Registration No.
198601008739
(157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Lodged by:
CAGAMAS BERHAD
Registration number: 198601008739 (157931-A)
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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 2019.

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.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	240,400	236,825

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2018,	
- A final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 1 April 2019	22,500
In respect of the financial year ended 31 December 2019,	
- An interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 3 September 2019	7,500
	30,000

DIVIDENDS (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 2019 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 corporate credit ratings of Cagamas Berhad’s Global, ASEAN and National-scale at $_{g}A_{2}$/Stable/$_{g}$P1, $_{sea}$AAA/Stable/$_{sea}$P1 and AAA/Stable/P1, respectively. In addition, RAM has also assigned Cagamas’ bonds and sukuk issues rating at AAA/Stable and P1 respectively.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has also assigned Cagamas Berhad’s bonds and sukuk issues ratings at AAA/AAA_{IS} and MARC-1/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 (“Islamic EMTN”) 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, 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:

Dato’ Bakarudin bin Ishak (appointed as Director and Chairman w.e.f 26 March 2019)
Dato' Halipah binti Esa
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Datuk Azizan bin Haji Abd Rahman (appointed w.e.f 1 January 2019)
Ho Chai Huey (appointed w.e.f 1 February 2019)
Datuk Chung Chee Leong
Datuk Dr. Roslan bin A. Ghaffar (resigned w.e.f 1 January 2019)
Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (retired as Director and Chairman w.e.f 26 March 2019)
Nazrul Hisyam bin Mohd Noh (retired w.e.f 26 March 2019)

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

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato’ Halipah binti Esa retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato’ Md Agil bin Mohd Natt retires by rotation at the forthcoming Annual General Meeting and does not offer himself for re-election.

In accordance with Article 23.2 of the Company's Constitution, Dato’ Bakarudin bin Ishak retires at the forthcoming Annual General Meeting and being eligible, offers himself 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 36 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' REPORT (CONTINUED)

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.

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DIRECTORS' REPORT (CONTINUED)

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 2019

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

SIGNIFICANT EVENT DURING THE YEAR

There are no significant events during the financial year.

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DIRECTORS' REPORT (CONTINUED)

AUDITORS REMUNERATION

Details of the auditors' remuneration are set out in Note 35 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 29 April 2020.

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN BIN ISHAK
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

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CAGAMAS BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Cash and short-term funds	6	341,307	186,792	322,000	172,046
Derivative financial instruments	7	58,422	362,078	58,422	362,078
Financial asset at fair value through other comprehensive income (FVOCI)	8	2,308,565	2,476,285	2,308,565	2,476,285
Financial asset at fair value through profit or loss (FVTPL)	9	141,383	-	141,383	-
Amount due from counterparties	10	16,657,154	20,404,924	16,657,154	20,404,924
Islamic financing assets	11	10,842,232	10,029,953	10,842,232	10,029,953
Mortgage assets					
- Conventional	12	4,836,313	5,344,710	4,836,313	5,344,710
- Islamic	13	5,510,428	5,915,527	5,510,428	5,915,527
Hire purchase assets					
- Islamic	14	136	781	136	781
Amount due from					
- Related company		1,420	294	1,420	294
- Subsidiaries	15	-	-	3,431	5,379
Other assets	16	8,027	7,357	7,978	7,333
Property and equipment	17	3,923	4,694	3,923	4,694
Intangible assets	18	21,380	22,849	21,380	22,849
Right-of-use asset	19	3,980	-	3,980	-
Tax recoverable		-	40,812	-	40,832
Investment in subsidiaries	20	-*	-*	-*	-*
TOTAL ASSETS		40,734,670	44,797,056	40,718,745	44,787,685
LIABILITIES					
Unsecured bearer bonds and notes	21	20,661,027	26,082,391	18,067,241	21,401,449
Sukuk	22	15,849,883	14,808,472	15,849,883	14,808,472
Loans/financing from subsidiaries	23	-	-	2,594,966	4,684,797
Derivative financial instruments	7	152,309	154,614	152,309	154,614
Deferred taxation	24	560	27,348	560	27,348
Provision for taxation		18,170	-	16,999	-
Lease liability	25	4,791	-	4,791	-
Other liabilities	26	121,688	86,991	121,351	85,787
TOTAL LIABILITIES		36,808,428	41,159,816	36,808,100	41,162,467
Share capital	27	150,000	150,000	150,000	150,000
Reserves	28	3,776,242	3,487,240	3,760,645	3,475,218
SHAREHOLDER'S FUNDS		3,926,242	3,637,240	3,910,645	3,625,218
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		40,734,670	44,797,056	40,718,745	44,787,685
NET TANGIBLE ASSETS PER SHARE (RM)	29	26.0	24.10	25.93	24.02

*denotes USD1 in CGP and RM2 in CGS.

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

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CAGAMAS BERHAD
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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	30	1,248,717	1,348,758	1,248,717	1,348,758
Interest expense	31	(948,756)	(1,030,201)	(953,857)	(1,035,109)
Income from Islamic operations	48	133,658	110,949	133,658	110,945
Non-interest expense	32	(41,357)	(62,390)	(41,364)	(62,390)
		392,262	367,116	387,154	362,204
Personnel costs	33	(31,308)	(26,526)	(31,308)	(26,526)
Administration and general expenses		(24,930)	(30,710)	(24,567)	(30,102)
OPERATING PROFIT		336,024	309,880	331,279	305,576
(Allowance)/write-back of impairment losses	34	(18,026)	6,068	(18,026)	6,068
PROFIT BEFORE TAXATION AND ZAKAT	35	317,998	315,948	313,253	311,644
Zakat		(926)	(1,584)	(926)	(1,584)
Taxation	37	(76,672)	(70,635)	(75,502)	(70,615)
PROFIT FOR THE FINANCIAL YEAR		240,400	243,729	236,825	239,445
EARNINGS PER SHARE (SEN)	29	160.27	162.49	157.88	159.63

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	240,400	243,729	236,825	239,445
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	46,874	3,521	46,874	3,521
- Deferred taxation	(11,250)	(845)	(11,250)	(845)
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	56,550	(9,675)	56,550	(9,675)
- Deferred taxation	(13,572)	2,322	(13,572)	2,322
Other comprehensive income/(loss) for the financial year, net of taxation	78,602	(4,677)	78,602	(4,677)
Total comprehensive income for the financial year	319,002	239,052	315,427	234,768

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Group							
Balance as at 1 January 2019		150,000	1,952	(35,710)	144,472	3,376,526	3,637,240
Profit for the financial period		-	-	-	-	240,400	240,400
Other comprehensive income		-	35,624	42,978	-	-	78,602
Total comprehensive income for the financial period		-	35,624	42,978	-	240,400	319,002
Transfer to retained profits		-	-	-	(34,693)	34,693	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2019		150,000	37,576	7,268	109,779	3,621,619	3,926,242

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
	Note	Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Group							
Balance as at 1 January 2018		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 to retained profits		-	-	-	(16,560)	16,560	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
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.

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Company							
Balance as at 1 January 2019		150,000	1,952	(35,710)	144,472	3,364,504	3,625,218
Profit for the financial period		-	-	-	-	236,825	236,825
Other comprehensive income		-	35,624	42,978	-	-	78,602
Total comprehensive income for the financial period		-	35,624	42,978	-	236,825	315,427
Transfer to retained profits		-	-	-	(34,693)	34,693	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2019		150,000	37,576	7,268	109,779	3,606,022	3,910,645

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
	Note	Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Company							
Balance as at 1 January 2018		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 to retained profits		-	-	-	(16,560)	16,560	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
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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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		240,400	243,729	236,825	239,445
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- Financial asset at FVOCI		(9,810)	(18,882)	(9,810)	(18,882)
- Unsecured bearer bonds and notes		(3,598)	2,414	(3,598)	2,414
- Sukuk		(13,149)	(17,641)	(13,149)	(17,641)
Accretion of discount on:					
Mortgage assets					
- Conventional		(118,376)	(124,017)	(118,376)	(124,017)
- Islamic		(94,928)	(83,672)	(94,928)	(83,672)
Hire purchase assets					
- Islamic		-	(1)	-	(1)
Allowance/(write-back) for Impairment losses on:					
- Cash and short-term funds		105	-	105	-
- Financial assets at FVOCI		128	-	128	-
- Amount due from counterparties/ Islamic financing assets		18	431	18	431
- Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets		17,775	(6,499)	17,775	(6,499)
Interest income		(1,125,099)	(1,216,397)	(1,125,099)	(1,216,397)
Income from derivatives		(250,423)	(267,804)	(250,423)	(267,804)
Income from Islamic operations		(678,337)	(626,369)	(678,337)	(626,369)
Interest expense		948,756	1,030,201	953,857	1,035,109
Interest expense on derivatives		261,346	299,995	261,346	299,995
Profit attributable to Sukuk holders		641,755	604,387	641,755	604,391
Profit attributable to derivatives		47,423	49,153	47,423	49,153
Depreciation of property and equipment		1,828	1,421	1,828	1,421
Amortisation of intangible assets		3,563	2,897	3,563	2,897
Amortisation of right-of-use asset		936	-	936	-
Interest on lease liability		2,523	-	2,523	-
Gain on disposal of:					
- Property and equipment		(23)	(70)	(23)	(70)
- Financial asset at FVOCI		(7,636)	(3,553)	(7,636)	(3,553)
Taxation		76,672	70,635	75,502	70,615
Zakat		926	1,584	926	1,584
Operating loss before working capital changes		(57,225)	(58,058)	(56,869)	(57,450)

