Malaysian Industrial Development Finance Berhad
(3755-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

Malaysian Industrial Development Finance Berhad
(Incorporated in Malaysia)

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Malaysian Industrial Development Finance Berhad
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Directors' report

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

Principal activities

The Company is principally engaged in investment holding, providing finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia.

Other information relating to the subsidiaries are disclosed in Note 14 to the financial statements.

Results

	Group RM'000	Company RM'000
(Loss)/profit for the financial year	(67,266)	33,963
(Loss)/profit attributable to:		
Shareholder of the Company	(67,266)	33,963
Non-controlling interests	*	-
	(67,266)	33,963

* Denotes RM248

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 33 and Note 34 to the financial statements.

Reserves and provisions

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

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Dividends

The amounts of dividend paid by the Company since 31 December 2017 are as follows:

In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that financial year:

	RM'000
- Single tier interim dividend of 10.7280 sen per share on 466,070,000 ordinary shares, paid on 24 July 2018	50,000
- Single tier final dividend of 10.7280 sen per share on 466,070,000 ordinary shares via Dividend Reinvestment Plan	50,000
	100,000

Refer to Note 38 for further information.

A single tier interim dividend in respect of the current financial year ended 31 December 2018 of 4.16 sen on 480,355,714 ordinary shares, amounting to a dividend of RM20.0 million has been approved by the Board of Directors on 28 February 2019. On 1 April 2019, Bank Negara Malaysia ("BNM") approved this dividend.

The financial statements for the current financial year ended 31 December 2018 do not reflect this proposed dividend. Such dividend, will be accounted for in the statements of changes in equity as an appropriation of the retained profits in the next financial year ending 31 December 2019.

Directors

The Directors who served in office since the beginning of the financial year to the date of this report were:

Tan Sri Abdul Rahman Bin Mamat
Datuk Azizan Bin Hj. Abd Rahman
Dato' Wan Roshdi Bin Wan Musa
Cik Hasnah Binti Omar
Dato' Kaziah Binti Abdul Kadir
Encik Ahmad Lutfi Bin Abdull Mutalip @ Talib
Dato' Charon Wardini Bin Mokhzani (Appointed on 2 July 2018)
Datuk Mohd. Najib Bin Hj. Abdullah (Resigned on 30 June 2018)

The list of directors of the subsidiaries are disclosed in Note 49 to the Financial Statements.

Directors' interests

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

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits 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 Company or of related companies as shown in Note 32 to the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

During the financial year, the Group had made payments amounting to RM31,860 on insurance premium for indemnity for its directors and officers in 2018. Such payments are recognised as an expense in the profit or loss as incurred.

Indemnification of Directors and Officers

The Company maintained on a group basis, a Directors' and Officer's Liability Insurance up to an aggregate limit of RM40.0 million against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Company and the Group. The directors and officers shall not be indemnified by such insurance for any delibrate negligence, fraud, intentional breach of law or breach of trust proven against them.

Issue of shares and debentures

There were 14,285,714 units of new ordinary shares issued during the financial year via the Dividend Reinvestment Plan. Refer to Note 38 to the Financial Statement for further information.

There were no debentures issued during the financial year.

Options granted over unissued shares

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

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Other statutory information

(a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

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

  (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

  (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

  (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

  (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Company.

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Other statutory information (cont'd.)

(d) In the opinion of the Directors:

(i) no contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Holding and ultimate holding companies

The immediate and ultimate holding companies are Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB") respectively. Both companies are incorporated in Malaysia.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 31 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 10 April 2019.

Tan Sri Abdul Rahman Bin Mamat

Dato' Charon Wardini Bin Mokhzani

Kuala Lumpur, Malaysia

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Malaysian Industrial Development Finance Berhad
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Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Sri Abdul Rahman Bin Mamat and Dato' Charon Wardini Bin Mokhzani, being two of the Directors of Malaysian Industrial Development Finance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 210 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 Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 10 April 2019.

Tan Sri Abdul Rahman Bin Mamat

Dato' Charon Wardini Bin Mokhzani

Kuala Lumpur, Malaysia

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

I, Foo Wei Hoong, being the officer primarily responsible for the financial management of Malaysian Industrial Development Finance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 210 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 Foo Wei Hoong
at Kuala Lumpur in the Federal
Territory on 10 APR 2019

Foo Wei Hoong

Before me, Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.
Commissioner for Oaths

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

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Independent auditors' report to the member of Malaysian Industrial Development Finance Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Malaysian Industrial Development Finance Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, 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 Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 210.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The directors of the Company 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 Company and our auditors' report thereon.

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

Independent auditors' report to the member of
Malaysian Industrial Development Finance 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 Company, 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 Company 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 Company are responsible for the preparation of financial statements of the Group and of the Company 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 Company 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 Company 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 Malaysian Industrial Development Finance Berhad (cont'd.) (Incorporated in Malaysia)

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 Company'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 Company'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 Company 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 Company 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 Company, including the disclosures, and whether the financial statements of the Group and of the Company 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.

**Independent auditors' report to the member of
Malaysian Industrial Development Finance Berhad (cont'd.)
(Incorporated in Malaysia)**

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

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

Other matters

This report is made solely to the member of the Company, 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
Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
10 April 2019

Malaysian Industrial Development Finance Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Cash and short-term funds	4	399,102	580,367	266,284	415,781
Deposits and placements with licensed banks and other financial institutions	5	306,478	434,823	298,678	424,573
Financial assets at fair value through profit or loss ("FVTPL")/ securities held-for-trading	6	323,818	246,079	323,807	246,079
Financial investments at fair value through other comprehensive income ("FVOCI")/securities available-for-sales	7	927,429	3,828,614	1,655	1,655
Financial investments at amortised cost	8	2,785,096	-	-	-
Derivative assets	9	-	78	-	-
Other assets	10	137,859	236,628	22,591	13,511
Loans, advances and financing	11	691,818	783,593	265,566	107,185
Statutory deposits with Bank Negara Malaysia	12	127,220	114,282	-	-
Investment in associate	13	3,873	3,480	2,560	2,560
Investment in subsidiaries	14	-	-	600,756	600,756
Investment properties	15	2,716	2,805	-	-
Property, plant and equipment	16	4,001	3,784	2,739	2,671
Intangible assets	17	6,172	6,607	3,207	2,743
Deferred tax assets	18	12,939	13,419	3,348	4,645
		5,728,521	6,254,559	1,791,191	1,822,159
Goodwill	19	86,713	86,713	-	-
Total assets		5,815,234	6,341,272	1,791,191	1,822,159
Liabilities					
Deposits from customers	20	2,340,035	1,937,469	-	-
Deposits and placements of banks and other financial institutions	21	1,346,075	1,881,642	-	-
Other liabilities	22	139,219	275,613	44,466	55,370
Borrowings	23	303,182	458,404	303,182	310,167
Provision for taxation and zakat		602	2,380	575	899
Employee benefits	24	10,998	11,936	8,289	7,829
Derivative liabilities	9	117	-	-	-
Total liabilities		4,140,228	4,567,444	356,512	374,265

Malaysian Industrial Development Finance Berhad
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Statements of financial position as at 31 December 2018 (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Shareholder's Equity					
Capital and reserves attributable to shareholder of the Company:					
Share capital		879,931	829,931	879,931	829,931
Reserves	25	794,820	943,642	554,748	617,963
		1,674,751	1,773,573	1,434,679	1,447,894
Non-controlling interests		255	255	-	-
Total equity		1,675,006	1,773,828	1,434,679	1,447,894
Total liabilities and equity		5,815,234	6,341,272	1,791,191	1,822,159
Commitments and contingencies	26	421,937	597,352	35,932	16,893

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

Malaysian Industrial Development Finance Berhad
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Statements of profit or loss
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating revenue	2(z)	327,059	351,788	100,676	152,110
Interest income	27	131,559	153,185	30,674	31,149
Interest expense	28	(91,646)	(105,595)	(4,027)	(4,255)
Net interest income		39,913	47,590	26,647	26,894
Net income from Islamic banking operations	48	82,211	91,492	43,638	40,403
Non-interest income	29	46,371	62,860	28,014	86,405
		168,495	201,942	98,299	153,702
Staff costs	30	(76,948)	(82,649)	(42,805)	(42,697)
Depreciation and amortisation		(4,055)	(2,868)	(1,720)	(1,003)
Other operating expenses	31	(29,164)	(28,947)	(16,918)	(17,399)
Operating profit before allowances		58,328	87,478	36,856	92,603
Impairment loss (made)/written back on:					
- loans, advances and financing	33	(111,891)	7,667	(1,288)	2,534
- financial investments	34	(17,873)	(28,658)	49	(225)
- other assets	35	(2,313)	(842)	79	(198)
Share of profit of an associate	13	1,549	1,315	-	-
(Loss)/profit before taxation and zakat		(72,200)	66,960	35,696	94,714
Taxation	36	5,509	(15,510)	(1,158)	(9,634)
Zakat		(575)	(1,306)	(575)	(539)
(Loss)/profit for the financial year		(67,266)	50,144	33,963	84,541
Attributable to:					
Shareholder of the Company		(67,266)	50,099	33,963	84,541
Non-controlling interests		*	45	-	-
(Loss)/profit for the financial year		(67,266)	50,144	33,963	84,541
(Losses)/earnings per ordinary share attributable to shareholder of the Company (sen):					
- Basic and diluted	37	(14.3)	10.7		
Dividends per ordinary share (sen)	38	21.5	19.3	21.5	19.3

* Denotes RM248

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

Malaysian Industrial Development Finance Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the financial year	(67,266)	50,144	33,963	84,541
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Changes in allowance for expected credit loss ("ECL")	44	-	-	-
Net gain on financial investments at FVOCI/securities available-for-sale				
- Transfer to profit or loss upon disposal	(2,815)	(4,900)	-	-
- Fair value changes	(921)	36,423	-	-
	(3,736)	31,523	-	-
Income tax relating to net gain on financial investments at FVOCI/ securities available-for-sale	897	(7,565)	-	-
Net other comprehensive (loss)/gain to be reclassified to profit or loss in subsequent periods	(2,795)	23,958	-	-
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement loss/(gain) on defined benefit plans	147	(19)	-	-
Income tax relating to (gain)/loss on defined benefit plans	(35)	5	-	-
Net other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods	112	(14)	-	-

Malaysian Industrial Development Finance Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2018 (cont'd.)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other comprehensive (loss)/income for the financial year, net of tax	(2,683)	23,944	-	-
Total comprehensive (loss)/income for the financial year	(69,949)	74,088	33,963	84,541
Total comprehensive (loss)/income for the financial year attributable to:				
Shareholder of the Company	(69,949)	74,043	33,963	84,541
Non-controlling interests	*	45	-	-
	(69,949)	74,088	33,963	84,541

* Denotes RM248

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

Malaysian Industrial Development Finance Berhad
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Statements of changes in equity
For the financial year ended 31 December 2018

Group	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Securities available-for-sale reserve RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	|---------- Attributable to shareholder of the Company ----------|									
	|---------- Non-distributable ----------|						Distributable			
At 1 January 2017	466,070	363,861	131,324	3,932	(42,534)	-	866,877	1,789,530	210	1,789,740
Profit for the financial year	-	-	-	-	-	-	50,099	50,099	45	50,144
Other comprehensive income/(loss)	-	-	-	-	23,958	-	(14)	23,944	-	23,944
Total comprehensive income for the financial year	-	-	-	-	23,958	-	50,085	74,043	45	74,088
Transaction with owner										
Dividends (Note 38)	-	-	-	-	-	-	(90,000)	(90,000)	-	(90,000)
Transfer to paid up share capital	363,861	(363,861)	-	-	-	-	-	-	-	-
Transfer to retained profits	-	-	(131,324)	(1,359)	-	-	132,683	-	-	-
At 31 December 2017	829,931	-	-	2,573	(18,576)	-	959,645	1,773,573	255	1,773,828
			Note 25(a)	Note 25(b)	Note 25(c)					

Malaysian Industrial Development Finance Berhad
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Statements of changes in equity
For the financial year ended 31 December 2018 (cont'd.)

	Attributable to shareholder of the Company									
	Non-distributable						Distributable			
Group (cont'd.)	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Regulatory reserve RM'000**	**Securities available-for-sale reserve RM'000**	**FVOCI reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2018	829,931	-	-	2,573	(18,576)	-	959,645	1,773,573	255	1,773,828
Effects of adoption of MFRS 9	-	-		19,056	18,576	681	(17,186)	21,127	-	21,127
At 1 January 2018, restated	829,931	-	-	21,629	-	681	942,459	1,794,700	255	1,794,955
Loss for the financial year	-	-	-	-	-	-	(67,266)	(67,266)	*	(67,266)
Other comprehensive (loss)/income	-	-	-	-	-	(2,795)	112	(2,683)	-	(2,683)
Total comprehensive loss for the financial year	-	-	-	-	-	(2,795)	(67,154)	(69,949)	*	(69,949)
Transaction with owner										
Dividends (Note 38)	50,000	-	-	-	-	-	(100,000)	(50,000)	-	(50,000)
Transfer from regulatory reserve	-	-	-	(2,239)	-	-	2,239	-	-	-
At 31 December 2018	879,931	-	-	19,390	-	(2,114)	777,544	1,674,751	255	1,675,006
			Note 25(a)	Note 25(b)	Note 25(c)	Note 25(c)				

* Denotes RM248

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

Malaysian Industrial Development Finance Berhad
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Statements of changes in equity
For the financial year ended 31 December 2018 (cont'd.)

		|-- Attributable to shareholder of the--| Company			
		|-- Non-distributable --|		Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2017		466,070	363,861	623,422	1,453,353
Profit for the financial year		-	-	84,541	84,541
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		-	-	84,541	84,541
Transaction with owner					
Dividends	38	-	-	(90,000)	(90,000)
Transfer to paid up share capital		363,861	(363,861)	-	-
At 31 December 2017		829,931	-	617,963	1,447,894
At 1 January 2018		829,931	-	617,963	1,447,894
Effects of adoption of MFRS 9		-	-	2,822	2,822
At 1 January 2018, restated		829,931	-	620,785	1,450,716
Profit for the financial year		-	-	33,963	33,963
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		-	-	33,963	33,963
Transaction with owner					
Dividends	38	50,000	-	(100,000)	(50,000)
At 31 December 2018		879,931	-	554,748	1,434,679

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

Malaysian Industrial Development Finance Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/profit before taxation and zakat	(72,200)	66,960	35,696	94,714
Adjustments for:				
Depreciation and amortisation	4,055	2,868	1,720	1,003
Impairment loss made/(written back) on loans, advances and financing	112,764	4,614	1,849	(379)
Impairment loss made/(written back) on financial investments	19,247	28,658	(49)	225
Share of profit of an associate	(1,549)	(1,315)	-	-
Accretion of discounts less amortisation of premiums	(15,017)	(15,811)	-	-
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL/ securities held-for-trading	3,534	(910)	(1,387)	(910)
Net unrealised loss on revaluation of derivatives	195	449	-	-
Net gain/(loss) on sale of financial assets/investments:				
- FVTPL/held-for-trading	(5,684)	(4,368)	(3,772)	(4,355)
- FVOCI/securities available-for-sale	(768)	8	-	-
Dividend income	(1,816)	(2,150)	(1,455)	(54,217)
Gain on disposal of:				
- Property, plant and equipment	(62)	-	(54)	-
Employee benefits	1,346	1,094	1,067	800
Impairment loss made on other assets	2,461	842	-	198
Operating cash flows before working capital changes carried forward	46,506	80,939	33,615	37,079

Malaysian Industrial Development Finance Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2018 (cont'd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities (cont'd.)				
Operating cash flows before working capital changes brought forward	46,506	80,939	33,615	37,079
Changes in working capital:				
Deposits and placements with licensed banks and other financial institutions with original maturity of more than 3 months	259,221	(374,921)	245,101	(360,801)
Loans, advances and financing	(20,989)	192,701	(157,408)	142,989
Financial assets FVTPL/securities held-for-trading	(75,589)	18,264	(72,569)	18,251
Financial investments FVOCI/securities available-for-sale	144,800	(261,429)	49	(225)
Other assets	99,055	(107,163)	1,694	6,850
Statutory deposits with Bank Negara Malaysia	(12,938)	363	-	-
Deposits from customers and deposits and placements of banks and other financial institutions	(133,001)	309,497	-	-
Other liabilities	(134,798)	151,824	(11,432)	11,255
Cash generated from/(used in) operations	172,267	10,075	39,050	(144,602)
Taxes paid	(11,082)	(18,383)	(10,139)	(11,153)
Zakat paid	(2,353)	(1,000)	(899)	(162)
Retirement benefits paid	(2,129)	(580)	(576)	(580)
Net cash generated from/(used in) from operating activities	156,703	(9,888)	27,436	(156,497)

Malaysian Industrial Development Finance Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2018 (cont'd.)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Dividends received	1,816	2,150	1,455	54,217
Purchase of property, plant and equipment	(1,901)	(1,678)	(1,072)	(1,483)
Proceeds from disposal of property, plant and equipment	82	-	54	-
Purchase of intangible assets	(1,867)	(4,693)	(1,179)	(2,699)
Net cash (used in)/generated from investing activities	(1,870)	(4,221)	(742)	50,035
Cash flows from financing activities				
Repayment on borrowings (net)	(155,222)	(11,805)	(6,985)	(11,805)
Dividends paid	(100,000)	(90,000)	(100,000)	(90,000)
Issuance of ordinary shares	50,000	-	50,000	-
Net cash used in financing activities	(205,222)	(101,805)	(56,985)	(101,805)
Net decrease in cash and cash equivalents	(50,389)	(115,914)	(30,291)	(208,267)
Cash and cash equivalents at 1 January	625,269	741,183	464,553	672,820
Cash and cash equivalents at 31 December	574,880	625,269	434,262	464,553
Cash and cash equivalents comprise:				
Cash and short term funds (Note 4)	399,102	580,367	266,284	415,781
Deposits and placements with licensed banks and other financial institutions (Note 5)	306,478	434,823	298,678	424,573
	705,580	1,015,190	564,962	840,354
Less: Deposits with original maturity of more than 3 months	(130,700)	(389,921)	(130,700)	(375,801)
	574,880	625,269	434,262	464,553

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

Malaysian Industrial Development Finance Berhad
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2018

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business is located at Level 19, 20 and 21, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur.

The Company is principally engaged in investment holding, providing finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia, whilst the principal activities of the subsidiaries are as stated in Note 14. There have been no significant changes in the nature of these activities during the financial year.

The immediate and ultimate holding companies are Permodalan Nasional Berhad ("PNB") and Yayasan Pelaburan Bumiputra ("YPB") respectively. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 April 2019.

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

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

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

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on retranslation and settlement of monetary items are recognised in profit or loss.

(i) Adoption of Amendments and Annual Improvements to Standards

The Group and the Company have adopted the following new pronouncements, with a date of initial application of 1 January 2018.

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

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

(a) MFRS 9 Financial Instruments

Transition disclosure - Classification and measurement of financial instruments

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

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

Differences and the transition impact arising from the adoption of MFRS 9 of the Group and the Company have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Table 2.

The differences and transition impact on Islamic Banking Scheme (SPI) are disclosed in Note 48(u).

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

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

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

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

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

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

Group		Measurement Category		Carrying amount as at 1 January 2018	
	Note	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:					
Cash and short-term funds	(iii)	Loans and receivables	Amortised cost	580,367	580,367
Deposits and placements with licensed banks and other financial institutions	(iii)	Loans and receivables	Amortised cost	434,823	434,823
Financial assets	(i)	HFT	FVTPL	246,079	246,079
Financial investments	(i)	AFS	FVOCI	1,057	1,057
Financial investments	(i)	AFS	FVTPL	19,737	19,737
Financial investments	(ii)	AFS	Amortised cost	2,664,469	2,689,380
Financial investments	(ii)	AFS	FVOCI	1,138,419	1,138,419
Financial investments	(ii)	AFS	FVTPL	4,932	4,932
Loans, advances and financing	(iii)	Loans and receivables	Amortised cost	783,593	785,763
Derivative assets		FVTPL	FVTPL	78	78
Other assets	(iii)	Loans and receivables	Amortised cost	236,628	236,756
Statutory deposits with Bank Negara Malaysia	(iii)	Loans and receivables	Amortised cost	114,282	114,282
Financial liabilities:	(iv)				
Deposits from customers		Amortised cost	Amortised cost	1,937,469	1,937,469
Deposits and placements of banks and other financial institutions		Amortised cost	Amortised cost	1,881,642	1,881,642
Borrowings		Amortised cost	Amortised cost	458,404	458,404
Other liabilities		Amortised cost	Amortised cost	275,613	275,613

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

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

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

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

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

Table 1 - Classification and measurement (cont'd.)

Company

		Measurement Category		Carrying amount as at 1 January 2018	
	Note	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:					
Cash and short-term funds	(iii)	Loans and receivables	Amortised cost	415,781	415,781
Deposits and placements with licensed banks and other financial institutions	(iii)	Loans and receivables	Amortised cost	424,573	424,573
Financial assets	(i)	HFT	FVTPL	246,079	246,079
Financial investments	(ii)	AFS	FVOCI	1,655	1,655
Loans, advances and financing	(iii)	Loans and receivables	Amortised cost	107,185	110,110
Other assets	(iii)	Loans and receivables	Amortised cost	13,511	13,511
Financial liabilities:	(iv)				
Borrowings		Amortised cost	Amortised cost	310,167	310,167
Other liabilities		Amortised cost	Amortised cost	55,370	55,370

(i) Under MFRS 9, all equity instruments are required to be accounted for at fair value either based on:
- FVOCI (without Recycling); or
- FVTPL

For equity instruments held for trading, the Group and the Company have elected the equity instruments as FVTPL; while for those not held for trading, the equity instrument is elected as FVOCI.

