FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas Global P.L.C. ("CGP"), Cagamas Global Sukuk Berhad ("CGS"), Cagamas MBS Berhad ("CMBS"), Cagamas SRP Berhad ("CSRP"), Cagamas MGP Berhad ("CMGP") and Cagamas SME Berhad ("CSME").

The principal activities of Cagamas consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Cagamas subsidiary companies are CGP and CGS;

- CGP is a conventional fund-raising vehicle incorporated in Labuan. Its main principal activities are to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund-raising vehicle. Its main principal activities are to undertake the issuance of Sukuk in foreign currency.

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) ("SRP") and Skim Perumahan Belia (Youth Housing Scheme) ("SPB") both of which were initiated by the Government of Malaysia ("GOM").

The principal activities of CMGP were the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME were the purchase of Small and Medium Enterprise ("SME") loans and the undertaking of structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

There were no other significant changes in the nature of these activities during the financial year.

SUBSIDIARIES

Details of subsidiaries are set out in Note 21 to the financial statements.

DIRECTORS' REPORT
(CONTINUED)

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	410,932	30,074

DIVIDENDS

The dividends paid by the Group and the Company since 31 December 2018 were as follows:

	Group RM'000	Company RM'000
In respect of the financial year ended 31 December 2019,		
On ordinary shares:		
– a dividend of 15 sen per share on 150,000,000 shares, paid on 1 April 2019	22,500	22,500
– a dividend of 5 sen per share on 150,000,000 shares, paid on 3 September 2019	7,500	7,500
	30,000	30,000
On redeemable preference shares:		
– final dividend paid in cash on 24 October 2019	111	–

The Directors now recommend the payment of a first interim dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2020, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The final dividend on redeemable preference shares ("RPS") was approved by the Board of Directors of its subsidiary, CMBS, on 3 September 2018 and paid in the current year. The Board of Directors of CMBS, do not recommend the payment of any further dividend on RPS or ordinary shares for the financial year ended 31 December 2019.

The RPS issued by CMBS of RM1 was fully redeemed and cancelled on 16 December 2019.

SHARE CAPITAL

There are no changes in the issued ordinary share or preference shares of the Group and the Company during the financial year.

DIRECTORS' REPORT
(CONTINUED)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad ("RAM") has assigned the corporate credit ratings of gA2/Stable/gP1, seaAAA/Stable/seaP1 and AAA/Stable/P1 to Global, ASEAN and National-scale rating to a subsidiary of the Group, Cagamas, respectively. In addition, RAM has also assigned Cagamas' bonds and sukuk issues rating at AAA/Stable and P1 respectively.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has assigned Cagamas' bonds and sukuk issues ratings at AAA/AAAIS and MARC-1/MARC-1IS, respectively. Moody's Investors Service (Moody's) has assigned long term local and foreign currency issuer ratings of A3 that is in line with Malaysian sovereign ratings.

In addition, RAM and Moody's have maintained the ratings of gA2(s)/Stable and A3 respectively to the USD2.5 billion Multicurrency Medium Term Note ("EMTN") Programme and USD2.5 billion Multicurrency Sukuk Programme ("Islamic EMTN") issued by its subsidiaries.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are disclosed in Note 41 to the financial statements.

During the financial year ended 31 December 2019, the Company and its subsidiary company, Cagamas, entered into a shared service arrangement. Under this arrangement, Cagamas sets out the scope of services performed for the Company in the normal course of business. The details and nature of the transaction are disclosed in Note 41 to the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to date of the report are:

Dato' Bakarudin bin Ishak (appointed as Director on 1 January 2019 and Chairman w.e.f 20 September 2019)
Tan Sri Dato' Sri Tay Ah Lek
Datuk George Ratilal
Datuk Abdul Farid bin Alias
Dato' Lee Kok Kwan
Wan Hanisah binti Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (appointed w.e.f 1 January 2019)
Datuk Siti Zauyah binti Md Desa (appointed w.e.f 1 December 2019)
Datuk Nik Mohd Hasyudeen bin Yusoff (resigned as Chairman and Director w.e.f 20 September 2019)

The names of the directors of subsidiaries are set out in the respective subsidiary's statutory financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Datuk George Ratilal retires by rotation at the forthcoming Annual General Meeting and does not offer himself for re-election.

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS (CONTINUED)

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Wan Hanisah binti Wan Ibrahim retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Article 23.2 of the Company's Constitution, Datuk Siti Zauyah binti Md Desa who vacates her office at the forthcoming Annual General Meeting and being eligible, offers herself for re-election.

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 37 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year were the Group and the Company are a party to any arrangements whose object or objects were to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Group and the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the Directors in office at the end of the financial year did not hold any interest in shares or options over shares in the Company or its subsidiaries during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the amounts to be written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

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

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

DIRECTORS' REPORT
(CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than disclosed in Note 42.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading or inappropriate.

In the opinion of the Directors:

(a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2019

In financial year 2019, the Group achieved a profit of RM410.9 million as compared to RM416.5 million in 2018. Cagamas remains the key operating subsidiary which contributes 59% of total group profit for the financial year. The Group's total capital ratio ("TCR") stood at 44.0% (2018: 45.0%).

Cagamas recorded RM5.0 billion of purchases of loans/financings under PWR scheme (2018: RM12.1 billion) and no purchase of loans/financings under PWOR scheme (2018: Nil). Cagamas' net outstanding loans/financings declined by 9.4% to RM37.8 billion (2018: RM41.7 billion). As at the end of 2019, residential mortgage dominated Cagamas' portfolio at 98.6% (2018: 98.7%) and followed by hire purchase loans/financings at 1.4% (2018: 1.2%). There is no personal loans/financings outstanding as at financial year ended 31 December 2019 (2018: 0.1%). Cagamas's Islamic asset portfolio against conventional assets increased to a ratio of 43:57 (2018: 38:62), while PWR and PWOR loans/financings portfolios were at 70% and 30% respectively (2018: 71% and 29% respectively). The gross impaired loans/financings under the PWOR scheme stood at 0.72% (2018: 0.85%), while net impaired loans/financings is at 0.11% (2018: 0.43%).

As at the financial year end, CMBS achieved a pre-tax profit of RM198.3 million, compared with RM215.7 million in 2018. During the financial year, CMBS has redeemed RMBS/IRMBS totalling RM505.0 million out of the original total issuance of RM10.2 billion. The remaining RMBS/IRMBS are expected to mature in stages and fully redeemed by August 2027.

DIRECTORS' REPORT
(CONTINUED)

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2019 (CONTINUED)

During the financial year 31 December 2019, CMBS has distributed RM111,409 of dividend in RPS to its RPS holder. The distribution of dividend represents final distribution of discretionary bonus fee (in the form of dividend) to Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) upon settlement of RMBS for pool 2004-1. The RPS has been fully redeemed and cancelled on 16 December 2019.

As at 31 December 2019, CSRP registered a pre-tax profit of RM17.7 million as compared to RM12.2 million in 2018. The total guarantee exposures that have been provided by the Company to the SRP and SPB schemes was RM706.5 million compared with RM361.1 million in 2018. The value and number of new loans and financing approved with guarantee cover for SRP and SPB have increased, mainly due to the criteria improvements/expansion of SRP and greater public awareness of the schemes through the participating financial institutions. Since the launch of SRP and SPB in year 2011 and 2015 respectively, the Company has provided guarantee for housing loans totaling RM6.9 billion enabling 33,236 individuals/households to own their first home.

SUBSIDIARIES

Details of subsidiaries are set out in Note 21 to the financial statements.

AUDITORS REMUNERATION

Details of the auditors' remuneration are set out in Note 38 of the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 29 April 2020.

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN BIN ISHAK
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Cash and short-term funds	6	**568,729**	468,160	**652**	540
Deposits and placements with financial institutions	7	**1,017,767**	652,339	**1,751**	1,698
Derivative financial instruments	8	**58,422**	362,078	**–**	–
Financial asset at fair value through other comprehensive income (FVOCI)	9	**3,570,619**	3,867,328	**–**	–
Financial asset at fair value through profit or loss (FVTPL)	10	**141,383**	–	**–**	–
Amount due from counterparties	11	**16,657,154**	20,404,924	**–**	–
Islamic financing assets	12	**10,842,232**	10,029,953	**–**	–
Mortgage assets					
– Conventional	13	**6,212,124**	6,939,324	**–**	–
– Islamic	14	**7,209,409**	7,857,947	**–**	–
Hire purchase assets					
– Islamic	15	**136**	781	**–**	–
Other assets	16	**7,171**	6,589	**–**	–
Property and equipment	17	**3,923**	4,694	**–**	–
Intangible assets	18	**21,380**	22,849	**–**	–
Right-of-use asset	19	**3,980**	–	**–**	–
Deferred taxation	20	**32,498**	43,659	**–**	–
Tax recoverable		**–**	40,851	**–**	40
Investment in subsidiaries	21	**–**	–	**4,181,628**	4,181,628
Investment in structured entity	22	**–***	–*	**–***	–*
TOTAL ASSETS		**46,346,927**	50,701,476	**4,184,031**	4,183,906
LIABILITIES					
Unsecured bearer bonds and notes	23	**20,661,027**	26,082,391	**–**	–
Sukuk	24	**15,849,883**	14,808,472	**–**	–
Derivative financial instruments	8	**152,309**	154,614	**–**	–
RMBS	25	**1,008,979**	1,270,318	**–**	–
IRMBS	26	**1,015,463**	1,261,353	**–**	–
Deferred guarantee fee income		**10,058**	7,393	**–**	–
Deferred Wakalah fee income		**35,723**	21,776	**–**	–
Deferred taxation	20	**613,691**	622,800	**3**	4
Provision for taxation		**21,024**	9,943	**–**	–
Lease liability	27	**4,791**	–	**–**	–
Other liabilities	28	**125,481**	89,668	**52**	–
TOTAL LIABILITIES		**39,498,429**	44,328,728	**55**	4

* denotes RM2

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

STATEMENTS OF FINANCIAL POSITION
(CONTINUED)
as at 31 December 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Share capital	29	**150,000**	150,000	**150,000**	150,000
Reserves	30	**6,698,498**	6,222,748	**4,033,976**	4,033,902
SHAREHOLDERS' FUNDS		**6,848,498**	6,372,748	**4,183,976**	4,183,902
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**46,346,927**	50,701,476	**4,184,031**	4,183,906
NET TANGIBLE ASSETS PER SHARE (RM)	31	**45.51**	42.33	**27.89**	27.89

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

INCOME STATEMENTS

for the financial year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	32	**1,428,867**	1,538,435	**166**	152
Interest expense	33	**(1,011,581)**	(1,097,446)	**–**	–
Income from Islamic operations	51	**235,657**	218,833	**–**	–
Non-interest (expense)/income	34	**(43,596)**	(66,657)	**30,000**	30,000
		609,347	593,165	**30,166**	30,152
Administration and general expenses		**(25,587)**	(29,312)	**(53)**	**–**
Personnel costs	35	**(31,308)**	(26,526)	**–**	–
OPERATING PROFIT		**552,452**	537,327	**30,113**	30,152
(Allowance)/Write-back of impairment losses	36	**(18,298)**	6,653	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT	38	**534,154**	543,980	**30,113**	30,152
Zakat		**(1,037)**	(1,662)	**–**	–
Taxation	39	**(122,185)**	(125,852)	**(39)**	(36)
PROFIT FOR THE FINANCIAL YEAR*		**410,932**	416,466	**30,074**	30,116
EARNINGS PER SHARE (SEN)	31	**273.95**	277.64	**20.05**	20.08

* Profit for the financial year of the Group includes profit from CMBS of RM156,751,000 (2018: RM163,870,000) that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool.

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit for the financial year	**410,932**	416,466	**30,074**	30,116
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
– Net gain on fair value changes before taxation	**68,357**	6,627	**–**	–
– Deferred taxation	**(16,406)**	(1,589)	**–**	–
Cash flow hedge				
– Net gain/(loss) on cash flow hedge before taxation	**56,550**	(9,675)	**–**	–
– Deferred taxation	**(13,572)**	2,321	**–**	–
Other comprehensive income/(loss) for the financial year, net of taxation	**94,929**	(2,316)	**–**	–
Total comprehensive income for the financial year	**505,861**	414,150	**30,074**	30,116

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Note	Issued ordinary shares of RM1 each	Non-distributable					Distributable		
		Share capital RM'000	Share premium relief reserve RM'000	Reverse acquisition relief reserve RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	Total equity RM'000
Group										
Balance as at 1 January 2019		150,000	3,831,628	(3,831,628)	4,970	(35,711)	144,472	3,623,194	2,485,823	6,372,748
Profit for the financial year		–	–	–	–	–	–	254,181	156,751	410,932
Other comprehensive income		–	–	–	51,951	42,978	–	–	–	94,929
Total comprehensive income for the financial year		–	–	–	51,951	42,978	–	254,181	156,751	505,861
Transfer to retained profits		–	–	–	–	–	(34,693)	34,693	–	–
Discretionary dividend on RPS paid during the year	40	–	–	–	–	–	–	–	(111)	(111)
Redemption of RPS**	29	(–)	–	–	–	–	–	–	–	(–)
Dividends paid	40	–	–	–	–	–	–	(30,000)	–	(30,000)
Balance as at 31 December 2019	29&30	150,000	3,831,628	(3,831,628)	56,921	7,267	109,779	3,882,068	2,642,463	6,848,498

* Other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

** Denotes the RPS issued by CMBS of RM1 which was fully redeemed and cancelled on 16 December 2019.

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

STATEMENTS OF CHANGES IN EQUITY
(CONTINUED)
for the financial year ended 31 December 2019

		Issued ordinary shares of RM1 each	Non-distributable					Distributable		
	Note	**Share capital RM'000**	**Share premium relief reserve RM'000**	**Reverse acquisition relief reserve RM'000**	**Financial asset at FVOCI reserves RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Other reserves* RM'000**	**Total equity RM'000**
Group										
Balance as at 1 January 2018		150,000	3,831,628	(3,831,628)	(67)	(28,358)	161,032	3,384,038	2,402,899	6,069,544
Profit for the financial year		–	–	–	–	–	–	252,596	163,870	416,466
Other comprehensive income/(loss)		–	–	–	5,037	(7,353)	–	–	–	(2,316)
Total comprehensive income/(loss) for the financial year		–	–	–	5,037	(7,353)	–	252,596	163,870	414,150
Transfer to retained profits		–	–	–	–	–	(16,560)	16,560	–	–
Discretionary dividend on RPS paid during the year	40	–	–	–	–	–	–	–	(80,946)	(80,946)
Dividends paid	40	–	–	–	–	–	–	(30,000)	–	(30,000)
Balance as at 31 December 2018	29&30	150,000	3,831,628	(3,831,628)	4,970	(35,711)	144,472	3,623,194	2,485,823	6,372,748

* Other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

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

STATEMENTS OF CHANGES IN EQUITY

(CONTINUED)

for the financial year ended 31 December 2019

	Note	Issued ordinary shares of RM1 each	Non-distributable	Distributable	
		Share capital RM'000	Share premium relief reserve RM'000	Retained profits RM'000	Total equity RM'000
Company					
Balance as at 1 January 2019		**150,000**	**3,831,628**	**202,274**	**4,183,902**
Profit for the financial year		**–**	**–**	**30,074**	**30,074**
Total comprehensive income for the financial year		**–**	**–**	**30,074**	**30,074**
Dividends paid		**–**	**–**	**(30,000)**	**(30,000)**
Balance as at 31 December 2019	29&30	**150,000**	**3,831,628**	**202,348**	**4,183,976**
Balance as at 1 January 2018		150,000	3,831,628	202,158	4,183,786
Profit for the financial year		–	–	30,116	30,116
Total comprehensive income for the financial year		–	–	30,116	30,116
Dividends paid	40	–	–	(30,000)	(30,000)
Balance as at 31 December 2018	29&30	150,000	3,831,628	202,274	4,183,902

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
OPERATING ACTIVITIES				
Profit for the financial year	**410,932**	416,466	**30,074**	30,116
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
– Financial asset at FVOCI	**(12,474)**	(20,321)	**–**	–
– Unsecured bonds and notes	**(3,598)**	2,414	**–**	–
– Sukuk	**(13,149)**	(17,641)	**–**	–
Accretion of discount on:				
– Mortgage assets - Conventional	**(175,035)**	(188,454)	**–**	–
– Mortgage assets - Islamic	**(133,566)**	(134,343)	**–**	–
– Hire purchase assets - Islamic	**–**	(1)	**–**	–
Interest income	**(1,230,448)**	(1,326,844)	**(166)**	(152)
Interest income - derivatives	**(250,423)**	(267,804)	**–**	–
Income from Islamic operations	**(760,870)**	(723,316)	**–**	–
Interest expense - bonds	**948,756**	1,030,201	**–**	–
Interest expense - derivatives	**261,346**	299,995	**–**	–
Interest expense - RMBS	**62,825**	67,245	**–**	–
Profit attributable to Sukuk holders	**641,755**	604,387	**–**	–
Profit attributable to derivatives	**47,423**	49,153	**–**	–
Profit attributable to IRMBS holders	**51,004**	56,859	**–**	–
Fee income/Wakalah fee income	**(11,291)**	(5,719)	**–**	–
Guarantee/Kafalah	**43**	–	**–**	–
Depreciation of property and equipment	**1,828**	1,421	**–**	–
Amortisation of intangible assets	**3,563**	2,897	**–**	–
Amortisation of right-of-use asset	**936**	–	**–**	–
Adjustment on lease liability	**2,523**	–	**–**	–
Gain on disposal of:				
– Property and equipment	**(23)**	(70)	**–**	–
– Financial asset at FVOCI	**(7,636)**	(3,553)	**–**	–
Allowance/(write-back) for impairment losses on:				
– Cash and short-term funds	**105**	–	**–**	–
– Financial assets at FVOCI	**232**	–	**–**	–
– Guarantee/Wakalah exposures	**892**	1,259	**–**	–
– Amount due from counterparties/Islamic financing assets	**18**	431	**–**	–
– Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets	**17,051**	(8,343)	**–**	–
Taxation	**122,185**	125,562	**39**	36
Zakat	**1,037**	1,662	**–**	–

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

STATEMENTS OF CASH FLOWS
(CONTINUED)
for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Operating (loss)/profit before working capital changes	**(24,059)**	(36,457)	**29,947**	30,000
Increase in cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	**(316,818)**	(371,133)	**–**	–
Decrease/(increase) in amount due from counterparties	**3,785,374**	(509,807)	**–**	–
Increase in Islamic financing assets	**(813,711)**	(4,460,445)	**–**	–
Decrease in mortgage assets:				
– Conventional	**902,756**	926,295	**–**	–
– Islamic	**768,228**	737,435	**–**	–
Decrease/(increase) in Islamic hire purchase assets	**647**	(93)	**–**	–
Increase in other assets	**(8,374)**	(283)	**–**	–
Decrease in derivatives	**357,238**	707,753	**–**	–
Decrease in deferred financing fees	**2,353**	1,412	**–**	–
Decrease in amount due to related company	**970**	71	**–**	–
Increase in other liabilities	**38,064**	26,138	**52**	–
Cash generated from/(utilised in) operations	**4,692,668**	(2,979,114)	**29,999**	30,000
Interest received	**1,192,515**	1,231,103	**166**	152
Interest received on derivatives	**208,544**	220,222	**–**	–
Fee income received	**27,903**	17,960	**–**	–
Profit received from Islamic assets	**748,378**	703,184	**–**	–
Profit received on derivatives	**49,957**	52,593	**–**	–
Interest paid	**(884)**	(236)	**–**	–
Interest paid on derivatives	**(267,785)**	(378,529)	**–**	–
Profit paid on derivatives	**(48,042)**	(650,638)	**–**	–
Guarantee/Kafalah paid	**(57)**	–	**–**	–
Payment of:				
– Zakat	**(812)**	(973)	**–**	–
– Taxation	**(98,178)**	(121,773)	**–**	(50)
Net cash generated from/(utilised in) operating activities	**6,504,207**	(1,906,201)	**30,165**	30,102

