

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Lodged by:
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 2020.

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

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	<u>223,922</u>	<u>223,941</u>

DIVIDENDS

The dividends paid by the Company since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019,	
- A final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 5 May 2020	22,500
In respect of the financial year ended 31 December 2020,	
- An interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 3 September 2020	7,500
	<u>30,000</u>

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DIRECTORS' REPORT (CONTINUED)

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 2020 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 gA2/Stable/gP1 , $\text{...AAA/Stable/...P1}$ 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_s and MARC-1/MARC-1_s respectively. Moody's Investors Service ("Moody's") has assigned long term local and foreign currency issuer ratings of A3 that is in line with Malaysian sovereign ratings.

In addition, RAM and Moody's have maintained the ratings of gA2(s) 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 bearer bonds and sukuk are done with various financial institutions including those who are substantial shareholders of Cagamas Holdings Berhad ("CHB").

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DIRECTORS' REPORT (CONTINUED)

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 Ishak (Chairman)	
Dato' Halipah Esa	
Dato' Wee Yiau Hin	
Datuk Azizan Haji Abd Rahman	
Ho Chai Huey	
Datuk Seri Tajuddin Atan	(appointed w.e.f. 1 May 2020)
Datuk Chung Chee Leong	
Dato' Md Agil Mohd Natt	(retired w.e.f. 1 May 2020)
Philip Tan Puay Koon	(retired w.e.f. 12 August 2020)

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' Wee Yiau Hin and Datuk Azizan Haji Abd Rahman retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 23.2 of the Company's Constitution, Datuk Seri Tajuddin Atan 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 a party to any arrangements whose object or objects were to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Group and the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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DIRECTORS' REPORT (CONTINUED)

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.

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.

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DIRECTORS' REPORT (CONTINUED)

SUBSIDIARIES

Details of subsidiaries are set in Note 17 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 2020

Cagamas recorded RM7.0 billion of purchases of loans and financing under PWR scheme (2019: RM5.0 billion) and no purchase of loans under PWOR scheme (2019: Nil). Cagamas' net outstanding loans and financing declined by 12.2% to RM33.2 billion (2019: RM37.8 billion). As at the end of 2020, residential mortgage dominated Cagamas' portfolio at 98.0% (2019: 98.6%) and followed by hire purchase loans and financing at 2.0% (2019: 1.4%). Cagamas' Islamic asset portfolio against conventional assets increased to a ratio of 45:55 (2019: 43:57), while PWR and PWOR loans and financing portfolios were at 68% and 32% respectively (2019: 70% and 30% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.61% (2019: 0.72%), while net impaired loans and financing is at 0.09% (2019: 0.11%).

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of the significant event during the financial year are set out in Note 51 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Details of the subsequent event after the financial year are set out in Note 52 to the financial statements.

AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out in Note 35 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

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 25 March 2021.

Signed on behalf of the Board of Directors:



DATO' BAKARUDIN ISHAK
CHAIRMAN



DATUK CHUNG CHEE LEONG
DIRECTOR

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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	5	109,071	341,307	89,848	322,000
Deposits and placements with financial institutions	6	102,886	-	102,886	-
Financial asset at fair value through profit or loss (FVTPL)	7	193,466	141,383	193,466	141,383
Financial asset at fair value through other comprehensive income (FVOCI)	8	2,383,316	2,308,565	2,383,316	2,308,565
Derivative financial instruments	9	57,904	58,422	57,904	58,422
Amount due from counterparties	10	14,069,195	16,657,154	14,069,195	16,657,154
Islamic financing assets	11	9,662,661	10,842,232	9,662,661	10,842,232
Mortgage assets					
- Conventional	12	4,366,916	4,836,313	4,366,916	4,836,313
- Islamic	13	5,115,509	5,510,428	5,115,509	5,510,428
Hire purchase assets					
- Islamic	14	34	136	34	136
Amount due from					
- Related company		1,375	1,420	1,375	1,420
- Subsidiaries	15	-	-	3,565	3,431
Other assets	16	7,431	8,027	7,417	7,978
Tax recoverable		87,885	-	87,885	-
Investment in subsidiaries	17	-*	-*	-*	-*
Property and equipment	18	3,245	3,923	3,245	3,923
Intangible assets	19	20,344	21,380	20,344	21,380
Right-of-use asset	20	3,043	3,980	3,043	3,980
TOTAL ASSETS		36,184,281	40,734,670	36,168,609	40,718,745
LIABILITIES					
Short-term borrowings		125,145	-	125,145	-
Derivative financial instruments	9	45,963	152,309	45,963	152,309
Other liabilities	21	133,305	121,688	132,896	121,351
Lease liability	22	4,583	4,791	4,583	4,791
Provision for taxation		41	18,170	-	16,999
Deferred taxation	23	170,080	560	170,080	560
Loans/financing from subsidiaries	24	-	-	671,757	2,594,966
Unsecured bearer bonds and notes	25	17,482,979	20,661,027	16,811,578	18,067,241
Sukuk	26	14,063,392	15,849,883	14,063,392	15,849,883
TOTAL LIABILITIES		32,025,488	36,808,428	32,025,394	36,808,100
Share capital	27	150,000	150,000	150,000	150,000
Reserves	28	4,008,793	3,776,242	3,993,215	3,760,645
SHAREHOLDER'S FUNDS		4,158,793	3,926,242	4,143,215	3,910,645
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		36,184,281	40,734,670	36,168,609	40,718,745
NET TANGIBLE ASSETS PER SHARE (RM)	29	27.59	26.02	27.49	25.93

*denotes USD1 in CGP and RM2 in CGS.

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

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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Interest income	30	958,480	1,248,717	958,480	1,248,717
Interest expense	31	(736,376)	(951,279)	(736,749)	(956,380)
Income from Islamic operations	49	112,549	133,658	112,549	133,658
Non-interest income/(expense)	32	8,766	(38,834)	8,766	(38,841)
		<u>343,419</u>	<u>392,262</u>	<u>343,046</u>	<u>387,154</u>
Personnel costs	33	(31,298)	(31,308)	(31,298)	(31,308)
Administration and general expenses		(25,684)	(24,930)	(25,334)	(24,567)
OPERATING PROFIT		<u>286,437</u>	<u>336,024</u>	<u>286,414</u>	<u>331,279</u>
Write-back/(allowance) of impairment losses	34	14,954	(18,026)	14,954	(18,026)
PROFIT BEFORE TAXATION AND ZAKAT	35	<u>301,391</u>	<u>317,998</u>	<u>301,368</u>	<u>313,253</u>
Zakat		(1,255)	(926)	(1,255)	(926)
Taxation	37	(76,214)	(76,672)	(76,172)	(75,502)
PROFIT FOR THE FINANCIAL YEAR		<u>223,922</u>	<u>240,400</u>	<u>223,941</u>	<u>236,825</u>
EARNINGS PER SHARE (SEN)	29	<u>149.28</u>	<u>160.27</u>	<u>149.29</u>	<u>157.88</u>

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**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	223,922	240,400	223,941	236,825
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	45,811	46,874	45,811	46,874
- Deferred taxation	(10,976)	(11,250)	(10,976)	(11,250)
Cash flow hedge				
- Net gain on cash flow hedge	4,992	56,550	4,992	56,550
- Deferred taxation	(1,198)	(13,572)	(1,198)	(13,572)
Other comprehensive income for the financial year, net of taxation	38,629	78,602	38,629	78,602
Total comprehensive income for the financial year	262,551	319,002	262,570	315,427

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Group	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable				Distributable		Total equity RM'000
			Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000			
Balance as at 1 January 2020		150,000	37,576	7,268	109,779	3,621,619		3,926,242	
Profit for the financial year	28	-	-	-	-	223,922	-	223,922	223,922
Other comprehensive income		-	34,835	3,794	-	-	-	-	38,629
Total comprehensive income for the financial year		-	34,835	3,794	-	223,922		262,551	
Transfer to retained profits	38	-	-	-	(10,001)	10,001		-	-
Dividends paid		-	-	-	-	(30,000)		(30,000)	(30,000)
Balance as at 31 December 2020		150,000	72,411	11,062	99,778	3,825,542		4,158,793	

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Group	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable				Distributable		Total equity RM'000
			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		
Balance as at 1 January 2019		150,000		1,952	(35,710)	144,472	3,376,526		3,637,240
Profit for the financial year	28	-	-	-	-	-	240,400		240,400
Other comprehensive income		-	35,624		42,978	-	-		78,602
Total comprehensive income for the financial year		-		35,624	42,978	-	240,400		319,002
Transfer to retained profits	38	-	-	-	-	(34,693)	34,693		-
Dividends paid		-	-	-	-	-	(30,000)		(30,000)
Balance as at 31 December 2019		150,000		37,576	7,268	109,779	3,621,619		3,926,242

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable				Distributable	Total equity RM'000
			Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000		
Company								
Balance as at 1 January 2020		150,000		37,576	7,268	109,779	3,606,022	3,910,645
Profit for the financial year	28	-	-	-	-	-	223,941	223,941
Other comprehensive income		-	34,835		3,794	-	-	38,629
Total comprehensive income for the financial year		-	34,835		3,794	-	223,941	262,570
Transfer to retained profits	38	-	-	-	-	(10,001)	10,001	-
Dividends paid		-	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2020		150,000	72,411		11,062	99,778	3,809,964	4,143,215

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable				Distributable		Total equity RM'000
			Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits 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 year	28	-	-	-	-	236,825			236,825
Other comprehensive income		-	35,624	42,978	-	-			78,602
Total comprehensive income for the financial year		-	35,624	42,978	-	236,825			315,427
Transfer to retained profits	38	-	-	-	(34,693)	34,693			-
Dividends paid		-	-	-	-	(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 CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>Group</u>		<u>Company</u>	
<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before taxation and zakat	301,391	317,998	301,368	313,253
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	(6,532)	(9,810)	(6,532)	(9,810)
- Unsecured bearer bonds and notes	(3,410)	(3,598)	(3,410)	(3,598)
- Sukuk	(7,568)	(13,149)	(7,568)	(13,149)
Accretion of discount on:				
Mortgage assets				
- Conventional	(98,980)	(118,376)	(98,980)	(118,376)
- Islamic	(86,903)	(94,928)	(86,903)	(94,928)
Allowance/(write-back) for impairment losses on:				
- Cash and short-term funds	(105)	105	(105)	105
- Financial asset at FVOCI	(51)	128	(51)	128
- Amount due from counterparties/ Islamic financing assets	(594)	18	(594)	18
- Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets	(14,204)	17,775	(14,204)	17,775
Interest income	(859,224)	(1,125,099)	(859,224)	(1,125,099)
Income from derivatives	(101,763)	(250,423)	(101,763)	(250,423)
Income from Islamic operations	(699,938)	(678,337)	(699,938)	(678,337)
Interest expense	737,346	948,756	737,719	953,857
Interest expense on derivatives	110,754	261,346	110,754	261,346
Profit attributable to sukuk holders	666,583	641,755	666,583	641,755
Profit attributable to derivatives	38,293	47,423	38,293	47,423
Depreciation of property and equipment	1,582	1,828	1,582	1,828
Amortisation of intangible assets	3,608	3,563	3,608	3,563
Amortisation of right-of-use asset	937	936	937	936
Interest on lease liability	2,441	2,523	2,441	2,523
<u>Gain on disposal of:</u>				
- Property and equipment	(10)	(23)	(10)	(23)
- Financial asset at FVOCI	(9,467)	(7,636)	(9,467)	(7,636)
Operating loss before working capital changes	(25,814)	(57,225)	(25,464)	(56,869)

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STATEMENTS OF CASH FLOWS
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		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
Change in deposits and placements with financial institutions		(102,861)	-	(102,861)	-
Change in amount due from counterparties		2,531,678	3,785,374	2,531,678	3,785,374
Change in Islamic financing assets		1,169,597	(813,711)	1,169,597	(813,711)
Change in mortgage assets:					
- Conventional		567,569	627,799	567,569	627,799
- Islamic		478,637	494,735	478,637	494,735
Change in Islamic hire purchase assets		103	647	103	647
Change in other assets		596	(7,524)	562	(5,552)
Change in deferred financing fees		535	2,353	-	-
Change in derivatives		6,983	357,238	8,049	351,846
Change in short-term borrowings		124,826	-	124,826	-
Change in other liabilities		11,332	39,421	11,125	40,287
Cash generated from/(utilised in) operations		4,763,181	4,429,107	4,763,821	4,424,556
Interest received		848,685	1,089,409	848,685	1,089,409
Profit received from Islamic assets		679,871	659,065	679,871	659,065
Interest received on derivatives		118,301	208,544	118,301	208,544
Profit received on derivatives		45,712	49,957	45,712	49,957
Interest paid		(348)	(884)	(348)	(884)
Interest paid on derivatives		(133,898)	(267,785)	(133,898)	(267,785)
Profit paid on derivatives		(44,003)	(48,042)	(44,003)	(48,042)
Payment of:					
- Zakat		(926)	(734)	(926)	(734)
- Taxation		(24,880)	(69,301)	(23,710)	(69,281)
Net cash generated from operating activities		6,251,695	6,049,336	6,253,505	6,044,805
INVESTING ACTIVITIES					
Purchase of:					
- Financial asset at FVTPL		(280,000)	(142,766)	(280,000)	(142,766)
- Financial asset at FVOCI		(3,518,392)	(3,234,578)	(3,518,392)	(3,234,578)
Net proceeds from sale/redemption of:					
- Financial asset at FVTPL		226,006	-	226,006	-
- Financial asset at FVOCI		3,495,295	3,390,912	3,495,295	3,390,912
Purchase of:					
- Property and equipment		(904)	(1,058)	(904)	(1,058)
- Intangible assets		(2,572)	(2,094)	(2,572)	(2,094)
Income received from:					
- Financial asset at FVTPL		2,713	1,383	2,713	1,383
- Financial asset at FVOCI		85,852	81,546	85,852	81,546
Proceeds from disposal of property and equipment		10	23	10	23

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
Net cash generated from investing activities		8,008	93,368	8,008	93,368
FINANCING ACTIVITIES					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Proceeds from issuance of:					
- Unsecured bearer bonds and notes		8,581,426	6,247,983	8,185,000	6,246,792
- Sukuk		3,085,000	3,995,000	3,085,000	3,995,000
Proceeds from loans/financing from subsidiaries		-	-	396,426	-
Redemption of:					
- Unsecured bearer bonds and notes		(11,802,132)	(11,613,748)	(9,395,000)	(9,526,791)
- Sukuk		(4,845,000)	(2,932,000)	(4,845,000)	(2,932,000)
Repayment of loans/financing from subsidiaries		-	-	(2,407,132)	(2,080,375)
Interest paid		(793,078)	(1,002,576)	(794,804)	(1,007,997)
Profit paid to sukuk holders		(685,506)	(650,195)	(685,506)	(650,195)
Lease rental paid		(2,649)	(2,648)	(2,649)	(2,648)
Net cash utilised in financing activity		(6,491,939)	(5,988,184)	(6,493,665)	(5,988,214)
Net change in cash and cash equivalents		(232,236)	154,520	(232,152)	149,959
Effect of foreign exchange translation		-	(5)	-	(5)
Cash and cash equivalents as at 1 January		341,307	186,792	322,000	172,046
Cash and cash equivalents as at 31 December		109,071	341,307	89,848	322,000