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

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

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

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

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

Table 1 - Classification and measurement (cont'd.)

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

- Financial investments that pass the contractual cash flows assessment, also known as Solely Payment of Principal and Interest ("SPPI Test") and are intended to be held-to-maturity to collect the contractual cash flows are accounted for at Amortised Cost.

- Financial investments that pass the SPPI Test and its business model is achieved by both collecting contractual cash flows and selling of these assets are accounted for as FVOCI (with recycling).

- Financial investments that fail the SPPI test are accounted for at FVTPL.

(iii) Staff loans receivable, trade receivables, other receivables which are financial assets, cash and bank balances and cash for trading margins, security deposits and dividend distributions that have previously been classified as loan and receivables are now classified as amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payment of principal and interest on the principal amount outstanding.

(iv) If an entity chooses to measure a financial liability at FVTPL, changes in fair value related to changes in own credit risk to be presented separately in OCI but not in profit or loss. As at 1 January 2018, the Group and the Company do not elect for any financial liability to be classified at FVTPL.

(v) Under MFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

2. **Summary of significant accounting policies (cont'd.)**
   (a) **Basis of preparation (cont'd.)**
      (i) **Adoption of Amendments and Annual Improvements to Standards (cont'd.)**
         (a) **MFRS 9 Financial Instruments (cont'd.)**

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

Table 2 - Effects of reclassification and measurement

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

Group

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Financial investments - AFS	**3,828,614**	**(3,828,614)**	-	-
Gross carrying value	*3,985,367*	*(3,985,367)*	-	-
Individual impairment reclassified to ECL	*(156,752)*	*156,752*	-	-
Financial investments - Amortised Cost	-	**2,664,469**	**24,911**	**2,689,380**
Gross	-	*2,665,098*	-	*2,665,098*
Expected Credit Loss	-	*(629)*	*(428)*	*(1,057)*
Fair value remeasurement	-	-	*25,339*	*25,339*
Financial investments - FVOCI	-	**1,139,476**	-	**1,139,476**
Fair value	-	*1,295,599*	-	*1,295,599*
Expected Credit Loss	-	*(156,123)*	-	*(156,123)*
Financial investments - HFT	**246,079**	**(246,079)**	-	-
Financial assets - FVTPL	-	**270,748**	-	**270,748**
Fair value	-	*246,079*	-	*246,079*
Reclass from AFS	-	*24,669*	-	*24,669*
Loans, advances and financing:	**783,593**	-	**2,170**	**785,763**
Opening balance	783,593	-	-	783,593
Gross carrying value	*909,441*	-	-	*909,441*
Individual impairment allowance	*(116,967)*	*116,967*	-	-
Collective impairment allowacen	*(8,881)*	*8,881*	-	-
Expected Credit Loss				
Reclassification - Stage 3	-	*(116,967)*	-	*(116,967)*
Reclassification - Stage 1	-	*(8,881)*	-	*(8,881)*
Remeasurement	-	-	*2,170*	*2,170*
Deferred tax assets:	**13,419**	**(5,868)**	**(215)**	**7,336**
Opening balance	13,419	-	-	13,419
Reversal of deferred tax relating to AFS revaluation reserve	-	(5,868)	-	(5,868)
Recognition of deferred tax relating to FVOCI revaluation reserve	-	-	(215)	(215)

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

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

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

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

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

Table 2 - Effects of reclassification and measurement

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

Group (cont'd.)

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Other assets:	**236,628**	**-**	**128**	**236,756**
Opening balance	236,628	-	-	-
Gross carrying value	*240,978*	-	-	*240,978*
Individual impairment allowance	*(4,350)*	*4,350*	-	-
Expected Credit Loss*				
Reclassification	-	*(4,350)*	-	*(4,350)*
Remeasurement	-	-	*128*	*128*
Other assets	-	-	-	236,756
Retained profits:	**959,645**	**-**	**(17,186)**	**942,459**
Opening balance	959,645	-	-	959,645
Increase in loss allowance for:				
- loans, advances and financing	-	-	2,170	2,170
- financial investments at amortised cost	-	-	(428)	(428)
- other assets	-	-	128	128
Transfer to regulatory reserve	-	-	(19,056)	(19,056)
AFS reserve	**(18,576)**	**18,576**	**-**	**-**
FVOCI reserve:	**-**	**-**	**681**	**681**
Opening balance	-	-	-	-
Fair value changes arising from the revaluation of financial investments at FVOCI	-	-	156,804	-
Transfer of loss allowance	-	-	(156,123)	-
Regulatory reserve:	**2,573**	**-**	**19,056**	**21,629**
Opening balance	2,573	-	-	2,573
Transfer from retained earnings	-	-	19,056	19,056

* The Group and the Company apply simplified approach for other assets in providing ECL.

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

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

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

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

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

Table 2 - Effects of reclassification and measurement (cont'd.)

Company

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Loans, advances and financing:	107,185	-	2,822	110,007
Opening balance	107,185	-	-	107,185
Gross carrying value	*153,153*	-	-	153,153
Individual impairment allowance	*(40,602)*	*40,602*	-	-
Collective impairment allowance	*(5,366)*	*5,366*	-	-
Expected Credit Loss	-	-	-	-
Reclassification - Stage 3	-	*(40,602)*	-	*(40,602)*
Reclassification - Stage 1	-	*(5,366)*	-	*(5,366)*
Remeasurement	-	-	*2,822*	*2,822*
Retained profits:	617,963	-	2,822	620,785
Opening balance	617,963	-	-	617,963
Increase in loss allowance for:				
- loans, advances and financing	-	-	2,822	2,822

Impairment Calculation

The adoption of MFRS 9 has fundamentally changed the Group and the Company accounting for financial assets impairment by replacing incurred loss approach with a forward-looking ECL approach. MFRS 9 requires the Group and the Company to record an allowance for ECLs for financial investment instruments not carried at FVTPL, all loans, advances and financing and other financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired ("POCI"), the allowance is based on the change in the ECLs over the life of the asset.

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

(ii) Standards issued but not yet effective

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

Description	Effective for financial periods beginning on or after
MFRS 16 *Leases*	1 January 2019
IC Int.23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3 - *Business Combinations (Annual Improvements to MFRS Standards 2015 2017 cycle)*	1 January 2019
Amendments to MFRS 11 - *Joint Arrangements (Annual Improvements to MFRS Standards 2015 2017 cycle)*	1 January 2019
Amendments to MFRS 112 - *Income Taxes (Annual Improvements to MFRS Standards 2015 2017 cycle)*	1 January 2019
Amendments to MFRS 123 - *Borrowing Costs (Annual Improvements to MFRS Standards 2015 2017 cycle)*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sales or *Contribution of Assets between and Investor and its Associates or Joint Venture*	Deferred

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

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

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

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

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

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

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Company 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 Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

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

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

The Company 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 Company obtains control over the subsidiary and ceases when the Company 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 or loss and consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company 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 Company'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 Company loses control over a subsidiary, it:

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

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

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 13, is measured at fair value with the changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of MFRS 13, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

(c) Business combinations and goodwill (cont'd.)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(d) Investment in subsidiaries

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

In the Company'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(f)(ii). On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised in statements of profit or loss.

(e) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investment in associate is stated in the Company's separate financial statements at cost less any impairment losses, unless the investment is classified as held-for-sale (or included in a disposal group that is classified as held-for-sale).

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

(e) Investment in associate (cont'd.)

In the consolidated financial statements, the Group's investment in associate is accounted for using the equity method.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as "Share of profit of an associate" in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

(f) Financial assets and liabilities

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

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 a FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

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

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

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

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

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

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

(i) Classification and subsequent measurement

Financial assets

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

- FVTPL;
- FVOCI; or
- Amortised cost.

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

<u>Business model assessment</u>

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

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

- Business objective is to collect contractual cash flows over the life of the financial assets.

- Sales should be insignificant in value or infrequent.

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

(f) 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 Business Model are mainly those with the objectives to:

  i) Manage everyday liquidity needs (e.g. frequent sales activity of significant value to demostrate 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 and Business Model 2.
- Financial investments are mainly held for trading and manage on a fair value basis.

The SPPI test

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

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

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

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

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

Financial assets (cont'd.)

The SPPI test (cont'd.)

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

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

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

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

Financial investments - 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 during the year. Interest income from these financial assets is measured using the effective interest rate ("EIR") method.

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

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

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

Financial investments - 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 income from these financial assets is measured using the effective interest rate method.

Financial assets - FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL investments and movements in the carrying amount are recognised in the profit or loss and presented in the profit or loss statement within "Non-interest income" in the period in which it arises. Interest income from these financial assets is measured using the effective interest rate 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 Company measures all equity investments at FVTPL, except where the Group's and the Company's has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI (with no recycling) provided that is neither held for trading nor a contingent consideration recognised by acquirer in a business combination.

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

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

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

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

Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially 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.

Loan and receivables (Policy applicable before 1 January 2018)

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

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

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

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

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

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

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

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

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

Financial Liabilities (cont'd.)

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

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

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

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

(ii) Impairment

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

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

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

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

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

Financial Liabilities (cont'd.)

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

- Stage 1: 12-month ECL

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

- Stage 2: Lifetime ECL – non-credit impaired

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

- Stage 3: Lifetime ECL – credit impaired

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

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

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

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

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

(ii) Impairment (cont'd.)

The calculation of ECLs

The Group and the Company 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.

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

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

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

(ii) Impairment (cont'd.)

The calculation of ECLs (cont'd.)

The mechanics of the ECL method are summarised below:

- Stage 1

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

- Stage 2

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

- Stage 3

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

- POCI

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

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

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

(ii) Impairment (cont'd.)

- Loan, advances and financing commitments and letters of credit

  When estimating life time ECLs for undrawn loan, advances and financing commitments, the Group and the Company estimates the expected portion of the loan, advances and financing commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan, advances and financing is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the instrument

- Financial guarantee contracts

  The Group's and the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company 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 Company is applying simplified approach to assess the ECL for other financial assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance should be measured at initial recognition and throughout the life of the other financial assets at an amount equal to lifetime ECL. The simplified approach adopted for the Group and the Company is based on weighted average of the historical loss experience.

Financial investments measured at FVOCI

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

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

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

(ii) Impairment (cont'd.)

Forward looking information

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

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

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

Collateral valuation

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

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

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

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

(ii) Impairment (cont'd.)

<u>Impairment of assets (Policy applicable before 1 January 2018)</u>

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

Individual impairment of financial assets carried at amortised cost

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

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

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

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

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

(ii) Impairment (cont'd.)

Impairment of assets (Policy applicable before 1 January 2018) (cont'd.)

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

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

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

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

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

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

Individual impairment of available-for-sale financial assets

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

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

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

(ii) Impairment (cont'd.)

Impairment of assets (Policy applicable before 1 January 2018) (cont'd.)

Individual impairment of available-for-sale financial assets (cont'd.)

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

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

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

Write-offs

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

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

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

(iii) Modification of loans, advances and financing

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan, advances and financing.

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Significant extension of the loan, advances and financing term when the borrower is not in financial difficulty.

- Significant change in the interest rate.

- Change in the currency the loan, advances and financing is denominated in.

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan, advances and financing.

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

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

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

(iii) Modification of loans, advances and financing

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate 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 Company transfers substantially all the risks and rewards of ownership, or

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

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

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

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

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

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

Financial assets (cont'd.)

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

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.

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

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a financial investment instruments. 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 Company are measured as the amount of the loss allowance. The Group and the Company has not provided any commitment to provide loans, advances and financing at a below-market interest/profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

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

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

(h) 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.

(i) Impairment on non-financial assets

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

(j) 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(i). Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the assets and restoring the site on which the asset is located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Leasehold buildings are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The straight line method is used to write off the cost of the other assets to its residual value over the term of their estimated useful lives as follows:

Leasehold land	50 years
Leasehold buildings	20 to 25 years
Freehold buildings	50 years
Renovations	5 years
Furniture, fittings and office equipment	5 years
Computers	3 years
Motor vehicles	5 years

The depreciable amount is determined after deducting the residual value.

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

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

(k) 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. Internally generated intangibles, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

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

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

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

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

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

(l) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary business, use in production or supply of goods or services or for administration purposes.

Investment properties are stated at cost less any accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful life of 50 years for buildings.

(m) Goodwill

Goodwill that has an indefinite useful life is reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For impairment assessment, goodwill from business combinations is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including attributable goodwill, exceeds the recoverable amount of the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rate basis.

An impairment loss on goodwill is not reversed in subsequent periods.

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

(n) Amount recoverable from Danaharta

Amount recoverable from Danaharta relates to the non-performing loans sold by a former subsidiary to Pengurusan Danaharta Nasional Bhd ("Danaharta") which was then acquired by another subsidiary under the restructuring scheme in 2000/2001. The total consideration receivable from Danaharta is in two portions: upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the subsidiary's predetermined share of the surplus over the initial consideration upon recovery of the loans. The difference between the carrying value of the loans and the initial consideration is recognised as 'Amount Recoverable from Danaharta'. Allowance against this amount is made in accordance with Note 2(f)(ii).

(o) 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.

(p) Fiduciary assets

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

(q) Offsetting financial instruments

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

(r) Provision

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

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

(s) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The depreciation method and the estimated useful life for leased assets is disclosed in the accounting policy for property, plant and equipment.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

(ii) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(t) Share capital

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

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

(u) Fair value measurement

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

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

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

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

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

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

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

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

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

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

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 46.

(v) Fair value measurement

In addition, the fair value hierarchies of financial instruments that are not measured at fair value, but for which fair value is disclosed, are presented in Note 46.

(w) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. 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 Group and the Company have no further obligations.

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

(w) Employee benefits (cont'd.)

(iii) Defined benefit plans

The Group and the Company operate an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's and the Company'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 financial years is estimated. That benefit is discounted in order to determine its present value. Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statements of financial position with a corresponding debit or credit to retained profits through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group and the Company recognise the following changes in the net defined benefit obligation under 'staff costs' in 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.

(x) 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.

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

(x) Income tax (cont'd.)

(ii) Deferred tax

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

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

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

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

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

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

(y) Zakat

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

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

(z) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

(ii) Income from Government Scheme Funds is in relation to management fees derived from managing and distributing the funds under the respective schemes. It is recognised on an accrual basis.

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

(iv) Fee-based activities

- Corporate advisory, project feasibility study, participation and underwriting fees are recognised as income by reference to the stage of completion.
- Portfolio management, commitment, guarantee and agency fees, and commissions are recognised as income on a time apportionment basis.
- Fees received from capital market activities are recognised when the right to receive payment is established.
- Share registration fees are billed annually on a retainer basis and additional amounts are billed during the financial year based on activity levels.
- Fund management fees are recognised on accrual basis.

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

(vi) Rental income is recognised on an accrual basis.

Operating revenue of the Group comprises all types of revenue from banking, finance, hire purchase and leasing, and asset management.

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

(aa) Interest expense and financing costs

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

(ab) Earnings per ordinary share

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

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

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

(ac) Contingent liabilities

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

(ad) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Critical accounting estimates and judgements

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

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

	Note
- Capital adequacy	45
- Financial risk management policies	43
- Sensitivity analyses disclosures	24, 43(b)

(a) Critical judgement made in applying accounting policies

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

(i) Impairment on loans, advances and financing

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

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

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

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

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

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

(ii) Deferred tax assets

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

(b) Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the cash-generating units and choose a suitable discount rate in order to calculate the present value of those cash flows.

The key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are as stated in Note 19.

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

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

(ii) Fair value estimations of financial assets at FVTPL, financial investments at FVOCI and investment properties(cont'd.)

Quoted financial investments

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

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

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

Unquoted financial investments

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

Investment properties

The fair value of investment properties for disclosure purposes were valued by reference to market-based evidence, using comparable prices adjusted. When there was a lack of comparable market data because of the nature of the properties, valuation methodology based on a discounted cash flow method which involves making assumptions based on market yield and other factors.

(iii) Impairment on loans, advances and financing

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

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

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

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

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

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

(iv) Income taxes

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

(v) Deferred tax assets

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

4. Cash and short-term funds

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	63,232	123,265	4,755	6,185
Deposits and placements maturing within one month	335,870	457,102	261,529	409,596
	399,102	580,367	266,284	415,781

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

Included in cash and short-term funds are deposits with original maturity of less than 3 months amounting to RM335,870 and RM261,529,300 for the Group and the Company respectively (2017: RM441,130,819 and RM397,495,275 respectively) which are classified as cash and cash equivalents for the statements of cash flows.

5. Deposits and placements with licensed banks and other financial institutions

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	306,478	434,823	298,678	424,573

Included in deposits and placements with licensed banks and other financial institutions are deposits with original maturity of less than 3 months amounting to RM175,778,000 (2017: RM60,873,004) for the Group and RM167,977,687 for the Company respectively (2017: RM60,873,004) which are classified as cash and cash equivalents for the statements of cash flows.

6. Financial assets at fair value through profit or loss ("FVTPL")

	Group		Company	
	2018	2017	2018	2017
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Government Investment Issues	14,898	9,940	14,898	9,940

6. Financial assets at fair value through profit or loss ("FVTPL")

At fair value (cont'd.)	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted securities in Malaysia:				
Corporate Bond and/or Sukuk	81,192	65,517	81,181	65,517
Islamic Commercial Papers	219,224	160,614	219,224	160,614
Shares	1	1	1	1
	300,417	226,132	300,406	226,132
Unit Trust	8,503	10,007	8,503	10,007
	323,818	246,079	323,807	246,079

The financial assets at FVTPL category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. On 1 January 2018, RM24,669,130 was reclassifed from AFS securities.

7. Financial investments at fair value through other comprehensive income ("FVOCI")/securities available-for-sale

At fair value	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Money market instruments:				
Malaysian Government Securities	287,748	481,359	-	-
Government Investment Issues	432,327	384,266	-	-
Negotiable Instruments of Deposits	-	497,021	-	-
	720,075	1,362,646	-	-
Quoted instruments in Malaysia:				
Shares	-	19,737	-	-
Unquoted instruments in Malaysia:				
Corporate bonds	200,624	2,426,751	7	7
Loan stocks	5,673	13,502	1,348	1,348
Shares	1,057	5,978	300	300
	207,354	2,446,231	1,655	1,655
	927,429	3,828,614	1,655	1,655

7. Financial investments at fair value through other comprehensive income ("FVOCI")/securities available-for-sale (cont'd.)

The financial assets at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. On 1 January 2018, RM24,669,130 was reclassifed to FVTPL.

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

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 December 2018			
Group			
Superior	804,891	-	804,891
Very Strong	25,071	-	25,071
Strong	25,093	-	25,093
Good	65,638	-	65,638
Unacceptable	-	128,373	128,373
	920,693	128,373	1,049,066
Company			
Unacceptable	-	13,886	13,886
	-	13,886	13,886

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

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Group			
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
Transfer from individual impairment allowance	-	156,123	156,123
At 1 January 2018, restated	-	156,123	156,123
Made	44	14,435	14,479
Written off	-	(47,864)	(47,864)
At 31 December 2018	44	122,694	122,738

7. Financial investments at fair value through other comprehensive income ("FVOCI")/securities available-for-sale (cont'd.)

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Company			
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
Transfer from individual impairment allowance	-	12,580	12,580
At 1 January 2018, restated	-	12,580	12,580
Recovery	-	(49)	(49)
At 31 December 2018	-	12,531	12,531

8. Financial investments at amortised cost

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

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

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

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

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

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

Group	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off Balance Sheet RM'000	Total RM'000
At 1 January 2018	-	-	-	-
Effects of adoption of MFRS 9				
Transfer from individual impairment allowance	-	629	-	629
Remeasurement under ECL	428	-	-	428
At 1 January 2018, restated	428	629	-	1,057
Made	-	4,910	9	4,919
Written back	(102)	-	-	(102)
Transfer	4	-	(4)	-
At 31 December 2018	330	5,539	5	5,874

9. Derivative assets/(liabilities)

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

10. Other assets

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest/profit receivables		36,351	31,777	3,197	4,870
Amount due from brokers and clients	(a)	45,733	165,308	-	-
Deposits, prepayments and other receivables		21,623	15,516	3,065	3,011
Less:					
Individual impairment allowance	(b)	-	(4,350)	-	-
Expected credit loss allowance	(b)	(6,076)	-	-	-
		15,547	11,166	3,065	3,011
Amount recoverable from Danaharta		96,973	96,973	-	-
Less:					
Individual impairment allowance		-	(96,973)	-	-
Expected credit loss allowance		(96,973)	-	-	-
		-	-	-	-

10. Other assets (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Amounts due from subsidiaries	(c)	-	-	5,041	4,620
Tax recoverable		40,228	28,377	11,288	1,010
		137,859	236,628	22,591	13,511

(a) Amount due from brokers and clients

	Group 2018 RM'000	Group 2017 RM'000
Brokers	33,865	52,399
Clients	11,868	112,909
	45,733	165,308

Clients' and brokers' debit balances arose from trading of securities, through the investment banking subsidiary, which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) Deposits, prepayments and other receivables

(i) Individual impairment allowance

Movements in individual impairment allowances are as follows:

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	(4,350)	(4,515)
Effects of adoption of MFRS 9		
Transfer from individual impairment allowance	4,350	-
	-	(4,515)
Impairment made	-	(842)
Adjustment	-	(145)
Amount written off	-	1,152
At 31 December	-	(4,350)

10. Other assets (cont'd.)

(b) Deposits, prepayments and other receivables

(ii) Expected credit loss allowance

	Group	
	2018 RM'000	2017 RM'000
At 1 January	-	-
Effects of adoption of MFRS 9:		
Transfer from individual impairment allowances	(4,350)	
Remeasurement under ECL	128	
	(4,222)	-
Impairment made	(3,858)	-
Written back	1,397	-
Written off	607	-
At 31 December	(6,076)	-

(c) Amount due from subsidiaries - current accounts

These amounts are unsecured, interest-free and repayable on demand.

