

MIDF AMANAH INVESTMENT BANK BERHAD
197501002077 (23878-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2021

197501002077 (23878-X)

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

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**MIDF Amanah Investment Bank Berhad
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Directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2021.

Principal activities

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

Results

	Group RM'000	Bank RM'000
Profit for the financial year	<u>48,913</u>	<u>48,939</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 2021 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.

Dividend

The amounts of dividend paid by the Bank since 31 December 2020 were as follows:

RM'000

In respect of the financial year ended 31 December 2020:

Single tier interim dividend of 12.903 sen per share on 155,000,000 ordinary shares, paid on 29 June 2021.	<u>20,000</u>
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The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2021.

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**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:

Directors of the Bank

Datuk Azizan Hj. Abd. Rahman (Resigned on 1 April 2022)
Dato' Charon Wardini Mokhzani
Dato' Kaziah Abdul Kadir
Encik Ahlan Nasri Mohd Nasir
Encik Azlan Abdullah
Datuk Mohd Nasir Ali

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

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

Sheikh Shahrudin Sheikh Salim
Wan Ahmad Satria Wan Hussein

Directors' interests

None of the Directors in office at 31 December 2021 had any interest in the ordinary shares of the Bank or its related companies during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 27 to the financial statements or of related companies) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

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Indemnification of Directors and Officers

The Group and the Bank, through the immediate holding company, Malaysia Industrial Development Finance Berhad, has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM40.0 million (2020: RM40.0 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office for the Group and the Bank. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

During the financial year, the Group and the Bank had made payments amounting to RM61,300 (2020: RM53,300) on insurance premium for indemnity for their Directors and Officers. Such payments are recognised as an expense in profit or loss as incurred.

Options granted over unissued shares

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

Other statutory information

- (a) Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

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Other statutory information (cont'd.)

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

Review of 2021

Malaysia's Gross Domestic Product ("GDP") for the fourth quarter of 2021 grew by 3.6% from a year earlier ("y-o-y") as economic activities resumed and lockdown restrictions gradually eased.

The FBM KLCI closed the year lower by -3.7% to 1,567.53. Trading activities also fell as average daily volume and average daily value contracted by -22.5% to 5.65 billion and -15.9% to RM3.54 billion respectively. However, fund raising activities in the equities market remained robust as there were 30 listings with 7 main market, 11 ACE market and 12 LEAP market listings for the year.

The domestic banking system remained flushed with liquidity in 2021. This is in-line with the continuous accommodative monetary policy measures adopted by Bank Negara Malaysia ("BNM") to ensure a supportive environment for a sustainable economic recovery for the country. BNM had also maintained the Overnight Policy Rate ("OPR") at historical low of 1.75% throughout 2021 to keep borrowing cost low to help support business activities to recover to their pre-pandemic levels. Given a stable OPR, there had been no significant movement in the benchmark Kuala Lumpur Interbank Offered Rates ("KLIBOR") in 2021. The 1-, 3-, 6- and 12- month KLIBOR closed the Year 2021 at 1.89%, 2.05%, 2.12% and 2.18% respectively.

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Review of 2021 (cont'd.)

Despite the low interest rate environment, Malaysian bond yields came under upward pressure in year 2021 in tandem with global trends, dictated by anticipation of higher interest rate regime in the U.S. moving into 2022 due to persistent inflationary pressures and faster asset-tapering activities. This had resulted in overall negative returns for Malaysian bond market in 2021 after two year of rally in 2019 and 2020.

The Malaysian Government Securities (“MGS”) ended the year with yields spiking sharply between 70 and 100 basis points across most tenures, reversing prior years’ rallies. The much-watched 10-year benchmark MGS 4/31, jumped 95 basis points to close at 3.60% as at year-end 2021, compared to 2.65% at end-2020. At the current level, our domestic bond market has largely priced in the potential interest rate hikes by the U.S. Federal Reserves in 2022 as well as the expectation of gradual normalisation of the OPR to 3.00% in the next two years.

Outlook 2022

For 2022, the recovery in the domestic economic activities is expected to continue as both consumers and businesses are expected to increase their spending in view of a better outlook. The Government’s spending will also contribute positively to growth, given the expansionary Budget 2022 and record high location for development expenditure. In addition, the continued growth in external demand for electrical and electronic products and commodities will continue to support Malaysia’s foreign trade activity. Overall, Malaysia’s economy is expected to grow stronger in 2022 compared to 2021 following the economic reopening.

Moving in tandem with the recovery in the economy, activities in the equities market is also expected to rebound as sentiment improves. The FBM KLCI is anticipated to end the year higher in 2022 from its beginning level.

However, several factors may drag down growth outlook. The tightening of Covid-19 restrictions and social curbs can be re-imposed, subject to the ability of the healthcare sector to cope should there be rising infections from new variants of Covid-19. This could once again negatively affect the near-term prospects for domestic economic activities and employers’ hiring plans. Continuous accommodative policy measures from both fiscal and monetary fronts are paramount to stimulate and sustain the recovery in the domestic economy going forward.

Meanwhile, the Malaysian bond market is expected to be further pressured in line with rising global bond yields. Hence, domestic market sentiment is expected to remain cautious due to anticipation of wider fiscal deficits and higher government bond supply in 2022, as well as the potential risk of capital flight due to rising interest rates in many developed markets. Nevertheless, having said this, the potentially higher bond yields, at the same time, will also provide wider opportunities for market players to rebalance and rebuild their bond portfolios moving forward.

The Bank will remain vigilant in the evolving 2022 operating landscape, whilst maintaining a cautiously optimistic outlook. The Bank will strive to maintain a healthy balance between growth and diligence as it pursues its activities in 2022.

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Holding and ultimate holding companies

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

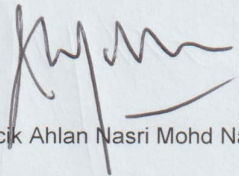
Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 26 to the financial statements.

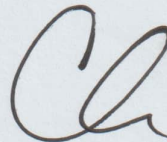
Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

14 APR 2022



Encik Ahlan Nasri Mohd Nasir

Kuala Lumpur, Malaysia



Dato' Charon Wardini Mokhzani

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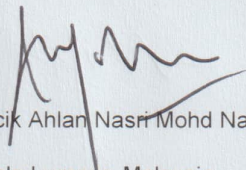
MIDF Amanah Investment Bank Berhad
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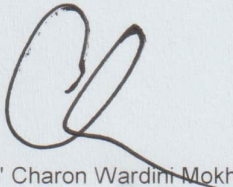
Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Encik Ahlan Nasri Mohd Nasir and Dato' Charon Wardini Mokhzani, being two of the Directors of MIDF Amanah Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 167 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

14 APR 2022


Encik Ahlan Nasri Mohd Nasir
Kuala Lumpur, Malaysia

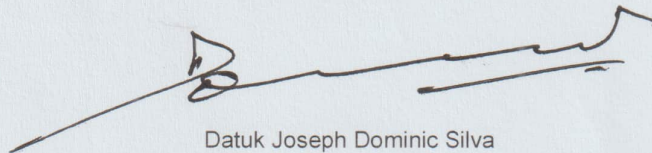

Dato' Charon Wardini Mokhzani

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

I, Datuk Joseph Dominic Silva being the Chief Executive Officer primarily responsible for the financial management of MIDF Amanah Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 167 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Datuk Joseph Dominic Silva
at Kuala Lumpur in Federal Territory on

14 APR 2022


Datuk Joseph Dominic Silva

Before me,

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





Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
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**Independent auditors' report to the member of
MIDF Amanah Investment Bank Berhad
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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 2021 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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



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

Kuala Lumpur, Malaysia
14 April 2022

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

MIDF Amanah Investment Bank Berhad
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Statements of financial position as at 31 December 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets					
Cash and short-term funds	4	405,764	321,736	390,925	308,360
Financial assets at fair value through profit or loss ("FVTPL")	5	30,245	-	30,245	-
Financial investments at fair value through other comprehensive income ("FVOCI")	6	2,559,358	2,324,776	2,559,358	2,324,776
Financial investments at amortised cost	7	2,343,837	2,299,532	2,343,837	2,299,532
Loans, advances and financing	8	1,364,067	1,369,240	1,364,067	1,369,240
Derivative assets	9	6,878	-	6,878	-
Other assets	10	114,754	72,022	129,553	85,346
Statutory deposits with Bank Negara Malaysia	11	107,127	104,495	107,127	104,495
Investment in subsidiaries	12	-	-	-*	-*
Property, plant and equipment	13	188	446	188	446
Intangible assets	14	2,734	1,729	2,734	1,729
Right-of-use asset	15(a)	3,733	4,355	3,733	4,355
Deferred tax assets	16	13,004	5,281	13,004	5,281
Total assets		6,951,689	6,503,612	6,951,649	6,503,560
Liabilities					
Deposits from customers	17	4,907,846	4,489,737	4,907,846	4,489,737
Deposits and placements of banks and other financial institutions	18	1,063,034	1,049,399	1,063,034	1,049,399
Derivative liabilities	9	-	86	-	86
Other liabilities	19	100,931	82,388	100,912	82,385
Lease liability	15(b)	3,811	4,355	3,811	4,355
Provision for tax and zakat		736	1,586	736	1,584
Total liabilities		6,076,358	5,627,551	6,076,339	5,627,546
Equity					
Share capital	20	369,111	369,111	369,111	369,111
Reserves	21	506,220	506,950	506,199	506,903
Total equity		875,331	876,061	875,310	876,014
Total liabilities and equity		6,951,689	6,503,612	6,951,649	6,503,560
Commitments and contingencies					
	34	986,711	1,057,125	986,711	1,057,125

* 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 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue	2(t)	303,957	289,109	303,955	289,107
Interest income	22	69,342	58,309	69,342	58,309
Interest expense	23	(28,125)	(31,930)	(28,125)	(31,930)
Net interest income		41,217	26,379	41,217	26,379
Net income from Islamic Banking operation	42(s)	115,399	95,755	115,399	95,755
Non-interest income	24	34,659	24,492	34,656	24,446
		191,275	146,626	191,272	146,580
Staff costs	25	(43,193)	(46,633)	(43,193)	(46,633)
Depreciation and amortisation		(3,155)	(1,308)	(3,155)	(1,308)
Other operating expenses	26	(26,256)	(21,774)	(26,236)	(21,754)
Operating profit before allowances		118,671	76,911	118,688	76,885
Impairment loss (made)/written back on:					
- loans, advances and financing	28	(55,641)	(15,173)	(55,641)	(15,173)
- financial investments	29	4,854	2,827	4,854	2,827
- other assets	30	(1,767)	(825)	(1,767)	(825)
Profit before taxation and zakat		66,117	63,740	66,134	63,714
Taxation	31	(16,468)	(16,897)	(16,459)	(16,877)
Zakat		(736)	(1,584)	(736)	(1,584)
Profit for the financial year		48,913	45,259	48,939	45,253
Earnings per ordinary share (sen)					
- Basic and diluted	32	31.6	29.2		

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

**MIDF Amanah Investment Bank Berhad
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**Statements of comprehensive income
For the financial year ended 31 December 2021**

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the financial year	48,913	45,259	48,939	45,253
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Changes in allowance for expected credit loss ("ECL") on financial investments at FVOCI	(1,107)	(908)	(1,107)	(908)
Net (loss)/gain on financial investments at FVOCI				
- Transfer of gain to profit or loss upon disposal	(8,250)	(22,065)	(8,250)	(22,065)
- Fair value changes	(29,769)	37,816	(29,769)	37,816
	<u>(39,126)</u>	<u>14,843</u>	<u>(39,126)</u>	<u>14,843</u>
Income tax relating to net (loss)/gain on financial investments at FVOCI (Note 16)	9,403	(3,528)	9,403	(3,528)
	<u>9,403</u>	<u>(3,528)</u>	<u>9,403</u>	<u>(3,528)</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(29,723)</u>	<u>11,315</u>	<u>(29,723)</u>	<u>11,315</u>
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain/(loss) on defined benefit plans (Note 19(b))	105	(136)	105	(136)
Income tax relating to re-measurement gain/(loss) on defined benefit plans (Note 16)	(25)	33	(25)	33
	<u>80</u>	<u>(103)</u>	<u>80</u>	<u>(103)</u>
Net other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods	<u>80</u>	<u>(103)</u>	<u>80</u>	<u>(103)</u>
Other comprehensive (loss)/income for the financial year	<u>(29,643)</u>	<u>11,212</u>	<u>(29,643)</u>	<u>11,212</u>
Total comprehensive income for the financial year	<u>19,270</u>	<u>56,471</u>	<u>19,296</u>	<u>56,465</u>

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

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**Statements of changes in equity
For the financial year ended 31 December 2021**

Group	←----- Non-distributable ----->			Distributable Retained profits RM'000	Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	FVOCI reserve RM'000		
At 1 January 2021	369,111	16,324	15,002	475,624	876,061
Profit for the financial year	-	-	-	48,913	48,913
Other comprehensive (loss)/income	-	-	(29,723)	80	(29,643)
Total comprehensive (loss)/income for the financial year	-	-	(29,723)	48,993	19,270
Transaction with owner					
Transfer to regulatory reserve	-	2,161	-	(2,161)	-
Dividend (Note 33)	-	-	-	(20,000)	(20,000)
At 31 December 2021	369,111	18,485	(14,721)	502,456	875,331
At 1 January 2020	369,111	17,430	3,687	429,362	819,590
Profit for the financial year	-	-	-	45,259	45,259
Other comprehensive income/(loss)	-	-	11,315	(103)	11,212
Total comprehensive income for the financial year	-	-	11,315	45,156	56,471
Transaction with owner					
Transfer from regulatory reserve	-	(1,106)	-	1,106	-
At 31 December 2020	369,111	16,324	15,002	475,624	876,061
	Note 20	Note 21(a)	Note 21(b)		

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

**Statements of changes in equity
For the financial year ended 31 December 2021 (cont'd.)**

Bank	←----- Non-distributable ----->			Distributable Retained profits RM'000	Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	FVOCI reserve RM'000		
At 1 January 2021	369,111	16,324	15,002	475,577	876,014
Profit for the financial year	-	-	-	48,939	48,939
Other comprehensive (loss)/income	-	-	(29,723)	80	(29,643)
Total comprehensive (loss)/income for the financial year	-	-	(29,723)	49,019	19,296
Transaction with owner					
Transfer to regulatory reserve	-	2,161	-	(2,161)	-
Dividend (Note 33)	-	-	-	(20,000)	(20,000)
At 31 December 2021	369,111	18,485	(14,721)	502,435	875,310
At 1 January 2020	369,111	17,430	3,687	429,321	819,549
Profit for the financial year	-	-	-	45,253	45,253
Other comprehensive income/(loss)	-	-	11,315	(103)	11,212
Total comprehensive income for the financial year	-	-	11,315	45,150	56,465
Transaction with owner					
Transfer from regulatory reserve	-	(1,106)	-	1,106	-
At 31 December 2020	369,111	16,324	15,002	475,577	876,014
	Note 20	Note 21(a)	Note 21(b)		

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

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

**Statements of cash flows
For the financial year ended 31 December 2021**

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	66,117	63,740	66,134	63,714
Adjustments for:				
Depreciation and amortisation	3,155	1,308	3,155	1,308
Accretion of discount less amortisation of premium	15,238	6,692	15,238	6,692
Net (gain)/loss on sale of financial assets at FVTPL	(999)	208	(999)	208
Net gain on sale of financial investments at FVOCI	(8,250)	(22,065)	(8,250)	(22,065)
Net unrealised gain on revaluation of derivative instruments	(6,964)	(699)	(6,964)	(699)
Impairment loss made/(written back) on:				
- loans, advances and financing	55,641	15,173	55,641	15,173
- financial investments	(1,335)	2,770	(1,335)	2,770
- other assets	1,784	825	1,784	825
Finance cost on lease liability	210	-	210	-
Dividend income	(342)	(196)	(392)	(251)
Property, plant and equipment written off	13	2	13	2
Intangible assets written off	753	366	753	366
Provision for employee benefits	200	192	200	192
	<u>125,221</u>	<u>68,316</u>	<u>125,188</u>	<u>68,235</u>
(Increase)/decrease in operating assets:				
Financial investments	(352,854)	(589,312)	(352,854)	(589,312)
Loans, advances and financing	(50,468)	(829,268)	(50,468)	(829,268)
Other assets	(32,049)	(3,300)	(33,534)	(14,396)
Statutory deposits with Bank Negara Malaysia	(2,632)	3,521	(2,632)	3,521

**MIDF Amanah Investment Bank Berhad
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Statements of cash flows

For the financial year ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Increase/(decrease) in operating liabilities:				
Deposits from customers and deposits and placements of banks and other financial institutions	431,744	1,116,065	431,744	1,116,065
Other liabilities	18,388	(3,286)	18,374	(3,288)
Cash generated from/(used in) operations	137,350	(237,264)	135,818	(248,443)
Taxes paid	(27,280)	(12,647)	(27,261)	(12,626)
Zakat paid	(1,584)	(1,302)	(1,584)	(1,302)
Net cash generated from/(used in) operating activities	108,486	(251,213)	106,973	(262,371)
Cash flows from investing activities				
Dividends received	342	196	392	251
Purchase of property, plant and equipment	(64)	(97)	(64)	(97)
Purchase of intangible assets	(2,472)	(687)	(2,472)	(687)
Net cash used in investing activities	(2,194)	(588)	(2,144)	(533)
Cash flows from financing activities				
Lease paid	(2,264)	-	(2,264)	-
Dividend paid (Note 33)	(20,000)	-	(20,000)	-
Net cash used in financing activities	(22,264)	-	(22,264)	-
Net increase/(decrease) in cash and cash equivalents	84,028	(251,801)	82,565	(262,904)
Cash and cash equivalents at 1 January	321,736	573,537	308,360	571,264
Cash and cash equivalents at 31 December	405,764	321,736	390,925	308,360
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 4)	405,764	321,736	390,925	308,360

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

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

Notes to the financial statements - 31 December 2021

1. Corporate information

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

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 April 2022.