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Decrease/(increase) in amount due from counterparties		3,785,374	(509,807)	3,785,374	(509,807)
Increase in Islamic financing assets		(813,711)	(4,460,445)	(813,711)	(4,460,445)
Decrease in mortgage assets:					
- Conventional		627,799	626,442	627,799	626,442
- Islamic		494,735	468,293	494,735	468,293
Decrease/(increase) in Islamic hire purchase assets		647	(93)	647	(93)
(Increase)/decrease in other assets		(7,524)	344	(5,552)	1,716
Decrease in deferred financing fees		2,353	1,412	-	-
Decrease in derivatives		357,238	707,754	351,846	713,867
Increase in other liabilities		36,773	25,545	37,639	25,626
Cash generated from/(utilised in) operations		4,426,459	(3,198,613)	4,421,908	(3,191,851)
Interest received		1,089,409	1,121,173	1,089,409	1,125,847
Profit received from Islamic assets		659,065	599,103	659,065	594,429
Interest received on derivatives		208,544	220,222	208,544	220,222
Profit received on derivatives		49,957	52,593	49,957	52,593
Interest paid		(884)	(236)	(884)	(236)
Interest paid on derivatives		(267,785)	(378,529)	(267,785)	(378,529)
Profit paid on derivatives		(48,042)	(650,638)	(48,042)	(650,638)
Payment of:					
- Zakat		(734)	(927)	(734)	(927)
- Taxation		(69,301)	(89,174)	(69,281)	(89,154)
Net cash generated from/(utilised in) operating activities		6,046,688	(2,325,026)	6,042,157	(2,318,244)
INVESTING ACTIVITIES					
Purchase of:					
- Financial asset at FVTPL		(142,766)	-	(142,766)	-
- Financial asset at FVOCI		(3,234,578)	(2,629,813)	(3,234,578)	(2,629,813)
Net proceeds from sale/ redemption of:					
- Financial asset at FVOCI		3,390,912	2,507,404	3,390,912	2,507,404
- Financial asset at FVTPL		-	142,211	-	142,211
Purchase of:					
- Property and equipment		(1,058)	(1,679)	(1,058)	(1,679)
- Intangible assets		(2,094)	(9,392)	(2,094)	(9,392)
Income received from:					
- Financial asset at FVOCI		81,546	87,690	81,546	87,690
- Financial asset at FVTPL		1,383	3,649	1,383	3,649
Proceeds from disposal of property and equipment		23	70	23	70

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CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net cash generated from investing activities		93,368	100,140	93,368	100,140
FINANCING ACTIVITY					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Proceed from issuance of:					
- Unsecured bearer bonds and notes		6,247,983	9,737,359	6,246,792	8,600,000
- Sukuk		3,995,000	6,020,000	3,995,000	6,020,000
Proceeds of loans from subsidiary		-	-	-	1,130,830
Redemption of:					
- Unsecured bearer bonds and notes		(11,613,748)	(9,458,758)	(9,526,791)	(6,940,000)
- Sukuk		(2,932,000)	(2,812,053)	(2,932,000)	(2,660,000)
Repayment of loans/financing from subsidiaries		-	-	(2,080,375)	(2,668,982)
Interest paid		(1,002,576)	(995,432)	(1,007,997)	(1,001,812)
Profit paid to Sukuk holders		(650,195)	(584,107)	(650,195)	(584,149)
Net cash (utilised in)/generated from financing activity		(5,985,536)	1,877,009	(5,985,566)	1,865,887
Net increase/(decrease) in cash and cash equivalents		154,520	(347,877)	149,959	(352,217)
Effect of foreign exchange translation		(5)	78	(5)	78
Cash and cash equivalents as at 1 January		186,792	534,591	172,046	524,185
Cash and cash equivalents as at 31 December		341,307	186,792	322,000	172,046
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	6	341,307	186,792	322,000	172,046
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		-	-	-	-
		341,307	186,792	322,000	172,046

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

		Cash changes	Non-cash changes				
Group	Balance as at the beginning of financial year RM'000	Net cash flows from financing activities RM'000	Effect of foreign exchange translation RM'000	Deferred financing fees RM'000	Accrued interest/ profits RM'000	Amortisation/ (accretion) RM'000	Balance as at the end of financial year RM'000
2019							
Unsecured bonds and notes	26,082,391	(6,368,870)	(5)	2,353	948,756	(3,598)	20,661,027
Sukuk	14,808,472	412,805	-	-	641,755	(13,149)	15,849,883
Total	40,890,863	(5,956,065)	(5)	2,353	1,590,511	(16,747)	36,510,910
2018							
Unsecured bonds and notes	25,764,940	(716,654)	78	1,412	1,030,201	2,414	26,082,391
Sukuk	11,597,878	2,623,848	-	-	604,387	(17,641)	14,808,472
Total	37,362,818	1,907,194	78	1,412	1,634,388	(15,227)	40,890,863

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 2019 (CONTINUED)

Company	Balance as at the beginning of financial year RM'000	Cash changes: Net cash flows from financing activities RM'000	Non-cash changes: Effect of foreign exchange translation RM'000	Non-cash changes: Accrued interest/ profits RM'000	Non-cash changes: Amortisation/ (accretion) RM'000	Balance as at the end of financial year RM'000
2019						
Unsecured bonds and notes	21,401,449	(4,284,462)	(5)	953,857	(3,598)	18,067,241
Sukuk	14,808,472	412,805	-	641,755	(13,149)	15,849,883
Loans/financing from subsidiaries	4,684,797	(2,219,785)	-	129,954	-	2,594,966
Total	40,894,718	(6,091,442)	(5)	1,725,566	(16,747)	36,512,090
2018						
Unsecured bonds and notes	19,705,283	658,565	78	1,035,109	2,414	21,401,449
Sukuk	11,445,035	2,776,687	-	604,391	(17,641)	14,808,472
Loans/financing from subsidiaries	6,217,865	(1,669,388)	-	136,320	-	4,684,797
Total	37,368,183	1,766,044	78	1,775,820	(15,227)	40,894,718

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:

(a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;
(b) issuance of Sukuk under Shariah principles; and
(c) 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 that are effective:

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

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

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

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

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

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

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

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:

Financial year beginning on 1 January 2020

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

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

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

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

  The amendments shall be applied prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statements 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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

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 statements 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

(a) Classification

The Group and the Company classify their 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 and the Company commit 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 and the Company have transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

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

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company reclassify 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)

(c) Measurement (continued)

Debt instruments (continued)

There are three measurement categories into which the Group and the Company classify their debt instruments:

(i) Amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

There are three measurement categories into which the Group and the Company classify 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 the 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 statements and presented net within non-interest income/(expense) in the period which it arise.

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 statements following the derecognition of the investment. Dividends from such investments continue to be recognised in income statements as other income when the Group's or the 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

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

The Group and the Company have four of their 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

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect 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.

<u>Approach</u>

At each reporting date, the Group and the Company measure 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

Significant increase in credit risk

The Group and the Company consider 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 and the Company compare 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 the Company define 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 the Company define 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)

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 the Company consider 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 the Company have 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.

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 statements, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Write-off

The Group and the Company write 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 statements over the life of the bonds and notes/Sukuk on an effective yield basis. Where the redemption value exceeds the issue price of the bonds and notes/Sukuk, the difference, being the discount is amortised to the income statements over the life of the bonds and notes/Sukuk on an effective yield basis.

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statements.

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's 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 and the Company document their 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 statements in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statements under "Non-interest income/(expense)".

Amounts accumulated in equity are reclassified to income statements 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 statements within the line item "Non-interest income/(expense)" 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 statements in the same period that the hedged cash flows affect income statements. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to income statements under "Non-interest income/(expense)".

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% (2018: 2.5%) of the zakat base.

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

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

2.19 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 contribute to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statements in the financial year to which they relate to. Once the contributions have been paid, the Group 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 statements, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Contingent liabilities and contingent assets (continued)

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 Leases

(a) Accounting policies applied from 1 January 2019

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

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

Lease term

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

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

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:

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

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

<u>Lease liabilities</u>

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

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

Lease liabilities (continued)

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

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

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

(b) Accounting policies applied until 31 December 2018

Operating lease

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

3 CHANGES IN ACCOUNTING POLICIES

Effects of adoption of MFRS 16 Leases

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(d) Adoption of MFRS 16 Leases

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Uncertainty in tax treatment

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

5 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Group’s 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 including compliance with applicable laws and regulations.

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

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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

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

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 do not engaged in any equity or commodity trading activities.

The Group and the Company control the 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 the 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 the cash obligations when they fall due;

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

(c) Monitoring the liquidity ratios of the Group 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 Group's and the Company's business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

The management of operational risk is an important priority for the Group and the Company. To mitigate such operational risks, the Group and the Company 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-tiered authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

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

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

6 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institution	110,911	70,255	91,604	55,509
Money at call and deposits and placements maturing within one month	94,118	116,480	94,118	116,480
Mudharabah money at call and deposits and placements maturing within one month	136,383	57	136,383	57
	341,412	186,792	322,105	172,046
Less: Allowance for impairment losses	(105)	-	(105)	-
	341,307	186,792	322,000	172,046

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

	Group and Company	
	2019	2018
	RM'000	RM'000
Stage 1		
At 1 January	-	-
Allowance during the year	105	-
At 31 December	105	-

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

7 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.