11. Loans, advances and financing

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loans/financing				
- Syndicated term loans/financing	224,407	238,832	-	-
- Hire purchase receivables	1,088	10,205	1,088	1,339
- Real estate financing	23,362	27,735	-	-
- Murabahah financing	180,305	180,205	-	-
- Lease receivables	-	1,568	-	-
Other term loans/financing	134,455	141,577	313,548	160,026
	563,617	600,122	314,636	161,365
Margin accounts	349,388	317,038	-	-
Staff loans	1,336	1,441	861	948
	914,341	918,601	315,497	162,313
Less: Unearned interest/income	(7,809)	(9,160)	(7,809)	(9,160)
Gross loans, advances and financing	906,532	909,441	307,688	153,153
Less:				
- Collective impairment allowance	-	(8,881)	-	(5,366)
- Individual impairment allowance	-	(116,967)	-	(40,602)
- Expected credit loss allowances	(214,714)	-	(42,122)	-
Net loans, advances and financing	691,818	783,593	265,566	107,185

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

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

(a) Gross loans, advances and financing

(i) By type of customer

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Domestic business enterprises				
- Small medium enterprises	444,905	444,848	255,867	101,091
- Others	189,264	193,811	50,960	51,114
Individuals	272,363	270,782	861	948
Gross loans, advances and financing	906,532	909,441	307,688	153,153

(ii) By interest/profit rate sensitivity

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Fixed rate				
- Staff loans	1,336	1,441	861	948
- Hire purchase receivables	1,088	10,205	1,088	1,339
- Other fixed rate loans/ financing	503,149	445,814	88,398	92,262
Variable rate				
- BLR plus	26,144	27,523	26,144	27,523
- Cost-plus	374,815	424,458	191,197	31,081
Gross loans, advances and financing	906,532	909,441	307,688	153,153

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

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

(iii) By economic sector

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Mining and quarrying	98,048	98,048	-	-
Manufacturing	104,140	115,382	49,384	52,829
Construction	43,222	117	-	-
Wholesale and retail trade and restaurants and hotels	70,712	72,582	44,971	44,790
Transport, storage and communications	1,605	2,864	1,605	2,196
Finance, insurance and business services	154,728	160,547	207,008	48,273
Purchase of transport vehicles	-	7,581	-	-
Real Estate	138,304	142,697	-	-
Education	-	32,556	-	-
Household	206,037	195,612	-	-
Others	89,736	81,455	4,720	5,065
Gross loans, advances and financing	906,532	909,441	307,688	153,153

(iv) By residual contractual maturity

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Within one year	564,247	556,270	55,239	72,464
One year to five years	336,894	334,857	247,231	73,843
After five years	5,392	18,314	5,219	6,846
Gross loans, advances and financing	906,532	909,441	307,688	153,153

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

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

(i) Movements in ILs are as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At 1 January	449,700	568,470	63,743	65,242
Classified as impaired during the financial year	32,167	33,365	31,704	-
Amount recovered	(31,239)	(151,347)	(26,444)	(711)
Amount written off	(21,064)	(788)	(2,345)	(788)
At 31 December	429,564	449,700	66,658	63,743
Less:				
Individual impairment allowances	-	(116,967)	-	(40,602)
Expected credit loss allowances	(211,086)	-	(39,925)	-
Net ILs	218,478	332,733	26,733	23,141
Ratio of net ILs to gross loans, advances and financing less expected credit allowances/individual impairment allowance	31.42%	41.99%	9.98%	20.56%

(ii) ILs by economic sector

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Mining and quarrying	98,048	98,048	-	-
Manufacturing	97,003	107,328	46,604	48,814
Construction	-	117	-	-
Wholesale and retail trade and restaurants and hotels	28,058	23,917	17,289	12,687
Transport, storage and communications	-	948	-	280
Finance, insurance and business services	2,346	1,543	2,346	1,543
Purchase of transport vehicles	-	7,581	-	-
Real Estate	138,304	142,697	-	-
Others	65,805	67,521	419	419
	429,564	449,700	66,658	63,743

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

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

(i) Individual impairment allowance

Group	Term loans/ financing RM'000	Staff loans RM'000	Margin accounts RM'000	Total RM'000
2018				
At 1 January	116,849	118	-	116,967
Effects of adoption of MFRS 9	(116,849)	(118)	-	(116,967)
At 31 December	-	-	-	-
2017				
At 1 January	126,066	118	-	126,184
Impairment made during the financial year	5,744	-	-	5,744
Amount written back	(2,409)	-	-	(2,409)
Amount written off	(1,545)	-	-	(1,545)
Reclassification to available-for-sale	(8,971)	-	-	(8,971)
Discount unwind	(2,036)	-	-	(2,036)
At 31 December	116,849	118	-	116,967

Company	2018 RM'000	2017 RM'000
At 1 January	40,602	42,906
Effects of adoption of MFRS 9	(40,602)	-
At 1 January, restated	-	42,906
Impairment made during the financial year	-	67
Amount written back	-	(1,057)
Amount written off	-	(788)
Discount unwind	-	(526)
At 31 December	-	40,602

The individual impairment allowance of the Company is in relation to term loans/financing.

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

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

(ii) Collective impairment allowance

	Group		Company	
	2018	2017	2018	2017
Terms loans/financing	RM'000	RM'000	RM'000	RM'000
At 1 January	8,881	7,602	5,366	4,755
Effects of adoption of MFRS 9	(8,881)	-	(5,366)	-
At 1 January, restated	-	7,602	-	4,755
Impairment made during the financial year	-	1,279	-	611
At 31 December	-	8,881	-	5,366
% of total loans, advances and financing less individual impairment allowance (including regulatory reserve)	-	1.45%	-	4.77%

(iii) Expected credit loss allowance

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

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Group				
Superior	1,001	-	-	1,001
Very strong	90,240	-	-	90,240
Strong	86,442	-	-	86,442
Good	58,870	4,121	-	62,991
Acceptable	156,080	12,088	-	168,168
Fair	61,304	3,929	5,715	70,948
Weak	35	1,544	-	1,579
Unacceptable	-	-	423,827	423,827
	453,972	21,682	429,542	905,196

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

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

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

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

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Company				
Superior	1,001	-	-	1,001
Very strong	1,605	-	-	1,605
Strong	3,541	-	-	3,541
Good	10,539	-	-	10,539
Acceptable	5,631	7,272	-	12,903
Fair	14,131	194,870	5,715	214,716
Weak	35	1,544	-	1,579
Unacceptable	-	-	60,943	60,943
	36,483	203,686	66,658	306,827

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

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Group				
Gross carrying amount as at 1 January 2018	546,111	10,260	351,629	908,000
New assets originated or purchased	204,246	-	463	204,709
Transfer to stage 1	1,277	(1,277)	-	-
Transfer to stage 2	(12,844)	3,908	8,937	1
Assets derecognised or repaid (excluding write offs)	(180,993)	(207)	(5,250)	(186,450)
Transfer to stage 3	(103,763)	-	103,763	-
Amount written off	-	-	(21,064)	(21,064)
Gross carrying amount as at 31 December 2018	454,034	12,684	438,478	905,196

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

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

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

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Company				
Gross carrying amount as at 1 January 2018	47,121	41,341	63,743	152,205
New assets originated or purchased	3,540	159,860	-	163,400
Transfer to stage 1	1,277	(1,277)	-	-
Transfer to stage 2	(3,908)	3,908	-	-
Assets derecognised or repaid (excluding write offs)	(5,771)	(207)	(455)	(6,433)
Transfer to stage 3	(5,715)	-	5,715	-
Amount written off	-	-	(2,345)	(2,345)
Gross carrying amount as at 31 December 2018	36,544	203,625	66,658	306,827

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

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

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

Group	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Off Balance sheet RM'000	Total RM'000
At 1 January 2018	-	-	-	-	-
Effects of adoption of MFRS 9:					
Transfer from individual/collective impairment allowance	8,881	-	116,967	-	125,848
Remeasurement under ECL	(6,355)	1,633	-	2,552	(2,170)
At 1 January 2018, restated	**2,526**	**1,633**	**116,967**	**2,552**	**123,678**
Transfer	1,959	-	-	(1,959)	-
Impairment made during the financial year	302	432	116,267	39	117,040
Written back	(3,382)	(474)	(420)	-	(4,276)
Written off	-	-	(21,200)	-	(21,200)
Discount unwind	-	-	(528)	-	(528)
At 31 December 2018	**1,405**	**1,591**	**211,086**	**632**	**214,714**

Company	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Off Balance sheet RM'000	Total RM'000
At 1 January 2018	-	-	-	-	-
Effects of adoption of MFRS 9:					
Transfer from individual/collective impairment allowance	5,366	-	40,602	-	45,968
Remeasurement under ECL	(4,558)	1,633	-	103	(2,822)
At 1 January 2018, restated	**808**	**1,633**	**40,602**	**103**	**43,146**
Transfer					-
Impairment made during the financial year	302	432	2,525	39	3,298
Written back	(646)	(474)	(329)	-	(1,449)
Written off	-	-	(2,345)	-	(2,345)
Discount unwind	-	-	(528)	-	(528)
At 31 December 2018	**464**	**1,591**	**39,925**	**142**	**42,122**

12. 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.

13. Investment in associate

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares - At cost	1,062	1,062	2,560	2,560
Share of post-acquisition reserves	2,811	2,418	-	-
	3,873	3,480	2,560	2,560

(i) The details of the associate of the Group and the Company are as follows:

Name of company	Effective ownership interest 2018 %	Effective ownership interest 2017 %	Principal activities
Incorporated in Malaysia			
Amanah Butler Malaysia Sdn. Bhd.	46.2	46.2	Foreign exchange and currency broking services

(ii) The Group's interests in its associate are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Current assets	8,403	7,476
Non-current assets	610	667
Current liabilities	(630)	(611)
Equity	8,383	7,532
Proportion of the Group's ownership	46.2%	46.2%
Carrying amount of the investment	3,873	3,480

13. Investment in associate (cont'd.)

(ii) The Group's interests in its associate are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Revenue	18,339	17,855
Other operating income	148	106
Staff costs	(12,170)	(12,052)
Depreciation	(117)	(190)
Other operating expenses	(1,802)	(1,947)
Profit before taxation	4,398	3,772
Taxation	(1,045)	(926)
Profit for the financial year	3,353	2,846
Group's share of profit for the financial year	1,549	1,315

The associate had no contingent liabilities or capital commitment at end of each financial year

14. Investment in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares - At cost	980,821	980,821
Less: Pre-acquisition dividend received	(11,944)	(11,944)
	968,877	968,877
Less: Accumulated impairment loss	(368,121)	(368,121)
	600,756	600,756

(a) The details of the subsidiaries are as follows:

Name of companies	Effective ownership interest 2018 %	Effective ownership interest 2017 %	Principal activities
MIDF Amanah Investment Bank Berhad	100.0	100.0	Investment banking and related financial services

14. Investment in subsidiaries (cont'd.)

(a) The details of the subsidiaries are as follows: (cont'd.)

Name of companies	Effective ownership interest 2018 %	2017 %	Principal activities
MIDF Amanah Asset Management Berhad	100.0	100.0	Fund management and investment advisory
MIDF Amanah Capital Berhad	100.0	100.0	Investment and property holding
MIDF DFI Bhd.	100.0	100.0	Dormant
Amanah International Finance Sdn. Bhd. ("AIF")	100.0	100.0	Provision of real estate and short term financing
MIDF Amanah Ventures Sdn. Bhd.	100.0	100.0	Venture capital
Omega Matrix (M) Sdn. Bhd.	100.0	100.0	Loan management
Oriental 1936 Berhad	75.2	75.2	Dormant
Asia Unit Trusts Berhad *	-	100.0	Dissolved
Amanah Futures & Options Sdn. Bhd. *	-	100.0	Dissolved
Subsidiaries of MIDF Amanah Capital Berhad			
MIDF ASD Berhad *	100.0	100.0	Under Liquidation
Amanah General Assets Bhd *	-	100.0	Dissolved
Mint Victor (M) Sdn. Bhd. *	-	100.0	Dissolved
Subsidiaries of MIDF Amanah Investment Bank Berhad			
MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.	100.0	100.0	Nominees services
MIDF Amanah Investment Nominees (Asing) Sdn. Bhd.	100.0	100.0	Nominees services

* Entities are under liquidation and dormant and are not required to be audited.

All of the subsidiaries are incorporated in Malaysia.

14. Investments in subsidiaries (cont'd.)

(b) Financial information of subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	2018 %	2017 %
Oriental 1936 Berhad	Malaysia	24.8	24.8

	2018 RM'000	2017 RM'000
Accumulated balances of material non-controlling interest:	255	255
Profit allocated to material non-controlling interest:	*	45

The summarised financial information of Oriental 1936 Berhad is provided below. This information is based on amounts before inter-company eliminations.

(i) Summarised statement of comprehensive income:

	2018 RM'000	2017 RM'000
Other operating income	28	28
Other operating expense	(20)	(15)
Profit before taxation	8	13
Taxation	(7)	166
Profit for the financial year, representing total comprehensive income for the financial year	1	179
Attributable to non-controlling interests	*	45
Dividends paid to non-controlling interests	-	-

* Denotes RM248

(ii) Summarised statement of financial position:

	2018 RM'000	2017 RM'000
Assets		
Other receivables	167	182
Cash and bank balances	863	848
Total assets	1,030	1,030
Liability		
Other payables	3	5

14. Investments in subsidiaries (cont'd.)

(b) Financial information of subsidiary that has material non-controlling interests is provided below (cont'd.):

(ii) Summarised statement of financial position (cont'd.):

	2018 RM'000	2017 RM'000
Equity		
Share capital	387,083	387,083
Accumulated losses	(386,056)	(386,058)
Total equity	1,027	1,025
Total liability and equity	1,030	1,030
Attributable to:		
Equity holders of parent	775	775
Non-controlling interest	255	255

(iii) Summarised cash flow information:

	2018 RM'000	2017 RM'000
Cash balance at beginning of financial year	848	832
Cash flow generated from operating activities	15	16
Cash flow used in financing activity		
Cash balance at end of financial year	863	848

15. Investment properties

	Group	
	2018 RM'000	2017 RM'000
Buildings		
Cost		
At 1 January/31 December	4,442	4,442

15. Investment properties (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000
Accumulated depreciation		
At 1 January	1,637	1,548
Charge for the financial year	89	89
At 31 December	1,726	1,637
Net book value	2,716	2,805

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Had these buildings been carried at fair value, the carrying amount, by class, that would have been included in the financial statements of the Group is as follows:

	Group 2018 RM'000	Group 2017 RM'000
Investment properties		
Residential properties	6,983	6,983
Office property	1,892	1,575

The fair value of investment properties disclosed above has not been determined by an external independent valuer. The fair values of the investment properties are determined using the market comparison method. Market price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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16. Property, plant and equipment

Group	Land use rights unexpired period more than 50 years RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2017	521	670	1,496	7,023	11,877	14,188	2,718	38,493
Additions	-	-	-	12	35	1,268	363	1,678
Written off	-	-	-	-	(12)	(638)	-	(650)
Reclassification	-	-	-	-	-	(381)	-	(381)
At 31 December 2017	521	670	1,496	7,035	11,900	14,437	3,081	39,140
Additions	-	-	-	-	66	1,363	472	1,901
Disposal	-	-	-	-	-	-	(675)	(675)
Written off	-	-	-	-	(1)	(31)	-	(32)
At 31 December 2018	521	670	1,496	7,035	11,965	15,769	2,878	40,334

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

Group (cont'd.)	Land use rights unexpired period more than 50 years RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2017	202	279	1,061	6,835	11,812	12,390	2,050	34,629
Charge for the financial year	10	13	40	76	55	1,006	369	1,569
Written off	-	-	-	-	(12)	(638)	-	(650)
Reclassification	-	-	-	-	-	(192)	-	(192)
At 31 December 2017	212	292	1,101	6,911	11,855	12,566	2,419	35,356
Charge for the financial year	10	13	28	43	60	1,207	303	1,664
Disposal	-	-	-	-	-	-	(655)	(655)
Written off	-	-	-	-	(1)	(31)	-	(32)
At 31 December 2018	222	305	1,129	6,954	11,914	13,742	2,067	36,333
Net book value								
At 31 December 2017	309	378	395	124	45	1,871	662	3,784
At 31 December 2018	299	365	367	81	51	2,027	811	4,001

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

Company	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 January 2017	670	1,496	6,053	7,119	6,151	2,180	23,669
Additions	-	-	12	34	1,074	363	1,483
Transfer to subsidiaries	-	-	-	-	(11)	-	(11)
Written off	-	-	-	(12)	(168)	-	(180)
Reclassification	-	-	-	-	(381)	-	(381)
At 31 December 2017	670	1,496	6,065	7,141	6,665	2,543	24,580
Additions	-	-	-	65	536	471	1,072
Disposals	-	-	-	(1)	(5)	(610)	(616)
Transfer to subsidiaries	-	-	-	-	3	-	3
Written off	-	-	-	-	(18)	-	(18)
At 31 December 2018	670	1,496	6,065	7,205	7,181	2,404	25,021

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

Company (cont'd.)	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Furniture, fittings and office equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2017	278	1,061	5,869	7,072	5,546	1,607	21,433
Charge for the financial year	13	40	74	45	346	340	858
Transfer to subsidiaries	-	-	-	-	(10)	-	(10)
Written off	-	-	-	(12)	(168)	-	(180)
Reclassification	-	-	-	-	(192)	-	(192)
At 31 December 2017	291	1,101	5,943	7,105	5,522	1,947	21,909
Charge for the financial year	14	29	42	51	594	274	1,004
Disposals	-	-	-	(1)	(5)	(610)	(616)
Transfer to subsidiaries	-	-	-	-	3	-	3
Written off	-	-	-	-	(18)	-	(18)
At 31 December 2018	305	1,130	5,985	7,155	6,096	1,611	22,282
Net book value							
At 31 December 2017	379	395	122	36	1,143	596	2,671
At 31 December 2018	365	366	80	50	1,085	793	2,739

17. Intangible assets

Group	Computer software RM'000	Work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2017	4,178	2,293	6,471
Addition	3,723	970	4,693
Transfer	17	(17)	-
Reclassification	2,655	(2,274)	381
At 31 December 2017	10,573	972	11,545
Addition	1,867	-	1,867
Reclassification	349	(349)	-
At 31 December 2018	12,789	623	13,412
Accumulated amortisation			
At 1 January 2017	(3,536)	-	(3,536)
Amortisation for the financial year	(1,210)	-	(1,210)
Reclassification	(192)	-	(192)
At 31 December 2017	(4,938)	-	(4,938)
Amortisation for the financial year	(2,302)	-	(2,302)
At 31 December 2018	(7,240)	-	(7,240)
Net book value			
At 31 December 2017	5,635	972	6,607
At 31 December 2018	5,549	623	6,172

Company	Computer software RM'000	Total RM'000
Cost		
At 1 January 2017	-	-
Addition	2,699	2,699
Reclassification	381	381
At 1 January/ 31 December 2017	3,080	3,080
Addition	1,179	1,179
At 31 December 2018	4,259	4,259

17. Intangible assets (cont'd.)

Company (cont'd.)	Computer software RM'000	Total RM'000
Accumulated amortisation		
At 1 January 2017	-	-
Addition	(145)	(145)
Reclassification	(192)	(192)
At 1 January/ 31 December 2017	(337)	(337)
Amortisation for the financial year	(715)	(715)
At 31 December 2018	(1,052)	(1,052)
Net book value		
At 31 December 2017	2,743	2,743
At 31 December 2018	3,207	3,207

18. Deferred tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	13,419	19,038	4,645	4,259
Effect of adoption of MFRS 9	(6,083)	-	-	-
At 1 January, restated	7,336	19,038	4,645	4,259
Reclassification	(206)	-	(206)	-
Recognised in profit or loss (Note 36)	4,947	1,942	(1,091)	386
Recognised in other comprehensive income	862	(7,561)	-	-
At 31 December	12,939	13,419	3,348	4,645

Presented after appropriate offsetting as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	14,065	14,209	3,856	4,991
Deferred tax liabilities	(1,126)	(790)	(508)	(346)
	12,939	13,419	3,348	4,645

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

18. Deferred tax (cont'd.)

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

Deferred tax assets of the Group

	Unutilised tax losses RM'000	Provisions RM'000	Revaluation of FVOCI/ securities-available-for sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	-	4,194	13,433	2,130	19,757
Recognised in profit or loss	-	273	-	1,739	2,012
Recognised in other comprehensive income	-	-	(7,565)	5	(7,560)
At 31 December 2017	-	4,467	5,868	3,874	14,209
At 1 January 2018	-	4,467	5,868	3,874	14,209
Effects of adoption of MFRS 9	-	-	(6,083)	-	(6,083)
At 1 January 2018, restated	-	4,467	(215)	3,874	8,126
Reclassification	-	-	-	(206)	(206)
Recognised in profit or loss	7,078	(682)	-	(1,113)	5,283
Recognised in other comprehensive income	-	-	897	(35)	862
At 31 December 2018	7,078	3,785	682	2,520	14,065

18. Deferred tax (cont'd.)

Deferred tax liabilities of the Group

	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2017	(720)	(720)
Recognised in profit or loss	(70)	(70)
At 31 December 2017	(790)	(790)
At 1 January 2018	(790)	(790)
Recognised in profit or loss	(336)	(336)
At 31 December 2018	(1,126)	(1,126)

Deferred tax assets of the Company

	Provisions RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	3,572	1,128	4,700
Recognised in profit or loss	144	147	291
Reclassification	(13)	13	-
At 31 December 2017	3,703	1,288	4,991
At 1 January 2018	3,703	1,288	4,991
Reclassification	-	(206)	(206)
Recognised in profit or loss	(668)	(261)	(929)
At 31 December 2018	3,035	821	3,856

Deferred tax liabilities of the Company

	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2017	(441)	(441)
Recognised in profit or loss	95	95
At 31 December 2017	(346)	(346)
At 1 January 2018	(346)	(346)
Recognised in profit or loss	(162)	(162)
At 31 December 2018	(508)	(508)

18. Deferred tax (cont'd.)

No deferred tax has been recognised on the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses	474,847	342,149	-	-
Unabsorbed capital allowances	124,847	136,196	10,358	12,413
Deductible temporary differences	-	13,859	-	-
	599,694	492,204	10,358	12,413

The unutilised tax losses, unabsorbed capital allowance and other deductible temporary difference are available for offsetting against future taxable profits for a maximum period of seven years of assessment of the Company under the Income Tax Act, 1967 until year of assessment 2025 and guidelines issued by the tax authority. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits.

