entertainment	12	11
	<u>18</u>	<u>19</u>
(iii) Administrative and general expenses		
Audit fees	14	16
Non-Executive Directors' remuneration	57	47
Communication expenses	4	8
Management fees	502	509
Professional fees	65	51
Brokerage fees	353	293
Others	55	31
	<u>1,050</u>	<u>955</u>
	<u>1,715</u>	<u>1,460</u>

**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**(n) Impairment loss written back on financing and advances**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Collective impairment allowance		
- Written back in the financial year (Note 39(c)(b)(i))	195	1,709
Profit on impaired loans recovered	2,282	-
	<u>2,477</u>	<u>1,709</u>

**(o) Impairment loss made on securities**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Securities available-for-sale	(10,241)	(722)
Profit on impaired securities recovered	-	3
	<u>(10,241)</u>	<u>(719)</u>

**(p) Impairment loss made on other assets**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Other debtors		
- Made in the financial year (net) ( Note 39 (d)(a))	(410)	(716)
	<u>(410)</u>	<u>(716)</u>

**MIDF Amanah Investment Bank Berhad**  
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**39. The operations of Islamic Banking Scheme (SPI) (cont'd.)**

**(q) Taxation**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax		
- Current financial year	9,506	8,762
Deferred tax (Note 39(f)):		
- Relating to origination and reversal of temporary differences	(287)	2,233
	(287)	2,233
Tax expense for the financial year	9,219	10,995

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	38,979	45,983
Taxation at Malaysian Statutory tax rate of 24% (2016: 24%)	9,355	11,036
Income not subject to tax	(202)	(144)
Expenses not deductible for tax purposes	66	103
Tax expense for the financial year	9,219	10,995

**MIDF Amanah Investment Bank Berhad**  
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**39. 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier 1 Capital</u></b>		
<b>Common Equity Tier 1 ("CET1") Capital</b>		
Islamic banking fund	396,600	396,600
Securities available-for-sale reserve	(5,506)	(8,255)
Retained profits	186,879	207,886
	<u>577,973</u>	<u>596,231</u>
Less: Regulatory adjustments	(3,113)	(2,834)
<b>Total CET1 Capital, representing Total Tier 1 Capital</b>	<b><u>574,860</u></b>	<b><u>593,397</u></b>
<b><u>Tier 2 Capital</u></b>		
Collective impairment allowance	692	887
<b>Total Tier 2 capital</b>	<b><u>692</u></b>	<b><u>887</u></b>
<b>Total Capital</b>	<b><u>575,552</u></b>	<b><u>594,284</u></b>
CET1 Capital Ratio	69.403%	97.003%
Tier 1 Capital Ratio	69.403%	97.003%
Total Capital Ratio	69.487%	97.148%

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Total risk-weighted assets for credit risk	746,716	537,194
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	81,575	74,536
	<u>828,291</u>	<u>611,730</u>