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

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

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

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

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

The Group and the Bank have adopted the following pronouncements, with a date of initial application of 1 January 2021.

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: *Interest Rate Benchmark Reform - Phase 2*

The adoption of the above pronouncements did not have significant impact to the financial statements of the Group and the Bank. Please refer to Note 38(b) for further details.

(ii) Standards issued but not yet effective

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

Description	Effective for financial periods beginning on or after
Amendments to MFRS 16: <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 3: <i>Reference to Conceptual Framework</i>	1 January 2022
Annual improvements to MFRS Standards 2018 - 2020 Cycle	1 January 2022
Amendments to MFRS 116: <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 and Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17: <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

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

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

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

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2021. Control is achieved when the Group 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights.

The Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group 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 Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

(c) Investment in subsidiaries

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

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

(d) Financial assets and liabilities

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

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

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

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

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

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

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

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(i) Classification and subsequent measurement

Financial assets

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

- FVTPL;
- FVOCI; or
- Amortised cost.

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

Business model assessment

The Group and the Bank determine their business model at the level that best reflects how they manage groups of financial assets to achieve their business objectives.

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

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

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

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

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

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

Financial assets (cont'd.)

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

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

(c) Business Model 3 - FVTPL

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

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

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

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

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

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

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

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

Financial assets (cont'd.)

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

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

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

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

Financial assets - Amortised cost

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

Financial assets - FVOCI

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

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

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

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

Financial assets - FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the statements of profit or loss under the caption of "Non-interest income". Interest/profit income from these financial assets is measured using the EIR method.

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

Equity instruments

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

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

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

Financial liabilities

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

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

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

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

(ii) Impairment

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

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

The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL

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

- Stage 2: Lifetime ECL – non-credit impaired

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

- Stage 3: Lifetime ECL – credit impaired

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

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

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

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

(ii) Impairment (cont'd.)

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

The calculation of ECLs

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

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

- Probability of Default ("PD")

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

- Exposure at Default ("EAD")

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

- Loss Given Default ("LGD")

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

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

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

(ii) Impairment (cont'd.)

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

The mechanics of the ECL method are summarised below:

- Stage 1

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

- Stage 2

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

- Stage 3

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

- POCI

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

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

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

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

(ii) Impairment (cont'd.)

- Loans, advances and financing commitments and letters of credit

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

- Financial guarantee contracts

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

- Other financial assets

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

Financial investments measured at FVOCI

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

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

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

(ii) Impairment (cont'd.)

Forward looking information

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

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

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

Collateral valuation

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

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

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

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

(ii) Impairment (cont'd.)

Write off

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

(iii) Modification of loans, advances and financing

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

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

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

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

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

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

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

(iv) Derecognition other than modification

Financial assets

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

(f) Derivatives

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

(g) Impairment on non-financial assets

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

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

(h) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The depreciable amount is determined after deducting the residual value.

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

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

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

(i) Intangible assets

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

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

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

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

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

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

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

(j) Lease

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

The Group and the Bank as a lessee

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

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

(j) Lease (cont'd.)

(b) Lease liabilities (cont'd.)

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

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

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

(k) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash on hand, bank balances and deposits and placements with banks and other financial institutions with original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(l) Fiduciary assets

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

(m) Offsetting financial instruments

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

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

(n) Provision

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

(o) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefits plans

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

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

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

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

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

(o) Employee benefits (cont'd.)

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

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

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

(p) Income tax

(i) Current income tax

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

(ii) Deferred tax

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

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

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

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

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

(p) Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

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

(q) Zakat

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

(r) Share capital

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

(s) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives at fair value at each statement of financial position date.

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

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

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

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

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

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

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

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

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

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

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

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

The fair value hierarchies of financial instruments that are measured at fair value and not measured at fair value, but for which fair value is disclosed, are presented in Note 39.

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

(t) Revenue recognition

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

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

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

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

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

- (ii) Income from Islamic Banking operations is recognised in accordance with Shariah principles.
- (iii) Fee and commission income:

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

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

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

(t) Revenue recognition (cont'd.)

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

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

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

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

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

(u) Interest expense and financing costs

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

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

The Group presents basic and diluted earnings per share information for its ordinary shares.

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

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

(w) Contingent liabilities

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

**MIDF Amanah Investment Bank Berhad
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3. Critical accounting estimates and judgements

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

(a) Critical judgements made in applying accounting policies

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

(i) Impairment loss on financial assets

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

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

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

**MIDF Amanah Investment Bank Berhad
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3. Critical accounting estimates and judgements (cont'd.)

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

(ii) Deferred tax assets

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

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

(b) Key sources of estimation uncertainty

(i) Income taxes

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

(ii) Fair value measurement for unquoted financial investments

The fair value of unquoted financial investments is determined based on quotes from independent dealers or using valuation techniques to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, and other valuation techniques, based on market conditions and risks existing at reporting date.

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

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

(iii) Extension option in lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4. Cash and short-term funds

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	51,364	31,936	36,525	18,560
Money at call and deposit placements maturing within one month	354,400	289,800	354,400	289,800
	<u>405,764</u>	<u>321,736</u>	<u>390,925</u>	<u>308,360</u>

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM10,433,000 and RM10,426,000 respectively (2020: RM6,928,000 and RM6,925,000 respectively). These amounts are excluded from the cash and short-term funds of the Group and of the Bank.

Included in cash and short-term funds are deposits with original maturity of less than 3 months amounting to RM354,400,000 for the Group and the Bank (2020: RM289,800,000) which are classified as cash and cash equivalents for the purpose of the statements of cash flows.

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

5. Financial assets at FVTPL

	Group and Bank	
	2021 RM'000	2020 RM'000
At fair value		
Unquoted instruments in Malaysia:		
Shares	30,245	-
	<u>30,245</u>	<u>-</u>

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5. Financial assets at FVTPL (cont'd.)

During the financial year ended 31 December 2021, the Bank has appointed a related company to act as the Bank's Investment Manager to carry out proprietary investment activities based on cash funded by the Bank.

The related company treats the transaction as a transfer of financial assets as it meets the "pass through" criteria under MFRS 9 *Financial Instruments* and the the risk and reward is borne by the Bank. Therefore, the investment is recorded in the financial statements of the Bank.

6. Financial investments at FVOCI

	Group and Bank	
	2021	2020
	RM'000	RM'000
At fair value		
Money market instruments:		
Government investment issues	1,273,083	1,363,641
Malaysian treasury bills	398,374	230,386
Cagamas bonds/sukuk	-	70,000
Negotiable instruments of deposit	249,362	-
	<u>1,920,819</u>	<u>1,664,027</u>
Unquoted instruments in Malaysia:		
Corporate bonds/sukuk	637,039	655,466
Loan stocks	-	3,783
Shares	1,500	1,500
	<u>638,539</u>	<u>660,749</u>
	<u>2,559,358</u>	<u>2,324,776</u>

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	303	74,427	74,730
Impairment made (Note 29)	19	-	19
Written back (Note 29)	-	(1,126)	(1,126)
Written off	-	(13,491)	(13,491)
At 31 December 2021	<u>322</u>	<u>59,810</u>	<u>60,132</u>
At 1 January 2020	79	110,228	110,307
Impairment made (Note 29)	224	477	701
Written back (Note 29)	-	(1,609)	(1,609)
Written off	-	(34,669)	(34,669)
At 31 December 2020	<u>303</u>	<u>74,427</u>	<u>74,730</u>

There was no Stage 2 exposure as at 31 December 2021 and 2020.

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7. Financial investments at amortised cost

	Group and Bank	
	2021	2020
	RM'000	RM'000
Money market instruments:		
Government investment issues	513,211	563,195
	<u>513,211</u>	<u>563,195</u>
Unquoted instruments in Malaysia:		
Corporate bonds/sukuk	1,830,837	1,736,757
Loan stocks	9,854	9,789
	<u>1,840,691</u>	<u>1,746,546</u>
Less: ECL allowance	<u>(10,065)</u>	<u>(10,209)</u>
	<u>2,343,837</u>	<u>2,299,532</u>

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

Group and Bank	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective	Individual	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	2,129,964	129,515	50,262	2,309,741
New assets purchased	369,122	-	-	369,122
Assets derecognised or matured (excluding written off)	(325,386)	-	-	(325,386)
Unwind of discount (recognised in interest income)	-	360	65	425
At 31 December 2021	<u>2,173,701</u>	<u>129,874</u>	<u>50,327</u>	<u>2,353,902</u>
At 1 January 2020	2,403,183	129,157	65,114	2,597,454
New assets purchased	65,069	-	-	65,069
Assets derecognised or matured (excluding written off)	(338,288)	-	-	(338,288)
Unwind of discount (recognised in interest income)	-	358	184	542
Recoveries	-	-	(15,036)	(15,036)
At 31 December 2020	<u>2,129,964</u>	<u>129,515</u>	<u>50,262</u>	<u>2,309,741</u>

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

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	789	2,426	6,994	10,209
Impairment made	-	-	138	138
Written back	(282)	-	-	(282)
At 31 December 2021	<u>507</u>	<u>2,426</u>	<u>7,132</u>	<u>10,065</u>
At 1 January 2020	207	887	5,532	6,626
Impairment made	582	1,539	1,498	3,619
Written back	-	-	(36)	(36)
At 31 December 2020	<u>789</u>	<u>2,426</u>	<u>6,994</u>	<u>10,209</u>

8. Loans, advances and financing

	Group and Bank	
	2021 RM'000	2020 RM'000
Term loans/financing		
Syndicated term loans/financing	265,399	264,217
Other term loans	596,977	627,207
	<u>862,376</u>	<u>891,424</u>
Margin accounts	585,429	546,408
Staff loans	250	333
Gross loans, advances and financing	<u>1,448,055</u>	<u>1,438,165</u>
Less: ECL allowance	(83,988)	(68,925)
Net loans, advances and financing	<u>1,364,067</u>	<u>1,369,240</u>

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

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

(a) Gross loans, advances and financing

(i) By types of customer

	Group and Bank	
	2021	2020
	RM'000	RM'000
Domestic other non-bank financial institutions	50,070	-
Domestic business enterprises		
- Small medium enterprises	1,022,888	1,061,985
Individuals	375,097	376,180
Gross loans, advances and financing	<u>1,448,055</u>	<u>1,438,165</u>

(ii) By interest rate sensitivity

	Group and Bank	
	2021	2020
	RM'000	RM'000
Fixed rate		
Staff loans	250	333
Margin accounts	585,429	546,408
Variable rate		
Cost-plus	862,376	891,424
Gross loans, advances and financing	<u>1,448,055</u>	<u>1,438,165</u>

(iii) By economic sector

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance, insurance and business services	694,271	446,073
Household	375,097	376,180
Education, health and others	147,596	-
Construction	87,191	78,817
Mining and quarrying	56,207	55,083
Electricity, gas and water supply	40,248	323,724
Manufacturing	34,151	72,584
Wholesale, retail trade, restaurants and hotels	12,237	24,159
Others	1,057	4,473
Transport, storage and communications	-	57,072
Gross loans, advances and financing	<u>1,448,055</u>	<u>1,438,165</u>

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

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

(iv) By maturity profile

	Group and Bank	
	2021	2020
	RM'000	RM'000
Within one year	995,437	1,203,386
One year to five years	363,810	122,135
After five years	88,808	112,644
Gross loans, advances and financing	<u>1,448,055</u>	<u>1,438,165</u>

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

(i) Movements in ILs

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	61,148	61,189
Classified as impaired	81,750	473
Recovered	(8,590)	(514)
Written off	(41,810)	-
At 31 December	<u>92,498</u>	<u>61,148</u>
Less: ECL allowance	<u>(72,061)</u>	<u>(54,462)</u>
Net ILs	<u>20,437</u>	<u>6,686</u>
Ratio of net ILs to gross loans, advances and financing less ECL allowance (Stage 3)	<u>1.49%</u>	<u>0.48%</u>

(ii) ILs by economic sector

	Group and Bank	
	2021	2020
	RM'000	RM'000
Manufacturing	-	50,400
Wholesale & retail trade and restaurants & hotels	10,729	10,729
Finance, insurance and business services	81,750	-
Household	19	19
	<u>92,498</u>	<u>61,148</u>

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

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

(i) ECL allowance (cont'd.)

Term loans and financing (cont'd.)

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	830,295	-	61,129	891,424
New assets originated	375,967	-	-	375,967
Assets derecognised or repaid (excluding written off)	(354,615)	-	(8,590)	(363,205)
Transfers to Stage 2	(56,207)	56,207	-	-
Transfers to Stage 3	(81,750)	-	81,750	-
Amounts written off	-	-	(41,810)	(41,810)
At 31 December 2021	<u>713,690</u>	<u>56,207</u>	<u>92,479</u>	<u>862,376</u>
At 1 January 2020	170,036	-	61,170	231,206
New assets originated	665,962	-	-	665,962
Assets derecognised or repaid (excluding written off)	(5,703)	-	(41)	(5,744)
At 31 December 2020	<u>830,295</u>	<u>-</u>	<u>61,129</u>	<u>891,424</u>

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

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

(i) ECL allowance (cont'd.)

Term loans and financing (cont'd.)

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	14,463	-	54,462	68,925
Transfer (Note 19(d))	1,707	-	-	1,707
Transfer to Stage 2	(1,934)	1,934	-	-
Transfer to Stage 3	(3,169)	-	3,169	-
Impairment made	-	-	58,144	58,144
Written back	(1,074)	-	(1,924)	(2,998)
Written off	-	-	(41,809)	(41,809)
At 31 December 2021	<u>9,993</u>	<u>1,934</u>	<u>72,042</u>	<u>83,969</u>
At 1 January 2020	1,427	-	53,669	55,096
Transfer (Note 19(d))	1,321	-	-	1,321
Impairment made	11,715	-	834	12,549
Written back	-	-	(41)	(41)
At 31 December 2020	<u>14,463</u>	<u>-</u>	<u>54,462</u>	<u>68,925</u>

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

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

(i) ECL allowance (cont'd.)