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

STATEMENTS OF CASH FLOWS
(CONTINUED)
for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
INVESTING ACTIVITIES				
Purchase of:				
– Financial asset at FVOCI	**(3,573,581)**	(3,040,427)	**–**	–
– Financial asset at FVTPL	**(142,766)**	–	**–**	–
– Property and equipment	**(1,058)**	(1,679)	**–**	–
– Intangible assets	**(2,094)**	(9,392)	**–**	–
Net proceed from sale/redemption of:				
– Financial asset at FVOCI	**3,879,566**	2,757,646	**–**	–
– Financial asset at FVTPL	**–**	142,211	**–**	–
Income received from:				
– Financial asset at FVOCI	**90,209**	96,181	**–**	–
– Financial asset at FVTPL	**1,383**	3,649	**–**	–
Proceeds from disposal of property and equipment	**23**	70	**–**	–
Net cash generated from/(utilised in) investing activities	**251,682**	(51,741)	**–**	–
FINANCING ACTIVITIES				
Proceeds from issuance of:				
– unsecured bonds and notes	**6,247,983**	9,737,359	**–**	–
– Sukuk	**3,995,000**	6,020,000	**–**	–
Redemption of:				
– unsecured bonds and notes	**(11,613,748)**	(9,458,758)	**–**	–
– Sukuk	**(2,932,000)**	(2,812,052)	**–**	–
– RMBS	**(260,000)**	–	**–**	–
– IRMBS	**(245,000)**	–	**–**	–
Interest paid on:				
– unsecured bonds and notes	**(1,002,576)**	(995,432)	**–**	–
– RMBS	**(64,164)**	(67,245)	**–**	–
Profit paid on:				
– Sukuk	**(650,195)**	(584,107)	**–**	–
– IRMBS	**(51,894)**	(56,859)	**–**	–
Dividends paid to:				
– shareholders	**(30,000)**	(30,000)	**(30,000)**	(30,000)
– RPS holder	**(111)**	(80,946)	**–**	–
Redemption of RPS*	**(–)**	–	**–**	–
Net cash (utilised in)/generated from financing activities	**(6,606,705)**	1,671,960	**(30,000)**	(30,000)

* denotes RM1

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

STATEMENTS OF CASH FLOWS

(CONTINUED)

for the financial year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net increase/(decrease) in cash and cash equivalents		**149,184**	(285,982)	**165**	102
Effect of foreign exchange translation		**(5)**	78	**–**	–
Cash and cash equivalents as at 1 January		**633,441**	919,345	**2,238**	2,136
Cash and cash equivalents as at 31 December		**782,620**	633,441	**2,403**	2,238
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	6	**568,729**	468,160	**652**	540
Deposits and placements with financial institutions	7	**1,017,767**	652,339	**1,751**	1,698
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(803,876)**	(487,058)	**–**	–
		782,260	633,441	**2,403**	2,238

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

STATEMENTS OF CASH FLOWS
(CONTINUED)
for the financial year ended 31 December 2019

		Cash changes	Non-cash changes				
	Balance as at the beginning of financial year RM'000	**Net cash flows from financing activities RM'000**	**Effect of foreign exchange translation RM'000**	**Deferred financing fees RM'000**	**Accrued interest/ profits RM'000**	**Amortisation/ (accretion) RM'000**	**Balance as at the end of financial year RM'000**
Group							
2019							
Unsecured bonds and notes	**26,082,391**	**(6,368,870)**	**(5)**	**2,353**	**948,756**	**(3,598)**	**20,661,027**
Sukuk	**14,808,472**	**412,805**	**–**	**–**	**641,755**	**(13,149)**	**15,849,883**
RMBS	**1,270,318**	**(324,164)**	**–**	**–**	**62,825**	**–**	**1,008,979**
IRMBS	**1,261,353**	**(296,894)**	**–**	**–**	**51,004**	**–**	**1,015,463**
Total	**43,422,534**	**(6,577,123)**	**(5)**	**2,353**	**1,704,340**	**(16,747)**	**38,535,352**
2018							
Unsecured bonds and notes	25,764,940	(716,625)	78	1,383	1,030,201	2,414	26,082,391
Sukuk	11,597,878	2,623,819	–	29	604,387	(17,641)	14,808,472
RMBS	1,270,318	(67,245)	–	–	67,245	–	1,270,318
IRMBS	1,261,353	(56,859)	–	–	56,859	–	1,261,353
Total	39,894,489	1,783,090	78	1,412	1,758,692	(15,227)	43,422,534

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas Global P.L.C. ("CGP"), Cagamas Global Sukuk Berhad ("CGS"), Cagamas MBS Berhad ("CMBS"), Cagamas SRP Berhad ("CSRP"), Cagamas MGP Berhad ("CMGP") and Cagamas SME Berhad ("CSME").

The principal activities of Cagamas consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Cagamas subsidiary companies are CGP and CGS;

- CGP is a conventional fund-raising vehicle incorporated in Labuan. Its main principal activities are to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund-raising vehicle. Its main principal activities are to undertake the issuance of Sukuk in foreign currency.

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) ("SRP") and Skim Perumahan Belia (Youth Housing Scheme) ("SPB") both of which were initiated by the Government of Malaysia ("GOM").

The principal activities of CMGP were the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME were the purchase of Small and Medium Enterprise ("SME") loans and the undertaking of structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business is Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpur.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements incorporate those activities relating to the Islamic operations of the Group.

The Islamic operations of the Group refer to:

(a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;

(b) Islamic financial guarantee contracts from Skim Rumah Pertamaku and Skim Perumahan Belia;

(c) issuance of Sukuk under Shariah principles; and

(d) acquisition, investment in and trading of Islamic financial instruments.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective:

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective (continued):

The Group has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 3.

The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective:

Financial year beginning on 1 January 2020

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In 2008, the restructuring of the Group involving a share swap of the Company with Cagamas has been accounted for as a reverse acquistion under MFRS 3 “Business Combination”.

Under reverse acquisition accounting, the Company recognised a share premium relief reserve to record the excess of investment fair value over share capital. In the consolidated financial statements, a reverse acquisition relief reserve is created to set off against the share premium relief reserve.

Subsidiaries are consolidated using the purchase method of accounting except for certain business combination which were accounted for using the merger method as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 “Accounting for Acquisitions and Mergers”, the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} “Business Combinations”;
- internal group reorganisations, as defined in MFRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities’ share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122_{2004} to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intragroup transactions, balances and unrealised gains in transactions between group of companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary companies, and is recognised in the consolidated income statements.

2.3 Structured entity

A structured entity is an entity where the voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights are related to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity normally has restricted activities, a narrow or well-defined objective, very little equity and is financed by multiple contractually linked instruments, such as securitisation vehicles, asset-backed financings and some investment funds.

The Group has set up BNM Sukuk Berhad ("BNM Sukuk") as structured entity for the purpose of facilitation of BNM's management of the Islamic banking sector's liquidity respectively.

The Group consolidates any entity that it controls, and control is evidenced by all three of the following:

(a) The Group has power over the entity, which is described as having existing rights that give the current ability to direct the relevant activities, i.e. the activities that most significantly affect the entity's returns;

(b) The Group has exposure, or rights, to variable returns from its involvement with the entity; and

(c) The Group has the ability to use its power over the entity to affect the amount of its returns.

The Group has not consolidated BNM Sukuk as it does not have control over the entity. The Group merely acts as a facilitator for the issuance of Sukuk BNM Ijarah to finance the purchase of beneficial interest of land and building from BNM and thereafter, to lease back the same land and building to BNM or for the issuance of Sukuk BNM Murabahah via issuance of Trust Certificates to evidence investors beneficial interest over commodity assets and its profits, arising from the sale of commodity assets to BNM.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Amount due from counterparties and Islamic financing assets

Note 1 to the financial statements describes the principal activities of the Group and the Company, which are inter alia, the purchases of mortgage loans, personal loans and hire purchase and leasing debts. These activities are also set out in the object clauses of the Memorandum of Association of the subsidiaries.

As at the statement of financial position date, amount due from counterparties/Islamic financing assets in respect of mortgage loans, personal loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Group. Interest/profit income on amount due from counterparties/Islamic financing assets is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

2.5 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are acquired by the Group from the originators at fair values. The originator acts as servicer and remits the principal and interest/profit income from the assets to the Group at specified intervals as agreed by both parties.

As at the statement of financial position date, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired are stated at their unpaid principal balances due to the Group and adjusted for unaccreted discount. Interest/profit income on the assets are recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest. The discount arising from the difference between the purchase price and book value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired is accreted to the income statements over the expected remaining life of the assets using the internal rate of return method.

2.6 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.9 to the financial statements describe the Group's accounting policy on impairment of assets and Note 4 details out the critical accounting estimates and assumptions.

2.7 Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the cost of the assets over their estimated useful lives, with the exception of work-in-progress which is not depreciated. Depreciation rates for each category of property and equipment are summarised as follows:

Office equipment – mobile devices	100%
Office equipment – others	20 – 25%
Furniture and fittings	10%
Motor vehicles	20%

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment and depreciation (continued)

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statements during the financial year in which they are incurred.

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets is reflected in Note 2.9.2 to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statements.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories;

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised cost

(b) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in income statements.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI"). There are no new financial assets with embedded derivatives for the financial year 2019 and 2018.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Cash and short-term funds amount due from counterparties, Islamic financing debt, mortgage assets/Islamic mortgage assets and Islamic hire purchase assets, other assets, amount due from related companies and amount due from subsidiaries that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in the income statements using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statements and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in income statements. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statements and recognised in non-interest (expense)/income.

Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in non-interest (expense)/income and (allowance)/write-back of impairment losses are presented as separate line item in the income statements.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial asset at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in income statements and presented net within non-interest (expense)/income in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statements following the derecognition of the investment. Dividends from such investments continue to be recognised in income statements as other income when the Group's right to receive payments is established.

Changes in the fair value of financial asset at FVTPL are recognised in other gains/(losses) in the income statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets

2.9.1 Financial assets

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Any loss arising from the significant increase in credit risk will result to the carrying amount of the asset being reduced and the amount of the loss is recognised in the income statements.

The Group has five of its financial assets that are subject to the ECL model:

- Amount due from counterparties and Islamic financing assets;
- Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets;
- Financial asset at FVOCI;
- Money market instruments; and
- Financial guarantee contracts

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Approach

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

For the purpose of ECL measurement, mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have been grouped based on shared credit risk characteristics and the days past due. Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have substantially the same risk characteristics and the Group has therefore concluded that these assets to be assessed on a collective basis. Financial asset at FVOCI and financial instruments that are credit impaired are assessed on individual basis.

Amount due from counterparties, Islamic financing assets and debt instruments which are in default or credit impaired are assessed individually.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.2 Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is charged to the income statements, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statements.

2.10 Write-off

The Group writes off financial assets, in whole or in part, when it has exhausted all practicable recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off will result in impairment gains which is credited against the same line item.

2.11 Income recognition on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

Interest income for conventional assets and profit income on Islamic assets are recognised using the effective interest/profit rate method. Accretion of discount is recognised using the effective yield method.

2.12 Income recognition on guarantee and Wakalah fees

Guarantee fee and Wakalah fee income on Skim Rumah Pertamaku are recognised as income based on reducing balance method when the fees are received in full.

Guarantee fee and Wakalah fee income on Skim Perumahan Belia are recognised as income based on straight line method when the fees are received in full annually.

2.13 Premium and discount on unsecured bearer bonds and notes/sukuk

Premium on unsecured bearer bonds and notes/sukuk represents the excess of the issue price over the redemption value of the bonds and notes/sukuk are accreted to the income statements over the life of the bonds and notes/sukuk on an effective yield basis. Where the redemption value exceeds the issue price of the bonds and notes/sukuk, the difference, being the discount is amortised to the income statements over the life of the bonds and notes/sukuk on an effective yield basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Current and deferred tax

Current tax expense represents taxation at the current rate based on taxable profit earned during the financial year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2.15 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker is the person or group that allocated resources and assesses the performance of the operating segments of the Group. The Group has determined that the Chief Executive Officer of a subsidiary company, Cagamas Berhad to be the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group to hedge the issuance of its bonds/sukuk from potential movements in interest rate, profit rate or foreign currency exposure. Further details of the derivatives financial instruments are disclosed in Note 8 to the financial statements.

Fair value of derivatives financial instruments is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency exposure are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

For derivatives that are not at hedging instruments, losses and gains from the changes in fair value are taken to the income statements.

For derivatives that are at hedging instruments, the method of recognising fair value gain or loss depends on the type of hedge.

The Group's documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve and taken to the income statements in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statements under "non-interest (expense)/income".

Amounts accumulated in equity are reclassified to income statements in the periods when the hedged item affects income statements. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in income statements within the line item "non-interest (expense)/income" at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to income statements in the same period that the hedged cash flows affect income statement. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to income statements under "non-interest (expense)/income".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group has been in operations for at least 12 months, i.e. for the period known as haul.

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2018: 2.5%) of the zakat base.

The zakat base of the Group is determined based on adjusted growth method. This method calculates zakat base as owners' equity and long-term liabilities, deducted for property, plant and equipment and non-current assets, and adjusted for items that do not meet the conditions for zakat assets and liabilities as determined by the relevant zakat authorities.

The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2.21 Employee benefits

(a) *Short-term employee benefits*

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(b) *Defined contributions plans*

The Group contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statements in the financial year to which they relate to. Once the contributions have been paid, the Group has no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Intangible assets

(a) *Computer software*

Acquired computer software and computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised when the costs are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

The computer software and computer software licenses are amortised over their estimated useful lives of three to ten years.

(b) *Service rights to transaction administrator and administrator fees*

Service rights to transaction administrator and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administrator and administrator fees for Residential Mortgage-Backed Securities ("RMBS") and Islamic Residential Mortgage-Backed Securities ("IRMBS") issuances.

Service rights are recognised as intangible assets at cost and amortised using the straight-line method over the tenure of RMBS and IRMBS.

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.9.2 to the financial statements.

2.23 RMBS and IRMBS

RMBS and IRMBS were issued by the Group to fund the purchases of mortgage assets and Islamic mortgage assets from LPPSA. As at the statement of financial position date, RMBS and IRMBS are stated at amortised costs.

Interest expense on RMBS and profit attributable to IRMBS are recognised using the effective yield method.

2.24 Share capital

(a) *Classification*

Ordinary shares and Redeemable Preference Shares ("RPS") are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share capital (continued)

(b) Dividends to the shareholders of the Group and the Company

Dividends on ordinary shares and RPS are recognised as liabilities when declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date. Upon the dividend becoming payable, it will be accounted for as a liability.

2.25 Currency translations

(a) Functional and presentation currency

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The financial statements are presented in Ringgit Malaysia, which is the Group’s and the Company’s functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.26 Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group and the Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company.

2.27 Deferred financing fees

Deferred financing fees consist of expenses incurred in relation to the unsecured bond and notes/sukuk issuance. Upon unsecured bond and notes/sukuk issuance, deferred financing fees will be deducted from the carrying amount of the unsecured bond and notes/sukuk and amortised using the effective interest/profit rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group 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 debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

2.29 Leases

(a) Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

<u>Lease term</u>

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reasseses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (continued)

(a) Accounting policies applied from 1 January 2019 (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities. ROU assets are presented as a separate line item in the statement of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the income statements in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the non-interest expense in the income statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (continued)

(a) *Accounting policies applied from 1 January 2019 (continued)*

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in income statements.

(b) *Accounting policies applied until 31 December 2018*

Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income statements on the straight-line basis over the lease period.

3 CHANGES IN ACCOUNTING POLICIES

Effects of adoption of MFRS 16 Leases

The Group has adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

The adoption of MFRS 16 has resulted in the following financial effects to the statement of financial position of the Group.

	As at 31 Dec 2018 RM'000	Re-measurement RM'000	As at 1 Jan 2019 RM'000
Right-of-use asset	–	4,916	**4,916**
Lease liability	–	4,916	**4,916**

Right-of-use asset and lease liability comprise of rental of office buildings and is being amortised over the tenure of rental period. The average incremental borrowing rate applied to the lease liability on 1 January 2019 was 4.32% per annum.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Effects of adoption of MFRS 16 Leases (continued)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liability recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments disclosed as at 31 Dec 2018	10,792
Adjustments as a result of extension and termination options	6,562
Discounted using lessee's incremental borrowing rate	(10,092)
Short term and low value leases recognised on a straight-line basis as expense	(2,346)
Lease liability recognised as at 1 Jan 2019	4,916

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and exercise of judgement by management in the process of applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the asset and liability within the next financial year are outlined below.

(a) Fair value of derivatives and financial asset at FVOCI

The estimates and assumptions considered most likely to have an impact on the Group's results and financial positions are those relating to the fair valuation of derivatives and unquoted financial asset at FVOCI for which valuation models are used. The Group has exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

(b) Impairment of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

The Group makes allowances for losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of the MFRS 9, management makes judgement on the future and other key factors in respect of the recovery of the assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

(c) Accretion of discount on mortgage assets and hire purchase assets

Assumptions are used to estimate cash flow projections of the principal balance outstanding of the mortgage assets and hire purchase assets acquired by the Group for the purposes of determining accretion of discount. The estimate is determined based on the historical repayment and redemption trend of the borrowers of the mortgage assets and hire purchase assets. Changes in these assumptions could impact the amount recognised as accretion of discount.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Securitisation and structured entities

The Group incorporates its structured entities primarily for the purpose of asset securitisation transactions. The Group does not consolidate its structured entities that it does not control. When assessing whether the Group has to consolidate a structured entity, the Group evaluates a range of factors to determine control, including whether it is exposed, or has rights, to variable returns from its involvement with the structured entity and has the ability to affect those returns through its power over the structured entity.

(e) Impairment of guarantee exposure and Wakalah exposure

The Group makes allowances for losses on guarantee exposure and Wakalah exposure based on assessment of recoverability. Whilst management is guided by the requirement of MFRS 9, management makes judgement on the future and other key factors in respect of the recovery of assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

(f) Adoption of MFRS 16 Leases

The Group uses an incremental borrowing rate on an average 5-year AAA rated bonds as at date of implementation. In determining the lease term, the Group has considered an extension option of contract with incremental rental. The assessment is reviewed if there is a change of circumstances occurs which affects the current assessment and that is within the control of the Group.

(g) Uncertainty in tax treatment

The Group applies the MFRS 9 special tax treatment for expected credit losses, accretion of discount and amortisation of premium in its tax computation for Year of Assessment 2019 and Year of Assessment 2018. The application of special tax treatment is subjected to approval from the Ministry of Finance. The Group has assessed the probability of the acceptance of the uncertain tax treatment and will reassess the estimate if the facts and circumstances on which the estimate was based change or as a result of new information that affects the estimate.

5 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Group's business and operations. It encompasses identification, measurement, analysing, controlling, monitoring and reporting of risks on an enterprise-wide basis.