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 2020 (CONTINUED)

Group	Lease liability RM'000	Loans/ financing from subsidiaries RM'000	Unsecured bonds and notes RM'000	Sukuk RM'000	Total RM'000
2020					
As at 1 January	4,791	-	20,661,027	15,849,883	36,515,701
Proceeds from issuance	-	-	8,581,426	3,085,000	11,666,426
Repayment and redemption	(2,649)	-	(11,802,132)	(4,845,000)	(16,649,781)
Interest/profit paid	-	-	(793,078)	(685,506)	(1,478,584)
Exchange fluctuation	-	-	101,931	-	101,931
Other non-cash movement	2,441	-	733,269	659,015	1,394,725
As at 31 December	4,583	-	17,482,443	14,063,392	31,550,418
2019					
As at 1 January	-	-	26,082,391	14,808,472	40,890,863
Effect of adopting MFRS 16	4,916	-	-	-	4,916
As at 1 January 2019, as restated	4,916	-	26,082,391	14,808,472	40,895,779
Proceeds from issuance	-	-	6,247,983	3,995,000	10,242,983
Repayment and redemption	(2,648)	-	(11,608,357)	(2,932,000)	(14,543,005)
Interest/profit paid	-	-	(1,002,576)	(650,195)	(1,652,771)
Exchange fluctuation	-	-	(5,041)	-	(5,041)
Other non-cash movement	2,523	-	946,627	628,606	1,577,756
As at 31 December	4,791	-	20,661,027	15,849,883	36,515,701

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 2020 (CONTINUED)

Company	Lease liability RM'000	Loans/ financing from subsidiaries RM'000	Unsecured bonds and notes RM'000	Sukuk RM'000	Total RM'000
2020					
As at 1 January	4,791	2,594,967	18,067,241	15,849,883	36,516,882
Proceeds from issuance	-	396,426	8,185,000	3,085,000	11,666,426
Repayment and redemption	(2,649)	(2,407,132)	(9,395,000)	(4,845,000)	(16,649,781)
Interest/profit paid	-	(52,978)	(741,826)	(685,506)	(1,480,310)
Exchange fluctuation	-	102,996	-	-	102,996
Other non-cash movement	2,441	37,479	696,163	659,015	1,395,098
As at 31 December	4,583	671,758	16,811,578	14,063,392	31,551,311
2019					
As at 1 January	-	4,684,797	21,401,449	14,808,472	40,894,718
Effect of adopting MFRS 16	4,916	-	-	-	4,916
As at 1 January 2019, as restated	4,916	4,684,797	21,401,449	14,808,472	40,899,634
Proceeds from issuance	-	-	6,246,790	3,995,000	10,241,790
Repayment and redemption	(2,648)	(2,080,374)	(9,526,790)	(2,932,000)	(14,541,812)
Interest/profit paid	-	(134,369)	(873,629)	(650,195)	(1,658,193)
Exchange fluctuation	-	(5,041)	-	-	(5,041)
Other non-cash movement	2,523	129,954	819,241	628,606	1,580,504
As at 31 December	4,791	2,594,967	18,067,241	15,849,883	36,516,882

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

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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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 3 to the financial statements.

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

The Group and the Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of these standards and amendments did not have any impact on the current period or any prior period.

(b) Standards and amendments that have been issued but not yet effective:

The Group and the Company plan to apply the following amendments to accounting standards when they become effective in the respective financial periods. The initial application of these amendments are not expected to have any material impact to the financial statements of the Group and the Company.

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards and amendments that have been issued but not yet effective (continued):

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards and amendments that have been issued but not yet effective (continued):

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12-month after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

(c) Interbank Offered Rate ("IBOR") reform

The Group and the Company has established an IBOR Transition Working Group to implement the transition. The key objectives of the IBOR Transition Working Group include identifying all contracts affected by the benchmark reform, upgrading internal systems to support business in the alternative risk free rates ("RFRs") product suite, identifying and communicating to customers with whom repricing and/or re-papering IBOR-referenced contracts are required and executing the necessary change in contracts. The Group and the Company is closely monitoring the development of IBOR transition and will make adjustments into to the contracts according to industry widely accepted practices.

The Group and the Company has applied the following relief from hedge accounting requirements as a result of the amendments made to MFRS 9:

- When considering the 'highly probable' requirement, the Group and the Company assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the IBOR reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group and the Company assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the IBOR reform.

In applying the amendments, the Group and the Company assume that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group and the Company also assume that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Interbank Offered Rate ("IBOR") reform (continued)

Certain IBOR rates are subject to replacement by RFRs. The Group and the Company has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks being USD LIBOR.

As at 31 December 2020, the notional amount of hedging instruments referencing USD LIBOR is USD28.0 million for the Group and the Company.

The Phase 2 amendments (effective after financial year beginning 1 January 2021) require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. These amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform. Management is still in the midst of assessing the impact.

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 122²⁰⁰⁴ 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

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

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

2.3 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 3 details out the critical accounting estimates and assumptions.

2.6 Property and equipment and depreciation

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

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

Office equipment – 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 derecognition

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").

Debt instruments

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, deposits and placements with financial institutions, 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 other comprehensive income ("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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

(c) Measurement (continued)

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.

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;
- Financial asset at FVOCI; and
- Money market instruments

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

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.

Under MFRS 9, impairment model requires the recognition of ECL for all financial assets, except for financial asset classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment.

General approach

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

- **Stage 1: 12-month ECL – not credit impaired**
For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12-month will be recognised.
- **Stage 2: Lifetime ECL – not credit impaired**
For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.
- **Stage 3: Lifetime ECL – credit impaired**
Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. A lifetime ECL will be recognised for financial assets that have become credit impaired. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

Simplified approach

For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

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.

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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 unlikelihood 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 reorganization
- the debtor is insolvent

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 asset at FVOCI, 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.

2.9 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss and are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.16 on hedge accounting.

(b) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in income statements over the period of the borrowings using the effective interest method. All other borrowing costs are recognised in income statements in the period in which they are incurred.

Borrowings measured at amortised cost are short-term borrowings, unsecured bearer bonds and notes and sukuk.

(c) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest rate. Other financial liabilities measured at amortised cost are deferred guarantee fee income, deferred Wakalah fee income and other liabilities.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.12 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.

2.13 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.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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.

2.17 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 9 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedge accounting (continued)

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.

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 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 that was reported in equity is immediately reclassified to income statements under "Non-interest income/(expense)".

2.18 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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-month, 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 for the financial year is 2.5% (2019: 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.

2.20 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ...

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2.23 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Contingent liabilities and contingent assets

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

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

2.25 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.

2.26 Leases

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).

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

Lease term (continued)

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.

ROU assets

ROU assets are initially measured at cost comprising the following:

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

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group 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.

Lease liabilities

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

Lease liabilities (continued)

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 asset in a similar economic environment with similar term, security and conditions.

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

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

The Group 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-month 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 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 financial asset at FVTPL, FVOCI and derivatives (Note 7, 8 and 9)

The estimates and assumptions considered most likely to have an impact on the Group's and the Company's results and financial positions are those relating to the fair valuation of derivatives, unquoted financial asset at FVTPL and 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 (Note 12, 13 and 14)

The Group and the Company make allowances for losses on mortgage assets and 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 (Note 12, 13 and 14)

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) MFRS 16 Leases (Note 20 and 22)

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.

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4 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.

4.1 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 monitoring and reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

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4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 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, stipulate prudent eligibility criteria and conduct 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.

4.3 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.

4.4 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.4 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.

4.5 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 minimises 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.

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5 CASH AND SHORT-TERM FUNDS

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institution	19,716	110,911	493	91,604
Money at call and deposits and placements maturing with maturity less than 3 months	35,892	94,118	35,892	94,118
Mudharabah money at call and deposits and placements maturing with maturity less than 3 months	53,463	136,383	53,463	136,383
	<u>109,071</u>	<u>341,412</u>	<u>89,848</u>	<u>322,105</u>
Less: Allowance for impairment losses	-	(105)	-	(105)
	<u>109,071</u>	<u>341,307</u>	<u>89,848</u>	<u>322,000</u>

The gross carrying value of cash and short-term funds and the impairment allowance are within Stage 1 allocation. Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	105	-
(Write-back)/allowance during the year	(105)	105
As at 31 December	<u>-</u>	<u>105</u>

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6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	102,886	-	102,886	-

The gross carrying value of deposits and placements with financial institution are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2020 (2019: Nil).

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

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
Unit Trust	193,466	141,383

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

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Debt instruments</u>		
Malaysian Government securities	479,266	293,486
Corporate bonds	311,979	281,064
Government investment issues	808,610	676,051
Sukuk	386,744	564,499
Quasi Government Sukuk	396,717	493,465
	<u>2,383,316</u>	<u>2,308,565</u>

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

Maturing within one year	342,574	587,652
One to three years	727,173	538,057
Three to five years	334,100	500,125
More than five years	979,469	682,859
	<u>2,383,316</u>	<u>2,308,693</u>
Less: Allowance for impairment losses	-	(128)
	<u>2,383,316</u>	<u>2,308,565</u>

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

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. In 2020, the ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The gross carrying value of financial asset at FVOCI by stage of allocation are as follows:

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
2020		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	2,383,316	77
As at 31 December	<u>2,383,316</u>	<u>77</u>
2019		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	2,263,449	128
Stage 3 (Lifetime ECL; credit impaired)	45,244	-
As at 31 December	<u>2,308,693</u>	<u>128</u>

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.

Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2020 RM'000	2019 RM'000
<u>Stage 1</u>		
As at 1 January	128	-
Allowance during the year on new assets purchased	30	-
Loans derecognised during the year due to maturity of assets	(23)	-
(Write-back)/allowance during the year due to changes in credit risk	(58)	128
As at 31 December	<u>77</u>	<u>128</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 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/profit 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/sukuk holders.

CCS and ICCS are 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").

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9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The effectiveness is assessed by comparing the changes in fair value of the interest/profit rate swaps and cross currency swaps with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group and the Company established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follows:

- Differences in timing of cash flows between hedged item, interest/profit rate swaps and cross currency swaps;
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument; and
- Counterparty credit risk which impacts the fair value of interest/profit rate swaps and cross currency swaps but not the hedged items.

The table below summarises the derivatives financial instruments entered by the Group and the Company which are all used as hedging instruments in cash flow hedges.

	2020			Group and Company 2019		
	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	1,100,000	13,994	(2,803)	1,560,000	1,710	(5,603)
One to three years	1,355,000	-	(41,133)	1,645,000	7,265	(15,677)
Three to five years	-	-	-	110,000	-	(10,499)
More than five years	160,000	38,802	-	160,000	20,725	-
	<u>2,615,000</u>	<u>52,796</u>	<u>(43,936)</u>	<u>3,475,000</u>	<u>29,700</u>	<u>(31,779)</u>
CCS						
Maturing within one year	669,927	5,108	(2,027)	2,399,965	20,537	(120,530)
One to three years	-	-	-	273,687	8,185	-
	<u>669,927</u>	<u>5,108</u>	<u>(2,027)</u>	<u>2,673,652</u>	<u>28,722</u>	<u>(120,530)</u>
	<u>3,284,927</u>	<u>57,904</u>	<u>(45,963)</u>	<u>6,148,652</u>	<u>58,422</u>	<u>(152,309)</u>

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9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	Group and Company						
	Nominal amount RM'000	Fair value*		Changes in fair value used for calculating hedging effectiveness RM'000	Changes in fair value recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in income statement** RM'000	Amount reclassified from hedge reserve to income statement*** RM'000
		Assets RM'000	Liabilities RM'000				
<u>2020</u>							
<u>Interest rate risk</u>							
Interest rate swap	2,070,000	52,796	(34,649)	20,392	20,392	-	-
Islamic profit rate swap	545,000	-	(9,287)	(8,750)	(8,750)	-	-
<u>Foreign exchange risk</u>							
Cross currency interest rate swaps	669,927	5,108	(2,027)	2,914	(80,375)	-	73,725

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

** All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Non-interest income/(expense)' in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows (continued):

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.
 ** All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Non-interest income/(expense)' in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedged items are as follows:

	Line item in the statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge effectiveness RM'000	Cash flow hedge reserve RM'000	Group and Company Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied RM'000
<u>2020</u>				
<u>Interest/profit rate/foreign exchange risk</u>				
Floating rate financial assets	Amount due from counterparties	(4,829)	(3,670)	-
Floating rate financial assets	Islamic financing assets	-	-	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	56,624	43,034	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(28,489)	(21,652)	-
Fixed rate financial liabilities	Sukuk	(8,750)	(6,650)	-
<u>2019</u>				
<u>Interest rate/foreign exchange risk</u>				
Floating rate financial assets	Amount due from counterparties	(104,219)	(79,207)	-
Floating rate financial assets	Islamic financing assets	1,362	1,035	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	135,765	103,182	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(19,144)	(14,549)	-
Fixed rate financial liabilities	Sukuk	(4,201)	(3,193)	-

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9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Reconciliation of components of equity

The following table provides reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Cash flow hedge</u>		
As at 1 January	7,268	(35,710)
Effective portion of changes in fair value:		
- Interest rate risk	(68,733)	83,151
Net amount reclassified to profit or loss:		
- Foreign exchange fluctuations (Note 32)	73,725	(26,601)
Income tax effects	(1,198)	(13,572)
As at 31 December	<u>11,062</u>	<u>7,268</u>

10 AMOUNT DUE FROM COUNTERPARTIES

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Relating to:</u>		
Mortgage loans	13,397,099	16,114,190
Hire purchase and leasing debts	672,096	542,964
	<u>14,069,195</u>	<u>16,657,154</u>

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

Maturing within one year	6,093,353	7,491,962
One to three years	7,338,049	8,527,330
Three to five years	226,133	-
More than five years	411,679	637,921
	<u>14,069,214</u>	<u>16,657,213</u>
Less: Allowance for impairment losses	(19)	(59)
	<u>14,069,195</u>	<u>16,657,154</u>

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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-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	59	67
Allowance during the year on new assets purchased	11	22
Loans derecognised during the year due to maturity of assets	(9)	(18)
Write-back during the year due to changes in credit risk	(42)	(12)
As at 31 December	<u>19</u>	<u>59</u>

11 ISLAMIC FINANCING ASSETS

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Relating to:</u>		
Islamic house financing	<u>9,662,661</u>	<u>10,842,232</u>
<u>The maturity structure Islamic financing assets are as follows:</u>		
Maturing within one year	3,528,607	2,513,118
One to three years	5,218,907	5,823,131
Three to five years	915,246	2,506,636
	<u>9,662,760</u>	<u>10,842,885</u>
Less: Allowance for impairment losses	<u>(99)</u>	<u>(653)</u>
	<u>9,662,661</u>	<u>10,842,232</u>

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

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	653	627
Allowance during the year on new assets purchased	3	87
Loans derecognised during the year due to maturity of assets	(3)	(45)
Write-back during the year due to changes in credit risk	(554)	(16)
As at 31 December	<u>99</u>	<u>653</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) --