Margin accounts (cont'd.)

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
At 1 January 2021	546,408	-	546,408
New assets originated	76,026	-	76,026
Assets derecognised or repaid (excluding written off)	(37,005)	-	(37,005)
Transfers to Stage 2	(16,192)	16,192	-
At 31 December 2021	<u>569,237</u>	<u>16,192</u>	<u>585,429</u>
At 1 January 2020	375,642	2,990	378,632
New assets originated	168,544	-	168,544
Assets derecognised or repaid (excluding written off)	(768)	-	(768)
Transfers from Stage 2	2,990	(2,990)	-
At 31 December 2020	<u>546,408</u>	<u>-</u>	<u>546,408</u>

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

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

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

(i) ECL allowance (cont'd.)

Staff loans

An analysis of changes in the gross carrying amount in relation to staff loans is as follows:

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	314	19	333
New assets originated	32	-	32
Assets derecognised or repaid (excluding written off)	(115)	-	(115)
At 31 December 2021	<u>231</u>	<u>19</u>	<u>250</u>
At 1 January 2020	384	19	403
New assets originated	11	-	11
Assets derecognised or repaid (excluding written off)	(81)	-	(81)
At 31 December 2020	<u>314</u>	<u>19</u>	<u>333</u>

From the total staff loan outstanding, RM19,369 (2020: RM Nil) is classified under Stage 3 ECL allowances.

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

(d) Exposures to COVID-19 impacted sectors

	On-balance sheet (net of impairment)		Undrawn (off-balance sheet)		Total exposures	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group and Bank						
Finance, insurance and business services	66,505	98,230	-	9,674	66,505	107,904
Mining and quarrying	56,207	55,083	-	-	56,207	55,083

(e) COVID-19 customer relief and support measures

Group and Bank	Stage 1 RM'000
31 December 2021	
<u>Non-retail customers: Small medium enterprise</u>	
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	2,984
Extended	<u>2,984</u>
31 December 2020	
<u>Non-retail customers: Small medium enterprise</u>	
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	32,805
Matured and repaying as per revised schedules	<u>32,805</u>

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

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

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2021 and 31 December 2020.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expire in 2022.

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

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

The impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM1.1 million as at 31 December 2021 (31 December 2020: RM1.2 million).

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9. Derivative assets/(liabilities)

Group and Bank	Contract or underlying principal amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
2021			
Interest rate related derivatives:			
- Interest rate swaps	300,000	6,878	-
2020			
Interest rate related derivatives:			
- Interest rate swaps	400,000	-	(86)

10. Other assets

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest/profit receivables		41,338	38,047	41,338	38,047
Amounts due from brokers and clients	(a)	45,750	16,844	45,750	16,844
Deposits, prepayments and other receivables		15,499	17,712	15,499	17,712
Less: ECL allowance	(b)	(3,731)	(4,135)	(3,731)	(4,135)
		<u>11,768</u>	<u>13,577</u>	<u>11,768</u>	<u>13,577</u>
Amount due from Danaharta		96,973	96,973	96,973	96,973
Less: ECL allowance		(96,973)	(96,973)	(96,973)	(96,973)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from related companies	(c)	296	419	296	419
Amount due from subsidiaries	(c)	-	-	14,809	13,324
Tax recoverable		15,602	3,135	15,592	3,135
		<u>114,754</u>	<u>72,022</u>	<u>129,553</u>	<u>85,346</u>

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10. Other assets (cont'd.)

- (a) Amounts due from brokers and clients

	Group and Bank	
	2021	2020
	RM'000	RM'000
Brokers	11,171	4,925
Clients	34,579	11,919
	<u>45,750</u>	<u>16,844</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.

- (b) Deposits, prepayments and other receivables

Movements in impairment allowance:

- (i) ECL allowance

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	4,135	4,072
Impairment made (Note 30)	1,808	858
Written back (Note 30)	(24)	(33)
Written off	(2,188)	(762)
At 31 December	<u>3,731</u>	<u>4,135</u>

- (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.

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11. Statutory deposits with Bank Negara Malaysia

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

As announced by BNM on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully meet the Statutory Reserve Requirement ("SRR") compliance. The flexibility is available until 31 December 2022.

12. Investment in subsidiaries

	Bank	
	2021	2020
	RM	RM
Unquoted shares, at cost	4	4

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

Name of companies	Effective ownership interest		Principal activities
	2021	2020	
	%	%	
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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13. Property, plant and equipment

Group and Bank	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost						
At 1 January 2021	547	3,747	8,186	143	13	12,636
Additions	-	5	59	-	-	64
Write off	-	-	-	-	(13)	(13)
At 31 December 2021	547	3,752	8,245	143	-	12,687
At 1 January 2020	547	3,746	7,969	143	128	12,533
Additions	-	3	82	-	12	97
Write off	-	(2)	-	-	(2)	(4)
Transfer from work-in-progress	-	-	125	-	(125)	-
Reclass from intangible assets	-	-	10	-	-	10
At 31 December 2020	547	3,747	8,186	143	13	12,636

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

Group and Bank (cont'd.)	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2021	539	3,726	7,782	143	-	12,190
Depreciation	2	7	300	-	-	309
At 31 December 2021	541	3,733	8,082	143	-	12,499
At 1 January 2020	536	3,720	7,369	135	-	11,760
Depreciation	3	8	413	8	-	432
Write off	-	(2)	-	-	-	(2)
At 31 December 2020	539	3,726	7,782	143	-	12,190
Net book value						
At 31 December 2021	6	19	163	-	-	188
At 31 December 2020	8	21	404	-	13	446

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14. Intangible assets

Group and Bank	Computer software RM'000	Work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2021	8,056	753	8,809
Additions	1,770	702	2,472
Transfer to immediate holding company	-	(753)	(753)
At 31 December 2021	<u>9,826</u>	<u>702</u>	<u>10,528</u>
At 1 January 2020	7,307	1,191	8,498
Additions	687	-	687
Transfer from work-in-progress	62	(62)	-
Reclass to property, plant and equipment	-	(10)	(10)
Written off	-	(366)	(366)
At 31 December 2020	<u>8,056</u>	<u>753</u>	<u>8,809</u>
Accumulated amortisation			
At 1 January 2021	7,080	-	7,080
Amortisation	714	-	714
At 31 December 2021	<u>7,794</u>	<u>-</u>	<u>7,794</u>
At 1 January 2020	6,204	-	6,204
Amortisation	876	-	876
At 31 December 2020	<u>7,080</u>	<u>-</u>	<u>7,080</u>
Net book value			
At 31 December 2021	<u>2,032</u>	<u>702</u>	<u>2,734</u>
At 31 December 2020	<u>976</u>	<u>753</u>	<u>1,729</u>

15. (a) Right-of-use asset

The Bank has a lease contract for its office space with its immediate holding company.

	Group and Bank	
	2021	2020
Cost	RM'000	RM'000
At 1 January	4,355	-
Addition	-	4,355
Remeasurement	1,510	-
At 31 December	<u>5,865</u>	<u>4,355</u>

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15. (a) Right-of-use asset (cont'd.)

	Group and Bank	
	2021	2020
	RM'000	RM'000
Accumulated depreciation		
At 1 January	-	-
Depreciation	2,132	-
At 31 December	<u>2,132</u>	<u>-</u>
Net book value		
At 31 December	<u>3,733</u>	<u>4,355</u>

(b) Lease liability

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	4,355	-
Addition	-	4,355
Remeasurement	1,510	-
Finance cost (Note 23)	210	-
Lease payments	(2,264)	-
At 31 December	<u>3,811</u>	<u>4,355</u>

During the current financial year, the Group and the Bank assessed the likelihood of exercising the extension option for a further nine months period from 31 December 2021 with no change in monthly consideration.

The resulting financial effect for the Group and the Bank were an increase in lease liability and right-of-use asset of RM1,510,000.

The lease liability of the Group and the Bank carry an interest rate of 4.25% (2020: 3.75%) per annum.

16. Deferred tax

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	5,281	4,056
Recognised in profit or loss (Note 31)	(1,655)	4,720
Recognised in other comprehensive income	9,378	(3,495)
At 31 December	<u>13,004</u>	<u>5,281</u>

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16. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deferred tax assets	13,004	5,281

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

Deferred tax assets

Group and Bank	Revaluation of FVOCI RM'000	ECL allowance RM'000	Provision for liabilities* RM'000	Total RM'000
At 1 January 2021	-	4,671	5,433	10,104
Recognised in profit or loss	-	(592)	(1,164)	(1,756)
Recognised in other comprehensive income	4,750	-	(25)	4,725
At 31 December 2021	<u>4,750</u>	<u>4,079</u>	<u>4,244</u>	<u>13,073</u>
At 1 January 2020	-	1,005	4,263	5,268
Recognised in profit or loss	-	3,666	1,137	4,803
Recognised in other comprehensive income	-	-	33	33
At 31 December 2020	<u>-</u>	<u>4,671</u>	<u>5,433</u>	<u>10,104</u>

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

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16. Deferred tax (cont'd.)

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

Deferred tax liabilities

Group and Bank	Revaluation of FVOCI RM'000	Accelerated capital allowance RM'000	Total RM'000
At 1 January 2021	(4,653)	(170)	(4,823)
Recognised in profit or loss	-	101	101
Recognised in other comprehensive income	4,653	-	4,653
At 31 December 2021	-	(69)	(69)
At 1 January 2020	(1,125)	(87)	(1,212)
Recognised in profit or loss	-	(83)	(83)
Recognised in other comprehensive income	(3,528)	-	(3,528)
At 31 December 2020	(4,653)	(170)	(4,823)

17. Deposits from customers

	Group and Bank	
	2021	2020
	RM'000	RM'000
(a) By types of deposits		
Call deposits	12,165	27,548
Fixed deposits	4,895,681	4,462,189
	<u>4,907,846</u>	<u>4,489,737</u>
(b) By types of customers		
Business enterprises	2,251,852	1,799,303
Government and statutory bodies	2,653,294	2,687,690
Individual	2,700	2,744
	<u>4,907,846</u>	<u>4,489,737</u>
(c) By maturity structure of term deposits		
Due within six months	4,504,164	4,023,063
Six months to one year	350,172	466,674
One year to two years	53,510	-
	<u>4,907,846</u>	<u>4,489,737</u>

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18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2021	2020
	RM'000	RM'000
(a) Call deposits		
- Other financial institutions	19,090	9,532
(b) Fixed deposits		
- Other financial institutions	1,043,944	1,039,867
	<u>1,063,034</u>	<u>1,049,399</u>

19. Other liabilities

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Amounts due to brokers and clients	(a)	45,479	22,353	45,479	22,353
Interest/profit payables		19,007	27,598	19,007	27,598
Accrued liabilities and other payables		21,972	25,552	21,972	25,552
Employee benefits	(b)	1,918	2,348	1,918	2,348
Amount due to immediate holding company	(c)	11,275	1,914	11,256	1,914
Amount due to related company	(c)	1	29	1	26
ECL allowances on loans, advances and financing commitments and financial investments	(d)	1,279	2,594	1,279	2,594
		<u>100,931</u>	<u>82,388</u>	<u>100,912</u>	<u>82,385</u>

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19. Other liabilities (cont'd.)

- (a) Amounts due to broker and clients

	Group and Bank	
	2021	2020
	RM'000	RM'000
Brokers	10,731	8,179
Clients	34,748	14,174
	<u>45,479</u>	<u>22,353</u>

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

- (b) Employee benefits

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

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

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Present value of unfunded defined benefit obligations	1,918	2,348
Present value of net obligations	<u>1,918</u>	<u>2,348</u>
<i>Analysed as:</i>		
Non current		
Later than 1 year but not later than 2 years	-	-
Later than 2 years but not later than 5 years	855	127
Later than 5 years	1,063	2,221
	<u>1,918</u>	<u>2,348</u>

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19. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	2,348	2,020
Benefits paid	(525)	-
	<u>1,823</u>	<u>2,020</u>
Recognised in profit or loss:		
Current service cost	118	108
Interest cost	82	84
	<u>200</u>	<u>192</u>
Recognised in other comprehensive income:		
Remeasurement of the net defined benefit liability:		
- Actuarial loss arising from plan experience	5	108
- Actuarial (gain)/loss arising from changes in financial assumptions	(110)	28
	<u>(105)</u>	<u>136</u>
At 31 December	<u>1,918</u>	<u>2,348</u>

Principal actuarial assumptions used are as follows:

	Group and Bank	
	2021	2020
Discount rate	4.30%	3.50%
Future salary increase	5.00%	5.00%
Mortality rate	0.02% - 0.70%	0.02% - 0.70%

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19. Other liabilities (cont'd.)

(b) Employee benefits (cont'd.)

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

Assumptions	Discount rate		Future salary increase	
	0.5% increase RM'000	0.5% decrease RM'000	0.5% increase RM'000	0.5% decrease RM'000
Sensitivity analysis				
Group and Bank				
(Decrease)/increase in the net defined benefit obligation				
2021	(64)	68	67	(64)
2020	(87)	90	88	(86)

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 companies are non-trade in nature, unsecured, interest-free and are repayable on demand.
- (d) Movements in the ECL allowances on loans, advances and financing commitments and financial investments are as follows:

Group and Bank	Loans, advances and financing commitments RM'000	Financial investments at amortised cost RM'000	Total RM'000
Stage 1 Collective			
At 1 January 2021	2,493	101	2,594
Transfers (Note 8(c)(i))	(1,707)	-	(1,707)
Impairment made	476	11	487
Written back	-	(95)	(95)
At 31 December 2021	1,262	17	1,279
At 1 January 2020	1,149	6	1,155
Transfers (Note 8(c)(i))	(1,321)	-	(1,321)
Impairment made	3,213	106	3,319
Written back	(548)	(11)	(559)
At 31 December 2020	2,493	101	2,594

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20. Share capital

	Group and Bank			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid ordinary shares:				
At 1 January/31 December	155,000	155,000	369,111	369,111

21. Reserves

(a) Regulatory reserve

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

(b) FVOCI reserve

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

22. Interest income

	Group and Bank	
	2021 RM'000	2020 RM'000
Loans, advances and financing		
- Interest income on non-impaired loans	50,732	33,721
Money at call and deposit placements with financial institutions	2,271	3,880
Financial assets at FVTPL	4	15
Financial investments at FVOCI		
- Interest income on non-impaired instruments	5,287	4,642
Financial investments at amortised cost		
- Interest income on non-impaired instruments	10,404	16,144
- Interest income on impaired instruments	108	234
Others	-	16
	<u>68,806</u>	<u>58,652</u>
Accretion of discount less amortisation of premium	536	(343)
	<u>69,342</u>	<u>58,309</u>

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23. Interest expense

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deposits from customers	24,382	25,149
Deposits and placements of banks and other financial institutions	1,756	5,465
Finance cost on lease liability (Note 15(b))	210	-
Derivative instruments	1,777	1,316
	<u>28,125</u>	<u>31,930</u>

24. Non-interest income

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Fees on loans and advances	234	65	234	65
Corporate advisory fees	8,494	4,757	8,494	4,757
Underwriting fees	441	594	441	594
Brokerage commission	8,177	10,460	8,177	10,460
Placement fee	2,572	1,157	2,572	1,157
Other fee income	6,126	4,327	6,074	4,270
	<u>26,044</u>	<u>21,360</u>	<u>25,992</u>	<u>21,303</u>
Investment income:				
Net (loss)/gain on sale of financial assets at FVTPL	(1,256)	120	(1,256)	120
Net gain on sale of financial investments at FVOCI	1,989	1,571	1,989	1,571
Net unrealised gain on revaluation of derivatives instruments	6,964	699	6,964	699
	<u>7,697</u>	<u>2,390</u>	<u>7,697</u>	<u>2,390</u>
Gross dividend income:				
Financial assets at FVTPL	146	-	146	-
Financial investments at FVOCI	196	196	196	196
Subsidiaries	-	-	50	55
	<u>342</u>	<u>196</u>	<u>392</u>	<u>251</u>
Other income:				
Intercompany management fee	180	180	180	180
Others	396	366	395	322
	<u>576</u>	<u>546</u>	<u>575</u>	<u>502</u>
	<u>34,659</u>	<u>24,492</u>	<u>34,656</u>	<u>24,446</u>

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25. Staff costs

	Group and Bank	
	2021	2020
	RM'000	RM'000
Wages, salaries and bonuses	34,014	38,092
Executive Director		
- Fees (Note 27(b))	114	109
Employees' benefits (Note 19(b))	200	192
Defined contribution plan	5,234	5,829
Social security costs	167	154
Other staff related expenses	3,464	2,257
	<u>43,193</u>	<u>46,633</u>

26. Other operating expenses

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
Rental of:				
- office equipments ^	20	20	20	20
- premises *	30	2,214	30	2,214
General repairs and maintenance	41	44	41	44
Insurance	108	191	108	191
Electricity	20	46	20	46
IT expenses	6,902	5,519	6,902	5,519
	<u>7,121</u>	<u>8,034</u>	<u>7,121</u>	<u>8,034</u>
Promotion and marketing -related expenses				
Business promotion and advertisement	2,388	612	2,388	612
Entertainment	201	290	201	290
	<u>2,589</u>	<u>902</u>	<u>2,589</u>	<u>902</u>

^ Expense relating to leases of low-value assets.