In recent years, the Group enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The Group will continue to develop its human resources, review existing processes and introduce new approaches in line with best practices in risk management. It is the Group's strategic objective to create strong risk awareness amongst both its front-line and back office staff, where risks are systematically managed and the levels of risk taking are closely aligned to the risk appetite and risk-reward requirements set by the Board of Directors.

5.1 Risk management structure

The Board of Directors have ultimate responsibility for management of risks associated with the Group's operations and activities. The Board of Directors set the risk appetite and tolerance level that are consistent with the Group's overall business objectives and desired risk profile. The Board of Directors also reviews and approves all significant risk management policies and risk exposures.

The Board Risk Committee assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks.

Management Executive Committee is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks including compliance with applicable laws and regulations.

The Risk Management and Compliance Division is independent of other departments involved in risk-taking activities. It is responsible for reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

5.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to fulfil its financial obligations when they fall due. Credit risk arises in the form of on-statement of financial position items such as lending and investments, as well as in the form of off-statement of financial position items such as guarantees and treasury hedging activities.

The Group manages the credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financing to be purchased. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to the management, Board Risk Committee and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprised mainly of mortgage assets, Islamic mortgage assets, hire purchase assets and Islamic hire purchase assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

5.3 Market risk management

Market risk is the potential loss arising from adverse movements of market prices and rates. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group does not engaged in any equity or commodity trading activities.

The Group controls the market risk exposure by imposing threshold limits and entering into derivatives hedging contracts. The limits are set based on the Group's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group has an Asset Liability Management System which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulations under different scenarios to monitor the interest/profit rate risk.

The Group also uses derivative instruments such as interest rate swaps, profit rate swaps and CCS and ICCS to manage and hedge market risk exposures against fluctuations in the interest rates, profit rates and foreign currency exchange rates.

Liquidity risk arises when the Group does not have sufficient funds to meet its financial obligations when they fall due.

5.4 Liquidity risk management

The Group mitigates the liquidity risk by matching the timing of purchases of loans and financing with issuance of bonds or Sukuk. The Group plans its cash flow positions and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. In addition, the Group sets aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

The Group's liquidity management process, as carried out within the subsidiary and monitored by related departments, includes:

(a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group to meet the cash obligations when they fall due;

(b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;

(c) Monitoring the liquidity ratios of the Group against internal requirements; and

(d) Managing the concentration and profile of funding by diversification of funding sources.

5.5 Operational Risk Management

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk associated with the Group and the Company's business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

The management of operational risk is an important priority for the Group and the Company. To mitigate such operational risks, the Group and the Company have developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

5.5 Operational Risk Management (continued)

The day-to-day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tiered authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pre-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

The Group and the Company minimise the impact and likelihood of any unexpected disruptions to its business operation through implementation of its business continuity management ("BCM") framework and policy, business continuity plans and regular BCM exercises. The Group have also identified enterprise-wide recovery strategies to expedite the business and technology recovery and resumption during catastrophic events.

6 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash and balance with banks and other financial institutions	**110,990**	70,376	**16**	14
Money at call and deposits and placements maturing within one month	**321,461**	397,727	**636**	526
Mudharabah money at call and deposits and placements maturing within one month	**136,383**	57	**–**	–
	568,834	468,160	**652**	540
Less: Allowance for impairment losses	**(105)**	–	**–**	–
	568,729	468,160	**652**	540

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6 CASH AND SHORT-TERM FUNDS (CONTINUED)

As at 31 December 2019, the gross carrying value of cash and short-term funds and the impairment allowance are within stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Stage 1				
At 1 January	**–**	–	**–**	–
Allowance during the year on new investment	**105**	–	**–**	–
At 31 December	**105**	–	**–**	–

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

7 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Licensed banks	**1,017,767**	652,339	**1,751**	1,698

As at 31 December 2019, the gross carrying value of deposits and placements with financial institution are within stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2019 (2018: Nil).

8 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group to hedge against its interest/profit rate exposure and foreign currency exposure are IRS, IPRS, CCS and ICCS.

IRS/IPRS are used by the Group to hedge against its interest/profit rate exposure arising from the following transactions:

(i) Issuance of fixed rate bonds/sukuk to fund floating rate asset purchases

The Group pays the floating rate receipts from its floating rate asset purchases to the swap counterparties and receives fixed rate interest/profit in return. This fixed rate interest/profit will then be utilised to pay coupon on the fixed rate bonds/sukuk issued. Hence, the Group is protected from adverse movements in interest/profit rate.

(ii) Issuance of short duration bonds/sukuk to fund long-term fixed asset

The Group will issue short duration bonds/sukuk and enters into swap transaction to receive floating rate interest/profit from and pay fixed rate interest/profit to the swap counterparty. Upon receiving instalment from assets, the Group pays fixed rate interest/profit to the swap counterparty and receives floating rate interest/profit to pay to the bondholders/ Sukukholders.

CCS and ICCS are also used by the Group to hedge against foreign currency exposure arising from the issuance of foreign currency bonds/sukuk to fund assets in functional currency. Illustration of the transaction as follows:

(i) At inception, the Group will swap the proceeds from the foreign currency bonds/sukuk to the functional currency at the pre-agreed exchange rate with CCS/ICCS counterparty.

(ii) In the interim, the Group will receive interest/profit payment in foreign currency from the CCS/ICCS counterparty and remit the same to the foreign currency bonds/sukuk holders for coupon payment. Simultaneously, the Group pays interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.

(iii) On maturity, the Group will pay principal in functional currency at the same pre-agreed exchange rate to the CCS/ICCS counterparty and receive amount of principal in foreign currency equal to the principal of the foreign currency bonds/ sukuk which will then be used to redeem the bonds/sukuk. The Group's foreign currency exposures are from Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 9 to achieve hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because achieving hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group has designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of net derivative liabilities included within cash flow hedges as at 31 December 2019 is RM93.9 million (2018: net derivative assets of RM207.5 million).

(b) Fair value hedges

The Group does not designate any derivatives as fair value hedges.

(c) Net investment hedges

The Group does not designate any derivatives as net investment hedges.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivative financial instruments entered into by the Group.

	Group					
	2019			2018		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cashflow hedges:						
IRS/IPRS						
Maturing within one year	**1,560,000**	**1,710**	**(5,603)**	–	–	–
One to three years	**1,645,000**	**7,265**	**(15,677)**	2,660,000	856	(9,792)
Three to five years	**110,000**	**–**	**(10,499)**	655,000	–	(17,471)
More than five years	**160,000**	**20,725**	**–**	160,000	5,139	–
	3,475,000	**29,700**	**(31,779)**	3,475,000	5,995	(27,263)
CCS						
Maturing within one year	**2,399,965**	**20,537**	**(120,530)**	1,725,000	319,325	–
One to three years	**273,687**	**8,185**	**–**	2,673,652	36,758	(127,351)
	2,673,652	**28,722**	**(120,530)**	4,398,652	356,083	(127,351)
	6,148,652	**58,422**	**(152,309)**	7,873,652	362,078	(154,614)

9 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	Group	
	2019 RM'000	**2018 RM'000**
At fair value:		
Malaysian government securities	**313,731**	179,675
Corporate bonds	**487,826**	771,992
Government investment issues	**816,675**	845,704
Sukuk	**942,572**	1,058,061
Quasi government Sukuk	**1,009,815**	1,011,896
	3,570,619	3,867,328
The maturity structure of financial asset at FVOCI are as follows:		
Maturing within one year	**836,087**	849,272
One to three years	**1,000,372**	777,335
Three to five years	**905,126**	1,111,643
More than five years	**829,266**	1,129,078
	3,570,851	3,867,328
Less:		
Allowance for impairment losses	**(232)**	–
	3,570,619	3,867,328

As at 31 December 2019, the gross carrying value of financial asset at FVOCI by stage of allocation are as follows:

	Gross carrying value RM'000	**Impairment allowance RM'000**
2019		
By stage of allocation:		
Stage 1 (12-month ECL; non credit impaired)	**3,525,607**	232
Stage 3 (Lifetime ECL; credit impaired)	**45,244**	–
At 31 December	**3,570,851**	232

As at 31 December 2019, stage 3 FVOCI assets relates to investments in KMCOB Capital Berhad ("KMCOB"). Scomi Energy Services Berhad ("SESB") as the holding company of KMCOB via Scomi Oilfield Limited (Bermuda) has triggered PN17 of the Listing Requirements as made in its Bursa announcement on 31 October 2019. KMCOB is a Danajamin Guaranteed investment.

As at 31 December 2018, all financial asset at FVOCI balances were within stage 1 allocation (12-month ECL). There was no ECL made for this category of asset as at 31 December 2018 as the impact is immaterial.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group	
	2019 RM'000	**2018 RM'000**
Unit Trust	**141,383**	–

As at 31 December 2019, FVTPL assets relate to investments in unit trust maturing within one month.

11 AMOUNT DUE FROM COUNTERPARTIES

	Group	
	2019 RM'000	**2018 RM'000**
Relating to:		
Mortgage loans	**16,114,190**	19,875,905
Hire purchase and leasing debts	**542,964**	529,019
	16,657,154	20,404,924

The maturity structure of amount due from counterparties are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Maturing within one year	**7,491,961**	6,004,319
One to three years	**8,527,330**	8,420,633
Three to five years	**–**	5,345,007
More than five years	**637,922**	635,032
	16,657,213	20,404,991
Less:		
Allowance for impairment losses	**(59)**	(67)
	16,657,154	20,404,924

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

11 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

The gross carrying value of amount due from counterparties and the impairment allowance are within stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Stage 1		
At 1 January	**67**	41
Allowance during the year on new assets purchased	**22**	28
Loans derecognised during the period due to maturity of assets	**(18)**	(38)
(Write-back)/allowance during the year due to changes in credit risk	**(12)**	36
At 31 December	**59**	67

12 ISLAMIC FINANCING ASSETS

	Group	
	2019 RM'000	**2018 RM'000**
Relating to:		
Islamic house financing	**10,842,232**	10,011,058
Islamic personal financing	**–**	18,895
	10,842,232	10,029,953

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	**2,513,118**	1,835,052
One to three years	**5,823,131**	4,269,044
Three to five years	**2,506,636**	3,926,484
	10,842,885	10,030,580
Less:		
Allowance for impairment losses	**(653)**	(627)
	10,842,232	10,029,953

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

12 ISLAMIC FINANCING ASSETS (CONTINUED)

The gross carrying value of Islamic financing assets and the impairment allowance are within stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Stage 1		
At 1 January	**627**	222
Allowance during the year on new assets purchased	**87**	275
Financing derecognised during the period due to maturity of assets	**(45)**	–
(Write-back)/allowance during the year due to changes in credit risk	**(16)**	130
At 31 December	**653**	627

13 MORTGAGE ASSETS – CONVENTIONAL

	Group	
	2019 RM'000	**2018 RM'000**
Purchase without recourse ("PWOR")	**6,212,124**	6,939,324

The maturity structure of mortgage assets – conventional are as follows:

Maturing within one year	**1,189,583**	1,223,236
One to three years	**1,583,150**	1,652,012
Three to five years	**1,303,414**	1,415,695
More than five years	**2,931,508**	3,604,386
	7,007,655	7,895,329
Less:		
Unaccreted discount	**(739,521)**	(914,556)
Net advance received	**(12,121)**	–
Allowance for impairment losses	**(43,889)**	(41,449)
	6,212,124	6,939,324

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

The gross carrying value of mortgage assets by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	**6,924,480**	**21,696**
Stage 2 (Lifetime ECL; non credit impaired)	**24,616**	**3,400**
Stage 3 (Lifetime ECL; credit impaired)	**58,559**	**18,793**
At 31 December	**7,007,655**	**43,889**
Impairment allowance over gross carrying value (%)		**0.63**
2018		
Stage 1 (12-month ECL; non credit impaired)	7,783,682	9,755
Stage 2 (Lifetime ECL; non credit impaired)	17,731	1,713
Stage 3 (Lifetime ECL; credit impaired)	93,916	29,981
At 31 December	7,895,329	41,449
Impairment allowance over gross carrying value (%)		0.53

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment as at are as follows:

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	**9,755**	**1,713**	**29,981**	**41,449**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**11,094**	**(3,306)**	**(7,788)**	**–**
– Transfer to ECL non credit impaired (Stage 2)	**(1,241)**	**1,660**	**(419)**	**–**
– Transfer to ECL credit impaired (Stage 3)	**(13,149)**	**(133)**	**13,282**	**–**
Total transfer between stages	**(3,296)**	**(1,779)**	**5,075**	**–**
Loans derecognised during the period (other than write-offs)	**(281)**	**(219)**	**(6,057)**	**(6,557)**
Allowance/(write-back) during the year due to changes in credit risk	**15,518**	**3,685**	**(10,151)**	**9,052**
Amount written off	**–**	**–**	**(55)**	**(55)**
At 31 December	**21,696**	**3,400**	**18,793**	**43,889**
2018				
At 1 January	10,520	4,419	29,739	44,678
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	14,521	(1,624)	(12,897)	–
– Transfer to ECL non credit impaired (Stage 2)	(3,130)	4,372	(1,242)	–
– Transfer to ECL credit impaired (Stage 3)	(10,670)	(101)	10,771	–
Total transfer between stages	721	2,647	(3,368)	–
Loans derecognised during the period (other than write-offs)	(243)	(443)	(3,833)	(4,519)
(Write-back)/allowance during the year due to changes in credit risk	(1,243)	(4,910)	7,676	1,523
Amount written off	–	–	(233)	(233)
At 31 December	9,755	1,713	29,981	41,449

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC

	Group	
	2019 RM'000	**2018 RM'000**
PWOR	**7,209,409**	7,857,947

The maturity structure of mortgage assets – Islamic are as follows:

	2019 RM'000	**2018 RM'000**
Maturing within one year	**1,029,702**	1,017,812
One to three years	**1,472,055**	1,631,109
Three to five years	**1,345,069**	1,434,957
More than five years	**4,169,236**	4,688,826
	8,016,062	8,772,704
Less:		
Unaccreted discount	**(745,095)**	(878,661)
Net advance received	**(11,020)**	–
Allowance for impairment losses	**(50,538)**	(36,096)
	7,209,409	7,857,947

The gross carrying value of Islamic mortgage assets by stage of allocation are as follows:

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	**7,935,745**	**28,532**
Stage 2 (Lifetime ECL; non credit impaired)	**23,830**	**3,892**
Stage 3 (Lifetime ECL; credit impaired)	**56,487**	**18,114**
At 31 December	**8,016,062**	**50,538**
Impairment allowance over gross carrying value (%)		**0.63**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

The gross carrying value of Islamic mortgage assets by stage of allocation are as follows: (continued)

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2018		
Stage 1 (12-month ECL; non credit impaired)	8,685,531	10,946
Stage 2 (Lifetime ECL; non credit impaired)	12,076	1,119
Stage 3 (Lifetime ECL; credit impaired)	75,097	24,031
At 31 December	8,772,704	36,096
Impairment allowance over gross carrying value (%)		0.41

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2019				
At 1 January	**10,946**	**1,119**	**24,031**	**36,096**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**12,984**	**(3,806)**	**(9,178)**	–
– Transfer to ECL non credit impaired (Stage 2)	**(488)**	**916**	**(428)**	–
– Transfer to ECL credit impaired (Stage 3)	**(9,492)**	**(72)**	**9,564**	–
Total transfer between stages	**3,004**	**(2,962)**	**(42)**	–
Financing derecognised during the period (other than write-offs)	**(238)**	**(131)**	**(5,543)**	**(5,912)**
Allowance/(write-back) during the year due to changes in credit risk	**14,820**	**5,866**	**(332)**	**20,354**
At 31 December	**28,532**	**3,892**	**18,114**	**50,538**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows: (continued)

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2018				
At 1 January	11,611	5,175	24,686	41,472
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	11,458	(1,050)	(10,408)	–
– Transfer to ECL non credit impaired (Stage 2)	(4,103)	5,231	(1,128)	–
– Transfer to ECL credit impaired (Stage 3)	(9,735)	(54)	9,789	–
Total transfer between stages	(2,380)	4,127	(1,747)	–
Financing derecognised during the period (other than write-offs)	(214)	(368)	(2,837)	(3,419)
Allowance/(write-back) during the year due to changes in credit risk	1,929	(7,815)	3,964	(1,922)
Amount written off	–	–	(35)	(35)
At 31 December	10,946	1,119	24,031	36,096

15 HIRE PURCHASE ASSETS – ISLAMIC

	Group	
	2019 RM'000	**2018 RM'000**
PWOR	**136**	781

The maturity structure of hire purchase assets – Islamic are as follows:

	2019 RM'000	**2018 RM'000**
Maturing within one year	**147**	795
Less:		
Unaccreted discount	**1**	1
Allowance for impairment losses	**(12)**	(15)
	136	781

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

15 HIRE PURCHASE ASSETS – ISLAMIC (CONTINUED)

The gross carrying value of Islamic hire purchase assets by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	**111**	**–**
Stage 3 (Lifetime ECL; credit impaired)	**36**	**12**
At 31 December	**147**	**12**
Impairment allowance over gross carrying value (%)		**8.16**
2018		
Stage 1 (12-month ECL; non credit impaired)	740	–
Stage 3 (Lifetime ECL; credit impaired)	55	15
At 31 December	795	15
Impairment allowance over gross carrying value (%)		1.89

15 HIRE PURCHASE ASSETS – ISLAMIC (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
2019			
At 1 January	**–**	**15**	**15**
Financing derecognised during the period (other than write-offs)	**–**	**(6)**	**(6)**
Allowance during the year due to changes in credit risk	**–**	**3**	**3**
At 31 December	**–**	**12**	**12**
2018			
At 1 January	1	20	21
Financing derecognised during the period (other than write-offs)	(1)	(5)	(6)
At 31 December	–	15	15

16 OTHER ASSETS

	Group	
	2019 RM'000	2018 RM'000
Compensation receivable from originator on mortgage assets	**469**	763
Staff loans and financing	**2,899**	3,269
Deposits	**931**	906
Prepayments	**2,713**	1,500
Other receivables	**159**	151
	7,171	6,589

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

17 PROPERTY AND EQUIPMENT

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group				
Cost				
As at 1 January 2019	**9,242**	**4,659**	**593**	**14,494**
Additions	**837**	**22**	**199**	**1,058**
Disposals	**(262)**	**–**	**(89)**	**(351)**
As at 31 December 2019	**9,817**	**4,681**	**703**	**15,201**
Accumulated depreciation				
As at 1 January 2019	**(5,074)**	**(4,452)**	**(274)**	**(9,800)**
Charge for the financial year	**(1,608)**	**(128)**	**(92)**	**(1,828)**
Disposals	**261**	**–**	**89**	**350**
As at 31 December 2019	**(6,421)**	**(4,580)**	**(277)**	**(11,278)**
Net book value as at 31 December 2019	**3,396**	**101**	**426**	**3,923**
Cost				
As at 1 January 2018	7,945	4,649	627	13,221
Additions	1,336	10	333	1,679
Disposals	(39)	–	(367)	(406)
As at 31 December 2018	9,242	4,659	593	14,494
Accumulated depreciation				
As at 1 January 2018	(4,160)	(3,999)	(625)	(8,784)
Charge for the financial year	(953)	(453)	(15)	(1,421)
Disposals	39	–	366	405
As at 31 December 2018	(5,074)	(4,452)	(274)	(9,800)
Net book value as at 31 December 2018	4,168	207	319	4,694

18 INTANGIBLE ASSETS

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
Group					
Cost					
As at 1 January 2019	**16,712**	**12,128**	**25,311**	**281**	**54,432**
Additions	**–**	**1,079**	**1,015**	**–**	**2,094**
Transfer during the year	**–**	**–**	**281**	**(281)**	**–**
As at 31 December 2019	**16,712**	**13,207**	**26,607**	**–**	**56,526**
Accumulated amortisation					
As at 1 January 2019	**(13,374)**	**(12,104)**	**(6,105)**	**–**	**(31,583)**
Charge for the financial year	**(564)**	**(51)**	**(2,948)**	**–**	**(3,563)**
As at 31 December 2019	**(13,938)**	**(12,155)**	**(9,053)**	**–**	**(35,146)**
Net book value as at 31 December 2019	**2,774**	**1,052**	**17,554**	**–**	**21,380**
Cost					
As at 1 January 2018	16,712	12,082	5,832	10,414	45,040
Additions	–	46	9,065	281	9,392
Transfer during the year	–	–	10,414	(10,414)	–
As at 31 December 2018	16,712	12,128	25,311	281	54,432
Accumulated amortisation					
As at 1 January 2018	(12,809)	(12,065)	(3,812)	–	(28,686)
Charge for the financial year	(565)	(39)	(2,293)	–	(2,897)
As at 31 December 2018	(13,374)	(12,104)	(6,105)	–	(31,583)
Net book value as at 31 December 2018	3,338	24	19,206	281	22,849

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS pools. The remaining amortisation period of the intangible assets ranges from 1 to 8 years (2018: 2 to 9 years).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

19 RIGHT-OF-USE ASSET

Right-of-use asset comprises of rental of office buildings and is being amortised over the tenure of rental period.