12 MORTGAGE ASSETS – CONVENTIONAL

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Purchase without recourse ("PWOR")	<u>4,366,916</u>	<u>4,836,313</u>
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	729,768	770,697
One to three years	923,536	949,648
Three to five years	774,026	810,201
More than five years	<u>1,965,556</u>	<u>2,340,760</u>
	4,392,886	4,871,306
Less:		
Allowance for impairment losses	<u>(25,970)</u>	<u>(34,993)</u>
	<u>4,366,916</u>	<u>4,836,313</u>

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage of allocation:		
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	4,358,528	15,154
Stage 2 (Lifetime ECL; non-credit impaired)	1,599	307
Stage 3 (Lifetime ECL; credit impaired)	<u>32,759</u>	<u>10,509</u>
As at 31 December	<u>4,392,886</u>	<u>25,970</u>
Impairment allowance over gross carrying value (%)		<u>0.59</u>
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	4,805,936	17,640
Stage 2 (Lifetime ECL; non-credit impaired)	20,438	2,932
Stage 3 (Lifetime ECL; credit impaired)	<u>44,932</u>	<u>14,421</u>
As at 31 December	<u>4,871,306</u>	<u>34,993</u>
Impairment allowance over gross carrying value (%)		<u>0.72</u>

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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
2020				
As at 1 January	17,640	2,932	14,421	34,993
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	125	(2,637)	(6,931)	(9,443)
- Transfer to ECL not credit impaired (Stage 2)	(5)	299	(69)	225
- Transfer to ECL credit impaired (Stage 3)	(61)	(126)	5,323	5,136
Total transfer between stages	59	(2,464)	(1,677)	(4,082)
Loans derecognised during the year (other than write-offs)	(287)	(143)	(1,001)	(1,431)
Write-back during the year due to changes in credit risk	(2,258)	(18)	(111)	(2,387)
Amount written off	-	-	(1,123)	(1,123)
As at 31 December	15,154	307	10,509	25,970
2019				
As at 1 January	7,687	1,200	19,323	28,210
Transfer between stages:				
- Transfer to 12-month 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 year (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)
As at 31 December	17,640	2,932	14,421	34,993

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13 MORTGAGE ASSETS – ISLAMIC

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR	<u>5,115,509</u>	<u>5,510,428</u>

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

Maturing within one year	637,751	638,625
One to three years	806,481	817,499
Three to five years	766,538	786,254
More than five years	<u>2,933,185</u>	<u>3,303,134</u>
	<u>5,143,955</u>	<u>5,545,512</u>
Less:		
Allowance for impairment losses	<u>(28,446)</u>	<u>(35,084)</u>
	<u>5,115,509</u>	<u>5,510,428</u>

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage of allocation:		
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,110,791	18,051
Stage 2 (Lifetime ECL; non-credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	<u>31,431</u>	<u>10,083</u>
As at 31 December	<u>5,143,955</u>	<u>28,446</u>
Impairment allowance over gross carrying value (%)		<u>0.55</u>
2019		
Stage 1 (12-month ECL; non-credit impaired)	5,491,772	20,351
Stage 2 (Lifetime ECL; non-credit impaired)	15,575	2,497
Stage 3 (Lifetime ECL; credit impaired)	<u>38,165</u>	<u>12,236</u>
As at 31 December	<u>5,545,512</u>	<u>35,084</u>
Impairment allowance over gross carrying value (%)		<u>0.63</u>

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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
2020				
As at 1 January	20,351	2,497	12,236	35,084
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	100	(1,964)	(4,143)	(6,007)
- Transfer to ECL not credit impaired (Stage 2)	(7)	299	(34)	258
- Transfer to ECL credit impaired (Stage 3)	(55)	(126)	4,695	4,514
Total transfer between stages	38	(1,791)	518	(1,235)
Loans derecognised during the year (other than write-offs)	(686)	(374)	(2,265)	(3,325)
Write-back during the year due to changes in credit risk	(1,652)	(20)	(65)	(1,737)
Amount written-off	-	-	(341)	(341)
As at 31 December	<u>18,051</u>	<u>312</u>	<u>10,083</u>	<u>28,446</u>
2019				
As at 1 January	8,484	775	15,002	24,261
Transfer between stages:				
- Transfer to 12-month 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 year (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
As at 31 December	<u>20,351</u>	<u>2,497</u>	<u>12,236</u>	<u>35,084</u>

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14 HIRE PURCHASE ASSETS – ISLAMIC

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR	<u>34</u>	<u>136</u>
The maturity structure of hire purchase assets – Islamic are as follows:		
Maturing within one year	46	148
Less: Allowance for impairment losses	<u>(12)</u>	<u>(12)</u>
	<u>34</u>	<u>136</u>

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage of allocation:		
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	10	-
Stage 3 (Lifetime ECL; credit impaired)	<u>36</u>	<u>12</u>
As at 31 December	<u>46</u>	<u>12</u>
Impairment allowance over gross carrying value (%)		<u>26.09</u>
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	112	-
Stage 3 (Lifetime ECL; credit impaired)	<u>36</u>	<u>12</u>
As at 31 December	<u>148</u>	<u>12</u>
Impairment allowance over gross carrying value (%)		<u>8.11</u>

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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:

	<u>Group and Company</u>		
	<u>Stage 1</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>2020</u>			
As at 1 January/31 December	-	12	12
<u>2019</u>			
As at 1 January	-	15	15
Financing derecognised during the year (other than write-offs)	-	(6)	(6)
Allowance/ (write-back) during the year due to changes in credit risk	-	3	3
As at 31 December	-	12	12

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

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	2,883	2,899	2,883	2,899
Deposits	898	931	897	882
Prepayments	2,387	2,678	2,374	2,678
Management fee receivable	829	891	829	891
Compensation receivable from originator on mortgage assets	415	469	415	469
Other receivables	19	159	19	159
	<u>7,431</u>	<u>8,027</u>	<u>7,417</u>	<u>7,978</u>

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17 INVESTMENT IN SUBSIDIARIES

	2020 RM'000	Company 2019 RM'000
Unquoted shares at cost	-*	-*

* denotes USD1 in CGP and RM2 in CGS.

All subsidiaries are audited by PricewaterhouseCoopers PLT. The subsidiaries of the Company are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Place of Incorporation</u>	<u>Interest in equity held by the Company</u>	
			2020 %	2019 %
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

18 PROPERTY AND EQUIPMENT

<u>Group and Company</u>	<u>Office equipment RM'000</u>	<u>Furniture and fittings RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Total RM'000</u>
<u>2020</u>				
<u>Cost</u>				
As at 1 January	9,817	4,681	703	15,201
Additions	900	4	-	904
Disposals	(591)	(5)	-	(596)
As at 31 December	10,126	4,680	703	15,509
<u>Accumulated depreciation</u>				
As at 1 January	(6,421)	(4,580)	(277)	(11,278)
Charge for the financial year	(1,460)	(16)	(106)	(1,582)
Disposals	591	5	-	596
As at 31 December	(7,290)	(4,591)	(383)	(12,264)
<u>Net book value</u>				
As at 31 December	2,836	89	320	3,245

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18 PROPERTY AND EQUIPMENT (CONTINUED)

<u>Group and Company</u>	<u>Office equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>2019</u>				
<u>Cost</u>				
As at 1 January	9,242	4,659	593	14,494
Additions	837	22	199	1,058
Disposals	(262)	-	(89)	(351)
As at 31 December	9,817	4,681	703	15,201
<u>Accumulated depreciation</u>				
As at 1 January	(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	(6,421)	(4,580)	(277)	(11,278)
<u>Net book value</u>				
As at 31 December	3,396	101	426	3,923

19 INTANGIBLE ASSETS

<u>Group and Company</u>	<u>Service rights</u> RM'000	<u>Computer software</u> RM'000	<u>Computer software licenses</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>2020</u>					
<u>Cost</u>					
As at 1 January	16,712	13,207	26,607	-	56,526
Additions	-	1,966	606	-	2,572
Write-offs	(9,022)	-	-	-	(9,022)
As at 31 December	7,690	15,173	27,213	-	50,076
<u>Accumulated amortisation</u>					
As at 1 January	(13,938)	(12,155)	(9,053)	-	(35,146)
Charge for the financial year	(487)	(228)	(2,893)	-	(3,608)
Write-offs	9,022	-	-	-	9,022
As at 31 December	(5,403)	(12,383)	(11,946)	-	(29,732)
<u>Net book value</u>					
As at 31 December	2,287	2,790	15,267	-	20,344

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19 INTANGIBLE ASSETS (CONTINUED)

<u>Group and Company</u>	<u>Service rights</u> RM'000	<u>Computer software</u> RM'000	<u>Computer software licenses</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>2019</u>					
<u>Cost</u>					
As at 1 January	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	16,712	13,207	26,607	-	56,526
<u>Accumulated amortisation</u>					
As at 1 January	(13,374)	(12,104)	(6,105)	-	(31,583)
Charge for the financial year	(564)	(51)	(2,948)	-	(3,563)
As at 31 December	(13,938)	(12,155)	(9,053)	-	(35,146)
<u>Net book value</u>					
As at 31 December	2,774	1,052	17,554	-	21,380

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 2 to 7 years (2019: 1 to 8 years).

20 RIGHT-OF-USE ASSET

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

	<u>2020</u> RM'000	<u>Company</u> <u>2019</u> RM'000
<u>Cost</u>		
As at 1 January	4,916	-
Effect of adoption of MFRS 16	-	4,916
As at 31 December	4,916	4,916
<u>Accumulated amortisation</u>		
As at 1 January	(936)	-
Charge for the year (Note 35)	(937)	(936)
As at 31 December	(1,873)	(936)
<u>Net book value</u>		
As at 31 December	3,043	3,980

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21 OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	2,106	1,777	2,106	1,777
Amount due to GOM*	99,624	90,620	99,624	90,620
Accruals	30,197	27,899	29,787	27,562
Other payables	1,378	1,392	1,379	1,392
	<u>133,305</u>	<u>121,688</u>	<u>132,896</u>	<u>121,351</u>

* Refers to fund provided by the Government for Mortgage Guarantee Programme (MGP) under Cagamas SRP Berhad

22 LEASE LIABILITY

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
As at 1 January	4,791	-
Effect of adoption of MFRS 16	-	4,916
As restated	<u>4,791</u>	<u>4,916</u>
Lease obligation interest expense (Note 35)	2,441	2,523
Lease obligation repayment	<u>(2,649)</u>	<u>(2,648)</u>
As at 31 December	<u>4,583</u>	<u>4,791</u>

The maturity structure of lease liability are as follows:

Due within 1 year	495	208
Due in 2 to 5 years	4,088	4,583
Total present value of minimum lease payments	<u>4,583</u>	<u>4,791</u>

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23 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.

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Deferred tax assets (before offsetting)	(23,331)	(17,451)
Deferred tax liabilities (before offsetting)	193,411	18,011
Deferred tax liabilities	<u>170,080</u>	<u>560</u>

The movements of deferred tax are as follows:

As at 1 January	560	27,348
Recognised to income statements (Note 37)	157,346	(51,610)
Recognised to reserves	12,174	24,822
As at 31 December	<u>170,080</u>	<u>560</u>

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23 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			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2020				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument	(1,472)	-	(3,986)	(5,458)
under cash flow hedge accounting	(1,084)	(507)	-	(1,591)
Provisions	(1,150)	50	-	(1,100)
Temporary difference relating to lease liability	(13,745)	(1,437)	-	(15,182)
Temporary difference relating to ECL				
	(17,451)	(1,894)	(3,986)	(23,331)
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under				
cash flow hedge accounting	3,767	-	5,184	8,951
Revaluation reserves of financial asset at FVOCI	11,873	-	10,976	22,849
Accelerated depreciation	1,237	1,019	-	2,256
Temporary difference relating to interest/profit receivables on deposit and				
placements	183	(18)	-	165
Temporary difference relating to right-of-use asset	951	(221)	-	730
Temporary difference relating to accretion of discount	-	158,460	-	158,460
	18,011	159,240	16,160	193,411
	560	157,346	12,174	170,080

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 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			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2019				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives	(15,067)	-	13,595	(1,472)
financial instrument under cash flow hedge accounting	(1,321)	237	-	(1,084)
Provisions	-	(1,150)	-	(1,150)
Temporary difference relating to lease liability	(12,781)	(964)	-	(13,745)
Temporary difference relating to ECL	(29,169)	(1,877)	13,595	(17,451)
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under	3,790	-	(23)	3,767
cash flow hedge accounting	623	-	11,250	11,873
Revaluation reserves of financial asset at FVOCI	2,248	(1,011)	-	1,237
Accelerated depreciation	10	173	-	183
Temporary difference relating to interest/profit receivables on deposit and	-	951	-	951
placements	49,846	(49,846)	-	-
Temporary difference relating to right-of-use asset	56,517	(49,733)	11,227	18,011
Temporary difference relating to accretion of discount	27,348	(51,610)	24,822	560

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24 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:

	<u>Company</u>	
	2020	2019
	RM'000	RM'000
HKD	163,295	352,503
USD	112,838	1,553,622
SGD	395,624	688,841
	<u>671,757</u>	<u>2,594,966</u>

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 0.91% to 3.25% per annum (2019: 2.58% to 3.735% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	<u>Company</u>	
	2020	2019
	RM'000	RM'000
Maturing within one year	671,757	2,317,540
One to three years	-	277,426
	<u>671,757</u>	<u>2,594,966</u>

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25 UNSECURED BEARER BONDS AND NOTES

					Group
			2020		2019
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2020	-	-	100,000	3.460
Add:					
Interest payable		-		667	
		-		100,667	
(b) Commercial paper	2020	-	-	1,200,000	3.250-3.340
	2021	2,800,000	1.900-2.050	-	-
Add:					
Interest payable		6,388		3,213	
		2,806,388		1,203,213	
(c) Conventional medium-term notes	2020	-	-	7,595,307	2.520-6.000
	2021	4,483,959	0.850-5.380	2,552,426	3.035-5.380
	2022	6,850,000	2.130-4.650	5,850,000	3.380-4.650
	2023	570,000	2.180-6.050	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
		14,553,959		19,172,733	
Add:					
Interest payable		122,942		181,850	
Unaccreted premium		-		3,475	
Less:					
Deferred financing fees		(301)		(836)	
Unamortised discount		(9)		(75)	
		14,676,591		19,357,147	
		17,482,979		20,661,027	

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25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

				Company	
			2020		2019
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2020	-	-	100,000	3.460
Add:					
Interest payable		-		667	
		-		100,667	
(b) Commercial paper	2020	-	-	1,200,000	3.250-3.340
	2021	2,800,000	1.900-2.050	-	-
Add:					
Interest payable		6,388		3,213	
		2,806,388		1,203,213	
(c) Conventional medium-term notes	2020	-	-	5,295,000	3.300-6.000
	2021	3,815,000	2.000-5.380	2,275,000	3.350-5.380
	2022	6,850,000	2.130-4.650	5,850,000	3.380-4.650
	2023	570,000	2.180-6.050	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
		13,885,000		16,595,000	
Add:					
Interest payable		120,199		164,961	
Unaccreted premium		-		3,475	
Less:					
Unamortised discount		(9)		(75)	
		14,005,190		16,763,361	
		16,811,578		18,067,241	

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25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,412,979	9,083,664	6,741,578	6,767,215
One to three years	7,420,000	8,402,295	7,420,000	8,124,958
Three to five years	1,070,000	955,000	1,070,000	955,000
More than five years	1,580,000	2,220,068	1,580,000	2,220,068
	<u>17,482,979</u>	<u>20,661,027</u>	<u>16,811,578</u>	<u>18,067,241</u>

Cagamas issues debt securities, inclusive of sustainability, green and social bonds to finance the purchase of housing mortgages and other consumer receivables for conventional loans.