* Expense relating to short-term leases.

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26. Other operating expenses (cont'd.)

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Administrative and general expenses				
Auditors' remuneration				
- Audit	305	256	302	253
Non-Executive Directors' remuneration (Note 27(c))	793	790	793	790
Communication expenses	-	115	-	115
Shared service charges	10,192	8,354	10,172	8,354
Professional fees	1,322	342	1,322	342
Security commission's levy	464	576	464	576
Brokerage fee	592	908	592	908
Bursa fees	271	238	271	238
License fees and stamp duty	179	175	179	175
Corporate dealers' and remisiers' commissions	1,591	150	1,591	150
Regulatory expenses	384	494	384	494
Others	453	440	456	423
	<u>16,546</u>	<u>12,838</u>	<u>16,526</u>	<u>12,818</u>
	<u>26,256</u>	<u>21,774</u>	<u>26,236</u>	<u>21,754</u>

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

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

	Group and Bank	
	2021 RM'000	2020 RM'000
(a) Chief Executive Officer:		
Salary	1,020	1,020
Bonus	652	569
Defined contribution plan	296	281
Leave passage	20	20
Benefits-in-kinds	79	76
Total remuneration	<u>2,067</u>	<u>1,966</u>

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

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
(b) Executive Director:		
Fees	80	80
Other emoluments	34	29
Total remuneration	114	109
(c) Non-Executive Directors:		
Fees	560	595
Other emoluments	220	184
Benefit-in-kind	13	11
Total remuneration	793	790
(d) Shariah members:		
Fees	41	37
Other emoluments	45	31
Total remuneration	86	68
	3,060	2,933

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

Group and Bank	Salary RM'000	Fees RM'000	Bonus RM'000	Defined contribution plans RM'000	Leave passages RM'000	Other emoluments RM'000	Benefits -in-kinds RM'000	Total RM'000
2021								
Chief Executive Officer:								
Datuk Joseph Dominic Silva	1,020	-	652	296	20	-	79	2,067
Executive Director:								
Dato' Charon Wardini Mokhzani	-	80	-	-	-	34	-	114
Non-Executive Directors:								
Datuk Azizan Hj. Abd. Rahman (Resigned on 1 April 2022)	-	130	-	-	-	35	4	169
Encik Ahlan Nasri Mohd Nasir	-	115	-	-	-	51	-	166
Encik Azlan Abdullah	-	115	-	-	-	56	-	171
Dato' Kaziah Abdul Kadir	-	75	-	-	-	25	4	104
Datuk Mohd Nasir Ali	-	125	-	-	-	53	5	183
	-	560	-	-	-	220	13	793
Shariah members:								
Assoc. Prof. Dr. Siti Salwani Razali (Appointed on 1 April 2021)	-	8	-	-	-	8	-	16
Dr. Muhammad Najib Abdullah (Appointed on 1 July 2021)	-	5	-	-	-	6	-	11
Dr. Mohamad Sabri Zakaria	-	13	-	-	-	13	-	26
Ustaz Mazrul Shahir Md Zuki	-	5	-	-	-	6	-	11
En. Ahmad Lutfi Abdull Mutalip	-	10	-	-	-	12	-	22
	-	41	-	-	-	45	-	86
Total	1,020	681	652	296	20	299	92	3,060

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

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

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

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

Shariah members are appointed by the immediate holding company.

28. Impairment loss made on loans, advances and financing

	Group and Bank	
	2021	2020
	RM'000	RM'000
ECL allowance		
- Made	(58,639)	(15,762)
- Written back	2,998	589
	<u>(55,641)</u>	<u>(15,173)</u>

29. Impairment loss written back on financial investments

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial investments at FVOCI (net)	1,107	908
Financial investments at amortised cost (net)	228	(3,678)
Interest on impaired financial investments recovered	3,519	5,597
	<u>4,854</u>	<u>2,827</u>

30. Impairment loss made on other assets

	Group and Bank	
	2021	2020
	RM'000	RM'000
ECL allowance (Note 10(b)(i))		
- Made	(1,808)	(858)
- Written back	24	33
	<u>(1,784)</u>	<u>(825)</u>
Bad debts recovered	17	-
	<u>(1,767)</u>	<u>(825)</u>

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31. Taxation

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax expense:				
- Current financial year	14,725	20,412	14,716	20,392
- Under provision in prior years	88	1,205	88	1,205
	<u>14,813</u>	<u>21,617</u>	<u>14,804</u>	<u>21,597</u>
Deferred tax expense (Note 16):				
- Relating to origination and reversal of temporary differences	1,655	(5,136)	1,655	(5,136)
- Under provision in prior years	-	416	-	416
	<u>1,655</u>	<u>(4,720)</u>	<u>1,655</u>	<u>(4,720)</u>
Tax expense for the year	<u>16,468</u>	<u>16,897</u>	<u>16,459</u>	<u>16,877</u>

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation and zakat	<u>66,117</u>	<u>63,740</u>	<u>66,134</u>	<u>63,714</u>
Taxation at Malaysian Statutory tax rate of 24%	15,868	15,298	15,872	15,291
Income not subject to tax	(81)	(47)	(94)	(60)
Expenses not deductible for tax purpose	973	337	973	337
Tax deduction on zakat payment	(380)	(312)	(380)	(312)
Under provision of income tax in prior years	88	1,205	88	1,205
Under provision of deferred tax in prior years	-	416	-	416
Tax expense for the financial year	<u>16,468</u>	<u>16,897</u>	<u>16,459</u>	<u>16,877</u>

32. 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 RM48,913,000 (2020: RM45,259,000) by the weighted average number of ordinary shares of 155,000,000 (2020: 155,000,000).

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33. Dividend

The amounts of dividend paid by the Bank since 31 December 2020 were as follows:

	Group and Bank
	2021
	RM'000
In respect of the financial year ended 31 December 2020:	
Single tier interim dividend of 12.903 sen per share on 155,000,000 ordinary shares, paid on 29 June 2021.	<u>20,000</u>

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2021.

34. Commitments and contingencies

	<----- 2021 ----->			<----- 2020 ----->		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount RM'000
Group and Bank						
Direct credit substitutes	36,000	36,000	36,000	1,000	1,000	1,000
Interest rate related contracts with an original maturity of:						
- Over one year to five years	300,000	15,826	3,165	400,000	13,244	2,649
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	287,878	57,576	57,576	384,155	76,831	76,831
- exceeding one year	362,833	181,416	181,416	271,970	135,985	135,985
Total	<u>986,711</u>	<u>290,818</u>	<u>278,157</u>	<u>1,057,125</u>	<u>227,060</u>	<u>216,465</u>

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

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34. Commitments and contingencies (cont'd.)

Capital commitments

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Authorised but not contracted	12,018	16,540

35. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) Outstanding credit exposures with connected parties	228,616	244,801
(ii) Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4.38%	5.23%
(iii) Percentage of outstanding credit exposures to connected parties which are impaired or in default	Nil	Nil

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36. Maturity analysis of assets and liabilities

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

Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2021			
Assets			
Cash and short-term funds	405,764	-	405,764
Financial investments at FVOCI	1,178,948	1,380,410	2,559,358
Financial investments at amortised cost	1,245,614	1,098,223	2,343,837
Loans, advances and financing	947,888	416,179	1,364,067
Derivative assets	-	6,878	6,878
Other assets	67,370	47,384	114,754
Statutory deposits with Bank Negara Malaysia	-	107,127	107,127
Property, plant and equipment	-	188	188
Intangible assets	-	2,734	2,734
Right-of-use asset	-	3,733	3,733
Deferred tax assets	-	13,004	13,004
Total assets	3,845,584	3,075,860	6,921,444
Liabilities			
Deposits from customers	4,854,336	53,510	4,907,846
Deposits and placements of banks and other financial institutions	1,063,034	-	1,063,034
Other liabilities	77,907	23,024	100,931
Lease liability	2,143	1,668	3,811
Provision for tax and zakat	-	736	736
Total liabilities	5,997,420	78,938	6,076,358

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

Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2020			
Assets			
Cash and short-term funds	321,736	-	321,736
Financial investments at FVOCI	1,007,676	1,317,100	2,324,776
Financial investments at amortised cost	408,162	1,891,370	2,299,532
Loans, advances and financing	1,139,883	229,357	1,369,240
Other assets	37,754	34,268	72,022
Statutory deposits with Bank Negara Malaysia	-	104,495	104,495
Property, plant and equipment	-	446	446
Intangible assets	-	1,729	1,729
Right-of-use asset	-	4,355	4,355
Deferred tax assets	-	5,281	5,281
Total assets	2,915,211	3,588,401	6,503,612
Liabilities			
Deposits from customers	4,489,737	-	4,489,737
Deposits and placements of banks and other financial institutions	1,049,399	-	1,049,399
Derivative liabilities	-	86	86
Other liabilities	56,802	25,586	82,388
Lease liability	2,201	2,154	4,355
Provision for tax and zakat	2	1,584	1,586
Total liabilities	5,598,141	29,410	5,627,551

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

Bank	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2021			
Assets			
Cash and short-term funds	390,925	-	390,925
Financial investments at FVOCI	1,178,948	1,380,410	2,559,358
Financial investments at amortised cost	1,245,614	1,098,223	2,343,837
Loans, advances and financing	947,888	416,179	1,364,067
Derivative assets	-	6,878	6,878
Other assets	82,169	47,384	129,553
Statutory deposits with Bank Negara Malaysia	-	107,127	107,127
Investment in subsidiaries	-	- *	- *
Property, plant and equipment	-	188	188
Intangible assets	-	2,734	2,734
Right-of-use asset	-	3,733	3,733
Deferred tax assets	-	13,004	13,004
Total assets	3,845,544	3,075,860	6,921,404
Liabilities			
Deposits from customers	4,854,336	53,510	4,907,846
Deposits and placements of banks and other financial institutions	1,063,034	-	1,063,034
Other liabilities	77,888	23,024	100,912
Lease liability	2,143	1,668	3,811
Provision for tax and zakat	-	736	736
Total liabilities	5,997,401	78,938	6,076,339

* Denotes RM4

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

Bank	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
2020			
Assets			
Cash and short-term funds	308,360	-	308,360
Financial investments at FVOCI	1,007,676	1,317,100	2,324,776
Financial investments at amortised cost	408,162	1,891,370	2,299,532
Loans, advances and financing	1,139,883	229,357	1,369,240
Other assets	51,078	34,268	85,346
Statutory deposits with Bank Negara Malaysia	-	104,495	104,495
Investment in subsidiaries	-	- *	- *
Property, plant and equipment	-	446	446
Intangible assets	-	1,729	1,729
Right-of-use asset	-	4,355	4,355
Deferred tax assets	-	5,281	5,281
Total assets	2,915,159	3,588,401	6,503,560
Liabilities			
Deposits from customers	4,489,737	-	4,489,737
Deposits and placements of banks and other financial institutions	1,049,399	-	1,049,399
Derivative liabilities	-	86	86
Other liabilities	56,799	25,586	82,385
Lease liability	2,201	2,154	4,355
Provision for tax and zakat	-	1,584	1,584
Total liabilities	5,598,136	29,410	5,627,546

* Denotes RM4

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37. Related party disclosures

(a) Significant related party transactions and balances

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel includes all the Directors, Heads of Business Units and Chief Executive Officer of the Group and of the Bank.

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Penultimate holding company		
Income:		
Interest income on financial investments	4,635	4,216
Brokerage fees earned	705	1,258
Fee income	219	150
	<u> </u>	<u> </u>
Immediate holding company		
Income:		
Fee income	1,000	1,200
Expenditure:		
Rental of premises	10	2,202
Management fees	10,172	8,354
	<u> </u>	<u> </u>
Other related companies		
Income:		
Interest income on financial investments	-	1,845
Interest income on loans, advances and financing	3,706	3,882
Brokerage fees earned	1,778	2,332
Fee income	317	323
Management fees	-	180
Expenditure:		
Interest expense on deposits	11,287	6,701
	<u> </u>	<u> </u>

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37. Related party disclosures (cont'd.)

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

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Penultimate holding company		
Amount due from:		
Financial investments	100,000	81,000
Other related companies		
Amount due to:		
Deposits from customers	243,152	123,301
Deposits from placements of banks and other financial institutions	19,925	21,516
Other payables	239	341
Amount due from:		
Fee receivable	-	91
Sundry deposits	553	553
Loans, advances and financing	86,928	78,571
Financial investments	-	30,000

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

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37. Related party disclosures (cont'd.)

(b) Compensation of key management personnel

	Group and Bank	
	2021	2020
	RM'000	RM'000
Short-term employment benefits	11,455	9,376
Defined contribution plan	1,727	1,386
Defined benefit plan	78	88
	<u>13,260</u>	<u>10,850</u>

Included in the above is Directors' remuneration amounting to RM907,000 (2020: RM899,000) as further disclosed in Note 27.

38. Financial risk management objectives and policies

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

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

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

During the year, there were significant uncertainties noted surrounding the growth outlook emanating from:

- (i) novel coronavirus ("Covid-19") pandemic;
- (ii) the sudden drop in oil prices; and
- (iii) domestic politics.

At the date of this report, based on the Group's and the Bank's assessment, there is no significant impact on the 2021 results of the Group and the Bank arising from these subsequent events. The Group and the Bank will continuously monitor and assess the developments and its economic impact.