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").

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

(a) Cash flow hedges

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

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

	Group and Company	
	2019	2018
	RM'000	RM'000
At fair value		
Malaysian government securities	293,486	149,365
Corporate bonds	281,064	592,529
Government investment issues	676,051	708,712
Sukuk	564,499	591,143
Quasi government Sukuk	493,465	434,536
	2,308,565	2,476,285

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

Maturing within one year	587,652	518,227
One to three years	538,057	475,208
Three to five years	500,125	676,771
More than five years	682,859	806,079
	2,308,693	2,476,285
Less:		
Allowance for impairment losses	(128)	-
	2,308,565	2,476,285

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
2019		
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	2,263,449	128
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	45,244	-
At 31 December	2,308,693	128

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

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

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

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

	Group and Company	
	2019	2018
	RM'000	RM'000
Unit Trust	141,383	-

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

10 AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	2019	2018
	RM'000	RM'000
Relating to:		
Mortgage loans	16,114,190	19,875,905
Hire purchase and leasing debts	542,964	529,019
	16,657,154	20,404,924
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	7,491,962	6,004,319
One to three years	8,527,330	8,420,632
Three to five years	-	5,345,008
More than five years	637,921	635,032
	16,657,213	20,404,991
Less:		
Allowance for impairment losses	(59)	(67)
	16,657,154	20,404,924

10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

11 ISLAMIC FINANCING ASSETS

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

The maturity structure Islamic financing assets are as follows:

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

11 ISLAMIC FINANCING ASSETS (CONTINUED)

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

12 MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	2019	2018
	RM'000	RM'000
Purchase without recourse ("PWOR")	4,836,313	5,344,710

	Group and Company	
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	879,063	893,068
One to three years	1,114,449	1,150,650
Three to five years	933,455	1,007,432
More than five years	2,527,182	3,013,592
	5,454,149	6,064,742
Less:		
Unaccreted discount	(573,446)	(691,822)
Net advance received	(9,397)	-
Allowance for impairment losses	(34,993)	(28,210)
	4,836,313	5,344,710

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	5,388,779	17,640
Stage 2 (Lifetime ECL; non credit impaired)	20,438	2,932
Stage 3 (Lifetime ECL; credit impaired)	44,932	14,421
At 31 December	5,454,149	34,993
Impairment allowance over gross carrying value (%)		0.64
2018		
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

12 MORTGAGE ASSETS – CONVENTIONAL (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
2019				
At 1 January	7,687	1,200	19,323	28,210
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	9,199	(2,854)	(6,345)	-
- Transfer to ECL not credit impaired (Stage 2)	(849)	1,125	(276)	-
- Transfer to ECL credit impaired (Stage 3)	(8,348)	(122)	8,470	-
Total transfer between stages	2	(1,851)	1,849	-
Loans derecognised during the period (other than write-offs)	(218)	(169)	(3,097)	(3,484)
Allowance/ (write-back) during the year due to changes in credit risk	10,169	3,752	(3,599)	10,322
Amount written off	-	-	(55)	(55)
At 31 December	17,640	2,932	14,421	34,993
2018				
At 1 January	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/ (write-back) 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	
	2019	2018
	RM'000	RM'000
PWOR	5,510,428	5,915,527

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

Maturing within one year	732,210	732,631
One to three years	967,240	986,926
Three to five years	905,246	944,979
More than five years	3,557,112	3,979,811
	6,161,808	6,644,347
Less:		
Unaccreted discount	(609,631)	(704,559)
Net advance received	(6,665)	-
Allowance for impairment losses	(35,084)	(24,261)
	5,510,428	5,915,527

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	6,108,068	20,351
Stage 2 (Lifetime ECL; non credit impaired)	15,575	2,497
Stage 3 (Lifetime ECL; credit impaired)	38,165	12,236
At 31 December	6,161,808	35,084
Impairment allowance over gross carrying value (%)		0.57
2018		
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
2019				
At 1 January	8,484	775	15,002	24,261
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	7,951	(2,430)	(5,521)	-
- Transfer to ECL not credit impaired (Stage 2)	(298)	648	(350)	-
- Transfer to ECL credit impaired (Stage 3)	(6,057)	(72)	6,129	-
Total transfer between stages	1,596	(1,854)	258	-
Loans derecognised during the period (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	10,439	3,613	(915)	13,137
At 31 December	20,351	2,497	12,236	35,084
2018				
At 1 January	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)	-
Loans derecognised during the period (other than write-offs)	(147)	(225)	(1,581)	(1,953)
Allowance/ (write-back) 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	
	2019	2018
	RM'000	RM'000
PWOR	136	781

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

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

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

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

14 HIRE PURCHASE ASSETS - ISLAMIC (CONTINUED)

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

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

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2019 RM'000
Staff loans and financing	2,899	3,269	2,899	3,269
Deposits	931	906	882	882
Prepayments	2,678	1,500	2,678	1,500
Other receivables	159	300	159	300
Management fee receivable	891	619	891	619
Compensation receivable from originator on mortgage assets	469	763	469	763
	8,027	7,357	7,978	7,333

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 2019	9,242	4,659	593	14,494
Additions	837	22	199	1,058
Disposals	(262)	-	(89)	(351)
As at 31 December 2019	9,817	4,681	703	15,201
Accumulated depreciation				
As at 1 January 2019	(5,074)	(4,452)	(274)	(9,800)
Charge for the financial year	(1,608)	(128)	(92)	(1,828)
Disposals	261	-	89	350
As at 31 December 2019	(6,421)	(4,580)	(277)	(11,278)
Net book value as at 31 December 2019	3,396	101	426	3,923

17 PROPERTY AND EQUIPMENT(CONTINUED)

	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

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

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

19 RIGHT-OF-USE ASSET

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

	Group and Company
	RM'000
Cost	
At 1 January 2019	-
Effect of adoption of MFRS 16	4,916
As restated	4,916
Addition	-
At 31 December 2019	4,916
Accumulated amortisation	
At 1 January 2019	-
Effect of adoption of MFRS 16	-
As restated	-
Charge for the period (Note 35)	(936)
At 31 December 2019	(936)
Net book value as at 31 December 2019	3,980

20 INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	RM'000	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 2019 %	2018 %
CGP	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
CGS	To undertake the issuance of Sukuk in foreign currency.	Malaysia	100	100

21 UNSECURED BEARER BONDS AND NOTES

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

21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

	Company				
			2019		2018
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes					
	2019	-	-	450,000	3.480 – 3.840
	2020	100,000	3.460	-	-
Add:					
Interest payable		667		1,391	
		100,667		451,391	
(b) Commercial paper					
	2019	-	-	750,000	3.560 – 3.800
	2020	1,200,000	3.250-3.340	-	-
Add:					
Interest payable		3,213		2,929	
		1,203,213		752,929	
(c) Conventional medium- term notes					
	2019	-	-	5,575,000	3.650 – 5.280
	2020	5,295,000	3.300-6.000	3,530,000	3.950 – 6.000
	2021	2,275,000	3.350-5.380	2,185,000	4.050 – 5.380
	2022	5,850,000	3.380-4.650	5,510,000	3.900 – 4.650
	2023	525,000	4.250-6.050	525,000	4.250 – 6.050
	2024	430,000	4.000-5.520	430,000	4.000 – 5.520
	2025	640,000	4.550-4.850	640,000	4.550 – 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140-4.900	275,000	4.140 – 4.900
	2028	890,000	4.750-6.500	890,000	4.750 – 6.500
	2029	245,000	5.500-5.750	245,000	5.500 – 5.750
	2035	160,000	5.070	160,000	5.070
		16,595,000		19,975,000	
Add:					
Interest payable		164,961		215,131	
Unaccreted premium		3,475		8,417	
Less:					
Unamortised discount		(75)		(1,419)	
		16,763,361		20,197,129	
		18,067,241		21,401,449	

21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturing within one year	9,083,664	9,084,032	6,767,215	6,997,713
One to three years	8,402,295	8,313,359	8,124,958	5,718,736
Three to five years	955,000	6,035,000	955,000	6,035,000
More than five years	2,220,068	2,650,000	2,220,068	2,650,000
	20,661,027	26,082,391	18,067,241	21,401,449

(a) Floating Rate Notes ("FRNs")

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

(b) Commercial paper ("CP")

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

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

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

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTN"). Under the USD2.5 billion Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.

