# FINANCIAL STATEMENTS



# PILLAR 3 DISCLOSURE

# 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 activity of the Company is investment holding.

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

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

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

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

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

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

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

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

## SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

# DIRECTORS' REPORT
*(CONTINUED)*

## FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year | 383,782 | 30,029 |

## DIVIDENDS

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

| | Group RM'000 | Company RM'000 |
|---|---|---|
| In respect of the financial year ended 31 December 2020, | | |
| On ordinary shares: | | |
| – First dividend of 15 sen per share on 150,000,000 shares, paid on 5 June 2020 | 22,500 | 22,500 |
| – Second dividend of 5 sen per share on 150,000,000 shares, paid on 1 September 2020 | 7,500 | 7,500 |
| | 30,000 | 30,000 |
| On redeemable preference shares ("RPS"): | | |
| – a dividend paid in specie on 30 December 2020 | 707,271 | – |
| – a dividend paid in cash on 30 December 2020 | 179,419 | – |
| | 886,690 | – |

The Directors now recommend the payment of a first dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2021, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The dividends on RPS was approved by the Board of Directors of its subsidiary company, CMBS, on 28 December 2020 and paid in the current financial year.

Subsequent to the year end, the Board of Directors of CMBS on 23 January 2021 approved a further dividend in cash on RPS of RM5,691,890.20 and paid on 26 January 2021.

## SHARE CAPITAL

On 17 December 2020, the Board of Directors of a subsidiary company, CMBS, had approved the issuance of 1 RPS of RM1 to facilitate the of distribution discretionary bonus fee to LPPSA upon full settlement of RMBS for Pool 2005-1.

There are no other changes in the issued ordinary share of the Company during the financial year.

# DIRECTORS' REPORT
*(CONTINUED)*

## RESERVES AND PROVISIONS

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

## RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad ("RAM") has assigned the corporate credit ratings of ${}_{g}A_{2}$/Stable/${}_{g}$P1, ${}_{sea}$AAA/Stable/${}_{sea}$P1 and AAA/Stable/P1 to Global, ASEAN and National-scale rating to a subsidiary of the Group, Cagamas, respectively. In addition, RAM has also assigned a rating of AAA/Stable and P1 and AAA/Stable to the RMBS and IRMBS issued by the CMBS.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has assigned Cagamas' bonds and sukuk issues ratings at AAA/$AAA_{IS}$ and MARC-1/MARC-$1_{IS}$, respectively. MARC has also assigned a rating of AAA to RMBS and $AAA_{IS}$/Stable to IRMBS issued by the CMBS.

Moody's Investors Service (Moody's) has assigned long term local and foreign currency issuer ratings of A3 that is in line with Malaysian sovereign ratings.

In addition, RAM and Moody's have maintained the ratings of ${}_{g}A_{2}$(s)/Stable and A3 respectively to the USD2.5 billion Multicurrency Medium Term Note ("EMTN") Programme and USD2.5 billion Multicurrency Sukuk Programme ("Islamic EMTN") issued by its subsidiaries.

## RELATED PARTY TRANSACTIONS

The Company's related party transactions are disclosed in Note 40 to the financial statements.

## DIRECTORS

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

Dato' Bakarudin Ishak (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Datuk Abdul Farid Alias
Dato' Lee Kok Kwan
Wan Hanisah Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani
Datuk Siti Zauyah Md Desa
Chong Kin Leong (appointed w.e.f. 1 May 2020)
Datuk George Ratilal (retired w.e.f 4 June 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, Tan Sri Dato' Sri Tay Ah Lek, Datuk Abdul Farid Alias and Dato' Lee Kok Kwan retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 36 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than disclosed in Note 41.

