Company No

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Lodged by:
CAGAMAS BERHAD (157931-A)
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STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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CAGAMAS BERHAD
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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 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issuance of bonds and notes to finance these purchases. The Company also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Subsidiary companies of the Company are Cagamas Global PLC (“CGP”) and Cagamas Global Sukuk Berhad (“CGS”):

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

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

FINANCIAL RESULTS

	Group RM’000	Company RM’000
Profit for the financial year	243,729	239,445

DIVIDEND

The dividends paid by the Company since 31 December 2017 were as follows:

	RM’000
In respect of the financial year ended 31 December 2017,	
- a final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 30 March 2018.	22,500
In respect of the financial year ended 31 December 2018,	
- an interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 1 October 2018	7,500
	30,000

DIVIDEND (CONTINUED)

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2018 which is subject to approval of the member at the forthcoming Annual General Meeting of the Company.

SHARE CAPITAL

There was no change in the issued ordinary share capital of the Company during the financial year.

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad (RAM Ratings) has assigned Cagamas Berhad’s Global, ASEAN and national-scale Corporate Credit Ratings at $_{g}A_{2}$/Stable/$_{g}P1$, $_{sea}AAA$/Stable/$_{sea}P1$ and AAA/Stable/P1, respectively. In addition, Malaysian Rating Corporation Berhad (MARC) has also assigned Cagamas Berhad’s bonds and sukuk issues ratings at AAA/MARC-1 and AAA_{IS}/MARC-1_{IS} 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 $_{g}A_{2}$(s) and A3 respectively to the USD2.5 billion Multicurrency Medium Term Note (“EMTN”) Programme and USD2.5 billion Multicurrency Sukuk Programme issued by its subsidiaries.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Group and the Company involving mortgage loans, hire purchase and leasing debts, available-for-sale (“AFS”) investment securities, Financial asset at fair value through other comprehensive income (“FVOCI”), Islamic financing facilities as well as issuance of unsecured bonds and Sukuk are done with various financial institutions including those who are substantial shareholders of Cagamas Holdings Berhad ("CHB") and subsidiaries of the Company.

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:

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (Chairman)
Dato' Halipah binti Esa
Dato' Md Agil bin Mohd Natt
Encik Philip Tan Puay Koon
Datuk Chung Chee Leong
Dato' Wee Yiaw Hin
Encik Nazrul Hisyam bin Mohd Noh
Datuk Azizan bin Haji Abd Rahman (appointed on 1 January 2019)
Datuk Dr. Roslan bin A. Ghaffar (resigned on 1 January 2019)
Puan Ho Chai Huey (appointed on 1 February 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 19.13 and 19.14 of the Company's Constitution, Datuk Shaik Abdul Rasheed bin Abdul Ghaffour and Encik Nazrul Hisyam bin Mohd Noh retire by rotation at the forthcoming Annual General Meeting and do not offer themselves for re-election.

In accordance with Article 19.10 of the Company's Constitution, Datuk Azizan bin Haji Abd Rahman and Puan Ho Chai Huey who vacate offices at the forthcoming Annual General Meeting and being eligible, offer themselves 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 33 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 or its holding company or subsidiaries of the holding company 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 all known bad debts had been 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 realised 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.

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.

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 its 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

SUBSIDIARIES

Details of subsidiaries are set in Note 20 to the financial statements.

ULTIMATE HOLDING COMPANY

The Directors regard Cagamas Holdings Berhad, a company incorporated in Malaysia, as the ultimate holding company.

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2018

Cagamas recorded RM12.1 billion of purchases of loans and financing under PWR scheme (2017: RM14.0 billion) and no purchase of loans under PWOR scheme (2017: 100.0 mil). Cagamas' net outstanding loans and financing rose by 10.9% to RM41.7 billion (2017: RM37.6 billion). As at the end of 2018, residential mortgage dominated Cagamas' portfolio at 98.7% (2017: 98.8%), followed by hire purchase loans and financing at 1.2% (2017 : 0.8%) and personal loans and financing declined to 0.1% (2017:0.4%). Cagamas's Islamic asset portfolio against conventional assets increased to a ratio of 38:62 (2017: 32:68), while PWR and PWOR loans and financing portfolios were at 71% and 29% respectively (2017: 65% and 35% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.85% (2017: 0.72%), while net impaired loans and financing was at 0.43% (2017: 0.23%).

SIGNIFICANT EVENT DURING THE YEAR

There are no significant events during the financial year.

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CAGAMAS BERHAD
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DIRECTORS' REPORT (CONTINUED)

AUDITORS REMUNERATION

Details of the auditors' remuneration are set out in Note 32 to 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 14 March 2019.

Signed on behalf of the Board of Directors:

DATUK SHAIK ABDUL RASHEED BIN ABDUL GHAFFOUR CHAIRMAN	DATUK CHUNG CHEE LEONG DIRECTOR

Company No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Cash and short-term funds	6	186,792	534,591	172,046	524,185
Derivative financial instruments	7	362,078	466,339	362,078	466,339
AFS investment securities	8	-	2,471,430	-	2,471,430
Financial asset at fair value through other comprehensive income (FVOCI)	9	2,476,285	-	2,476,285	-
Amount due from counterparties	10	20,404,924	19,870,378	20,404,924	19,870,378
Islamic financing assets	11	10,029,953	5,544,378	10,029,953	5,544,378
Mortgage assets					
- Conventional	12	5,344,710	5,848,119	5,344,710	5,848,119
- Islamic	13	5,915,527	6,300,576	5,915,527	6,300,576
Hire purchase assets					
- Islamic	14	781	953	781	953
Amount due from					
- Related company		294	464	294	464
- Subsidiaries	15	-	-	5,379	6,755
Other assets	16	7,357	8,489	7,333	8,462
Property and equipment	17	4,694	4,437	4,694	4,437
Intangible assets	18	22,849	16,354	22,849	16,354
Deferred taxation	19	-	7,965	-	7,965
Tax recoverable		40,812	-	40,832	-
Investment in subsidiaries	20	-*	-	-*	-*
TOTAL ASSETS		44,797,056	41,074,473	44,787,685	41,070,795
LIABILITIES					
Unsecured bearer bonds and notes	21	26,082,391	25,764,940	21,401,449	19,705,283
Sukuk	22	14,808,472	11,597,878	14,808,472	11,445,035
Loans/financing from subsidiaries	23	-	-	4,684,797	6,217,865
Derivative financial instruments	7	154,614	216,871	154,614	216,871
Deferred taxation	19	27,348	-	27,348	-
Provision for taxation		-	12,430	-	12,410
Other liabilities	24	86,991	60,789	85,787	59,504
TOTAL LIABILITIES		41,159,816	37,652,908	41,162,467	37,656,968
Share capital	25	150,000	150,000	150,000	150,000
Reserves	26	3,487,240	3,271,565	3,475,218	3,263,827
SHAREHOLDER'S FUNDS		3,637,240	3,421,565	3,625,218	3,413,827
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		44,797,056	41,074,473	44,787,685	41,070,795
NET TANGIBLE ASSETS PER SHARE (RM)	27	24.10	22.70	24.02	22.65

*denotes USD1 in CGP and RM2 in CGS.

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest income	28	1,348,758	1,202,563	1,348,758	1,202,563
Interest expense	29	(1,030,201)	(896,484)	(1,035,109)	(901,214)
Income from Islamic operations	46	110,949	133,634	110,945	133,614
Non-interest expense	30	(62,390)	(61,785)	(62,390)	(61,791)
		367,116	377,928	362,204	373,172
Personnel costs	31	(26,526)	(27,302)	(26,526)	(27,302)
Administration and general expenses		(30,710)	(29,132)	(30,102)	(28,496)
OPERATING PROFIT		309,880	321,494	305,576	317,374
Write-back/(allowance) of impairment losses		6,068	(719)	6,068	(719)
PROFIT BEFORE TAXATION AND ZAKAT	32	315,948	320,775	311,644	316,655
Zakat		(1,584)	(927)	(1,584)	(927)
Taxation	34	(70,635)	(78,133)	(70,615)	(78,113)
PROFIT FOR THE FINANCIAL YEAR		243,729	241,715	239,445	237,615
EARNINGS PER SHARE (SEN)	27	162.49	161.14	159.63	158.41
DIVIDEND PER SHARE (SEN)	35	20.00	20.00	20.00	20.00

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

CAGAMAS BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year	243,729	241,715	239,445	237,615
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
AFS investment securities				
- Net gain on fair value changes before taxation	-	12,908	-	12,908
- Deferred taxation	-	(3,103)	-	(3,103)
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	3,521	-	3,521	-
- Deferred taxation	(845)	-	(845)	-
Cash flow hedge				
- Net loss on cash flow hedge before taxation	(9,675)	(20,753)	(9,675)	(20,753)
- Deferred taxation	2,322	4,760	2,322	4,760
Other comprehensive loss for the financial year, net of taxation	(4,677)	(6,188)	(4,677)	(6,188)
Total comprehensive income for the financial year	239,052	235,527	234,768	231,427

The accompanying notes form an integral part of these financial statements

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CAGAMAS BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Issued and fully paid ordinary shares of RM1 each	Non-distributable					
	Note	Share capital	AFS reserves	Financial asset at FVOCI reserves	Cash flow hedge reserves	Regulatory reserves	Retained profits	Total equity
Group		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018		150,000	(724)	-	(28,357)	161,032	3,139,614	3,421,565
Effects of adopting MFRS 9 on 1 January 2018	3	-	724	(724)	-	-	6,623	6,623
As restated		150,000	-	(724)	(28,357)	161,032	3,146,237	3,428,188
Profit for the financial period		-	-	-	-	-	243,729	243,729
Other comprehensive income/(loss)		-	-	2,676	(7,353)	-	-	(4,677)
Total comprehensive income/(loss) for the financial period		-	-	2,676	(7,353)	-	243,729	239,052
Transfer from regulatory reserve during the financial period		-	-	-	-	(16,560)	16,560	-
Final dividend in respect of financial year ended 31 December 2017	35	-	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2018	35	-	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2018		150,000	-	1,952	(35,710)	144,472	3,376,526	3,637,240

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

CAGAMAS BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Issued ordinary shares of RM1 each	Non-distributable				
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2017		150,000	(10,529)	(12,364)	173,564	2,915,367	3,216,038
Profit for the financial year		-	-	-	-	241,715	241,715
Other comprehensive income/(loss)		-	9,805	(15,993)	-	-	(6,188)
Total comprehensive income/(loss) for the financial year		-	9,805	(15,993)	-	241,715	235,527
Transfer to retained profits during the financial year		-	-	-	(12,532)	12,532	-
Final dividend in respect of financial year ended 31 December 2016	35	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2017	35	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2017		150,000	(724)	(28,357)	161,032	3,139,614	3,421,565

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

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CAGAMAS BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Non-distributable Financial asset at FVOCI reserves RM'000	Non-distributable Cash flow hedge reserves RM'000	Non-distributable Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2018		150,000	(724)	-	(28,357)	161,032	3,131,876	3,413,827
Effects of adopting MFRS 9 on 1 January 2018	3	-	724	(724)	-	-	6,623	6,623
As restated		150,000	-	(724)	(28,357)	161,032	3,138,499	3,420,450
Profit for the financial period		-	-	-	-	-	239,445	239,445
Other comprehensive income/(loss)		-	-	2,676	(7,353)	-	-	(4,677)
Total comprehensive income/(loss) for the financial period		-	-	2,676	(7,353)	-	239,445	234,768
Transfer from regulatory reserve during the financial period		-	-	-	-	(16,560)	16,560	-
Final dividend in respect of financial year ended 31 December 2017	35	-	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2018	35	-	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2018		150,000	-	1,952	(35,710)	144,472	3,364,504	3,625,218

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

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CAGAMAS BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Company	Note	Issued ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Non-distributable Cash flow hedge reserves RM'000	Non-distributable Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2017		150,000	(10,529)	(12,364)	173,564	2,911,729	3,212,400
Profit for the financial year		-	-	-	-	237,615	237,615
Other comprehensive income/ (loss)		-	9,805	(15,993)	-	-	(6,188)
Total comprehensive income/(loss) for the financial year		-	9,805	(15,993)	-	237,615	231,427
Transfer to retained profits during the financial year		-	-	-	(12,532)	12,532	-
Final dividend in respect of financial year ended 31 December 2016	35	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2017	35	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2017		150,000	(724)	(28,357)	161,032	3,131,876	3,413,827

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

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CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		243,729	241,715	239,445	237,615
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- AFS investment securities		-	(8,530)	-	(8,530)
- Financial asset at FVOCI		(18,882)	-	(18,882)	-
- Sukuk		656	-	656	-
Accretion of discount on:					
Mortgage assets					
- Conventional		(124,017)	(129,089)	(124,017)	(129,089)
- Islamic		(83,672)	(108,739)	(83,672)	(108,739)
Hire purchase assets					
- Islamic		(1)	(16)	(1)	(16)
(Write-back)/allowance for impairment losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets		(6,068)	719	(6,068)	719
Reclassification adjustment on fair value loss/(gains) on CCS, transfer from equity		33,592	(236,599)	33,592	(236,599)
Unrealised (gain)/loss on foreign exchange		(33,157)	236,856	(33,157)	236,862
Interest income		(1,216,396)	(1,056,603)	(1,216,396)	(1,056,603)
Income from Islamic operations		(626,369)	(518,732)	(626,369)	(518,732)
Interest expense		1,030,201	731,545	1,035,109	904,382
Profit attributable to Sukuk holders		603,731	503,697	603,735	503,697
Depreciation of property and equipment		1,421	1,057	1,421	1,057
Amortisation of intangible assets		2,897	1,416	2,897	1,416
Gain on disposal of:					
- Property and equipment		(70)	-	(70)	-
- AFS investment securities		-	(2,756)	-	(2,756)
- Financial asset at FVOCI		(3,553)	-	(3,553)	-
Taxation		70,635	78,133	70,615	78,113
Zakat		1,584	927	1,584	927
Operating loss before working capital changes		(123,739)	(264,999)	(123,131)	(96,276)