21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

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

22 SUKUK

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

22 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

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

(a) Islamic commercial papers ("ICP")

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

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

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

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

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

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

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	
	2019	2018
	RM'000	RM'000
HKD	352,503	354,124
USD	1,553,622	3,642,798
SGD	688,841	687,875
	2,594,966	4,684,797

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 2.58% to 3.735% per annum (2018: 2.58% to 3.735% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	2019	2018
	RM'000	RM'000
Maturing within one year	2,317,540	2,089,297
One to three years	277,426	2,595,500
	2,594,966	4,684,797

24 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	
	2019	2018
	RM'000	RM'000
Deferred tax assets (before offsetting)	(17,451)	(29,169)
Deferred tax liabilities (before offsetting)	18,011	56,517
Deferred tax liabilities	560	27,348

The movements of deferred tax are as follows:

As at 1 January	27,348	(5,874)
Recognised to income statements (Note 37)	(51,610)	34,699
Recognised to reserves	24,822	(1,477)
As at 31 December	560	27,348

24 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			
2019				
Deferred tax assets	As at 1 January 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	(15,067)	-	13,595	(1,472)
Provisions	(1,321)	237	-	(1,084)
Temporary difference relating to lease liability	-	(1,150)	-	(1,150)
Temporary difference relating to ECL	(12,781)	(964)	-	(13,745)
	(29,169)	(1,877)	13,595	(17,451)
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	3,790	-	(23)	3,767
Revaluation reserves of financial asset at FVOCI	623	-	11,250	11,873
Accelerated depreciation	2,248	(1,011)	-	1,237
Temporary difference relating to interest/profit receivables on deposit and placements	10	173	-	183
Temporary difference relating to right of use of asset	-	951	-	951
Temporary difference relating to accretion of discount	49,846	(49,846)	-	-
	56,517	(49,733)	11,227	18,011
	27,348	(51,610)	24,822	560

24 DEFERRED TAXATION (CONTINUED)

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

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

25 LEASE LIABILITY

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

The maturity structure of lease liability are as follows:

Due in 1 year or less	208
Due in 2 to 5 years	4,583
Total present value of minimum lease payments	4,791

26 OTHER LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provision for zakat	1,777	1,584	1,777	1,584
Amount due to GOM	90,620	54,893	90,620	54,893
Accruals	27,899	29,154	27,562	27,950
Other payables	1,392	1,360	1,392	1,360
	121,688	86,991	121,351	85,787

27 SHARE CAPITAL

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

28 RESERVES

(a) Financial asset at FVOCI reserves

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

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

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

29 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM3,904,862,000 of the Group and RM3,889,265,000 of the Company respectively (2018: RM3,614,391,000 of the Group and RM3,602,369,000 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 RM240,400,000 of the Group and RM236,825,000 of the Company respectively (2018: RM243,729,000 of the Group and RM239,445,000 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.

30 INTEREST INCOME

	Group and Company	
	2019	2018
	RM'000	RM'000
Amount due from counterparties	819,265	883,984
Mortgage assets	223,345	245,549
Hire purchase assets	-	2
Compensation from mortgage assets	14	28
Financial asset at FVOCI	76,726	77,732
Deposits and placements with financial institutions	5,749	9,102
	1,125,099	1,216,397
Accretion of discount less amortisation of premium (net)	123,618	132,361
	1,248,717	1,348,758

31 INTEREST EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Floating rate notes	8,650	11,380	8,650	11,380
Medium-term notes	913,548	989,740	788,695	858,328
Commercial paper	25,674	28,845	25,674	28,845
Deposits and placements from financial institutions	884	236	884	236
Loans/financing from subsidiaries	-	-	129,954	136,320
	948,756	1,030,201	953,857	1,035,109

32 NON-INTEREST EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net derivatives expense	(55,571)	(75,666)	(55,571)	(75,666)
Income from financial asset at FVTPL	1,383	3,649	1,383	3,649
Gain on disposal of:				
- Financial asset at FVOCI	7,636	3,553	7,636	3,553
- Property and equipment	23	70	23	70
Reclassification adjustments of fair value loss on CCS, transfer from equity	(26,601)	(33,592)	(26,601)	(33,592)
Unrealised gain on foreign exchange	26,260	33,157	26,253	33,157
Other non-operating income	8,036	6,439	8,036	6,439
Interest lease liability (Note 35)	(2,523)	-	(2,523)	-
	(41,357)	(62,390)	(41,364)	(62,390)

33 PERSONNEL COSTS

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

34 (ALLOWANCE)/WRITE-BACK OF IMPAIRMENT LOSSES

	Group and Company	
	2019 RM'000	2018 RM'000
Cash and short-term funds	(105)	-
Financial asset at FVOCI	(128)	-
Amount due from counterparties	8	(26)
Islamic financing assets	(26)	(405)
Mortgage assets - Conventional	(6,783)	2,673
Mortgage assets – Islamic	(10,823)	3,820
Hire purchase assets – Islamic	3	6
Write-off of mortgage assets	(172)	-
(Allowance)/write-back of impairment losses	(18,026)	6,068

35 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 36)	2,320	2,104	2,320	2,104
Amortisation of right-of-use asset (Note 19)	936	-	936	-
Interest lease liability (Note 32)	2,523	-	2,523	-
Rental of premises	-	2,648	-	2,648
Hire of equipment	741	597	741	597
Auditor's remuneration				
- Audit fees	318	326	276	298
- Non audit fees	39	14	36	11
Depreciation of property and equipment	1,828	1,421	1,828	1,421
Amortisation of intangible assets	3,563	2,897	3,563	2,897
Servicers fees	2,550	2,578	2,550	2,578
Repairs and maintenance	6,982	5,896	6,982	5,896
Donations and sponsorship	115	152	115	152
Corporate expenses	892	756	892	756
Travelling expenses	476	915	476	915
Gain on disposal of property and equipment	(23)	(70)	(23)	(70)
Allowance/(write-back) of impairment losses	18,026	(6,068)	18,026	(6,068)

36 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Dato' Bakarudin bin Ishak (Chairman) (appointed w.e.f 26 March 2019)
Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (resigned w.e.f 26 March 2019)
Dato' Halipah binti Esa
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Nazrul Hisyam bin Mohd Noh (resigned w.e.f 26 March 2019)
Ho Chai Huey (appointed w.e.f 1 January 2019)
Datuk Azizan bin Haji Abd Rahman (appointed w.e.f 1 January 2019)

Executive Director

Datuk Chung Chee Leong

36 DIRECTORS' REMUNERATION (CONTINUED)

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

	Group and Company	
	2019	2018
	RM'000	RM'000
Directors' fees	530	370
Directors' other emoluments	1,790	1,734
	2,320	2,104

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

37 TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	128,282	35,936	127,112	35,916
- Deferred taxation (Note 24)	(51,610)	34,699	(51,610)	34,699
	76,672	70,635	75,502	70,615
Current tax:				
- Current year	82,040	39,882	80,870	39,862
- Under/(over) provision in prior year	46,242	(3,946)	46,242	(3,946)
	128,282	35,936	127,112	35,916
Deferred taxation: (Reversal)/origination of temporary differences (Note 24)	(51,610)	34,699	(51,610)	34,699
	76,672	70,635	75,502	70,615

37 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	317,998	315,948	313,253	311,644
Tax calculated at Malaysian tax rate of 24% (2018: 24%)	76,320	75,828	75,181	74,795
Different tax rate in Labuan	-	(1,062)	-	-
Subsidiary's current year tax losses utilised	(28)	(39)	(28)	(39)
Loss not subject to tax	28	39	-	-
Expenses not deductible for tax purposes	5,394	(275)	5,391	(285)
Deduction arising from zakat contribution	(380)	(223)	(380)	(223)
Reversal of temporary differences recognised in prior year	(50,854)	-	(50,854)	-
Others	(50)	313	(50)	313
Under/(over) provision in prior year	46,242	(3,946)	46,242	(3,946)
	76,672	70,635	75,502	70,615

38 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	Group and Company			
	2019		2018	
	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

39 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

Related company is defined as subsidiary of the ultimate holding company.

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 statements of the Group and the Company.

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

39 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
	Ultimate holding company RM'000	Related company RM'000	Other related party RM'000
2019			
Income			
Transaction administrator and administrator fees	-	4,286	-
Management fee	52	3,602	-
Expenses			
FAST* and RENTAS** charges	-	-	27
Servicers fees	-	2,550	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	1,420	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(438)	-
Management fee receivable	52	839	-
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	-

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

39 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
	Ultimate holding company	Subsidiaries	Related company	Other related party
	RM'000	RM'000	RM'000	RM'000
2019				
Income				
Transaction administrator and administrator fees	-	-	4,286	-
Management fee	52	-	3,602	-
Expenses				
FAST* and RENTAS** charges	-	-	-	27
Servicers fees	-	-	2,550	-
Interest expense	-	129,954	-	-
Profit charged	-	-	-	-
Amount due from/(to)				
Transaction administrator and administrator fees	-	-	1,420	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(438)	-
Loans/financing	-	(2,594,622)	-	-
Payment on behalf	-	3,430	-	-
Management fee receivable	52	-	839	-

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

39 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 RM'000	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	-
Interest expense	136,318	-	-
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	(4,684,796)	-	-
Payment on behalf	5,379	-	-
Management fee receivable	-	619	-

* 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 RM7,430,703 (2018: RM6,256,353).

The total remuneration paid to the Directors is disclosed in Note 36 to the financial statements.

39 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.

40 CAPITAL AND LEASE COMMITMENTS

(a) Capital commitments

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

(b) Lease 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	
	2019	2018
	RM'000	RM'000
Maturing within one year	-	4,550
One to three years	-	6,242
	-	10,792

41 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.