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

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

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at FVTPL:				
- Financial investments	30,245	-	30,245	-
- Derivatives assets	6,878	-	6,878	-
	<u>37,123</u>	<u>-</u>	<u>37,123</u>	<u>-</u>
Financial assets at FVOCI:				
- Financial investments	<u>2,559,358</u>	<u>2,324,776</u>	<u>2,559,358</u>	<u>2,324,776</u>
Financial assets at amortised cost:				
- Cash and short-term funds	405,764	321,736	390,925	308,360
- Financial investments	2,343,837	2,299,532	2,343,837	2,299,532
- Loans, advances and financing	1,364,067	1,369,240	1,364,067	1,369,240
- Other financial assets	205,963	172,674	220,772	185,998
	<u>4,319,631</u>	<u>4,163,182</u>	<u>4,319,601</u>	<u>4,163,130</u>
Financial liabilities at amortised cost:				
- Deposits from customers	4,907,846	4,489,737	4,907,846	4,489,737
- Deposits and placements of banks and other financial institutions	1,063,034	1,049,399	1,063,034	1,049,399
- Other financial liabilities	81,292	61,043	81,292	61,043
	<u>6,052,172</u>	<u>5,600,179</u>	<u>6,052,172</u>	<u>5,600,179</u>
Financial liabilities at FVTPL:				
- Derivative liabilities	<u>-</u>	<u>86</u>	<u>-</u>	<u>86</u>

(a) Credit risk

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

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

(a) Credit risk (cont'd.)

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

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

(i) Impairment assessment

Definition of default and cure

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

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

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

(a) Credit risk (cont'd.)

(i) Impairment assessment (cont'd.)

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

(ii) Internal rating and PD estimation process

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

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

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

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

(a) Credit risk (cont'd.)

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

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

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

Financial investments at FVOCI

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2021			
Superior	1,708,687	-	1,708,687
Strong	604,951	-	604,951
Fair	244,220	-	244,220
Unacceptable	-	59,810	59,810
	<u>2,557,858</u>	<u>59,810</u>	<u>2,617,668</u>
31 December 2020			
Superior	1,925,350	-	1,925,350
Strong	394,143	-	394,143
Unacceptable	-	78,210	78,210
	<u>2,319,493</u>	<u>78,210</u>	<u>2,397,703</u>

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

(a) Credit risk (cont'd.)

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

Financial investments at amortised cost

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2021				
Superior	1,648,447	-	-	1,648,447
Strong	505,254	129,874	-	635,128
Fair	20,000	-	-	20,000
Unacceptable	-	-	50,327	50,327
	2,173,701	129,874	50,327	2,353,902
31 December 2020				
Superior	1,648,691	-	-	1,648,691
Strong	481,273	-	-	481,273
Fair	-	129,515	-	129,515
Unacceptable	-	-	50,262	50,262
	2,129,964	129,515	50,262	2,309,741

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

(a) Credit risk (cont'd.)

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

Loans, advances and financing

(i) Term loans and financing

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2021				
Superior	10,461	-	-	10,461
Strong	210,459	-	-	210,459
Good	368,576	-	-	368,576
Acceptable	66,506	-	-	66,506
Fair	57,688	56,207	-	113,895
Unacceptable	-	-	92,479	92,479
	713,690	56,207	92,479	862,376
31 December 2020				
Strong	27,079	-	-	27,079
Good	559,759	-	-	559,759
Acceptable	210,652	-	-	210,652
Fair	32,805	-	-	32,805
Unacceptable	-	-	61,129	61,129
	830,295	-	61,129	891,424

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

(a) Credit risk (cont'd.)

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

Loans, advances and financing (cont'd.)

(ii) Margin accounts

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
31 December 2021			
Very strong	20,351	-	20,351
Strong	15,725	4,915	20,640
Good	206,463	6,829	213,292
Acceptable	225,339	4,448	229,787
Fair	101,359	-	101,359
Total	569,237	16,192	585,429
31 December 2020			
Very strong	33,154	-	33,154
Strong	217,135	-	217,135
Good	58,742	-	58,742
Acceptable	201,754	-	201,754
Fair	35,623	-	35,623
Total	546,408	-	546,408

(iii) Exposure at default (EAD)

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

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

(a) Credit risk (cont'd.)

(iv) Loss given default

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

(v) Significant increase in credit risk

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

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

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

The following table shows the maximum exposure to credit risk (without taking into account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, by economic sector. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to counterparties.

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

(a) Credit risk (cont'd.)

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

Group	Manufacturing RM'000	Household/ individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
2021								
Financial assets								
Cash and short-term funds	-	-	-	405,764	-	-	-	405,764
Financial investments at FVOCI								
- Money market instruments	-	-	-	249,363	-	1,671,456	-	1,920,819
- Unquoted instruments	-	-	-	328,578	155,679	-	212,592	696,849
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	513,211	-	513,211
- Unquoted instruments	43,195	-	429,990	850,042	74,982	-	432,417	1,830,626
Loans, advances and financing								
- Term loans/financing	33,894	-	-	317,211	-	-	427,302	778,407
- Margin accounts	-	374,847	-	209,525	-	-	1,057	585,429
- Others	-	231	-	-	-	-	-	231
Derivative assets	-	-	-	6,878	-	-	-	6,878
Other financial assets	-	-	-	118,298	-	-	87,665	205,963
	77,089	375,078	429,990	2,485,659	230,661	2,184,667	1,161,033	6,944,177
Commitments and contingencies								
Other commitments	33,825	247,459	-	173,476	25,000	-	206,951	686,711
	33,825	247,459	-	173,476	25,000	-	206,951	686,711
	110,914	622,537	429,990	2,659,135	255,661	2,184,667	1,367,984	7,630,888

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

(a) Credit risk (cont'd.)

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

Group	Manufacturing RM'000	Household/ individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
2020								
Financial assets								
Cash and short-term funds	-	-	-	321,736	-	-	-	321,736
Financial investments at FVOCI								
- Money market instruments	-	-	-	70,000	-	1,594,027	-	1,664,027
- Unquoted securities	22,183	-	-	370,285	185,315	-	159,676	737,459
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	563,195	-	563,195
- Unquoted instruments	73,238	-	430,038	680,868	205,094	-	347,099	1,736,337
Loans, advances and financing								
- Term loans/financing	28,623	-	-	285,804	320,404	-	187,668	822,499
- Margin accounts	-	375,847	-	152,658	-	-	17,903	546,408
- Others	-	333	-	-	-	-	-	333
Other financial assets	-	-	-	109,420	-	-	63,254	172,674
	<u>124,044</u>	<u>376,180</u>	<u>430,038</u>	<u>1,990,771</u>	<u>710,813</u>	<u>2,157,222</u>	<u>775,600</u>	<u>6,564,668</u>
Commitments and contingencies								
Other commitments	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	<u>3,780</u>	<u>187,457</u>	<u>-</u>	<u>269,152</u>	<u>48,819</u>	<u>-</u>	<u>147,917</u>	<u>657,125</u>
	<u>127,824</u>	<u>563,637</u>	<u>430,038</u>	<u>2,259,923</u>	<u>759,632</u>	<u>2,157,222</u>	<u>923,517</u>	<u>7,221,793</u>

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

(a) Credit risk (cont'd.)

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

Bank	Manufacturing RM'000	Household/ individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
2021								
Financial assets								
Cash and short-term funds	-	-	-	390,925	-	-	-	390,925
Financial investments at FVOCI								
- Money market instruments	-	-	-	249,363	-	1,671,456	-	1,920,819
- Unquoted instruments	-	-	-	328,578	155,679	-	212,592	696,849
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	513,211	-	513,211
- Unquoted instruments	43,195	-	429,990	850,042	74,982	-	432,417	1,830,626
Loans, advances and financing								
- Term loans/financing	33,894	-	-	317,211	-	-	427,302	778,407
- Margin accounts	-	374,847	-	209,525	-	-	1,057	585,429
- Others	-	231	-	-	-	-	-	231
Derivative assets	-	-	-	6,878	-	-	-	6,878
Other financial assets	-	-	-	118,298	-	-	102,474	220,772
	77,089	375,078	429,990	2,470,820	230,661	2,184,667	1,175,842	6,944,147
Commitments and contingencies								
Other commitments	33,825	247,459	-	173,476	25,000	-	206,951	686,711
	33,825	247,459	-	173,476	25,000	-	206,951	686,711
	110,914	622,537	429,990	2,644,296	255,661	2,184,667	1,382,793	7,630,858

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

(a) Credit risk (cont'd.)

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

Bank	Manufacturing RM'000	Household/ individual RM'000	Education, health and others RM'000	Finance, insurance, real estate and business services RM'000	Electricity, gas and water supply RM'000	Government and Central Bank RM'000	Others RM'000	Total RM'000
2020								
Financial assets								
Cash and short-term funds	-	-	-	308,360	-	-	-	308,360
Financial investments at FVOCI								
- Money market instruments	-	-	-	70,000	-	1,594,027	-	1,664,027
- Unquoted instruments	22,183	-	-	370,285	185,315	-	159,676	737,459
Financial investments at amortised cost								
- Money market instruments	-	-	-	-	-	563,195	-	563,195
- Unquoted instruments	73,238	-	430,038	680,868	205,094	-	347,099	1,736,337
Loans, advances and financing								
- Term loans/financing	28,623	-	-	285,804	320,404	-	187,668	822,499
- Margin accounts	-	375,847	-	152,658	-	-	17,903	546,408
- Others	-	333	-	-	-	-	-	333
Other financial assets	-	-	-	109,420	-	-	76,578	185,998
	124,044	376,180	430,038	1,977,395	710,813	2,157,222	788,924	6,564,616
Commitments and contingencies								
Other commitments	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	3,780	187,457	-	269,152	48,819	-	147,917	657,125
	127,824	563,637	430,038	2,246,547	759,632	2,157,222	936,841	7,221,741

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

(a) Credit risk (cont'd.)

(vii) Credit quality by class of financial asset

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

Group	Stage 1 Collective RM'000	Stage 2 Collective/ Individual RM'000	Stage 3 Individual RM'000	Total RM'000
2021				
Financial assets				
Cash and short-term funds	405,764	-	-	405,764
Financial investments at FVOCI				
- Money market instruments	1,920,819	-	-	1,920,819
- Unquoted instruments	637,039	-	59,810	696,849
Financial investments at amortised cost				
- Money market instruments	513,211	-	-	513,211
- Unquoted instruments	1,660,490	129,874	50,327	1,840,691
Loans, advances and financing				
- Term loans	713,690	56,207	92,479	862,376
- Margin accounts	569,237	16,192	-	585,429
- Others	231	-	19	250
Derivative assets	6,878	-	-	6,878
Other financial assets	205,963	-	100,836	306,799
	6,633,322	202,273	303,471	7,139,066

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

(a) Credit risk (cont'd.)

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

Group	Stage 1 Collective RM'000	Stage 2 Collective/ Individual RM'000	Stage 3 Individual RM'000	Total RM'000
2020				
Financial assets				
Cash and short-term funds	321,736	-	-	321,736
Financial investments at FVOCI				
- Money market instruments	1,664,027	-	-	1,664,027
- Unquoted securities	655,466	-	78,210	733,676
Financial investments at amortised cost				
- Money market instruments	563,195	-	-	563,195
- Unquoted instruments	1,566,769	129,515	50,262	1,746,546
Loans, advances and financing				
- Term loans	830,295	-	61,129	891,424
- Margin accounts	546,408	-	-	546,408
- Others	314	-	19	333
Other financial assets	172,674	-	99,825	272,499
	6,320,884	129,515	289,445	6,739,844

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

(a) Credit risk (cont'd.)

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

Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2021				
Financial assets				
Cash and short-term funds	390,925	-	-	390,925
Financial investments at FVOCI				
- Money market instruments	1,920,819	-	-	1,920,819
- Unquoted instruments	637,039	-	59,810	696,849
Financial investments at amortised cost				
- Money market instruments	513,211	-	-	513,211
- Unquoted instruments	1,660,490	129,874	50,327	1,840,691
Loans, advances and financing				
- Term loans	713,690	56,207	92,479	862,376
- Margin accounts	569,237	16,192	-	585,429
- Others	231	-	19	250
Derivative assets	6,878	-	-	6,878
Other financial assets	220,772	-	100,836	321,608
	6,633,292	202,273	303,471	7,139,036

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

(a) Credit risk (cont'd.)

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

Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
2020				
Financial assets				
Cash and short-term funds	308,360	-	-	308,360
Financial investments at FVOCI				
- Money market instruments	1,664,027	-	-	1,664,027
- Unquoted securities	655,466	-	78,210	733,676
Financial investments at amortised cost				
- Money market instruments	563,195	-	-	563,195
- Unquoted instruments	1,566,769	129,515	50,262	1,746,546
Loans, advances and financing				
- Term loans	830,295	-	61,129	891,424
- Margin accounts	546,408	-	-	546,408
- Others	314	-	19	333
Other financial assets	185,998	-	99,825	285,823
	6,320,832	129,515	289,445	6,739,792

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

(a) Credit risk (cont'd.)

(viii) Collateral and other credit enhancements

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

As at 31 December 2021, the financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank are at 45% (2020: 42%). The financial effect of collateral held for other financial assets is not significant.

(ix) Collateral repossessed

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

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

(b) Interest rate risk

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

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

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

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

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

Inter-bank Offered Rate ("IBOR") Reform

London Inter-bank Offered Rate ("LIBOR") which has been widely used in the global financial markets, would be discontinued by end-2021 and be replaced by Risk Free Rates ("RFRs") as part of the global reform of benchmark interest rate. The transition from LIBOR to RFRs will have significant impact on a bank arising from legal implications for existing derivatives referenced to LIBOR.

While the Group and the Bank only have exposure referenced to the Kuala Lumpur Inter-bank Offered Rate ("KLIBOR") as at 31 December 2021, which is not subject to the reform of transition to RFRs, IBOR reform could expose the Group and the Bank to various risks as follows:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to affect IBOR reform;
- Financial risk to the Group and the Bank and their clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Operational risk arising from changes to the Group's and the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available;
- Accounting risk if the Group's and the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs; and
- Legal and Compliance risk of litigation due to transition value transfer between the Group and the Bank and their customers and counterparties.

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

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

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.