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CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Increase in amount due from counterparties		(509,808)	(5,531,394)	(509,808)	(5,531,394)
Increase in Islamic financing assets		(4,460,445)	(230,874)	(4,460,445)	(230,874)
Decrease in mortgage assets					
- Conventional		626,442	508,564	626,442	508,564
- Islamic		468,293	458,345	468,293	458,345
(Increase)/decrease in Islamic hire purchase assets		(93)	1,078	(93)	1,078
Decrease/(increase) in other assets		347	637	463	(1,191)
Increase in unsecured bearer bonds and notes		153,642	4,779,759	1,662,415	4,582,224
Increase in Sukuk		3,190,337	381,422	3,342,359	697,157
Increase in deferred financing fees		(1,382)	(4,213)	-	-
Decrease in loans/financing from subsidiaries		-	-	(1,538,153)	(115,589)
Decrease in derivatives		112,405	648,664	112,405	648,652
Increase/(decrease) in other liabilities		25,544	(927)	25,626	(1,216)
Cash (utilised in)/ generated from operations		(518,457)	746,062	(393,627)	919,480
Interest received		1,345,628	1,164,214	1,345,628	1,164,214
Profit received from Islamic assets		642,356	534,105	642,356	534,105
Interest paid		(1,164,414)	(961,161)	(1,293,604)	(1,141,085)
Profit paid on derivatives		(48,849)	(19,007)	(48,849)	(19,007)
Profit attributable to Sukuk holders		(584,100)	(502,630)	(584,100)	(502,630)
Payment of:					
- Zakat		(927)	(1,011)	(927)	(1,011)
- Taxation		(89,174)	(79,313)	(89,154)	(79,293)
Net cash (utilised in)/generated from operating activities		(417,937)	881,259	(422,277)	874,773

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CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
INVESTING ACTIVITIES					
Purchase of:					
- AFS investment securities securities		-	(3,786,672)	-	(3,786,672)
- Financial asset at FVOCI		(2,629,815)	-	(2,629,815)	-
Net proceeds from sale/ redemption of:					
- AFS investment securities		-	2,995,928	-	2,995,928
- Financial asset at FVOCI		2,507,403	-	2,507,403	-
- Financial asset at FVTPL		142,211	-	142,211	-
Purchase of:					
- Property and equipment		(1,679)	(2,602)	(1,679)	(2,602)
- Intangible assets		(9,392)	(3,738)	(9,392)	(3,738)
Income received from :					
- AFS investment securities		-	65,193	-	65,193
- Financial asset at FVOCI		74,369	-	74,369	-
- Financial asset at FVTPL		3,649	-	3,649	-
Income received from Sukuk		13,321	5,827	13,321	5,827
Proceeds from disposal of property and equipment		70	-	70	-
Net cash generated from/(utilised in) investing activities		100,138	(726,064)	100,138	(726,064)
FINANCING ACTIVITY					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Net cash utilised in financing activity		(30,000)	(30,000)	(30,000)	(30,000)
Net (decrease)/increase in cash and cash equivalents		(347,799)	125,195	(352,139)	118,709
Cash and cash equivalents as at 1 January		534,591	409,396	524,185	405,476
Cash and cash equivalents as at 31 December		186,792	534,591	172,046	524,185
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	6	186,792	534,591	172,046	524,185

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activities of the Company consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issuance of bonds and notes to finance these purchases. The Company also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Subsidiary companies of the Company are Cagamas Global PLC (“CGP”) and Cagamas Global Sukuk Berhad (“CGS”):

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

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.

The ultimate holding company is Cagamas Holdings Berhad, a company incorporated in Malaysia.

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 and the Company.

The Islamic operations of the Group and the Company refer to the purchases of Islamic house financing assets, , Islamic personal financing, Islamic mortgage assets and Islamic hire purchases assets from approved originators, issuance of Sukuk under Shariah principles and acquisition, investment in and trading of Islamic financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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 to existing standards that are effective and applicable to the Group and the Company.

The Group and Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The Group and Company has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted to the change in policies as set out in Note 2.7 and Note 2.8 to the financial statements. The detailed impact of change in accounting policies are set out in Note 3.

The Group and Company has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations .

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in income statement, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in income statement when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

At 1 January 2019, the Group and the Company expect to adopt the standard using a modified retrospective approach where the cumulative effect of initially applying the standard shall recognise an adjustment to the opening balance of retained profits and the comparatives shall not be restated. The implementation is expected to increase the "right-of-use" of the underlying assets and increase financial liabilities with no effect on net assets or retained profits.

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 and are de-consolidated from the date that control ceases.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (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 statement 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 statement.

2.3 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 Company.

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 and the Company. 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.

2.4 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 and the Company from the originators at fair values. The originator acts as a servicer and remits the principal and interest/profit income from the assets to the Group and the Company at specified intervals as agreed by both parties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

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 the Company 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 statement over the term of the assets using the internal rate of return method.

2.5 Investment in subsidiaries

Investment in subsidiaries is 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 2.8 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets and Note 4 details out the critical accounting estimates and assumptions.

2.6 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	20%-25%
Furniture and fittings	10%
Motor vehicles	20%

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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

At each statement of financial position date, the Group and the Company assess 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 in Note 2.8.2 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment and depreciation (continued)

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

2.7 Financial assets

2.7.1 Accounting policies applied from 1 January 2018

(a) Classification

From 1 January 2018, The Group and Company 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 statement.

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

<u>Debt instruments</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

2.7.1 Accounting policies applied from 1 January 2018 (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 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 statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statement 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 profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in other gains/(losses).

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 other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

2.7.1 Accounting policies applied from 1 January 2018 (continued)

(c) Measurement (continued)

Debt instruments (continued)

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

(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 and Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in income statement and presented net within other gains/(losses) in the period which it arises.

Equity instruments

The Group and the Company 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 statement following the derecognition of the investment. Dividends from such investments continue to be recognised in income statement as other income when the Group's or Company'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 statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

2.8.1 Financial assets

(a) Accounting policies applied from 1 January 2018

The Group and Company 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 statement.

The Group and Company has four 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; and
- Financial asset at FVOCI ; and
- Money market instruments

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

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 and Company 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. Note 3 sets out the measurement details of ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

(a) Accounting policies applied from 1 January 2018 (continued)

Significant increase in credit risk

The Group and Company 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.

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's 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 and Company 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 and Company defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

(a) Accounting policies applied from 1 January 2018 (continued)

Definition of default and credit impaired financial assets (continued)

Qualitative criteria:
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and Company 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 and Company has therefore concluded that these assets to be assessed on a collective basis. Financial assets 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.

(b) Accounting policies applied until 31 December 2017

(i) Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

(b) Accounting policies applied until 31 December 2017 (continued)

(i) Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the mounts previously written off are recognised in the income statement.

(ii) Assets classified as *AFS*

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in the income statement. If, in the subsequent period, the fair value of a debt instrument classified as AFS investment securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.2 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 statement, 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 statement.

2.9 Write-off

The Group and Company 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.

2.10 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.

2.11 Premium and discount on unsecured bearer bonds, notes and 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 statement 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 statement over the life of the bonds and notes/Sukuk on an effective yield method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 deferred tax liability is settled.

2.13 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.

2.14 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.

2.15 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 and the Company. The Group and the Company have determined the Chief Executive Officer of the Company to be the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 7 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 exchange rate are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

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

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

The Group and Company'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 and the Company also document 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 statement 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 statement under "Non-interest income".

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Derivative financial instruments and hedge accounting (continued)

Cash flow hedge (continued)

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 statement 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 statement under "Non-interest income".

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Zakat

The Group and the Company recognise its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group and the Company have a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group and the Company have been in operation 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% (2017: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit before taxation after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2.19 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 and the Company.

(b) Defined contributions plans

The Group and the Company contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statement in the financial year to which they relate to. Once the contributions have been paid, the Group and the Company have 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 and the Company, 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 2.8.2 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share capital

(a) Classification

Ordinary shares 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.

(b) Dividends to the shareholder of the Company

Dividends on ordinary shares 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.

2.22 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 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.

2.25 Other accounting policies applied until 31 December 2017

2.25.1 AFS investment securities

AFS investment securities are securities that are acquired and held for yield or capital growth and are usually held for an indefinite period of time, which may be sold in response to market conditions.

Purchases of investments are recognised on the date the Group and the Company contract to purchase the investment. Investments are derecognised when the Group and the Company have contracted to sell the investment and transferred substantially all risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Other accounting policies applied until 31 December 2017 (continued)

2.25.1 AFS investment securities(continued)

AFS investment securities are carried at fair value on the statement of financial position with cumulative fair value changes reflected under AFS reserve in equity, and recognised in the income statement when the investment securities are disposed of, collected or otherwise sold, or when the securities are determined to be impaired. The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the reporting date.

The realised gains or losses on derecognition of AFS investment securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains or losses arising from changes in fair value previously recognised in equity, are credited or charged to the current year's income statement.

See accounting policy on impairment of financial assets in Note 2.8.1 (b) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest/profit rate method. The amortisation of premium and accretion of discount on AFS investment securities are recognised as interest/profit income using the effective yield method.

Company No.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES

i. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 Dec 2017 RM'000	Re-classification RM'000	Re-measurement RM'000	MFRS 9 carrying amount as at 1 Jan 2018 RM'000	Retained profits impact as at 1 Jan 2018 RM'000
Assets							
Cash and short-term funds	Receivables	Amortised cost	534,591	-	-	534,591	-
Financial asset at fair value through profit or loss (FVTPL)	AFS	FVTPL	-	101,292	-	101,292	-
Derivative financial instruments	FVTPL	FVTPL	466,339	-	-	466,339	-
Available-for-sale investment securities	AFS	Not Applicable	2,471,430	(2,471,430)	-	-	-
Financial asset at FVOCI	Not Applicable	FVOCI	-	2,370,138	-	2,370,138	-
Amount due from counterparties	Loans and receivables	Amortised cost	19,870,378	-	(41)	19,870,337	(41)
Islamic financing assets	Loans and receivables	Amortised cost	5,544,378	-	(222)	5,544,156	(222)
Mortgage assets:							
Conventional	Loans and receivables	Amortised cost	5,848,119	-	6,855	5,854,974	6,855
Islamic	Loans and receivables	Amortised cost	6,300,576	-	2,081	6,302,657	2,081
Hire purchase assets:							
Conventional	Loans and receivables	Amortised cost	-	-	-	-	-
Islamic	Loans and receivables	Amortised cost	953	-	41	994	41
Deferred taxation	Not Applicable	Not Applicable	7,965	-	(2,091)	5,874	(2,091)
Total change to financial asset balances, reclassification and remeasurement at 1 Jan 2018			41,049,729	-	6,623	41,051,352	6,623

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

i. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9 (continued)

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 Dec 2017 RM'000	Re-classification RM'000	Re-measurement RM'000	MFRS 9 carrying amount as at 1 Jan 2018 RM'000	Retained profits impact as at 1 Jan 2018 RM'000
Reserve							
AFS reserve	AFS	Not Applicable	(724)	724	-	-	-
Financial asset at FVOCI reserves	Not Applicable	FVOCI	-	(724)	-	(724)	-
Total change to reserve balances, reclassification and remeasurement at 1 Jan 2018			(724)	-	-	(724)	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

i. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9 (continued)

Company	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 Dec 2017	Re-classification	Re-measurement	MFRS 9 carrying amount as at 1 Jan 2018	Retained profits impact as at 1 Jan 2018
			RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	Receivables	Amortised cost	524,185	-	-	524,185	-
Financial asset at fair value through profit or loss (FVTPL)	AFS	FVTPL	-	101,292	-	101,292	-
Derivative financial instruments	FVTPL	FVTPL	466,339	-	-	466,339	-
Available-for-sale investment securities	AFS	Not Applicable	2,471,430	(2,471,430)	-	-	-
Financial asset at FVOCI	Not Applicable	FVOCI	-	2,370,138	-	2,370,138	-
Amount due from counterparties	Loans and receivables	Amortised cost	19,870,378	-	(41)	19,870,337	(41)
Islamic financing assets	Loans and receivables	Amortised cost	5,544,378	-	(222)	5,544,156	(222)
Mortgage assets:							
- Conventional	Loans and receivables	Amortised cost	5,848,119	-	6,855	5,854,974	6,855
- Islamic	Loans and receivables	Amortised cost	6,300,576	-	2,081	6,302,657	2,081
Hire purchase assets:							
- Conventional	Loans and receivables	Amortised cost	-	-	-	-	-
- Islamic	Loans and receivables	Amortised cost	953	-	41	994	41
Deferred taxation	Not Applicable	Not Applicable	7,965	-	(2,091)	5,874	(2,091)
Total change to financial asset balances, reclassification and remeasurement at 1 Jan 2018			41,034,323	-	6,623	41,040,946	6,623

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

i. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9 (continued)

Company	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount as at 31 Dec 2017	Re-classification	Re-measurement	MFRS 9 carrying amount as at 1 Jan 2018	Retained profits impact as at 1 Jan 2018
			RM'000	RM'000	RM'000	RM'000	RM'000
Reserves							
AFS reserves	AFS	Not Applicable	(724)	724	-	-	-
Financial asset at FVOCI reserve	Not Applicable	FVOCI	-	(724)	-	(724)	-
Total change to reserve balances, reclassification and remeasurement at 1 Jan 2018			(724)	-	-	(724)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

ii. Reconciliation impairment allowance balances from MFRS 139 to MFRS 9

The following table reconciles the prior year's closing impairment allowance for the Company measured in accordance with the MFRS 139 incurred loss model to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 January 2018:

Group and Company	Impairment allowance under MFRS 139 RM'000	Re-classification RM'000	Re-measurement RM'000	Impairment allowance under MFRS 9 RM'000
Amortised cost (MFRS 139)/ Amortised cost (MFRS 9)				
Amount due from counterparties	-	-	41	41
Islamic financing assets	-	-	222	222
Mortgage assets:				
- Conventional	37,971	-	(6,855)	31,116
- Islamic	30,197	-	(2,081)	28,116
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	62	-	(41)	21
Total	68,232	-	(8,714)	59,518

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 and the Company'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 AFS investment securities and financial asset at FVOCI

The estimates and assumptions considered most likely to have an impact on the Group’s and the Company's results and financial positions are those relating to the fair valuation of derivatives, unquoted AFS investment securities and financial asset at FVOCI for which valuation models are used. The Group and the Company have 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 and the Company make 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 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 and the Company 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.