	Group
	2019 **RM'000**
Cost	
At 1 January 2019	**–**
Effect of adoption of MFRS 16	**4,916**
As restated	**4,916**
Addition	**–**
At 31 December 2019	**4,916**
Accumulated amortisation	
At 1 January 2019	**–**
Effect of adoption of MFRS 16	**–**
As restated	**–**
Charge for the period (Note 38)	**(936)**
At 31 December 2019	**(936)**
Net book value as at 31 December 2019	**3,980**

NOTES TO THE FINANCIAL STATEMENTS
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20 DEFERRED TAXATION

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 that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deferred tax assets (before offsetting)	**32,498**	43,659	**–**	–
Deferred tax liabilities (before offsetting)	**(613,691)**	(622,800)	**(3)**	(4)
Deferred tax liabilities	**(581,193)**	(579,141)	**(3)**	(4)

The movements of deferred tax are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
As at 1 January	**(579,141)**	(526,303)	**(4)**	(3)
Recognised to income statement (Note 39)	**27,926**	(53,570)	**1**	–
Recognised to reserves	**(29,978)**	732	**–**	(1)
As at 31 December	**(581,193)**	(579,141)	**(3)**	(4)

20 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following:

	Group			
2019	**As at 1 January RM'000**	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	15,067	–	(13,595)	1,472
Provisions	1,321	(237)	–	1,084
Revaluation reserves of financial asset at FVOCI	409	(409)	–	–
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	10	–	–	10
– ECL	19,848	(2,053)	–	17,795
– lease liability	–	1,150	–	1,150
– guarantee/Wakalah fees	7,004	3,983	–	10,987
	43,659	2,434	(13,595)	32,498
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instrument under cash flow hedge accounting	(3,790)	–	23	(3,767)
Revaluation reserves of financial asset at FVOCI	(1,574)	–	(16,406)	(17,980)
Accelerated depreciation	(2,248)	1,011	–	(1,237)
Unaccreted discount on mortgage assets	(613,475)	26,975	–	(586,500)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(1,257)	(1,543)	–	(2,800)
– right-of-use asset	–	(951)	–	(951)
– ECL	(456)	–	–	(456)
	(622,800)	25,492	(16,383)	(613,691)

20 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following: (continued)

	Group			
2018	**As at 1 January RM'000**	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	9,807	–	5,260	15,067
Provisions	308	1,013	–	1,321
Revaluation reserves of financial asset at FVOCI	322	410	(323)	409
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	–	10	–	10
– ECL	(1,061)	20,909	–	19,848
– guarantee/Wakalah fees	4,064	2,940	–	7,004
	13,440	25,282	4,937	43,659
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instrument under cash flow hedge accounting	(851)	–	(2,939)	(3,790)
Revaluation reserves of financial asset at FVOCI	(308)	–	(1,266)	(1,574)
Accelerated depreciation	(1,275)	(973)	–	(2,248)
Unaccreted discount on mortgage assets	(536,003)	(77,472)	–	(613,475)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(850)	(407)	–	(1,257)
– ECL	(456)	–	–	(456)
	(539,743)	(78,852)	(4,205)	(622,800)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

20 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following: (continued)

	Company			
	As at 1 January RM'000	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
2019				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	**(4)**	**1**	**–**	**(3)**
2018				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(3)	–	(1)	(4)

21 INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Unquoted shares at cost	**4,181,628**	4,181,628

21 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

Name	**Principal activities**	**Country of incorporation**	**Direct and indirect interest in equity held by the Company 2019 %**	**2018 %**
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.	Malaysia	**100**	100
CGP*	Undertake the issuance of bonds and notes in foreign currency. CGP is a wholly owned subsidiary of Cagamas.	Labuan	**100**	100
CGS*	Undertake the issuance of Sukuk in foreign currency. CGS is a wholly owned subsidiary of Cagamas.	Malaysia	**100**	100
CMBS	Purchases of mortgage assets and Islamic mortgage assets from LPPSA and issuance of RMBS and IRMBS to finance the purchases.	Malaysia	**100**	100
CSRP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) (“SRP”) and Skim Perumahan Belia (Youth Housing Scheme) (“SPB”).	Malaysia	**100**	100
CMGP**	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection.	Malaysia	**100**	100
CSME**	Purchase of Small and Medium Enterprise (“SME”) loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase.	Malaysia	**100**	100

* indirect interest via investment in Cagamas
** both companies have remained dormant throughout the financial year

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

22 INVESTMENT IN STRUCTURED ENTITY

	Company	
	2019 RM'000	**2018 RM'000**
Unquoted shares at cost	**–***	–*

* denotes RM2

The structured entity of the Company is as follows:

		Direct and indirect interest in equity held by the Company	
Name	**Principal activities**	**2019 %**	**2018 %**
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Syariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Syariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM. The Company has remained dormant since 1 September 2015.	**100**	100

The results and net assets of BNM Sukuk are not consolidated as the Group does not have control over the entity. The Group merely acts as a facilitator for the issuance of Sukuk BNM Ijarah to finance the purchase of beneficial interest of land and building from BNM and thereafter, to lease back the same land and building to BNM, and BNM Sukuk Murabahah based on Syariah principles via the issuance of Trust Certificates. The Group has no power to direct the activities of the entity and has no exposure or rights to the returns for its involvement with the entity. The Group also has no power to affect the amounts of these returns.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

23 UNSECURED BEARER BONDS AND NOTES

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate note	2019	**–**	**–**	450,000	3.480 – 3.840
	2020	**100,000**	**3.460**	–	–
Add:					
Interest payable		**667**		1,391	
		100,667		451,391	
(b) Conventional commercial papers	2019	**–**	**–**	750,000	3.560 – 3.800
	2020	**1,200,000**	**3.250 – 3.340**	–	–
Add:					
Interest payable		**3,213**		2,929	
		1,203,213		752,929	
(c) Medium-term notes	2019	**–**	**–**	7,643,000	2.745 – 5.280
	2020	**7,595,307**	**2.520 – 6.000**	5,845,965	2.530 – 6.000
	2021	**2,552,426**	**3.035 – 5.380**	2,464,535	4.150 – 5.380
	2022	**5,850,000**	**3.380 – 4.650**	5,510,000	3.900 – 4.650
	2023	**525,000**	**4.250 – 6.050**	525,000	4.250 – 6.050
	2024	**430,000**	**4.000 – 5.520**	430,000	4.000 – 5.520
	2025	**640,000**	**4.550 – 4.850**	640,000	4.550 – 4.850
	2026	**10,000**	**4.410**	10,000	4.410
	2027	**275,000**	**4.140 – 4.900**	275,000	4.140 – 4.900
	2028	**890,000**	**4.750 – 6.500**	890,000	4.750 – 6.500
	2029	**245,000**	**5.500 – 5.750**	245,000	5.500 – 5.750
	2035	**160,000**	**5.070**	160,000	5.070
		19,172,733		24,638,500	
Add:					
Interest payable		**181,850**		235,762	
Unaccreted premium		**3,475**		8,417	
Less:					
Deferred financing fees		**(836)**		(3,189)	
Unamortised discount		**(75)**		(1,419)	
		19,357,147		24,878,071	
		20,661,027		26,082,391	

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

23 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

The maturity structure of unsecured bearer bonds and notes are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Maturing within one year	**9,083,664**	9,084,032
One to three years	**8,402,295**	8,313,359
Three to five years	**955,000**	6,035,000
More than five years	**2,220,068**	2,650,000
	20,661,027	26,082,391

(a) Floating rate notes ("FRN")

FRNs are Ringgit denominated CMTNs with tenures of more than one year with floating rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Interest distributions of the FRNs are normally made on quarterly or half-yearly basis. The redemption of the relevant FRNs are at face value together with the interest due upon maturity.

(b) Commercial paper ("CP")

CPs are Ringgit denominated short term instruments with maturities ranging from one to twelve months, issued with or without coupon, either at a discount from the face value where the relevant CPs are redeemable at their nominal value upon maturity or at par with interest is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(c) Fixed Rate Conventional Medium-term notes ("CMTN")

CMTNs are Ringgit denominated bonds with fixed coupon rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a coupon rate. Interest distributions of the CMTNs are normally made on half-yearly. The redemption of the CMTNs are at nominal value together with the interest due upon maturity.

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTN"). Under the USD2.5 billion Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
HKD	**352,201**	353,648
USD	**1,553,180**	3,640,217
SGD	**688,405**	687,077
	2,593,786	4,680,942

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24 SUKUK

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2019	–	–	405,000	3.510 – 3.800
	2020	**905,000**	**3.250 – 3.310**	–	–
Add:					
Profit payable		**1,587**		1,358	
		906,587		406,358	
(b) Islamic medium-term notes	2019	–	–	1,612,000	3.750 – 5.280
	2020	**2,725,000**	**3.290 – 6.000**	2,230,000	3.980 – 6.000
	2021	**3,020,000**	**4.080 – 5.380**	3,020,000	4.080 – 5.380
	2022	**3,010,000**	**3.380 – 4.700**	2,150,000	3.900 – 4.700
	2023	**2,495,000**	**4.250 – 6.350**	2,495,000	4.250 – 6.350
	2024	**1,135,000**	**3.550 – 5.520**	315,000	4.000 – 5.520
	2025	**455,000**	**4.550 – 4.650**	455,000	4.550 – 4.650
	2026	**20,000**	**4.410 – 4.920**	20,000	4.410 – 4.920
	2027	**15,000**	**4.140**	15,000	4.140
	2028	**1,080,000**	**4.750 – 6.500**	1,080,000	4.750 – 6.500
	2029	**180,000**	**5.500 – 5.750**	180,000	5.500 – 5.750
	2033	**675,000**	**5.000**	675,000	5.000
		14,810,000		14,247,000	
Add:					
Profit payable		**125,728**		134,397	
Unaccreted premium		**7,568**		20,717	
		14,943,296		14,402,114	
		15,849,883		14,808,472	

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Maturing within one year	**3,764,836**	2,156,534
One to three years	**6,030,000**	5,266,938
Three to five years	**3,630,000**	4,645,000
More than five years	**2,425,047**	2,740,000
	15,849,883	14,808,472

(a) Islamic commercial papers ("ICP")

ICPs are Ringgit denominated short term Islamic instruments with maturities ranging from one to twelve months, issued with or without profit paid, at either a discount from the face value where the relevant ICPs are redeemable at their nominal value upon maturity or at par with profit is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(b) Fixed Profit Rate Islamic Medium-Term Notes ("IMTN")

IMTNs are Ringgit denominated Sukuk with fixed profit rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a profit rate. Profit distribution of the IMTNs are normally made on half-yearly. The redemption of the relevant IMTNs are at nominal value together with the profit due upon maturity.

(c) Variable Profit Rate Notes ("VRN")

VRNs are Ringgit denominated IMTNs with tenures of more than one year with variable profit rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Profit distributions of the VRNs are normally made on quarterly or half-yearly basis. At maturity, the face value of the relevant VRNs are redeemed with any outstanding profit amounts due on maturity.

Apart from Ringgit IMTNs and VRNs, Cagamas also issued IMTNs and VRNs in foreign currency ("Islamic EMTN"). Under the USD2.5 billion Multicurrency Sukuk Issuance Programme, CGS, may from time to time issue Islamic EMTN in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas. There are no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25 RMBS

	Year of maturity	Group 2019 Amount outstanding RM'000	Group 2019 Effective interest rate %	Group 2018 Amount outstanding RM'000	Group 2018 Effective interest rate %
RMBS	2019	**–**	**–**	260,000	4.70
	2020	**385,000**	**5.65**	385,000	5.65
	2022	**250,000**	**4.90**	250,000	4.90
	2025	**265,000**	**5.92**	265,000	5.92
	2027	**105,000**	**5.08**	105,000	5.08
		1,005,000		1,265,000	
Add:					
Interest payable		**3,979**		5,318	
		1,008,979		1,270,318	

The maturity structure of the RMBS are as follows:

	Group 2019 RM'000	Group 2018 RM'000
Maturing within one year	**388,979**	265,318
One to three years	**250,000**	385,000
Three to five years	**–**	250,000
More than five years	**370,000**	370,000
	1,008,979	1,270,318

The RMBS have the following features:

(a) The subsidiary, CMBS has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.

(b) The RMBS's interest is payable quarterly in arrears.

(c) The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.

(d) The RMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26 IRMBS

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
IRMBS	2019	**–**	**–**	245,000	4.02
	2020	**400,000**	**5.27**	400,000	5.27
	2022	**320,000**	**4.17**	320,000	4.17
	2027	**290,000**	**4.34**	290,000	4.34
		1,010,000		1,255,000	
Add:					
Profit attributable		**5,463**		6,353	
		1,015,463		1,261,353	

The maturity structure of the IRMBS are as follows:

	Group	
	2019 RM'000	2018 RM'000
Maturing within one year	**405,463**	251,353
One year to three years	**320,000**	400,000
Three years to five years	**–**	320,000
More than five years	**290,000**	290,000
	1,015,463	1,261,353

The IRMBS have the following features:

(a) The subsidiary, CMBS has an option to redeem the IRMBS partially subject to the terms and conditions of each transaction.

(b) The IRMBS's profit is distributable quarterly in arrears.

(c) The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.

(d) The IRMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying Islamic mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the Islamic mortgage assets.

27 LEASE LIABILITY

	Group
	2019 **RM'000**
At 1 January 2019	**–**
Effect of adoption of MFRS 16	**4,916**
As restated	**4,916**
Lease liability interest charged	**(125)**
At 31 December 2019	**4,791**

The maturity structure of lease liability are as follows:

Due within one year	**208**
Due in 2 to 5 years	**4,583**
Total present value of minimum lease payments	**4,791**

28 OTHER LIABILITIES

	Group	
	2019 **RM'000**	**2018** **RM'000**
Provision for zakat	**1,911**	1,584
Amount due to GOM	**90,625**	54,893
Other payables and accruals	**29,584**	30,708
Expected credit loss on guarantee exposure	**1,230**	1,029
Expected credit loss on Wakalah exposure	**2,131**	1,440
Provision for Kafalah expenses	**–**	14
	125,481	89,668

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.1 Expected credit loss on guarantee exposure

The gross unexpired financial guarantee exposure by stage of allocation are as follows:

	Unexpired financial guarantee exposure RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	**61,818**	**244**
Stage 2 (Lifetime ECL; non credit impaired)	**1,077**	**527**
Stage 3 (Lifetime ECL; credit impaired)	**459**	**459**
At 31 December	**63,354**	**1,230**
Impairment allowance over unexpired financial guarantee exposure (%)		**1.94**
By stage of allocation:		
2018		
Stage 1 (12-month ECL; non credit impaired)	41,432	369
Stage 2 (Lifetime ECL; non credit impaired)	557	232
Stage 3 (Lifetime ECL; credit impaired)	428	428
At 31 December	42,417	1,029
Impairment allowance over unexpired financial guarantee exposure (%)		2.43

28 OTHER LIABILITIES (CONTINUED)

28.1 Expected credit loss on guarantee exposure (continued)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2019				
At 1 January	**369**	**232**	**428**	**1,029**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**267**	**(129)**	**(138)**	**–**
– Transfer to ECL non credit impaired (Stage 2)	**(18)**	**77**	**(59)**	**–**
– Transfer to ECL credit impaired (Stage 3)	**(8)**	**(55)**	**63**	**–**
Total transfer between stages	**241**	**(107)**	**(134)**	**–**
Allowance during the year on new guarantee exposure	**110**	**129**	**16**	**255**
Guarantee amount derecognised during the period	**(6)**	**(9)**	**(109)**	**(124)**
(Write-back)/allowance during the year due to changes in credit risk	**(470)**	**282**	**258**	**70**
At 31 December	**244**	**527**	**459**	**1,230**
2018				
At 1 January	157	157	213	527
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	207	(111)	(96)	–
– Transfer to ECL non credit impaired (Stage 2)	(4)	4	–	–
– Transfer to ECL credit impaired (Stage 3)	(4)	(24)	28	–
Total transfer between stages	199	(131)	(68)	–
Allowance during the year on new guarantee exposure	191	126	82	399
Guarantee amount derecognised during the period	(2)	(29)	(48)	(79)
(Write-back)/allowance during the year due to changes in credit risk	(176)	109	249	182
At 31 December	369	232	428	1,029

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.2 Expected credit loss on Wakalah exposure

The unexpired financial Wakalah exposure by stage of allocation are as follows:

	Unexpired financial Wakalah exposure RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	**184,558**	**715**
Stage 2 (Lifetime ECL; non credit impaired)	**2,096**	**965**
Stage 3 (Lifetime ECL; credit impaired)	**451**	**451**
At 31 December	**187,105**	**2,131**
Impairment allowance over unexpired financial Wakalah exposure (%)		**1.14**
2018		
Stage 1 (12-month ECL; non credit impaired)	101,423	682
Stage 2 (Lifetime ECL; non credit impaired)	862	319
Stage 3 (Lifetime ECL; credit impaired)	439	439
At 31 December	102,724	1,440
Impairment allowance over unexpired financial Wakalah exposure (%)		1.40

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.2 Expected credit loss on Wakalah exposure (continued)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	**682**	**319**	**439**	**1,440**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**272**	**(141)**	**(131)**	**–**
– Transfer to ECL non credit impaired (Stage 2)	**(34)**	**125**	**(91)**	**–**
– Transfer to ECL credit impaired (Stage 3)	**(5)**	**(23)**	**28**	**–**
Total transfer between stages	**233**	**(39)**	**(194)**	**–**
Allowance during the year on new Wakalah exposure	**387**	**364**	**96**	**847**
Wakalah amount derecognised during the period	**(9)**	**(19)**	**(72)**	**(100)**
(Write-back)/allowance during the year due to changes in credit risk	**(578)**	**340**	**182**	**(56)**
At 31 December	**715**	**965**	**451**	**2,131**
2018				
At 1 January	325	157	201	683
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	193	(156)	(37)	–
– Transfer to ECL non credit impaired (Stage 2)	(9)	23	(14)	–
– Transfer to ECL credit impaired (Stage 3)	(3)	(6)	9	–
Total transfer between stages	181	(139)	(42)	–
Allowance during the year on new Wakalah exposure	355	151	98	604
Wakalah amount derecognised during the period	(2)	–	–	(2)
(Write-back)/allowance during the year due to changes in credit risk	(177)	150	182	155
At 31 December	682	319	439	1,440

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

29 SHARE CAPITAL

	Group and Company			
	2019		2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares issued				
As at 1 January/31 December	**150,000**	**150,000**	150,000	150,000

	Group	
	2019 RM'000	2018 RM'000
Redeemable preference shares:		
As at 1 January*	**–**	–
Redeemed during the year**	**(–)**	–
As at 31 December	**–**	–

* denotes RM1
** denotes RPS of RM1 which was fully redeemed and cancelled on 16 December 2019.