# DIRECTORS' REPORT
*(CONTINUED)*

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

## BUSINESS REVIEW FOR THE FINANCIAL YEAR 2020

In financial year 2020, the Group achieved a profit of RM383.8 million as compared to RM410.9 million in 2019. Cagamas remains the key operating subsidiary which contributes 59% of total group profit for the financial year. The Group total capital ratio ("TCR") stood at 59.1% (2019: 44.0%).

Cagamas recorded RM7.0 billion of purchases of loans/financings under PWR scheme (2019: RM5.0 billion) and no purchase of loans/financings under PWOR scheme (2019: Nil). Cagamas' net outstanding loans/financings 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/financings 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/financings portfolios were at 68% and 32% respectively (2019: 70% and 30% respectively). The gross impaired loans/financings under the PWOR scheme stood at 0.61% (2019: 0.72%), while net impaired loans/financings is at 0.09% (2019: 0.11%).

As at the financial year end, CMBS achieved a pre-tax profit of RM204.0 million, compared with RM198.3 million in 2019. During the financial year, CMBS has redeemed RMBS/IRMBS totalling RM785.0 million out of the original total issuance of RM10.2 billion. The remaining RMBS/IRMBS are expected to mature in stages and fully redeemed by August 2027.

CSRP registered a pre-tax profit of RM6.7 million as at financial year 2020 as compared to RM17.7 million in 2019. The total guarantee exposures that have been provided by CSRP to SRP and SPB schemes was RM1.2 billion compared with RM706.5 million in 2019. The value and number of new loans and financing approved with guarantee cover for SRP and SPB have increased, mainly due to the criteria improvements/expansion of SRP and greater public awareness of the schemes through the participating financial institutions. In 2020, cumulative loans/financing approved under SRP and SPB increased by 57% from 2019, with 18,787 loans/financing worth RM4.2 billion, helping approximately 52,000 Malaysians own their first home, of which 87% were from the B40 group.

# DIRECTORS' REPORT
*(CONTINUED)*

## SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of the significant event during the financial year are set out in Note 53 to the financial statements.

## SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Details of the significant event after the financial year are set out in Note 54 to the financial statements.

## AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out in Note 37 of the financial statements.

## AUDITORS'

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

This report was approved by the Board of Directors on 25 March 2021.

Signed on behalf of the Board of Directors:

| | |
|---|---|
| **DATO' BAKARUDIN ISHAK** | **TAN SRI DATO' SRI TAY AH LEK** |
| CHAIRMAN | DIRECTOR |

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **ASSETS** | | | | | |
| Cash and short-term funds | 5 | **244,508** | 568,729 | **802** | 652 |
| Deposits and placements with financial institutions | 6 | **490,585** | 1,017,767 | **1,625** | 1,751 |
| Financial asset at fair value through profit or loss ("FVTPL") | 7 | **193,466** | 141,383 | **–** | – |
| Financial asset at fair value through other comprehensive income ("FVOCI") | 8 | **3,898,881** | 3,570,619 | **–** | – |
| Derivative financial instruments | 9 | **57,904** | 58,422 | **–** | – |
| Amount due from counterparties | 10 | **14,069,195** | 16,657,154 | **–** | – |
| Islamic financing assets | 11 | **9,662,661** | 10,842,232 | **–** | – |
| Mortgage assets: | | | | | |
| – Conventional | 12 | **5,509,163** | 6,212,124 | **–** | – |
| – Islamic | 13 | **5,947,232** | 7,209,409 | **–** | – |
| Hire purchase assets: | | | | | |
| – Islamic | 14 | **34** | 136 | **–** | – |
| Other assets | 15 | **6,637** | 7,171 | **–** | – |
| Tax recoverable | | **87,888** | – | **3** | – |
| Deferred taxation | 16 | **49,511** | 32,498 | **–** | – |
| Investment in subsidiaries | 17 | **–** | – | **4,181,628** | 4,181,628 |
| Investment in structured entity | 18 | **–*** | –* | **–*** | –* |
| Property and equipment | 19 | **3,245** | 3,923 | **–** | – |
| Intangible assets | 20 | **20,344** | 21,380 | **–** | – |
| Right-of-use asset | 21 | **3,043** | 3,980 | **–** | – |
| **TOTAL ASSETS** | | **40,244,297** | 46,346,927 | **4,184,058** | 4,184,031 |
| **LIABILITIES** | | | | | |
| Short-term borrowings | | **125,145** | – | **–** | – |
| Derivative financial instruments | 9 | **45,963** | 152,309 | **–** | – |
| Other liabilities | 22 | **149,484** | 125,481 | **46** | 52 |
| Lease liability | 23 | **4,583** | 4,791 | **–** | – |
| Provision for taxation | | **55,924** | 21,024 | **–** | – |
| Deferred taxation | 16 | **627,210** | 613,691 | **7** | 3 |
| Unsecured bearer bonds and notes | 24 | **17,482,979** | 20,661,027 | **–** | – |
| Sukuk | 25 | **14,063,392** | 15,849,883 | **–** | – |
| RMBS | 26 | **622,652** | 1,008,979 | **–** | – |
| IRMBS | 27 | **612,273** | 1,015,463 | **–** | – |
| Deferred guarantee fee income | | **16,278** | 10,058 | **–** | – |
| Deferred Wakalah fee income | | **69,469** | 35,723 | **–** | – |
| **TOTAL LIABILITIES** | | **33,875,352** | 39,498,429 | **53** | 55 |