19. Goodwill

	Group	
	2018 RM'000	2017 RM'000
Cost		
At 1 January/31 December	86,713	86,713

Impairment testing for cash-generating units ("CGU") containing goodwill :

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2018 RM'000	2017 RM'000
MIDF Amanah Investment Bank Berhad	86,713	86,713

19. Goodwill (cont'd.)

The recoverable amounts of the assets of the investment banking unit are determined based on a computed value in use using cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated and consistent with the financial budgets as mentioned above with no growth rate projected. The pre-tax discount rate applied to the cash flow projections of 6.39% (2017: 6.21%) per annum is based on average return on equity of comparable investment banks.

The recoverable amount of the investment banking unit is determined to be higher than its carrying amount, based on computation that the investment banking unit is an on-going operation.

The values assigned to the key assumptions represent management's assessment of future trends in the investment banking business and are based on both external and internal sources (historical data).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU.

20. Deposit from customers

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

21. Deposits and placements of banks and other financial institutions

	Group	
	2018	2017
	RM'000	RM'000
(i) Call deposits		
- Other financial institutions	5,724	3,860
(ii) Fixed deposits		
- Licensed banks	194,100	68,700
- Other financial institutions	1,146,251	1,809,082
	1,340,351	1,877,782
	1,346,075	1,881,642

22. Other liabilities

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Amount due to clients	(a)	60,498	171,633	-	-
Accrued interest and other payables		59,532	54,873	25,324	21,027
Other creditors and accruals		13,664	46,099	13,555	30,004
Amount due to immediate holding	(b)	-	-	-	1,331
Amount due to related companies	(b)	-	-	-	1,331
Amount due to subsidiaries	(b)	-	-	62	1,331
Amounts due to Government Scheme Funds (GSF)		5,525	3,008	5,525	3,008
		139,219	275,613	44,466	58,032

(a) Clients' credit balances arose from trading of securities, through the investment banking subsidiary, which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) Amount due to subsidiaries
The amount due to subsidiaries are unsecured, interest-free and repayable on demand.

23. Borrowings

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Loan from JBIC					
– FSMI	(a)	6,984	6,984	6,984	6,984
		6,984	6,984	6,984	6,984
Non-current					
Loan from JBIC					
– FSMI	(a)	136,198	143,183	136,198	143,183
Loan from MITI	(b)	160,000	160,000	160,000	160,000
Commodity Financing-i	(c)	-	148,237	-	-
		296,198	451,420	296,198	303,183
Total		303,182	458,404	303,182	310,167

	Group Current borrowing RM'000	Group Non-current borrowings RM'000	Company Current borrowing RM'000	Company Non-current borrowings RM'000
At 1 January 2018	6,984	451,420	6,984	303,183
Repayment	(6,985)	(148,237)	(6,985)	-
Reclass from non-current/to current	6,985	(6,985)	6,985	(6,985)
At 31 December 2018	6,984	296,198	6,984	296,198

Note	Type of loan	Repayment terms	Security	Interest rate (per annum)
(a)	Japan Bank for International Cooperation Fund for Small and Medium Industries ("JBIC - FSMI") (No foreign exchange risk as funds are provided in Ringgit Malaysia)	First instalment - RM3,492,286.99 on 20 March 2009. 60 half yearly instalments - RM3,492,249.00 up to 20 March 2039.	Unsecured	2.75% (2017: 2.75%)

23. Borrowings (cont'd.)

Note	Type of loan	Repayment terms	Security	Interest rate (per annum)
(b)	Soft Loan Scheme for Services Sector ("SLSSS") provided by Ministry of International Trade and Industry ("MITI")	Five (5) annual installments of RM32,000,000 each. Repayable at the end of fifteen years (including a grace period of 10 years) from the date of first drawdown (31 December 2011).	Unsecured	Nil*
(c)	Commodity Financing-i (Note (1))	The Facility will be made available for utilisation for up to 5 years subject to annual review.	Unsecured	Effective Cost of Fund + 1.00% (2017: Effective Cost of Fund +1.00%)

* The facility of RM200 million with MITI is based on the Shariah financing concept of Al Qardhul Hassan. As at 31 December 2018 and 2017, the Group and the Company have drawdown RM160 million from the facility.

Note (1)

The Company and its wholly owned subsidiary, Amanah International Finance Sdn Bhd ("AIF"), had both entered into this financing contract as a co-borrower to take up joint responsibility of financing repayments in November 2014.

Pursuant to the term of the borrowing contract, upon default in financing repayments by AIF, the bank is entitled to ask for repayments of borrowings and the co-borrower i.e. the Company, can be liable to repay the outstanding borrowing principal together with accrued interests accordingly.

During the year, the Company had provided other term loan amounting to RM190 million to AIF to settle the financing contract. This other term loan will be settled via the issuance of 190,000,000 units of Redeemable Preference Shares ("RPS"). Refer to Note 50 for further information.

24. Employee benefits

The Group and the Company 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 or with the Company at the time of their retirement.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Present value of unfunded defined benefit obligations	10,998	11,936	8,289	7,829
Present value of net obligations	10,998	11,936	8,289	7,829

Analysed as:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non current				
Later than 1 years but not later than 2 years	773	-	701	-
Later than 2 years but not later than 5 years	1,135	1,822	887	793
Later than 5 years	9,090	10,114	6,701	7,036
	10,998	11,936	8,289	7,829

24. Employee benefits (cont'd.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	11,936	11,403	7,829	8,299
Benefits paid	(2,137)	(580)	(576)	(580)
Transfer to MIDF Amanah Asset	-	-	(31)	-
Transfer to AIF	-	-	-	(690)
	9,799	10,823	7,222	7,029
Recognised in profit or loss (Note 30):				
Current service cost	653	570	513	360
Interest cost	693	524	554	440
	1,346	1,094	1,067	800
Recognised in other comprehensive income:				
Remeasurement of the net defined benefit liability:				
- Actuarial (gain)/loss arising from changes in demographic assumptions	(147)	19	-	-
At 31 December	10,998	11,936	8,289	7,829

Principal actuarial assumptions used are as follows:

	Group and Company	
	2018	2017
Discount rate	5.00%	5.00%
Expected rate of salary increase	5.50%	5.00%

24. Employee benefits (cont'd.)

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

Assumptions	Discount rate		Future salary increase	
Sensitivity analysis	0.5% increase RM'000	0.5% decrease RM'000	0.5% increase RM'000	0.5% decrease RM'000
Group				
(Decrease)/increase in the net defined benefit obligation:				
2018	(500)	434	429	(500)
2017	(326)	342	340	(327)
Company				
(Decrease)/increase in the net defined benefit obligation:				
2018	(350)	373	369	(350)
2017	(268)	282	280	(269)

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.

25. Reserves

(a) Statutory reserve

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

(b) Regulatory reserve

Regulatory reserve is maintained in addition to the loss allowance that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's Revised Policies Document on Financial Reporting issued on 2 February 2018.

25. Reserves (cont'd.)

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

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

26. Commitments and Contingencies

In the normal course of business, the Group and the Company made various commitments and incurred certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies and the related risk-weighted exposures of the Group and of the Company as at the end of financial year are as follows:

	2018			2017		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Group						
Interest rate related contracts with an original maturity of:						
- not exceeding one year	100,000	2,000	400	100,000	194	39
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	133,664	26,733	26,733	283,014	56,603	56,603
- Maturity exceeding one year	188,273	94,136	94,136	181,893	90,946	90,946
Loan facility commitment approved that have yet been drawdown:						
- Real estate financing	-	-	-	19,000	3,800	3,800
- Mezzanine/Short term financing	-	-	-	13,445	2,689	2,689
Total	421,937	122,869	121,269	597,352	154,232	154,077
Company						
Irrevocable commitments to extend credit:						
- Maturity exceeding one year	35,932	17,966	17,966	16,893	8,446	8,446
Total	35,932	17,966	17,966	16,893	8,446	8,446

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

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27. Interest income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loans, advances and financing				
- Interest income on non-impaired loans	32,202	21,303	5,921	4,330
- Interest income on impaired loans ("ILs")	786	11,713	439	526
Money at call and deposit placements with financial institutions	25,263	32,968	20,651	24,617
Financial assets at FVTPL/ securities held-for-trading	3,668	1,657	3,642	1,654
Financial investments at FVOCI/ securities available-for-sale				
- Interest income on non-impaired investments	15,741	81,223	21	22
- Interest income on impaired investments	-	3,955	-	-
Financial investments at amortised cost				
- Interest income on non-impaired investments	52,309	-	-	-
- Interest income on impaired investments	1,856	-	-	-
(Amortisation of premium)/accretion of discounts (net)	(362)	172	-	-
Derivative instruments	96	194	-	-
	131,559	153,185	30,674	31,149

28. Interest expense

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	26,851	35,367	-	-
Deposits from customers	54,524	58,157	-	-
Borrowings	10,267	12,071	4,027	4,255
Derivative instruments	4	-	-	-
	91,646	105,595	4,027	4,255

29. Non-interest income

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Management fees	4,769	5,960	9,296	9,038
Underwriting fees	350	901	-	-
Corporate advisory fees	3,467	3,049	-	-
Brokerage fees	16,153	20,959	-	-
Income from Government Scheme Funds	7,697	12,826	7,697	12,826
Other fees	6,093	11,137	80	519
	38,529	54,832	17,073	22,383
Investment income:				
Net gain on sale of financial assets at FVTPL/securities held-for-trading	5,684	4,368	3,772	4,355
Net gain/(loss) on sales				
- financial investments at FVOCI/ securities available for sale	768	(8)	-	-
- financial investments at amortised costs	113	-	-	-
Net unrealised (loss)/gain on revaluation				
- financial assets at FVTPL/ securities held-for-trading	(3,534)	910	1,387	910
- derivatives instruments	(195)	(449)	-	-
	2,836	4,821	5,159	5,265

29. Non-interest income (cont'd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross dividend income:				
Financial assets at FVTPL	1,394	-	-	-
Financial investments at FVOCI/ securities available-for-sales	422	2,150	300	300
Associates	-	-	1,155	1,017
Subsidiaries	-	-	-	52,900
	1,816	2,150	1,455	54,217
Other income:				
Gain on disposal of property, plant and equipment	62	-	54	-
Rental from:				
- Office premises	1,214	286	3,846	4,094
- Investment properties	155	137	-	-
Others	1,759	634	427	446
	3,190	1,057	4,327	4,540
	46,371	62,860	28,014	86,405

30. Staff costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	57,655	63,938	31,288	32,046
Employees' benefits:				
- Current financial year (Note 24)	1,346	1,094	1,067	800
Defined contribution plans	8,997	10,625	4,925	5,761
Social security costs	393	357	233	205
Other staff related expenses	8,557	6,635	5,292	3,885
	76,948	82,649	42,805	42,697

31. Other operating expenses

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Establishment costs				
Rental of:				
- office equipment	89	93	39	39
- premises	7,985	7,844	7,855	7,860
General repairs and	-			
maintenance	2,471	2,026	2,239	1,813
Insurance	273	342	59	82
Water and electricity	1,195	1,255	1,127	1,186
Other establishment costs	5,124	5,082	6	6
	17,137	16,642	11,325	10,986
Promotion and marketing-related expenses				
Business promotion and advertisement	3,183	3,101	1,591	1,430
Entertainment	428	463	23	36
	3,611	3,564	1,614	1,466
Administration and general expenses				
Auditors' remuneration				
- Audit	539	502	224	199
- Regulatory-related services	18	34	-	-
- Non audit services	121	1,219	128	856
Non-executive Directors' remunerations:				
- Directors of the Company (Note 32)	1,038	1,042	1,038	1,042
- Directors of the subsidiaries	370	419	-	-
Communication expenses	503	439	301	243
Management fees	-	-	1,726	1,629
Professional fees	959	1,005	408	363
Others	4,868	4,081	154	615
	8,416	8,741	3,979	4,947
	29,164	28,947	16,918	17,399

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32. Directors' remuneration

2018	Company Salary RM'000	Company Fees RM'000	Company Bonus RM'000	Company Defined contribution plans RM'000	Company Other emoluments RM'000	Company Benefits -in-kinds RM'000	Company Total RM'000	Subsidiaries Salary RM'000	Subsidiaries Fees RM'000	Subsidiaries Other emoluments RM'000	Subsidiaries Benefits -in-kinds RM'000	Subsidiaries Total RM'000	Group Total RM'000
Executive director:													
Dato' Charon Wardini Bin Mokhzani*	596	-	-	129	119	24	**868**	-	7	4	-	**11**	**879**
Datuk Mohd. Najib Bin Hj. Abdullah**	633	-	665	245	755	39	**2,337**	-	7	5	-	**12**	**2,349**
	1,229	-	665	374	874	63	**3,205**	-	14	9	-	**23**	**3,228**
Non-executive directors:													
Tan Sri Abdul Rahman Mamat	-	173	-	-	29	23	**225**	-	-	-	-	**-**	**225**
Datuk Azizan Hj. Abd. Rahman	-	173	-	-	38	-	**211**	-	130	34	-	**164**	**375**
Dato' Wan Roshdi Wan Musa	-	108	-	-	20	-	**128**	-	-	-	-	**-**	**128**
Cik Hasnah Binti Omar	-	110	-	-	15	3	**128**	-	28	15	-	**43**	**171**
Datuk Kaziah Binti Abd Kadir	-	128	-	-	26	5	**159**	-	95	27	-	**122**	**281**
En. Ahmad Lutfi Bin Abdul Mutalip @ Talib	-	153	-	-	30	4	**187**	-	28	13	-	**41**	**228**
	-	845	-	-	158	35	**1,038**	-	281	89	-	**370**	**1,408**
Total directors' remuneration	1,229	845	665	374	1,032	98	**4,243**	-	295	98	-	**393**	**4,636**

*Appointed on 2 July 2018
**Resigned on 30 June 2018

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

2017	Company Salary RM'000	Company Fees RM'000	Company Bonus RM'000	Company Defined contribution plans RM'000	Company Other emoluments RM'000	Company Benefits -in-kinds RM'000	Company Total RM'000	Subsidiaries Salary RM'000	Subsidiaries Fees RM'000	Subsidiaries Other emoluments RM'000	Subsidiaries Benefits -in-kinds RM'000	Subsidiaries Total RM'000	Group Total RM'000
Executive director:													
Datuk Mohd. Najib Bin Hj. Abdullah	1,140	-	950	398	-	109	**2,597**	-	15	127	-	**142**	**2,739**
Non-executive directors:													
Tan Sri Abdul Rahman Mamat	-	173	-	-	26	47	**246**	-	-	-	-	**-**	**246**
Datuk Azizan Hj. Abd. Rahman	-	155	-	-	26	6	**187**	-	146	41	6	**193**	**380**
Dato' Wan Roshdi Wan Musa	-	108	-	-	14	-	**122**	-	-	-	-	**-**	**122**
Cik Hasnah Binti Omar	-	110	-	-	12	-	**122**	-	27	12	-	**39**	**161**
Datuk Kaziah Binti Abd Kadir	-	128	-	-	22	37	**187**	-	118	39	-	**157**	**344**
En. Ahmad Lutfi Bin Abdul Mutalip @ Talib	-	153	-	-	25	-	**178**	-	21	9	-	**30**	**208**
	-	827	-	-	125	90	**1,042**	-	312	101	6	**419**	**1,461**
Total directors' remuneration	1,140	827	950	398	125	199	**3,639**	-	327	228	6	**561**	**4,200**

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Collective impairment allowances (Note 11 (c)(ii))				
- Made in the financial year	-	(1,279)	-	(611)
Individual impairment allowances (Note 11 (c)(i))				
- Made in the financial year	-	(5,744)	-	(67)
- Written back in the financial year	-	2,409	-	1,057
Expected credit loss allowances (Note 11 (c)(iii))				
- Made in the financial year	(117,040)	-	(3,298)	-
- Written back in the financial year	4,276	-	1,449	-
Recoveries from impaired loans	873	12,281	561	2,155
	(111,891)	7,667	(1,288)	2,534

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial investments at FVOCI /securities available-for-sale (net)	(14,479)	(28,658)	-	(225)
Financial investments at amortised cost	(4,817)	-	-	-
Interest on impaired securities recovered	1,423	-	49	-
	(17,873)	(28,658)	49	(225)

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Impairment loss made on investment in subsidiaries	-	-	-	(198)
Impairment loss (made)/written back on other receivables:				
- Made in the financial year (Note 10(b)(ii))	-	(975)	-	-
- Written back in the financial year (Note 10(b)(ii))	-	133	-	-
Expected credit loss allowances				
- Made in the financial year (Note 10(b)(ii))	(3,858)	-	-	-
- Written back in the financial year (Note 10(b)(ii))	1,397	-	-	-
Bad debt recoveries	148	-	79	-
	(2,313)	(842)	79	(198)

36. Taxation

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Income tax expense:				
- Malaysia – current financial year	178	18,107	-	10,342
- (Over)/under provision in prior financial years	(740)	(655)	67	(322)
	(562)	17,452	67	10,020
Deferred tax expense (Note 18):				
- Origination and reversal of temporary differences	(3,016)	(1,942)	1,091	(386)
- Over provision in prior financial years	(1,931)	-	-	-
	(4,947)	(1,942)	1,091	(386)
Tax (credit)/expense for the financial year	(5,509)	15,510	1,158	9,634

36. Taxation (cont'd.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation and zakat	(72,200)	66,960	35,696	94,714
Taxation at Malaysian Statutory tax rate of 24% (2017: 24%)	(17,328)	16,071	8,567	22,731
Non-deductible expenses	699	404	(247)	236
Income not subject to tax	(770)	(3,320)	(362)	(13,011)
Deferred tax asset not recognised in respect of unutilised tax losses	21,904	3,326	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(104)	-	-	-
Utilisation of group tax relief	(6,867)	-	(6,867)	-
Share of results of associate	(372)	(316)	-	-
	(2,838)	16,165	1,091	9,956
(Over)/under provision in prior years				
- Income tax	(740)	(655)	67	(322)
- Deferred tax	(1,931)	-	-	-
Tax expense for the financial year	(5,509)	15,510	1,158	9,634

During the current financial year, one of the subsidiaries within the Group, Amanah International Finance Sdn Bhd has surrendered its current year tax losses amounting to RM28.6 million (2017: RM Nil) to the Company in accordance with Section 44A of the Income Tax Act, 1967. Accordingly, the Company has applied the group tax relief to offset against its current year tax expenses amounting to RM28.6 million.

37. (Losses)/earnings per ordinary share - Basic and diluted

The calculation of basic and diluted (losses)/earnings per ordinary share is based on the Group's loss attributable to shareholder of the Company of RM67,266,000 (2017: RM50,099,000) by the weighted average number of ordinary shares outstanding during the financial year of 472,022,346 (2017: 466,070,000).

38. Dividends

	Group and Company 2018 RM'000	2017 RM'000
In respect of financial year ended 31 December 2016:		
- Single-tier interim dividend of 19.3104 sen per share on 466,070,000 ordinary shares, paid on 3 May 2017		90,000
In respect of financial year ended 31 December 2017:		
- Single-tier interim dividend of 10.7280 sen per share on 466,070,000 ordinary shares, paid on 24 July 2018.	50,000	
- Single tier final dividend of 10.7280 sen per share on 466,070,000 ordinary shares via Dividend Reinvestment Plan^	50,000	
	100,000	90,000

^ On 29 June 2018 and 24 July 2018, the Board and BNM approved a Dividend Reinvestment Plan which entails single-tier final dividend of 10.7280 sen on 460,070,500 ordinary shares by way of issuance of 14,285,714 units of new ordinary shares.

A single tier interim dividend in respect of the current financial year ended 31 December 2018 of 4.16 sen on 480,355,714 ordinary shares, amounting to a dividend of RM20.0 million has been approved by the Board of Directors on 28 February 2019. On 1 April 2019, Bank Negara Malaysia ("BNM") approved this dividend.

The financial statements for the current financial year ended 31 December 2018 do not reflect this proposed dividend. Such dividend, will be accounted for in the statements of changes in equity as an appropriation of the retained profits in the next financial year ending 31 December 2019.