(a) Floating Rate Notes ("FRNs")

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

(b) Commercial paper ("CP")

CPs are Ringgit denominated short-term instruments with maturities ranging from one to twelve months, issued with or without coupon, either at a discount from the face value where the relevant CPs are redeemable at their nominal value upon maturity or at par with interest 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 basis. 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.

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25 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	
	2020	2019
	RM'000	RM'000
HKD	163,218	352,201
USD	112,781	1,553,180
SGD	395,401	688,405
	<u>671,400</u>	<u>2,593,786</u>

26 SUKUK

			Group and Company		
	Year of maturity	Amount outstanding RM'000	2020 Effective interest rate %	Amount outstanding RM'000	2019 Effective interest rate %
(a) Islamic commercial papers	2020	-	-	905,000	3.250-3.310
	2021	845,000	1.900-2.000	-	-
Add: Profit payable		2,256		1,587	
		<u>847,256</u>		<u>906,587</u>	
(b) Islamic medium-term notes	2020	-	-	2,725,000	3.290-6.000
	2021	3,545,000	2.050-5.380	3,020,000	4.080-5.380
	2022	3,060,000	2.250-4.700	3,010,000	3.380-4.700
	2023	2,945,000	2.230-6.350	2,495,000	4.250-6.350
	2024	1,135,000	3.550-5.520	1,135,000	3.550-5.520
	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
		<u>13,110,000</u>		<u>14,810,000</u>	
Add: Profit payable		106,136		125,728	
Unaccrued premium		-		7,568	
		<u>13,216,136</u>		<u>14,943,296</u>	
		<u>14,063,392</u>		<u>15,849,883</u>	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 SUKUK (CONTINUED)

The maturity structure of sukuk are as follows:

	Group and Company	
	2020 RM'000	2019 RM'000
Maturing within one year	4,498,392	3,764,836
One to three years	6,005,000	6,030,000
Three to five years	1,590,000	3,630,000
More than five years	1,970,000	2,425,047
	<u>14,063,392</u>	<u>15,849,883</u>

Cagamas issues debt securities, inclusive of sustainability, green and social sukuk, to finance the purchase of housing mortgages and other consumer receivables for Islamic financing.

(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 basis. 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.

(d) Multicurrency Sukuk

Under the Multicurrency Sukuk Programme, foreign currency sukuk ("Islamic EMTN") is currently issued based on Shariah principle of Wakalah. The Islamic EMTN issuance is on a fully-paid basis and at a par issue price and the method of calculating the profit rate may vary between the issue date and the maturity date of the relevant series of Islamic EMTNs issued. There is no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 SHARE CAPITAL

	Group and Company			
	2020		2019	
Ordinary shares	Number of shares RM'000	Amount RM'000	Number of shares RM'000	Amount RM'000
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.

The amount of gain or loss recognised in OCI during the year and the amount reclassified upon derecognition from accumulated OCI to profit or loss for the financial year are as per the following:

	Group and Company	
	2020 RM'000	2019 RM'000
Financial asset at FVOCI		
- Net gain/(loss) from change in fair value	55,201	54,510
- Net transfer to income statement on disposal	(9,467)	(7,636)
- Allowance of impairment losses	77	-
- Deferred taxation	(10,976)	(11,250)

(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 Bank Negara Malaysia ("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.

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29 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM4,138,448,000 of the Group and RM4,122,871,000 of the Company respectively (2019: RM3,904,862,000 of the Group and RM3,889,265,000 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 RM223,922,000 of the Group and RM223,941,000 of the Company respectively (2019: RM240,400,000 of the Group and RM236,825,000 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	
	2020 RM'000	2019 RM'000
Amount due from counterparties	581,518	819,265
Mortgage assets	199,266	223,345
Compensation from mortgage assets	20	14
Financial asset at FVOCI	75,646	76,726
Deposits and placements with financial institutions	2,774	5,749
	<u>859,224</u>	<u>1,125,099</u>
Accretion of discount less amortisation of premium (net)	99,256	123,618
	<u>958,480</u>	<u>1,248,717</u>

31 INTEREST EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Floating rate notes	1,720	8,650	1,720	8,650
Medium-term notes	699,475	913,548	662,369	788,695
Commercial paper	32,073	25,674	32,073	25,674
Deposits and placements from financial institutions	667	884	667	884
Loans/financing from subsidiaries	-	-	37,479	129,954
Lease liability	2,441	2,523	2,441	2,523
	<u>736,376</u>	<u>951,279</u>	<u>736,749</u>	<u>956,380</u>

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32 NON-INTEREST INCOME/(EXPENSE)

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net loss arising from derivatives	(7,933)	(55,571)	(7,933)	(55,571)
Income from financial asset at FVTPL	1,976	1,383	1,976	1,383
Gain on disposal of:				
- Financial asset at FVOCI	9,467	7,636	9,467	7,636
- Property and equipment	10	23	10	23
Net amount reclassified into profit or loss – cash flow hedge (Note 9)	73,725	(26,601)	73,725	(26,601)
Net (loss)/gain on foreign exchange	(74,805)	26,260	(74,805)	26,253
Other non-operating income	6,326	8,036	6,326	8,036
	<u>8,766</u>	<u>(38,834)</u>	<u>8,766</u>	<u>(38,841)</u>

33 PERSONNEL COSTS

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
Salary and allowances	15,536	15,391
Bonus	7,312	7,465
Overtime	46	66
EPF and SOCSO	3,652	4,026
Insurance	886	608
Others	3,866	3,752
	<u>31,298</u>	<u>31,308</u>

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34 WRITE-BACK/(ALLOWANCE) OF IMPAIRMENT LOSSES

	Group and Company	
	2020 RM'000	2019 RM'000
Cash and short-term funds	105	(105)
Financial asset at FVOCI	51	(128)
Amount due from counterparties	40	8
Islamic financing assets	554	(26)
Mortgage assets – Conventional	9,023	(6,783)
Mortgage assets – Islamic	6,638	(10,823)
Hire purchase assets – Islamic	-	3
Write-off of mortgage assets – Conventional	(1,123)	(172)
Write-off of mortgage assets – Islamic	(341)	-
Write-off of hire purchase assets – Conventional	(2)	-
Write-back of hire purchase assets – Islamic	9	-
Write-back/(allowance) of impairment losses	<u>14,954</u>	<u>(18,026)</u>

35 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' remuneration (Note 36)	2,231	2,320	2,231	2,320
Amortisation of right-of-use asset (Note 20)	937	936	937	936
Interest lease liability (Note 22)	2,441	2,523	2,441	2,523
Short-term and low value assets expensed off	1,013	741	1,013	741
Auditors' remuneration				
- Audit fees	370	318	316	276
- Non-audit fees	20	39	12	36
Depreciation of property and equipment	1,582	1,828	1,582	1,828
Amortisation of intangible assets	3,608	3,563	3,608	3,563
Servicers fees	2,259	2,550	2,259	2,550
Repairs and maintenance	5,095	6,982	5,095	6,982
Donations and sponsorship	200	115	200	115
Corporate expenses	744	892	744	892
Travelling expenses	(80)	476	(80)	476
Gain on disposal of property and equipment	(10)	(23)	(10)	(23)
(Write-back)/allowance of impairment losses	<u>(14,954)</u>	<u>18,026</u>	<u>(14,954)</u>	<u>18,026</u>

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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 Ishak (Chairman)

Dato' Halipah Esa

Dato' Wee Yaw Hin

Datuk Azizan Haji Abd Rahman

Ho Chai Huey

Datuk Seri Tajuddin Atan

(appointed w.e.f. 1 May 2020)

Dato' Md Agil Mohd Natt

(retired w.e.f. 1 May 2020)

Philip Tan Puay Koon

(retired w.e.f. 12 August 2020)

Executive Director

Datuk Chung Chee Leong

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

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
Directors' fees	493	530
Directors' other emoluments	1,738	1,790
	<u>2,231</u>	<u>2,320</u>

For the financial year ended 31 December 2020, a total of RM196,428 (2019: 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

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	(81,132)	128,282	(81,174)	127,112
- Deferred taxation (Note 23)	157,346	(51,610)	157,346	(51,610)
	<u>76,214</u>	<u>76,672</u>	<u>76,172</u>	<u>75,502</u>

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37 TAXATION (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the Financial year (continued):				
Current tax:				
- Current year	25,920	82,040	25,878	80,870
- (Over)/under provision in prior year	(107,052)	46,242	(107,052)	46,242
	<u>(81,132)</u>	<u>128,282</u>	<u>(81,174)</u>	<u>127,112</u>
Deferred taxation:				
Origination/(reversal) of temporary differences (Note 23)	157,346	(51,610)	157,346	(51,610)
	<u>76,214</u>	<u>76,672</u>	<u>76,172</u>	<u>75,502</u>

(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:

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	<u>301,391</u>	<u>317,998</u>	<u>301,368</u>	<u>313,253</u>
Tax calculated at Malaysian tax rate of 24% (2019: 24%)	72,334	76,320	72,328	75,181
Subsidiary's current year tax losses utilised	(28)	(28)	(28)	(28)
Loss not subject to tax	28	28	-	-
Expenses not deductible for tax purposes	828	5,394	820	5,391
Deduction arising from zakat contribution	(222)	(380)	(222)	(380)
Recognition/(reversal) of temporary differences recognized in prior year	110,326	(50,854)	110,326	(50,854)
Others	-	(50)	-	(50)
(Over)/under provision in prior year	<u>(107,052)</u>	<u>46,242</u>	<u>(107,052)</u>	<u>46,242</u>
	<u>76,214</u>	<u>76,672</u>	<u>76,172</u>	<u>75,502</u>

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38 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	Per shares Sen	2020 Total amount RM'000	Per shares Sen	2019 Total amount RM'000
Final dividend	15.00	22,500	15.00	22,500
Interim dividend	5.00	7,500	5.00	7,500
	<u>20.00</u>	<u>30,000</u>	<u>20.00</u>	<u>30,000</u>

The proposed final dividend for the financial year ended 31 December 2020 is as disclosed in Directors' report.

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:

<u>Related parties</u>	<u>Relationships</u>
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 ("CSR")	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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) Related parties and relationships (continued)

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.

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

	Ultimate holding company RM'000	Related company RM'000	Group Other related party RM'000
2020			
<u>Income</u>			
Transaction administrator and administrator fees	-	2,728	-
Management fee	58	3,154	-
	<u>58</u>	<u>3,154</u>	<u>-</u>
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	83
Servicers fees	-	2,259	-
	<u>-</u>	<u>2,259</u>	<u>-</u>
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	1,375	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(509)	-
Management fee receivable	46	783	-
	<u>46</u>	<u>783</u>	<u>-</u>

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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.

	Ultimate holding company RM'000	Related company RM'000	Group Other related party RM'000
2019			
<u>Income</u>			
Transaction administrator and administrator fees	-	4,286	-
Management fee	52	3,602	-
	<u>52</u>	<u>3,602</u>	<u>-</u>
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	27
Servicers fees	-	2,550	-
	<u>-</u>	<u>2,550</u>	<u>-</u>
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	1,420	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(438)	-
Management fee receivable	52	839	-
	<u>52</u>	<u>839</u>	<u>-</u>
			<u>Company</u>
	Ultimate holding company RM'000	Subsidiaries RM'000	Related company RM'000
2020			Other related party RM'000
<u>Income</u>			
Transaction administrator and administrator fees	-	-	2,728
Management fee	58	-	3,154
	<u>58</u>	<u>-</u>	<u>3,154</u>

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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

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

	Ultimate holding company RM'000	Subsidiaries RM'000	Related company RM'000	Company Other related party RM'000
2020				
<u>Expenses</u>				
FAST* and RENTAS** charges	-	-	-	83
Servicers fees	-	-	2,259	-
Interest expense	-	37,479	-	-
	<u>-</u>	<u>37,479</u>	<u>-</u>	<u>-</u>
<u>Amount due from/(to)</u>				
Transaction administrator and administrator fees	-	-	1,375	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(509)	-
Loans/financing	-	(671,757)	-	-
Payment of expenses on behalf	-	3,565	-	-
Management fee receivable	46	-	783	-
	<u>46</u>	<u>-</u>	<u>783</u>	<u>-</u>
2019				
<u>Income</u>				
Transaction administrator and administrator fees	-	-	4,286	-
Management fee	52	-	3,602	-
	<u>52</u>	<u>-</u>	<u>3,602</u>	<u>-</u>
<u>Expenses</u>				
FAST* and RENTAS** charges	-	-	-	27
Servicers fees	-	-	2,550	-
Interest expense	-	129,954	-	-
	<u>-</u>	<u>129,954</u>	<u>-</u>	<u>-</u>

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

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

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

	Ultimate holding company	Subsidiaries	Related company	Company Other related party
	RM'000	RM'000	RM'000	RM'000
<u>2019</u>				
<u>Amount due from/(to)</u>				
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 of expenses 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").

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 RM8,053,839 (2019: RM7,430,703).

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

(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.

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40 CAPITAL COMMITMENTS

<u>Capital commitments</u>	<u>Group and Company</u>	
	2020 RM'000	2019 RM'000
<u>Capital expenditure:</u>		
Authorised and contracted for	2,275	2,783
Authorised but not contracted for	3,116	741
	<u>5,391</u>	<u>3,524</u>
<u>Analysed as follows:</u>		
Equipment and others	472	24
Computer hardware and software	4,919	3,500
	<u>5,391</u>	<u>3,524</u>

41 FINANCIAL INSTRUMENTS BY CATEGORY

	<u>Group</u>		<u>Company</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Financial assets</u>				
Cash and short-term funds	109,071	341,307	89,848	322,000
Deposits and placements with financial institutions	102,886	-	102,886	-
Amount due from counterparties	14,069,195	16,657,154	14,069,195	16,657,154
Islamic financing assets	9,662,661	10,842,232	9,662,661	10,842,232
Mortgage assets				
- Conventional	4,366,916	4,836,313	4,366,916	4,836,313
- Islamic	5,115,509	5,510,428	5,115,509	5,510,428
Hire purchase assets				
- Islamic	34	136	34	136
Amount due from				
- Related company	1,375	1,420	1,375	1,420
- Subsidiaries	-	-	3,565	3,431
	<u>33,427,647</u>	<u>38,188,990</u>	<u>33,411,989</u>	<u>38,173,114</u>
<u>Financial asset at FVOCI:</u>				
Debt instruments	2,383,316	2,308,565	2,383,316	2,308,565
	<u>2,383,316</u>	<u>2,308,565</u>	<u>2,383,316</u>	<u>2,308,565</u>
<u>Financial asset at FVTPL:</u>				
Unit trust	193,466	141,383	193,466	141,383
Derivative financial instruments	57,904	58,422	57,904	58,422
	<u>251,370</u>	<u>199,805</u>	<u>251,370</u>	<u>199,805</u>

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41 FINANCIAL INSTRUMENTS BY CATEGORY

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Financial liabilities</u>				
<i>Financial liabilities at amortised cost:</i>				
Short-term borrowings	125,145	-	125,145	-
Loans/financing from subsidiaries	-	-	671,757	2,594,966
Unsecured bearer bonds and notes	17,482,979	20,661,027	16,811,578	18,067,241
Sukuk	14,063,392	15,849,883	14,063,392	15,849,883
	<u>31,671,516</u>	<u>36,510,910</u>	<u>31,671,872</u>	<u>36,512,090</u>
<i>Financial liabilities at FVTPL:</i>				
Derivative financial instruments	45,963	152,309	45,963	152,309
	<u>45,963</u>	<u>152,309</u>	<u>45,963</u>	<u>152,309</u>

42 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".