5 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Group's and the Company'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 and the Company enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The Group and the Company 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 and the Company's aim 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 has ultimate responsibility for management of risks associated with the Group's and the Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's and the Company'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 and the Company'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.

The Risk Management Department 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 fulfill 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 treasury hedging activities.

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

5.2 Credit risk management (continued)

The Group and the Company manage its 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 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.

5.3 Market risk management

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

The Group and the Company control its market risk exposure by imposing threshold limits and entering in derivatives contract. The limits are set based on the Group's and the Company's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group and the Company have 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 and the Company also use derivative instruments such as interest rate swaps, profit rate swaps, CCS and ICCS to manage and hedge its market risk exposure against fluctuations in interest rates, profit rates and foreign currency exchange rate.

5.4 Liquidity risk management

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

The Group and the Company mitigate its liquidity risk by matching the timing of purchases of loans and debts with issuance of Bonds or Sukuk. The Group and the Company plan 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 and the Company set aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

5.4 Liquidity risk management (continued)

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

(a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's and the Company's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group and the Company to meet its 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 and the Company 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 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 Company. To mitigate such operational risks, the Company has developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

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-tier 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.

6 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and balance with banks and other financial institutions	70,255	47,679	55,509	37,273
Money at call and deposits and placements maturing within one month	116,480	377,100	116,480	377,100
Mudharabah money at call and deposits and placements maturing within one month	57	109,812	57	109,812
	186,792	534,591	172,046	524,185

7 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group and the Company 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 and the Company 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 and the Company pay the floating rate receipts from its floating rate asset purchases to the swap counterparties and receive 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 and Company are protected from adverse movements in interest rate.

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

The Group and the Company will issue short duration bonds/Sukuk and enter 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 and the Company pay fixed rate interest/profit to the swap counterparty and receive floating rate interest/profit to pay to the bondholders/Sukukholders.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CCS and ICCS is also used by the Group and the Company 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 and the Company 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 and the Company 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 and the Company pay interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.

(iii) On maturity, the Group and the Company 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 and the Company's foreign currency exposures are from Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD") and Australian Dollar ("AUD").

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 139 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 and the Company have designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2018 was a credit of RM207.5 million (2017: RM249.5 million).

(b) Fair value hedges

The Group and the Company do not designate any derivatives as fair value hedges.

(c) Net investment hedges

The Group and the Company do not designate any derivatives as net investment hedges.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivatives financial instruments entered by the Group and the Company.

	Group and Company					
			2018			2017
	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						
One to three years	2,660,000	856	(9,792)	2,585,000	2,344	(11,386)
Three to five years	655,000	-	(17,471)	545,000	-	(7,904)
More than five years	160,000	5,139	-	270,000	7,100	(12,147)
	3,475,000	5,995	(27,263)	3,400,000	9,444	(31,437)
CCS/ICCS						
Maturing within one year	1,725,000	319,325	-	2,630,696	157,081	(47,104)
One to three years	2,673,652	36,758	(127,351)	3,268,500	299,814	(138,330)
	4,398,652	356,083	(127,351)	5,899,196	456,895	(185,434)
	7,873,652	362,078	(154,614)	9,299,196	466,339	(216,871)

8 AFS INVESTMENT SECURITIES

	Group and Company	
	2018	2017
	RM'000	RM'000
At fair value		
Malaysian government securities	-	81,687
Corporate bonds	-	504,181
Government investment issues	-	627,143
Sukuk	-	554,681
Quasi government Sukuk	-	602,446
Unit trust	-	101,292
	-	2,471,430

The maturity structure of AFS investment securities are as follows:

Maturing within one year	-	726,423
One to three years	-	503,885
Three to five years	-	416,171
More than five years	-	824,951
	-	2,471,430

The AFS investment securities category was removed upon adoption of MFRS 9. The financial effects of adoption of MFRS 9 are discussed in Note 3 Changes in accounting policy.

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

	Group and Company	
	2018	2017
	RM'000	RM'000
At fair value		
Malaysian government securities	149,365	-
Corporate bonds	592,529	-
Government investment issues	708,712	-
Sukuk	591,143	-
Quasi government Sukuk	434,536	-
	2,476,285	-

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

Maturing within one year	518,227	-
One to three years	475,208	-
Three to five years	676,771	-
More than five years	806,079	-
	2,476,285	-

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

The financial asset at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirement under MFRS 9. The financial effects of adoption of MFRS 9 are discussed in Note 3 Changes in accounting policy.

For financial asset at FVOCI, all balances are within stage 1 allocation (12-months ECL) as at 31 December 2018. There are no impairment in this category of asset under the expected credit loss ("ECL") model as at 31 December 2018 as the impact of change in credit risk of financial assets is immaterial.

10 AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	2018	2017
	RM'000	RM'000
Relating to:		
Mortgage loans	19,875,905	19,545,875
Hire purchase and leasing debts	529,019	286,304
Personal loans	-	38,199
	20,404,924	19,870,378

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

	2018 RM'000	2017 RM'000
Maturing within one year	6,004,319	6,285,506
One to three years	8,420,632	7,604,833
Three to five years	5,345,008	5,345,007
More than five years	635,032	635,032
	20,404,991	19,870,378
Less:		
Allowance for impairment losses	(67)	-
	20,404,924	19,870,378

10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

As at 31 December 2018, the gross carrying value of amount due from counterparties 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 and Company	
	Stage 1 RM'000	Total RM'000
At 1 January		
- as previously stated		-
- effect of adoption of MFRS 9		41
As restated	41	41
Allowance during the year on new assets purchased	28	28
Loans derecognised during the period due to maturity of assets	(38)	(38)
Allowance during the year due to changes in credit risk	36	36
At 31 December	67	67

11 ISLAMIC FINANCING ASSETS

	Group and Company	
	2018 RM'000	2017 RM'000
Relating to:		
Islamic house financing	10,011,058	5,434,616
Islamic personal financing	18,895	109,762
	10,029,953	5,544,378

The maturity structure Islamic financing assets are as follows:

	2018 RM'000	2017 RM'000
Maturing within one year	1,835,052	1,730,200
One to three years	4,269,044	2,574,231
Three to five years	3,926,484	1,239,947
	10,030,580	5,544,378
Less:		
Allowance for impairment losses	(627)	-
	10,029,953	5,544,378

11 ISLAMIC FINANCING ASSETS (CONTINUED)

As at 31 December 2018, the gross carrying value of Islamic 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 and Company	
	Stage 1 RM'000	Total RM'000
At 1 January		
- as previously stated		-
- effect of adoption of MFRS 9		222
As restated	222	222
Allowance during the year on new assets purchased	275	275
Allowance during the year due to changes in credit risk	130	130
At 31 December	627	627

12 MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	2018 RM'000	2017 RM'000
Purchase without recourse ("PWOR")	5,344,710	5,848,119

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

	2018 RM'000	2017 RM'000
Maturing within one year	893,068	933,922
One to three years	1,150,650	1,204,460
Three to five years	1,007,432	1,114,465
More than five years	3,013,592	3,449,082
	6,064,742	6,701,929
Less:		
Unaccreted discount	(691,822)	(815,839)
Allowance for impairment losses	(28,210)	(37,971)
	5,344,710	5,848,119

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

As at 31 December 2018, the gross carrying value of mortgage assets by stage of allocation upon adoption of MFRS 9 effective 1 January 2018 are as follows;

	Gross carrying value 2018 RM'000	Impairment allowance 2018 RM'000
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	5,992,111	7,687
Stage 2 (Lifetime ECL; non credit impaired)	12,022	1,200
Stage 3 (Lifetime ECL; credit impaired)	60,609	19,323
At 31 December	6,064,742	28,210
Impairment allowance over gross carrying value (%)		0.47

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January				
-as previously stated				37,971
-effect of adoption of MFRS 9				(6,855)
As restated	8,111	3,125	19,880	31,116
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	9,000	(1,140)	(7,860)	-
- Transfer to ECL not credit impaired (Stage 2)	(2,193)	2,991	(798)	-
- Transfer to ECL credit impaired (Stage 3)	(7,127)	(80)	7,207	-
Total transfer between stages	(320)	1,771	(1,451)	-
Loans derecognised during the period (other than write-offs)	(177)	(287)	(2,579)	(3,043)
Allowance/ (reversal) during the year due to changes in credit risk	73	(3,409)	3,706	370
Amount written off	-	-	(233)	(233)
At 31 December	7,687	1,200	19,323	28,210

13 MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	2018	2017
	RM'000	RM'000
PWOR	5,915,527	6,300,576

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

	2018 RM'000	2017 RM'000
Maturing within one year	732,631	712,367
One to three years	986,926	964,148
Three to five years	944,979	967,336
More than five years	3,979,811	4,475,152
	6,644,347	7,119,003
Less:		
Unaccreted discount	(704,559)	(788,230)
Allowance for impairment losses	(24,261)	(30,197)
	5,915,527	6,300,576

As at 31 December 2018, the gross carrying value of Islamic mortgage assets by stage of allocation upon adoption of MFRS 9 effective 1 January 2018 are as follows;

	Gross carrying value	Impairment allowance
	2018	2018
	RM'000	RM'000
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,589,742	8,484
Stage 2 (Lifetime ECL; non credit impaired)	7,723	775
Stage 3 (Lifetime ECL; credit impaired)	46,882	15,002
At 31 December	6,644,347	24,261
Impairment allowance over gross carrying value (%)		0.37

13 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:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January				
-as previously stated				30,197
-effect of adoption of MFRS 9				(2,081)
As restated	8,807	3,739	15,570	28,116
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	5,892	(720)	(5,172)	-
- Transfer to ECL not credit impaired (Stage 2)	(2,978)	3,829	(851)	-
- Transfer to ECL credit impaired (Stage 3)	(5,299)	(54)	5,353	-
Total transfer between stages	(2,385)	3,055	(670)	-
Financing derecognised during the period (other than write-offs)	(147)	(225)	(1,581)	(1,953)
Allowance/ (reversal) during the year due to changes in credit risk	2,209	(5,794)	1,718	(1,867)
Amount written off	-	-	(35)	(35)
At 31 December	8,484	775	15,002	24,261

14 HIRE PURCHASE ASSETS - ISLAMIC

	Group and Company	
	2018 RM'000	2017 RM'000
PWOR	781	953

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

	2018 RM'000	2017 RM'000
Maturing within one year	795	970
One to three years	-	45
	795	1,015
Less:		
Unaccreted discount	1	-
Allowance for impairment losses	(15)	(62)
	781	953

14 HIRE PURCHASE ASSETS - ISLAMIC (CONTINUED)

As at 31 December 2018, the gross carrying value of Islamic hire purchase asset by stage of allocation upon adoption of MFRS 9 effective 1 January 2018 are as follows;

	Gross carrying value 2018 RM'000	Impairment allowance 2018 RM'000
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	740	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	55	15
At 31 December	795	15
Impairment allowance over gross carrying value (%)		1.89

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January				
-as previously stated				62
-effect of adoption of MFRS 9				(41)
As restated	1	-	20	21
Financing derecognised during the period (other than write-offs)	(1)	-	(5)	(6)
At 31 December	-	-	15	15

15 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and are repayable on demand.

16 OTHER ASSETS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff loans and financing	3,269	3,974	3,269	3,974
Deposits	906	908	882	881
Prepayments	1,500	1,509	1,500	1,509
Other receivables	300	328	300	328
Management fee receivable	619	568	619	568
Compensation receivable from originator on mortgage assets	763	1,202	763	1,202
	7,357	8,489	7,333	8,462

17 PROPERTY AND EQUIPMENT

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group and Company				
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

17 PROPERTY AND EQUIPMENT(CONTINUED)

Group and Company	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
As at 1 January 2017	5,613	4,653	627	10,893
Additions	2,602	-	-	2,602
Disposals	(270)	(4)	-	(274)
As at 31 December 2017	7,945	4,649	627	13,221
Accumulated depreciation				
As at 1 January 2017	(3,893)	(3,549)	(559)	(8,001)
Charge for the financial year	(537)	(454)	(66)	(1,057)
Disposals	270	4	-	274
As at 31 December 2017	(4,160)	(3,999)	(625)	(8,784)
Net book value as at 31 December 2017	3,785	650	2	4,437

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 and Company					
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					
31 December 2018	3,338	24	19,206	281	22,849
Cost					
As at 1 January 2017	16,712	12,047	5,523	7,020	41,302
Additions	-	35	309	3,394	3,738
As at 31 December 2017	16,712	12,082	5,832	10,414	45,040
Accumulated amortisation					
As at 1 January 2017	(12,246)	(12,017)	(3,007)	-	(27,270)
Charge for the financial year	(563)	(48)	(805)	-	(1,416)
As at 31 December 2017	(12,809)	(12,065)	(3,812)	-	(28,686)
Net book value					
31 December 2017	3,903	17	2,020	10,414	16,354

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 2 to 9 years (2017: 3 to 10 years).