On 20 October 2017, CMBS allotted and issued 1 RPS of RM1 to CSRP, held in trust for LPPSA. The trust mechanism had been agreed under a Tripartite Trust Deed dated 19 October 2017 whereby CSRP will hold the RPS in trust for LPPSA to facilitate the distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon full settlement of RMBS for pool 2004-1.

The RPS issued by CMBS of RM1 was fully redeemed and cancelled on 16 December 2019.

30 RESERVES

(a) Financial asset at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial asset at FVOCI, net of taxation.

(b) Cash flow hedge reserves

This amount represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows, net of taxation.

(c) Regulatory reserves

The Group and the Company have adopted the BNM Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and the Company maintain, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing (2018: 1.2% of the total outstanding loans/financing, net of individual impairment provisions).

31 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM6,827,118,000 of the Group and RM4,183,976,000 of the Company respectively (2018: RM6,349,899,000 of the Group and RM4,183,902,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM410,932,000 of the Group and RM30,074,000 of the Company respectively (2018: RM414,466,000 of the Group and RM30,116,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.

32 INTEREST INCOME

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Amount due from counterparties	**819,265**	883,983	**–**	–
Mortgage assets	**283,409**	315,974	**–**	–
Compensation from mortgage assets	**14**	28	**–**	–
Hire purchase assets	**–**	2	**–**	–
Financial asset at FVOCI	**123,983**	117,395	**–**	–
Deposits and placements with financial institutions	**21,919**	22,813	**166**	152
	1,248,590	1,340,195	**166**	152
Accretion of discount less amortisation of premium (net)	**180,277**	198,240	**–**	–
	1,428,867	1,538,435	**166**	152

33 INTEREST EXPENSE

	Group	
	2019 RM'000	**2018 RM'000**
Floating rate notes	**8,650**	11,380
Medium-term notes	**913,549**	989,740
RMBS	**62,825**	67,245
Commercial paper	**25,674**	28,845
Deposit and placement from financial institution	**883**	236
	1,011,581	1,097,446

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34 NON-INTEREST (EXPENSE)/INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net derivatives expense	**(55,571)**	(75,666)	**–**	–
Gain on disposal of financial assets at FVOCI	**7,636**	3,553	**–**	–
Income from financial asset at FVTPL	**1,383**	3,649	**–**	–
Gain on disposal of property and equipment (Note 38)	**23**	70	**–**	–
Guarantee fee income	**3,214**	2,065	**–**	–
Reclassification adjustments on on fair value gain on CCS, transfer from equity	**(26,601)**	(33,592)	**–**	–
Unrealised gain on foreign exchange	**26,260**	33,157	**–**	–
Dividend income	**–**	–	**30,000**	30,000
Other non-operating income	**2,583**	107	**–**	–
Interest lease liability (Note 38)	**(2,523)**	–	**–**	–
	(43,596)	(66,657)	**30,000**	30,000

35 PERSONNEL COSTS

	Group	
	2019 RM'000	2018 RM'000
Salary and allowances	**15,391**	13,669
Bonus	**7,465**	5,933
Overtime	**66**	58
EPF and SOCSO	**4,026**	3,313
Insurance	**608**	665
Others	**3,752**	2,888
	31,308	26,526

36 (ALLOWANCE)/WRITE-BACK OF IMPAIRMENT LOSSES

	Group	
	2019 RM'000	**2018 RM'000**
Cash and short-term funds	**(105)**	–
Financial asset at FVOCI	**(232)**	–
Amount due from counterparties	**8**	(26)
Islamic financing assets	**(26)**	(405)
Mortgage assets - Conventional	**(2,440)**	2,996
Mortgage assets - Islamic	**(14,442)**	5,341
Hire purchase assets - Islamic	**3**	6
Guarantee exposures	**(201)**	(502)
Wakalah exposures	**(691)**	(757)
Write off of Mortgage assets	**(172)**	–
(Allowance)/write-back of impairment losses	**(18,298)**	6,653

37 DIRECTORS' REMUNERATION

The Directors of the Company who have held office during the financial year are as follows:

Non-Executive Directors

Dato' Bakarudin bin Ishak (appointed as Director on 1 January 2019 and Chairman w.e.f 20 September 2019)
Tan Sri Dato' Sri Tay Ah Lek
Datuk George Ratilal
Datuk Abdul Farid bin Alias
Dato' Lee Kok Kwan
Wan Hanisah binti Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (appointed w.e.f 1 January 2019)
Datuk Siti Zauyah binti Md Desa (appointed w.e.f 1 December 2019)
Datuk Nik Mohd Hasyudeen bin Yusoff (resigned as Chairman and Director w.e.f 20 September 2019)

The aggregate emoluments received by the Directors of the Group and the Company during the financial year is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors' fees	**1,216**	900	**576**	420
Directors' other emoluments	**2,021**	1,937	**204**	185
	3,237	2,837	**780**	605

For the financial year ended 31 December 2019, a total of RM170,000 (2018: RM170,000) has been paid by the Group in relation to insurance premium paid for directors and officers of the Group and Company.

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38 PROFIT BEFORE TAXATION AND ZAKAT

The following items have been charged/(credited) in arriving at profit before taxation and zakat:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors' remuneration (Note 37)	**3,237**	2,837	**–***	–*
Interest lease liability (Note 34)	**2,523**	–	**–**	–
Rental of premises	**–**	2,648	**–**	–
Hire of equipment	**741**	597	**–**	–
Auditors' remuneration:				
– Audit fees	**432**	454	**–***	–*
– Non-audit fees	**68**	42	**–***	–*
Depreciation of property and equipment	**1,828**	1,421	**–**	–
Amortisation of intangible assets	**3,563**	2,897	**–**	–
Amortisation of right-of-use asset (Note 19)	**936**	–	**–**	–
Servicers fees	**3,044**	2,918	**–**	–
Repairs and maintenance	**6,982**	5,896	**–**	–
Donations and sponsorship	**115**	152	**–**	–
Corporate expenses	**892**	756	**–**	–
Travelling expenses	**476**	915	**–**	–
Allowance/(write-back) of impairment losses	**18,298**	(6,653)	**–**	–
Gain on disposal of property and equipment (Note 34)	**(23)**	(70)	**–**	–

* Directors' remuneration of RM779,692 (2018: RM605,000) and auditor's remuneration of RM37,235 (2018: RM36,252) which include audit fee of RM31,500 and non-audit fee of RM5,735 respectively (2018: audit fees RM30,517 and non-audit fees of RM5,735 respectively) for the Company in the financial year were borne by Cagamas.

39 TAXATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(a) Tax charge for the financial year				
Malaysian income tax:				
– Current tax	**150,111**	72,282	**40**	36
– Deferred taxation (Note 20)	**(27,926)**	53,570	**(1)**	–
	122,185	125,852	**39**	36
Current tax:				
– Current year	**111,149**	76,176	**40**	36
– Under/(over) provision in prior year	**38,962**	(3,894)	**–**	–
Deferred taxation:				
– (Reversal)/origination of temporary differences (Note 20)	**(27,926)**	53,570	**(1)**	–
	122,185	125,852	**39**	**36**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

The tax on the Group's and the Company's profit before taxation and zakat differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before taxation and zakat	**534,154**	543,980	**30,113**	30,152
Tax calculated at Malaysian tax rate of 24% (2018: 24%)	**128,197**	130,555	**7,227**	7,236
Expenses not deductible for tax purposes	**5,672**	173	**12**	–
Income not subject to tax	**–**	–	**(7,200)**	(7,200)
Deductible tax losses from subsidiary utilised	**(28)**	(39)	**–**	–
Under/(over) provision in prior year	**38,962**	(3,894)	**–**	–
Deduction arising from zakat contribution	**(393)**	(234)	**–**	–
Different tax rate in Labuan	**–**	(1,062)	**–**	–
Reversal of temporary differences recognised in prior year	**(50,207)**	–	**–**	–
Loss not subject to tax	**1**	40	**–**	–
Others	**(19)**	313	**–**	–
	122,185	125,852	**39**	36

40 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	2019		2018	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
On ordinary shares:				
First interim dividend	**15.00**	**22,500**	15.00	22,500
Second interim dividend	**5.00**	**7,500**	5.00	7,500
	20.00	**30,000**	20.00	30,000

	Group	
	2019 Total amount RM'000	2018 Total amount RM'000
On redeemable preference shares:		
Dividend paid in cash	**111**	80,946

The dividends on RPS for the financial year ended 31 December 2019 was approved by the Board of Directors of a subsidiary company, CMBS on 3 September 2018, and paid in the current financial year. This is shown as a reduction in the other reserves of the Group, as reflected in the statement of changes in equity in the current financial year.

The dividend paid to LPPSA is determined by CMBS, based on guidelines, criteria and performance indicators approved by the Board. This is based on residual asset value of each specific pool of mortgage assets/Islamic mortgage assets underlying the RMBS/IRMBS, upon full settlement of all obligations and liabilities of CMBS in respect of the respective RMBS/IRMBS pools. The dividend distribution can be in the form of cash and/or in specie.

The final dividend of RM111,409 is paid in the current financial year. The Board of Directors of CMBS do not recommend the payment of any further dividend on RPS or ordinary shares for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

41 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties and their relationships with the Group and the Company are as follows:

Related parties	**Relationships**
Cagamas	Subsidiary
CGP	Subsidiary of Cagamas
CGS	Subsidiary of Cagamas
CMBS	Subsidiary
CSRP	Subsidiary and trustee to LPPSA
CMGP	Subsidiary
CSME	Subsidiary
Bank Negara Malaysia ("BNM")	Other related party
BNM Sukuk	Structured entity
Government of Malaysia ("GOM")	Other related party
LPPSA	Originator/servicer and entity related to GOM
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence over the Group and the Company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Group, certain members of senior management and their close family members.

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

(b) Significant related party transactions and balances

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured bonds and Sukuk are transacted with the shareholders of the Group. These transactions have been disclosed on the statement of financial position and income statements of the Group.

During the financial year, the Company and its subsidiary company, Cagamas, entered into a shared service arrangement. Under this arrangement, Cagamas sets out the scope of services performed for the Company in the normal course of business.

41 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

The RPS issued by CMBS for the purpose of distribution of discretionary bonus fee for pool 2004-1 has been fully redeemed and cancelled on 16 December 2019. CSRP ceased to be a trustee of LPPSA when the Deed of Release of the Tripartite Trust Deed was signed on the same day.

Set out below are significant related party transactions and balances of the Group.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other related party				
(Income)/expenses				
FAST* and RENTAS** charges	**–**	(18)	**–**	–
Director's fee and allowances	**916**	733	**–**	–
Servicers fees	**3,044**	2,978	**–**	–
Amount due from/(to):				
BNM current accounts	**–**	26	**–**	–
Reimbursement of operating expenses	**–**	8	**–**	–
Directors' fee and allowances	**(65)**	(65)	**–**	–
Servicers fees	**(618)**	(571)	**–**	–
Subsidiary				
Expenses				
Management fee	**–**	–	**52**	–
Amount due to:				
Management fee	**–**	–	**(52)**	–

* denotes Fully Automated System for Issuing and Tendering ("FAST")
** denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS")

The Group's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM7,430,703 (2018: RM6,256,353).

The total remuneration paid to the Directors is disclosed in Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

41 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Transaction with the GOM and its related parties

As BNM has significant influence over the Group and the Company, the GOM and an entity controlled, jointly controlled or has significant influence by the GOM are related parties of the Group and the Company.

The Group enters into transactions with many of these entities to purchase mortgage loans, personal loans and hire purchase and leasing debts and to issue bonds and notes to finance the purchase as part of its normal operations. The Group also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing funded by issuance of Sukuk.

42 CAPITAL COMMITMENT, LEASE COMMITMENT AND CONTINGENCY

(a) Capital Commitment

	Group	
	2019 RM'000	**2018 RM'000**
Capital expenditure:		
Authorised and contracted for	**2,783**	1,380
Authorised but not contracted for	**741**	1,322
	3,524	2,702
Analysed as follows:		
Equipment and others	**24**	54
Computer hardware and software	**3,500**	2,648
	3,524	2,702

(b) Lease Commitment

The Group have lease commitments in respect of rented premise and hired equipment, all of which are classified as operating leases. A summary of the long-term commitments are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Maturing within one year	**–**	4,550
One to three years	**–**	6,242
	–	10,792

42 CAPITAL COMMITMENT, LEASE COMMITMENT AND CONTINGENCY (CONTINUED)

(c) Contingency

As at the end of the financial year, the Group's guarantee exposure to the SRP and SPB schemes for guarantee and Wakalah contracts amounted to RM165,257,798 (2018: RM90,377,047) and RM85,200,959 (2018: RM54,763,838) respectively.

Included above are contingent liabilities relating to possible claims against the Group that may arise from defaults in the repayment of principal and interest of some of the loans covered under the guarantee and Wakalah contracts. The contingent liabilities that estimated arising from the guarantee and Wakalah are RM534,193 (2018: RM361,313) and RM576,937 (2018: RM351,308). However, no provision is made as at year end as a reliable estimate of the provision cannot be made.

43 INTEREST/PROFIT RATE RISK

Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/profit rates arise.

The following table summarises the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest/profit rate movements, are included in "other assets" and "other liabilities" under the heading "non-interest bearing".

The tables also represent a static position which provides an indication of the potential impact on the Group's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-statement of financial position items by time bands. A positive interest/profit rate sensitivity gap exists when more interest/profit sensitive assets than interest/profit sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest/profit rate sensitivity gap exists when more interest/profit sensitive liabilities than interest/profit sensitive assets reprice or mature during a given time period. Any negative interest/profit rate sensitivity gap is to be funded by the Group's shareholders' funds, unsecured bearer bonds and notes or Sukuk or money market borrowings.

For decision-making purposes, the Group manages their exposure to interest/profit rate risk. The Group sets limits on the sensitivity of the Group's forecasted net interest income/profit income at risk to projected changes in interest/profit rates. The Group also undertakes duration analysis before deciding on the size and tenure of the bonds/sukuk to be issued to ensure that the Group's assets and liabilities are closely matched within the tolerance limit set by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2019						
Financial assets						
Cash and short-term funds	457,844	–	–	–	110,885	568,729^1
Deposits and placements with financial institutions	1,017,767	–	–	–	–	1,017,767
Financial asset at FVOCI	836,088	1,000,379	905,118	829,266	(232)	3,570,619^2
Financial asset at FVTPL	141,383	–	–	–	–	141,383
Amount due from counterparties	7,491,962	8,527,330	–	637,921	(59)	16,657,154^3
Islamic financing assets	2,513,118	5,823,131	2,506,636	–	(653)	10,842,232^4
Mortgage assets:						
– Conventional	1,189,583	1,583,150	1,303,414	2,931,508	(795,531)	6,212,124^5
– Islamic	1,029,702	1,472,055	1,345,069	4,169,236	(806,653)	7,209,409^6
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	–^7
– Islamic	147	–	–	–	(11)	136^8
Other assets	22,854	16,004	492	22,506	65,518	127,374
	14,700,450	18,422,049	6,060,729	8,590,437	(1,426,738)	46,346,927
Financial liabilities						
Unsecured bearer bonds and notes	9,083,664	8,402,295	955,000	2,220,068	–	20,661,027
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	–	15,849,883
RMBS	388,979	250,000	–	370,000	–	1,008,979
IRMBS	405,463	320,000	–	290,000	–	1,015,463
Deferred guarantee fees	–	–	–	–	10,058	10,058
Deferred Wakalah fees	–	–	–	–	35,723	35,723
Other liabilities	126,133	15,677	10,499	–	764,987	917,296
	13,769,075	15,017,972	4,595,499	5,305,115	810,768	39,498,429
Interest/profit sensitivity gap	931,375	3,404,077	1,465,230	3,285,322		
Cumulative gap	931,375	4,335,452	5,800,682	9,086,004		

^1 Includes impairment losses on cash and short-term funds of RM105,306.
^2 Includes impairment losses on financial asset at FVOCI of RM232,539.
^3 Includes impairment losses on amount due from counterparties of RM59,047.
^4 Includes impairment losses on Islamic financing asset of RM653,198.
^5 Includes impairment losses on mortgage assets of RM43,888,580.
^6 Includes impairment losses on Islamic mortgage assets of RM50,537,865.
^7 Includes impairment losses on hire purchase assets of RM2,059.
^8 Includes impairment losses on Islamic hire purchase assets of RM12,461.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2018						
Financial assets						
Cash and short-term funds	397,798	–	–	–	70,362	468,160
Deposits and placements with financial institutions	627,870	24,469	–	–	–	652,339
Financial asset at FVOCI	849,272	777,335	1,111,643	1,129,078	–	3,867,328
Amount due from counterparties	6,004,319	8,420,632	5,345,008	635,032	(67)	20,404,924^1
Islamic financing assets	1,835,052	4,269,044	3,926,484	–	(627)	10,029,953^2
Mortgage assets:						
– Conventional	1,223,236	1,652,012	1,415,695	3,604,386	(956,005)	6,939,324^3
– Islamic	1,017,812	1,631,110	1,434,957	4,688,826	(914,758)	7,857,947^4
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	–^5
– Islamic	795	–	–	–	(14)	781^6
Other assets	356,716	1,699	795	6,900	114,610	480,720
	12,312,872	16,776,301	13,234,582	10,064,222	(1,686,501)	50,701,476
Financial liabilities						
Unsecured bearer bonds and notes	9,084,032	8,313,359	6,035,000	2,650,000	–	26,082,391
Sukuk	2,156,534	5,266,938	4,645,000	2,740,000	–	14,808,472
RMBS	265,318	385,000	250,000	370,000	–	1,270,318
IRMBS	251,353	400,000	320,000	290,000	–	1,261,353
Deferred guarantee fees	–	–	–	–	7,393	7,393
Deferred Wakalah fees	–	–	–	–	21,776	21,776
Other liabilities	127,352	9,792	17,471	–	722,410	877,025
	11,884,589	14,375,089	11,267,471	6,050,000	751,579	44,328,728
Interest/profit sensitivity gap	428,283	2,401,212	1,967,111	4,014,222		
Cumulative gap	428,283	2,829,495	4,796,606	8,810,828		

^1 Includes impairment losses on amount due from counterparties of RM66,581.
^2 Includes impairment losses on Islamic financing asset of RM627,130.
^3 Includes impairment losses on mortgage assets of RM41,449,125.
^4 Includes impairment losses on Islamic mortgage assets of RM36,095,998.
^5 Includes impairment losses on hire purchase assets of RM2,059.
^6 Includes impairment losses on Islamic hire purchase assets of RM14,937.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's financial instruments to interest/profit rates movements. The analysis is based on the assumptions that interest/profit will fluctuate by 100 basis points, with all other variables held constant.