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42 INTEREST/PROFIT RATE RISK (CONTINUED)

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.

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42 INTEREST/PROFIT RATE RISK (CONTINUED)

<u>Group - 2020</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
Financial assets						
Cash and short-term funds	89,355	-	-	-	19,716	109,071
Deposits and placements with financial institutions	102,886	-	-	-	-	102,886
Financial asset at FVTPL	193,466	-	-	-	-	193,466
Financial asset at FVOCI	342,574	727,173	334,100	979,469	-	2,383,316
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	-	(99)	9,662,661
Mortgage assets:						
- Conventional	729,768	923,536	774,026	1,965,556	(25,970)	4,366,916
- Islamic	637,751	806,481	766,538	2,933,185	(28,446)	5,115,509
Hire purchase assets:						
- Islamic	46	-	-	-	(12)	34
Other assets	19,119	-	-	38,802	123,306	181,227
	<u>11,736,925</u>	<u>15,014,146</u>	<u>3,016,043</u>	<u>6,328,691</u>	<u>88,476</u>	<u>36,184,281</u>
Financial liabilities						
Short-term borrowings	125,145	-	-	-	-	125,145
Other liabilities	4,830	41,133	-	-	308,009	353,972
Unsecured bearer bonds and notes	7,412,979	7,420,000	1,070,000	1,580,000	-	17,482,979
Sukuk	4,498,392	6,005,000	1,590,000	1,970,000	-	14,063,392
	<u>12,041,346</u>	<u>13,466,133</u>	<u>2,660,000</u>	<u>3,550,000</u>	<u>308,009</u>	<u>32,025,488</u>
Total interest/profit sensitivity gap	<u>(304,421)</u>	<u>1,548,013</u>	<u>356,043</u>	<u>2,778,691</u>		
Cumulative gap	<u>(304,421)</u>	<u>1,243,592</u>	<u>1,599,635</u>	<u>4,378,326</u>		

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42 INTEREST/PROFIT RATE RISK (CONTINUED)

<u>Group - 2019</u>						
		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
						<u>Total</u> RM'000
<u>Financial assets</u>						
Cash and short-term funds		230,501	-	-	-	110,806
Financial asset at FVTPL		141,383	-	-	-	-
Financial asset at FVOCI		587,652	538,057	500,125	682,859	(128)
Amount due from counterparties		7,491,962	8,527,330	-	637,921	(59)
Islamic financing assets		2,513,118	5,823,131	2,506,636	-	(653)
Mortgage assets:						
- Conventional		879,063	1,114,449	933,455	2,527,182	(617,836)
- Islamic		732,210	967,240	905,246	3,557,112	(651,380)
Hire purchase assets:						
- Conventional	2		-	-	-	(2)
- Islamic	147		-	-	-	(11)
Other assets		22,854	16,004	492	22,506	35,296
		<u>12,598,892</u>	<u>16,986,211</u>	<u>4,845,954</u>	<u>7,427,580</u>	<u>(1,123,967)</u>
<u>Financial liabilities</u>						
Other liabilities		126,133	15,677	10,499	-	145,209
Unsecured bearer bonds and notes		9,083,664	8,402,295	955,000	2,220,068	-
Sukuk		3,764,836	6,030,000	3,630,000	2,425,047	-
		<u>12,974,633</u>	<u>14,447,972</u>	<u>4,595,499</u>	<u>4,645,115</u>	<u>145,209</u>
Total interest/profit sensitivity gap		<u>(375,741)</u>	<u>2,538,239</u>	<u>250,455</u>	<u>2,782,465</u>	<u>-</u>
Cumulative gap		<u>(375,741)</u>	<u>2,162,498</u>	<u>2,412,953</u>	<u>5,195,418</u>	<u>36,808,428</u>

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42 INTEREST/PROFIT RATE RISK (CONTINUED)

<u>Company - 2020</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
Financial assets						
Cash and short-term funds	89,355	-	-	-	493	89,848
Deposits and placements with financial institutions	102,886	-	-	-	-	102,886
Financial asset at FVTPL	193,466	-	-	-	-	193,466
Financial asset at FVOCI	342,574	727,173	334,100	979,469	-	2,383,316
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	-	(99)	9,662,661
Mortgage assets:						
- Conventional	729,768	923,536	774,026	1,965,556	(25,970)	4,366,916
- Islamic	637,751	806,481	766,538	2,933,185	(28,446)	5,115,509
Hire purchase assets:						
- Islamic	46	-	-	-	(12)	34
Other assets	<u>19,119</u>	<u>-</u>	<u>-</u>	<u>38,802</u>	<u>126,857</u>	<u>184,778</u>
	<u>11,736,925</u>	<u>15,014,146</u>	<u>3,016,043</u>	<u>6,328,691</u>	<u>72,804</u>	<u>36,168,609</u>
Financial liabilities						
Short-term borrowings	125,145	-	-	-	-	125,145
Other liabilities	4,830	41,133	-	-	307,559	353,522
Loan/financing from subsidiaries	671,757	-	-	-	-	671,757
Unsecured bearer bonds and notes	6,741,578	7,420,000	1,070,000	1,580,000	-	16,811,578
Sukuk	4,498,392	6,005,000	1,590,000	1,970,000	-	14,063,392
	<u>12,041,702</u>	<u>13,466,133</u>	<u>2,660,000</u>	<u>3,550,000</u>	<u>307,559</u>	<u>32,025,394</u>
Total interest/profit sensitivity gap	<u>(304,777)</u>	<u>1,548,013</u>	<u>356,043</u>	<u>2,778,691</u>		
Cumulative gap	<u>(304,777)</u>	<u>1,243,236</u>	<u>1,599,279</u>	<u>4,377,970</u>		

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42 INTEREST/PROFIT RATE RISK (CONTINUED)

<u>Company - 2019</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
Financial assets						
Cash and short-term funds	230,501	-	-	-	91,499	322,000
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-
- Islamic	147	-	-	-	(11)	136
Other assets	<u>22,854</u>	<u>16,004</u>	<u>492</u>	<u>22,506</u>	<u>38,678</u>	<u>100,534</u>
	<u>12,598,892</u>	<u>16,986,211</u>	<u>4,845,954</u>	<u>7,427,580</u>	<u>(1,139,892)</u>	<u>40,718,745</u>
Financial liabilities						
Other liabilities						
Loan/financing from subsidiaries	126,133	15,677	10,499	-	143,701	296,010
Unsecured bearer bonds and notes	2,317,540	277,426	-	-	-	2,594,966
Sukuk	6,767,215	8,124,958	955,000	2,220,068	-	18,067,241
	<u>3,764,836</u>	<u>6,030,000</u>	<u>3,630,000</u>	<u>2,425,047</u>	<u>-</u>	<u>15,849,883</u>
	<u>12,975,724</u>	<u>14,448,061</u>	<u>4,595,499</u>	<u>4,645,115</u>	<u>143,701</u>	<u>36,808,100</u>
Total interest/profit sensitivity gap	<u>(376,832)</u>	<u>2,538,150</u>	<u>250,455</u>	<u>2,782,465</u>		
Cumulative gap	<u>(376,832)</u>	<u>2,161,318</u>	<u>2,411,773</u>	<u>5,194,238</u>		

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42 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.

	<u>+100 basis</u>		<u>-100 basis</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserves	(99,527)	(76,593)	108,754	82,369
Derivatives financial instruments	-	(36)	-	36
Taxation effects on the above at tax rate of 24%	23,886	18,391	(26,101)	(19,777)
Effect on shareholder's funds	<u>(75,641)</u>	<u>(58,238)</u>	<u>82,653</u>	<u>62,628</u>
As percentage of shareholder's funds	<u>(1.8%)</u>	<u>(1.5%)</u>	<u>2.0%</u>	<u>1.6%</u>
<i>Impact to income statements:</i>				
Net interest income	12,319	5,404	(12,316)	(5,398)
Taxation effects at the rate of 24%	(2,957)	(1,297)	2,956	1,296
Effect on net interest income	<u>9,362</u>	<u>4,107</u>	<u>(9,360)</u>	<u>(4,102)</u>
As percentage of profit after tax	<u>4.2%</u>	<u>1.7%</u>	<u>(4.2%)</u>	<u>(1.7%)</u>

	<u>+100 basis</u>		<u>-100 basis</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserve	(99,527)	(76,593)	108,754	82,369
Derivatives financial instruments	-	(36)	-	36
Taxation effects on the above at tax rate of 24%	23,886	18,391	(26,101)	(19,777)
Effect on shareholder's funds	<u>(75,641)</u>	<u>(58,238)</u>	<u>82,653</u>	<u>62,628</u>
As percentage of shareholder's funds	<u>(1.8%)</u>	<u>(1.5%)</u>	<u>2.0%</u>	<u>1.6%</u>
<i>Impact to income statements:</i>				
Net interest income	12,319	5,404	(12,316)	(5,398)
Taxation effects at the rate of 24%	(2,957)	(1,297)	2,956	1,296
Effect on net interest income	<u>9,362</u>	<u>4,107</u>	<u>(9,360)</u>	<u>(4,102)</u>
As percentage of profit after tax	<u>4.2%</u>	<u>1.7%</u>	<u>(4.2%)</u>	<u>(1.7%)</u>

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43 CREDIT RISK

43.1 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 2013, Islamic Financial Services Act 2013 and Development Financial Institutions Act 2002. The financial institutions 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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43 CREDIT RISK (CONTINUED)

43.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVTPL 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
2020												
Government bodies					1,345,939						415	1,346,354
Financial institutions:												-
- Commercial banks	109,071	102,886	57,904	120,802	30,002	13,397,099	9,322,362					23,140,126
- Development					61,731		340,299					402,030
Communication, electricity, gas and water					166,516							166,516
Transportation					389,730							389,730
Leasing						672,096						672,096
Consumers				72,664	238,790					34		9,482,459
Corporate					62,703							311,454
Construction					87,905			4,366,916	5,115,509			62,703
Others											8,391	96,296
Total	109,071	102,886	57,904	193,466	2,383,316	14,069,195	9,662,661	4,366,916	5,115,509	34	8,806	36,069,764

*Includes prepayment of RM2,387

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43 CREDIT RISK (CONTINUED)

43.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Group	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial asset at FVTPL 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
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	-	-	-	-	-	-	-	-	-	-	10,346,877
Corporate	-	-	141,383	221,164	-	-	4,836,313	5,510,428	136	-	362,547
Construction	-	-	-	35,615	-	-	-	-	-	-	35,615
Others	-	-	-	167,778	-	-	-	-	-	8,978*	176,756
Total	341,307	58,422	141,383	2,308,565	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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43 CREDIT RISK (CONTINUED)

43.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Company	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVTPL 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
2020												
Government bodies					1,345,939						415	1,346,354
Financial institutions:												
- Commercial banks	89,848	102,886	57,904	120,802	30,002	13,397,099	9,322,362					23,120,903
- Development					61,731		340,299					402,030
Communication, electricity, gas and water					166,516							166,516
Transportation					389,730	672,096						389,730
Leasing												672,096
Consumers										34		9,482,459
Corporate				72,664	238,790			4,366,916	5,115,509			311,454
Construction					62,703							62,703
Others					87,905						11,942	99,847
Total	89,848	102,886	57,904	193,466	2,383,316	14,069,195	9,662,661	4,366,916	5,115,509	34	12,357	36,054,092

*Includes prepayment of RM2,374

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43 CREDIT RISK (CONTINUED)

43.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Company	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial asset at FVTPL 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
<u>2019</u>											
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 Communication, electricity, gas and water	-	-	-	91,848	-	361,267	-	-	-	-	453,115
Transportation	-	-	-	179,509	-	-	-	-	-	-	179,509
Leasing	-	-	-	384,292	-	-	-	-	-	-	384,292
Consumers	-	-	-	-	542,965	-	-	-	-	-	542,965
Corporate	-	-	141,383	221,164	-	-	4,836,313	5,510,428	136	-	10,346,877
Construction	-	-	-	35,615	-	-	-	-	-	-	35,615
Others	-	-	-	167,778	-	-	-	-	-	12,360*	180,138
Total	322,000	58,422	141,383	2,308,565	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)

43 CREDIT RISK (CONTINUED)

43.2 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 of 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 of 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 of 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.

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43 CREDIT RISK (CONTINUED)

43.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets							
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 %
2020							
Amount due from counterparties	14,069,214	-	14,069,214	19	14,069,195	-	-
Islamic financing assets	9,662,760	-	9,662,760	99	9,662,661	-	-
Mortgage assets:							
- Conventional	4,360,127	32,759	4,392,886	25,970	4,366,916	32,759	79
- Islamic	5,112,524	31,431	5,143,955	28,446	5,115,509	31,431	91
Hire purchase assets:							
- Islamic	10	36	46	12	34	36	33
	<u>33,204,635</u>	<u>64,226</u>	<u>33,268,861</u>	<u>54,546</u>	<u>33,214,315</u>	<u>64,226</u>	
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
	<u>37,833,931</u>	<u>83,135</u>	<u>37,917,066</u>	<u>70,803</u>	<u>37,846,263</u>	<u>83,135</u>	

* These assets have been provided for under collective assessment.

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43 CREDIT RISK (CONTINUED)

43.2 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			
	2020		2019	
	<u>Strong</u>	<u>Total</u>	<u>Strong</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	14,069,214	14,069,214	16,657,213	16,657,213
Islamic financing assets	9,662,760	9,662,760	10,842,885	10,842,885
Mortgage assets:				
- Conventional	4,360,127	4,360,127	4,826,374	4,826,374
- Islamic	5,112,534	5,112,534	5,507,347	5,507,347
Hire purchase assets:				
- Islamic	10	10	112	112
	<u>33,204,645</u>	<u>33,204,645</u>	<u>37,833,931</u>	<u>37,833,931</u>

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.

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43 CREDIT RISK (CONTINUED)

43.2 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
2020					
Mortgage assets:					
- Conventional	1,384	1,987	1,076	28,312	32,759
- Islamic	1,527	1,868	1,442	26,594	31,431
Hire purchase assets:					
- Islamic	-	-	-	36	36
	<u>2,911</u>	<u>3,855</u>	<u>2,518</u>	<u>54,942</u>	<u>64,226</u>
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
	<u>10,251</u>	<u>4,534</u>	<u>3,238</u>	<u>65,112</u>	<u>83,135</u>

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.