19 DEFERRED TAXATION

Deferred tax assets and liabilities are offsetted 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 and Company	
	2018	2017
	RM'000	RM'000
Deferred tax assets (before offsetting)	(29,169)	(10,431)
Deferred tax liabilities (before offsetting)	56,517	2,466
Deferred tax liability/(assets)	27,348	(7,965)

The movements of deferred tax are as follows:

	2018	2017
As at 1 January	(7,965)	(8,365)
Effects of adopting MFRS 9	2,091	-
As restated	(5,874)	(8,365)
Debit to income statement (Note 34)	34,699	2,057
Credit to other comprehensive income	(1,477)	(1,657)
As at 31 December	27,348	(7,965)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 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 and Company					
2018 Deferred tax assets	As at 1 January RM'000	Effects of adopting MFRS 9 RM'000	As restated RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(9,807)	-	(9,807)	-	(5,260)	(15,067)
Provisions	(305)	-	(305)	(1,016)	-	(1,321)
Revaluation reserves of:						
- AFS investment securities	(319)	319	-	-	-	-
- Financial asset at FVOCI	-	(319)	(319)	-	319	-
Temporary difference relating to ECL	-	2,091	2,091	(14,872)	-	(12,781)
	(10,431)	2,091	(8,340)	(15,888)	(4,941)	(29,169)
Deferred tax liabilities						
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	852	-	852	-	2,938	3,790
Revaluation reserves of:						
AFS investment securities	97	(97)	-	-	-	-
Financial asset at FVOCI	-	97	97	-	526	623
Accelerated depreciation	1,275	-	1,275	973	-	2,248
Temporary difference relating to interest/profit receivables on deposit and placements	242	-	242	(232)	-	10
Temporary difference relating to accretion of discount	-	-	-	49,846	-	49,846
	2,466	-	2,466	50,587	3,464	56,517
	(7,965)	2,091	(5,874)	34,699	(1,477)	27,348

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 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 and Company			
2017	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	(5,911)	-	(3,896)	(9,807)
Provisions	(1,245)	940	-	(305)
Revaluation reserves of AFS investment securities	(3,325)	-	3,006	(319)
	(10,481)	940	(890)	(10,431)
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	1,716	-	(864)	852
Revaluation reserves of AFS investment securities	-	-	97	97
Accelerated depreciation	305	970	-	1,275
Temporary difference relating to interest/profit receivables on deposit and placements	95	147	-	242
	2,116	1,117	(767)	2,466
	(8,365)	2,057	(1,657)	(7,965)

20 INVESTMENT IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares at cost	-*	-*

*denotes USD1 in CGP and RM2 in CGS.

The subsidiaries of the Company are as follows:

Name	Principal activities	Place of Incorporation	Interest in equity held by the Company 2018 %	Interest in equity held by the Company 2017 %
Cagamas Global P.L.C.	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
Cagamas Global Sukuk Berhad	To undertake the issuance of Sukuk in foreign currency.	Malaysia	100	100

21 UNSECURED BEARER BONDS AND NOTES

					Group
			2018		2017
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes					
	2018	-	-	300,000	3.480
	2019	450,000	3.480 – 3.840	-	-
Add:					
Interest payable		1,391		1,001	
		451,391		301,001	
(b) Commercial paper					
	2018	-	-	700,000	3.560
	2019	750,000	3.560 – 3.800	-	-
Add:					
Interest payable		2,929		1,297	
		752,929		701,297	
(c) Medium-term notes					
	2018	-	-	6,429,072	1.520 – 5.710
	2019	7,643,000	2.745 – 5.280	5,078,550	2.745 – 5.280
	2020	5,845,965	2.530 – 6.000	4,053,485	2.530 – 6.000
	2021	2,464,535	4.150 – 5.380	315,000	4.150 – 5.380
	2022	5,510,000	3.900 – 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
		24,638,500		24,561,107	
Add:					
Interest payable		235,762		201,523	
Unaccreted premium		8,417		5,852	
Less:					
Deferred financing fees		(3,189)		(4,572)	
Unamortised discount		(1,419)		(1,268)	
		24,878,071		24,762,642	
		26,082,391		25,764,940	

21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

		Company			
		2018		2017	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes					
	2018	-	-	300,000	3.480
	2019	450,000	3.480 – 3.840	-	-
Add:					
Interest payable		1,391		1,001	
		451,391		301,001	
(b) Commercial paper					
	2018	-	-	700,000	3.560
	2019	750,000	3.560 – 3.800	-	-
Add:					
Interest payable		2,929		1,297	
		752,929		701,297	
(c) Medium-term notes					
	2018	-	-	3,840,000	3.420 – 5.710
	2019	5,575,000	3.650 – 5.280	3,045,000	3.650 – 5.280
	2020	3,530,000	3.950 – 6.000	2,630,000	4.100 – 6.000
	2021	2,185,000	4.050 – 5.380	315,000	4.150 – 5.380
	2022	5,510,000	3.900 – 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
		19,975,000		18,515,000	
Add:					
Interest payable		215,131		183,401	
Unaccreted premium		8,417		5,852	
Less:					
Unamortised discount		(1,419)		(1,268)	
		20,197,129		18,702,985	
		21,401,449		19,705,283	

21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	9,084,032	7,626,244	6,997,713	5,021,775
One to three years	8,313,359	9,138,696	5,718,736	5,683,508
Three to five years	6,035,000	5,825,000	6,035,000	5,825,000
More than five years	2,650,000	3,175,000	2,650,000	3,175,000
	26,082,391	25,764,940	21,401,449	19,705,283

(a) Floating rate notes

Bonds with variable coupon plus a spread redeemable at par on the due dates.

(b) Commercial paper

Commercial papers are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(c) Medium-term notes

The medium-term notes are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

Included in medium-term notes are medium-term notes issued in foreign currency ("EMTN"). The EMTN are issued by CGP, and are unconditionally and irrevocably guaranteed by the Company. The unsecured bearer bonds and notes outstanding at the ended financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2018	2017
	RM'000	RM'000
HKD	353,648	521,812
USD	3,640,217	3,870,347
SGD	687,077	1,349,057
AUD	-	318,441
	4,680,942	6,059,657

22 SUKUK

	Year of maturity	2018 Amount outstanding RM'000	2018 Effective profit rate %	2017 Amount outstanding RM'000	Group 2017 Effective profit rate %
(a) Islamic commercial papers					
	2018	-	-	305,000	3.510
	2019	405,000	3.510 – 3.800	-	-
Add:					
Profit payable		1,358		1,173	
		406,358		306,173	
(b) Islamic medium-term					
	2018	-	-	1,592,025	1.850 – 5.800
	2019	1,612,000	3.750 – 5.280	1,187,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	2,230,000	3.980 – 6.000
	2021	3,020,000	4.150 – 6.000	245,000	4.150 – 5.380
	2022	2,150,000	3.900 – 4.700	2,150,000	3.900 – 4.700
	2023	2,495,000	4.250 – 6.350	995,000	4.250 – 6.350
	2024	315,000	4.000 – 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
		14,247,000		11,139,025	
Add:					
Profit payable		134,397		114,351	
Unaccreted premium		20,717		39,014	
Less:					
Deferred financing fees		-		(29)	
Unamortised discount		-		(656)	
		14,402,114		11,291,705	
		14,808,472		11,597,878	

22 SUKUK (CONTINUED)

	Year of maturity	2018 Amount outstanding RM'000	2018 Effective profit rate %	2017 Amount outstanding RM'000	Company 2017 Effective profit rate %
(a) Islamic commercial papers					
	2018	-	-	305,000	3.5100
	2019	405,000	3.510 – 3.800	-	-
Add:					
Profit payable		1,358		1,173	
		406,358		306,173	
(b) Islamic medium-term					
	2018	-	-	1,440,000	3.510 – 5.800
	2019	1,612,000	3.750 – 5.280	1,187,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	2,230,000	3.980 – 6.000
	2021	3,020,000	4.150 – 6.000	245,000	4.150 – 5.380
	2022	2,150,000	3.900 – 4.700	2,150,000	3.900 – 4.700
	2023	2,495,000	4.250 – 6.350	995,000	4.250 – 6.350
	2024	315,000	4.000 – 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
		14,247,000		10,987,000	
Add:					
Profit payable		134,397		113,504	
Unaccreted premium		20,717		39,014	
Less:					
Unamortised discount		-		(656)	
		14,402,114		11,138,862	
		14,808,472		11,445,035	

22 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,156,534	2,011,864	2,156,534	1,859,021
One to three years	5,266,938	3,456,014	5,266,938	3,456,014
Three to five years	4,645,000	2,395,000	4,645,000	2,395,000
More than five years	2,740,000	3,735,000	2,740,000	3,735,000
	14,808,472	11,597,878	14,808,472	11,445,035

(a) Islamic commercial paper

Islamic commercial papers are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (profit-bearing).

(b) Islamic medium-term notes

Islamic medium-term notes are issued by the Group based on various Islamic principles. The IMTNs have tenures of more than 1 year and are issued at discount or at par (profit-bearing). Profit distributions of the IMTNs are normally made on half year/quarterly basis.

(c) Islamic variable medium-term notes

Islamic variable medium-term notes are issued by the Group and the Company based on various Islamic principles. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at point of issuance. Profit distributions of the IMTNs are normally made on half year/quarterly basis.

Included in Islamic medium-term notes are Islamic medium-term notes issued in foreign currency ("Islamic EMTN"). The Islamic EMTN are issued by CGS, and are unconditionally and irrevocably guaranteed by the Company. The Sukuk outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2018	2017
	RM'000	RM'000
SGD	-	152,843

23 LOANS/FINANCING FROM SUBSIDIARY

Loans from subsidiary outstanding at financial year ended that are not in the functional currencies of the Group are as follows:

	Company	
	2018 RM'000	2017 RM'000
HKD	354,124	521,812
USD	3,642,798	3,874,422
SGD	687,875	1,502,915
AUD	-	318,716
	4,684,797	6,217,865

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 2.520% to 3.735% per annum (2017: 1.520% to 2.745% per annum).

The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	2018 RM'000	2017 RM'000
Maturing within one year	2,089,297	2,760,830
One to three years	2,595,500	3,457,035
	4,684,797	6,217,865

24 OTHER LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Provision for zakat	1,584	927	1,584	927
Amount due to GOM	54,893	36,734	54,893	36,734
Other payables and accruals	30,514	23,128	29,310	21,843
	86,991	60,789	85,787	59,504

25 SHARE CAPITAL

	Group and Company			
		2018		2017
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	RM'000
Ordinary shares				
Issued:				
As at 1 January/ 31 December	150,000	150,000	150,000	150,000

26 RESERVES

(a) AFS reserves

This amount represents the unrealised fair value gains or losses on AFS investment securities, net of taxation.

(b) Financial asset at FVOCI reserves

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

(c) 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.

(d) Regulatory reserves

The Group and the Company have adopted the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves which was effective from 31 December 2015 and BNM Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and Company maintains, in aggregate, collective impairment provisions and regulatory reserves of 1.2% of total credit exposures, net of allowances for credit impaired exposures on loans/financing (2017 :1.2% of the total outstanding loans/financing, net of individual impairment provisions).

27 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM3,614,391,000 of the Group and RM3,602,369,000 of the Company respectively (2017: RM3,405,211,000 of the Group and RM 3,397,473,000 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 RM243,729,000 of the Group and RM239,445,000 of the Company respectively (2017: RM241,715,000 of the Group and RM237,615,000 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.

28 INTEREST INCOME

	Group and Company	
	2018	2017
	RM'000	RM'000
Amount due from counterparties	883,984	721,338
Mortgage assets	245,549	269,289
Hire purchase assets	2	-
Compensation from mortgage assets	28	48
AFS investment securities	-	70,310
Financial asset at FVOCI	77,732	-
Deposits and placements with financial institutions	9,102	8,050
	1,216,397	1,069,035
Accretion of discount less amortisation of premium (net)	132,361	133,528
	1,348,758	1,202,563

29 INTEREST EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Floating rate notes	11,380	10,431	11,380	10,431
Medium-term notes	989,740	883,768	858,328	720,229
Commercial paper	28,845	2,285	28,845	2,285
Deposits and placements from financial institutions	236	-	236	-
Loans/financing from subsidiaries	-	-	136,320	168,269
	1,030,201	896,484	1,035,109	901,214

30 NON-INTEREST EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net derivatives expense	(75,666)	(69,287)	(75,666)	(69,287)
Income from financial asset at FVTPL	3,649	-	3,649	-
Gain on disposal of:				
- AFS investment securities	-	2,756	-	2,756
- Financial asset at FVOCI	3,553	-	3,553	-
- Property and equipment	70	-	70	-
Reclassification adjustments of fair value (loss)/gains on CCS, transfer from equity	(33,592)	236,599	(33,592)	236,599
Unrealised gain/(loss) on foreign exchange	33,157	(236,856)	33,157	(236,862)
Other non-operating income	6,439	5,003	6,439	5,003
	(62,390)	(61,785)	(62,390)	(61,791)

31 PERSONNEL COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salary and allowances	13,669	13,528	13,669	13,528
Bonus	5,933	6,647	5,933	6,647
Overtime	58	58	58	58
EPF and SOCSO	3,313	3,859	3,313	3,859
Insurance	665	747	665	747
Others	2,888	2,463	2,888	2,463
	26,526	27,302	26,526	27,302

32 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 33)	2,104	2,220	2,104	2,220
Rental of premises	2,648	2,648	2,648	2,648
Hire of equipment	597	529	597	529
Auditor's remuneration				
- Audit fees	326	321	298	293
- Non audit fees	14	134	11	129
Depreciation of property and equipment	1,421	1,057	1,421	1,057
Amortisation of intangible assets	2,897	1,416	2,897	1,416
Servicers fees	2,578	3,720	2,578	3,720
Repairs and maintenance	5,896	(395)	5,896	(395)
Donations and sponsorship	152	10	152	10
Corporate expenses	756	673	756	673
Travelling expenses	915	510	915	510
Gain on disposal of property and equipment	(70)	-	(70)	-
(Write-back)/allowance of impairment losses	(6,068)	719	(6,068)	719

33 DIRECTORS' REMUNERATION

The Directors who served since the date of the last report and the date of this report are:

Non-Executive Directors

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour
Dato' Halipah binti Esa
Dato' Md Agil bin Mohd Natt
Encik Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Encik Nazrul Hisyam bin Mohd Noh
Datuk Azizan bin Haji Abd Rahman (appointed on 1 January 2019)
Datuk Dr. Roslan bin A. Ghaffar (resigned on 1 January 2019)

Executive Director

Datuk Chung Chee Leong

33 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amount of emoluments received by the Directors during the financial year is as follows:

	Group and Company	
	2018	2017
	RM'000	RM'000
Directors' fees	370	428
Directors' other emoluments	1,734	1,792
	2,104	2,220

For the financial year ended 31 December 2018, a total of RM170,000 (2017 :RM170,000) has been paid by the Group in relation to insurance premium paid for directors and officers of the Group and Company.