41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2019						
Financial assets						
Cash and short-term funds	230,501	-	-	-	110,806	341,307^1
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565^2
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154^3
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232^4
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313^5
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428^6
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^7
- Islamic	147	-	-	-	(11)	136^8
Other assets	22,854	16,004	492	22,506	35,296	97,152
	12,598,892	16,986,211	4,845,954	7,427,580	(1,123,967)	40,734,670

^1 Includes impairment losses on cash and short-term funds of RM105,036.
^2 Includes impairment losses on financial assets at FVOCI of RM127,815.
^3 Includes impairment losses on amount due from counterparties of RM59,047.
^4 Includes impairment losses on Islamic financing asset of RM653,198.
^5 Includes impairment losses on mortgage assets of RM34,992,500.
^6 Includes impairment losses on Islamic mortgage assets of RM35,084,485.
^7 Includes impairment losses on conventional hire purchase assets of RM2,059.
^8 Includes impairment losses on hire purchase assets of RM12,461.

41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2019						
Financial liabilities						
Unsecured bearer bonds and notes	9,083,664	8,402,295	955,000	2,220,068	-	20,661,027
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	-	15,849,883
Other liabilities	126,133	15,677	10,499	-	145,209	297,518
	12,974,633	14,447,972	4,595,499	4,645,115	145,209	36,808,428
Total interest/profit sensitivity gap	(375,741)	2,538,239	250,455	2,782,465		
Cumulative gap	(375,741)	2,162,498	2,412,953	5,195,418		

41 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.

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41 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		

41 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						
2019						
Financial assets						
Cash and short-term funds	230,501	-	-	-	91,499	322,000[^1]
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565[^2]
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154[^3]
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232[^4]
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313[^5]
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428[^6]
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-[^7]
- Islamic	147	-	-	-	(11)	136[^8]
Other assets	22,854	16,004	492	22,506	38,678	100,534
	12,598,892	16,986,211	4,845,954	7,427,580	(1,139,892)	40,718,745

[^1] Includes impairment losses on cash and short-term funds of RM105,036.
[^2] Includes impairment losses on financial assets at FVOCI of RM127,815.
[^3] Includes impairment losses on amount due from counterparties of RM59,047.
[^4] Includes impairment losses on Islamic financing asset of RM653,198.
[^5] Includes impairment losses on mortgage assets of RM34,992,500.
[^6] Includes impairment losses on Islamic mortgage assets of RM35,084,485.
[^7] Includes impairment losses on conventional hire purchase assets of RM2,059.
[^8] Includes impairment losses on Islamic hire purchase assets of RM12,461.

41 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						
2019						
Financial liabilities						
Unsecured bearer bonds and notes	6,767,215	8,124,958	955,000	2,220,068	-	18,067,241
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	-	15,849,883
Loan/financing from subsidiaries	2,317,540	277,426	-	-	-	2,594,966
Other liabilities	126,133	15,677	10,499	-	143,701	296,010
	12,975,724	14,448,061	4,595,499	4,645,115	143,701	36,808,100
Total interest/profit sensitivity gap	(376,832)	2,538,150	250,455	2,782,465		
Cumulative gap	(376,832)	2,161,318	2,411,773	5,194,238		

41 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.

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41 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		

41 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impact to equity:				
Financial asset at FVOCI reserves	(76,593)	(78,460)	82,369	83,437
Derivatives financial instruments	(36)	113	36	(114)
PWR (floating rate)	(9,977)	(7,033)	10,144	7,193
Unsecured bonds and notes (floating rate)	647	731	(657)	(740)
Taxation effects on the above at tax rate of 24%	20,630	20,316	(22,054)	(21,546)
Effect on shareholder's funds	(65,329)	(64,333)	69,838	68,230
As percentage of shareholder's funds	(1.7%)	(1.8%)	1.8%	1.9%
Impact to income statements:				
Net interest income	5,404	3,691	(5,398)	(3,685)
Taxation effects at the rate of 24%	(1,297)	(886)	1,296	885
Effect on net interest income	4,107	2,805	(4,102)	(2,800)
As percentage of profit after tax	1.7%	1.2%	(1.7%)	(1.2%)

41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Company			
	+100 basis		-100 basis	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impact to equity:				
Financial asset at FVOCI reserve	(76,593)	(78,460)	82,369	83,437
Derivatives financial instruments	(36)	113	36	(114)
Loans/financing from subsidiaries	298	(41)	(302)	43
PWR (floating rate)	(9,977)	(7,033)	10,144	7,193
Unsecured bonds and notes (floating rate)	647	731	(657)	(740)
Taxation effects on the above at tax rate of 24%	20,558	20,326	(21,981)	(21,556)
Effect on shareholder's funds	(65,103)	(64,364)	69,609	68,263
As percentage of shareholder's funds	(1.7%)	(1.8%)	1.8%	1.9%
Impact to income statements:				
Net interest income	5,404	3,691	(5,398)	(3,685)
Taxation effects at the rate of 24%	(1,297)	(886)	1,296	884
Effect on net interest income	4,107	2,805	(4,102)	(2,801)
As percentage of profit after tax	1.7%	1.2%	(1.7%)	(1.2%)

42 CREDIT RISK

42.1 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.

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42 CREDIT RISK (CONTINUED)

42.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Financial asset at FVTPL RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
Group											
2019											
Government bodies	-	-	1,069,398	-	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	247,189	58,422	158,961	-	16,114,189	10,480,965	-	-	-	-	27,059,726
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development	-	-	91,848	-	-	361,267	-	-	-	-	453,115
Communication, electricity, gas and water	-	-	179,509	-	-	-	-	-	-	-	179,509
Transportation	-	-	384,292	-	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporate	-	-	221,164	141,383	-	-	-	-	-	-	362,547
Construction	-	-	35,615	-	-	-	-	-	-	-	35,615
Others	-	-	167,778	-	-	-	-	-	-	8,978*	176,756
Total	341,307	58,422	2,308,565	141,383	16,657,154	10,842,232	4,836,313	5,510,428	136	9,447	40,705,387

*Includes prepayment of RM2,727

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42 CREDIT RISK (CONTINUED)

42.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	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
Group										
2018										
Government bodies	-	-	952,666	-	-	-	-	-	773	953,439
Financial institutions:										
- Commercial banks	144,550	362,078	364,632	19,875,677	10,029,953	-	-	-	-	30,776,890
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
- Development	-	-	151,135	-	-	-	-	-	-	151,135
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

*Includes prepayment of RM1,523

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42 CREDIT RISK (CONTINUED)

42.1 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	Financial asset at FVTPL RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Company											
2019											
Government bodies	-	-	1,069,398	-	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	227,882	58,422	158,961	-	16,114,189	10,480,965	-	-	-	-	27,040,419
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development	-	-	91,848	-	-	361,267	-	-	-	-	453,115
Communication, electricity, gas and water	-	-	179,509	-	-	-	-	-	-	-	179,509
Transportation	-	-	384,292	-	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporate	-	-	221,164	141,383	-	-	-	-	-	-	362,547
Construction	-	-	35,615	-	-	-	-	-	-	-	35,615
Others	-	-	167,778	-	-	-	-	-	-	12,360*	180,138
Total	322,000	58,422	2,308,565	141,383	16,657,154	10,842,232	4,836,313	5,510,428	136	12,829	40,689,462

*Includes prepayment of RM2,678

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42 CREDIT RISK (CONTINUED)

42.1 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	364,632	19,875,677	10,029,953	-	-	-	-	30,762,144
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
- Development	-	-	151,135	-	-	-	-	-	-	151,135
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

*Includes prepayment of RM1,500

42 CREDIT RISK (CONTINUED)

42.2 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.

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.

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.

42 CREDIT RISK (CONTINUED)

42.2 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 %
2019							
Amount due from counterparties	16,657,213	-	16,657,213	59	16,657,154	-	-
Islamic financing assets	10,842,885	-	10,842,885	653	10,842,232	-	-
Mortgage assets:							
- Conventional	4,826,374	44,932	4,871,306	34,993	4,836,313	44,932	78%
- Islamic	5,507,347	38,165	5,545,512	35,084	5,510,428	38,165	92%
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100%
- Islamic	112	36	148	12	136	36	33%
	37,833,931	83,135	37,917,066	70,803	37,846,263	83,135	

* These assets have been provided for under collective assessment

42 CREDIT RISK (CONTINUED)

42.2 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

42 CREDIT RISK (CONTINUED)

42.2 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			
		2019		2018
	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	16,657,213	16,657,213	20,404,991	20,404,991
Islamic financing assets	10,842,885	10,842,885	10,030,580	10,030,580
Mortgage assets:				
- Conventional	4,826,374	4,826,374	5,312,311	5,312,311
- Islamic	5,507,347	5,507,347	5,892,906	5,892,906
Hire purchase assets:				
- Islamic	112	112	741	741
	37,833,931	37,833,931	41,641,529	41,641,529

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

42 CREDIT RISK (CONTINUED)

42.2 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 RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
2019					
Mortgage assets:					
- Conventional	5,093	2,869	1,721	35,249	44,932
- Islamic	5,158	1,665	1,517	29,825	38,165
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	-	36	36
	10,251	4,534	3,238	65,112	83,135
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

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.