	Group			
	+100 basis		–100 basis	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impact to equity:				
Financial asset at FVOCI reserves	**(107,801)**	(117,347)	**115,006**	124,365
Derivative financial instruments	**(36)**	113	**36**	(114)
PWR (floating rate)	**(9,977)**	(7,033)	**10,144**	7,193
Unsecured bonds and notes (floating rate)	**647**	731	**(657)**	(740)
Taxation effects on the above at tax rate of 24%	**28,120**	29,649	**(29,887)**	(31,369)
Effect on shareholder's funds	**(89,047)**	(93,887)	**94,642**	99,335
As percentage of shareholder's funds	**(1.3%)**	(1.4%)	**1.4%**	1.5%

43 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's financial instruments to interest/profit rates movements. The analysis is based on the assumptions that interest/profit will fluctuate by 100 basis points, with all other variables held constant: (continued)

	Group			
	+100 basis		–100 basis	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Impact to income statements:				
Net interest income	**5,404**	3,691	**(5,398)**	(3,685)
Taxation effects at the rate of 24%	**(1,297)**	(886)	**1,296**	884
Effect on net interest income	**4,107**	2,805	**(4,102)**	(2,801)
As percentage of profit after tax	**1.1%**	0.7%	**(1.1%)**	(0.7%)

44 CREDIT RISK

44.1 Credit risk concentration

The Group's counterparties are mainly LPPSA, the GOM, financial institutions and individuals in Malaysia. The financial institutions are governed by the Financial Services Act ("FSA"), 2013 and the Islamic Financial Services Act ("IFSA"), 2013 and are subject to periodic review by the BNM. The following tables summarise the Group's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

	On-statement of financial position											Off-statement of financial position	
	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Financial asset at FVTPL RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Financial guarantee RM'000	Total RM'000
Group													
2019													
Government bodies	–	–	–	1,293,934	–	–	–	–	–	–	469	–	1,294,403
Financial institutions:													
– Commercial banks	474,611	1,017,767	58,422	158,961	–	16,114,189	10,480,965	–	–	–	–	–	28,304,915
– Investment banks	94,118	–	–	–	–	–	–	–	–	–	–	–	94,118
– Development	–	–	–	148,826	–	–	361,267	–	–	–	–	–	510,093
Communication, electricity, gas and water	–	–	–	303,593	–	–	–	–	–	–	–	–	303,593
Transportation	–	–	–	831,862	–	–	–	–	–	–	–	–	831,862
Leasing	–	–	–	–	–	542,965	–	–	–	–	–	–	542,965
Consumers	–	–	–	–	–	–	–	6,212,124	7,209,409	136	–	250,459	13,672,128
Construction	–	–	–	149,154	–	–	–	–	–	–	–	–	149,154
Related company	–	–	–	31,955	–	–	–	–	–	–	–	–	31,955
Corporate	–	–	–	322,041	141,383	–	–	–	–	–	–	–	463,424
Others	–	–	–	330,293	–	–	–	–	–	–	6,702	–	336,995
Total	568,729	1,017,767	58,422	3,570,619	141,383	16,657,154	10,842,232	6,212,124	7,209,409	136	7,171	250,459	46,535,605

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution (continued)

	On-statement of financial position										Off-statement of financial position	
	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Financial guarantee RM'000	Total RM'000
Group												
2018												
Government bodies	–	–	–	1,179,710	–	–	–	–	–	774	–	1,180,484
Financial institutions:												
– Commercial banks	425,918	652,339	362,078	410,229	19,875,677	10,029,953	–	–	–	–	–	31,756,194
– Investment banks	42,242	–	–	–	–	–	–	–	–	–	–	42,242
– Development	–	–	–	237,972	–	–	–	–	–	–	–	237,972
Communication, electricity, gas and water	–	–	–	176,729	–	–	–	–	–	–	–	176,729
Transportation	–	–	–	852,990	–	–	–	–	–	–	–	852,990
Leasing	–	–	–	–	529,247	–	–	–	–	–	–	529,247
Consumers	–	–	–	–	–	–	6,939,324	7,857,947	781	–	145,141	14,943,193
Construction	–	–	–	234,187	–	–	–	–	–	–	–	234,187
Related company	–	–	–	21,346	–	–	–	–	–	–	–	21,346
Corporate	–	–	–	223,161	–	–		–	–	–	–	223,161
Others	–	–	–	531,004	–	–	–	–	–	5,815	–	536,819
Total	468,160	652,339	362,078	3,867,328	20,404,924	10,029,953	6,939,324	7,857,947	781	6,589	145,141	50,734,564

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets

All mortgage assets and Islamic mortgage assets are categorised as either:

– neither more than 90 days past due nor individually impaired; or

– more than 90 days past due but not individually impaired.

Neither more than 90 days past due nor individually impaired comprise mortgage assets and Islamic mortgage assets which is not past due and classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise mortgage assets and Islamic mortgage assets categorised under Stage 3 financial assets. The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

Credit risk loans comprise amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets which are due more than 90 days. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Group							
2019							
Amount due from counterparties	**16,657,213**	**–**	**16,657,213**	**59**	**16,657,154**	**–**	**–**
Islamic financing assets	**10,842,885**	**–**	**10,842,885**	**653**	**10,842,232**	**–**	**–**
Mortgage assets:							
– Conventional	**6,197,454**	**58,559**	**6,256,013**	**43,889**	**6,212,124**	**58,559**	**75**
– Islamic	**7,203,460**	**56,487**	**7,259,947**	**50,538**	**7,209,409**	**56,487**	**89**
Hire purchase assets:							
– Conventional	**–**	**2**	**2**	**2**	**–**	**2**	**100**
– Islamic	**112**	**36**	**148**	**12**	**136**	**36**	**33**
	40,901,124	**115,084**	**41,016,208**	**95,153**	**40,921,055**	**115,084**	

* these assets have been provided for under collective assessment.

44 CREDIT RISK (CONTINUED)

44.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets (continued)

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Group							
2018							
Amount due from counterparties	20,404,991	–	20,404,991	67	20,404,924	–	–
Islamic financing assets	10,030,580	–	10,030,580	627	10,029,953	–	–
Mortgage assets:							
– Conventional	6,886,857	93,916	6,980,773	41,449	6,939,324	93,916	44
– Islamic	7,818,945	75,098	7,894,043	36,096	7,857,947	75,098	48
Hire purchase assets:							
– Conventional	–	2	2	2	–	2	100
– Islamic	741	55	796	15	781	55	27
	45,142,114	169,071	45,311,185	78,256	45,232,929	169,071	

* these assets have been provided for under collective assessment.

Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets neither more than 90 days past due nor individually impaired are as below:

	Group			
	2019		2018	
	Strong RM'000	Total RM'000	Strong RM'000	Total RM'000
Amount due from counterparties	**16,657,213**	**16,657,213**	20,404,991	20,404,991
Islamic financing assets	**10,842,885**	**10,842,885**	10,030,580	10,030,580
Mortgage assets:				
– Conventional	**6,197,454**	**6,197,454**	6,886,857	6,886,857
– Islamic	**7,203,460**	**7,203,460**	7,818,945	7,818,945
Hire purchase assets:				
– Islamic	**112**	**112**	741	741
	40,901,124	**40,901,124**	45,142,114	45,142,114

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets (continued)

The amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets of the Group have been identified with strong credit risk quality which has a very high likelihood for full recovery.

An aging analysis of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets that are more than 90 days past due but not individually impaired is set out below:

	Group				
	91 to 120 days RM'000	**121 to 150 days RM'000**	**151 to 180 days RM'000**	**Over 180 days RM'000**	**Total RM'000**
2019					
Mortgage assets:					
– Conventional	**6,081**	**3,446**	**2,086**	**46,946**	**58,559**
– Islamic	**8,185**	**4,033**	**2,503**	**41,766**	**56,487**
Hire purchase assets:					
– Conventional	**–**	**–**	**–**	**2**	**2**
– Islamic	**–**	**–**	**–**	**36**	**36**
	14,266	**7,479**	**4,589**	**88,750**	**115,084**
2018					
Mortgage assets:					
– Conventional	7,982	3,977	4,289	77,668	93,916
– Islamic	5,695	3,880	2,174	63,349	75,098
Hire purchase assets:					
– Conventional	–	–	–	2	2
– Islamic	–	–	–	55	55
	13,677	7,857	6,463	141,074	169,071

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial assets, not just the payment, of both principal and interest, overdue on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets (continued)

The impairment allowance on such loans is calculated basis on a collective, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.

For the financial year ended 31 December 2019, the Group has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

The movement in impairment allowance are as follows:

	Group			
	As at 1 January RM'000	Allowance/ (write-back) made RM'000	Allowance written-off to principal balance outstanding RM'000	As at 31 December RM'000
2019				
Amount due from counterparties	**67**	**(8)**	**–**	**59**
Islamic financing assets	**627**	**26**	**–**	**653**
Mortgage assets:				
– Conventional	**41,449**	**2,495**	**(55)**	**43,889**
– Islamic	**36,096**	**14,442**	**–**	**50,538**
Hire purchase assets:				
– Conventional	**2**	**–**	**–**	**2**
– Islamic	**15**	**(3)**	**–**	**12**
	78,256	**16,952**	**(55)**	**95,153**
2018				
Amount due from counterparties	41	26	–	67
Islamic financing assets	222	405	–	627
Mortgage assets:				
– Conventional	44,678	(2,996)	(233)	41,449
– Islamic	41,472	(5,341)	(35)	36,096
Hire purchase assets:				
– Conventional	2	–	–	2
– Islamic	21	(6)	–	15
	86,436	(7,912)	(268)	78,256

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.3 Credit quality

The following table contains an analysis of credit exposure by stages, together with the impairment allowance:

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2019						
Financial asset at FVOCI						
– Stage 1	1,191,263	1,905,441	428,903	–	3,525,607	232
– Stage 3	–	45,244	–	–	45,244	–
	1,191,263	1,950,685	428,903	–	3,570,851	232
Amount due from counterparties						
– Stage 1	–	11,070,691	5,586,522	–	16,657,213	59
Islamic financing assets						
– Stage 1	–	2,268,430	8,574,455	–	10,842,885	653
Mortgage assets						
– Stage 1	–	–	–	6,924,480	6,924,480	21,696
– Stage 2	–	–	–	24,616	24,616	3,401
– Stage 3	–	–	–	58,559	58,559	18,792
	–	–	–	7,007,655	7,007,655	43,889
Islamic mortgage assets						
– Stage 1	–	–	–	7,935,745	7,935,745	28,532
– Stage 2	–	–	–	23,830	23,830	3,892
– Stage 3	–	–	–	56,487	56,487	18,114
	–	–	–	8,016,062	8,016,062	50,538
Hire purchase assets						
– Stage 3	–	–	–	2	2	2

43 CREDIT RISK (CONTINUED)

43.3 Credit quality (continued)

The following table contains an analysis of credit exposure by stages, together with the impairment allowance (continued):

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2019						
Islamic hire purchase assets						
– Stage 1	–	–	–	111	111	–
– Stage 3	–	–	–	36	36	12
	–	–	–	147	147	12
Guarantee exposure						
– Stage 1	–	–	–	61,818	61,818	244
– Stage 2	–	–	–	1,078	1,078	527
– Stage 3	–	–	–	458	458	459
	–	–	–	63,354	63,354	1,230
Wakalah exposure						
– Stage 1	–	–	–	184,558	184,558	715
– Stage 2	–	–	–	2,096	2,096	965
– Stage 3	–	–	–	451	451	451
	–	–	–	187,105	187,105	2,131

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.3 Credit quality (continued)

The following table contains an analysis of credit exposure by stages, together with the impairment allowance (continued):

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2018						
Financial asset at FVOCI						
– Stage 1	1,901,854	1,481,311	484,163	–	3,867,328	–
Amount due from counterparties						
– Stage 1	–	12,093,144	8,311,847	–	20,404,991	67
Islamic financing assets						
– Stage 1	–	1,918,267	8,112,313	–	10,030,580	627
Mortgage assets						
– Stage 1	–	–	–	7,783,682	7,783,682	9,755
– Stage 2	–	–	–	17,731	17,731	1,713
– Stage 3	–	–	–	93,916	93,916	29,981
	–	–	–	7,895,329	7,895,329	41,449
Islamic mortgage assets						
– Stage 1	–	–	–	8,686,530	8,686,530	10,946
– Stage 2	–	–	–	12,076	12,076	1,119
– Stage 3	–	–	–	75,098	75,098	24,031
	–	–	–	8,773,704	8,773,704	36,096
Hire purchase assets						
– Stage 3	–	–	–	2	2	2

43 CREDIT RISK (CONTINUED)

43.3 Credit quality (continued)

The following table contains an analysis of credit exposure by stages, together with the impairment allowance (continued):

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2018						
Islamic hire purchase assets						
– Stage 1	–	–	–	740	740	1
– Stage 3	–	–	–	55	55	14
	–	–	–	795	795	15
Guarantee exposure						
– Stage 1	–	–	–	41,432	41,432	369
– Stage 2	–	–	–	557	557	232
– Stage 3	–	–	–	428	428	428
	–	–	–	42,417	42,417	1,029
Wakalah exposure						
– Stage 1	–	–	–	101,423	101,423	682
– Stage 2	–	–	–	862	862	319
– Stage 3	–	–	–	439	439	439
	–	–	–	102,724	102,724	1,440

43 CREDIT RISK (CONTINUED)

43.4 Offsetting financial instruments

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Group					
				Related amounts not set off in the statement of financial position		
	Gross amount of recognised financial liabilities RM'000	Gross amount of recognised financial assets set off in the statement of financial position RM'000	Net amount of financial liabilities presented in the statement of financial position RM'000	Financial instrument RM'000	Cash collateral placed RM'000	Net amount RM'000
2019						
Derivatives financial liabilities	**(152,309)**	**–**	**(152,309)**	**–**	**–**	**(152,309)**
2018						
Derivatives financial liabilities	(154,614)	–	(154,614)	–	–	(154,614)

45 LIQUIDITY RISK

45.1 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of debt portfolios. This involves managing market access in order to widen sources of funding to avoid over dependence on a single funding source as well as to minimise cost of funding.

45 LIQUIDITY RISK (CONTINUED)

45.2 Liquidity pool

The Group's liquidity pool comprised the following cash and unencumbered assets:

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Amount due from counter-parties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Total RM'000
Group										
2019	**1,586,496**	**58,422**	**141,383**	**3,570,619**	**6,212,124**	**7,209,409**	**16,657,154**	**10,842,232**	**4,629**	**46,282,468**
2018	1,120,499	362,078	–	3,867,328	6,939,324	7,857,947	20,404,924	10,029,953	4,098	50,586,151

45.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis, which does not result in a significantly different analysis.

	Group					
	On demand up to one month RM'000	**One to three months RM'000**	**Three to twelve months RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
2019						
Financial liabilities						
Unsecured bearer bonds and notes	**2,568**	**394,605**	**8,517,651**	**9,357,295**	**4,482,422**	**22,754,541**
Sukuk	**–**	**–**	**3,637,521**	**9,660,000**	**5,017,007**	**18,314,528**
RMBS	**–**	**13,863**	**426,387**	**355,424**	**400,316**	**1,195,990**
IRMBS	**–**	**11,894**	**429,945**	**390,195**	**321,379**	**1,153,413**
Unexpired financial guarantee contracts	**250,459**	**–**	**–**	**–**	**–**	**250,459**
Other liabilities	**122,582**	**1,777**	**1,122**	**–**	**–**	**125,481**
	375,609	**422,139**	**13,012,626**	**19,762,914**	**10,221,124**	**43,794,412**
Assets held for managing liquidity risk	**1,018,902**	**1,984,845**	**11,103,251**	**24,227,353**	**8,822,480**	**47,156,831**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities (continued)

	Group					
	On demand up to one month RM'000	**One to three months RM'000**	**Three to twelve months RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
2018						
Financial liabilities						
Unsecured bearer bonds and notes	8,810	538,482	8,316,995	14,348,653	5,647,895	28,860,835
Sukuk	–	–	2,020,779	9,911,938	5,709,035	17,641,752
RMBS	–	16,744	307,420	774,594	421,396	1,520,154
IRMBS	–	14,234	282,660	819,414	333,999	1,450,307
Unexpired financial guarantee contracts	145,141	–	–	–	–	145,141
Other liabilities	85,130	1,584	2,954	–	–	89,668
	239,081	571,044	10,930,808	25,854,599	12,112,325	49,707,857
Assets held for managing liquidity risk	1,397,266	2,374,503	7,529,444	29,613,666	10,525,223	51,440,102

45.4 Derivative liabilities

The Group's derivatives comprise IRS, IPRS, CCS and ICCS entered by a subsidiary, Cagamas, for which net cash flows are exchanged for hedging purposes. The derivatives held by Cagamas are settled on a net basis.

The following table analyses the subsidiary's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

45 LIQUIDITY RISK (CONTINUED)

45.4 Derivative liabilities (continued)

	Group					
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2019						
Derivatives held for hedging						
– IRS/IPRS	**–**	**(5,320)**	**(283)**	**(26,176)**	**–**	**(31,779)**
– CCS/ICCS	**–**	**–**	**(120,530)**	**–**	**–**	**(120,530)**
2018						
Derivatives held for hedging						
– IRS/IPRS	–	–	–	(27,263)	–	(27,263)
– CCS/ICCS	–	–	–	(127,351)	–	(127,351)

46 FOREIGN EXCHANGE RISK

The Group is exposed to translation foreign exchange rate on its PWR assets, unsecured bonds and notes and Sukuk denominated in currencies other than the functional currencies of the Group.

The Group hedges 100% of its foreign currency denominated unsecured bonds and notes and Sukuk. The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure by entering into derivative contracts.

46.1 Exposure to foreign currency risk

	Group		
	HKD RM'000	USD RM'000	SGD RM'000
2019			
Derivatives financial instruments	**355,910**	**1,550,156**	**694,748**
Unsecured bonds and notes	**352,201**	**1,553,180**	**688,405**
2018			
Derivatives financial instruments	359,858	3,594,430	697,796
Unsecured bonds and notes	353,648	3,640,217	687,077

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(CONTINUED)

46 FOREIGN EXCHANGE RISK (CONTINUED)

46.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarises in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS/ICCS.

	Group			
	2019		2018	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
HKD	**28**	**–**	44	–
USD	**(25)**	**–**	(362)	–
SGD	**45**	**1**	76	5
	48	**1**	(242)	5

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

47.1 Fair value of financial instruments carried at fair value

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. 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 information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/profit rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value of financial asset at FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

47.1 Fair value of financial instruments carried at fair value (continued)

The estimated fair value of the IRS, IPRS, CCS and ICCS are based on the estimated cash flows discounted using the market interest/profit rate, taking into account the effect of the entity's net exposure to the credit risk of that counterparty at the statement of financial position date.

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 and liabilities.

– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. 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			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2019				
Assets				
Financial asset at FVOCI	**–**	**3,570,619**	**–**	**3,570,619**
Financial asset at FVTPL	**–**	**141,383**	**–**	**141,383**
Derivative financial instruments	**–**	**58,422**	**–**	**58,422**
Liabilities				
Derivative financial instruments	**–**	**152,309**	**–**	**152,309**
2018				
Assets				
Financial asset at FVOCI	–	3,867,328	–	3,867,328
Derivative financial instruments	–	362,078	–	362,078
Liabilities				
Derivative financial instruments	–	154,614	–	154,614

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Fair value of financial instruments carried at other than fair value (continued)

The following methods and assumptions were used to estimate the fair value of financial instruments as at the statement of financial position date:

(a) Cash and short-term funds and deposits and placements with licensed financial institutions

The carrying amount of cash and short-term funds and deposits and placements with licensed financial institutions are used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) Other financial assets

Other financial assets include other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount due to short tenure of less than one year.

(c) Other financial liabilities

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount due to short tenure of less than one year.

The estimated fair values of the Group's financial instruments approximated their carrying values in the statement of financial position except for the following:

	Group			
	2019		2018	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	**16,657,154**	**16,928,121**	20,404,924	20,425,021
Islamic financing assets	**10,842,232**	**10,913,242**	10,029,953	10,015,154
Mortgage assets:				
– Conventional	**6,212,124**	**7,020,513**	6,939,324	7,433,318
– Islamic	**7,209,409**	**8,333,868**	7,857,947	8,616,682
Hire purchase assets:				
– Islamic	**136**	**250**	781	822
	40,921,055	**43,195,994**	45,232,929	46,490,997

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Fair value of financial instruments carried other than fair value (continued)

The estimated fair values of the Group's financial instruments approximated their carrying values in the statement of financial position except for the following (continued):

	Group			
	2019		2018	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial liabilities				
Unsecured bearer bonds and notes	**20,661,027**	**21,352,182**	26,082,391	26,526,636
Sukuk	**15,849,883**	**16,494,980**	14,808,472	15,208,248
RMBS	**1,008,979**	**1,062,015**	1,270,318	1,314,893
IRMBS	**1,015,463**	**1,031,281**	1,261,353	1,284,377
	38,535,352	**39,940,458**	43,422,534	44,334,154

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the re-pricing date of the floating rate assets is not greater than 6 months.

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets market yield to maturity at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

The fair value of the unsecured bearer bonds and notes, Sukuk, RMBS and IRMBS are derived at using the present value of future cash flows discounted based on the coupon rate at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

48 SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of Cagamas makes strategic decisions and allocation of resources centrally on behalf of the Group. The Group has determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

(a) PWR

Under the PWR scheme, the Group purchases the mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential eligibility criteria.

(b) PWOR

Under the PWOR scheme, the Group purchases the mortgage assets and hire purchase assets from counterparty on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparty, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

(c) Mortgage guarantee

Under the mortgage guarantee scheme, the Group derives its income by providing financial guarantee protection for a fee. Upfront guarantee and Wakalah fees received from the financial guarantee contracts are deferred and amortised to the income statements over the term of the guarantee contracts.

In each reporting segments, income is derived by seeking investments to maximise returns. These returns consist of interest/profit and gains on the appreciation in the value of investments.

There were no changes in the reportable segments during the financial year.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

48 SEGMENT REPORTING (CONTINUED)

	Group			
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Total RM'000
2019				
External revenue	1,313,343	1,029,738	19,109	2,362,190
External interest/profit expense	(1,058,954)	(645,386)	–	(1,704,340)
Profit from operations	164,724	351,744	17,686	534,154
Zakat	(673)	(253)	(111)	(1,037)
Taxation	(50,927)	(67,390)	(3,868)	(122,185)
Profit after taxation and zakat by segment	113,124	284,101	13,707	410,932
Segment assets	29,626,582	16,405,998	314,347	46,346,927
Segment liabilities	26,293,550	13,151,452	53,427	39,498,429
Other information:				
Capital expenditure	2,291	861	–	3,152
Depreciation and amortisation	4,599	1,728	–	6,327

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

	Group			
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Total RM'000
2018				
External revenue	1,321,385	1,033,698	16,048	2,371,131
External interest/profit expense	(1,068,285)	(633,548)	–	(1,701,833)
Profit from operations	141,366	390,395	12,219	543,980
Zakat	(1,156)	(428)	(78)	(1,662)
Taxation	(35,274)	(87,186)	(3,392)	(125,852)
Profit after taxation and zakat by segment	104,936	302,781	8,749	416,466
Segment assets	32,797,346	17,595,640	278,856	50,671,842
Segment liabilities	30,630,144	13,664,379	34,205	44,328,728
Other information:				
Capital expenditure	8,104	2,967	–	11,071
Depreciation and amortisation	3,161	1,157	–	4,318

49 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2019					
ASSETS					
Cash and short-term funds	341,961	169,186	57,582	–	568,729
Deposits and placements with financial institutions	1,751	972,240	43,776	–	1,017,767
Derivative financial instruments	58,422	–	–	–	58,422
Financial asset at FVOCI	2,308,565	1,060,464	201,590	–	3,570,619
Financial asset at FVTPL	141,383	–	–	–	141,383
Amounts due from counterparties	16,657,154	–	–	–	16,657,154
Islamic financing assets	10,842,232	–	–	–	10,842,232
Mortgage assets:					
– Conventional	4,836,313	1,375,811	–	–	6,212,124
– Islamic	5,510,428	1,698,981	–	–	7,209,409
Hire purchase assets:					
– Islamic	136	–	–	–	136
Amount due from a related company	1,420	–	–	(1,420)	–
Other assets	8,027	–	–	(856)	7,171
Property and equipment	3,923	–	–	–	3,923
Intangible assets	21,380	–	–	–	21,380
Right-of-use asset	3,980	–	–	–	3,980
Deferred taxation	–	3,184	11,397	17,917	32,498
Investment in subsidiaries	4,181,628	–	–	(4,181,628)	–
TOTAL ASSETS	44,918,703	5,279,866	314,345	(4,165,987)	46,346,927
LIABILITIES					
Unsecured bearer bonds and notes	20,661,027	–	–	–	20,661,027
Sukuk	15,849,883	–	–	–	15,849,883
Derivative financial instruments	152,309	–	–	–	152,309
RMBS	–	1,008,979	–	–	1,008,979
IRMBS	–	1,015,463	–	–	1,015,463
Deferred guarantee fee income	–	–	10,058	–	10,058
Deferred Wakalah fee income	–	–	35,723	–	35,723
Deferred taxation	563	594,150	1,061	17,917	613,691
Provision for taxation	18,170	716	2,138	–	21,024
Lease liability	4,791	–	–	–	4,791
Other liabilities	121,742	1,605	4,445	(2,311)	125,481
TOTAL LIABILITIES	36,808,485	2,620,913	53,425	15,606	39,498,429

* Total assets of CMGP and CSME comprise cash of RM1,645 and nil respectively. Total liabilities of CMGP and CSME were RM1,287 and nil respectively.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

49 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

ASSETS AND LIABILITIES (CONTINUED)

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2018					
ASSETS					
Cash and short-term funds	187,340	237,144	43,676	–	468,160
Deposits and placements with financial institutions	1,698	626,172	24,469	–	652,339
Derivative financial instruments	362,078	–	–	–	362,078
Financial asset at FVOCI	2,476,285	1,187,981	203,062	–	3,867,328
Amounts due from counterparties	20,404,924	–	–	–	20,404,924
Islamic financing assets	10,029,953	–	–	–	10,029,953
Mortgage assets:					
– Conventional	5,344,710	1,594,614	–	–	6,939,324
– Islamic	5,915,527	1,942,420	–	–	7,857,947
Hire purchase assets:					
– Islamic	781	–	–	–	781
Amount due from a related company	294	–	–	(294)	–
Other assets	7,357	–	7	(775)	6,589
Property and equipment	4,694	–	–	–	4,694
Intangible assets	22,849	–	–	–	22,849
Deferred taxation	29,635	6,390	7,634	–	43,659
Tax recoverable	40,851	–	–	–	40,851
Investment in subsidiaries	4,181,628	–	–	(4,181,628)	–
TOTAL ASSETS	49,010,604	5,594,721	278,848	(4,182,697)	50,701,476
LIABILITIES					
Unsecured bearer bonds and notes	26,082,391	–	–	–	26,082,391
Sukuk	14,808,472	–	–	–	14,808,472
Derivative financial instruments	154,614	–	–	–	154,614
RMBS	–	1,270,318	–	–	1,270,318
IRMBS	–	1,261,353	–	–	1,261,353
Deferred guarantee fee income	–	–	7,393	–	7,393
Deferred Wakalah fee income	–	–	21,776	–	21,776
Deferred taxation	56,987	565,665	148	–	622,800
Provision for taxation	–	8,344	1,599	–	9,943
Other liabilities	86,997	492	3,284	(1,105)	89,668
TOTAL LIABILITIES	41,189,461	3,106,172	34,200	(1,105)	44,328,728

* Total assets of CMGP and CSME comprise cash of RM7,997 and nil respectively. Total liabilities of CMGP and CSME were RM4,899 and nil respectively.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

49 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

INCOME STATEMENTS

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2019					
Interest income	1,248,883	170,314	9,670	–	1,428,867
Interest expense	(948,756)	(62,825)	–	–	(1,011,581)
Income from Islamic operations	133,658	95,047	9,439	(2,487)	235,657
Non-interest (expense)/income	(11,357)	–	3,214	(35,453)	(43,596)
	422,428	202,536	22,323	(37,940)	609,347
Administration and general expenses	(24,986)	(4,806)	(3,735)	7,940	(25,587)
Personnel costs	(31,308)	–	–	–	(31,308)
OPERATING PROFIT	366,134	197,730	18,588	(30,000)	552,452
(Allowance)/write-back for impairment losses	(18,026)	627	(899)	–	(18,298)
PROFIT BEFORE TAXATION AND ZAKAT	348,108	198,357	17,689	(30,000)	534,154
Zakat	(926)	–	(111)	–	(1,037)
Taxation	(76,711)	(41,606)	(3,868)	–	(122,185)
PROFIT FOR THE FINANCIAL YEAR	270,471	156,751	13,710	(30,000)	410,932

* CMGP and CSME's loss for the financial year were RM2,746 and nil respectively

49 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

INCOME STATEMENTS (CONTINUED)

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2018					
Interest income	1,348,910	180,057	9,468	–	1,538,435
Interest expense	(1,030,201)	(67,245)	–	–	(1,097,446)
Income from Islamic operations	110,949	105,526	4,515	–	220,990
Non-interest (expense)/income	(32,390)	–	2,065	(36,332)	(66,657)
	397,268	218,338	16,048	(36,332)	595,322
Administration and general expenses	(30,715)	(4,522)	(2,564)	6,332	(31,469)
Personnel costs	(26,526)	–	–	–	(26,526)
OPERATING PROFIT	340,027	213,816	13,484	(30,000)	537,327
Write-back/(allowance) for impairment losses	6,068	1,844	(1,259)	–	6,653
PROFIT BEFORE TAXATION AND ZAKAT	346,095	215,660	12,225	(30,000)	543,980
Zakat	(1,584)	–	(78)	–	(1,662)
Taxation	(70,671)	(51,790)	(3,391)	–	(125,852)
PROFIT FOR THE FINANCIAL YEAR	273,840	163,870	8,756	(30,000)	416,466

* CMGP and CSME's loss for the financial year were RM6,530 and nil respectively

50 CAPITAL ADEQUACY

The Group's and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

(a) To align with industry best practices and benchmark set by the regulators;

(b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and

(c) To maintain a strong capital base to support the development of its business.

50 CAPITAL ADEQUACY (CONTINUED)

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Capital adequacy and the use of regulatory capital are monitored by the Group's and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The regulatory capital comprises of two tiers:

(a) Tier I capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and

(b) Tier II capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common equity Tier I ("CET I") and Tier I capital ratios refer to the ratio of total Tier I capital to risk-weighted assets. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

50.1 Regulatory capital

	Group	
	2019	**2018**
	%	**%**
Before deducting interim dividend*		
CET I capital ratio	**42.7**	43.4
Tier I capital ratio	**42.7**	43.4
Total capital ratio	**44.0**	45.0
After deducting interim dividend*		
CET I capital ratio	**42.5**	43.3
Tier I capital ratio	**42.5**	43.3
Total capital ratio	**43.8**	44.8

* refers to proposed interim dividends which are to be declared after the financial year

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

50 CAPITAL ADEQUACY (CONTINUED)

50.1 Regulatory capital (continued)

	Group	
	2019 RM'000	**2018 RM'000**
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Issued share capital	**150,000**	150,000
Retained profits	**6,634,310**	6,253,489
	6,784,310	6,403,489
Financial asset at FVOCI reserves	**(56,921)**	(4,970)
Deferred tax assets	**(32,498)**	(43,659)
Less: Regulatory reserves*	**(109,779)**	(144,472)
Total CET I/Tier I capital	**6,585,112**	6,210,388
Tier II capital		
Allowance for impairment losses	**95,153**	78,256
Add: Regulatory reserves*	**109,779**	144,472
Total Tier II capital	**204,932**	222,728
Total capital	**6,790,044**	6,433,116
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**14,252,495**	13,115,681
Operational risk	**1,181,945**	1,187,334
Total risk-weighted assets	**15,434,440**	14,303,015

* comprise qualifying regulatory reserves for non-impaired financing of Cagamas

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

50 CAPITAL ADEQUACY (CONTINUED)

50.2 Proforma regulatory capital excluding CMBS

	Group	
	2019** %	2018** %
Before deducting interim dividend*		
CET I capital ratio	**30.0**	29.7
Tier I capital ratio	**30.0**	29.7
Total capital ratio	**31.4**	31.3
After deducting interim dividend*		
CET I capital ratio	**29.8**	29.5
Tier I capital ratio	**29.8**	29.5
Total capital ratio	**31.2**	31.1

	Group	
	2019** RM'000	2018** RM'000
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Issued share capital	**150,000**	150,000
Retained profits	**3,991,847**	3,767,666
	4,141,847	3,917,666
Financial asset at FVOCI reserves	**(40,431)**	2,244
Deferred tax assets	**(29,314)**	(37,269)
Less: Regulatory reserves***	**(109,779)**	(144,472)
Total CET I/Tier I capital	**3,962,323**	3,738,169
Tier II capital		
Allowance for impairment losses	**70,803**	53,182
Add: Regulatory reserves***	**109,779**	144,472
Total Tier II capital	**180,582**	197,654
Total capital	**4,142,905**	3,935,823
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**12,419,144**	11,808,730
Operational risk	**785,020**	767,699
Total risk-weighted assets	**13,204,164**	12,576,429

* refers to proposed interim dividends which are to be declared after the financial year
** excludes CMBS's risk-weighted assets and total capital
*** comprise qualifying regulatory reserves for non-impaired financing of Cagamas

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group	
	Note	2019 RM'000	2018 RM'000
ASSETS			
Cash and short-term funds	(a)	**136,940**	44,456
Deposits and placements with financial institutions	(b)	**777,057**	589,518
Financial asset at FVOCI	(c)	**617,783**	601,699
Derivative financial instruments		**1,711**	–
Financing assets	(d)	**10,842,232**	9,493,458
Mortgage assets	(e)	**7,206,514**	7,854,370
Hire purchase assets	(f)	**132**	287
Tax recoverable		**–**	18,153
Deferred taxation		**9,112**	15,637
Other assets and prepayments		**288,602**	289,105
TOTAL ASSETS		**19,880,083**	18,906,683
LIABILITIES			
Sukuk	(g)	**15,849,883**	14,808,472
IRMBS	(h)	**1,015,463**	1,261,353
Derivative financial instruments		**4,369**	3,924
Deferred taxation		**293,073**	280,304
Deferred Wakalah fees		**35,723**	21,776
Provision for taxation		**8,391**	6,129
Other liabilities	(i)	**13,669**	12,190
TOTAL LIABILITIES		**17,220,571**	16,394,148
ISLAMIC OPERATIONS' FUNDS		**2,659,512**	2,512,535
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		**19,880,083**	18,906,683

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
	Note	2019 RM'000	2018 RM'000
Total income attributable		**933,323**	885,332
Income attributable to the Sukuk holders	(j)	**(692,759)**	(661,246)
Non-profit expense		**(4,907)**	(5,253)
Total net income attributable	(k)	**235,657**	218,833
Administration and general expenses		**(365)**	(5,004)
(Allowance)/write-back for impairment losses		**(15,328)**	4,221
PROFIT BEFORE TAXATION AND ZAKAT		**219,964**	218,050
Zakat		**(1,037)**	(1,662)
Taxation		**(77,008)**	(52,403)
PROFIT FOR THE FINANCIAL YEAR		**141,919**	163,985

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 RM'000	**2018 RM'000**
Profit for the financial year	**141,919**	163,985
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Financial asset at FVOCI		
– Net gain on fair value changes before taxation	**5,891**	141
– Deferred taxation	**(1,415)**	(33)
Cash flow hedge		
– Net gain on cash flow hedge before taxation	**766**	1,730
– Deferred taxation	**(184)**	(415)
Other comprehensive income for the financial year, net of taxation	**5,058**	1,423
Total comprehensive income for the financial year	**146,977**	165,408

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Non-distributable			Distributable	
	Allocated capital funds RM'000	Financial asset at FVOCI reserves RM'000	Cashflow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000
Group						
Balance as at 1 January 2019	**294,159**	**447**	**(2,739)**	**76,013**	**2,144,655**	**2,512,535**
Profit for the financial year	**–**	**–**	**–**	**–**	**141,919**	**141,919**
Other comprehensive income	**–**	**4,476**	**582**	**–**	**–**	**5,058**
Total comprehensive income for the financial year	**–**	**4,476**	**582**	**–**	**141,919**	**149,977**
Transfer to retained profits	**–**	**–**	**–**	**(17,452)**	**17,452**	**–**
Balance as at 31 December 2019	**294,159**	**4,923**	**(2,157)**	**58,561**	**2,304,026**	**2,659,512**
Balance as at 1 January 2018	294,159	339	(4,054)	83,655	1,973,028	2,347,127
Profit for the financial year	–	–	–	–	163,985	163,985
Other comprehensive income	–	108	1,315	–	–	1,423
Total comprehensive income for the financial year	–	108	1,315	–	163,985	165,408
Transfer to retained profits	–	–	–	(7,642)	7,642	–
Balance as at 31 December 2018	294,159	447	(2,739)	76,013	2,144,655	2,512,535