34 TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	35,936	76,076	35,916	76,056
- Deferred taxation (Note 19)	34,699	2,057	34,699	2,057
	70,635	78,133	70,615	78,113
Current tax:				
- Current year	39,882	74,763	39,862	74,743
- (over)/under provision in prior year	(3,946)	1,313	(3,946)	1,313
	35,936	76,076	35,916	76,056
Deferred taxation:				
Origination and reversal of temporary differences (Note 19)	34,699	2,057	34,699	2,057
	70,635	78,133	70,615	78,113

34 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation and zakat	315,948	320,775	311,644	316,655
Tax calculated at Malaysian tax rate of 24% (2017: 24%)	75,828	76,986	74,795	75,997
Different tax rate in Labuan	(1,062)	(1,011)	-	-
Subsidiary's current year tax losses utilised	(39)	(27)	(39)	(27)
Loss not subject to tax	39	27	-	-
Expenses not deductible for tax purposes	(275)	449	(285)	434
Deduction arising from zakat contribution	(223)	(243)	(223)	(243)
Others	313	639	313	639
(Over)/under provision in prior year	(3,946)	1,313	(3,946)	1,313
	70,635	78,133	70,615	78,113

35 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	Group and Company			
		2018		2017
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
Interim dividend paid	5.00	7,500	5.00	7,500
Final dividend paid	15.00	22,500	15.00	22,500
	20.00	30,000	20.00	30,000

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2018 of 15 sen per share (2017: 15 sen per share) amounting to RM22,500,000 (2017: RM22,500,000) will be proposed for shareholder's approval.

36 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
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSRP")	Related company and trustee for LPPSA
Cagamas MGP Berhad ("CMGP")	Related company
Government of Malaysia ("GOM")	Other related party
Lembaga Pembiayaan Perumahan Sektor Awam (“LPPSA”)	Originator/servicer and entity related to GOM
Bank Negara Malaysia ("BNM")	Other related party
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 ultimate holding 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 and its ultimate holding company, 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 Corporate Bonds and Sukuk are transacted with the shareholders of the ultimate holding company. These transactions have been disclosed on the statement of financial position and income statement of the Group and the Company.

In the financial year ended 31 December 2017, the Company entered into a shared service arrangement with Cagamas SRP Berhad (“CSRP”). Under this arrangement, the Company sets out the scope of services performed for CSRP in the normal course of business.

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

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

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

	Group	
	Related company RM'000	Other related party RM'000
2018		
Income		
Transaction administrator and administrator fees	3,887	-
Management fee	2,445	-
Expenses		
FAST* and RENTAS** charges	-	(18)
Servicers fees	2,578	-
Amount due from/(to)		
Transaction administrator and administrator fees	450	-
BNM current accounts	-	26
Reimbursement of operating expenses	-	8
Servicers fees	(534)	-
Management fee receivable	619	-
2017		
Income		
Transaction administrator and administrator fees	4,282	-
Management fee	568	-
Expenses		
FAST* and RENTAS** charges	-	(18)
Servicers fees	3,720	-
Amount due from/(to)		
Transaction administrator and administrator fees	379	-
BNM current accounts	-	30
Reimbursement of operating expenses	-	6
Servicers fees	(896)	-
Management fee receivable	568	-

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

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

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

Set out below are significant related party transactions and balances of the Group and the Company (continued).

			Company
	Subsidiaries	Related company	Other related party
	RM'000	RM'000	RM'000
2018			
Income			
Transaction administrator and administrator fees	-	3,887	-
Management fee	-	2,445	-
Expenses			
FAST* and RENTAS** Charges	-	-	(18)
Servicers fees	-	2,578	-
Interest expense	136,320	-	-
Profit charged	572	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	450	-
BNM current accounts	-	-	26
Reimbursement of operating Expenses	-	-	8
Servicers fees	-	(534)	-
Loans/financing	(4,684,797)	-	-
Payment on behalf	5,377	-	-
Management fee receivable	-	619	-

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

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

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

Set out below are significant related party transactions and balances of the Group and the Company (continued).

	Company		
	Subsidiaries	Related company	Other related party
	RM'000	RM'000	RM'000
2017			
Income			
Transaction administrator and administrator fees	-	4,282	-
Management fee	-	568	-
Expenses			
FAST* and RENTAS** charges	-	-	(18)
Servicers fees	-	3,720	-
Interest expense	168,269	-	-
Profit charged	4,568	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	378	-
BNM current accounts	-	-	30
Reimbursement of operating expenses	-	-	6
Servicers fees	-	(896)	-
Loans/financing	(6,217,865)	-	-
Payment on behalf	7,409	-	-
Management fee receivable	-	568	-

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

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM6,256,353 (2017: RM7,390,607).

The total remuneration paid to the Directors is disclosed in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(c) Transactions with the GOM and its related parties

As BNM has significant influence over the ultimate holding company, the GOM and entities controlled, jointly controlled or has significant influence by the GOM are related parties of the Group and the Company.

The Group and the Company enter 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 and the Company also purchase Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.

37 CAPITAL COMMITMENTS

	Group and Company	
	2018 RM'000	2017 RM'000
Capital expenditure:		
Authorised and contracted for	1,380	12,054
Authorised but not contracted for	1,322	3,911
	2,702	15,965
Analysed as follows:		
Equipment and others	54	196
Computer hardware and software	2,648	15,769
	2,702	15,965

38 LEASE COMMITMENTS

The Group and the Company 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 and Company	
	2018 RM'000	2017 RM'000
Maturing within one year	4,550	4,727
One to three years	6,242	6,593
	10,792	11,320

39 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 and the Company take 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 tables summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company'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 and the Company's exposure to interest/profit rates movements, are included in "other assets" and "other liabilities".

The tables also represent a static position which provides an indication of the potential impact on the Group's and the Company'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 and the Company's shareholder's funds, unsecured bearer bonds and notes/Sukuk or money market borrowings.

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

39 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	116,537	-	-	-	70,255	186,792
Financial asset at FVOCI	518,227	475,208	676,771	806,079	-	2,476,285
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	893,068	1,150,650	1,007,432	3,013,592	(720,032)	5,344,710^3
- Islamic	732,631	986,926	944,979	3,979,811	(728,820)	5,915,527^4
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^5
- Islamic	795	-	-	-	(14)	781^6
Other assets	356,716	1,699	795	6,900	71,974	438,084
	10,457,347	15,304,159	11,901,469	8,441,414	(1,307,333)	44,797,056

^1 Includes impairment losses on amount due to counterparties of RM66,581.
^2 Includes impairment losses on Islamic financing assets of RM627,130.
^3 Includes impairment losses on mortgage assets of RM28,210,459.
^4 Includes impairment losses on Islamic mortgage assets of RM24,261,116.
^5 Includes impairment losses on conventional hire purchase assets of RM2,059.
^6 Includes impairment losses on Islamic hire purchase assets of RM14,937.

39 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 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
Other liabilities	127,352	9,792	17,471	-	114,338	268,953
	11,367,918	13,590,089	10,697,471	5,390,000	114,338	41,159,816
Total interest/profit sensitivity gap	(910,571)	1,714,070	1,203,998	3,051,414		
Cumulative gap	(910,571)	803,499	2,007,497	5,058,911		

39 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						
2017						
Financial assets						
Cash and short-term funds	486,912	-	-	-	47,679	534,591
AFS investment securities	726,423	503,885	416,171	824,951	-	2,471,430
Amount due from counterparties	6,285,506	7,604,833	5,345,007	635,032	-	19,870,378
Islamic financing assets	1,730,200	2,574,231	1,239,947	-	-	5,544,378
Mortgage assets:						
- Conventional	933,922	1,204,460	1,114,465	3,449,082	(853,810)	5,848,119^1
- Islamic	712,367	964,148	967,336	4,475,152	(818,427)	6,300,576^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	970	45	-	-	(62)	953^4
Other assets	158,424	303,201	840	9,050	32,533	504,048
	11,034,726	13,154,803	9,083,766	9,393,267	(1,592,089)	41,074,473

^1 Includes impairment losses on mortgage assets of RM37,970,725.
^2 Includes impairment losses on Islamic mortgage assets of RM30,196,660.
^3 Includes impairment losses on conventional hire purchase assets of RM2,059.
^4 Includes impairment losses on Islamic hire purchase assets of RM62,050.

39 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						
2017						
Financial liabilities						
Unsecured bearer bonds and notes	7,626,244	9,138,696	5,825,000	3,175,000	-	25,764,940
Sukuk	2,011,864	3,456,014	2,395,000	3,735,000	-	11,597,878
Other liabilities	58,490	146,234	-	12,147	73,219	290,090
	9,696,598	12,740,944	8,220,000	6,922,147	73,219	37,652,908
Total interest/profit sensitivity gap	1,338,128	413,859	863,766	2,471,120		
Cumulative gap	1,338,128	1,751,987	2,615,753	5,086,873		

39 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
Company						
2018						
Financial assets						
Cash and short-term funds	116,537	-	-	-	55,509	172,046
Financial asset at FVOCI	518,227	475,208	676,771	806,079	-	2,476,285
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	893,068	1,150,650	1,007,432	3,013,592	(720,032)	5,344,710^3
- Islamic	732,631	986,926	944,979	3,979,811	(728,820)	5,915,527^4
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^5
- Islamic	795	-	-	-	(14)	781^6
Other assets	356,716	1,699	795	6,900	77,349	443,459
	10,457,347	15,304,159	11,901,469	8,441,414	(1,316,704)	44,787,685

^1 Includes impairment losses on amount due to counterparties of RM66,581.
^2 Includes impairment losses on Islamic financing assets of RM627,130.
^3 Includes impairment losses on mortgage assets of RM28,210,459.
^4 Includes impairment losses on Islamic mortgage assets of RM24,261,116.
^5 Includes impairment losses on conventional hire purchase assets of RM2,059.
^6 Includes impairment losses on Islamic hire purchase assets of RM14,937.

39 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
Company						
2018						
Financial liabilities						
Unsecured bearer bonds and notes	6,997,713	5,718,736	6,035,000	2,650,000	-	21,401,449
Sukuk	2,156,534	5,266,938	4,645,000	2,740,000	-	14,808,472
Loan/financing from subsidiaries	2,089,297	2,595,500	-	-	-	4,684,797
Other liabilities	127,352	9,792	17,471	-	113,134	267,749
	11,370,896	13,590,966	10,697,471	5,390,000	113,134	41,162,467
Total interest/profit sensitivity gap	(913,549)	1,713,193	1,203,998	3,051,414		
Cumulative gap	(913,549)	799,644	2,003,642	5,055,056		

39 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
Company						
2017						
Financial assets						
Cash and short-term funds	486,912	-	-	-	37,273	524,185
AFS investment securities	726,423	503,885	416,171	824,951	-	2,471,430
Amount due from counterparties	6,285,506	7,604,833	5,345,007	635,032	-	19,870,378
Islamic financing assets	1,730,200	2,574,231	1,239,947	-	-	5,544,378
Mortgage assets:						
- Conventional	933,922	1,204,460	1,114,465	3,449,082	(853,810)	5,848,119^1
- Islamic	712,367	964,148	967,336	4,475,152	(818,427)	6,300,576^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	970	45	-	-	(62)	953^4
Other assets	158,424	303,201	840	9,050	39,261	510,776
	11,034,726	13,154,803	9,083,766	9,393,267	(1,595,767)	41,070,795

^1 Includes impairment losses on mortgage assets of RM37,970,725.
^2 Includes impairment losses on Islamic mortgage assets of RM30,196,660.
^3 Includes impairment losses on conventional hire purchase assets of RM2,059.
^4 Includes impairment losses on Islamic hire purchase assets of RM62,050.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 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
Company						
2017						
Financial liabilities						
Unsecured bearer bonds and notes	5,021,775	5,683,508	5,825,000	3,175,000	-	19,705,283
Sukuk	1,859,021	3,456,014	2,395,000	3,735,000	-	11,445,035
Loan/financing from subsidiaries	2,760,830	3,457,035	-	-	-	6,217,865
Other liabilities	58,490	146,234	-	12,147	71,914	288,785
	9,700,116	12,742,791	8,220,000	6,922,147	71,914	37,656,968
Total interest/profit sensitivity gap	1,334,610	412,012	863,766	2,471,120		
Cumulative gap	1,334,610	1,746,622	2,610,388	5,081,508		

39 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's and the Company'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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impact to equity:				
AFS reserves	-	(74,075)	-	79,191
Financial asset at FVOCI reserve	(78,460)	-	83,437	-
PWR (floating rate)	(7,033)	(6,202)	7,193	6,362
Unsecured bonds and notes (floating rate)	731	1,087	(740)	(1,100)
Taxation effects on the above at tax rate of 24%	20,343	19,006	(21,574)	(20,269)
Effect on shareholder's funds	(64,419)	(60,184)	68,316	64,184
As percentage of shareholder's funds	(1.8%)	(1.8%)	1.9%	1.9%
Impact to income statements:				
Net interest income	3,691	1,169	(3,685)	(1,162)
Taxation effects at the rate of 24%	(886)	(281)	885	279
Effect on net interest income	2,805	888	(2,800)	(883)
As percentage of profit after tax	1.2%	0.4%	(1.2%)	(0.4%)

39 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's and the Company'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.

	Company			
	+100 basis		-100 basis	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impact to equity:				
AFS reserves	-	(74,075)	-	79,191
Financial asset at FVOCI reserve	(78,460)	-	83,437	-
Derivatives financial instruments	(3,859)	(1,509)	3,943	1,534
Loans/financing from subsidiaries	4,645	4,636	(4,757)	(4,704)
PWR (floating rate)	(7,033)	(6,202)	7,193	6,362
Unsecured bonds and notes (floating rate)	731	1,087	(740)	(1,100)
Taxation effects on the above at tax rate of 24%	20,154	18,255	(21,378)	(19,508)
Effect on shareholder's funds	(63,822)	(57,808)	67,698	61,775
As percentage of shareholder's funds	(1.8%)	(1.7%)	1.9%	1.8%
Impact to income statements:				
Net interest income	3,691	1,169	(3,685)	(1,162)
Taxation effects at the rate of 24%	(886)	(281)	884	279
Effect on net interest income	2,805	888	(2,801)	(883)
As percentage of profit after tax	1.2%	0.4%	(1.2%)	(0.4%)

40 CREDIT RISK

40.1 Credit risk concentration

The Group's and the Company's counterparties are mainly 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 and the Company'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.