42 CREDIT RISK (CONTINUED)

42.2 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	Allowance/ (write-back) made RM'000	Allowance written-off to principal balance outstanding RM'000	As at 31 December RM'000
2019				
Amount due from counterparties	67	(8)	-	59
Islamic financing assets	627	26	-	653
Mortgage assets:				
- Conventional	28,210	6,838	(55)	34,993
- Islamic	24,261	10,823	-	35,084
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	15	(3)	-	12
	53,182	17,676	(55)	70,803
2018				
Amount due from counterparties	41	26	-	67
Islamic financing assets	222	405	-	627
Mortgage assets:				
- Conventional	31,116	(2,673)	(233)	28,210
- Islamic	28,116	(3,820)	(35)	24,261
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	21	(6)	-	15
	59,518	(6,068)	(268)	53,182

42.3 Amount due from related company

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

42 CREDIT RISK (CONTINUED)

42.4 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
2019						
Financial asset at FVOCI						
- Stage 1	514,044	1,459,617	289,788	-	2,263,449	128
- Stage 3	-	45,244	-	-	45,244	-
	514,044	1,504,861	289,788	-	2,308,693	128
Amount due from counterparties						
- Stage 1	-	11,070,691	5,586,522	-	16,657,213	59
Islamic financing assets						
- Stage 1	-	2,268,430	8,574,455	-	10,842,885	653
Mortgage assets:						
- Stage 1	-	-	-	5,388,779	5,388,779	17,640
- Stage 2	-	-	-	20,438	20,438	2,932
- Stage 3	-	-	-	44,932	44,932	14,421
	-	-	-	5,454,149	5,454,149	34,993
Islamic mortgage assets:						
- Stage 1	-	-	-	6,108,068	6,108,068	20,351
- Stage 2	-	-	-	15,575	15,575	2,497
- Stage 3	-	-	-	38,165	38,165	12,236
	-	-	-	6,161,808	6,161,808	35,084
Hire purchase asset						
- Stage 3	-	-	-	2	2	2
Islamic hire purchase asset						
- Stage 1	-	-	-	111	111	-
- Stage 3	-	-	-	36	36	12
	-	-	-	147	147	12

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42 CREDIT RISK (CONTINUED)

42.4 Credit quality (continued)

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

	Group and Company					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2018						
Financial asset at FVOCI						
- Stage 1	1,187,584	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

42 CREDIT RISK (CONTINUED)

42.5 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
2019						
Derivatives financial liabilities	(152,309)	-	(152,309)	-	-	(152,309)
2018						
Derivatives financial liabilities	(154,614)	-	(154,614)	-	-	(154,614)

43 LIQUIDITY RISK

43.1 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.

43 LIQUIDITY RISK (CONTINUED)

43.2 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	Financial asset at FVTPL 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										
2019	341,307	58,422	141,383	2,308,565	4,836,313	5,510,428	16,657,154	10,842,232	6,905	40,702,709
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
Company										
2019	322,000	58,422	141,383	2,308,565	4,836,313	5,510,428	16,657,154	10,842,232	10,287	40,686,784
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

43 LIQUIDITY RISK (CONTINUED)

43.3 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						
2019						
Financial liabilities						
Unsecured bonds and notes	2,568	394,605	8,517,651	9,357,295	4,482,422	22,754,541
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Other liabilities	119,911	1,777	-	-	-	121,688
	122,479	396,382	12,155,172	19,017,295	9,499,429	41,190,757
Assets held for managing liquidity risk	750,286	1,611,943	9,727,322	21,692,305	7,695,756	41,477,612

43 LIQUIDITY RISK (CONTINUED)

43.3 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
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	85,407	1,584	-	-	-	86,991
	94,217	540,066	10,337,774	24,260,591	11,356,930	46,589,578
Assets held for managing liquidity risk	1,072,503	2,072,588	6,365,288	26,971,209	8,944,187	45,425,775

43 LIQUIDITY RISK (CONTINUED)

43.3 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						
2019						
Financial liabilities						
Unsecured bonds and notes	-	395,000	6,203,375	9,079,958	4,482,422	20,160,755
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Loans/financing from subsidiaries	2,619	-	2,314,921	277,426	-	2,594,966
Other liabilities	119,574	1,777	-	-	-	121,351
	122,193	396,777	12,155,817	19,017,384	9,499,429	41,191,600
Assets held for managing liquidity risk	734,410	1,611,943	9,727,322	21,692,305	7,695,756	41,461,736

43 LIQUIDITY RISK (CONTINUED)

43.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
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	84,203	1,584	-	-	-	85,787
	93,680	540,657	10,339,788	24,261,174	11,356,930	46,592,229
Assets held for managing liquidity risk	1,063,136	2,072,588	6,365,288	26,971,209	8,944,187	45,416,408

43 LIQUIDITY RISK (CONTINUED)

43.4 Derivative liabilities

The Group's and the Company's derivatives comprise IRS, IPRS and CCS entered by the Group and the Company for which net cash flows are exchanged for hedging purposes. The derivatives held by the Group and 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 RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2019						
Derivatives held for hedging						
- IRS/IPRS	-	(5,320)	(283)	(26,176)	-	(31,779)
- CCS/ICCS	-	-	(120,530)	-	-	(120,530)
2018						
Derivatives held for hedging						
- IRS/IPRS	-	-	-	(27,263)	-	(27,263)
- CCS/ICCS	-	-	-	(127,351)	-	(127,351)

44 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.

44.1 Exposure to foreign currency risk

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

	Company		
	HKD RM'000	USD RM'000	SGD RM'000
2019			
Derivatives financial instruments	355,910	1,550,156	694,748
Loans/financing from subsidiary	352,503	1,553,622	688,841
2018			
Derivatives financial instruments	359,858	3,594,430	697,796
Loans/financing from subsidiary	354,124	3,642,798	687,875

44 FOREIGN EXCHANGE RISK (CONTINUED)

44.2 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
2019				
HKD	28	-	28	-
USD	(25)	-	(25)	-
SGD	45	1	45	1
	48	1	48	1
2018				
HKD	44	-	44	-
USD	(362)	-	(362)	-
SGD	76	5	76	5
	(242)	5	(242)	5

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1 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 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).

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

45.1 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
2019				
Assets				
Financial asset at FVOCI	-	2,308,565	-	2,308,565
Financial asset at FVTPL	-	141,383	-	141,383
Derivatives financial instruments	-	58,422	-	58,422
Liabilities				
Derivatives financial instruments	-	152,309	-	152,309
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

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 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

The carrying amount of cash and short-term funds 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 assets. 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 and subsidiaries

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.

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 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			
	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Amount due from counterparties	16,657,154	16,928,121	20,404,924	20,425,021
Islamic financing assets	10,842,232	10,913,242	10,029,953	10,015,154
Mortgage assets:				
- Conventional	4,836,313	5,524,220	5,344,710	5,876,416
- Islamic	5,510,428	6,386,388	5,915,527	6,709,264
Islamic hire purchase assets	136	250	781	822
	37,846,263	39,752,221	41,695,895	43,026,677
Financial liabilities				
Unsecured bearer bonds and notes	20,661,027	21,377,151	26,082,391	26,526,636
Sukuk	15,849,883	16,494,980	14,808,472	15,208,248
	36,510,910	37,872,131	40,890,863	41,734,884

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 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
		2019		2018
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Amount due from counterparties	16,657,154	16,928,121	20,404,924	20,425,021
Islamic financing assets	10,842,232	10,913,242	10,029,953	10,015,154
Mortgage assets:				
- Conventional	4,836,313	5,524,220	5,344,710	5,876,416
- Islamic	5,510,428	6,386,388	5,915,527	6,709,264
Islamic hire purchase assets	136	250	781	822
	37,846,263	39,752,221	41,695,895	43,026,677
Financial liabilities				
Unsecured bearer bonds and notes	18,067,241	18,724,109	21,401,449	21,842,505
Sukuk	15,849,883	16,494,980	14,808,472	15,208,248
Loans/financing from subsidiaries	2,594,966	2,628,073	4,684,797	4,721,641
	36,512,090	37,847,162	40,894,718	41,772,394

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 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.

46 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 and the Company. 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.