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43 CREDIT RISK (CONTINUED)

43.2 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
2020				
Amount due from counterparties	59	(40)	-	19
Islamic financing assets	653	(554)	-	99
Mortgage assets:				
- Conventional	34,993	(7,900)	(1,123)	25,970
- Islamic	35,084	(6,297)	(341)	28,446
Hire purchase assets:				
- Conventional	2	-	(2)	-
- Islamic	12	-	-	12
	<u>70,803</u>	<u>(14,791)</u>	<u>(1,466)</u>	<u>54,546</u>
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
	<u>53,182</u>	<u>17,676</u>	<u>(55)</u>	<u>70,803</u>

43.3 Amount due from related company

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

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43 CREDIT RISK (CONTINUED)

43.4 Credit quality

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

	Group and Company					
<u>2020</u>	<u>GOM</u> RM'000	<u>AAA</u> RM'000	<u>AA1 to</u> <u>AA2/AA+</u> <u>to AA</u> RM'000	<u>No rating</u> RM'000	<u>Total</u> RM'000	<u>Impairment</u> <u>allowance</u> RM'000
Financial asset at FVOCI						
- Stage 1	<u>1,719,367</u>	<u>423,357</u>	<u>240,592</u>	<u>-</u>	<u>2,383,316</u>	<u>77</u>
Amount due from counterparties						
- Stage 1	<u>-</u>	<u>7,596,290</u>	<u>6,472,924</u>	<u>-</u>	<u>14,069,214</u>	<u>19</u>
Islamic financing assets						
- Stage 1	<u>-</u>	<u>740,305</u>	<u>8,922,455</u>	<u>-</u>	<u>9,662,760</u>	<u>99</u>
Mortgage assets:						
- Stage 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,358,528</u>	<u>4,358,528</u>	<u>15,154</u>
- Stage 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599</u>	<u>1,599</u>	<u>307</u>
- Stage 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,759</u>	<u>32,759</u>	<u>10,509</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,392,886</u>	<u>4,392,886</u>	<u>25,970</u>
Islamic mortgage assets:						
- Stage 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,110,791</u>	<u>5,110,791</u>	<u>18,051</u>
- Stage 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,733</u>	<u>1,733</u>	<u>312</u>
- Stage 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,431</u>	<u>31,431</u>	<u>10,083</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,143,955</u>	<u>5,143,955</u>	<u>28,446</u>
Islamic hire purchase asset						
- Stage 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>	<u>-</u>
- Stage 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>	<u>12</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>	<u>12</u>

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43 CREDIT RISK (CONTINUED)

43.4 Credit quality

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

	Group and Company					
2019	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
Financial asset at FVOCI						
- Stage 1	514,044	1,459,617	289,788	-	2,263,449	128
- Stage 3	-	45,244	-	-	45,244	-
	<u>514,044</u>	<u>1,504,861</u>	<u>289,788</u>	<u>-</u>	<u>2,308,693</u>	<u>128</u>
Amount due from counterparties						
- Stage 1	-	11,070,691	5,586,522	-	16,657,213	59
	<u>-</u>	<u>11,070,691</u>	<u>5,586,522</u>	<u>-</u>	<u>16,657,213</u>	<u>59</u>
Islamic financing assets						
- Stage 1	-	2,268,430	8,574,455	-	10,842,885	653
	<u>-</u>	<u>2,268,430</u>	<u>8,574,455</u>	<u>-</u>	<u>10,842,885</u>	<u>653</u>
Mortgage assets:						
- Stage 1	-	-	-	4,805,936	4,805,936	17,640
- Stage 2	-	-	-	20,438	20,438	2,932
- Stage 3	-	-	-	44,932	44,932	14,421
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,871,306</u>	<u>4,871,306</u>	<u>34,993</u>
Islamic mortgage assets:						
- Stage 1	-	-	-	5,491,772	5,491,772	20,351
- Stage 2	-	-	-	15,575	15,575	2,497
- Stage 3	-	-	-	38,165	38,165	12,236
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,545,512</u>	<u>5,545,512</u>	<u>35,084</u>
Hire purchase asset						
- Stage 3	-	-	-	2	2	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>2</u>
Islamic hire purchase asset						
- Stage 1	-	-	-	112	112	-
- Stage 3	-	-	-	36	36	12
	<u>-</u>	<u>-</u>	<u>-</u>	<u>148</u>	<u>148</u>	<u>12</u>

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43 CREDIT RISK (CONTINUED)

43.5 Credit risk mitigation

The Group and the Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group and the Company will take possession of collateral to mitigate potential credit losses. Financial assets and related collateral held to mitigate potential losses are shown below:

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
2020				
Mortgage asset				
- Conventional	4,392,886	(25,970)	4,366,916	19,058,068
- Islamic	5,143,955	(28,446)	5,115,509	14,623,943
	<u>9,536,841</u>	<u>(54,416)</u>	<u>9,482,425</u>	<u>33,682,011</u>
2019				
Mortgage asset				
- Conventional	4,871,306	(34,993)	4,836,313	20,184,706
- Islamic	5,545,512	(35,084)	5,510,428	16,354,136
	<u>10,416,818</u>	<u>(70,077)</u>	<u>10,346,741</u>	<u>36,538,842</u>

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43 CREDIT RISK (CONTINUED)

43.6 Offsetting financial instruments

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

	<u>Group and Company</u>					
	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	Related amounts not set off in the statement of financial position		Net amount
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>Financial instrument</u> <u>RM'000</u>	<u>Cash collateral placed</u> <u>RM'000</u>	<u>RM'000</u>
<u>2020</u>						
Derivatives financial liabilities	(45,963)	-	(45,963)	-	-	(45,963)
<u>2019</u>						
Derivatives financial liabilities	(152,309)	-	(152,309)	-	-	(152,309)

44 LIQUIDITY RISK

44.1 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.

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44 LIQUIDITY RISK (CONTINUED)

44.2 Liquidity pool

The liquidity pool comprised the following cash and unencumbered assets:

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Derivatives financial instruments RM'000	Amount due from counter- parties RM'000	Islamic financial- assets RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Other available liquidity RM'000	Total RM'000
Group											
2020	109,071	102,886	193,466	2,383,316	57,904	14,069,195	9,662,661	4,366,916	5,115,509	6,453	36,067,377
2019	341,307	-	141,383	2,308,565	58,422	16,657,154	10,842,232	4,836,313	5,510,428	6,905	40,702,709
Company											
2020	89,848	102,886	193,466	2,383,316	57,904	14,069,195	9,662,661	4,366,916	5,115,509	10,016	36,051,717
2019	322,000	-	141,383	2,308,565	58,422	16,657,154	10,842,232	4,836,313	5,510,428	10,287	40,686,784

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44 LIQUIDITY RISK (CONTINUED)

44.3 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.

<u>Group</u>	<u>On demand up to one month</u> RM'000	<u>One to three months</u> RM'000	<u>Three to twelve months</u> RM'000	<u>One to five years</u> RM'000	<u>Over five years</u> RM'000	<u>Total</u> RM'000
<u>2020</u>						
Financial liabilities						
Unsecured bearer bonds and notes	451,740	1,361,537	5,966,897	9,362,359	1,886,402	19,028,935
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
Other liabilities	130,788	2,106	-	-	-	132,894
	<u>889,200</u>	<u>3,321,088</u>	<u>8,597,905</u>	<u>17,940,915</u>	<u>4,341,972</u>	<u>35,091,080</u>
Assets held for managing liquidity risk	<u>565,436</u>	<u>2,471,462</u>	<u>9,875,649</u>	<u>20,140,893</u>	<u>7,760,615</u>	<u>40,814,055</u>
<u>2019</u>						
Financial liabilities						
Unsecured bearer bonds and notes	2,568	394,605	8,517,651	9,357,295	4,482,422	22,754,541
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Other liabilities	119,911	1,777	-	-	-	121,688
	<u>122,479</u>	<u>396,382</u>	<u>12,155,172</u>	<u>19,017,295</u>	<u>9,499,429</u>	<u>41,190,757</u>
Assets held for managing liquidity risk	<u>750,286</u>	<u>1,611,943</u>	<u>9,727,322</u>	<u>21,692,305</u>	<u>7,695,756</u>	<u>41,477,612</u>

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44 LIQUIDITY RISK (CONTINUED)

44.3 Contractual maturity of financial liabilities

<u>Company</u>	<u>On demand up to one month RM'000</u>	<u>One to three months RM'000</u>	<u>Three to twelve months RM'000</u>	<u>One to five years RM'000</u>	<u>Over five years RM'000</u>	<u>Total RM'000</u>
<u>2020</u>						
Financial liabilities						
Unsecured bearer bonds and notes	450,984	1,361,537	5,288,003	9,362,359	1,886,402	18,349,285
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
Loans/financing from subsidiaries	862	-	677,930	-	-	678,792
Other liabilities	130,788	2,106	-	-	-	132,894
	<u>889,306</u>	<u>3,321,088</u>	<u>8,596,941</u>	<u>17,940,915</u>	<u>4,341,972</u>	<u>35,090,222</u>
Assets held for managing liquidity risk	<u>549,778</u>	<u>2,471,462</u>	<u>9,875,649</u>	<u>20,140,893</u>	<u>7,760,615</u>	<u>40,798,397</u>
<u>2019</u>						
Financial liabilities						
Unsecured bearer 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
	<u>122,193</u>	<u>396,777</u>	<u>12,155,817</u>	<u>19,017,384</u>	<u>9,499,429</u>	<u>41,191,600</u>
Assets held for managing liquidity risk	<u>734,410</u>	<u>1,611,943</u>	<u>9,727,322</u>	<u>21,692,305</u>	<u>7,695,756</u>	<u>41,461,736</u>

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44 LIQUIDITY RISK (CONTINUED)

44.4 Derivative liabilities

The Group and the Company's derivatives comprise IRS, IPRS, CCS and ICCS entered by the Group and the Company for which cash flows are exchanged for hedging purposes.

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

	Group and Company					
	On demand up to one month	One to three months	One to twelve months	Over five years	five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	(1,016)	(5,553)	4,080	(6,053)	43,556	35,014
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS/ICCS						
- Outflow	(3,433)	-	(1,028,926)	-	-	(1,032,359)
- Inflow	66	-	592,905	-	-	592,971
2019						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	-	(4,573)	12,791	(6,664)	19,452	21,006
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS/ICCS						
- Outflow	-	-	(2,714,476)	-	-	(2,714,476)
- Inflow	-	-	2,460,503	168,044	-	2,628,547

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45 FOREIGN EXCHANGE RISK

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

The Group hedges 100% of its foreign currency denominated unsecured bearer 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.

45.1 Exposure to foreign currency risk

	<u>HKD</u> RM'000	<u>USD</u> RM'000	<u>Group</u> <u>SGD</u> RM'000
<u>2020</u>			
Derivatives financial instruments	<u>165,763</u>	<u>113,083</u>	<u>395,772</u>
Unsecured bearer bonds and notes	<u>163,218</u>	<u>112,781</u>	<u>395,401</u>
<u>2019</u>			
Derivatives financial instruments	<u>355,910</u>	<u>1,550,156</u>	<u>694,748</u>
Unsecured bearer bonds and notes	<u>352,201</u>	<u>1,553,180</u>	<u>688,405</u>
	<u>HKD</u> RM'000	<u>USD</u> RM'000	<u>Company</u> <u>SGD</u> RM'000
<u>2020</u>			
Derivatives financial instruments	<u>165,763</u>	<u>113,083</u>	<u>395,772</u>
Loans/financing from subsidiary	<u>163,296</u>	<u>112,839</u>	<u>395,624</u>
<u>2019</u>			
Derivatives financial instruments	<u>355,910</u>	<u>1,550,156</u>	<u>694,748</u>
Loans/financing from subsidiary	<u>352,503</u>	<u>1,553,622</u>	<u>688,841</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 FOREIGN EXCHANGE RISK (CONTINUED)

45.2 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.

	<u>Group</u>		<u>Company</u>	
	Equity	Profit	Equity	Profit
	RM'000	RM'000	RM'000	RM'000
<u>2020</u>				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>
<u>2019</u>				
HKD	28	-	28	-
USD	(25)	-	(25)	-
SGD	45	1	45	1
	<u>48</u>	<u>1</u>	<u>48</u>	<u>1</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

46.1 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 FVTPL and 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).

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46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>2020</u>				
<u>Assets</u>				
Financial asset at FVOCI	-	2,383,316	-	2,383,316
Financial asset at FVTPL	-	193,466	-	193,466
Derivatives financial instruments	-	57,904	-	57,904
	<u>-</u>	<u>2,634,686</u>	<u>-</u>	<u>2,634,686</u>
<u>Liabilities</u>				
Derivatives financial instruments	-	45,963	-	45,963
	<u>-</u>	<u>45,963</u>	<u>-</u>	<u>45,963</u>
<u>2019</u>				
<u>Assets</u>				
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
	<u>-</u>	<u>2,508,370</u>	<u>-</u>	<u>2,508,370</u>
<u>Liabilities</u>				
Derivatives financial instruments	-	152,309	-	152,309
	<u>-</u>	<u>152,309</u>	<u>-</u>	<u>152,309</u>

46.2 Fair value of financial instruments carried other than fair value

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

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

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

- (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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(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.