40 CREDIT RISK (CONTINUED)

40.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds	Derivatives financial instruments	Financial asset at FVOCI	Amount due from counter parties	Islamic financing assets	Mortgage assets-Conventional	Mortgage assets-Islamic	Hire purchase assets-Islamic	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2018										
Government bodies	-	-	952,666	-	-	-	-	-	773	953,439
Financial institutions:										
- Commercial banks	144,550	362,078	515,767	19,875,677	10,029,953	-	-	-	-	30,928,025
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
Communication, electricity, gas and water	-	-	100,565	-	-	-	-	-	-	100,565
Transportation	-	-	365,378	-	-	-	-	-	-	365,378
Leasing	-	-	-	529,247	-	-	-	-	-	529,247
Consumers	-	-	-	-	-	5,344,710	5,915,527	781	-	11,261,018
Corporate	-	-	192,685	-	-	-	-	-	-	192,685
Construction	-	-	76,090	-	-	-	-	-	-	76,090
Others	-	-	273,134	-	-	-	-	-	6,878	280,012
Total	186,792	362,078	2,476,285	20,404,924	10,029,953	5,344,710	5,915,527	781	7,651	44,728,701

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 CREDIT RISK (CONTINUED)

40.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds	Derivatives financial instruments	AFS investment securities	Amount due from counter parties	Islamic financing assets	Mortgage assets-Conventional	Mortgage assets-Islamic	Hire purchase assets-Islamic	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2017										
Government bodies	-	-	897,126	-	-	-	-	-	1,325	898,451
Financial institutions:										
- Commercial banks	466,079	466,339	612,659	18,615,537	4,273,959	-	-	-	-	24,434,573
- Investment banks	68,510	-	-	-	-	-	-	-	-	68,510
Communication, electricity, gas and water	-	-	100,945	-	-	-	-	-	-	100,945
Transportation	-	-	379,040	-	-	-	-	-	-	379,040
Leasing	-	-	-	286,304	-	-	-	-	-	286,304
Consumers	-	-	-	-	-	5,848,119	6,300,576	953	-	12,149,648
Corporate	-	-	147,415	968,537	1,270,419	-	-	-	-	2,386,371
Construction	-	-	81,186	-	-	-	-	-	-	81,186
Others	2	-	253,059	-	-	-	-	-	7,628	260,689
Total	534,591	466,339	2,471,430	19,870,378	5,544,378	5,848,119	6,300,576	953	8,953	41,045,717

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 CREDIT RISK (CONTINUED)

40.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and short-term funds 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	Total RM'000
Company										
2018										
Government bodies	-	-	952,666	-	-	-	-	-	773	953,439
Financial institutions:										
- Commercial banks	129,804	362,078	515,767	19,875,677	10,029,953	-	-	-	-	30,913,279
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
Communication, electricity, gas and water	-	-	100,565	-	-	-	-	-	-	100,565
Transportation	-	-	365,378	-	-	-	-	-	-	365,378
Leasing	-	-	-	529,247	-	-	-	-	-	529,247
Consumers	-	-	-	-	-	5,344,710	5,915,527	781	-	11,261,018
Corporate	-	-	192,685	-	-	-	-	-	-	192,685
Construction	-	-	76,090	-	-	-	-	-	-	76,090
Others	-	-	273,134	-	-	-	-	-	12,233	285,367
Total	172,046	362,078	2,476,285	20,404,924	10,029,953	5,344,710	5,915,527	781	13,006	44,719,310

CAGAMAS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 CREDIT RISK (CONTINUED)

40.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Company	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities 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	Total RM'000
2017										
Government bodies	-	-	897,126	-	-	-	-	-	1,325	898,451
Financial institutions:										
- Commercial banks	455,673	466,339	612,659	18,615,537	4,273,959	-	-	-	-	24,424,167
- Investment banks	68,510	-	-	-	-	-	-	-	-	68,510
Communication, electricity, gas and water	-	-	100,945	-	-	-	-	-	-	100,945
Transportation	-	-	379,040	-	-	-	-	-	-	379,040
Leasing	-	-	-	286,304	-	-	-	-	-	286,304
Consumers	-	-	-	-	-	5,848,119	6,300,576	953	-	12,149,648
Corporate	-	-	147,415	968,537	1,270,419	-	-	-	-	2,386,371
Construction	-	-	81,186	-	-	-	-	-	-	81,186
Others	2	-	253,059	-	-	-	-	-	14,356	267,417
Total	524,185	466,339	2,471,430	19,870,378	5,544,378	5,848,119	6,300,576	953	15,681	41,042,039

40 CREDIT RISK (CONTINUED)

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

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase 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 amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets which is not past due and classified under Stage 1 and Stage 2 financial assets (2017; non-impaired and performing loans).

More than 90 days past due but not individually impaired comprise amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets categorised under Stage 3 financial assets (2017; impaired and non-performing loans).

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.

40 CREDIT RISK (CONTINUED)

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

Group and Company	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 loans RM'000	Coverage ratio %
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	5,312,311	60,609	5,372,920	28,210	5,344,710	60,609	47%
- Islamic	5,892,906	46,882	5,939,788	24,261	5,915,527	46,882	52%
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100%
- Islamic	741	55	796	15	781	55	27%
	41,641,529	107,548	41,749,077	53,182	41,695,895	107,548	

* These assets have been provided for under collective assessment

40 CREDIT RISK (CONTINUED)

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

Group and Company	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 loans RM'000	Coverage ratio %
2017							
Amount due from counterparties	19,870,378	-	19,870,378	-	19,870,378	-	-
Islamic financing assets	5,544,378	-	5,544,378	-	5,544,378	-	-
Mortgage assets:							
- Conventional	5,832,022	54,068	5,886,090	37,971	5,848,119	54,068	70
- Islamic	6,284,879	45,894	6,330,773	30,197	6,300,576	45,894	66
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100
- Islamic	953	62	1,015	62	953	62	100
	37,532,610	100,026	37,632,636	68,232	37,564,404	100,026	

* These assets have been provided for under collective assessment

40 CREDIT RISK (CONTINUED)

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

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

	Group and Company			
	2018		2017	
	Strong RM'000	Total RM'000	Strong RM'000	Total RM'000
Amount due from Counterparties	20,404,991	20,404,991	19,870,378	19,870,378
Islamic financing assets	10,030,580	10,030,580	5,544,378	5,544,378
Mortgage assets:				
- Conventional	5,312,311	5,312,311	5,832,022	5,832,022
- Islamic	5,892,906	5,892,906	6,284,879	6,284,879
Hire purchase assets:				
- Islamic	741	741	953	953
	41,641,529	41,641,529	37,532,610	37,532,610

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 and the Company has been identified with strong credit risk quality which has a very high likelihood for full recovery.

40 CREDIT RISK (CONTINUED)

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

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

	Group and Company				
	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2018					
Mortgage assets:					
- Conventional	3,312	2,327	2,347	52,623	60,609
- Islamic	3,225	2,913	1,018	39,726	46,882
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	-	55	55
	6,537	5,240	3,365	92,406	107,548
2017					
Mortgage assets:					
- Conventional	3,866	3,252	3,396	43,554	54,068
- Islamic	4,049	2,656	3,776	35,413	45,894
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	2	60	62
	7,915	5,908	7,174	79,029	100,026

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 asset, 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.

The impairment allowance on such loans is calculated 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.

40 CREDIT RISK (CONTINUED)

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

	Group and Company					
	As at 1 January RM'000	Effects of Adopting MFRS 9 On 1 January 2018 RM'000	Restated 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
2018						
Amount due from counterparties	-	41	41	26	-	67
Islamic financing assets	-	222	222	405	-	627
Mortgage assets:						
- Conventional	37,971	(6,855)	31,116	(2,673)	(233)	28,210
- Islamic	30,197	(2,081)	28,116	(3,820)	(35)	24,261
Hire purchase assets:						
- Conventional	2	-	2	-	-	2
- Islamic	62	(41)	21	(6)	-	15
	68,232	(8,714)	59,518	(6,068)	(268)	53,182
2017						
Mortgage assets:						
- Conventional	38,371	-	38,371	502	(902)	37,971
- Islamic	30,146	-	30,146	217	(166)	30,197
Hire purchase assets:						
- Conventional	2	-	2	-	-	2
- Islamic	215	-	215	-	(153)	62
	68,734	-	68,734	719	(1,221)	68,232

40.3 Amount due from related company

None of these assets are impaired nor past due but not impaired.

40 CREDIT RISK (CONTINUED)

40.4 Credit quality

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

	Group and Company					
	GOM	AAA	AA1 to AA2/ AA+ to AA	No rating	Total	Impairment allowance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018						
Financial asset at FVOCI						
- Stage 1	1,187,584	941,594	347,107	-	2,476,285	-
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	-	-	-	5,992,111	5,992,111	7,687
- Stage 2	-	-	-	12,022	12,022	1,200
- Stage 3	-	-	-	60,609	60,609	19,323
	-	-	-	6,064,742	6,064,742	28,210
Islamic mortgage assets:						
- Stage 1	-	-	-	6,589,742	6,589,742	8,484
- Stage 2	-	-	-	7,723	7,723	775
- Stage 3	-	-	-	46,882	46,882	15,002
	-	-	-	6,644,347	6,644,347	24,261
Hire purchase asset						
- Stage 3	-	-	-	2	2	2
Islamic hire purchase asset						
- Stage 1	-	-	-	740	740	1
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	55	55	14
	-	-	-	795	795	15

40 CREDIT RISK (CONTINUED)

40.5 Offsetting financial instruments

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

	Group and Company					
				Related amounts not set off in the statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Financial instrument	Cash collateral placed	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018						
Derivatives financial liabilities	(154,614)	-	(154,614)	-	-	(154,614)
2017						
Derivatives financial liabilities	(216,871)	-	(216,871)	-	7,760	(209,111)

41 LIQUIDITY RISK

41.1 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.

41 LIQUIDITY RISK (CONTINUED)

41.2 Liquidity pool

The 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	AFS investment securities RM'000	Financial asset at FVOCI RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Amount due from counterparties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Total RM'000
Group										
2018	186,792	362,078	-	2,476,285	5,915,527	5,344,710	20,404,924	10,029,953	5,160	44,725,429
2017	534,591	466,339	2,471,430	-	5,848,119	6,300,576	19,870,378	5,544,378	8,396	41,044,207
Company										
2018	172,046	362,078	-	2,476,285	5,915,527	5,344,710	20,404,924	10,029,953	10,515	44,716,038
2017	524,185	466,339	2,471,430	-	5,848,119	6,300,576	19,870,378	5,544,378	15,124	41,040,529

41 LIQUIDITY RISK (CONTINUED)

41.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group and the Company under financial liabilities 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 and the Company manage the liquidity risk based on a different basis, which does not result in a significantly different analysis.

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2018						
Financial liabilities						
Unsecured 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
Other liabilities	-	-	-	-	54,893	54,893
	8,810	538,482	10,337,774	24,260,591	11,411,823	46,557,480
Assets held for managing liquidity risk	996,541	2,072,588	6,365,288	26,971,209	8,944,187	45,349,813

41 LIQUIDITY RISK (CONTINUED)

41.3 Contractual maturity of financial liabilities (continued)

The table below presents the cash flows payable by the Group and the Company under financial liabilities 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 and the Company manage the liquidity risk based on a different basis, which does not result in a significantly different analysis.

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2017						
Financial liabilities						
Unsecured bonds and notes	5,287	988,206	6,449,841	14,963,696	3,175,000	25,582,030
Sukuk	-	547,843	1,349,344	5,851,014	3,735,000	11,483,201
Other liabilities	-	-	-	-	36,734	36,734
	5,287	1,536,049	7,799,185	20,814,710	6,946,734	37,101,965
Assets held for managing liquidity risk	778,830	2,072,620	7,307,662	21,935,616	9,759,398	41,854,126

41 LIQUIDITY RISK (CONTINUED)

41.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2018						
Financial liabilities						
Unsecured bonds and notes	-	530,000	6,248,261	11,753,736	5,647,895	24,179,892
Sukuk	-	-	2,020,779	9,911,938	5,709,035	17,641,752
Loans/financing from subsidiaries	9,477	9,073	2,070,748	2,595,500	-	4,684,798
Other liabilities	-	-	-	-	54,893	54,893
	9,477	539,073	10,339,788	24,261,174	11,411,823	46,561,335
Assets held for managing liquidity risk	1,001,921	2,072,588	6,365,288	26,971,209	8,944,187	45,355,193

41 LIQUIDITY RISK (CONTINUED)

41.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2017						
Financial liabilities						
Unsecured bonds and notes	-	985,000	3,853,865	11,508,508	3,175,000	19,522,373
Sukuk	-	395,000	1,349,344	5,851,014	3,735,000	11,330,358
Loans/financing from subsidiaries	5,576	156,991	2,598,264	3,457,034	-	6,217,865
Other liabilities	-	-	-	-	36,734	36,734
	5,576	1,536,991	7,801,473	20,816,556	6,946,734	37,107,330
Assets held for managing liquidity risk	786,153	2,072,620	7,307,662	21,935,616	9,382,565	41,484,616

41 LIQUIDITY RISK (CONTINUED)

41.4 Derivative liabilities

The Group's and the Company's derivatives comprise IRS, IPRS and CCS entered by the Company for which net cash flows are exchanged for hedging purposes. The derivatives held by the Company are settled on either net or gross basis.

The following table analyses the Group's and the Company's derivatives financial liabilities that will be settled on either net or gross 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.