39. Maturity analysis of assets and liabilities

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

2018 Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	399,102	-	399,102
Deposits and placements with licensed banks and other financial insititutions	306,478	-	306,478
Financial assets at fair value through profit or loss ("FVTPL")/securities held-for-trading	227,751	96,067	323,818
Financial investments at fair value through other comprehensive income ("FVOCI")/securities available-for-sale	95,767	831,662	927,429
Financial investments at amortised cost	189,927	2,595,169	2,785,096
Other assets	117,544	20,316	137,860
Loans, advances and financing	542,135	149,683	691,818
Statutory deposits with Bank Negara Malaysia	-	127,220	127,220
Investment in associate	-	3,873	3,873
Investment properties	-	2,716	2,716
Property, plant and equipment	-	4,001	4,001
Intangible assets	-	6,172	6,172
Deferred tax assets	-	12,939	12,939
	1,878,704	3,849,818	5,728,522
Goodwill	-	86,713	86,713
Total assets	1,878,704	3,936,531	5,815,235
Liabilities			
Deposits from customers	2,324,035	16,000	2,340,035
Deposits and placements of banks and other financial institutions	1,346,075	-	1,346,075
Other liabilities	137,653	1,566	139,219
Borrowings	6,984	296,198	303,182
Provision for taxation and zakat	602	-	602
Employee benefits	-	10,998	10,998
Derivatives liabilities	-	117	117
Total liabilities	3,815,349	324,879	4,140,228

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

2017 Group	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	580,367	-	580,367
Deposits and placements with licensed banks and other financial insititutions	434,823	-	434,823
Securities held-for-trading	170,621	75,458	246,079
Securities available-for-sale	1,080,481	2,748,133	3,828,614
Derivative assets	78	-	78
Other assets	204,352	32,276	236,628
Loans, advances and financing	536,415	247,178	783,593
Statutory deposits with Bank Negara Malaysia	-	114,282	114,282
Investment in associate	-	3,480	3,480
Investment properties	-	2,805	2,805
Property, plant and equipment	-	3,784	3,784
Intangible assets	-	6,607	6,607
Deferred tax assets	-	13,419	13,419
	3,007,137	3,247,422	6,254,559
Goodwill	-	86,713	86,713
Total assets	3,007,137	3,334,135	6,341,272
Liabilities			
Deposits from customers	1,921,796	15,673	1,937,469
Deposits and placements of banks and other financial institutions	1,881,642	-	1,881,642
Other liabilities	219,570	56,043	275,613
Borrowings	6,984	451,420	458,404
Provision for taxation and zakat	2,380	-	2,380
Employee benefits	-	11,936	11,936
Total liabilities	4,032,372	535,072	4,567,444

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

2018 Company	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	266,284	-	266,284
Deposits and placements with licensed banks and other financial insititutions	298,678	-	298,678
Financial assets at fair value through profit or loss ("FVTPL")/securities held-for-trading	227,751	96,056	323,807
Financial investments at fair value through other comprehensive ("FVOCI")/securities available-for-sales	1,355	300	1,655
Other assets	22,591	-	22,591
Loans, advances and financing	191,562	74,004	265,566
Investment in associate	-	2,560	2,560
Investment in subsidiaries	-	600,756	600,756
Property, plant and equipment	-	2,739	2,739
Intangible assets	-	3,207	3,207
Deferred tax assets	-	3,348	3,348
Total assets	1,008,221	782,970	1,791,191
Liabilities			
Other liabilities	44,466	-	44,466
Borrowings	6,984	296,198	303,182
Provision for taxation and zakat	575	-	575
Employee benefits	-	8,289	8,289
Total liabilities	52,025	304,487	356,512

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

2017 Company	Within 12 months RM'000	More than 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	415,781	-	415,781
Deposits and placements with licensed banks and other financial insititutions	424,573	-	424,573
Securities held-for-trading	170,621	75,458	246,079
Securities available-for-sale	1,355	300	1,655
Other assets	12,096	1,415	13,511
Loans, advances and financing	31,342	75,843	107,185
Investment in associate	-	2,560	2,560
Investment in subsidiaries	-	600,756	600,756
Property, plant and equipment	-	2,671	2,671
Intangible assets	-	2,743	2,743
Deferred tax assets	-	4,645	4,645
Total assets	1,055,768	766,391	1,822,159
Liabilities			
Other liabilities	29,640	25,730	55,370
Borrowings	6,984	303,183	310,167
Provision for taxation and zakat	899	-	899
Employee benefits	-	7,829	7,829
Total liabilities	37,523	336,742	374,265

40. Segment information

For management purposes, the Group which is organised into business units based on their products and services, has five reportable operating segments as follows:

(i) Investment banking

Providing investment banking, money lending operation and related financial services.

(ii) Asset management

Managing unit trust funds, providing fund management operations and services to investors and individual customers.

40. Segment information (cont'd.)

(iii) Development finance

Providing financing, leasing, industrial hire-purchase services, factoring to industries and businesses in Malaysia.

(iv) Investment holding

This reportable segment has been formed by aggregating operating segments engaged in investment holding activities, which are regarded by management to exhibit similar economic characteristics.

(v) Other reportable segments

Other reportable segments comprise operating segments engaged in providing share registry, share issue and consultancy services, mezzanine financing, venture capital, in which management review its operating results on an aggregate basis to allocate resources to these operating segments and assess its segment performance.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

The Group does not rely on any major customers who contribute 10% or more of the reportable segments' revenue and hence, disclosure of information about major customers is not presented.

40. Segment information (cont'd.)

Group 2018	Investment banking RM'000	Asset management RM'000	Development finance RM'000	Investment holding RM'000	Others RM'000	Eliminations RM'000	*Notes*	Total RM'000
Revenue								
External customers	240,082	4,101	57,071	27,513	(1,708)	-		327,059
Inter-segment	728	1,045	4	19,695	-	(21,472)	(i)	-
Total revenue	240,810	5,146	57,075	47,208	(1,708)	(21,472)		327,059
Results								
Interest income	104,645	369	6,875	23,835	686	(4,851)		131,559
Interest expense	(81,379)	-	(4,027)	-	(11,091)	4,851		(91,646)
Net income from Islamic banking operations	38,573	-	43,638	-	-	-		82,211
Non-interest income	29,980	4,777	7,866	23,826	(2,374)	(17,704)		46,371
Depreciation and amortisation	(1,977)	(179)	(1,026)	(793)	(80)	-		(4,055)
Expected credit loss (made)/written back on:	-	-	-	-	-	-		
- loan, advances and financing	(44,414)	-	(1,288)	-	(66,189)	-		(111,891)
- financial investment instruments	(17,922)	-	-	49	-	-		(17,873)
- other assets	(645)	(1)	79	-	(1,746)	-		(2,313)
Share of results in associate	-	-	-	-	-	1,549		1,549
Taxation	4,980	(83)	(777)	(387)	1,776	-		5,509
Zakat	-	-	(575)	-	-	-		(575)
Segment profit/(loss)	(19,667)	295	32,021	1,785	(82,094)	394		(67,266)
Assets and liabilities								
Additions to non-current assets	1,238	124	1,369	882	155		(ii)	3,768
Investment in associate	-	-	-	2,560	-	1,313		3,873
Segment assets	4,548,350	12,342	379,740	1,415,729	26,912	(567,838)	(iii)	5,815,235
Segment liabilities	3,771,693	490	344,940	11,656	204,112	(192,663)	(iv)	4,140,228

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40. Segment information (cont'd.)

Group 2017	Investment banking RM'000	Asset management RM'000	Development finance RM'000	Investment holding RM'000	Others RM'000	Eliminations RM'000	*Notes*	Total RM'000
Revenue								
External customers	249,171	3,927	58,869	24,462	15,359	-		351,788
Inter-segment	687	1,119	4	69,145	-	(70,955)	(i)	-
Total revenue	249,858	5,046	58,873	93,607	15,359	(70,955)		351,788
Results								
Interest income	114,535	366	7,833	23,426	10,201	(3,176)		153,185
Interest expense	(93,524)	-	(4,255)	-	(10,992)	3,176		(105,595)
Net income from Islamic banking operations	51,089	-	40,403	-	-	-		91,492
Non-interest income	34,134	4,680	12,006	78,174	5,159	(71,293)		62,860
Depreciation and amortisation	(1,577)	(176)	(317)	(789)	(9)	-		(2,868)
Impairment losses (made)/write back on								-
loans, advances and financing	8,392	-	2,534	-	(3,259)	-		7,667
Impairment losses made on securities	(28,432)	-	-	(226)	-	-		(28,658)
Impairment losses made on other assets	(835)	-	-	(198)	(7)	198		(842)
Share of results in associate	-	-	-	-	-	1,315		1,315
Taxation	(5,884)	(31)	(8,934)	(721)	60	-		(15,510)
Zakat	(767)	-	(539)	-	-	-		(1,306)
Segment profit/(loss)	20,785	(237)	29,259	55,295	(2,509)	(52,448)		50,144
Assets and liabilities								
Additions to non-current assets	1,838	53	3,362	820	300	-	(ii)	6,373
Investment in associate	-	-	-	2,560	-	920		3,480
Segment assets	4,816,894	12,046	390,091	1,438,910	235,552	(552,221)	(iii)	6,341,272
Segment liabilities	4,036,193	474	360,832	15,922	190,525	(36,502)	(iv)	4,567,444

40. Segment information (cont'd.)

Notes

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

(i) Inter-segment revenues are eliminated on consolidation.

(ii) All additions to non-current assets are related to purchase of property, plant and equipment, and intangible assets.

(iii) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2018 RM'000	2017 RM'000
Deferred tax assets	12,939	13,419
Tax recoverable	40,228	28,377
Goodwill	86,713	86,713
Inter-segment assets	(707,718)	(680,730)
	(567,838)	(552,221)

(iv) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2018 RM'000	2017 RM'000
Provision for taxation and zakat	602	2,380
Inter-segment liabilities	(193,265)	(38,882)
	(192,663)	(36,502)

41. Capital Commitments

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Approved but not contracted for	13,343	6,921	7,031	3,899

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42. Related party disclosures

(a) Significant related party transactions and balances

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

	Group		Company		
	2018	2017	2018	2017	
	RM'000	RM'000	RM'000	RM'000	
Penultimate holding company					
Income:					
Interest income on securities	1,995	1,995	-	-	
Brokerage fees earned	5,183	6,783	-	-	
Fee Income	138	11,313	-	-	
Expenditures:					
Rental expense	7,442	7,442	7,442	7,442	expenses
Subsidiaries					
Income:					
Interest on loans	-	-	4,851	3,176	
Rental of premises	-	-	2,644	2,660	
Management fees	-	-	8,405	8,489	income
Dividend from subsidiaries	-	-	-	52,900	
Expenditures:					
Management fees	-	-	1,075	1,629	expenses
Other expenses	-	-	15	-	

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42. Related party disclosures (cont'd.)

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

	Group		Company		
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	
Associate					
Income:					
Management fees	-	-	1	-	in comp
Rental received	435	435	435	435	
Dividend from associate	-	-	1,155	1,017	
Other related companies					
Income:					
Interest income on securities	1,410	4,704	-	-	
Interest income on loans, advances and financing	998	-	-	-	
Brokerage fees earned	3,593	3,165	-	-	
Management fees	297	1,975	-	4	in comp
Expenditures:					
Interest expense on deposits	9,924	4,738	-	-	
Car park charges	-	13	-	-	

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Penultimate holding company				
Amount due from:				
Fee receivable	-	138	-	-
Financial investments/ securities	35,000	35,000	-	-
Sundry deposit received	1,861	1,861	1,861	1,861

42. Related party disclosures (cont'd.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subsidiaries				
Loans, advances and financing	-	-	190,941	31,081
Trade receivables	-	-	5,039	4,619
Amount due to:				
Rental deposit received	-	-	649	649
Other payables	-	-	63	1,331
Associate				
Amount due to:				
Rental deposit received	109	109	109	109
Other related companies				
Amount due from:				
Fee receivables	-	71	-	-
Sundry deposits	553	553	-	-
Financial investments/ securities	30,000	179,244	-	-
Amount due to:				
Deposits from placements of banks and other financial institutions	21,908	126,099	-	-
Other payables	1,365	185	-	-

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

42. Related party disclosures (cont'd.)

(b) Compensation of key management personnel

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	14,556	15,735	9,001	9,001
Defined contribution plan	2,311	2,655	1,561	1,561
Defined benefit plans	1,652	347	240	240
	18,519	18,737	10,802	10,802

Included in the above are Directors' remuneration amounting to RM5,103,000 (2017: RM4,200,000) and RM4,710,000 (2017: RM3,639,000) for the Group and for the Company.

43. Financial risk management policies

The Group and the Company 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 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 Company has established a Group Risk Management Policy and Methodology to identify, assess and monitor the key financial risks of the Group.

The Risk Management Committee ("RMC") is responsible to review the key financial risks of the Group and to monitor the implementation of risk management strategies for those risks. The RMC is supported by the Group Risk Management Division ("GRM") whose primary objective is to facilitate the assessment of the key financial risks of the Group as well as to ensure that the recommendations of risk management strategies to mitigate the impact of those risks are implemented.

Other objectives of the GRM include promoting the practice of a strong risk management culture across the Group, optimising the sharing of risk information across the Group and preparing the Group to deal with uncertainties and thus ensure continuity of operations. Group Control Assurance Services also evaluates and contributes to the effectiveness of Risk Management in the Group.

The exposure to key financial risks as mentioned above and its risk management policies have been throughout the current and previous financial year.

43. Financial risk management policies (cont'd.)

The following sections provide details regarding the Group's and the Company'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		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVTPL/ securities held-for-trading	323,818	246,157	323,807	246,079
Financial investments at FVOCI/ securities available-for-sale	927,429	3,828,614	1,655	1,655
Financial investments at amortised cost	2,785,096	-	-	-
At amortised cost/loans and receivables	1,534,602	2,126,915	853,090	961,011
Financial liabilities at FVTPL	117	-	-	-
Financial liabilities at amortised cost	4,128,511	4,553,128	347,250	365,537

(a) Credit risks

Credit risk is the risk that the Group and the Company 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 Company's independent Credit Risk Management Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. Credit risk unit's roles and responsibilities are as follows:-

- Develops, reviews and maintains the credit risk management policies;
- Recommends, review and articulate risk limits;
- Performs independent credit review i.e. reviews all credit proposals and periodic review of all credit review papers (excluding impaired and remedial assets) to provide independent assessments on risks identification and mitigations in order to assist the approving authorities to make informed decisions and to minimize potential losses due to credit defaults; and

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

- Individual and Portfolio Credits Limit Monitoring;

  (i) Monitors the compliance of limits through the implementation of a systematic reporting which provide the platform to alert the Management/Board on any breaches that must be responded and addressed by the respective departments; and

  (ii) Recommends control measures to mitigate credit risk during monitoring of the limits.

The Group and the Company actively use collateral to reduce its credit risk. The Group and the Company 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 Company to assess the potential loss as a result of the risks to which it is exposed to and take corrective action plans.

(i) Impairment assessment

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

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

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

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

(i) Impairment assessment (cont'd.)

Definition of default and cure (cont'd.)

The default definition adopted by the Group and the Company are as follows (cont'd.):

- Receiver and manager appointed;
- Material fraud with investigation report;
- Company classified under PN4 and/or PN17/ GN3; and
- Internal rating of 8

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

(ii) Internal rating and PD estimation process

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

There are eight internal rating grades, where Risk Grade 1 being the best grade while Risk Grade 8 being the worst grade. The models incorporate both qualitative and quantitative information and, in addition to information specific to the client, utilise supplemental external information that could affect the borrower's behaviour. The description for the risk grade and internal rating is as follows:

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

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

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

The Group and the Company has insufficient historical default data to develop its own PD. Due to the unavailability of the data, publicly available peer group experience is being used as a proxy for Observed Default Rate (ODR). Analysis is performed to observe the correlation between the logit of ODR and range of shortlisted Macroeconomic Factors (MEF) obtained from the Company's Research Department. From the above analysis, where any MEF are correlated and intuitive relationship exist, regression analysis will be performed. Selection of MEF is based on results from correlation test. Predicted PDs (Point in Time (PiT) PD) are then developed based on the forecasted of selected MEF. The PiT PD is applied as 12-month PD for Stage 1 accounts.

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

(iii) Exposure at default (EAD)

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

(iv) Loss given default

LGD values are assessed every three months by the Company's credit risk department. The Group and the Company has insufficient historical default data to develop its own LGD. Due to the unavailability of the data, publicly available peer group experience is being used as a proxy for recovery rate. The chosen proxy is published default study data by Moody's. LGD for financial investment instruments are determine based on type of bond.

(v) Significant increase in credit risk

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

43. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

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

Group 2018	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi-cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets							
Cash and short-term funds	-	-	-	-	399,102	-	399,102
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	306,478	-	306,478
Financial assets at FVTPL							
Unqoted instruments	-	-	-	81,158	234,157	-	315,315
Financial investments at FVOCI							
Money market instruments	-	-	-	-	-	720,075	720,075
Unquoted securities	4,332	-	-	-	106,316	95,649	206,297
Financial investments at amortised cost							
Money market instruments	-	-	-	-	-	674,510	674,510
Unquoted securities	99,533	-	210,144	724,994	-	1,075,915	2,110,586
Loans, advances and financing							-
Term loans	24,959	130,546	40,263	1,939	44,134	96,660	338,501
Margin accounts	4,357	-	14,972	-	104,437	225,622	349,388
Others	-	-	-	-	-	3,929	3,929
Other financial assets	-	-	-	-	161,085	77,180	238,265
	133,181	130,546	265,379	808,091	1,355,709	2,969,540	5,662,446
Commitments and contingencies							
Other commitments	-	21,752	9,143	-	56,276	234,766	321,937
	-	21,752	9,143	-	56,276	234,766	321,937
	133,181	152,298	274,522	808,091	1,411,985	3,204,306	5,984,383

43. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

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

Group 2017	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi-cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	580,367	-	580,367
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	434,823	-	434,823
Securities held-for-trading							
Corporate bond	-	-	-	55,463	10,054	-	65,517
Money Market	-	-	-	-	9,940	-	9,940
Islamic commercial paper	-	-	-	-	160,614	-	160,614
Securities available-for-sale							
Money market instruments	-	-	-	-	497,021	865,625	1,362,646
Unquoted securities	171,793	-	9,965	197,854	738,018	1,322,623	2,440,253
Derivative assets	-	-	-	-	78	-	78
Loans, advances and financing							
Term loans	24,873	139,737	39,103	1,883	13,769	181,958	401,323
Margin accounts	-	-	-	-	121,806	195,232	317,038
Others	-	-	-	-	-	65,232	65,232
Other financial assets	-	-	-	-	166,681	161,451	328,132
	196,666	139,737	49,068	255,200	2,733,171	2,792,121	6,165,963
Commitments and contingencies							
Other commitments	-	-	33,691	115,000	47,658	301,003	497,352
	-	-	33,691	115,000	47,658	301,003	497,352
	196,666	139,737	82,759	370,200	2,780,829	3,093,124	6,663,315

43. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

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

Company 2018	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi-cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets							
Cash and short-term funds	-	-	-	-	266,284	-	266,284
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	298,678	-	298,678
Financial assets at FVTPL							
Unqoted instruments	-	-	-	81,158	234,146	-	315,304
Unquoted securities	7	-	-	-	1,348	-	1,355
Loans, advances and financing							
Term loans	17,391	-	40,263	1,939	201,486	3,626	264,705
Others	-	-	-	-	-	861	861
Other financial assets	-	-	-	-	-	22,562	22,562
	17,398	-	40,263	83,097	1,001,942	27,049	1,169,749
Commitments and contingencies							
Other commitments	-	21,752	9,143	-	-	5,037	35,932
	-	21,752	9,143	-	-	5,037	35,932
	17,398	21,752	49,406	83,097	1,001,942	32,086	1,205,681

43. Financial risk management policies (cont'd.)

(a) Credit risk (cont'd.)

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

Company 2017	Manufacturing RM'000	Real estate RM'000	Wholesale and retail trade and restaurants and hotels RM'000	Transport, storage and communi-cations RM'000	Finance, insurance and business services RM'000	Others RM'000	Total RM'000
Financial assets							
Cash and short-term funds	-	-	-	-	415,781	-	415,781
Deposits and placements with licensed banks and other financial institutions	-	-	-	-	424,573	-	424,573
Securities held-for-trading							
Corporate bond	-	-	-	55,463	10,054	-	65,517
Money Market Instrument	-	-	-	-	9,940	-	9,940
Islamic commercial paper	-	-	-	-	160,614	-	160,614
Securities available-for-sale							
Unquoted securities	7	-	-	-	1,348	-	1,355
Loans, advances and financing							
Term loans	16,887	-	39,097	1,883	44,850	3,520	106,237
Others	-	-	-	-	-	947	947
Other financial assets	-	-	-	-	-	13,473	13,473
	16,894	-	39,097	57,346	1,067,160	17,940	1,198,437
Commitments and contingencies							
Other commitments	-	-	14,691	-	2,164	38	16,893
	-	-	14,691	-	2,164	38	16,893
	16,894	-	53,788	57,346	1,069,324	17,978	1,215,330

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

(ii) Credit quality by class of financial assets

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

Group 2018	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Financial assets				
Cash and short-term funds	399,102	-	-	399,102
Deposits and placements with licensed banks and other financial institutions	306,478	-	-	306,478
Financial assets at FVTPL				
Money market instruments	-	-	-	-
Unquoted instruments	315,291	24	-	315,315
Financial investments at at FVOCI				
Money market instruments	720,075	-	-	720,075
Unquoted instruments	200,618	-	128,373	328,991
Financial investments at amortised cost				
Money market instruments	674,510	-	-	674,510
Unquoted instruments	2,041,372	75,088	-	2,116,460
Loans, advances and financing				
Term loans	112,977	11,093	319,213	443,283
Margin accounts	349,388	-	-	349,388
Others	1,312	-	24	1,336
Other financial assets	413,030	-	-	413,030
	5,534,153	86,205	447,610	6,067,968

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43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

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

Group 2017	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Individually impaired RM'000	Total RM'000
Financial assets				
Cash and short-term funds	580,367	-	-	580,367
Deposits and placements with licensed banks and other financial institutions	434,823	-	-	434,823
Securities held-for-trading				
Corporate bond	65,517	-	-	65,517
Money market	9,940	-	-	9,940
Islamic commercial papers	160,614	-	-	160,614
Securities available-for-sale				
Money market instruments	1,362,646	-	-	1,362,646
Unquoted securities	2,309,796	-	130,457	2,440,253
Derivative assets	78	-	-	78
Loans, advances and financing				
Term loans	136,487	4,799	373,215	514,501
Margin accounts	317,038	-	-	317,038
Others	1,417	-	76,485	77,902
Other financial assets	328,132	-	9,326	337,458
	5,706,855	4,799	589,483	6,301,137

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

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

Company 2018	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Financial assets				
Cash and short-term funds	266,284	-	-	266,284
Deposits and placements with licensed banks and other financial institutions	298,678	-	-	298,678
Financial assets at FVTPL				
Unquoted instruments	315,280	24	-	315,304
Financial investments at FVOCI				
Money Market Instrument	-	-	-	
Unquoted securities	-	-	13,886	13,886
Loans, advances and financing				
Term loans	35,938	202,034	26,733	264,705
Others	861	-	-	861
Other financial assets	712,014	-	-	712,014
	1,629,055	202,058	40,619	1,871,732
2017				
Financial assets				
Cash and short-term funds	415,781	-	-	415,781
Deposits and placements with licensed banks and other financial institutions	424,573	-	-	424,573
Securities held-for-trading				
Corporate bond	65,517	-	-	65,517
Money Market Instrument	9,940	-	-	9,940
Islamic commercial papers	160,614	-	-	160,614
Securities available-for-sale				
Unquoted securities	-	-	1,355	1,355
Loans, advances and financing				
Term loans	83,663	4,799	63,743	152,205
Others	948	-	-	948
Other financial assets	13,473	-	-	13,473
	1,174,509	4,799	65,098	1,244,406

43. Financial risk management policies (cont'd.)

(a) Credit risks (cont'd.)