46 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
2019			
External revenue	1,313,343	713,207	2,026,550
External interest/profit expense	(1,058,954)	(531,558)	(1,590,512)
Profit from operations	164,724	153,274	317,998
Zakat	(673)	(253)	(926)
Taxation	(50,927)	(25,745)	(76,672)
Profit after taxation and zakat by segment	113,124	127,276	240,400
Segment assets	29,613,843	11,120,827	40,734,670
Segment liabilities	26,280,811	10,527,617	36,808,428
Other information:			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	4,599	1,728	6,327

46 SEGMENT REPORTING (CONTINUED)

			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 amortisation	3,161	1,157	4,318

46 SEGMENT REPORTING (CONTINUED)

			Company
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2019			
External revenue	1,313,343	713,207	2,026,550
Internal interest/profit expense	(129,954)	-	(129,954)
External interest/profit expense	(934,100)	(531,558)	(1,465,658)
Total interest/profit expense	(1,064,054)	(531,558)	(1,595,612)
Profit from operations	159,979	153,274	313,253
Zakat	(673)	(253)	(926)
Taxation	(49,756)	(25,746)	(75,502)
Profit after taxation and zakat by segment	109,550	127,275	236,825
Segment assets	29,597,920	11,120,825	40,718,745
Segment liabilities	26,280,483	10,527,617	36,808,100
Other information:			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	4,599	1,728	6,327

46 SEGMENT REPORTING (CONTINUED)

			Company
	PWR	PWOR	Total
	RM'000	RM'000	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 amortisation	3,161	1,157	4,318

47 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. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Before deducting proposed final dividend*				
CET I capital ratio	29.3	28.3	29.1	28.2
Tier I capital ratio	29.3	28.3	29.1	28.2
Total capital ratio	30.7	29.9	30.5	29.8
After deducting proposed final dividend*				
CET I capital ratio	29.1	28.1	29.0	28.0
Tier I capital ratio	29.1	28.1	29.0	28.0
Total capital ratio	30.5	29.7	30.4	29.6

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

47 CAPITAL ADEQUACY (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET1/Tier I capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,731,398	3,520,998	3,715,801	3,508,976
	3,881,398	3,670,998	3,865,801	3,658,976
Financial asset at FVOCI reserves	16,909	878	16,909	878
Deferred tax assets	(17,451)	(29,179)	(17,451)	(29,179)
Less : Regulatory reserves	(109,779)	(144,472)	(109,779)	(144,472)
	3,771,077	3,498,225	3,755,480	3,486,203
Tier II capital				
Allowance for impairment losses	71,037	53,182	71,037	53,182
Add : Regulatory reserves	109,779	144,472	109,779	144,472
Total Tier II capital	180,816	197,654	180,816	197,654
Total capital	3,951,893	3,695,879	3,936,296	3,683,857

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk	12,197,228	11,672,578	12,196,749	11,675,005
Operational risk	694,875	685,542	694,875	685,542
Total risk-weighted assets	12,892,103	12,358,120	12,891,624	12,360,547

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Cash and short-term funds	(a)	136,916	44,415	136,900	44,376
Derivative financial instruments		1,711	-	1,711	-
Financial asset at fair value through other comprehensive income (FVOCI)	(b)	461,841	357,129	461,841	357,129
Financing assets	(c)	10,842,232	9,493,458	10,842,232	9,493,458
Mortgage assets	(d)	5,507,533	5,911,950	5,507,533	5,911,950
Hire purchase assets	(e)	132	287	132	287
Tax recoverable		-	18,153	-	18,153
Other assets and prepayments		289,358	289,338	291,756	291,643
TOTAL ASSETS		17,239,723	16,114,730	17,242,105	16,116,996
LIABILITIES					
Sukuk	(f)	15,849,883	14,808,472	15,849,883	14,808,472
Derivative financial instruments		4,369	3,924	4,369	3,924
Deferred taxation		26,238	13,481	26,238	13,481
Provision for taxation		4,168	-	4,168	-
Other liabilities	(g)	9,989	10,459	8,918	9,404
TOTAL LIABILITIES		15,894,647	14,836,336	15,893,576	14,835,281
ISLAMIC OPERATIONS' FUNDS		1,345,076	1,278,394	1,348,529	1,281,715
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		17,239,723	16,114,730	17,242,105	16,116,996

48 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total income attributable		777,833	720,589	777,833	720,589
Income attributable to the Sukuk holders	(h)	(641,755)	(604,387)	(641,755)	(604,391)
Non-profit expense		(2,420)	(5,253)	(2,420)	(5,253)
Total net income attributable	(i)	133,658	110,949	133,658	110,945
Administration and general expenses		(108)	(4,665)	24	(4,456)
(Allowance)/write-back of impairment losses	(j)	(11,001)	3,457	(11,001)	3,457
PROFIT BEFORE TAXATION AND ZAKAT		122,549	109,741	122,681	109,946
Zakat		(926)	(1,584)	(926)	(1,584)
Taxation		(58,946)	(27,287)	(58,946)	(27,287)
PROFIT FOR THE FINANCIAL YEAR		62,677	80,870	62,809	81,075

48 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	62,677	80,870	62,809	81,075
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	4,505	231	4,505	231
- Deferred taxation	(1,082)	(55)	(1,082)	(55)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	766	1,730	766	1,730
- Deferred taxation	(184)	(415)	(184)	(415)
Other comprehensive gain for the financial year net of taxation	4,005	1,491	4,005	1,491
Total comprehensive income for the financial year	66,682	82,361	66,814	82,566

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS (CONTINUED)

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

		Non-distributable			Distributable	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Balance as at 1 January 2019	294,159	484	(2,739)	76,013	910,477	1,278,394
Profit for the financial year	-	-	-	-	62,677	62,677
Other comprehensive income	-	3,423	582	-	-	4,005
Total comprehensive income for the financial year	-	3,423	582	-	62,677	66,682
Transfer to retained profits	-	-	-	(17,452)	17,452	-
Balance as at 31 December 2019	294,159	3,907	(2,157)	58,561	990,606	1,345,076

48 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Non-distributable			Distributable	
	Allocated capital funds 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	821,965	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

48 ISLAMIC OPERATIONS (CONTINUED)

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

		Non-distributable			Distributable	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Balance as at 1 January 2019	294,159	484	(2,739)	76,013	913,798	1,281,715
Profit for the financial year	-	-	-	-	62,809	62,809
Other comprehensive Income	-	3,423	582	-	-	4,005
Total comprehensive income for the financial year	-	3,423	582	-	62,809	66,814
Transfer to retained profits	-	-	-	(17,452)	17,452	-
Balance as at 31 December 2019	294,159	3,907	(2,157)	58,561	994,059	1,348,529

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS (CONTINUED)

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

		Non-distributable			Distributable	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Balance as at 1 January 2018	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

48 ISLAMIC OPERATIONS (CONTINUED)

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		62,677	80,870	62,809	81,075
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- Financial asset at FVOCI		(4,568)	(10,536)	(4,568)	(10,536)
- Sukuk		(13,149)	(17,641)	(13,149)	(17,641)
Accretion of discount on:					
- Mortgage assets		(94,913)	(83,672)	(94,913)	(83,672)
- Hire purchases		-	(1)	-	(1)
Allowance/(write-back) of impairment losses on:					
- Cash and short-term funds		105	-	105	-
- Financial assets at FVOCI		9	-	9	-
- Financing assets		67	364	67	364
- Mortgage assets and hire purchase assets		10,820	(3,821)	10,820	(3,821)
Income from:					
- Financial asset at FVOCI		(10,788)	(12,306)	(10,788)	(12,306)
- Islamic operations		(667,559)	(614,063)	(667,559)	(614,063)
Income from derivatives		(46,307)	(47,221)	(46,307)	(47,221)
Profit attributable to Sukuk holders		641,755	604,387	641,755	604,391
Profit attributable to derivatives		47,423	49,153	47,423	49,153
Gain on disposal of financial asset at FVOCI		(22)	(10)	(22)	(10)
Taxation		58,946	27,287	58,946	27,287
Zakat		926	1,584	926	1,584
Operating loss before working capital changes		(14,578)	(25,626)	(14,446)	(25,417)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS (CONTINUED)

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Increase in financing assets		(1,354,168)	(3,927,912)	(1,354,168)	(3,927,912)
Decrease in mortgage assets		494,034	467,538	494,034	467,538
Decrease/(increase) in hire purchase assets		158	(102)	158	(102)
Increase in other assets and prepayments		(786,316)	(98)	(786,409)	(168)
Decrease in deferred financing		-	29	-	-
(Decrease)/increase in derivatives		(3,532)	590,600	(3,532)	590,600
Decrease in other liabilities		(661)	(1,055)	(677)	(1,183)
Cash utilised in operating activities		(1,665,063)	(2,896,626)	(1,665,040)	(2,896,644)
Profit received from assets		1,464,598	599,103	1,464,598	599,103
Profit received from derivatives		49,957	52,593	49,957	52,593
Profit paid on derivatives		(48,042)	(650,638)	(48,042)	(650,638)
Payment of:					
- Taxation		(25,134)	(35,436)	(25,134)	(35,436)
- Zakat		(734)	(927)	(734)	(927)
Net cash utilised in operations		(224,418)	(2,931,931)	(224,395)	(2,931,949)
INVESTING ACTIVITIES					
Purchase of financial asset at FVOCI		(1,110,495)	(2,460,905)	(1,110,495)	(2,460,905)
Net proceed from sale/ redemption of financial asset at FVOCI		1,003,564	2,690,000	1,003,564	2,690,000
Income received from financial asset at FVOCI		11,045	13,321	11,045	13,321
Net cash (generated from)/ utilised in investing activities		(95,886)	242,416	(95,886)	242,416

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS (CONTINUED)

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FINANCING ACTIVITY					
Proceed from issuance of Sukuk		3,995,000	6,020,000	3,995,000	6,020,000
Redemption of Sukuk		(2,932,000)	(2,812,053)	(2,932,000)	(2,660,000)
Repayment of financing from subsidiary		-	-	-	(152,025)
Profit paid to Sukuk holders		(650,195)	(584,107)	(650,195)	(584,149)
Net cash generated from financing activity		412,805	2,623,840	412,805	2,623,826
Net increase/(decrease) in cash and cash equivalents		92,501	(65,675)	92,524	(65,707)
Effect of foreign exchange translation		-	-	-	-
Cash and cash equivalents as at 1 January		44,415	110,090	44,376	110,083
Cash and cash equivalents as at 31 December		136,916	44,415	136,900	44,376
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	(a)	136,916	44,415	136,900	44,376
Less: Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		-	-	-	-
		136,916	44,415	136,900	44,376