	Group and Company					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018						
Derivatives held for hedging						
- IRS/IPRS	168	1,186	(4,392)	(10,203)	1,223	(12,018)
- CCS/ICCS	(193,323)	(832,562)	352,556	780,908	-	107,579
2017						
Derivatives held for hedging						
- IRS/IPRS	(4,204)	17,029	(9,403)	20,358	(38,449)	(14,669)
- CCS/ICCS	318,831	(644,764)	1,790,793	(1,295,756)	-	169,104

42 FOREIGN EXCHANGE RISK

The Group and the Company are exposed to translation foreign exchange rate on its PWR assets and unsecured bonds and notes 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 and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group and the Company manage its exposure by entering into derivatives contracts.

42.1 Exposure to foreign currency risk

	Group			
	AUD	HKD	USD	SGD
	RM'000	RM'000	RM'000	RM'000
2018				
Derivatives financial instruments	-	359,858	3,594,430	697,796
Unsecured bonds and notes	-	353,648	3,640,217	687,077
2017				
Derivatives financial instruments	319,497	521,812	3,851,753	1,505,110
Unsecured bonds and notes	318,441	521,812	3,870,347	1,349,057
Sukuk	-	-	-	152,843
	318,441	521,812	3,870,347	1,501,900

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42 FOREIGN EXCHANGE RISK (CONTINUED)

42.1 Exposure to foreign currency risk (continued)

	Company			
	AUD RM'000	HKD RM'000	USD RM'000	SGD RM'000
2018				
Derivatives financial instruments	-	359,858	3,594,430	697,796
Loans/financing from subsidiary	-	354,124	3,642,798	687,875
2017				
Derivatives financial instruments	319,497	521,812	3,851,753	1,505,110
Loans/financing from subsidiary	318,716	521,812	3,874,422	1,502,915

42 FOREIGN EXCHANGE RISK (CONTINUED)

42.2 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 summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group and the Company 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		Company	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2018				
HKD	44	-	44	-
USD	(362)	-	(362)	-
SGD	76	5	76	5
	(242)	5	(242)	5
2017				
HKD	2	-	2	-
USD	(166)	(1)	(166)	(1)
SGD	18	-	18	-
AUD	6	-	6	-
	(140)	(1)	(140)	(1)

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 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 derivatives 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 the AFS investment securities/ financial asset at FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS and CCS 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 the 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).

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Assets				
Financial asset at FVOCI	-	2,476,285	-	2,476,285
Derivatives financial instruments	-	362,078	-	362,078
Liabilities				
Derivatives financial instruments	-	154,614	-	154,614
2017				
Assets				
AFS investment securities	-	2,471,430	-	2,471,430
Derivatives financial instruments	-	466,339	-	466,339
Liabilities				
Derivatives financial instruments	-	216,871	-	216,871

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Fair value of financial instruments carried other than fair value

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) Amount due from related company

The fair value of amount due from related company is estimated at their carrying amount due to short tenure of less than one year.

(d) 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.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group			
	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Amount due from counterparties	20,404,924	20,425,021	19,870,378	19,944,333
Islamic financing assets	10,029,953	10,015,154	5,544,378	5,504,117
Mortgage assets:				
- Conventional	5,344,710	5,876,416	5,848,119	6,008,321
- Islamic	5,915,527	6,709,264	6,300,576	6,715,579
Islamic hire purchase assets	781	822	953	1,186
	41,695,895	43,026,677	37,564,404	38,173,536
Financial liabilities				
Unsecured bearer bonds and notes	26,082,391	26,526,636	25,764,940	26,158,440
Sukuk	14,808,472	15,208,248	11,597,878	11,925,862
	40,890,863	41,734,884	37,362,818	38,084,302

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

				Company
		2018		2017
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	20,404,924	20,425,021	19,870,378	19,944,333
Islamic financing assets	10,029,953	10,015,154	5,544,378	5,504,117
Mortgage assets:				
- Conventional	5,344,710	5,876,416	5,848,119	6,008,321
- Islamic	5,915,527	6,709,264	6,300,576	6,715,579
Islamic hire purchase assets	781	822	953	1,186
	41,695,895	43,026,677	37,564,404	38,173,536
Financial liabilities				
Unsecured bearer bonds and notes	21,401,449	21,842,505	19,705,283	20,094,241
Sukuk	14,808,472	15,208,248	11,445,035	11,772,990
Loans/financing from subsidiaries	4,684,797	4,721,641	6,217,865	6,331,393
	40,894,718	41,772,394	37,368,183	38,198,624

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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 repricing date of the floating rate assets portfolio 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 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 and Sukuk 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.

44 SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of the Company makes strategic decisions and allocation of resources on behalf of the Group. The Group and the Company have 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 and the Company purchase 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 and the Company. 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.

44 SEGMENT REPORTING (CONTINUED)

(b) PWOR

Under the PWOR scheme, the Group and the Company purchase 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.

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.

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2018			
External revenue	1,321,385	747,962	2,069,347
External interest/profit expense	(1,068,285)	(566,303)	(1,634,588)
Profit from operations	141,366	174,582	315,948
Zakat	(1,156)	(428)	(1,584)
Taxation	(35,274)	(35,361)	(70,635)
Profit after taxation and zakat by segment	104,936	138,793	243,729
Segment assets	32,797,347	11,999,709	44,797,056
Segment liabilities	30,630,143	10,529,673	41,159,816
Other information:			
Capital expenditure	8,104	2,967	11,071
Depreciation and amortization	3,161	1,157	4,318

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 SEGMENT REPORTING (CONTINUED)

			Group
	PWR RM'000	PWOR RM'000	Total RM'000
2017			
External revenue	1,018,795	820,865	1,839,660
External interest/profit expense	(808,012)	(585,971)	(1,393,983)
Profit from operations	108,994	211,781	320,775
Zakat	(627)	(300)	(927)
Taxation	(26,357)	(51,776)	(78,133)
Profit after taxation and zakat by segment	82,010	159,705	241,715
Segment assets	27,935,704	13,138,769	41,074,473
Segment liabilities	26,445,915	11,206,993	37,652,908
Other information:			
Capital expenditure	4,312	2,028	6,340
Depreciation and amortisation	1,682	791	2,473

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 SEGMENT REPORTING (CONTINUED)

			Company
	PWR RM'000	PWOR RM'000	Total RM'000
2018			
External revenue	1,321,385	747,962	2,069,347
Internal interest/profit expense	(136,892)	-	(136,892)
External interest/profit expense	(936,305)	(566,303)	(1,502,608)
Total interest/profit expense	(1,073,197)	(566,303)	(1,639,500)
Profit from operations	137,062	174,582	311,644
Zakat	(1,156)	(428)	(1,584)
Taxation	(35,254)	(35,361)	(70,615)
Profit after taxation and zakat by segment	100,652	138,793	239,445
Segment assets	32,787,979	11,999,706	44,787,685
Segment liabilities	30,632,794	10,529,673	41,162,467
Other information:			
Capital expenditure	8,104	2,967	11,071
Depreciation and amortization	3,161	1,157	4,318

44 SEGMENT REPORTING (CONTINUED)

			Company
	PWR RM'000	PWOR RM'000	Total RM'000
2017			
External revenue	1,018,795	820,865	1,839,660
Internal interest/profit expense	(172,387)	-	(172,387)
External interest/profit expense	(639,924)	(585,971)	(1,225,895)
Total interest/profit expense	(812,311)	(585,971)	(1,398,282)
Profit from operations	104,874	211,781	316,655
Zakat	(627)	(300)	(927)
Taxation	(26,337)	(51,776)	(78,113)
Profit after taxation and zakat by segment	77,910	159,705	237,615
Segment assets	27,938,025	13,138,770	41,076,795
Segment liabilities	26,449,975	11,206,993	37,656,968
Other information:			
Capital expenditure	4,312	2,028	6,340
Depreciation and amortisation	1,682	791	2,473

45 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 shareholder and benefit to other stakeholders; and

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

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 comprise 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 1 (“CET1”) and Tier I capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio (“RWCR”) is the ratio of total capital to risk-weighted assets.

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Before deducting proposed final dividend*				
CET I capital ratio	28.3	20.9	28.2	20.8
Tier I capital ratio	28.3	20.9	28.2	20.8
Total capital ratio	29.9	22.3	29.8	22.3
After deducting proposed final dividend*				
CET I capital ratio	28.1	20.7	28.0	20.7
Tier I capital ratio	28.1	20.7	28.0	20.7
Total capital ratio	29.7	22.2	29.6	22.1

** Refers to proposed final dividend which will be declared after the financial year.*

45 CAPITAL ADEQUACY (CONTINUED)

Components of CET I, Tier I and Tier II capital:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CET1/Tier I capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,520,998	3,300,646	3,508,976	3,292,908
	3,670,998	3,450,646	3,658,976	3,442,908
AFS reserve	-	(724)	-	(724)
Financial asset at FVOCI reserve	878	-	878	-
Deferred tax assets	(29,179)	(7,965)	(29,179)	(7,965)
Less : Regulatory reserves	(144,472)	(161,032)	(144,472)	(161,032)
	3,498,225	3,280,925	3,486,203	3,273,187
Tier II capital				
Allowance for impairment losses	53,182	68,232	53,182	68,232
Add : Regulatory reserves	144,472	161,032	144,472	161,032
Total Tier II capital	197,654	229,264	197,654	229,264
Total capital	3,695,879	3,510,189	3,683,857	3,502,451

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Credit risk	11,672,578	15,026,002	11,675,005	15,030,648
Operational risk	685,542	711,021	685,542	711,021
Total risk-weighted assets	12,358,120	15,737,023	12,360,547	15,741,669

46 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Cash and short-term funds	(a)	44,415	110,090	44,376	110,083
AFS investment securities	(b)	-	576,571	-	576,571
Financial asset at fair value through other comprehensive income (FVOCI)	(c)	357,129	-	357,129	-
Financing assets	(d)	9,493,458	5,544,378	9,493,458	5,544,378
Mortgage assets	(e)	5,911,950	6,297,302	5,911,950	6,297,302
Hire purchase assets	(f)	287	457	287	457
Tax recoverable		18,153	-	18,153	-
Deferred taxation		-	1,058	-	1,058
Other assets and prepayments		289,338	289,393	291,643	291,626
TOTAL ASSETS		16,114,730	12,819,249	16,116,996	12,821,475
LIABILITIES					
Sukuk	(g)	14,808,472	11,597,878	14,808,472	11,445,035
Derivative financial instruments		3,924	10,315	3,924	10,315
Deferred taxation		13,481	-	13,481	-
Other liabilities	(h)	10,459	15,408	9,404	167,361
TOTAL LIABILITIES		14,836,336	11,623,601	14,835,281	11,622,711
ISLAMIC OPERATIONS' FUNDS		1,278,394	1,195,648	1,281,715	1,198,764
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		16,114,730	12,819,249	16,116,996	12,821,475

46 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total income attributable		720,589	637,098	720,589	637,098
Income attributable to the Sukuk holders	(i)	(604,387)	(497,498)	(604,391)	(497,518)
Non-profit expense		(5,253)	(5,966)	(5,253)	(5,966)
Total income attributable	(j)	110,949	133,634	110,945	133,614
Administration and general expenses		(4,665)	(7,414)	(4,456)	(7,219)
Write-back/(allowance) of impairment losses		3,457	(217)	3,457	(217)
PROFIT BEFORE TAXATION AND ZAKAT		109,741	126,003	109,946	126,178
Zakat		(1,584)	(927)	(1,584)	(927)
Taxation		(27,287)	(30,487)	(27,287)	(30,487)
PROFIT FOR THE FINANCIAL YEAR		80,870	94,589	81,075	94,764

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the financial year	80,870	94,589	81,075	94,764
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
AFS investment securities				
- Net gain on fair value changes before taxation	-	528	-	528
- Deferred taxation	-	(127)	-	(127)
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	231	-	231	-
- Deferred taxation	(55)	-	(55)	-
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	1,730	(6,788)	1,730	(6,788)
- Deferred taxation	(415)	1,408	(415)	1,408
Other comprehensive gain/(loss) for the financial year net of taxation	1,491	(4,979)	1,491	(4,979)
Total comprehensive income for the financial year	82,361	89,610	82,566	89,785

46 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Allocated capital funds RM'000	AFS reserve RM'000	Financial asset at FVOCI reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Group							
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	821,580	1,195,648
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	385	385
As restated	294,159	-	308	(4,054)	83,655	821,965	1,196,033
Profit for the financial year	-	-	-	-	-	80,870	80,870
Other comprehensive income	-	-	176	1,315	-	-	1,491
Total comprehensive income for the financial year	-	-	176	1,315	-	80,870	82,361
Transfer to retained profits during the financial year	-	-	-	-	(7,642)	7,642	-
Balance as at 31 December 2018	294,159	-	484	(2,739)	76,013	910,477	1,278,394

46 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Group						
Balance as at 1 January 2017	294,159	(93)	1,326	89,137	721,509	1,106,038
Profit for the financial year	-	-	-	-	94,589	94,589
Other comprehensive income/(loss)	-	401	(5,380)	-	-	(4,979)
Total comprehensive income/(loss) for the financial year	-	401	(5,380)	-	94,589	89,610
Transfer to retained profits during the financial year	-	-	-	(5,482)	5,482	-
Balance as at 31 December 2017	294,159	308	(4,054)	83,655	821,580	1,195,648

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Allocated capital funds RM'000	AFS reserve RM'000	Financial asset at FVOCI reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Company							
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	824,696	1,198,764
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	385	385
As restated	294,159	-	308	(4,054)	83,655	825,081	1,199,149
Profit for the financial year	-	-	-	-	-	81,075	81,075
Other comprehensive Income	-	-	176	1,315	-	-	1,491
Total comprehensive income for the financial year	-	-	176	1,315	-	81,075	82,566
Transfer to retained profits during the financial year	-	-	-	-	(7,642)	7,642	-
Balance as at 31 December 2018	294,159	-	484	(2,739)	76,013	913,798	1,281,715

46 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Company						
Balance as at 1 January 2017	294,159	(93)	1,326	89,137	724,450	1,108,979
Profit for the financial year	-	-	-	-	94,764	94,764
Other comprehensive income/(loss)	-	401	(5,380)	-	-	(4,979)
Total comprehensive income/(loss) for the financial year	-	401	(5,380)	-	94,764	89,785
Transfer to retained profits during the financial year	-	-	-	(5,482)	5,482	-
Balance as at 31 December 2017	294,159	308	(4,054)	83,655	824,696	1,198,764