(iii) Collateral and other credit enhancements

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

As at 31 December 2018, the financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Company is at 97% (2017: 97%) and 44% (2017: 44%), respectively. The financial effect of collateral held for other financial assets is not significant.

(iv) There were no financial assets that would otherwise be past due or impaired whose terms have been renegotiated in the current and prior financial year.

(b) Interest rate risks

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

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

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

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

43. Financial risk management policies (cont'd.)

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

The sensitivity of the income statement is the effect of the assumed changes in interest rates on profit or loss for the year, based on the floating loan, advances and financing and fixed rate securities held-for-trading held as at the reporting date. The sensitivity of equity is calculated by revaluing fixed rate securities available-for-sale as at the reporting date 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		Company	
	Sensitivity of profit before taxation - Increase/ (decrease)	Sensitivity of equity - Increase/ (decrease)	Sensitivity of profit before taxation - Increase/ (decrease)	Sensitivity of equity - Increase/ (decrease)
2018	RM '000	RM '000	RM '000	RM '000
Change in basis points				
+ 25	824	(9,535)	632	-
- 25	(824)	9,689	(632)	-
2017				
Change in basis points				
+ 25	808	32,288	599	-
- 25	(808)	(32,800)	(599)	-

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43. Financial risk management policies (cont'd.)

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

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

	<----- Non-trading book				----->				
Group 2018	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	336,240	-	-	-	-	62,862	-	399,102	3.35
Deposits and placements with licensed banks and other financial institutions	-	174,678	131,800	-	-	-	-	306,478	3.65
Financial assets at FVTPL	-	-	-	-	-	11	323,807	323,818	4.01
Financial investments at								-	
FVOCI	-	-	90,087	394,685	435,920	6,737	-	927,429	4.01
Financial investments at								-	
amortised cost	5,000	9,998	174,929	1,828,211	697,410	69,548	-	2,785,096	4.35
Loans, advances and financing									
- Non-impaired	151,572	198,549	1,437	49,473	75,937	(2,996)*	-	473,972	5.98
- Impaired	-	-	-	-	-	218,478	-	218,478	
- Off balance sheet						(632)	-	(632)	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	-	127,220	
Other assets	-	-	-	-	-	254,274	-	254,274	
Total assets	492,812	383,225	398,253	2,272,369	1,209,267	736,134	323,807	5,815,235	

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43. Financial risk management policies (cont'd.)

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

Group 2018	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	<---- Non-trading book					---->			
Liabilities									
Deposits from customers	1,489,265	662,982	187,788	-	-	-	-	2,340,035	3.70
Deposits and placements of banks and other financial institutions	942,953	100,300	302,822	-	-	-	-	1,346,075	3.55
Borrowings	-	3,492	3,492	27,938	268,260	-	-	303,182	1.38
Derivative liabilities	-	-	-	-	-	-	117	117	
Other liabilities	-	-	-	-	-	150,819	-	150,819	
Total liabilities	2,432,218	766,774	494,102	27,938	268,260	150,819	117	4,140,228	
Shareholders' funds	-	-	-	-	-	1,674,752	-	1,674,752	
Non-controlling interests	-	-	-	-	-	255	-	255	
	2,432,218	766,774	494,102	27,938	268,260	1,825,826	117	5,815,235	
On-balance sheet interest sensitivity gap	(1,939,406)	(383,549)	(95,849)	2,244,431	941,007	(1,089,692)	323,690		
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-		
Total interest sensitivity gap	(1,939,406)	(383,549)	(95,849)	2,244,431	941,007	(1,089,692)	323,690		

* Expected credit allowance (stage 1 and stage 2)

43. Financial risk management policies (cont'd.)

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

Group 2017	<---------- Non-trading book				---------->				
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	431,102	-	-	-	-	149,265	-	580,367	3.34
Deposits and placements with licensed banks and other financial institutions	-	299,223	135,600	-	-	-	-	434,823	3.64
Securities held-for-trading	-	-	-	-	-	-	246,079	246,079	4.01
Securities available-for-sale	50,016	497,021	375,671	1,819,252	927,824	158,830	-	3,828,614	4.17
Loans, advances and financing									
- Non-impaired	750	318,568	6,768	126,743	6,912	(8,881)*	-	450,860	7.29
- Impaired	-					332,733		332,733	
Derivative assets	-	-	-	-	-	-	78	78	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	114,282	114,282	
Other non-interest sensitive balances									
- Other financial assets	-	-	-	-	-	236,628	-	236,628	
- Other non-financial assets	-	-	-	-	-	116,808	-	116,808	
Total assets	481,868	1,114,812	518,039	1,945,995	934,736	985,383	360,439	6,341,272	

43. Financial risk management policies (cont'd.)

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

Group 2017	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	<---------- Non-trading book					---------->			
Liabilities									
Deposits from customers	1,126,060	514,310	281,426	15,673	-	-	-	1,937,469	3.58
Deposits and placements of banks and other financial institutions	1,244,873	298,733	338,036	-	-	-	-	1,881,642	3.46
Borrowings	-	3,492	3,492	176,176	275,244	-	-	458,404	1.38
Other non-interest sensitive balances									
- Other financial liabilities	-	-	-	-	-	275,613	-	275,613	
- Other non-financial liabilities	-	-	-	-	-	14,316	-	14,316	
Total liabilities	2,370,933	816,535	622,954	191,849	275,244	289,929	-	4,567,444	
Shareholders' funds	-	-	-	-	-	1,773,573	-	1,773,573	
Non-controlling interests	-	-	-	-	-	255	-	255	
	2,370,933	816,535	622,954	191,849	275,244	2,063,757	-	6,341,272	
On-balance sheet interest sensitivity gap	(1,889,065)	298,277	(104,915)	1,754,146	659,492	(1,078,374)	360,439		
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-		
Total interest sensitivity gap	(1,889,065)	298,277	(104,915)	1,754,146	659,492	(1,078,374)	360,439		

* Collective impairment allowance

43. Financial risk management policies (cont'd.)

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

Company 2018	<------ Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	Non-trading book 1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000 ------>	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	261,529	-	-	-	-	4,755	-	266,284	3.35
Deposits and placements with licensed banks and other financial institutions	-	167,978	130,700	-	-	-	-	298,678	3.65
Financial assets at FVTPL	-	-	-	-	-	-	323,807	323,807	4.01
Financial investments at FVOCI	-	-	-	-	-	1,655	-	1,655	-
Loans, advances and financing									
- Non-impaired	740	1,238	6,631	72,884	159,575	(2,055)*	-	239,013	2.92
- Impaired	-	-	-	-	-	26,733	-	26,733	-
- Off balance sheet	-	-	-	-	-	(142)	-	(142)	
Other assets	-	-	-	-	-	635,163	-	635,163	
Total assets	262,269	169,216	137,331	72,884	159,575	666,251	323,807	1,791,049	

43. Financial risk management policies (cont'd.)

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

Company 2018	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	<------ Non-trading book				------>				
Liabilities									
Borrowings	-	3,492	3,492	27,938	268,260	-	-	303,182	1.38
Other liabilities	-	-	-	-	-	53,330	-	53,330	
Total liabilities	-	3,492	3,492	27,938	268,260	53,330	-	356,512	
Shareholders' funds	-	-	-	-	-	1,434,679	-	1,434,679	
	-	3,492	3,492	27,938	268,260	1,488,009	-	1,791,191	
On-balance sheet interest sensitivity gap	262,269	165,724	133,839	44,946	(108,723)	(821,862)	323,807		
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-		
Total interest sensitivity gap	262,269	165,724	133,839	44,946	(108,723)	(821,862)	323,807		

* Expected credit allowance

43. Financial risk management policies (cont'd.)

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

Company 2017	<------ Non-trading book ------ Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000 ------>	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	409,596	-	-	-	-	6,185	-	415,781	3.35
Deposits and placements with licensed banks and other financial institutions	-	288,973	135,600	-	-	-	-	424,573	3.65
Securities held-for-trading	-	-	-	-	-	-	246,079	246,079	4.01
Securities available-for-sale	-	-	-	-	-	1,655	-	1,655	-
Loans, advances and financing									
- Non-impaired	750	1,254	6,718	73,842	6,845	(5,366)*	-	84,043	2.92
- Impaired	-	-	-	-	-	23,141	-	23,141	-
Other non-interest sensitive balances									-
- Other financial assets	-	-	-	-	-	13,473	-	13,473	
- Other non-financial assets	-	-	-	-	-	613,414	-	613,414	
Total assets	410,346	290,227	142,318	73,842	6,845	652,502	246,079	1,822,159	

43. Financial risk management policies (cont'd.)

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

Company 2017	<---- Up to 1 month RM'000	>1 - 3 months RM'000	Non-trading book >3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Non-interest sensitive RM'000 ---->	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Borrowings	-	3,492	3,492	27,939	275,244	-	-	310,167	1.38
Other non-interest sensitive balances									-
- Other financial liabilities	-	-	-	-	-	55,370	-	55,370	
- Other non-financial liabilities	-	-	-	-	-	8,728	-	8,728	
Total liabilities	-	3,492	3,492	27,939	275,244	64,098	-	374,265	
Shareholders' funds	-	-	-	-	-	1,447,894	-	1,447,894	-
	-	3,492	3,492	27,939	275,244	1,511,992	-	1,822,159	
On-balance sheet interest sensitivity gap	410,346	286,735	138,826	45,903	(268,399)	(859,490)	246,079		
Off-balance sheet interest sensitivity gap (interest rate swap)	-	-	-	-	-	-	-		
Total interest sensitivity gap	410,346	286,735	138,826	45,903	(268,399)	(859,490)	246,079		

* Collective impairment allowance

43. Financial risk management policies (cont'd.)

(c) Operational risks

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

The Group and the Company 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 risks

Liquidity or cash flow risks are the exposure to loss as a result of the Group's and the Company's inability to generate and maintain sufficient cash flow to fund daily operations and to meet financial obligations to depositors, borrowers and clients in a timely and cost-effective manner.

It is also the Group's and the Company'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 respective Board of Directors.

With respect to the investment bank subsidiary, liquidity risks are being managed by the subsidiary'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 flows of assets, liabilities and off balance sheet commitments.

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

The table below summarises the maturity profile of the carrying amount of the Group's and the Company's assets and liabilities as at 31 December 2018 based on remaining contractual maturity.

Group 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	62,862	336,240	-	-	-	-	399,102
Deposits and placements with licensed banks and other financial institutions	-	-	174,678	131,800	-	-	306,478
Financial assets at FVTPL	-	106,243	79,159	42,326	12	96,078	323,818
Financial investments at FVOCI	5,680	-	-	90,087	394,685	436,977	927,429
Financial investments at							-
amortised cost	-	5,000	9,998	174,929	1,828,211	766,958	2,785,096
Loans, advances and financing	85,252	148	349,955	1,376	90,037	165,050	691,818
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	127,220	127,220
Other assets	9,014	46,262	11,571	42,078	48,149	97,200	254,274
Total assets	162,808	493,893	625,361	482,596	2,361,094	1,689,483	5,815,235
Liabilities							
Deposits from customers	15,578	1,489,265	662,982	156,210	16,000	-	2,340,035
Deposits and placements of banks and other financial institutions	5,724	941,428	100,300	298,623	-	-	1,346,075
Borrowings	-	-	3,492	3,492	27,938	268,260	303,182
Derivatives liabilities	-	-	-	-	-	117	117
Other liabilities	328	65,753	10,873	36,426	29,494	7,945	150,819
Total liabilities	21,630	2,496,446	777,647	494,751	73,432	276,322	4,140,228
Net maturity mismatch	141,178	(2,002,553)	(152,286)	(12,155)	2,287,662	1,413,161	1,675,007

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

The table below summarises the maturity profile of the carrying amount of the Group's and the Company's assets and liabilities as at 31 December 2017 based on remaining contractual maturity (cont'd.).

Group 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	123,265	457,102	-	-	-	-	580,367
Deposits and placements with licensed banks and other financial institutions	-	-	299,223	135,600	-	-	434,823
Securities held-for-trading	-	170,621	-	-	9,941	65,517	246,079
Securities available-for-sale	157,773	50,016	497,021	375,671	1,819,257	928,876	3,828,614
Derivative assets	-	-	-	78	-	-	78
Loans, advances and financing	31,133	705	329,415	6,365	236,889	179,086	783,593
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	114,282	114,282
Other assets	10,579	166,773	12,428	15,703	43,591	104,362	353,436
Total assets	322,750	845,217	1,138,087	533,417	2,109,678	1,392,123	6,341,272
Liabilities							
Deposits from customers	10,192	1,126,060	514,310	271,234	15,673	-	1,937,469
Deposits and placements of banks and other financial institutions	3,860	1,244,873	298,733	334,176	-	-	1,881,642
Borrowings	-	-	3,492	3,492	176,176	275,244	458,404
Other liabilities	4,040	187,595	21,304	30,616	37,749	8,624	289,928
Total liabilities	18,092	2,558,528	837,839	639,518	229,598	283,868	4,567,443
Net maturity mismatch	304,658	(1,713,311)	300,248	(106,101)	1,880,080	1,108,255	1,773,829

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

The table below summarises the maturity profile of the carrying amount of the Group's and the Company's assets and liabilities as at 31 December 2018 based on remaining contractual maturity (cont'd.).

Company 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	4,755	261,529	-	-	-	-	266,284
Deposits and placements with licensed banks and other financial institutions	-	-	167,978	130,700	-	-	298,678
Financial assets at FVTPL	-	106,243	79,159	42,326	1	96,078	323,807
Financial investments at FVOCI	1,355	-	-	-	-	300	1,655
Loans, advances and financing	26,733	734	1,226	6,570	72,219	158,084	265,566
Other assets	5,033	28	3,197	-	23,626	603,317	635,201
Total assets	37,876	368,534	251,560	179,596	95,846	857,779	1,791,191
Liabilities							
Borrowings	-	-	3,492	3,492	27,938	268,260	303,182
Other liabilities	62	5,685	2,686	10,971	28,000	5,926	53,330
Total liabilities	62	5,685	6,178	14,463	55,938	274,186	356,512
Net maturity mismatch	37,814	362,849	245,382	165,133	39,908	583,593	1,434,679

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

The table below summarises the maturity profile of the carrying amount of the Group's and the Company's assets and liabilities as at 31 December 2017 based on remaining contractual maturity (cont'd.).

Company 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Assets							
Cash and short-term funds	6,186	409,595	-	-	-	-	415,781
Deposits and placements with licensed banks and other financial institutions	-	-	288,973	135,600	-	-	424,573
Securities held-for-trading	-	170,621	-	-	9,941	65,517	246,079
Securities available-for-sale	1,355	-	-	-	-	300	1,655
Loans, advances and financing	23,141	705	1,179	6,315	69,410	6,434	107,184
Other assets	7,195	30	4,871	-	11,474	603,317	626,887
Total assets	37,877	580,951	295,023	141,915	90,825	675,568	1,822,159
Liabilities							
Borrowings	-	-	3,492	3,492	27,939	275,244	310,167
Other liabilities	1,331	3,633	12,497	13,077	27,161	6,399	64,098
Total liabilities	1,331	3,633	15,989	16,569	55,100	281,643	374,265
Net maturity mismatch	36,546	577,318	279,034	125,346	35,725	393,925	1,447,894

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

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

The following table shows the contractual undiscounted cash flow 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 2018	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	15,578	1,489,265	662,982	156,210	16,000	-	2,340,035
Deposits and placements of banks and other financial institutions	5,724	941,428	100,300	298,623	-	-	1,346,075
Borrowings	-	-	5,445	5,429	41,584	250,724	303,182
Other liabilities	4,848	69,452	43,709	20,444	3,647	8,719	150,819
	26,150	2,500,145	812,436	480,706	61,231	259,443	4,140,111
Derivative liabilities							
Interest rate swaps	-	-	-	-	117	-	117
	-	-	-	-	117	-	117
Unrecognised firm commitments							
Other commitments	321,937	-	-	-	-	-	321,937
	321,937	-	-	-	-	-	321,937
Total financial liabilities	348,087	2,500,145	812,436	480,706	61,348	259,443	4,462,165

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Group 2017	On demand RM'000	Under 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 to 5 years RM'000	>5 years RM'000	Total RM'000
Non-derivative financial liabilities							
Deposits from customers	10,246	1,128,497	518,600	274,580	15,680	-	1,947,603
Deposits and placements of banks and other financial institutions	3,945	1,248,593	302,367	340,246	-	-	1,895,151
Borrowings	-	-	7,812	58,213	206,753	521,556	794,334
Other liabilities	4,351	51,714	216,337	10,807	6,719	-	289,928
	18,542	2,428,804	1,045,116	683,846	229,152	521,556	4,927,016
Unrecognised firm commitments							
Obligations under an-ongoing underwriting agreement	-	-	-	-	-	-	-
Irrevocable commitments to extend credit	464,907	-	-	-	-	-	464,907
	464,907	-	-	-	-	-	464,907
Total financial liabilities	483,449	2,428,804	1,045,116	683,846	229,152	521,556	5,391,923

43. Financial risk management policies (cont'd.)

(d) Liquidity risks (cont'd.)

Company 2018	**On demand RM'000**	**Under 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 to 5 years RM'000**	**>5 years RM'000**	**Total RM'000**
Non-derivative financial liabilities							
Borrowings	-	-	5,445	5,429	41,584	250,724	303,182
Other liabilities	3,441	9,392	23,490	8,153	2,153	6,701	53,330
	3,441	9,392	28,935	13,582	43,737	257,425	356,512
Unrecognised firm commitments							
Other commitments	35,932	-	-	-	-	-	35,932
	35,932	-	-	-	-	-	35,932
Total financial liabilities	39,373	9,392	28,935	13,582	43,737	257,425	392,444

Company 2017	**On demand RM'000**	**Under 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 to 5 years RM'000**	**>5 years RM'000**	**Total RM'000**
Non-derivative financial liabilities							
Borrowings	-	-	5,540	5,525	42,353	302,196	355,614
Other liabilities	1,331	3,633	9,083	3,154	5,857	-	23,058
	1,331	3,633	14,623	8,679	48,210	302,196	378,672
Unrecognised firm commitments							
Irrevocable commitments to extend credit	16,893	-	-	-	-	-	16,893
	16,893	-	-	-	-	-	16,893
Total financial liabilities	18,224	3,633	14,623	8,679	48,210	302,196	395,565

44. Credit exposures arising from credit transactions with connected parties

The credit exposures in respect of the investment bank subsidiary are as follows:

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

45. Capital adequacy

The Group's and the Company's objectives when managing capital are to maintain a strong capital base and safeguard the Group's and the Company'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 Company is based on the following requirements and consideration:

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

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

(c) Funding requirements for business operations.

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

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

45. Capital adequacy (cont'd.)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group 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 Company and the respective subsidiaries.

The Group has complied in full with all its externally imposed capital requirements for the financial years ended 31 December 2018 (2017 : complied).