The sensitivity of profit before taxation is the effect of the assumed changes in interest rates on profit before taxation, based on the floating rate of non-trading financial assets and financial liabilities held as at 31 December 2021. The sensitivity of equity is calculated by revaluing fixed rate financial investments at FVOCI at 31 December 2021 and 2020 respectively for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Group and Bank	Sensitivity of profit before taxation - Increase/ (decrease) RM'000	Sensitivity of equity - (Decrease)/ increase RM'000
2021		
Change in basis points		
+25	1,915	(11,807)
- 25	(1,915)	11,807
	<hr/>	<hr/>
2020		
Change in basis points		
+25	2,064	(11,071)
- 25	(2,064)	11,071
	<hr/>	<hr/>

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

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

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

Group	<----- Non-trading book ----->						Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	>3 - 12 months	> 1 - 5 years	> 5 years	Non-interest sensitive			
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	354,400	-	-	-	-	51,364	-	405,764	1.75
Financial investments at FVOCI	214,921	299,591	664,436	1,281,668	97,242	-	-	2,557,858	2.72
Financial investments at amortised cost	25,001	127,449	1,049,970	817,179	281,044	43,194	-	2,343,837	3.06
Loans, advances and financing									
- non-impaired	101,755	587,520	296,040	194,070	176,172	(11,927) *	-	1,343,630	5.37
- impaired	-	-	-	-	-	20,437	-	20,437	-
Derivative assets	-	-	-	-	-	-	6,878	6,878	-
Other financial assets	-	-	-	-	-	205,973	-	205,973	-
Total assets	696,077	1,014,560	2,010,446	2,292,917	554,458	309,041	6,878	6,884,377	
Liabilities									
Deposits from customers	2,915,827	871,006	1,055,338	53,510	-	12,165	-	4,907,846	2.10
Deposits and placements of banks and other financial institutions	917,157	96,679	30,108	-	-	19,090	-	1,063,034	1.90
Other financial liabilities	-	-	-	-	-	81,292	-	81,292	-
Total liabilities	3,832,984	967,685	1,085,446	53,510	-	112,547	-	6,052,172	

* ECL allowance

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

(b) Interest rate risk (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			
2021 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	875,331	-	875,331	-
Total liabilities and shareholder's equity	3,832,984	967,685	1,085,446	53,510	-	987,878	-	6,927,503	
On-balance sheet interest sensitivity gap	(3,136,907)	46,875	925,000	2,239,407	554,458	(678,837)	6,878	(43,126)	
Total interest sensitivity gap	(3,136,907)	46,875	925,000	2,239,407	554,458	(678,837)	6,878	(43,126)	

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

(b) Interest rate risk (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			
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	289,800	-	-	-	-	31,936	-	321,736	1.75
Financial investments at FVOCI	70,000	160,662	773,231	1,075,002	240,598	3,783	-	2,323,276	2.27
Financial investments at amortised cost	-	159,715	205,180	1,588,923	302,447	43,267	-	2,299,532	2.65
Loans, advances and financing									
- non-impaired	92,697	457,623	479,833	234,221	112,644	(14,463) *	-	1,362,555	5.59
- impaired	-	-	-	-	-	6,686	-	6,686	-
Other financial assets	-	-	-	-	-	172,674	-	172,674	-
Total assets	452,497	778,000	1,458,244	2,898,146	655,689	243,883	-	6,486,459	
Liabilities									
Deposits from customers	1,791,446	1,643,161	1,027,582	-	-	27,548	-	4,489,737	2.21
Deposits and placements of banks and other financial institutions	771,784	213,991	54,092	-	-	9,532	-	1,049,399	1.95
Derivative liabilities	-	-	-	-	-	-	86	86	-
Other financial liabilities	-	-	-	-	-	61,043	-	61,043	-
Total liabilities	2,563,230	1,857,152	1,081,674	-	-	98,123	86	5,600,265	

* ECL allowance

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

(b) Interest rate risk (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				
2020 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	876,061	-	876,061	-
Total liabilities and shareholder's equity	2,563,230	1,857,152	1,081,674	-	-	974,184	86	6,476,326	
On-balance sheet interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(730,301)	(86)	10,133	
Total interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(730,301)	(86)	10,133	

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

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

Bank	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			
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	354,400	-	-	-	-	36,525	-	390,925	1.75
Financial investments at FVOCI	214,921	299,591	664,436	1,281,668	97,242	-	-	2,557,858	2.72
Financial investments at amortised cost	25,001	127,449	1,049,970	817,179	281,044	43,194	-	2,343,837	3.06
Loans, advances and financing									
- non-impaired	101,755	587,520	296,040	194,070	176,172	(11,927)*	-	1,343,630	5.37
- impaired	-	-	-	-	-	20,437	-	20,437	-
Derivative assets	-	-	-	-	-	-	6,878	6,878	-
Other financial assets	-	-	-	-	-	220,772	-	220,772	-
Total assets	696,077	1,014,560	2,010,446	2,292,917	554,458	309,001	6,878	6,884,337	
Liabilities									
Deposits from customers	2,915,827	871,006	1,055,338	53,510	-	12,165	-	4,907,846	2.10
Deposits and placements of banks and other financial institutions	917,157	96,679	30,108	-	-	19,090	-	1,063,034	1.90
Other financial liabilities	-	-	-	-	-	81,292	-	81,292	-
Total liabilities	3,832,984	967,685	1,085,446	53,510	-	112,547	-	6,052,172	

* ECL allowance

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

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

Bank	←----- 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			
2021 (cont'd.)									
Shareholder's equity	-	-	-	-	-	875,310	-	875,310	-
Total liabilities and shareholder's equity	3,832,984	967,685	1,085,446	53,510	-	987,857	-	6,927,482	
On-balance sheet interest sensitivity gap	(3,136,907)	46,875	925,000	2,239,407	554,458	(678,856)	6,878	(43,145)	
Total interest sensitivity gap	(3,136,907)	46,875	925,000	2,239,407	554,458	(678,856)	6,878	(43,145)	

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

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

Bank	←----- 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			
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short-term funds	289,800	-	-	-	-	18,560	-	308,360	1.75
Financial investments at FVOCI	70,000	160,662	773,231	1,075,002	240,598	3,783	-	2,323,276	2.27
Financial investments at amortised cost	-	159,715	205,180	1,588,923	302,447	43,267	-	2,299,532	2.65
Loans, advances and financing									
- non-impaired	92,697	457,623	479,833	234,221	112,644	(14,463) *	-	1,362,555	5.59
- impaired	-	-	-	-	-	6,686	-	6,686	-
Other financial assets	-	-	-	-	-	185,998	-	185,998	-
Total assets	452,497	778,000	1,458,244	2,898,146	655,689	243,831	-	6,486,407	
Liabilities									
Deposits from customers	1,791,446	1,643,161	1,027,582	-	-	27,548	-	4,489,737	2.21
Deposits and placements of banks and other financial institutions	771,784	213,991	54,092	-	-	9,532	-	1,049,399	1.95
Derivative liabilities	-	-	-	-	-	-	86	86	-
Other financial liabilities	-	-	-	-	-	61,043	-	61,043	-
Total liabilities	2,563,230	1,857,152	1,081,674	-	-	98,123	86	5,600,265	

* ECL allowance

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

(b) Interest rate risk (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				
2020 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Shareholder's equity	-	-	-	-	-	876,014	-	876,014	-
Total liabilities and shareholder's equity	2,563,230	1,857,152	1,081,674	-	-	974,137	86	6,476,279	
On-balance sheet interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(730,306)	(86)	10,128	
Total interest sensitivity gap	(2,110,733)	(1,079,152)	376,570	2,898,146	655,689	(730,306)	(86)	10,128	

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

(c) Operational risk

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

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

(d) Liquidity risk

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

- Funding liquidity risk

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

- Market liquidity risk

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

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

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

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

(d) Liquidity risk (cont'd.)

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

Group	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	51,364	354,400	-	-	-	-	405,764
Financial investments at FVOCI	-	214,921	299,591	664,436	1,281,668	97,242	2,557,858
Financial investments at amortised cost	43,194	25,001	127,449	1,049,970	817,179	281,044	2,343,837
Loans, advances and financing	20,437	102,958	535,825	288,668	328,616	87,563	1,364,067
Derivative assets	-	-	-	-	6,878	-	6,878
Other financial assets	1,079	46,581	17,061	17,292	15,757	108,203	205,973
Total assets	116,074	743,861	979,926	2,020,366	2,450,098	574,052	6,884,377
Liabilities							
Deposits from customers	12,165	2,915,828	871,005	1,055,338	53,510	-	4,907,846
Deposits and placements of banks and other financial institutions	19,090	917,157	96,679	30,108	-	-	1,063,034
Other financial liabilities	11,790	55,638	4,160	7,465	2,239	-	81,292
Total liabilities	43,045	3,888,623	971,844	1,092,911	55,749	-	6,052,172
Net maturity mismatch	73,029	(3,144,762)	8,082	927,455	2,394,349	574,052	832,205

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

(d) Liquidity risk (cont'd.)

Group	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
2020							
Assets							
Cash and short-term funds	31,936	289,800	-	-	-	-	321,736
Financial investments at FVOCI	3,783	70,000	160,662	773,231	1,075,002	242,098	2,324,776
Financial investments at amortised cost	43,267	-	159,715	205,180	1,588,923	302,447	2,299,532
Loans, advances and financing	6,686	146,668	457,512	529,017	117,870	111,488	1,369,241
Other financial assets	5,547	17,260	15,191	12,672	16,062	105,942	172,674
Total assets	91,219	523,728	793,080	1,520,100	2,797,857	761,975	6,487,959
Liabilities							
Deposits from customers	27,548	1,791,446	1,643,161	1,027,582	-	-	4,489,737
Deposits and placements of banks and other financial institutions	9,532	771,784	213,991	54,092	-	-	1,049,399
Derivative liabilities	-	-	-	-	86	-	86
Other financial liabilities	2,394	32,323	14,189	9,659	2,478	-	61,043
Total liabilities	39,474	2,595,553	1,871,341	1,091,333	2,564	-	5,600,265
Net maturity mismatch	51,745	(2,071,825)	(1,078,261)	428,767	2,795,293	761,975	887,694

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

(d) Liquidity risk (cont'd.)

Bank	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	36,525	354,400	-	-	-	-	390,925
Financial investments at FVOCI	-	214,921	299,591	664,436	1,281,668	97,242	2,557,858
Financial investments at amortised cost	43,194	25,001	127,449	1,049,970	817,179	281,044	2,343,837
Loans, advances and financing	20,437	102,958	535,825	288,668	328,616	87,563	1,364,067
Derivative assets	-	-	-	-	6,878	-	6,878
Other financial assets	15,888	46,571	17,061	17,292	15,757	108,203	220,772
Total assets	116,044	743,851	979,926	2,020,366	2,450,098	574,052	6,884,337
Liabilities							
Deposits from customers	12,165	2,915,828	871,005	1,055,338	53,510	-	4,907,846
Deposits and placements of banks and other financial institutions	19,090	917,157	96,679	30,108	-	-	1,063,034
Other financial liabilities	11,790	55,638	4,160	7,465	2,239	-	81,292
Total liabilities	43,045	3,888,623	971,844	1,092,911	55,749	-	6,052,172
Net maturity mismatch	72,999	(3,144,772)	8,082	927,455	2,394,349	574,052	832,165

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

(d) Liquidity risk (cont'd.)

Bank	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	18,560	289,800	-	-	-	-	308,360
Financial investments at FVOCI	3,783	70,000	160,662	773,231	1,075,002	242,098	2,324,776
Financial investments at amortised cost	43,267	-	159,715	205,180	1,588,923	302,447	2,299,532
Loans, advances and financing	6,686	146,668	457,512	529,017	117,870	111,488	1,369,241
Other financial assets	18,871	17,260	15,191	12,672	16,062	105,942	185,998
Total assets	91,167	523,728	793,080	1,520,100	2,797,857	761,975	6,487,907
Liabilities							
Deposits from customers	27,548	1,791,446	1,643,161	1,027,582	-	-	4,489,737
Deposits and placements of banks and other financial institutions	9,532	771,784	213,991	54,092	-	-	1,049,399
Derivative liabilities	-	-	-	-	86	-	86
Other financial liabilities	2,394	32,323	14,189	9,659	2,478	-	61,043
Total liabilities	39,474	2,595,553	1,871,341	1,091,333	2,564	-	5,600,265
Net maturity mismatch	51,693	(2,071,825)	(1,078,261)	428,767	2,795,293	761,975	887,642

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

(d) Liquidity risk (cont'd.)

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

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

Group	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities							
Deposits from customers	12,297	2,917,738	874,119	1,067,178	54,809	-	4,926,141
Deposits and placements of banks and other financial institutions	19,280	917,579	96,999	30,513	-	-	1,064,371
Other financial liabilities	11,790	55,463	4,441	7,547	2,768	-	82,009
	<u>43,367</u>	<u>3,890,780</u>	<u>975,559</u>	<u>1,105,238</u>	<u>57,577</u>	<u>-</u>	<u>6,072,521</u>
Unrecognised firm commitments							
Other commitments	686,711	-	-	-	-	-	686,711
	<u>686,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,711</u>
Total financial liabilities	<u>730,078</u>	<u>3,890,780</u>	<u>975,559</u>	<u>1,105,238</u>	<u>57,577</u>	<u>-</u>	<u>6,759,232</u>

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

(d) Liquidity risk (cont'd.)

Group	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities							
Deposits from customers	27,979	1,792,854	1,649,949	1,039,694	-	-	4,510,476
Deposits and placements of banks and other financial institutions	9,670	772,206	214,630	54,637	-	-	1,051,143
Other financial liabilities	2,394	32,323	14,233	9,745	2,692	3,000	64,387
	<u>40,043</u>	<u>2,597,383</u>	<u>1,878,812</u>	<u>1,104,076</u>	<u>2,692</u>	<u>3,000</u>	<u>5,626,006</u>
Derivative liabilities							
Interest rate swaps	-	-	-	-	86	-	86
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>-</u>	<u>86</u>
Unrecognised firm commitments							
Other commitments	657,125	-	-	-	-	-	657,125
	<u>657,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,125</u>
Total financial liabilities	<u>697,168</u>	<u>2,597,383</u>	<u>1,878,812</u>	<u>1,104,076</u>	<u>2,778</u>	<u>3,000</u>	<u>6,283,217</u>

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

(d) Liquidity risk (cont'd.)

Bank	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities							
Deposits from customers	12,297	2,917,738	874,119	1,067,178	54,809	-	4,926,141
Deposits and placements of banks and other financial institutions	19,280	917,579	96,999	30,513	-	-	1,064,371
Other financial liabilities	11,790	55,463	4,441	7,547	2,768	-	82,009
	<u>43,367</u>	<u>3,890,780</u>	<u>975,559</u>	<u>1,105,238</u>	<u>57,577</u>	<u>-</u>	<u>6,072,521</u>
Unrecognised firm commitments							
Other commitments	686,711	-	-	-	-	-	686,711
	<u>686,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,711</u>
Total financial liabilities	<u>730,078</u>	<u>3,890,780</u>	<u>975,559</u>	<u>1,105,238</u>	<u>57,577</u>	<u>-</u>	<u>6,759,232</u>

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

(d) Liquidity risk (cont'd.)

Bank	On demand	Under 1 month	>1 - 3 months	>3 - 12 months	1 to 5 years	>5 years	Total
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities							
Deposits from customers	27,979	1,792,854	1,649,949	1,039,694	-	-	4,510,476
Deposits and placements of banks and other financial institutions	9,670	772,206	214,630	54,637	-	-	1,051,143
Other financial liabilities	2,394	32,323	14,233	9,745	2,692	3,000	64,387
	40,043	2,597,383	1,878,812	1,104,076	2,692	3,000	5,626,006
Derivative liabilities							
Interest rate swaps	-	-	-	-	86	-	86
	-	-	-	-	86	-	86
Unrecognised firm commitments							
Other commitments	657,125	-	-	-	-	-	657,125
	657,125	-	-	-	-	-	657,125
Total financial liabilities	697,168	2,597,383	1,878,812	1,104,076	2,778	3,000	6,283,217

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39. Fair value measurement

(i) Fair values of recognised financial instruments

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

Group and Bank	2021		2020	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Financial investments at amortised cost	2,343,837	2,324,751	2,299,532	2,228,162
Loans, advances and financing - staff loans *	250	187	333	271

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

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

(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 39(i).

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

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

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

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39. Fair value measurement (cont'd.)

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

(b) Derivative assets/liabilities

The fair values of derivative instruments are derived using discounted cash flow 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 ECL allowances.

(iii) Fair value hierarchy

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

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

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39. Fair value measurement (cont'd.)

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

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Assets measured at fair value				
Financial assets at FVTPL				
- Unquoted instruments	-	-	30,245	30,245
Financial investments at FVOCI				
- Money market instruments	-	1,920,819	-	1,920,819
- Unquoted instruments	-	637,039	-	637,039
Derivative assets	-	6,878	-	6,878
Assets for which fair values are disclosed:				
Financial investment at amortised costs				
- Money market instruments	-	502,350	-	502,350
- Unquoted instruments	-	1,812,547	9,854	1,822,401
Loans, advances and financing - staff loans	-	187	-	187

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39. Fair value measurement (cont'd.)

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

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Assets measured at fair value				
Financial investments at FVOCI				
- Money market instruments	-	1,664,027	-	1,664,027
- Unquoted instruments	-	655,466	3,783	659,249
Assets for which fair values are disclosed:				
Financial investment at amortised costs				
- Money market instruments	-	531,414	-	531,414
- Unquoted instruments	-	1,686,959	9,789	1,696,748
Loans, advances and financing - staff loans	-	271	-	271
Liability measured at fair value				
Derivative liabilities	-	86	-	86

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

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39. Fair value measurement (cont'd.)