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 RM'000	**2018 RM'000**
OPERATING ACTIVITIES		
Profit for the financial year	**141,919**	163,985
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on:		
– Financial asset at FVOCI	**(5,094)**	(10,745)
– Hire purchase assets	**–**	(1)
– Mortgage assets	**(133,551)**	(134,343)
– Sukuk	**(13,149)**	(17,641)
Income from operations	**(760,880)**	(723,316)
Income from derivatives	**(46,307)**	(47,221)
Profit attributable to:		
– Sukuk holders	**641,755**	604,387
– IRMBS holders	**51,004**	56,859
– derivatives	**47,423**	49,153
Gain on disposal of financial asset at FVOCI	**(22)**	(10)
Allowance/(write-back) for impairment losses on:		
– Cash and short-term funds	**105**	–
– Financial asset at FVOCI	**25**	–
– Financing assets	**67**	364
– Wakalah exposure	**692**	757
– Mortgage and hire purchase assets	**14,439**	(5,342)
Kafalah	**5**	–
Wakalah fee income	**(8,039)**	(3,653)
Taxation	**88,440**	52,239
Zakat	**1,037**	1,662
Operating profit/(loss) before working capital changes	**19,869**	(12,866)
Increase in cash and short-term funds and deposits and placements with bank and other financial institution with original maturity more than three months	**(117,415)**	(332,977)
Increase in financing assets	**(1,354,168)**	(3,927,912)
Decrease in mortgage assets	**767,527**	736,253
Decrease/(increase) in hire purchase assets	**158**	(102)
Increase in other assets and prepayments	**(786,316)**	(98)
Decrease in deferred financing fee	**–**	29
(Decrease)/increase in derivatives	**(3,532)**	590,600
Increase/(decrease) in other liabilities	**1,082**	(3,796)
Cash utilised in operating activities	**(1,472,795)**	(2,950,819)
Profit received from assets	**1,553,911**	703,184
Profit received from derivatives	**49,957**	52,593
Wakalah fee received	**21,986**	13,582
Profit paid on derivatives	**(48,042)**	(650,638)
Payment of:		
– Taxation	**(50,330)**	(50,835)
– Zakat	**(812)**	(973)
Net cash generated from/(utilised) in operations	**53,875**	(2,883,956)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000
INVESTING ACTIVITIES			
Purchase of financial asset at FVOCI		**(1,199,567)**	(2,501,574)
Net proceeds from sale/redemption of financial asset at FVOCI		**1,181,385**	2,805,515
Income received from financial asset at FVOCI		**11,004**	13,321
Net cash (utilised in)/generated from investing activities		**(7,178)**	317,262
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuk		**3,995,000**	6,020,000
Redemption of Sukuk		**(2,932,000)**	(2,812,053)
Redemption of IRMBS		**(245,000)**	–
Profit paid to Sukuk holders		**(650,195)**	(584,107)
Profit paid to IRMBS holders		**(51,894)**	(56,859)
Net cash generated from financing activities		**115,911**	2,566,981
Net increase in cash and cash equivalents		**162,608**	287
Effect of foreign exchange translation		**–**	–
Cash and cash equivalents as at 1 January		**201,640**	201,353
Cash and cash equivalents as at 31 December		**364,248**	201,640
Analysis of cash and cash equivalents:			
Cash and short-term funds	(a)	**136,940**	44,456
Deposits and placements with financial institutions	(b)	**777,057**	589,518
Less:			
Cash and short-term funds and deposits and placements with bank and other financial institution with original maturity more than three months		**(549,749)**	(432,334)
		364,248	201,640

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Cash changes	Non-cash changes				
	Balance as at the beginning of financial year RM'000	Net cash flows from financing activities RM'000	Effect of foreign exchange translation RM'000	Deferred financing fees RM'000	Accrued profits RM'000	Amortisation/ (accretion) RM'000	Balance as at the end of financial year RM'000
Group							
2019							
Sukuk	**14,808,472**	**412,805**	**–**	**–**	**641,755**	**(13,149)**	**15,849,883**
IRMBS	**1,261,353**	**(296,894)**	**–**	**–**	**51,004**	**–**	**1,015,463**
Total	**16,069,825**	**115,911**	**–**	**–**	**692,759**	**(13,149)**	**16,856,346**
2018							
Sukuk	11,597,878	2,623,819	–	29	604,387	(17,641)	14,808,472
IRMBS	1,261,353	(56,859)	–	–	56,859	–	1,261,353
Total	12,859,231	2,566,960	–	29	661,246	(17,641)	16,069,825

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

(a) *Cash and short-term funds*

	Group	
	2019 RM'000	**2018 RM'000**
Cash and bank balances with bank and other financial institutions	**661**	197
Mudharabah money at call and deposit placements maturing within one month	**136,384**	44,259
Less:		
Allowance for impairment losses	**(105)**	–
	136,940	44,456

As at 31 December 2019, the gross carrying value of cash and short-term funds and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Stage 1		
At 1 January	**–**	–
Allowance during the year on new investments	**105**	–
At 31 December	**105**	–

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

(b) *Deposits and placements with financial institutions*

	Group	
	2019 RM'000	**2018 RM'000**
Licensed banks	**777,057**	589,518

As at 31 December 2019, the gross carrying value of deposits and placements with financial institution are within stage 1 allocation (12-months ECL). There is no ECL made for this category as at 31 December 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2019 RM'000	**2018 RM'000**
(c) *Financial asset at FVOCI*		
At fair value:		
Government investment issues	**229,850**	157,397
Quasi government Sukuk	**173,525**	303,986
Sukuk	**214,408**	140,316
	617,783	601,699

The maturity structure of financial asset at FVOCI are as follows:

	2019 RM'000	2018 RM'000
Maturing within one year	**437,444**	279,520
One to three years	**81,270**	199,394
Three to five years	**67,077**	112,761
More than five years	**32,024**	10,024
Less:		
Allowance for impairment losses	**(32)**	–
	617,783	601,699

The gross carrying value of mortgage assets by stage of allocation are as follows:

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	**617,815**	**32**

As at 31 December 2018, all financial asset at FVOCI balances were within stage 1 allocation (12-months ECL). There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2019 RM'000	**2018 RM'000**
(d) *Financing assets*		
House financing	**10,842,232**	9,474,562
Personal financing	**–**	18,896
	10,842,232	9,493,458

The maturity structure of financing assets are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Maturing within one year	**2,513,118**	1,298,515
One to three years	**5,823,131**	4,269,044
Three to five years	**2,506,636**	3,926,485
	10,842,885	9,494,044
Less:		
Allowance for impairment losses	**(653)**	(586)
	10,842,232	9,493,458

The gross carrying value of financing assets and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Stage 1		
At 1 January	**586**	222
Allowance during the year on new assets purchased	**87**	234
Financing derecognised during the period due to maturity of assets	**(4)**	–
(Write-back)/allowance during the year due to changes in credit risk	**(16)**	130
At 31 December	**653**	586

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2019 RM'000	**2018 RM'000**
(e) *Mortgage assets*		
PWOR	**7,206,514**	7,854,370

The maturity structure of mortgage assets are as follows:

	2019 RM'000	**2018 RM'000**
Maturing within one year	**1,029,302**	1,016,941
One to three years	**1,472,206**	1,629,676
Three to five years	**1,345,342**	1,434,230
More than five years	**4,169,923**	4,688,274
	8,016,773	8,769,121
Less:		
Unaccreted discount	**(748,709)**	(878,662)
Net advance received	**(11,019)**	–
Allowance for impairment losses	**(50,531)**	(36,089)
	7,206,514	7,854,370

The gross carrying value of mortgage assets by stage of allocation are as follows:

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	**7,936,456**	28,518
Stage 2 (Lifetime ECL; non credit impaired)	**23,830**	3,892
Stage 3 (Lifetime ECL; credit impaired)	**56,487**	18,121
At 31 December	**8,016,773**	50,531
Impairment allowance over gross carrying value (%)		0.63

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) *Mortgage assets (continued)*

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2018		
Stage 1 (12-months ECL; non credit impaired)	8,681,947	10,939
Stage 2 (Lifetime ECL; non credit impaired)	12,076	1,119
Stage 3 (Lifetime ECL; credit impaired)	75,098	24,031
At 31 December	8,769,121	36,089
Impairment allowance over gross carrying value (%)		0.41

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2019				
At 1 January	**10,939**	**1,119**	**24,031**	**36,089**
Transfer between stages:				
Transfer to 12 months ECL (Stage1)	**12,984**	**(3,806)**	**(9,178)**	**–**
Transfer to ECL non credit impaired (Stage 2)	**(488)**	**916**	**(428)**	**–**
Transfer to ECL credit impaired (Stage 3)	**(9,492)**	**(72)**	**9,564**	**–**
Total transfer between stages	**3,004**	**(2,962)**	**(42)**	**–**
Financing derecognised during the period (other than write-offs)	**(238)**	**(131)**	**(5,543)**	**(5,912)**
Allowance/(write-back) during the year due to changes in credit risk	**14,813**	**5,866**	**(325)**	**20,354**
At 31 December	**28,518**	**3,892**	**18,121**	**50,531**

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) *Mortgage assets (continued)*

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2018				
At 1 January	11,602	5,175	24,687	41,464
Transfer between stages:				
– Transfer to 12 months ECL (Stage1)	11,458	(1,050)	(10,408)	–
– Transfer to ECL not credit impaired (Stage 2)	(4,103)	5,231	(1,128)	–
– Transfer to ECL credit impaired (Stage 3)	(9,735)	(54)	9,789	–
Total transfer between stages	(2,380)	4,127	(1,747)	–
Financing derecognised during the period (other than write-offs)	(214)	(368)	(2,837)	(3,419)
Allowance/(write-back) during the year due to changes in credit risk	1,931	(7,815)	3,963	(1,921)
Amount written off	–	–	(35)	(35)
At 31 December	10,939	1,119	24,031	36,089

	Group	
	2019 RM'000	2018 RM'000
(f) *Hire purchase*		
PWOR	**132**	287
The maturity structure of hire purchase assets are as follows:		
On demand	**143**	–
Maturing within one year	**–**	301
	143	301
Less:		
Allowance for impairment losses	**(11)**	(14)
	132	287

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) *Hire purchase (continued)*

The gross carrying value of Islamic hire purchase assets by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	**107**	**–**
Stage 3 (Lifetime ECL; credit impaired)	**36**	**11**
At 31 December	**143**	**11**
Impairment allowance over gross carrying value (%)		**7.7**
2018		
Stage 1 (12-months ECL; non credit impaired)	246	–
Stage 3 (Lifetime ECL; credit impaired)	55	14
At 31 December	301	14
Impairment allowance over gross carrying value (%)		4.7

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) *Hire purchase (continued)*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	**–**	**–**	**14**	**14**
Financing derecognised during the period (other than write-offs)	**–**	**–**	**(10)**	**(10)**
Allowance during the year due to changes in credit risk	**–**	**–**	**7**	**7**
At 31 December	**–**	**–**	**11**	**11**
2018				
At 1 January	1	–	18	19
Financing derecognised during the period (other than write-offs)	(1)	–	(4)	(5)
At 31 December	–	–	14	14

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) *Sukuk*

	Group	
	2019 **RM'000**	**2018** **RM'000**
Medium-term notes	**15,849,883**	14,808,472
The maturity structures of Sukuk are as follows:		
Maturing within one year	**3,764,836**	2,156,534
One to three years	**6,030,000**	5,266,938
Three to five years	**3,630,000**	4,645,000
More than five years	**2,425,047**	2,740,000
	15,849,883	14,808,472

(h) *IRMBS*

IRMBS	**1,015,463**	1,261,353
The maturity structures of the IRMBS are as follows:		
Maturing within one year	**405,463**	251,353
One to three years	**320,000**	400,000
Three to five years	**–**	320,000
More than five years	**290,000**	290,000
	1,015,463	1,261,353

(i) *Other liabilities*

Zakat	**1,911**	1,584
Other payables	**9,627**	9,166
Expected credit loss on Wakalah exposure	**2,131**	1,440
	13,669	12,190

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(i) *Other liabilities (continued)*

Expected credit loss on Wakalah exposure

The unexpired financial Wakalah exposure by stage of allocation are as follows:

	Unexpired financial Wakalah Exposure RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	**184,558**	**715**
Stage 2 (Lifetime ECL; non credit impaired)	**2,096**	**965**
Stage 3 (Lifetime ECL; credit impaired)	**451**	**451**
At 31 December	**187,105**	**2,131**
Impairment allowance over unexpired financial Wakalah exposure (%)		**1.14**
2018		
Stage 1 (12-months ECL; non credit impaired)	101,423	682
Stage 2 (Lifetime ECL; non credit impaired)	862	319
Stage 3 (Lifetime ECL; credit impaired)	439	439
At 31 December	102,724	1,440
Impairment allowance over unexpired financial Wakalah exposure (%)		1.40

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(i) *Other liabilities (continued)*

Expected credit loss on Wakalah exposure (continued)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2019				
At 1 January	**682**	**319**	**439**	**1,440**
Transfer between stages:				
– Transfer to 12 months ECL (Stage 1)	**272**	**(141)**	**(131)**	**–**
– Transfer to ECL non credit impaired (Stage 2)	**(34)**	**125**	**(91)**	**–**
– Transfer to ECL credit impaired (Stage 3)	**(5)**	**(23)**	**28**	**–**
Total transfer between stages	**233**	**(39)**	**(194)**	**–**
Allowance during the year on new Wakalah fee	**387**	**364**	**96**	**847**
Wakalah amount derecognised during the period	**(9)**	**(19)**	**(72)**	**(100)**
(Write-back)/allowance during the year due to changes in credit risk	**(578)**	**340**	**182**	**(56)**
At 31 December	**715**	**965**	**451**	**2,131**
2018				
At 1 January	325	157	201	683
Transfer between stages:				
– Transfer to 12 months ECL (Stage 1)	193	(156)	(37)	–
– Transfer to ECL not credit impaired (Stage 2)	(9)	23	(14)	–
– Transfer to ECL credit impaired (Stage 3)	(3)	(6)	9	–
Total transfer between stages	181	(139)	(42)	–
Allowance during the year on new Wakalah fee	355	151	98	604
Wakalah amount derecognised during the period	(2)	–	–	(2)
(Write-back)/allowance during the year due to changes in credit risk	(177)	150	182	155
At 31 December	682	319	439	1,440

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(j) *Income attributable to the Sukuk holders*

	Group	
	2019 RM'000	**2018 RM'000**
Mortgage assets	**299,691**	339,193
Financing assets	**393,068**	321,839
Hire purchase assets	**–**	214
	692,759	661,246
Income attributable to the Sukuk holders analysed by concept:		
Bai Al-Dayn	**641,755**	604,387
Musyarakah	**51,004**	56,859
	692,759	661,246

(k) *Total net income attributable*

	2019 RM'000	2018 RM'000
Income from:		
Mortgage assets	**161,052**	147,262
Hire purchase assets	**–**	30
Financing assets	**17,798**	18,726
Financial asset at FVOCI	**27,922**	38,992
Deposits and placements with financial institutions	**25,758**	15,423
Wakalah fee	**8,039**	3,653
Kafalah expenses	**(5)**	–
Non-profit expense	**(4,907)**	(5,253)
	235,657	218,833

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(k) *Total net income attributable (continued)*

Total net income attributable analysed by concept are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Bai Al-Dayn	**173,943**	160,766
Mudharabah	**11,390**	11,409
Bai Bithaman Ajil	**–**	2,650
Murabahah	**31,526**	29,830
Musyarakah	**5,842**	5,575
Wadiah Yad Dhamanah	**348**	1,527
Wakalah	**9,984**	6,018
Ijarah	**624**	210
Qard Al-Hassan	**2,000**	848
	235,657	218,833

(l) *Capital adequacy*

	Group	
	2019 %	**2018 %**
Regulatory capital		
Before deducting interim dividend*		
CET I capital ratio	**33.3**	37.9
Tier I capital ratio	**33.3**	37.9
Total capital ratio	**34.7**	39.7
After deducting interim dividend*		
CET I capital ratio	**33.3**	37.9
Tier I capital ratio	**33.3**	37.9
Total capital ratio	**34.7**	39.7

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy (continued)*

Regulatory capital (continued)

	Group	
	2019 RM'000	**2018 RM'000**
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Allocated capital fund	**294,159**	294,159
Other reserves	**2,362,587**	2,220,668
	2,656,746	2,514,827
Financial asset at FVOCI reserves	**2,215**	201
Deferred tax assets	**(9,112)**	(15,637)
Less: Regulatory reserves**	**(58,561)**	(76,013)
Total CET I/Tier I capital	**2,591,288**	2,423,378
Tier II capital		
Allowance for impairment losses	**51,203**	36,738
Add: Regulatory reserves**	**58,561**	76,013
Total Tier II capital	**109,764**	112,751
Total capital	**2,701,052**	2,536,129

* refers to proposed interim dividends which are to be declared after the financial year
** comprise qualifying regulatory reserves for non-impaired financing of Cagamas

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy (continued)*

Regulatory capital (continued)

The breakdown of risk-weighted assets by each major risk category is as follows:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Credit risk	**7,345,862**	5,956,712
Operational risk	**427,606**	430,281
Total risk-weighted assets	**7,773,468**	6,386,993

Proforma regulatory excluding CMBS

	Group	
	2019** **%**	**2018**** **%**
Before deducting interim dividend*		
CET I capital ratio	**19.9**	21.8
Tier I capital ratio	**19.9**	21.8
Total capital ratio	**21.4**	23.6
After deducting interim dividend*		
CET I capital ratio	**19.9**	21.8
Tier I capital ratio	**19.9**	21.8
Total capital ratio	**21.4**	23.6

* refers to proposed interim dividends which are to be declared after the financial year
** excludes CMBS's risk-weighted assets and total capital

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy (continued)*

Proforma regulatory excluding CMBS (continued)

	Group	
	2019** **RM'000**	**2018**** **RM'000**
Components of CET I, Tier I and Tier II capital		
CET I/Tier I capital		
Allocated capital funds	**294,159**	294,159
Other reserves	**1,066,318**	996,077
	1,360,477	1,290,236
Financial asset at FVOCI reserves	**1,758**	218
Deferred tax assets	**(9,112)**	(12,673)
Less: Regulatory reserves***	**(58,561)**	(76,013)
Total CET I/Tier I capital	**1,294,562**	1,201,768
Tier II capital		
Allowance for impairment losses	**35,749**	24,903
Add: Regulatory reserves***	**58,561**	76,013
Total Tier II capital	**94,310**	100,916
Total capital	**1,388,872**	1,302,684
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**6,254,722**	5,266,756
Operational risk	**245,477**	244,577
Total risk-weighted assets	**6,500,199**	5,511,333

** excludes CMBS's risk-weighted assets and total capital
*** comprise qualifying regulatory reserves for non-impaired financing of Cagamas

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) *Shariah advisor*

The Group consults an independent Shariah advisor on an ad-hoc basis for all the Islamic products to ensure compliance with Islamic principles. In addition, the Group are required to obtain the approval of the Shariah Council of the regulatory bodies for the Islamic products.

52 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 April 2020.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of The Companies Act 2016

We, Dato' Bakarudin bin Ishak and Tan Sri Dato' Sri Tay Ah Lek, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 128 to 265 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2019 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.

DATO' BAKARUDIN BIN ISHAK
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 251(1) of The Companies Act 2016

I, Datuk Chung Chee Leong, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 128 to 265 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.

DATUK CHUNG CHEE LEONG

Subscribed and solemnly declared by the abovenamed Datuk Chung Chee Leong at Kuala Lumpur in Malaysia on 29 April 2020.

Before me,
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
B 532
AMMAR BIN
MOHAMAD DAHALAN
1 OKTOBER 2018
HINGGA
31 DISEMBER 2020
MALAYSIA

No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor

INDEPENDENT AUDITORS' REPORT

To the Members of Cagamas Holdings Berhad

(Incorporated in Malaysia) (Registration No. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 128 to 265.

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, which we obtained prior to the date of this auditors' report, and the 2019 Annual Report, which is expected to be made available to us after that date. Other information 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.

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.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

To the Members of Cagamas Holdings Berhad
(Incorporated in Malaysia) (Registration No. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the 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.

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

(a) 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.

(b) 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 of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) 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 on 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Members of Cagamas Holdings Berhad
(Incorporated in Malaysia) (Registration No. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

(e) 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.

(f) 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.

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 members 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.

PRICEWATERHOUSECOOPERS PLT	**ONG CHING CHUAN**
LLP0014401-LCA & AF 1146	02907/11/2021 J
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Kuala Lumpur
29 April 2020