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tier 1 Capital				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	879,931	829,931	879,931	829,931
Regulatory reserve	19,390	2,573	-	-
FVOCI/securities available-for-sale			-	
reserve	(2,114)	(18,576)	-	-
Retained profits	777,544	959,645	554,748	617,963
	1,674,751	1,773,573	1,434,679	1,447,894
Less: Regulatory adjustments	(137,970)	(120,835)	(618,754)	(620,385)
Total CET1 Capital / Tier 1 Capital	1,536,781	1,652,738	815,925	827,509
Tier 2 Capital				
Loss provision/loss provision and regulatory reserve*	22,398	3,802	2,197	537
Total Tier 2 capital	22,398	3,802	2,197	537
Total Capital	1,559,179	1,656,540	818,122	828,046

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

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

45. Capital adequacy (cont'd.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Before deducting proposed dividend:				
CET 1 Capital	67.587%	63.101%	117.127%	146.751%
Tier 1 Capital	67.587%	63.101%	117.127%	146.751%
Total Capital	68.572%	63.246%	117.443%	146.847%
After deducting proposed dividend:				
CET 1 Capital	66.707%	61.192%	114.256%	137.884%
Tier 1 Capital	66.707%	61.192%	114.256%	137.884%
Total Capital	67.693%	61.337%	114.572%	137.980%

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total risk-weighted assets for credit risk	1,791,867	2,153,437	425,076	307,154
Total risk-weighted assets equivalent for market risk	96,022	80,666	85,452	75,916
Total risk-weighted assets equivalent for operational risk	385,892	385,086	186,086	180,815
	2,273,781	2,619,189	696,614	563,885

(iii) Capital allocation

BNM via its letter dated 23 September 2014 approved MIDF to carry out its Development Financing business as an approved business under MIDF being a Financial Holding Company. This approval is subject to such capital allocation for credit risks emanating from Development Finance Business being covered by shareholders funds of Development Finance Division ("DFD"). As at 31 December 2018, the shareholders' funds of the DFD is sufficient to meet the proposed capital allocation as prescribed by BNM (2017: complied).

For performing loans/financing portfolio with one month to three months in arrears, no collateral values were assigned.

46. Fair value measurement

(i) Fair values of recognised financial instruments

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

	2018		2017	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loans, advances and financing - staff loans *	1,336	1,153	1,441	1,153
Company				
Financial assets				
Loans, advances and financing - staff loans *	861	664	947	731

* Excludes loans, advance 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.

46. Fair value measurement (cont'd.)

(ii) Determination of fair value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities as disclosed in Note 46(i) and Note 46(iii):

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

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

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

(b) Derivative assets/liabilities

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

(c) Loans, advances and financing

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

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

46. Fair value measurement (cont'd.)

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

(d) Borrowings

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

Management is of the view that all concessionary borrowings bear interest rate which approximates the market rate for similar concessionary borrowings granted to other development financial institutions. Therefore, the fair value of concessionary borrowings is estimated to approximate the carrying amount.

(iii) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

Group 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
- Unquoted securities	-	323,806	12	323,818
Financial investments at FVOCI/ securities available-for-sale				
- Money market instruments	-	720,705	-	720,705
- Unquoted securities*	-	200,918	5,679	206,597
Liability measured at fair value:				
Derivatives liabilities	-	117	-	117

* Excluded unrated securites for the purpose of fair value hierarchy.

46. Fair value measurement (cont'd.)

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

Group 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets for which fair values are disclosed:				
Loans, advances and financing				
- staff loans	-	664	-	664
Investment properties				
Residential properties	-	-	6,983	6,983
Office property	-	-	1,892	1,892
Liability for which fair values are disclosed:				
Borrowings	-	303,182	-	303,182

Group 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:				
Securities held-for-trading				
- Unquoted securities	-	246,078	1	246,079
Securities available-for-sale				
- Money market instruments	-	1,362,646	-	1,362,646
- Quoted securities	19,737	-	-	19,737
- Unquoted securities*	-	2,302,206	138,047	2,440,253
Derivative assets	-	78	-	78

* Excluded unrated securites for the purpose of fair value hierarchy.

46. Fair value measurement (cont'd.)

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

Group 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets for which fair values are disclosed:				
Loans, advances and financing				
- staff loans	-	1,153	-	1,153
Investment properties				
Residential properties	-	-	6,983	6,983
Office property	-	-	1,575	1,575
Liability for which fair values are disclosed:				
Borrowings	-	458,404	-	458,404

Company 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted securities	-	323,806	1	323,807
Financial investments at FVOCI				
Unquoted securities	-	300	1,355	1,655
Assets for which fair values are disclosed:				
Loans, advances and financing				
- staff loans	-	664	-	664
Liabilities for which fair values are disclosed:				
Borrowings	-	303,182	-	303,182

46. Fair value measurement (cont'd.)

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

Company 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:				
Securities held-for-trading				
Unquoted securities	-	246,078	1	246,079
Securities available-for-sale				
Unquoted securities	-	300	1,355	1,655
Assets for which fair values are disclosed:				
Loans, advances and financing				
- staff loans	-	731	-	731
Liabilities for which fair values are disclosed:				
Borrowings	-	310,167	-	310,167

46. 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	
	2018	2017
	RM'000	RM'000
Financial investments at FVOCI/ securities available-for-sale		
Unquoted securities		
At 1 January	138,047	329,690
Addition of unquoted securities	-	7,590
Total gains recognised in profit or loss:		
Included within interest income	21	3,977
Included within net income from Islamic Banking operation	-	2,717
Included within impairment loss on securities	(14,430)	(18,536)
	(14,409)	(11,842)
Settlements	(117,959)	(187,391)
At 31 December	5,679	138,047
Financial assets at FVTPL/securities held-for-trading		
Unquoted securities		
At 1 January	1	253
Included within impairment loss on securities	-	(252)
	-	(252)
Adjustments	11	-
At 31 December	12	1

46. Fair value measurement (cont'd.)

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

	Company 2018 RM'000	Company 2017 RM'000
Financial investments at FVOCI/ securities available-for-sale		
Unquoted securities		
At 1 January	1,355	1,355
Total gains recognised in profit or loss:		
Included within interest income	21	22
Included within impairment loss on securities	49	27
	70	49
Settlements	(70)	(49)
At 31 December	1,355	1,355
Financial assets at FVTPL/securities held-for-trading		
Unquoted securities		
At 1 January	1	253
Included within impairment loss on securities	-	(252)
	-	(252)
Settlements	-	-
At 31 December	1	1

47. 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: Amount related to recognised financial instruments RM'000	Related amount not set off in the statement of financial position: Amount related to financial collateral RM'000	Net amount RM'000
2018						
Other assets	150,720	(12,861)	137,859	-	-	137,859
Other liabilities	152,080	(12,861)	139,219	-	-	139,219
Derivative liabilities	117	-	117	-	-	117
2017						
Derivative assets	78	-	78	-	-	78
Other assets	349,274	(112,646)	236,628	-	-	236,628
Other liabilities	388,259	(112,646)	275,613	-	-	275,613

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 amounts not set off in the statements of financial position relate to transaction where:

(i) the counterparty has an offsetting exposure with the Group 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.

48. Islamic banking business

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

Statements of financial position as at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	a	172,634	156,922	122,923	118,070
Deposits and placements with licensed banks	b	47,200	59,600	47,200	59,600
Securities available-for-sale	c	-	1,995,191	-	-
Financial investments at FVOCI	c	562,844	-	-	-
Financial investments at amortised cost	d	1,595,508	-	-	-
Financing and advances	e	164,792	205,615	38,234	38,100
Other assets	f	42,584	31,164	19,431	18,018
Intangible assets		491	860		-
Deferred tax assets	g	1,804	2,702	274	448
Amount due from Head Office		812	-	812	-
Total assets		2,588,669	2,452,054	228,874	234,236
Liabilities					
Deposits from customers	h	1,118,904	727,464	-	-
Deposits and placements of banks and other financial institutions	i	603,055	852,676	-	-
Borrowings (unsecured)	j	160,000	160,000	160,000	160,000
Other liabilities	k	83,569	80,983	25,718	32,772
Provision for taxation and zakat		575	11,858	575	899
Amount due to Head Office		-	196	-	196
Total liabilities		1,966,103	1,833,177	186,293	193,867
Islamic banking capital funds					
Funds allocated from Head Office		416,600	416,600	20,000	20,000
Reserves		205,965	202,277	22,581	20,369
Total islamic banking capital funds		622,565	618,877	42,581	40,369
Total liabilities and Islamic banking capital funds		2,588,668	2,452,054	228,874	234,236

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

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48. Islamic banking business (cont'd.)

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

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	l	152,232	142,485	43,638	40,403
Total attributable income		152,232	142,485	43,638	40,403
Income attributable to depositors	m	(70,021)	(50,993)	-	-
Net income attributable to reporting institutions		82,211	91,492	43,638	40,403
Staff costs	n	(1,879)	(2,221)	-	-
Other operating expenses	o	(21,813)	(16,826)	(19,820)	(15,111)
Operating profit		58,519	72,445	23,818	25,292
Expected credit loss/ impairment loss (made)/written back on:					
- financing and advances	p	(33,942)	4,097	(1,351)	1,620
- financial investments	q	(7,225)	(10,241)	-	-
- other assets	r	366	(410)	71	-
Profit before taxation and zakat		17,718	65,891	22,538	26,912
Taxation	s	1,165	(15,223)	(217)	(6,004)
Zakat		(575)	(1,306)	(575)	(539)
Profit for the financial year		18,308	49,362	21,746	20,369

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

48. Islamic banking business (cont'd.)

Statements of comprehensive income for the year ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	18,308	49,362	21,746	20,369
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Changes in allowance for expected credit loss ("ECL")	40	-	-	-
Net (gain)/(loss) on financial investments FVOCI/ securities available-for-sales				
Cumulative gain transferred to profit or loss upon disposal	(2,047)	(4,907)	-	-
Fair value changes	2,337	8,524	-	-
	290	3,617	-	-
Income tax relating to net gain on financial investments at FVOCI/ securities available-for-sales	(70)	(868)	-	-
Other comprehensive (loss)/income for the financial year, net of tax	260	2,749	-	-
Total comprehensive income for the financial year	18,568	52,111	21,746	20,369

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

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48. Islamic banking business (cont'd.)

Statements of changes in equity
For the financial year ended 31 December 2018

	<------ Non-distributable			------>	Distributable	
Group	**Islamic banking funds RM'000**	**Securities available-for-sale reserve RM'000**	**Regulatory reserve RM'000**	**FVOCI reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2017	416,600	(8,256)		-	221,974	630,318
Profit for the financial year	-	-		-	49,362	49,362
Other comprehensive income	-	2,749		-	-	2,749
Total comprehensive income for the financial year	-	2,749		-	49,362	52,111
Dividend	-	-		-	(50,000)	(50,000)
Allocation to Head Office	-	-		-	(13,552)	(13,552)
At 31 December 2017	416,600	(5,507)		-	207,784	618,877
At 1 January 2018	416,600	(5,507)	-	-	207,784	618,877
Effects of adoption of MFRS 9	-	5,507	8,327	938	(9,252)	5,520
At 1 January 2018, restated	416,600	-	8,327	938	198,532	624,397
Profit for the financial year	-	-	-	-	18,308	18,308
Other comprehensive income	-	-	-	260	-	260
Total comprehensive income for the financial year	-	-	-	260	18,308	18,568
Transfer to regulatory reserve	-	-	1,655	-	(1,655)	-
Allocation to Head Office	-	-	-	-	(20,400)	(20,400)
At 31 December 2018	416,600	-	9,982	1,198	194,785	622,565

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48. Islamic banking business (cont'd.)

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

Company	Non Distributable Islamic banking funds RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2017	20,000	13,552	33,552
Total comprehensive income for the financial year	-	20,369	20,369
Allocation to Head Office	-	(13,552)	(13,552)
At 31 December 2017	20,000	20,369	40,369
At 1 January 2018	20,000	20,369	40,369
Effects of adoption of MFRS 9		866	866
At 1 January 2018, restated	20,000	21,235	41,235
Total comprehensive income for the financial year		21,746	21,746
Allocation to Head Office		(20,400)	(20,400)
At 31 December 2018	20,000	22,581	42,581

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

48. Islamic banking business (cont'd.)

Statements of cash flows for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	17,718	65,891	22,538	26,912
Adjustments for:				
Depreciation and amortisation	369	245	-	-
Impairment loss made/(written back)				
- financial investments	7,225	10,241	-	-
- financing and advances	33,980	(1,812)	1,389	(1,617)
- other assets	(366)	410	(71)	-
Accretion of discount less amortisation of premium	(15,379)	(15,639)	-	-
Net gain on sale of financial assets at FVTPL	(2,232)	-	-	-
Net gain on sales of financial investments at FVOCI/securities available-for-sale	(2,047)	(4,907)	-	-
Operating profit before working capital changes	39,268	54,429	23,856	25,295
Changes in working capital:				
Deposits from customers and deposits and placement of banks and other financial institutions	141,819	523,935	-	-
Deposits and placements with licensed banks and other financial institutions with original maturity of more than 3 months	12,400	(16,000)	12,400	(16,000)
Financial investments at FVOCI/securities available-for-sale	(150,398)	(502,326)	-	-
Other assets	(2,635)	4,611	7,076	4,572
Financing and advances	6,843	24,211	(1,523)	(4,586)
Other liabilities	(229)	22,005	(7,054)	11,603
Amount due from Head Office	(1,008)	(106)	(1,008)	(106)
Cash generated from operations	46,060	110,759	33,747	20,778
Tax and zakat paid	(9,948)	(9,247)	(8,494)	(8,647)
Net cash generated from operating activities	36,112	101,512	25,253	12,131

48. Islamic banking business (cont'd.)

Statements of cash flows for the financial year ended 31 December 2018 (cont'd.)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activity				
Purchase of intangible assets	-	(1,105)	-	-
Net cash used in investing activity	-	(1,105)	-	-
Cash flows from financing activities				
Dividend paid	-	(50,000)	-	-
Net funds allocated to Head Office	(20,400)	(13,552)	(20,400)	(13,552)
Net cash used in financing activities	(20,400)	(63,552)	(20,400)	(13,552)
Net increase/(decrease) in cash and cash equivalents	15,712	36,855	4,853	(1,421)
Cash and cash equivalents at 1 January	156,922	120,067	118,070	119,491
Cash and cash equivalents at 31 December	172,634	156,922	122,923	118,070
Cash and cash equivalents comprise:				
Cash and short-term funds	172,634	156,922	122,923	118,070

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

48. Islamic banking business (cont'd.)

(a) Cash and short-term funds

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	2,534	14,922	1,823	2,070
Deposits and placements maturing within one month	170,100	142,000	121,100	116,000
	172,634	156,922	122,923	118,070

(b) Deposits and placements with licensed banks and other financial institutions

	Group and Company	
	2018	2017
	RM'000	RM'000
Deposits with licensed banks	47,200	59,600
	47,200	59,600

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

	Group	
	2018	2017
	RM'000	RM'000
At fair value		
Money market instruments:		
Government Investment Issue	432,327	378,327
Islamic Negotiable Instruments	-	447,008
	432,327	825,335
Unquoted securities:		
Corporate Sukuk	130,517	1,169,856
	562,844	1,995,191

48. Islamic banking business (cont'd.)

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

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

	Stage 1 Collective RM'000	Total RM'000
Group		
2018		
Superior	457,064	457,064
Very Strong	15,050	15,050
Strong	25,093	25,093
Good	65,637	65,637
Unacceptable	8,112	8,112
	570,956	570,956

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

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Expected credit loss allowances			
At 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
Transfer from individual impairment allowance	-	8,839	8,839
At 1 January 2018, restated	-	8,839	8,839
Made	40	8,112	8,152
Written off	-	(8,839)	(8,839)
At 31 December 2018	40	8,112	8,152

48. Islamic banking business (cont'd.)

(d) Financial investments at amortised cost

	Group 2018 RM'000	Group 2017 RM'000
At amortised cost		
Money market instruments:		
Government Investment Issue	474,299	-
Unquoted securities:		
Corporate Sukuk	1,121,209	-
	1,595,508	-

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

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

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

	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Group			
31 December 2018			
Gross carrying amount as at 1 January 2018	-	-	-
Effects of adoption of MFRS 9			
Transfer from individual impairment allowance	1,246,585	69,994	1,316,579
Gross carrying amount as at 1 January 2018, restated	1,246,585	69,994	1,316,579
New asset originated or purchased	475,167	-	475,167
Assets derecognised or matured (excluding write offs)	(190,990)	(4,997)	(195,987)
	1,530,762	64,997	1,595,759

48. Islamic banking business (cont'd.)

(d) 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:

	Stage 3 Individual RM'000	Total RM'000
At 1 January 2018	-	-
Effects of adoption of MFRS 9		
Transfer from individual impairment allowance	290	290
At 1 January 2018, restated	290	290
Made	(39)	(39)
At 31 December 2018	251	251

(e) Financing and advances

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Term financing				
- Syndicated term financing	163,238	170,104	-	-
- Islamic hire purchase/leasing	291	542	291	542
- Other term financing	48,848	49,580	48,848	49,580
	212,377	220,226	49,139	50,122
Less: Unearned income	(7,809)	(9,141)	(7,809)	(9,141)
Gross financing and advances	204,568	211,085	41,330	40,981
Less: Impairment allowances				
- Collective impairment allowance	-	(4,456)	-	(1,867)
- Individual impairment allowance	-	(1,014)	-	(1,014)
- Expected credit losses	(39,776)	-	(3,096)	-
Total net financing and advances	164,792	205,615	38,234	38,100

48. Islamic banking business (cont'd.)

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

(i) By types

Group	Sale-based contract Commodity Murabahah RM'000	Sale-based contract Bai Bithaman Ajil RM'000	Lease-based contract Al-Ijarah Thumma Al-Bai RM'000	Total financing and advances RM'000
2018				
Syndicated term financing	163,238	-	-	163,238
Deferred payment sales	-	41,039	-	41,039
Finance lease	-	-	291	291
	163,238	41,039	291	204,568
2017				
Syndicated term financing	170,104	-	-	170,104
Deferred payment sales	-	35,964	-	35,964
Finance lease	-	-	5,017	5,017
	170,104	35,964	5,017	211,085

Company	Sale-based contract Bai Bithaman Ajil RM'000	Lease-based contract Al-Ijarah Thumma Al-Bai RM'000	Total financing and advances RM'000
2018			
Deferred payment sales	41,039	-	41,039
Finance lease	-	291	291
	41,039	291	41,330
2017			
Deferred payment sales	35,964	-	35,964
Finance lease	-	5,017	5,017
	35,964	5,017	40,981

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48. Islamic banking business (cont'd.)

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

(ii) By contract

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Commodity Murabahah	163,238	170,104	-	-
Bai Bithaman Ajil (deferred)	41,039	35,964	41,039	35,964
Al-Ijarah Thumma Al-Bai (finance lease)	291	5,017	291	5,017
	204,568	211,085	41,330	40,981

(iii) By types of customer

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Domestic business enterprises	204,568	211,085	41,330	40,981

(iv) By profit rate sensitivity

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Variable rate				
Cost Plus	163,238	170,104	-	-
Fixed rate				
Hire purchase receivables	291	542	291	542
Other fixed rate financing	41,039	40,439	41,039	40,439
	204,568	211,085	41,330	40,981

(v) By economic sector

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Mining and quarrying	86,200	86,200	-	-
Manufacturing	668	804	668	804
Construction	42,816		-	-
Wholesale & retail trade and restaurants & hotels	22,887	20,717	22,887	20,717
Transport, storage and communications	-	492	-	492
Finance, insurance and business services	48,138	66,200	13,916	14,852
Education, health and others	-	32,556	-	-
Others	3,859	4,116	3,859	4,116
	204,568	211,085	41,330	40,981

48. Islamic banking business (cont'd.)

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Within one year	94,532	7,570	8,022	7,304
One year to five years	93,011	198,036	16,283	28,198
After five years	17,025	5,479	17,025	5,479
Gross loans, advances and financing	204,568	211,085	41,330	40,981

(a) Movements in impaired financing accounts

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	89,549	89,534
Impaired during the financial year	5,715	15
Amount written off	(218)	-
Amount recovered	(64)	-
At 31 December	94,982	89,549
Less: Individual impairment allowances/ expected credit loss allowances	(37,202)	(1,014)
Net impaired financing and advances	57,780	88,535
Net ILs as % of gross loans, advances, and financing less expected credit loss allowances Stage 3/individual allowances	34.52%	42.15%

(b) Impaired financing and advances by economic sector:

	Group 2018 RM'000	Group 2017 RM'000
Mining and quarrying	86,200	86,200
Manufacturing	291	324
Wholesale & retail trade and restaurants & hotels	6,799	1,954
Transport, storage and communications	-	280
Finance, insurance and business services	1,273	373
Others	419	418
	94,982	89,549

48. Islamic banking business (cont'd.)

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

(vii) Impaired financing and advances (cont'd.)

(a) Movements in impaired financing accounts

	Company 2018 RM'000	Company 2017 RM'000
At 1 January	3,349	3,334
Impaired during the financial year	5,715	15
Amount written off	(218)	-
Amount recovered	(64)	-
At 31 December	8,782	3,349
Less: Individual impairment allowances/ expected credit loss allowances	(1,953)	(1,014)
Net impaired financing and advances	6,829	2,335
Net ILs as % of gross loans, advances, and financing less expected credit loss allowances Stage 3/individual allowances	17.34%	5.84%

(b) Impaired financing and advances by economic sector:

	Company 2018 RM'000	Company 2017 RM'000
Manufacturing	291	324
Wholesale & retail trade and restaurants & hotels	6,799	1,954
Transport, storage and communications	-	280
Finance, insurance and business services	1,273	373
Others	419	418
	8,782	3,349

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48. Islamic banking business (cont'd.)

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

(vii) Impaired financing and advances (cont'd.)

(c) Movements in impairment allowances

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Individual impairment allowance		
At 1 January	1,014	18,351
Effects of adoption of MFRS 9	(1,014)	-
At 1 January	-	2,736
Impairment written back during the financial year	-	(1,722)
At 31 December	-	1,014

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Collective impairment allowance				
At 1 January	4,456	4,546	1,867	1,762
Effects of adoption of MFRS 9	(4,456)	-	(1,867)	
At 1 January, restated	-	4,546	-	1,762
Impairment (written back)/made during the financial year	-	(90)	-	105
At 31 December	-	4,456	-	1,867
As % of gross financing and advances less individual impairment allowance	-	2.12%	-	4.67%

48. Islamic banking business (cont'd.)

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

(vii) Impaired financing and advances (cont'd.)