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

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

Group and Bank	Unquoted instruments	
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000
At 1 January 2021	-	3,783
Addition	30,245	-
Revaluation gain	-	1,126
Settlements	-	(4,909)
At 31 December 2021	<u>30,245</u>	<u>-</u>
At 1 January 2020	-	4,324
Revaluation gain	-	1,133
Settlements	-	(1,674)
At 31 December 2020	<u>-</u>	<u>3,783</u>

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

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

The fair value of FVOCI is determined through the discounted cash flow method. The discounted cash flow takes into consideration future cash flows derived from recoverable amount such as value of collateral assessed by an external professional valuer. The discounted cash flow apply 1 to 2 years at discounted rate for 2020 at 4.41%.

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40. Capital management

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

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

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

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

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

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

The Bank has complied in full with all its externally imposed capital requirements for the financial years ended 31 December 2021 and 2020.

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40. Capital management (cont'd.)

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<u>Tier 1 Capital</u>				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	369,111	369,111	369,111	369,111
Regulatory reserve	18,485	16,324	18,485	16,324
FVOCI reserve	(14,721)	15,002	(14,721)	15,002
Retained profits	502,456	475,624	502,435	475,577
	<u>875,331</u>	<u>876,061</u>	<u>875,310</u>	<u>876,014</u>
Less: Regulatory adjustments	(34,223)	(31,585)	(34,223)	(31,585)
Total CET1 Capital	<u>841,108</u>	<u>844,476</u>	<u>841,087</u>	<u>844,429</u>
Total Tier 1 Capital	<u>841,108</u>	<u>844,476</u>	<u>841,087</u>	<u>844,429</u>
<u>Tier 2 Capital</u>				
Loss provision/loss provision and regulatory reserve	28,907	27,330	29,055	27,463
Total Tier 2 Capital	<u>28,907</u>	<u>27,330</u>	<u>29,055</u>	<u>27,463</u>
Total Capital	<u>870,015</u>	<u>871,806</u>	<u>870,142</u>	<u>871,892</u>
CET1 Capital Ratio	30.221%	33.855%	30.092%	33.709%
Tier 1 Capital Ratio	30.221%	33.855%	30.092%	33.709%
Total Capital Ratio	31.259%	34.950%	31.131%	34.805%

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40. Capital management (cont'd.)

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Total risk-weighted assets for credit risk	2,312,590	2,186,373	2,324,422	2,197,022
Total risk-weighted assets equivalent for market risk	191,533	126,987	191,533	126,987
Total risk-weighted assets equivalent for operational risk	279,101	181,066	279,101	181,066
	<u>2,783,224</u>	<u>2,494,426</u>	<u>2,795,056</u>	<u>2,505,075</u>

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41. Offsetting financial assets and financial liabilities

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

Group	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Related amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2021						
Other assets	124,273	(9,519)	114,754	-	-	114,754
Other liabilities	101,185	(254)	100,931	-	-	100,931
Derivative assets	6,878	-	6,878	(6,878)	-	-
2020						
Other assets	76,768	(4,746)	72,022	-	-	72,022
Other liabilities	88,721	(6,333)	82,388	-	-	82,388
Derivative liabilities	86	-	86	(86)	-	-

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

Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Related amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2021						
Other assets	139,072	(9,519)	129,553	-	-	129,553
Other liabilities	101,166	(254)	100,912	-	-	100,912
Derivative assets	6,878	-	6,878	(6,878)	-	-
2020						
Other assets	90,092	(4,746)	85,346	-	-	85,346
Other liabilities	88,718	(6,333)	82,385	-	-	82,385
Derivative liabilities	86	-	86	(86)	-	-

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

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

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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

42. The operations of Islamic Banking Scheme (SPI)

The state of affairs and results for the financial year ended 31 December 2021 under the Islamic banking business ("SPI") of the Group and the Bank are summarised as follows:

Statements of financial position as at 31 December 2021

		Group and Bank	
		2021	2020
	Note	RM'000	RM'000
Assets			
Cash and short-term funds	(a)	338,172	171,599
Financial investments at FVOCI	(b)	2,300,628	2,127,193
Financial investments at amortised cost	(c)	1,990,829	1,937,364
Financing and advances	(d)	669,557	724,819
Other assets	(e)	44,717	38,776
Deferred tax assets	(f)	9,064	1,201
Total assets		<u>5,352,967</u>	<u>5,000,952</u>
Liabilities			
Deposits from customers	(g)	3,670,375	3,381,029
Deposits and placements of banks and other financial institutions	(h)	831,840	774,671
Other liabilities	(i)	140,025	90,754
Provision for taxation and zakat		736	24,434
Total liabilities		<u>4,642,976</u>	<u>4,270,888</u>
Islamic banking capital funds			
Islamic banking funds		426,600	426,600
Reserves		283,391	303,464
Total Islamic banking capital funds		<u>709,991</u>	<u>730,064</u>
Total liabilities and Islamic banking capital funds		<u>5,352,967</u>	<u>5,000,952</u>
Commitments and contingencies	(t)	<u>353,653</u>	<u>313,443</u>

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

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

Statements of profit or loss
For the financial year ended 31 December 2021

	Note	Group and Bank	
		2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds	(j)	160,859	179,382
Income derived from investment of Islamic Banking funds	(k)	39,673	27,472
Impairment loss made on financing and advances	(l)	(57,527)	(13,316)
Impairment loss written back on financial investments	(m)	3,506	4,002
Impairment loss made on other assets	(n)	(1,554)	(705)
Total attributable income		144,957	196,835
Income attributable to depositors	(o)	(85,133)	(111,099)
Total net income		59,824	85,736
Staff costs	(p)	(2,435)	(2,917)
Other operating expenses	(q)	(21,201)	(2,703)
Profit before taxation and zakat		36,188	80,116
Taxation	(r)	(8,366)	(18,683)
Zakat		(736)	(1,584)
Profit for the financial year		27,086	59,849

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

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of comprehensive income
For the financial year ended 31 December 2021

	Group and Bank	
	2021	2020
	RM'000	RM'000
Profit for the financial year	27,086	59,849
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Changes in allowance for ECL on financial investments at FVOCI	(33)	224
Net (loss)/gain on financial investments at FVOCI		
- Transfer of gain to profit or loss upon disposal	(6,261)	(20,494)
- Fair value changes	(29,431)	32,889
	<u>(35,725)</u>	<u>12,619</u>
Income tax relating to net (loss)/gain on financial investments at FVOCI (Note 42(f))	8,566	(2,984)
	<u>8,566</u>	<u>(2,984)</u>
Other comprehensive (loss)/income for the financial year	<u>(27,159)</u>	9,635
Total comprehensive (loss)/income for the financial year	<u>(73)</u>	<u>69,484</u>

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

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

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

Statements of changes in equity

For the financial year ended 31 December 2021

Group and Bank	<----- Non-distributable ----->			Distributable	
	Islamic banking funds RM'000	Regulatory reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2021	426,600	5,945	12,774	284,745	730,064
Profit for the financial year	-	-	-	27,086	27,086
Other comprehensive loss	-	-	(27,159)	-	(27,159)
Total comprehensive loss for the financial year	-	-	(27,159)	27,086	(73)
Transaction with owner					
Transfer to regulatory reserve	-	1,440	-	(1,440)	-
Dividend (Note 33)	-	-	-	(20,000)	(20,000)
At 31 December 2021	426,600	7,385	(14,385)	290,391	709,991
At 1 January 2020	396,600	7,603	3,139	223,238	630,580
Profit for the financial year	-	-	-	59,849	59,849
Other comprehensive income	-	-	9,635	-	9,635
Total comprehensive income for the financial year	-	-	9,635	59,849	69,484
Transaction with owner					
Transfer from regulatory reserve	-	(1,658)	-	1,658	-
Allocation from Head Office	30,000	-	-	-	30,000
At 31 December 2020	426,600	5,945	12,774	284,745	730,064

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

Statements of cash flows

For the financial year ended 31 December 2021

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and zakat	36,188	80,116
Adjustments for:		
Amortisation of intangible assets	-	121
Accretion of discount less amortisation of premium	15,774	6,349
Net (gain)/loss on sale of financial assets at FVTPL	(2,255)	328
Net gain on sale of financial investments at FVOCI	(6,261)	(20,494)
Impairment loss made on:		
- Financing and advances	57,527	13,316
- Financial investments	13	1,595
- Other assets	1,554	705
Operating profit before working capital changes	<u>102,540</u>	<u>82,036</u>
Increase in operating assets:		
- Financial investments	(269,896)	(550,365)
- Other assets	(7,495)	(7,841)
- Financing and advances	(2,265)	(569,525)
Increase in operating liabilities:		
- Deposits from customers, deposits and placements of banks and other financial institutions	346,515	764,225
- Other liabilities	18,758	7,878
Cash generated from/(used in) operations	<u>188,157</u>	<u>(273,592)</u>
Zakat paid	(1,584)	(1,302)
Net cash generated from/(used in) operating activities	<u>186,573</u>	<u>(274,894)</u>
Cash flows from financing activity		
Allocation of capital from Head Office	-	30,000
Dividend paid (Note 33)	(20,000)	-
Net cash (used in)/generated from financing activities	<u>(20,000)</u>	<u>30,000</u>
Net increase/(decrease) in cash and cash equivalents	166,573	(244,894)
Cash and cash equivalents at 1 January	171,599	416,493
Cash and cash equivalents at 31 December	<u>338,172</u>	<u>171,599</u>
Cash and cash equivalents comprise of:		
Cash and short-term funds (Note 42(a))	<u>338,172</u>	<u>171,599</u>

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

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

(a) Cash and short-term funds

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	19,172	1,599
Money at call and deposit placements maturing within one month	319,000	170,000
	<u>338,172</u>	<u>171,599</u>

(b) Financial investments at FVOCI

	Group and Bank	
	2021	2020
	RM'000	RM'000
Money market instruments:		
Government investment issues	1,222,108	1,320,469
Malaysian treasury bills	348,770	230,386
Cagamas sukuk	-	20,000
Islamic negotiable instruments	249,362	-
	<u>1,820,240</u>	<u>1,570,855</u>
Corporate sukuk	480,388	556,338
	<u>2,300,628</u>	<u>2,127,193</u>

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

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

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2021			
Superior	1,556,597	-	1,556,597
Strong	520,201	-	520,201
Fair	223,830	-	223,830
Unacceptable	-	8,112	8,112
	<u>2,300,628</u>	<u>8,112</u>	<u>2,308,740</u>
31 December 2020			
Superior	1,733,051	-	1,733,051
Strong	394,142	-	394,142
Unacceptable	-	8,112	8,112
	<u>2,127,193</u>	<u>8,112</u>	<u>2,135,305</u>

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	303	8,112	8,415
Written back (Note 42(m))	(33)	-	(33)
At 31 December 2021	<u>270</u>	<u>8,112</u>	<u>8,382</u>
At 1 January 2020	79	8,112	8,191
Impairment made (Note 42(m))	224	-	224
At 31 December 2020	<u>303</u>	<u>8,112</u>	<u>8,415</u>

There was no Stage 2 exposure as at 31 December 2021 and 2020.

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

(c) Financial investments at amortised costs

	Group and Bank	
	2021	2020
	RM'000	RM'000
Money market instruments:		
Government investment issues	492,701	563,195
Corporate sukuk	1,500,392	1,376,394
	<u>1,993,093</u>	<u>1,939,589</u>
Less: ECL allowance	(2,264)	(2,225)
	<u>1,990,829</u>	<u>1,937,364</u>

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2021				
Superior	1,347,946	-	-	1,347,946
Strong	505,254	99,904	-	605,158
Unacceptable	-	-	39,989	39,989
	<u>1,853,200</u>	<u>99,904</u>	<u>39,989</u>	<u>1,993,093</u>
31 December 2020				
Superior	1,388,701	-	-	1,388,701
Strong	411,273	-	-	411,273
Fair	-	99,626	-	99,626
Unacceptable	-	-	39,989	39,989
	<u>1,799,974</u>	<u>99,626</u>	<u>39,989</u>	<u>1,939,589</u>

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

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

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	1,799,974	99,626	39,989	1,939,589
New assets purchased	349,122	-	-	349,122
Assets derecognised or matured (excluding written off)	(295,896)	-	-	(295,896)
Unwind of discount (recognised in interest income)	-	278	-	278
At 31 December 2021	<u>1,853,200</u>	<u>99,904</u>	<u>39,989</u>	<u>1,993,093</u>
At 1 January 2020	2,067,263	99,350	54,989	2,221,602
New assets purchased	65,069	-	-	65,069
Assets derecognised or matured (excluding written off)	(332,358)	-	-	(332,358)
Unwind of discount (recognised in interest income)	-	276	-	276
Recoveries	-	-	(15,000)	(15,000)
At 31 December 2020	<u>1,799,974</u>	<u>99,626</u>	<u>39,989</u>	<u>1,939,589</u>
Group and Bank		Stage 1 Collective RM'000	Stage 2 Collective RM'000	Total RM'000
At 1 January 2021		341	1,884	2,225
Impairment made		39	-	39
At 31 December 2021		<u>380</u>	<u>1,884</u>	<u>2,264</u>
At 1 January 2020		187	671	858
Impairment made		154	1,213	1,367
At 31 December 2020		<u>341</u>	<u>1,884</u>	<u>2,225</u>

There was no Stage 3 exposure as at 31 December 2021 and 2020.

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

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

(d) Financing and advances

	Group and Bank	
	2021	2020
	RM'000	RM'000
Term financing		
- Syndicated term financing	254,671	203,088
- Other term financing	487,018	535,242
	<u>741,689</u>	<u>738,330</u>
Staff financing	26	9
Gross financing and advances	<u>741,715</u>	<u>738,339</u>
Less: ECL allowance	(72,158)	(13,520)
Net financing and advances	<u>669,557</u>	<u>724,819</u>

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

(a) Gross financing and advances

(i) By types of customer

	Group and Bank	
	2021	2020
	RM'000	RM'000
Domestic business enterprises	741,689	738,330
Individuals	26	9
Gross financing and advances	<u>741,715</u>	<u>738,339</u>

(ii) By profit rate sensitivity

	Group and Bank	
	2021	2020
	RM'000	RM'000
Fixed rate		
Staff financing	26	9
Variable rate		
Cost-plus	741,689	738,330
Gross financing and advances	<u>741,715</u>	<u>738,339</u>

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

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

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

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

(iii) By economic sector

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance, insurance and business services	434,624	293,416
Education, health and others	87,760	-
Construction	87,191	78,817
Mining and quarrying	56,207	55,083
Electricity, gas and water supply	40,248	231,759
Manufacturing	34,151	22,183
Wholesale, retail trade, restaurants and hotels	1,508	-
Household	26	9
Transport, storage and communications	-	57,072
Gross financing and advances	<u>741,715</u>	<u>738,339</u>

(iv) By maturity profile

	Group and Bank	
	2021	2020
	RM'000	RM'000
Within one year	399,259	503,788
One year to five years	253,756	121,927
After five years	88,700	112,624
Gross financing and advances	<u>741,715</u>	<u>738,339</u>

(v) By classification of Shariah contracts

	Group and Bank	
	2021	2020
	RM'000	RM'000
Term financing		
Commodity Murabahah	741,689	738,330
Staff financing	26	9
Gross financing and advances	<u>741,715</u>	<u>738,339</u>

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

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

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

(i) Movements in IF

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	-	-
Classified as impaired	81,750	-
At 31 December	81,750	-
Less: ECL allowance	(61,313)	-
Net IF	20,437	-
Ratio of net IF to gross financing and advances less ECL allowance	3.00%	0.00%

(ii) IF by economic sector

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance, insurance and business services	81,750	-
	81,750	-

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

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

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

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

(i) ECL allowance

Term financing

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2021				
Superior	10,461	-	-	10,461
Strong	160,337	-	-	160,337
Good	308,740	-	-	308,740
Acceptable	66,506	-	-	66,506
Fair	57,688	56,207	-	113,895
Unacceptable	-	-	81,750	81,750
	<u>603,732</u>	<u>56,207</u>	<u>81,750</u>	<u>741,689</u>
31 December 2020				
Strong	27,079	-	-	27,079
Good	467,794	-	-	467,794
Acceptable	210,652	-	-	210,652
Fair	32,805	-	-	32,805
	<u>738,330</u>	<u>-</u>	<u>-</u>	<u>738,330</u>

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

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

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

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

(i) ECL allowance (cont'd.)