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS (CONTINUED)

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

		Cash changes	Non-cash changes		
	Balance as at the beginning of financial year	Net cash flows from financing activities	Accrued profits	Amortisation/ (accretion)	Balance as at the end of financial year
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2019					
Sukuk	14,808,472	412,805	641,755	(13,149)	15,849,883
2018					
Sukuk	11,597,878	2,623,848	604,387	(17,641)	14,808,472
Company					
2019					
Sukuk	14,808,472	412,805	641,755	(13,149)	15,849,883
Financing from subsidiary	-	-	-	-	-
	14,808,472	412,805	641,755	(13,149)	15,849,883
2018					
Sukuk	11,445,035	2,776,687	604,391	(17,641)	14,808,472
Financing from subsidiary	152,882	(153,454)	572	-	-
	11,597,917	2,623,233	604,963	(17,641)	14,808,472

48 ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and short-term funds*

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances with bank and other financial institutions	638	156	622	117
Mudharabah money at call and deposit placements maturing within one month	136,383	44,259	136,383	44,259
Less:				
Allowance for impairment losses	(105)	-	(105)	-
	136,916	44,415	136,900	44,376

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

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

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

48 ISLAMIC OPERATIONS (CONTINUED)

(b) *Financial asset at FVOCI*

	Group and Company	
	2019	2018
	RM'000	RM'000
At fair value:		
Sukuk	73,908	140,316
Government investment issues	214,409	40,580
Quasi government Sukuk	173,524	176,233
	461,841	357,129
The maturity structure of financial asset at FVOCI as follows:		
Maturing within one year	281,479	127,394
One to three years	81,270	144,208
Three to five years	67,077	75,503
More than five years	32,024	10,024
	461,850	357,129
Less:		
Allowance for impairment losses	(9)	-
	461,841	357,129

As at 31 December 2019, all financial asset at FVOCI balances are within stage 1 allocation (12-months ECL). There was no ECL made for this category of asset as at 31 December 2018 as the impact is immaterial.

48 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	2019	2018
	RM'000	RM'000
(c) *Financing assets*		
Relating to:		
House financing	10,842,232	9,474,562
Personal financing	-	18,896
	10,842,232	9,493,458

The maturity structure of financing assets are as follows:

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

The gross carrying value of 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	
	2019	2018
	Stage 1	Stage 1
	RM'000	RM'000
At 1 January	586	222
Allowance during the year on new assets purchased	87	234
Loans derecognized during the period due to maturity of assets	(4)	-
Allowance during the year due to changes in credit risk	(16)	130
At 31 December	653	586

48 ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets*

	Group and Company 2019 RM'000	Group and Company 2018 RM'000
PWOR	5,507,533	5,911,950

The maturity structure of mortgage assets are as follows:

	2019 RM'000	2018 RM'000
Maturing within one year	731,377	731,760
One to three years	966,315	985,492
Three to five years	904,587	944,252
More than five years	3,556,641	3,979,259
	6,158,920	6,640,763
Less:		
Unaccreted discount	(609,645)	(704,559)
Net advance received	(6,665)	-
Allowance for impairment losses	(35,077)	(24,254)
	5,507,533	5,911,950

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

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2019		
Stage 1 (12-months ECL; non credit impaired)	6,106,971	20,344
Stage 2 (Lifetime ECL; non credit impaired)	15,036	2,497
Stage 3 (Lifetime ECL; credit impaired)	36,913	12,236
At 31 December	6,158,920	35,077
Impairment allowance over gross carrying value (%)		0.57
2018		
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

48 ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets*

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
2019				
At 1 January	8,477	775	15,002	24,254
Transfer between stages:				
Transfer to 12 months ECL (Stage 1)	7,951	(2,430)	(5,521)	-
Transfer to ECL not credit impaired (Stage 2)	(298)	648	(350)	-
Transfer to ECL credit impaired (Stage 3)	(6,057)	(72)	6,129	-
Total transfer between stages	1,596	(1,854)	258	-
Financing derecognised during the period (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	10,439	3,613	(915)	13,137
At 31 December	20,344	2,497	12,236	35,077

48 ISLAMIC OPERATIONS (CONTINUED)

(d) *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
2018				
At 1 January	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/ (write-back) 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

48 ISLAMIC OPERATIONS (CONTINUED)

(e) *Hire purchase assets*

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

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

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

48 ISLAMIC OPERATIONS (CONTINUED)

(e) *Hire purchase assets (continued)*

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 ISLAMIC OPERATIONS (CONTINUED)

(f) *Sukuk*

	Group and Company	
	2019	2018
	RM'000	RM'000
Commercial papers	906,587	406,358
Medium-term notes	14,943,296	14,402,114
	15,849,883	14,808,472
The maturity structure of Sukuk are as follows:		
Maturing within one year	3,764,836	2,156,534
One to three years	6,030,000	5,266,938
Three to five years	3,630,000	4,645,000
More than five years	2,425,047	2,740,000
	15,849,883	14,808,472

(g) *Other liabilities*

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Zakat	1,777	1,584	1,777	1,584
Other payables	8,212	8,875	7,141	7,820
	9,989	10,459	8,918	9,404

(h) *Income attributable to the Sukuk holders*

Mortgage assets	248,687	282,334	248,687	282,338
Hire purchase assets	188	214	188	214
Financing assets	392,880	321,839	392,880	321,839
	641,755	604,387	641,755	604,391
Income attributable to Sukuk Holders analysed by concept:				
Bai Al-Dayn	641,755	604,387	641,755	604,391

48 ISLAMIC OPERATIONS (CONTINUED)

(i) Total net income attributable

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income from:				
Mortgage assets	98,793	70,070	98,793	70,070
Hire purchase assets	(182)	30	(182)	30
Financing assets	17,792	18,726	17,792	18,722
Financial asset at FVOCI	15,356	27,376	15,356	27,376
Deposit and placements with financial institutions	4,319	-	4,319	-
Non-profit expense	(2,420)	(5,253)	(2,420)	(5,253)
	133,658	110,949	133,658	110,945
Total net income attributable analysed by concept are as follows:				
Ijarah	210	210	210	210
Murabahah	9,953	10,046	9,953	10,046
Bai Al-Dayn	113,983	83,574	113,983	83,570
Mudharabah	3,600	10,547	3,600	10,547
Musyarakah	1,962	1,438	1,962	1,438
Wakalah	1,950	1,950	1,950	1,950
Bai Bithaman Ajil	-	865	-	865
Wadiah Yad Dhamanah	-	1,471	-	1,471
Qard Al-Hasan	2,000	848	2,000	848
	133,658	110,949	133,658	110,945

(j) Capital adequacy

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Before deducting proposed final dividend*				
CET I	19.8	21.8	19.8	21.8
Tier I capital ratio	19.8	21.8	19.8	21.8
Total capital ratio	21.2	23.6	21.3	23.7
After deducting proposed* final dividend				
CET I capital ratio	19.8	21.8	19.8	21.8
Tier I capital ratio	19.8	21.8	19.8	21.8
Total capital ratio	21.2	23.6	21.3	23.7

48 ISLAMIC OPERATIONS (CONTINUED)

(k) Capital adequacy (continued)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET I/Tier I capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	1,049,167	986,490	1,052,620	989,811
	1,343,326	1,280,649	1,346,779	1,283,970
Less: Regulatory reserves	(58,561)	(76,013)	(58,561)	(76,013)
Financial asset at FVOCI reserves	1,758	218	1,758	218
Deferred tax assets	(5,985)	(6,850)	(5,985)	(6,850)
Total CET I/Tier I capital	1,280,538	1,198,004	1,283,991	1,201,325
Tier II capital:				
Add: Regulatory reserves	58,561	76,013	58,561	76,013
Allowance for impairment losses	35,864	24,854	35,864	24,854
Total Tier II capital	94,425	100,867	94,425	100,867
Total capital	1,374,963	1,298,871	1,378,416	1,302,192
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	6,244,654	5,260,917	6,247,049	5,263,214
Operational risk	233,760	238,453	233,760	238,453
Total risk-weighted assets	6,478,414	5,499,370	6,480,808	5,501,667

** 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.

48 ISLAMIC OPERATIONS (CONTINUED)

(l) Shariah advisor

The Group and the Company consult an independent Shariah advisor on an ad-hoc basis for all the 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 the Islamic products.

49 APPROVAL OF FINANCIAL STATEMENTS

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

Registration No.
198601008739
(157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

We, Dato' Bakarudin bin Ishak 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 152 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 2019 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.

DATO' BAKARUDIN BIN ISHAK
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

Registration No.

198601008739 (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 152 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 29 April 2020.

Before me,
COMMISSIONER FOR OATHS

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(Incorporated in Malaysia)
(Registration No. 198601008739 (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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 152.

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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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 198601008739 (157931 A))

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the financial statements

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 198601008739 (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 of the Company's internal control.

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

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 198601008739 (157931 A))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

This report is made solely to the 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
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
29 April 2020