(d) Movements in impairment allowances

Expected credit loss allowances

Corporate financing and advances

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

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Group				
2018				
Very strong	35,827	-	-	35,827
Strong	377	-	-	377
Good	10,539	-	-	10,539
Acceptable	4,993	3,092	-	8,085
Fair	52,670	2,088	5,715	60,473
Unacceptable	-	-	89,267	89,267
	104,406	5,180	94,982	204,568

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Company				
2018				
Very strong	1,605	-	-	1,605
Strong	377	-	-	377
Good	10,539	-	-	10,539
Acceptable	4,993	3,092	-	8,085
Fair	9,854	2,088	5,715	17,657
Unacceptable	-	-	3,067	3,067
	27,368	5,180	8,782	41,330

48. Islamic banking business (cont'd.)

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

(vii) Impaired financing and advances (cont'd.)

(d) Movements in impairment allowances (cont'd.)

Expected credit loss allowances (cont'd.)

Corporate financing and advances (cont'd.)

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

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Group				
2018				
Gross carrying amount as at 1 January 2018	206,106	1,630	3,349	211,085
New assets originated or purchased	42,816	1,695	-	44,511
Transfer to stage 1	213	(213)	-	-
Transfer to stage 2	(2,068)	2,068	-	-
Asset derecognised or repaid (excluding write offs)	(50,746)	-	(64)	(50,810)
Transfer to stage 3	(91,915)	-	91,915	-
Amount written off	-	-	(218)	(218)
At 31 December 2018	104,406	5,180	94,982	204,568

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
Company				
2018				
Gross carrying amount as at 1 January 2018	36,002	1,630	3,349	40,981
New assets originated or purchased	-	1,695	-	1,695
Transfer to stage 1	213	(213)	-	-
Transfer to stage 2	(2,068)	2,068	-	-
Asset derecognised or repaid (excluding write offs)	(1,064)	-	(64)	(1,128)
Transfer to stage 3	(5,715)		5,715	-
Amount written off	-	-	(218)	(218)
	27,368	5,180	8,782	41,330

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48. Islamic banking business (cont'd.)

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

(vii) Impaired financing and advances (cont'd.)

(d) Movements in impairment allowances (cont'd.)

Expected credit loss allowance (cont'd.)

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Off Balance Sheet Individual RM'000	Total RM'000
Group					
At 1 January 2018	-	-	-	-	-
Effects of adoption of MFRS 9:					
Transfer from collective/individual impairment allowances	4,456	-	1,014	-	5,470
Remeasurement under ECL	(2,181)	342	-	2,474	635
At 1 January 2018, restated	2,275	342	1,014	2,474	6,105
Transfer	1,881	-	-	(1,881)	-
Impairment made during the financial year	205	419	36,519	39	37,182
Amount written back	(3,069)	(111)	(22)	-	(3,202)
Amount written off	-	-	(219)	-	(219)
Discount unwind	-	-	(90)	-	(90)
At 31 December 2018	1,292	650	37,202	632	39,776

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48. Islamic banking business (cont'd.)

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

(vii) Impaired financing and advances (cont'd.)

(d) Movements in impairment allowances (cont'd.)

Expected credit loss allowance (cont'd.)

	Stage 1 Collective RM'000	Stage 2 Collective RM'000	Stage 3 Individual RM'000	Off Balance Sheet Individual RM'000	Total RM'000
Company					
At 1 January 2018	-	-	-	-	-
Effects of adoption of MFRS 9:					
Transfer from collective/individual impairment allowances	1,867	-	1,014	-	2,881
Remeasurement under ECL	(1,310)	342	-	103	(865)
At 1 January 2018, restated	557	342	1,014	103	2,016
Transfer					-
Impairment made during the financial year	205	419	1,270	39	1,933
Amount written back	(411)	(111)	(22)	-	(544)
Amount written off	-	-	(219)	-	(219)
Discount unwind	-	-	(90)	-	(90)
At 31 December 2018	351	650	1,953	142	3,096

48. Islamic banking business (cont'd.)

(f) Other assets

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit receivables	23,263	13,605	370	471
Others	567	377	307	365
Amount due from MITI (SLSSS)	6,342	8,377	6,342	8,377
Amount due from Government Scheme Funds	3,226	5,490	3,226	5,490
Tax recoverable	9,186	3,315	9,186	3,315
	42,584	31,164	19,431	18,018

(g) Deferred tax

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,702	3,257	448	423
Effects of adoption of MFRS 9	(2,036)	-	-	-
At 1 January 2018, restated	666	3,257	448	423
Recognised in profit or loss (Note s)	1,208	313	(174)	25
Recognised in other comprehensive income	(70)	(868)	-	-
At 31 December	1,804	2,702	274	448

Presented after appropriate offsetting as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	1,804	2,702	274	448
	1,804	2,702	274	448

48. Islamic banking business (cont'd.)

(g) Deferred tax (cont'd.)

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

Group	Unutilised tax losses RM'000	Revaluation FVOCI of securities available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2017	-	2,608	649	3,257
Recognised in profit or loss	-	-	312	312
Recognised in other comprehensive income	-	(868)	-	(868)
At 31 December 2017	-	1,740	961	2,701
Effects of adoption of MFRS 9	-	(2,036)	-	(2,036)
At 1 January 2018, restated	-	(296)	961	665
Recognised in profit or loss	1,327	-	(119)	1,208
Recognised in other comprehensive income	-	(70)	-	(70)
At 31 December 2018	1,327	(366)	842	1,803

Company	Collective impairment allowance RM'000
At 1 January 2017	423
Recognised in profit or loss	25
At 31 December 2017	448
Recognised in profit or loss	(174)
At 31 December 2018	274

48. Islamic banking business (cont'd.)

(h) Deposits from customers

	Group 2018 RM'000	Group 2017 RM'000
Non-Mudharabah Fund		
(i) By type of deposit		
Commodity Murabahah Fund		
Term deposit	1,118,904	727,464
	1,118,904	727,464

	Group 2018 RM'000	Group 2017 RM'000
(ii) By type of customers		
Commodity Murabahah Fund		
Business enterprises	738,187	421,717
Government and statutory bodies	380,717	305,747
	1,118,904	727,464

(iii) Maturity analysis

	Group 2018 RM'000	Group 2017 RM'000
The maturity structure of term deposits is as follows:		
Due within six months	1,068,904	627,417
Six months to one year	50,000	100,047
	1,118,904	727,464

48. Islamic banking business (cont'd.)

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

	Group 2018 RM'000	Group 2017 RM'000
(i) By type of deposit		
Commodity Murabahah Fund		
Term deposits	603,055	852,676
	603,055	852,676

	Group 2018 RM'000	Group 2017 RM'000
(ii) By type of customer		
Commodity Murabahah Fund		
Other financial institutions	603,055	852,676
	603,055	852,676

(j) Borrowings (unsecured)

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Funds from MITI (SLSSS-i)	160,000	160,000

The facility of RM200 million is provided to the Group and Company by MITI under SLSSS-i scheme and is based on the Shariah financing concept of Al-Qardhul Hassan. The funds are provided for the financing of eligible projects bearing profit rate of 4.0% and 5.0% per annum for SME and non-SME client respectively. The facility has a tenure of 15 years, including a grace period of 10 years which shall be calculated from the date of first disbursement of the fund. The facility is repayable by 5 annual installments on the first day of the subsequent month after the expiry of the grace period and every succeeding year thereafter.

As at 31 December 2018 and 2017, the Group and the Company have drawdown RM160 million from the facility.

48. Islamic banking business (cont'd.)

(k) Other liabilities

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit payable	35,233	29,582	23,826	19,874
Sundry creditors and accruals	4,430	14,680	658	9,051
Amount due to head office	43,906	36,721	1,234	3,847
	83,569	80,983	25,718	32,772

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Income derived from investment of:				
(i) General investment deposits	101,023	79,739	-	-
(ii) Other deposits	51,209	62,746	43,638	40,403
	152,232	142,485	43,638	40,403

(i) Income derived from investment of general investment deposits

	Group 2018 RM'000	Group 2017 RM'000
Finance income and hibah		
Financial investments at FVOCI/ securities available-for-sale		
- Profit on non-impaired investments	14,693	52,678
- Profit on impaired investments	-	2,717
Financial investments at amortised cost	62,371	-
Money at call and deposit placements with financial institutions	4,301	3,798
	81,365	59,193
Accretion of discounts less amortisation of premiums	15,379	15,639
Total finance income and hibah	96,744	74,832

48. Islamic banking business (cont'd.)

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

(i) Income derived from investment of general investment deposits (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000
Other operating income		
Net gain on sale of financial assets at FVTPL	2,232	-
Net gain on sale of financial investments at FVOCI/securities available-for-sale	2,047	4,907
	4,279	4,907
	101,023	79,739

(ii) Income derived from investment of other deposits

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Finance income and hibah				
Financing and advances				
- impaired	90	-	90	-
- non-impaired	7,824	9,110	1,382	1,492
Money at call and deposit placements with other financial institutions	1,104	1,209	1,104	1,209
	9,018	10,319	2,576	2,701

48. Islamic banking business (cont'd.)

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

(ii) Income derived from investment of other deposits (cont'd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other operating income				
Management fee from Government Scheme Funds	38,185	35,282	38,185	35,282
Fee income	2,662	15,831	1,654	1,113
Other income	1,344	1,314	1,223	1,307
	42,191	52,427	41,062	37,702
	51,209	62,746	43,638	40,403

(m) Income attributable to depositors

	Group	
	2018 RM'000	2017 RM'000
Commodity Murabahah Fund		
- Deposits from customers	36,476	30,594
- Deposits and placements of banks and other financial institutions	33,545	20,399
	70,021	50,993
	70,021	50,993

(n) Staff costs

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

48. Islamic banking business (cont'd.)

(o) Other operating expenses

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Establishment costs	777	647	-	-
Marketing expenses	16	18	-	-
Management fees	19,742	15,037	19,742	15,037
Administrative and general expenses	1,278	1,124	78	74
	21,813	16,826	19,820	15,111

(p) Expected credit loss allowances/impairment loss (made)/written back on financing and advances

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Collective impairment allowance				
- Made in the financial year	-	(327)	-	(327)
- Written back in the financial year	-	417	-	222
Individual impairment allowance				
- Made in the financial year	-	-	-	-
- Written back in the financial year	-	1,722	-	1,722
Expected credit loss allowance				
- Made in the financial year	(33,980)	-	(1,389)	-
Bad debts recovered on financing and advances	38	2,285	38	3
	(33,942)	4,097	(1,351)	1,620

48. Islamic banking business (cont'd.)

(q) Expected credit loss allowance/impairment loss made on financial investments

	Group 2018 RM'000	Group 2017 RM'000
Financial investments at FVOCI/ securities available-for-sale (net)	(8,152)	(10,241)
Financial investments at amortised cost	39	-
Profit on financial investments recovered	888	-
	(7,225)	(10,241)

(r) Expected credit loss allowance/impairment loss written back/(made) on other assets

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Impairment loss written back/(made) on:				
Trade receivables	366	-	71	-
Other receivables	-	(410)	-	-
	366	(410)	71	-

(s) Taxation

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Income tax expense	43	15,536	43	6,029
Deferred tax expense				
Origination and reversal of temporary differences (Note g)	(1,208)	(313)	174	(25)
	(1,165)	15,223	217	6,004

48. Islamic banking business (cont'd.)

(t) Capital adequacy

(i) The capital adequacy ratios in respect of the Group and of the Company are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Common Equity Tier 1 (CET1) Capital				
Islamic capital fund	416,600	416,600	20,000	20,000
FVOCI reserve/securities available-for-sale reserve	1,198	(5,507)	-	-
Retained profits	194,785	207,248	22,581	20,369
	612,583	618,341	42,581	40,369
Less: Regulatory adjustments	(12,277)	(3,561)	(274)	(448)
Capital allocation	(113)	(3,783)	(113)	(3,783)
Total CET1 Capital/ Tier 1 Capital/	600,193	610,997	42,194	36,138
Tier 2 Capital				
Loss provision/loss provision and regulatory reserve	8,061	966	1,143	274
Total Tier 2 Capital	8,061	966	1,143	274
Total Capital	608,254	611,963	43,337	36,412

48. Islamic banking business (cont'd.)

(t) Capital adequacy (cont'd.)

(i) The capital adequacy ratios in respect of the Group and of the Company are as follows: (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CET 1 Capital	75.102%	62.024%	23.165%	23.045%
Tier 1 Capital	75.102%	62.024%	23.165%	23.045%
Total Capital	76.111%	62.122%	23.792%	23.220%

(ii) Breakdown of gross risk-weighted assets of the Group and of the Company are as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Total risk-weighted assets for credit risk	644,864	837,708	108,188	90,992
Total risk-weighted assets equivalent for operational risk	154,304	147,396	73,959	65,821
	799,168	985,104	182,147	156,813

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

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

48. Islamic banking business (cont'd.)

(u) Adoption of MFRS 9 Financial Instruments

(i) Summary of classfication and measurement of the Group's financial assets and liabilities on 1 January 2018 are as follows:

Table 1 - Classification and measurement

Group

	Measurement Category		Carrying amount as at	
	Original (MFRS 139)	**New (MFRS 9)**	**Original (MFRS 139) RM'000**	**New (MFRS 9) RM'000**
Financial assets:				
Cash and short-term funds	Loans and receivables	Amortised cost	156,922	156,922
Deposits and placements with licensed banks and other financial institutions	Loans and receivables	Amortised cost	59,600	59,600
Financial investments	AFS	Amortised cost	1,308,100	1,316,289
Financial investments	AFS	FVOCI	687,091	687,091
Financing and advances	Loans and receivables	Amortised cost	205,615	206,481
Other assets	Loans and receivables	Amortised cost	31,165	31,166
Financial liabilities:				
Deposits from customers	Amortised cost	Amortised cost	727,464	727,464
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	852,676	852,676
Other liabilities	Amortised cost	Amortised cost	80,983	80,983

48. Islamic banking business (cont'd.)

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

(i) Summary of classfication and measurement of the Group's financial assets and liabilities on 1 January 2018 are as follows: (cont'd.)

Table 1 - Classification and measurement (cont'd.)

Company

	Measurement Category		Carrying amount as at	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:				
Cash and short-term funds	Loans and receivables	Amortised cost	118,070	118,070
Deposits and placements with licensed banks and other financial institutions	Loans and receivables	Amortised cost	59,600	59,600
Financing and advances	Loans and receivables	Amortised cost	38,100	38,966
Other assets	Loans and receivables	Amortised cost	18,018	18,020
Financial liabilities:				
Other liabilities	Amortised cost	Amortised cost	32,237	32,237

48. Islamic banking business (cont'd.)

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

(i) (cont'd.)

Table 2 - Effects of reclassification and measurement

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

Group

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Financial investments - AFS	**1,995,191**	**(1,995,191)**	**-**	**-**
Gross carrying value	*2,004,030*	*(2,004,030)*	*-*	*-*
Individual impairment reclassified to ECL	*(8,839)*	*8,839*	*-*	*-*
Financial investments - Amortised Cost	**-**	**1,308,100**	**8,188**	**1,316,288**
Gross	*-*	*1,308,101*	*-*	*1,308,101*
Expected Credit Loss	*-*	*-*	*(290)*	*(290)*
Fair value remeasurement	*-*	*-*	*8,478*	*8,478*
Financial investments - FVOCI	**-**	**687,091**	**-**	**687,091**
Fair value	*-*	*695,929*	*-*	*695,929*
Expected Credit Loss	*-*	*(8,839)*	*-*	*(8,839)*
Financing and advances	205,615	-	(635)	204,980
Opening balance	205,615	-	-	205,615
Gross carrying value	*211,085*	*-*	*-*	*211,085*
Individual impairment allowance	*(1,014)*	*1,014*	*-*	*-*
Collective impairment allowance	*(4,456)*	*4,456*	*-*	*-*
Expected Credit Loss				-
Reclassification - Stage 3	*-*	*(1,014)*	*-*	*(1,014)*
Reclassification - Stage 1	*-*	*(4,456)*	*-*	*(4,456)*
Remeasurement	*-*	*-*	*(635)*	*(635)*
Deferred tax assets:	2,701	(1,740)	(296)	665
Opening balance	2,701	-	-	2,701
Reversal of deferred tax relating to AFS revaluation reserve	-	(1,740)	-	(1,740)
Recognition of deferred tax relating to FVOCI revaluation reserve	-	-	(296)	(296)
Other assets:	31,165	-	1	31,166
Opening balance	31,165	-	-	31,165
Decrease in loss allowance*	-	-	1	1
Other assets	-	-	-	31,166

* The Group and the Company applies simplified approach

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48. Islamic banking business (cont'd.)

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

(i) (cont'd.)

Table 2 - Effects of reclassification and measurement (cont'd.)

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Retained profits:	207,784	-	(9,252)	198,532
Opening balance	207,784	-	-	207,784
Increase in loss allowance for:				-
- financing and advances	-	-	(634)	(634)
- financial investments at amortised cost	-	-	(290)	(290)
- other assets	-	-	(1)	(1)
Transfer to regulatory reserve	-	-	(8,327)	(8,327)
AFS reserve	(5,507)	5,507	-	-
FVOCI reserve:	-	-	938	938
Opening balance	-	-	-	-
Fair value changes arising from the revaluation of financial investments at FVOCI	-	-	9,777	9,777
Transfer of loss allowance	-	-	(8,839)	(8,839)
Regulatory reserve:	-	-	8,327	8,327
Opening balance	-	-	-	-
Transfer from retained profits	-	-	8,327	-
Total regulatory reserve	-	-	-	8,327

48. Islamic banking business (cont'd.)

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

(i) (cont'd.)

Table 2 - Effects of reclassification and measurement (cont'd.)

	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Financing and advances	38,100	-	865	38,965
Opening balance	38,100	-	-	38,100
Gross carrying value	*40,981*	-	-	*40,981*
Individual impairment allowance	*(1,014)*	*1,014*	-	-
Collective impairment allowacen	*(1,867)*	*1,867*	-	-
Expected Credit Loss				
Reclassification - Stage 3	-	*(1,014)*	-	*(1,014)*
Reclassification - Stage 1	-	*(1,867)*	-	*(1,867)*
Remeasurement	-		*865*	*865*
Deferred tax assets:	448	-	-	448
Opening balance	448	-	-	-
Total deferred tax assets	-	-	-	448
Other assets:	18,018	-	-	18,018
Opening balance	18,018	-	-	-
Other assets	-	-	-	18,018
Retained profits:	20,905	-	865	21,770
Opening balance	20,905	-	-	20,905
Increase in loss allowance for:				
- financing and advances	-	-	865	865

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49. Directors of subsidiaries of the Group

No	Name of subsidiary	Name of Directors
1.	MIDF Amanah Investment Bank Berhd	Datuk Azizan Bin Hj. Abd Rahman Mr. Philip Tan Puay Koon Dato' Kaziah Binti Abdul Kadir Encik Ahlan Nasri Bin Mohd Nasir Puan Sri Shahrizan Binti Abdullah Encik Azlan Bin Abdullah Dato' Charon Wardini Bin Mokhzani (Appointed on 2 July 2018) Datuk Mohd. Najib Bin Hj. Abdullah (Resigned on 30 June 2018)
2.	MIDF Amanah Asset Management Berhad	Cik Hasnah Binti Omar Mr. Tai Keat Chai Encik Ahlan Nasri Bin Mohd Nasir Encik Hasman Yusri Bin Yusoff Dato' Charon Wardini Bin Mokhzani (Appointed on 10 July 2018) Mohamed Sany Bin Mohamed Zainudin (Appointed on 28 December 2018) Datuk Mohd. Najib Bin Hj. Abdullah (Resigned on 30 June 2018) Encik Azlan Bin Hussin (Resigned on 1 October 2018)
3.	Amanah International Finance Sdn. Bhd.	Encik Ahmad Lutfi Bin Abdull Mutalip @ Talib Mr. Tai Keat Chai Encik Nik Izani Bin Nik Muhamad Datuk Mohd Nasir Bin Ali Encik Hasman Yusri Bin Yusoff
4.	MIDF Amanah Capital Berhad	Azizi Bin Mustafa Sheikh Shahruddin Bin Sheikh Salim Parthasarathy a/l B. S. Narayanan (Resigned on 31 December 2018)
5.	MIDF DFI Bhd	Foo Wei Hoong Azizi Bin Mustafa
6.	MIDF Amanah Investment Nominees (Asing) Sdn Bhd	Sheikh Shahruddin Bin Sheikh Salim Wan Ahmad Satria Bin Wan Hussein
7.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd	Sheikh Shahruddin Bin Sheikh Salim Wan Ahmad Satria Bin Wan Hussein
8.	Omega Matrix (M) Sdn Bhd	Parthasarathy a/l B. S. Narayanan Faizah Hanim Binti Mustafa Albakri

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49. Directors of subsidiaries of the Group (cont'd.)

No	Name of subsidiary	Name of Directors
9.	Oriental 1936 Berhad	Foo Wei Hoong Parthasarathy a/l B. S. Narayanan (Resigned on 31 December 2018) Nik Izani Bin Nik Muhammad (Resigned on 27 June 2018) Sheikh Shahruddin Bin Sheikh Salim (Resigned on 28 December 2018)
10.	MIDF Amanah Ventures Sdn Bhd	Foo Wei Hoong Parthasarathy a/l B. S. Narayanan

50. Subsequent event

On 18 February 2019, the Company subscribed to 190,000,000 units of Redeemable Preference Shares ("RPS") issued by a wholly owned subsidiary, AIF amounting to RM190.0 million. The subscription is to settle the intercompany financing.