Term financing (cont'd.)

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

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	738,330	-	-	738,330
New assets originated	266,008	-	-	266,008
Assets derecognised or repaid (excluding written off)	(262,649)	-	-	(262,649)
Transfers to Stage 2	(56,207)	56,207	-	-
Transfers to Stage 3	(81,750)	-	81,750	-
At 31 December 2021	<u>603,732</u>	<u>56,207</u>	<u>81,750</u>	<u>741,689</u>
At 1 January 2020	170,037	-	-	170,037
New assets originated	574,731	-	-	574,731
Assets derecognised or repaid (excluding written off)	(6,438)	-	-	(6,438)
At 31 December 2020	<u>738,330</u>	<u>-</u>	<u>-</u>	<u>738,330</u>

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

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

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

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

(i) ECL allowance (cont'd.)

Term financing (cont'd.)

Group and Bank	Stage 1 Collective RM'000	Stage 2 Individual RM'000	Stage 3 Individual RM'000	Total RM'000
At 1 January 2021	13,520	-	-	13,520
Transfer (Note 42(i)(b))	1,292	-	-	1,292
Transfer to Stage 2	(1,934)	1,934	-	-
Transfer to Stage 3	(3,169)	-	3,169	-
Made	-	-	58,144	58,144
Written back	(798)	-	-	(798)
At 31 December 2021	<u>8,911</u>	<u>1,934</u>	<u>61,313</u>	<u>72,158</u>
At 1 January 2020	1,427	-	-	1,427
Transfer (Note 42(i)(b))	1,112	-	-	1,112
Made	10,981	-	-	10,981
At 31 December 2020	<u>13,520</u>	<u>-</u>	<u>-</u>	<u>13,520</u>

Staff financing

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

Group and Bank	Stage 1 Collective RM'000
At 1 January 2021	9
New assets originated	20
Assets derecognised or repaid (excluding written off)	(3)
At 31 December 2021	<u>26</u>
At 1 January 2020	-
New assets originated	9
At 31 December 2020	<u>9</u>

No ECL allowance provided from the total staff financing outstanding.

MIDF Amanah Investment Bank Berhad
(Incorporated in Malaysia)

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

(e) Other assets

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
Other debtors, deposits and prepayments		9,512	5,152
Less: ECL allowance	(a)	<u>(3,141)</u>	<u>(1,587)</u>
		6,371	3,565
Profit receivables		36,945	34,575
Amounts due from brokers and clients	(b)	<u>1,401</u>	<u>636</u>
		<u>44,717</u>	<u>38,776</u>

- (a) Other debtors, deposits and prepayments
Movement in ECL allowance

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	1,587	1,168
Impairment made (Note 42(n))	1,554	705
Write off	-	(286)
At 31 December	<u>3,141</u>	<u>1,587</u>

- (b) Amounts due from brokers and clients

	Group and Bank	
	2021	2020
	RM'000	RM'000
Brokers	-	635
Clients	<u>1,401</u>	<u>1</u>
	<u>1,401</u>	<u>636</u>

(f) Deferred tax

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	1,201	18
Recognised in profit or loss (Note 42(r))	(703)	4,167
Recognised in other comprehensive income	8,566	(2,984)
At 31 December	<u>9,064</u>	<u>1,201</u>

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

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

(f) Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deferred tax assets	9,064	1,201

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

Deferred tax assets

Group and Bank	Revaluation of FVOCI RM'000	ECL allowance RM'000	Provision for liabilities* RM'000	Total RM'000
At 1 January 2021	-	4,175	964	5,139
Recognised in profit or loss	-	(507)	(196)	(703)
Recognised in other comprehensive income	4,628	-	-	4,628
At 31 December 2021	<u>4,628</u>	<u>3,668</u>	<u>768</u>	<u>9,064</u>
At 1 January 2020	-	675	297	972
Recognised in profit or loss	-	3,500	667	4,167
At 31 December 2020	<u>-</u>	<u>4,175</u>	<u>964</u>	<u>5,139</u>

* includes provision for bonus and deferred income.

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

(f) Deferred tax (cont'd.)

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

Deferred tax liabilities

Group and Bank	Revaluation of FVOCI RM'000	Total RM'000
At 1 January 2021	(3,938)	(3,938)
Recognised in other comprehensive income	3,938	3,938
At 31 December 2021	-	-
At 1 January 2020	(954)	(954)
Recognised in other comprehensive income	(2,984)	(2,984)
At 31 December 2020	(3,938)	(3,938)

(g) Deposits from customers

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) By types of deposit		
Commodity murabahah fund		
Term deposits	3,670,375	3,381,029
(ii) By types of customer		
Commodity murabahah fund		
Business enterprises	1,292,372	997,632
Government and statutory bodies	2,378,003	2,383,397
	3,670,375	3,381,029
(iii) By maturity structure of term deposits		
Due within six months	3,281,958	2,927,930
Six months to one year	334,907	453,099
One year to two years	53,510	-
	3,670,375	3,381,029

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

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) By types of deposit		
Commodity murabahah fund		
Term deposits	831,840	774,671
	<hr/>	<hr/>
(ii) By types of customer		
Commodity murabahah fund		
Other financial institutions	831,840	774,671
	<hr/>	<hr/>

(i) Other liabilities

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
Profit payable to depositors		14,670	20,414
Amounts due to brokers and clients	(a)	1,392	633
Sundry creditors and accruals		17,031	6,163
ECL allowances on financing and advances commitments and financial investments	(b)	1,275	2,379
Amount due to immediate holding company		23	-
Amount due to Head Office		105,634	61,165
		<hr/>	<hr/>
		140,025	90,754
		<hr/>	<hr/>

(a) Amounts due to brokers and clients

	Group and Bank	
	2021	2020
	RM'000	RM'000
Brokers	365	-
Clients	1,027	633
	<hr/>	<hr/>
	1,392	633
	<hr/>	<hr/>

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

(i) Other liabilities (cont'd.)

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

Group and Bank	Financing and advances commitments RM'000	Financial investments at amortised cost RM'000	Total RM'000
Stage 1 Collective			
At 1 January 2021	2,372	7	2,379
Transfer (Note 42(d)(c)(i))	(1,292)	-	(1,292)
Impairment made	181	14	195
Written back	-	(7)	(7)
At 31 December 2021	1,261	14	1,275
At 1 January 2020	1,149	3	1,152
Transfer (Note 42(d)(c)(i))	(1,112)	-	(1,112)
Impairment made	2,335	4	2,339
At 31 December 2020	2,372	7	2,379

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

(j) Income derived from investment of depositors' funds

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances	34,682	24,571
Money at call and deposit placements with financial institutions	7,133	5,999
Financial assets at FVTPL	680	65
Financial investments at FVOCI		
- Profit on non-impaired instruments	63,076	54,970
Financial investments at amortised cost		
- Profit on non-impaired instruments	61,820	81,203
	<u>167,391</u>	<u>166,808</u>
Accretion of discount less amortisation of premium	(14,197)	(5,778)
Total finance income and hibah	<u>153,194</u>	<u>161,030</u>
Other operating income		
Net gain/(loss) on sale of financial assets at FVTPL	2,030	(298)
Net gain on sale of financial investments at FVOCI	5,635	18,650
	<u>7,665</u>	<u>18,352</u>
	<u>160,859</u>	<u>179,382</u>

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

(k) Income derived from investment of Islamic Banking Funds

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance income and hibah:		
Financing and advances	3,853	2,430
Money at call and deposit placements with financial institutions	793	593
Financial assets at FVTPL	76	6
Financial investments at FVOCI		
- Profit on non-impaired instruments	7,008	5,437
Financial investments at amortised cost		
- Profit on non-impaired instruments	6,869	8,031
	<u>18,599</u>	<u>16,497</u>
Accretion of discount less amortisation of premium	(1,577)	(571)
Total finance income and hibah	<u>17,022</u>	<u>15,926</u>
Other operating income:		
Net gain/(loss) on sale of financial assets at FVTPL	225	(30)
Net gain on sale of financial investments at FVOCI	626	1,844
	<u>851</u>	<u>1,814</u>
Fees and others:		
Fee income	21,652	9,728
Other income	148	4
	<u>21,800</u>	<u>9,732</u>
	<u>39,673</u>	<u>27,472</u>

(l) Impairment loss made on financing and advances

	Group and Bank	
	2021	2020
	RM'000	RM'000
ECL allowance		
- Made	(58,325)	(13,316)
- Written back	798	-
	<u>(57,527)</u>	<u>(13,316)</u>

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

(m) Impairment loss written back on financial investments

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial investments at FVOCI (Note 42(b))	33	(224)
Financial investments at amortised costs	(46)	(1,371)
Profit on impaired financial investments recovered	3,519	5,597
	<u>3,506</u>	<u>4,002</u>

(n) Impairment loss made on other assets

	Group and Bank	
	2021	2020
	RM'000	RM'000
Other debtors		
- Impairment made (net)		
(Note 42(e)(a))	(1,554)	(705)
	<u>(1,554)</u>	<u>(705)</u>

(o) Income attributable to depositors

	Group and Bank	
	2021	2020
	RM'000	RM'000
Commodity Murabahah fund		
Deposits from customers	79,393	88,071
Deposits and placements of banks and other financial institutions	5,740	23,028
	<u>85,133</u>	<u>111,099</u>

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

(p) Staff costs

	Group and Bank	
	2021	2020
	RM'000	RM'000
Wages, salaries & bonuses	1,894	2,357
Social security costs	11	12
Defined contribution plan	372	441
Other staff related expenses	158	107
	<u>2,435</u>	<u>2,917</u>

(q) Other operating expenses

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) Establishment costs		
Amortisation of intangible assets	-	121
Rental		
- office equipment ^	2	4
- premises *	54	141
IT expenses	724	259
Others	217	188
	<u>997</u>	<u>713</u>
(ii) Promotion and marketing-related expenses		
Business promotion and advertisement	173	2
Entertainment	-	6
	<u>173</u>	<u>8</u>
(iii) Administrative and general expenses		
Audit fees	170	27
Non-Executive Directors' remuneration	484	86
Shared service charges	9,318	844
Management fee	7,851	-
Professional fees	298	68
Brokerage fees	319	353
Regulatory expenses	182	25
Others	1,409	579
	<u>20,031</u>	<u>1,982</u>
	<u>21,201</u>	<u>2,703</u>

^ Expense relating to leases of low-value assets.

* Expense relating to short-term leases.

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

(r) Taxation

	Group and Bank	
	2021	2020
	RM'000	RM'000
Income tax:		
- Current financial year	7,663	22,850
	<u>7,663</u>	<u>22,850</u>
Deferred tax (Note 42(f)):		
- Relating to origination and reversal of temporary differences	703	(3,890)
- Over provision in prior years	-	(277)
	<u>703</u>	<u>(4,167)</u>
Tax expense for the financial year	<u>8,366</u>	<u>18,683</u>

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Profit before taxation	<u>36,188</u>	<u>80,116</u>
Taxation at Malaysian statutory tax rate of 24%	8,685	19,228
Expenses not deductible for tax purposes	61	44
Tax deduction on zakat payment	(380)	(312)
Over provision of deferred tax in prior years	-	(277)
Tax expense for the financial year	<u>8,366</u>	<u>18,683</u>

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

(s) Net income from Islamic Banking

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Income derived from investment of depositors' funds (Note 42(j))	160,859	179,382
Income derived from investment of Islamic Banking Funds (Note 42(k))	39,673	27,472
	<u>200,532</u>	<u>206,854</u>
Less: Income attributable to depositors (Note 42(o))	<u>(85,133)</u>	<u>(111,099)</u>
	<u>115,399</u>	<u>95,755</u>

(t) Commitments and contingencies

	<----- 2021 ----->			<----- 2020 ----->		
	Principal amount	Credit equivalent amount*	Risk-weighted amount	Principal amount	Credit equivalent amount*	Risk-weighted amount
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	26,000	26,000	26,000	1,000	1,000	1,000
Other commitments, such as formal and credit lines, with an original maturity of:						
- not exceeding one year	-	-	-	120,474	24,095	24,095
- exceeding one year	327,653	163,827	163,827	191,969	95,984	95,984
Total	<u>353,653</u>	<u>189,827</u>	<u>189,827</u>	<u>313,443</u>	<u>121,079</u>	<u>121,079</u>

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

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

(u) Yield/profit rate risk

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

Group and Bank	----- Non-trading book ----->						Non-profit sensitive	Total	Effective profit rate
	Up to 1 month	> 1 - 3 months	>3 - 12 months	> 1 - 5 years	> 5 years				
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
Assets									
Cash and short-term funds	319,000	-	-	-	-	19,172	338,172	1.75	
Financial investments at FVOCI	214,921	299,591	552,850	1,136,024	97,242	-	2,300,628	2.63	
Financial investments at amortised cost	25,001	98,020	789,979	756,796	281,044	39,989	1,990,829	3.12	
Financing and advances									
- non-impaired	1,785	101,911	295,980	84,117	176,172	(10,845) *	649,120	4.69	
- impaired	-	-	-	-	-	20,437	20,437	-	
Other assets	-	-	-	-	-	44,694	44,694	-	
Total assets	560,707	499,522	1,638,809	1,976,937	554,458	113,447	5,343,880		
Liabilities									
Deposits from customers	1,975,454	632,673	1,008,738	53,510	-	-	3,670,375	2.13	
Deposits and placements of banks and other financial institutions	786,830	41,402	3,608	-	-	-	831,840	1.90	
Other liabilities	-	-	-	-	-	136,336	136,336	-	
Total liabilities	2,762,284	674,075	1,012,346	53,510	-	136,336	4,638,551		

* ECL allowance

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

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

Group and Bank	Non-trading book						Total	Effective profit 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-profit sensitive RM'000		
2021								
Shareholder's equity	-	-	-	-	-	709,991	709,991	-
Total liabilities and shareholder's equity	2,762,284	674,075	1,012,346	53,510	-	846,327	5,348,542	
On-balance sheet interest sensitivity gap	(2,201,577)	(174,553)	626,463	1,923,427	554,458	(732,880)	(4,662)	
Total interest sensitivity gap	(2,201,577)	(174,553)	626,463	1,923,427	554,458	(732,880)	(4,662)	

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

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

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

* ECL allowance

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

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

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

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

(v) Capital adequacy

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Common Equity Tier 1 ("CET1") Capital		
Islamic banking fund	426,600	426,600
Regulatory reserve	7,385	5,945
FVOCI reserve	(14,385)	12,774
Retained profits	290,391	284,745
	<u>709,991</u>	<u>730,064</u>
Less: Regulatory adjustments	(16,449)	(14,172)
Total CET1 Capital, representing Total Tier 1 Capital	<u>693,542</u>	<u>715,892</u>
<u>Tier 2 Capital</u>		
Loss provision/loss provision and regulatory reserve	17,212	16,239
Total Tier 2 Capital	<u>17,212</u>	<u>16,239</u>
Total Capital	<u>710,754</u>	<u>732,131</u>
CET1 Capital Ratio	44.761%	51.241%
Tier 1 Capital Ratio	44.761%	51.241%
Total Capital Ratio	45.872%	52.404%

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Total risk-weighted assets for credit risk	1,376,950	1,299,140
Total risk-weighted assets equivalent for operational risk	172,478	97,961
	<u>1,549,428</u>	<u>1,397,101</u>