46 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		80,870	94,589	81,075	94,764
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- AFS investment securities		-	(4,739)	-	(4,739)
- Financial asset at FVOCI		(10,538)	-	(10,538)	-
- Sukuk		656	651	656	651
Accretion of discount on:					
- Mortgage assets		(83,672)	(108,739)	(83,672)	(108,739)
- Hire purchases		(1)	(17)	(1)	(17)
(Write-back)/allowance of impairment losses on Islamic mortgage assets and Islamic hire purchase assets		(3,457)	217	(3,457)	217
Reclassification adjustment on fair value gains on CCS, transfer from equity		(3,662)	(12,434)	(3,662)	(12,434)
Unrealised loss on foreign exchange		9,149	27,716	9,149	27,716
Income from:					
- AFS investment securities		-	(8,949)	-	(8,949)
- Financial asset at FVOCI		(12,306)	-	(12,306)	-
- Operations		(614,063)	(509,783)	(614,063)	(509,783)
Profit attributable to Sukuk holders		603,731	503,915	603,735	503,697
Gain on disposal of:					
- AFS investment securities		-	(49)	-	(49)
- Financial asset at FVOCI		(10)	-	(10)	-
Taxation		27,287	30,487	27,287	30,487
Zakat		1,584	927	1,584	927
Operating (loss)/ profit before working capital changes		(4,432)	13,792	(4,223)	13,749

46 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Increase in financing assets		(3,927,934)	(230,874)	(3,927,934)	(230,874)
Decrease in mortgage assets		467,569	457,581	467,569	457,581
(Increase)/decrease in hire purchase assets		(114)	1,205	(114)	1,205
(Increase)/ decrease in other assets and prepayments		(74)	(26)	(149)	127
Increase in Sukuk		3,190,337	382,462	3,342,359	698,223
Decrease/ (increase) in deferred financing		29	(174)	-	-
Decrease in financing from subsidiary company		-	-	(152,025)	(316,088)
(Increase)/decrease in derivatives		(10,979)	11,270	(10,979)	11,270
Decrease in other liabilities		(1,056)	(112,137)	(1,183)	(112,101)
Cash (utilised in)/generated from operating activities		(286,654)	523,099	(286,679)	523,092
Profit received from assets		599,026	518,384	599,019	518,384
Profit paid to Sukuk holders		(584,100)	(503,697)	(584,100)	(503,697)
Payment of:					
- Taxation		(35,436)	(34,273)	(35,436)	(34,273)
- Zakat		(927)	(1,011)	(927)	(1,011)
Net cash (utilised in)/generated from operations		(308,091)	502,502	(308,123)	502,495
INVESTING ACTIVITIES					
Purchase of:					
- AFS investment securities		-	(1,770,718)	-	(1,770,718)
- Financial asset at FVOCI		(2,460,905)	-	(2,460,905)	-
Net proceed from sale/ redemption of:					
- AFS investment securities		-	1,242,510	-	1,242,510
- Financial asset at FVOCI		2,690,000	-	2,690,000	-
Income received from:					
- AFS investment securities		-	2,712	-	2,712
- Financial asset at FVOCI		13,321	-	13,321	-
Net cash generated from/(utilised in) from investing activities		242,416	(525,496)	242,416	(525,496)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net decrease in cash and cash equivalents		(65,675)	(22,994)	(65,707)	(23,001)
Cash and cash equivalents as at 1 January		110,090	133,084	110,083	133,084
Cash and cash equivalents as at 31 December		44,415	110,090	44,376	110,083
Analysis of cash and cash equivalents as at 31 December					
Cash and short-term funds	(a)	44,415	110,090	44,376	110,083

46 ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and short-term funds*

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances with bank and other financial institutions	156	278	117	271
Mudharabah money at call and deposit placements maturing within one month	44,259	109,812	44,259	109,812
	44,415	110,090	44,376	110,083

(b) *AFS investment securities*

	Group and Company	
	2018 RM'000	2017 RM'000
At fair value:		
Sukuk	-	91,321
Government investment issues	-	50,723
Quasi government securities	-	434,527
	–	576,571

The maturity structure of AFS investment securities are as follows:		
Maturing within one year	-	332,868
One to three years	-	123,213
Three to five years	-	65,233
More than five years	-	55,257
	-	576,571

46 ISLAMIC OPERATIONS (CONTINUED)

(b) *AFS investment securities (continued)*

The AFS investment securities category was removed upon adoption of MFRS 9. The financial effects of adoption of MFRS 9 are discussed in Note 3 Changes in accounting policy.

(c) *Financial asset at FVOCI*

	Group and Company	
	2018	2017
	RM'000	RM'000
At fair value:		
Sukuk	140,316	-
Government investment issues	40,580	-
Quasi government securities	176,233	-
	357,129	-

	Group and Company	
The maturity structure of financial asset at FVOCI as follows:		
Maturing within one year	127,394	-
One to three years	144,208	-
Three to five years	75,503	-
More than five years	10,024	-
	357,129	-

The financial asset at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirement under MFRS 9. The financial effects of adoption of MFRS 9 are discussed in Note 3 Changes in accounting policy.

For financial asset at FVOCI, all balances are within stage 1 allocation (12-months ECL) as at 31 December 2018. There are no impairment in this category of asset under the expected credit loss ("ECL") model as at 31 December 2018.

46 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	2018	2017
	RM'000	RM'000
(d) Financing assets		
Relating to:		
House financing	9,474,562	5,434,616
Personal financing	18,896	109,762
	9,493,458	5,544,378

The maturity structure of financing assets are as follows:

	2018 RM'000	2017 RM'000
Maturing within one year	1,298,515	1,708,434
One to three years	4,269,044	2,594,787
Three to five years	3,926,485	1,241,157
	9,494,044	5,544,378
Less:		
Allowance for impairment losses	(586)	-
	9,493,458	5,544,378

As at 31 December 2018, the gross carrying value of Islamic 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 and Company	
	Stage 1	Total
	RM'000	RM'000
At 1 January 2018		
- as previously stated		-
- effect of change adoption of MFRS 9		222
As restated	222	222
Allowance during the year on new assets purchased	234	234
Allowance during the year due to changes in credit risk	130	130
At 31 December	586	586

46 ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
PWOR	5,911,950	6,297,302

The maturity structure of mortgage assets are as follows:

	2018 RM'000	2017 RM'000
Maturing within one year	731,760	711,371
One to three years	985,492	962,429
Three to five years	944,252	966,501
More than five years	3,979,259	4,474,359
	6,640,763	7,114,660
Less:		
Unaccreted discount	(704,559)	(788,230)
Allowance for impairment losses	(24,254)	(29,128)
	5,911,950	6,297,302

As at 31 December 2018, the gross carrying value of mortgage assets by stage of allocation upon adoption of MFRS 9 effective 1 January 2018 are as follows;

	Gross Carrying value 2018 RM'000	Impairment allowance 2018 RM'000
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,586,158	8,477
Stage 2 (Lifetime ECL; non credit impaired)	7,723	775
Stage 3 (Lifetime ECL; credit impaired)	46,882	15,002
At 31 December	6,640,763	24,254
Impairment allowance over gross carrying value (%)		0.37

46 ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January				
- as previously stated				29,115
- effect of adoption of MFRS 9				(1,007)
As restated	8,798	3,739	15,571	28,108
Transfer between stages:				
- Transfer to 12 months ECL (stage 1)	5,892	(720)	(5,172)	-
- Transfer to ECL not credit Impaired (stage 2)	(2,978)	3,829	(851)	-
- Transfer to ECL credit Impaired (stage 3)	(5,299)	(54)	5,353	-
Total transfer between stages	(2,385)	3,055	(670)	-
Financing derecognised during the period (other than write-offs)	(147)	(225)	(1,581)	(1,953)
Allowance/ (reversal) during the year due to changes in credit risk	2,211	(5,794)	1,717	(1,866)
Amount written off	-	-	(35)	(35)
At 31 December	8,477	775	15,002	24,254

(f) Hire purchase assets

	Group and Company	
	2018 RM'000	2017 RM'000
PWOR	287	457

The maturity structure of hire purchase assets are as follows:

	2018 RM'000	2017 RM'000
Maturing within one year	301	474
One to three years	-	45
	301	519
Less:		
Allowance for impairment losses	(14)	(62)
	287	457

46 ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase assets (continued)

As at 31 December 2018, the gross carrying value of Islamic hire purchase asset by stage of allocation upon adoption of MFRS 9 effective 1 January 2018 are as follows;

	Gross Carrying value 2018 RM'000	Impairment allowance 2018 RM'000
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	246	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	55	14
At 31 December	301	14
Impairment allowance over gross carrying value (%)		4.7

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January				
- as previously stated				75
- effect of adoption of MFRS 9				(56)
As restated	1	-	18	19
Financing derecognised during the period (other than write-offs)	(1)	-	(4)	(5)
At 31 December	-	-	14	14

46 ISLAMIC OPERATIONS (CONTINUED)

(g) *Sukuk*

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Commercial Papers	406,358	306,173	406,358	306,173
Medium-term notes	14,402,114	11,291,705	14,402,114	11,138,862
	14,808,472	11,597,878	14,808,472	11,445,035
The maturity structure of Sukuk are as follows:				
Maturing within one year	2,156,534	2,011,864	2,156,534	1,859,021
One to three years	5,266,938	3,456,014	5,266,938	3,456,014
Three to five years	4,645,000	2,395,000	4,645,000	2,395,000
More than five years	2,740,000	3,735,000	2,740,000	3,735,000
	14,808,472	11,597,878	14,808,472	11,445,035

(h) *Other liabilities*

Zakat	1,584	927	1,584	927
Other payables	8,875	14,481	7,820	14,409
Financing from subsidiary	-	-	-	152,025
	10,459	15,408	9,404	167,361

(i) *Income attributable to the Sukuk holders*

Mortgage assets	282,334	291,535	282,338	291,555
Hire purchase assets	214	251	214	251
Financing assets	321,839	205,712	321,839	205,712
	604,387	497,498	604,391	497,518

Income attributable to Sukuk holders analysed by concept:

Bai Al-Dayn	604,387	497,498	604,391	497,518

46 ISLAMIC OPERATIONS (CONTINUED)

(j) Total income attributable

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	70,070	103,008	70,070	103,008
Hire purchase assets	30	(213)	30	(213)
Financing assets	18,726	18,196	18,722	18,176
AFS investment securities	-	13,737	-	13,737
Financial asset at FVOCI	27,376	-	27,376	-
Deposit and placements with financial institutions	-	4,872	-	4,872
Non-profit expense	(5,253)	(5,966)	(5,253)	(5,966)
	110,949	133,634	110,945	133,614
Total net income analysed by concept are as follows:				
Ijarah	210	145	210	145
Murabahah	10,046	9,548	10,046	9,548
Bai Al-Dayn	83,574	115,024	83,570	115,004
Mudharabah	10,547	5,932	10,547	5,932
Musyarakah	1,438	1,392	1,438	1,392
Wakalah	1,950	1,593	1,950	1,593
Bai Bithaman Ajil	865	-	865	-
Wadiah Yad Dhamanah	1,471	-	1,471	-
Qard Al-Hasan	848	-	848	-
	110,949	133,634	110,945	133,614

(k) Capital adequacy

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Before deducting proposed final dividend*				
CET I	21.8	25.2	21.8	25.2
Tier I capital ratio	21.8	25.2	21.8	25.2
Total capital ratio	23.6	27.7	23.7	27.8
After deducting proposed* final dividend				
CET I capital ratio	21.4	24.6	21.4	24.7
Tier I capital ratio	21.4	24.6	21.4	24.7
Total capital ratio	23.2	27.2	23.3	27.3

46 ISLAMIC OPERATIONS (CONTINUED)

(k) Capital adequacy (continued)

Components of CET I, Tier I and Tier II capital:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CET I/Tier I capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	986,490	882,735	989,811	885,851
	1,280,649	1,176,894	1,283,970	1,180,010
Less: Regulatory reserves	(76,013)	(83,655)	(76,013)	(83,655)
AFS reserve	-	138	-	138
Financial asset at FVOCI reserve	218	-	218	-
Deferred tax assets	(6,850)	-	(6,850)	-
Total CET I/Tier I capital	1,198,004	1,093,377	1,201,325	1,096,493
Tier II capital:				
Add: Regulatory reserves	76,013	83,655	76,013	83,655
Allowance for impairment losses	24,854	30,259	24,854	30,259
Total Tier II capital	100,867	113,914	100,867	113,914
Total capital	1,298,871	1,207,291	1,302,192	1,210,407
The breakdown of risk -weighted assets by each major risk category is as follows:				
Credit risk	5,260,917	4,172,477	5,263,214	4,174,710
Operational risk	238,453	263,407	238,453	263,407
Total risk-weighted assets	5,499,370	4,435,884	5,501,667	4,438,117

** Refers to proposed final dividend which will be declared after the financial year.*

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.

46 ISLAMIC OPERATIONS (CONTINUED)

(l) Shariah advisor

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

47 APPROVAL OF FINANCIAL STATEMENTS

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Datuk Shaik Abdul Rasheed Bin Abdul Ghaffour and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 147 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of the financial performance 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.

DATUK SHAIK ABDUL RASHEED BIN ABDUL GHAFFOUR
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Norazilla Md Tahir, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 147 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.

NORAZILLA MD TAHIR

Subscribed and solemnly declared by the abovenamed Norazilla Md Tahir at Kuala Lumpur in Malaysia on 19 March 2019

Before me,
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W 681
RAJEEV SAIGAL A/L
RAMLABAYA SAIGAL
BC/R/548
1 JAN 2019 - 31 DIS 2021
MALAYSIA

NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(Incorporated in Malaysia)
(Company No. 157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas 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 2018, 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 2018 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 7 to 147.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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 conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 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 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 Company to cease to continue as a going concern.

(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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(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 member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2019 J
Chartered Accountant

Kuala Lumpur
19 March 2019