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

	2020		Group 2019	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<u>Financial assets</u>				
Amount due from counterparties	14,069,195	14,306,042	16,657,154	16,928,121
Islamic financing assets	9,662,661	9,746,090	10,842,232	10,913,242
Mortgage assets:				
- Conventional	4,366,916	5,120,149	4,836,313	5,524,220
- Islamic	5,115,509	6,104,280	5,510,428	6,386,388
Islamic hire purchase assets	34	48	136	250
	<u>33,214,315</u>	<u>35,276,609</u>	<u>37,846,263</u>	<u>39,752,221</u>
<u>Financial liabilities</u>				
Unsecured bearer bonds and notes	17,482,979	18,236,203	20,661,027	21,377,151
Sukuk	14,063,392	14,886,518	15,849,883	16,494,980
	<u>31,546,371</u>	<u>33,122,721</u>	<u>36,510,910</u>	<u>37,872,131</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

46.2 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):

	2020		Company 2019	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Amount due from counterparties	14,069,195	14,306,042	16,657,154	16,928,121
Islamic financing assets	9,662,661	9,746,090	10,842,232	10,913,242
Mortgage assets:				
- Conventional	4,366,916	5,120,149	4,836,313	5,524,220
- Islamic	5,115,509	6,104,280	5,510,428	6,386,388
Islamic hire purchase assets	34	48	136	250
	<u>33,214,315</u>	<u>35,276,609</u>	<u>37,846,263</u>	<u>39,752,221</u>
Financial liabilities				
Unsecured bearer bonds and notes	16,811,578	17,560,752	18,067,241	18,724,109
Sukuk	14,063,392	14,886,518	15,849,883	16,494,980
Loans/financing from subsidiaries	671,757	681,388	2,594,966	2,628,073
	<u>31,546,727</u>	<u>33,128,658</u>	<u>36,512,090</u>	<u>37,847,162</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

47 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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

<u>2020</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Group</u> <u>Total</u> <u>RM'000</u>
External revenue	1,096,225	632,876	1,729,101
External interest/profit expense	(894,783)	(498,217)	(1,393,000)
Profit from operations	165,530	135,861	301,391
Zakat	(897)	(358)	(1,255)
Taxation	(44,069)	(32,145)	(76,214)
Profit after taxation and zakat by Segment	120,564	103,358	223,922
Segment assets	25,874,052	10,310,229	36,184,281
Segment liabilities	23,015,581	9,009,907	32,025,488
<u>Other information:</u>			
Capital expenditure	2,485	991	3,476
Depreciation and amortisation	4,380	1,747	6,127

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

<u>2019</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Group</u> <u>Total</u> <u>RM'000</u>
External revenue	<u>1,313,343</u>	<u>713,207</u>	<u>2,026,550</u>
External interest/profit expense	<u>(1,058,954)</u>	<u>(531,558)</u>	<u>(1,590,512)</u>
Profit from operations	164,724	153,274	317,998
Zakat	(673)	(253)	(926)
Taxation	<u>(50,927)</u>	<u>(25,745)</u>	<u>(76,672)</u>
Profit after taxation and zakat by Segment	<u>113,124</u>	<u>127,276</u>	<u>240,400</u>
Segment assets	<u>29,613,843</u>	<u>11,120,827</u>	<u>40,734,670</u>
Segment liabilities	<u>26,280,811</u>	<u>10,527,617</u>	<u>36,808,428</u>
<u>Other information:</u>			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	<u>4,599</u>	<u>1,728</u>	<u>6,327</u>

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47 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

<u>2020</u>	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Company</u> <u>Total</u> RM'000
External revenue	1,096,225	632,876	1,729,101
Internal interest/profit expense	(37,479)	-	(37,479)
External interest/profit expense	(857,677)	(498,217)	(1,355,894)
Total interest/profit expense	(895,156)	(498,217)	(1,393,373)
Profit from operations	165,507	135,861	301,368
Zakat	(897)	(358)	(1,255)
Taxation	(44,027)	(32,145)	(76,172)
Profit after taxation and zakat by segment	120,583	103,358	223,941
Segment assets	25,858,383	10,310,226	36,168,609
Segment liabilities	23,015,488	9,009,906	32,025,394
<u>Other information:</u>			
Capital expenditure	2,485	991	3,476
Depreciation and amortisation	4,380	1,747	6,127

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

<u>2020</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Company</u> <u>Total</u> <u>RM'000</u>
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
<u>Other information:</u>			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	4,599	1,728	6,327

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 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 1 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 2 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 1 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	
	2020	2019	2020	2019
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET1 capital ratio	43.6	29.3	43.4	29.1
Tier 1 capital ratio	43.6	29.3	43.4	29.1
Total capital ratio	45.3	30.7	45.1	30.5
<u>After deducting proposed final dividend*</u>				
CET1 capital ratio	43.4	29.1	43.2	29.0
Tier 1 capital ratio	43.4	29.1	43.2	29.0
Total capital ratio	45.0	30.5	44.9	30.4

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 CAPITAL ADEQUACY

Components of CET1, Tier 1 and Tier 2 capital:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,925,320	3,731,398	3,909,742	3,715,801
	<u>4,075,320</u>	<u>3,881,398</u>	<u>4,059,742</u>	<u>3,865,801</u>
Financial asset at FVOCI reserves	32,585	16,909	32,585	16,909
Deferred tax assets	(23,330)	(17,451)	(23,330)	(17,451)
Less: Regulatory reserves	(99,778)	(109,779)	(99,778)	(109,779)
	<u>3,984,797</u>	<u>3,771,077</u>	<u>3,969,219</u>	<u>3,755,480</u>
Tier 2 capital				
Allowance for impairment losses	54,623	71,037	54,623	71,037
Add: Regulatory reserves	99,778	109,779	99,778	109,779
Total Tier 2 capital	<u>154,401</u>	<u>180,816</u>	<u>154,401</u>	<u>180,816</u>
Total capital	<u>4,139,198</u>	<u>3,951,893</u>	<u>4,123,620</u>	<u>3,936,296</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Credit risk	8,464,774	12,197,228	8,464,480	12,196,749
Operational risk	673,290	694,875	673,290	694,875
Total risk-weighted assets	<u>9,138,064</u>	<u>12,892,103</u>	<u>9,137,770</u>	<u>12,891,624</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	(a)	53,643	136,916	53,633	136,900
Financial asset at fair value through other comprehensive income (FVOCI)	(b)	319,278	461,841	319,278	461,841
Financial asset at fair value through profit or loss (FVTPL)		120,802	-	120,802	-
Derivative financial instruments		-	1,711	-	1,711
Financing assets	(c)	9,662,661	10,842,232	9,662,661	10,842,232
Mortgage assets	(d)	5,113,267	5,507,533	5,113,267	5,507,533
Hire purchase assets	(e)	26	132	26	132
Other assets and prepayments		289,112	289,358	291,524	291,756
Tax recoverable		40,462	-	40,462	-
TOTAL ASSETS		15,599,251	17,239,723	15,601,653	17,242,105
LIABILITIES					
Derivative financial instruments		9,287	4,369	9,287	4,369
Other liabilities	(f)	10,473	9,989	9,270	8,918
Provision for taxation		-	4,168	-	4,168
Deferred taxation		86,943	26,238	86,943	26,238
Sukuk	(g)	14,063,392	15,849,883	14,063,392	15,849,883
TOTAL LIABILITIES		14,170,095	15,894,647	14,168,892	15,893,576
ISLAMIC OPERATIONS' FUNDS		1,429,156	1,345,076	1,432,761	1,348,529
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		15,599,251	17,239,723	15,601,653	17,242,105

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
Total income attributable		770,621	777,833	770,621	777,833
Income attributable to					
the sukuk holders	(h)	(659,015)	(641,755)	(659,015)	(641,755)
Non-profit income/ (expense)		943	(2,420)	943	(2,420)
Total net income attributable	(i)	112,549	133,658	112,549	133,658
Administration and general expenses		(2,466)	(108)	(2,314)	24
Write-back/(allowance) of impairment losses	(j)	6,971	(11,001)	6,971	(11,001)
PROFIT BEFORE TAXATION AND ZAKAT		117,054	122,549	117,206	122,681
Zakat		(1,255)	(926)	(1,255)	(926)
Taxation		(30,173)	(58,946)	(30,173)	(58,946)
PROFIT FOR THE FINANCIAL YEAR		85,626	62,677	85,778	62,809

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS (CONTINUED)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	85,626	62,677	85,778	62,809
<u>Other comprehensive income:</u>				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	3,875	4,505	3,875	4,505
- Deferred taxation	(929)	(1,082)	(929)	(1,082)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	(5,911)	766	(5,911)	766
- Deferred taxation	1,419	(184)	1,419	(184)
Other comprehensive loss/ (gain) for the financial year net of taxation	(1,546)	4,005	(1,546)	4,005
Total comprehensive income for the financial year	84,080	66,682	84,232	66,814

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

<u>Group</u>	<u>Allocated capital funds RM'000</u>	<u>Financial asset at FVOCI reserve RM'000</u>	<u>Non-distributable</u>			<u>Distributable</u>	<u>Total RM'000</u>
			<u>Cashflow hedge reserve RM'000</u>	<u>Regulatory reserve RM'000</u>	<u>Retained profits RM'000</u>		
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	990,606		1,345,076
Profit for the financial year	-	-	-	-	85,626		85,626
Other comprehensive income	-	2,946	(4,492)	-	-		(1,546)
Total comprehensive income for the financial year	-	2,946	(4,492)	-	85,626		84,080
Transfer to retained profits	-	-	-	(4,626)	4,626		-
Balance as at 31 December 2020	294,159	6,853	(6,649)	53,935	1,080,858		1,429,156
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

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49 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

<u>Company</u>	<u>Allocated capital funds RM'000</u>	<u>Financial asset at FVOCI reserve RM'000</u>	<u>Cashflow hedge reserve RM'000</u>	<u>Non-distributable Regulatory reserve RM'000</u>	<u>Distributable Retained profits RM'000</u>	<u>Total RM'000</u>
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	994,059	1,348,529
Profit for the financial year	-	-	-	-	85,778	85,778
Other comprehensive Income	-	2,946	(4,492)	-	-	(1,546)
Total comprehensive income for the financial year	-	2,946	(4,492)	-	85,778	84,232
Transfer to retained profits	-	-	-	(4,626)	4,626	-
Balance as at 31 December 2020	294,159	6,853	(6,649)	53,935	1,084,463	1,432,761
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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49 ISLAMIC OPERATIONS (CONTINUED)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before taxation	117,054	122,549	117,206	122,681
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	(6,255)	(4,568)	(6,255)	(4,568)
Sukuk	(7,568)	(13,149)	(7,568)	(13,149)
Accretion of discount on:				
Mortgage assets	(86,903)	(94,913)	(86,903)	(94,913)
Hire purchases	-	-	-	-
Allowance/(write-back) of impairment losses on:				
Cash and short-term funds	(105)	105	(105)	105
Financial asset at FVOCI	(7)	9	(7)	9
Financing assets	(554)	67	(554)	67
Mortgage assets and hire purchase assets	(6,636)	10,820	(6,636)	10,820
Income from:				
Financial asset at FVOCI	(11,829)	(10,788)	(11,829)	(10,788)
- Islamic operations	(660,654)	(667,559)	(660,654)	(667,559)
Income from derivatives	(39,284)	(46,307)	(39,284)	(46,307)
Profit attributable to Sukuk holders	666,583	641,755	666,583	641,755
Profit attributable to derivatives	38,293	47,423	38,293	47,423
Gain on disposal of financial asset at FVOCI	(670)	(22)	(670)	(22)
Operating loss before working capital changes	1,465	(14,578)	1,617	(14,446)

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49 ISLAMIC OPERATIONS (CONTINUED)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Change in financing assets	1,169,597	(1,354,168)	1,169,597	(1,354,168)
Change in mortgage assets	478,968	494,034	478,968	494,034
Change in hire purchase assets	106	158	106	158
Change in other assets and prepayments	353	(786,316)	339	(786,409)
Change in derivatives	-	(3,532)	-	(3,532)
Change in other liabilities	154	(661)	22	(677)
Cash utilised in operating activities	1,650,643	(1,665,063)	1,650,649	(1,665,040)
Profit received from assets	679,217	1,464,598	679,217	1,464,598
Profit received from derivatives	45,712	49,957	45,712	49,957
Profit paid on derivatives	(44,003)	(48,042)	(44,003)	(48,042)
Payment of:				
Taxation	(13,609)	(25,134)	(13,609)	(25,134)
Zakat	(926)	(734)	(926)	(734)
Net cash generated from/ (utilised in) operations	2,317,034	(224,418)	2,317,040	(224,395)
INVESTING ACTIVITIES				
Purchase of financial asset at FVTPL	(280,000)	-	(280,000)	-
Purchase of financial asset at FVOCI	(1,717,161)	(1,110,495)	(1,717,161)	(1,110,495)
Net proceeds from sale/ redemption of financial asset at FVTPL	159,402		159,402	-
Net proceeds from sale/ redemption of financial asset at FVOCI	1,870,956	1,003,564	1,870,956	1,003,564
Income received from financial asset at FVTPL	598	-	598	-
Income received from financial asset at FVOCI	11,404	11,045	11,404	11,045
Net cash generated from/ (utilised in) investing activities	45,199	(95,886)	45,199	(95,886)

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49 ISLAMIC OPERATIONS (CONTINUED)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
FINANCING ACTIVITY				
Proceed from issuance of Sukuk	3,085,000	3,995,000	3,085,000	3,995,000
Redemption of Sukuk	(4,845,000)	(2,932,000)	(4,845,000)	(2,932,000)
Repayment of financing from subsidiary	-	-	-	-
Profit paid to sukuk holders	(685,506)	(650,195)	(685,506)	(650,195)
Net cash (utilised in)/ generated from financing activity	(2,445,506)	412,805	(2,445,506)	412,805
Net change in cash and cash equivalents	(83,273)	92,501	(83,267)	92,524
Cash and cash equivalents as at 1 January	136,916	44,415	136,900	44,376
Cash and cash equivalents as at 31 December	53,643	136,916	53,633	136,900
Group and Company				
			<u>Sukuk</u>	<u>Total</u>
			RM'000	RM'000
<u>2020</u>				
As at 1 January			15,849,883	15,849,883
Proceeds from issuance			3,085,000	3,085,000
Repayment and redemption			(4,845,000)	(4,845,000)
Profit paid			(685,506)	(685,506)
Other non-cash movement			659,015	659,015
As at 31 December			14,063,392	14,063,392
<u>2019</u>				
As at 1 January			14,808,472	14,808,472
Proceeds from issuance			3,995,000	3,995,000
Repayment and redemption			(2,932,000)	(2,932,000)
Profit paid			(650,195)	(650,195)
Other non-cash movement			628,606	628,606
As at 31 December			15,849,883	15,849,883

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS (CONTINUED)

(a) Cash and short-term funds

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with bank and other financial institutions	180	638	170	622
Mudharabah money at call and deposit placements maturing within one month	53,463	136,383	53,463	136,383
	53,643	137,021	53,633	137,005
Less: Allowance for impairment losses	-	(105)	-	(105)
	53,643	136,916	53,633	136,900

The gross carrying value of cash and short-term funds and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	105	-
Allowance during the year on new investments	(105)	105
As at 31 December	-	105

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49 ISLAMIC OPERATIONS (CONTINUED)

(b) Financial asset at FVOCI

	Group and Company	
	2020 RM'000	2019 RM'000
<i>At fair value:</i>		
Sukuk	107,561	73,908
Government investment issues	123,159	214,409
Quasi Government Sukuk	88,558	173,524
	<u>319,278</u>	<u>461,841</u>

The maturity structure of financial asset at FVOCI as follows:

Maturing within one year	99,139	281,479
One to three years	119,458	81,270
Three to five years	20,880	67,077
More than five years	79,801	32,024
	<u>319,278</u>	<u>461,850</u>
Less:		
Allowance for impairment losses	-	(9)
	<u>319,278</u>	<u>461,841</u>

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. In 2020, the ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The gross carrying value of financial asset at FVOCI by stage of allocation are as follows:

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	<u>319,278</u>	<u>3</u>
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	<u>461,841</u>	<u>9</u>

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49 ISLAMIC OPERATIONS (CONTINUED)

(b) Financial asset at FVOCI (continued)

Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	9	-
Allowance during the year on new assets purchased	3	-
Loans derecognised during the year due to maturity of assets	(9)	-
(Write-back)/allowance during the year due to changes in credit risk	-	9
As at 31 December	<u>3</u>	<u>9</u>

(c) Financing assets

House financing	<u>9,662,661</u>	<u>10,842,232</u>
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The maturity structure of financing assets are as follows:

Maturing within one year	3,528,607	2,513,118
One to three years	5,218,907	5,823,131
Three to five years	915,246	2,506,636
	<u>9,662,760</u>	<u>10,842,885</u>
Less:		
Allowance for impairment losses	(99)	(653)
	<u>9,662,661</u>	<u>10,842,232</u>

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

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
As at 1 January	653	586
Allowance during the year on new assets purchased	3	87
Loans derecognised during the year due to maturity of assets	(3)	(4)
Allowance during the year due to changes in credit risk	(554)	(16)
As at 31 December	<u>99</u>	<u>653</u>

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49 ISLAMIC OPERATIONS (CONTINUED)

(d) Mortgage assets

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
PWOR	5,113,267	5,507,533

The maturity structure of mortgage assets are as follows:

Maturing within one year	637,154	637,777
One to three years	805,470	816,574
Three to five years	765,669	785,595
More than five years	2,933,415	3,302,664
	5,141,708	5,542,610
Less:		
Allowance for impairment losses	(28,441)	(35,077)
	5,113,267	5,507,533

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

By stage of allocation:	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	5,108,544	18,046
Stage 2 (Lifetime ECL; non-credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
As at 31 December	5,141,708	28,441
Impairment allowance over gross carrying value (%)		0.55
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	5,490,661	20,344
Stage 2 (Lifetime ECL; non-credit impaired)	15,036	2,497
Stage 3 (Lifetime ECL; credit impaired)	36,913	12,236
As at 31 December	5,542,610	35,077
Impairment allowance over gross carrying value (%)		0.63

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49 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:

<u>2020</u>	<u>Group and Company</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
As at 1 January	20,344	2,497	12,236	35,077
<u>Transfer between stages:</u>				
Transfer to 12-month ECL (Stage 1)	100	(1,964)	(4,143)	(6,007)
Transfer to ECL not credit impaired (Stage 2)	(7)	299	(34)	258
Transfer to ECL credit impaired (Stage 3)	(55)	(126)	4,695	4,514
Total transfer between stages	<u>38</u>	<u>(1,791)</u>	<u>518</u>	<u>(1,235)</u>
Financing derecognised during the year (other than write-offs)	(685)	(374)	(2,265)	(3,324)
Allowance/ (write-back) during the year due to changes in credit risk	(1,651)	(20)	(65)	(1,736)
Amount written-off	<u>-</u>	<u>-</u>	<u>(341)</u>	<u>(341)</u>
As at 31 December	<u>18,046</u>	<u>312</u>	<u>10,083</u>	<u>28,441</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 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 (continued):

<u>2019</u>	<u>Group and Company</u>			
	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
As at 1 January	8,477	775	15,002	24,254
<u>Transfer between stages:</u>				
Transfer to 12-month 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	<u>1,596</u>	<u>(1,854)</u>	<u>258</u>	<u>-</u>
Financing derecognised during the year (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	<u>10,439</u>	<u>3,613</u>	<u>(915)</u>	<u>13,137</u>
As at 31 December	<u>20,344</u>	<u>2,497</u>	<u>12,236</u>	<u>35,077</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS (CONTINUED)

(e) Hire purchase assets

	Group and Company	
	2020 RM'000	2019 RM'000
PWOR	26	132

The maturity structure of hire purchase assets are as follows:

Maturing within one year	37	143
Less: Allowance for impairment losses	(11)	(11)
	26	132

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

<u>By stage of allocation:</u>	Gross carrying value RM'000	Impairment allowance RM'000
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	3	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	37	11
Impairment allowance over gross carrying value (%)		29.73
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	107	-
Stage 3 (Lifetime ECL; credit impaired)	36	11
As at 31 December	143	11
Impairment allowance over gross carrying value (%)		7.69

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49 ISLAMIC OPERATIONS (CONTINUED)

(e) Hire purchase assets

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

	<u>Group</u>	
	<u>Stage 1</u>	<u>Stage 3</u>
	RM'000	RM'000
<u>2020</u>		
As at 1 January	-	11
Financing derecognised during the year (other than write-offs)	-	-
Allowance during the year due to changes in credit risk	-	-
As at 31 December	-	11
<u>2019</u>		
As at 1 January	-	14
Financing derecognised during the year (other than write-offs)	-	(10)
Allowance during the year due to changes in credit risk	-	7
As at 31 December	-	11

(f) Other liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Zakat	2,106	1,777	2,106	1,777
Other payables	8,367	8,212	7,164	7,141
	<u>10,473</u>	<u>9,989</u>	<u>9,270</u>	<u>8,918</u>

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49 ISLAMIC OPERATIONS (CONTINUED)

(g) Sukuk

	<u>Group and Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000
Commercial papers	847,256	906,587
Medium-term notes	13,216,135	14,943,296
	<u>14,063,391</u>	<u>15,849,883</u>
The maturity structure of sukuk are as follows:		
Maturing within one year	4,498,391	3,764,836
One to three years	6,005,000	6,030,000
Three to five years	1,590,000	3,630,000
More than five years	1,970,000	2,425,047
	<u>14,063,391</u>	<u>15,849,883</u>

(h) Income attributable to the sukuk holders

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Mortgage assets	229,661	248,687	229,661	248,687
Hire purchase assets	140	188	140	188
Financing assets	429,214	392,880	429,214	392,880
	<u>659,015</u>	<u>641,755</u>	<u>659,015</u>	<u>641,755</u>
Income attributable to sukuk holders analysed by concept:				
Bai Al-Dayn	<u>659,015</u>	<u>641,755</u>	<u>659,015</u>	<u>641,755</u>

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49 ISLAMIC OPERATIONS (CONTINUED)

(i) Total net income attributable

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	82,332	98,793	82,332	98,793
Hire purchase assets	(178)	(182)	(178)	(182)
Financing assets	5,588	17,792	5,588	17,792
Financial asset at FVOCI	18,753	15,356	18,753	15,356
Financial asset at FVTPL	800	-	800	-
Deposit and placements with financial institutions	4,311	4,319	4,311	4,319
Non-profit expense	943	(2,420)	943	(2,420)
	<u>112,549</u>	<u>133,658</u>	<u>112,549</u>	<u>133,658</u>

Total net income attributable analysed
by concept are as follows:

Bai Al-Dayn	89,485	113,983	89,485	113,983
Murabahah	9,138	9,953	9,138	9,953
Ijarah	355	210	355	210
Mudharabah	7,579	3,600	7,579	3,600
Musarakah	1,975	1,962	1,975	1,962
Wakalah	628	1,950	628	1,950
Bai Bithaman Ajil	332	-	332	-
Tawarruq	1,840	-	1,840	-
Qard Al-Hasan	1,217	2,000	1,217	2,000
	<u>112,549</u>	<u>133,658</u>	<u>112,549</u>	<u>133,658</u>

(j) Capital adequacy

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET1	29.3	19.8	29.3	19.8
Tier 1 capital ratio	29.3	19.8	29.3	19.8
Total capital ratio	<u>31.0</u>	<u>21.2</u>	<u>31.1</u>	<u>21.3</u>
<u>After deducting proposed* final dividend</u>				
CET1 capital ratio	29.3	19.8	29.3	19.8
Tier 1 capital ratio	29.3	19.8	29.3	19.8
Total capital ratio	<u>31.0</u>	<u>21.2</u>	<u>31.1</u>	<u>21.3</u>

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CAGAMAS BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ..

49 ISLAMIC OPERATIONS (CONTINUED)

(k) Capital adequacy (continued)

Components of CET1, Tier 1 and Tier 2 capital:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	1,134,793	1,049,167	1,138,398	1,052,620
	<u>1,428,952</u>	<u>1,343,326</u>	<u>1,432,557</u>	<u>1,346,779</u>
Financial asset at				
FVOCI reserves	3,084	1,758	3,084	1,758
Deferred tax assets	(9,367)	(5,985)	(9,367)	(5,985)
Less: Regulatory reserves	(53,935)	(58,561)	(53,935)	(58,561)
Total CET1/Tier 1 capital	<u>1,368,734</u>	<u>1,280,538</u>	<u>1,372,339</u>	<u>1,283,991</u>
Tier 2 capital:				
Add: Regulatory reserves	53,935	58,561	53,935	58,561
Allowance for impairment losses	28,560	35,864	28,560	35,864
Total Tier 2 capital	<u>82,495</u>	<u>94,425</u>	<u>82,495</u>	<u>94,425</u>
Total capital	<u>1,451,229</u>	<u>1,374,963</u>	<u>1,454,834</u>	<u>1,378,416</u>
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	4,455,755	6,244,654	4,458,163	6,247,049
Operational risk	220,114	233,760	220,114	233,760
Total risk-weighted assets	<u>4,675,869</u>	<u>6,478,414</u>	<u>4,678,277</u>	<u>6,480,809</u>

* 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 ISLAMIC OPERATIONS (CONTINUED)

(i) *Shariah advisor*

The Group and the Company consult and obtain endorsements/clearance from an independent Shariah Advisor for all the Islamic products, transactions and operations to ensure compliance with Shariah requirements. From regulatory standpoint, the Group and the Company do not have direct access to the Shariah Advisory Council ("SAC") of BNM and/or the Securities Commission of Malaysia ("SC") (collectively referred as SACs), for Shariah ruling/advice. Where applicable, the Group and the Company will obtain the approval of the SACs through counterparty or intermediary that falls under the purview of BNM, and/or through the principal adviser of sukuk programme for submission of the Islamic financial products.

50 CHANGE IN COMPARATIVES

Certain comparatives were reclassified to conform to the current financial year's presentation. The Group and the Company's retained profit brought forward and net assets are not affected by the reclassifications made.

The impact of the above on the financial statements of the Group and the Company are set out as follows:

i) Impact on the Group and the Company income statements for the financial year ended 31 December 2019

<u>2019</u>	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
<u>Group</u>			
Interest expense	(948,756)	(2,523)	(951,279)
Non-interest expense	(41,357)	2,523	(38,834)
<u>Company</u>			
Interest expense	(953,857)	(2,523)	(956,380)
Non-interest expense	(41,364)	2,523	(38,841)

The reclassification was made to classify interest expense on lease liability from non-interest expense into interest expense.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 CHANGE IN COMPARATIVES (CONTINUED)

- ii) Impact on the Group and the Company's statement of cash flows for the financial year ended 31 December 2019

<u>2019</u>	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
<u>Group</u>			
Cash generated from operations	4,426,459	2,648	4,429,107
Net cash generated from operating activities	6,046,688	2,648	6,049,336
Net cash utilised in financing activity	(5,985,536)	(2,648)	(5,988,184)
<u>Company</u>			
Cash generated from operations	4,421,908	2,648	4,424,556
Net cash generated from operating activities	6,042,157	2,648	6,044,805
Net cash utilised in financing activity	(5,985,566)	(2,648)	(5,988,214)

The reclassification was made to classify interest expense on lease liability from non-interest expense into financing activities.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 CHANGE IN COMPARATIVES (CONTINUED)

iii) Impact on the Group and the Company's disclosure to the financial statement for the financial year ended 31 December 2019

(a) Mortgage assets - Conventional

<u>2019</u>	<u>Group and Company</u>		
	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
Purchase without recourse ("PWOR")	4,836,313	-	4,836,313
The maturity structure of mortgage assets - Conventional are as follows:			
Maturing within one year	879,063	(108,366)	770,697
One to three years	1,114,449	(164,801)	949,648
Three to five years	933,455	(123,254)	810,201
More than five years	2,527,182	(186,422)	2,340,760
	5,454,149	(582,843)	4,871,306
Less:			
Unaccreted discount	(573,446)	573,446	-
Net advance received	(9,397)	9,397	-
Allowance for impairment losses	(34,993)	-	(34,993)
	4,836,313	-	4,836,313

The reclassification was made to comply with MFRS 9 definition of gross carrying amount for financial assets carried at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 CHANGE IN COMPARATIVES (CONTINUED)

iii) Impact on the Group and the Company's disclosure to the financial statement for the financial year ended 31 December 2019

(b) Mortgage assets - Islamic

<u>2019</u>	<u>Group and Company</u>		
	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
Purchase without recourse ("PWOR")	5,510,428	-	5,510,428
The maturity structure of mortgage assets - Islamic are as follows:			
Maturing within one year	732,210	(93,585)	638,625
One to three years	967,240	(149,741)	817,499
Three to five years	905,246	(118,992)	786,254
More than five years	3,557,112	(253,978)	3,303,134
	6,161,808	(616,296)	5,545,512
Less:			
Unaccreted discount	(609,631)	609,631	-
Net advance received	(6,665)	6,665	-
Allowance for impairment losses	(35,084)	-	(35,084)
	5,510,428	-	5,510,428

The reclassification was made to comply with MFRS 9 definition of gross carrying amount for financial assets carried at amortised cost.

(c) Lease liability

<u>2019</u>	<u>Group and Company</u>		
	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
As at 1 January, as restated	4,916	-	4,916
Lease liability interest charged	(125)	125	-
Lease obligation interest expense	-	2,523	2,523
Lease obligation repayment	-	(2,648)	(2,648)
As at 31 December	4,791	-	4,791

The reclassification was made to classify interest expense on lease liability from non interest expense into financing activities.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

51 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures taken by the Government of Malaysia to contain the virus have affected economic activity. The Group has taken a number of safety and health measures to prevent the effects of the COVID-19 virus such as social distancing and working from home. The impact on the Group and Company's businesses and results is limited.

52 SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

On 13 January 2021, the Government of Malaysia re-instituted a movement control order. At this juncture, the impact on the Group and Company's businesses and results is limited. We will continue to follow the various government's instituted policies and advice and in parallel will do our utmost to continue the Group's operations in the best and safest way possible without jeopardising the health of our employees.

53 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 March 2021.

Registration No.

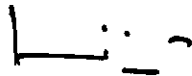
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CAGAMAS BERHAD
(Incorporated in Malaysia)

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

We, Dato' Bakarudin 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 148 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 2020 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 ISHAK
CHAIRMAN



DATUK CHUNG CHEE LEONG
DIRECTOR

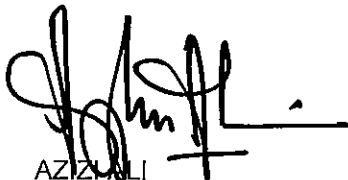
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CAGAMAS BERHAD
(Incorporated in Malaysia)

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

I, Azizi Ali, 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 148 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.

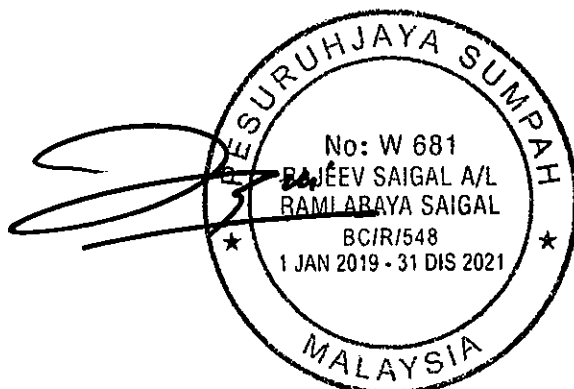


AZIZALI
MIA No. CA-30674

Subscribed and solemnly declared by the abovenamed Azizi Ali at Kuala Lumpur in Malaysia on

25 MAR 2021

Before me,
COMMISSIONER FOR OATHS



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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(Incorporated in Malaysia)
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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 2020 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 148.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



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.

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.



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)

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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


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

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

OTHER MATTERS

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


PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants


LEE TZE WOON KELVIN
03482/01/2022 J
Chartered Accountant

Kuala Lumpur
25 March 2021