* Denotes RM2

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

# STATEMENTS OF FINANCIAL POSITION

as at for the financial year ended 31 December 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| Share capital | 28 | **150,000** | 150,000 | **150,000** | 150,000 |
| Reserves** | 29 | **6,218,945** | 6,698,498 | **4,034,005** | 4,033,976 |
| **SHAREHOLDERS' FUNDS** | | **6,368,945** | 6,848,498 | **4,184,005** | 4,183,976 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS** | | **40,244,297** | 46,346,927 | **4,184,058** | 4,184,031 |
| **NET TANGIBLE ASSETS PER SHARE (RM)** | 30 | **42.32** | 45.51 | **27.89** | 27.89 |

** Included in the reserves of the Group is RM1,910,514,000 (2019: RM2,642,463,000) which relates to retained profits of CMBS that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

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

# INCOME STATEMENTS

for the financial year ended 31 December 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| Interest income | 31 | **1,114,621** | 1,428,867 | **121** | 166 |
| Interest expense | 32 | **(790,300)** | (1,014,104) | **–** | – |
| Income from Islamic operations | 51 | **215,720** | 235,657 | **–** | – |
| Non-interest income/(expense) | 33 | **6,848** | (41,073) | **30,000** | 30,000 |
| | | **546,889** | 609,347 | **30,121** | 30,166 |
| Administration and general expenses | | **(26,245)** | (25,587) | **(58)** | (53) |
| Personnel costs | 34 | **(31,298)** | (31,308) | **–** | – |
| **OPERATING PROFIT** | | **489,346** | 552,452 | **30,063** | 30,113 |
| Write-back/(allowance) of impairment losses | 35 | **22,874** | (18,298) | **–** | – |
| **PROFIT BEFORE TAXATION AND ZAKAT** | 37 | **512,220** | 534,154 | **30,063** | 30,113 |
| Zakat | | **(1,475)** | (1,037) | **–** | – |
| Taxation | 38 | **(126,963)** | (122,185) | **(34)** | (39) |
| **PROFIT FOR THE FINANCIAL YEAR*** | | **383,782** | 410,932 | **30,029** | 30,074 |
| **EARNINGS PER SHARE (SEN)** | 30 | **255.85** | 273.95 | **20.02** | 20.05 |
| **DIVIDEND PER SHARE (SEN)** | 39 | **20.00** | 20.00 | **20.00** | 20.00 |

* Profit for the financial year of the Group includes profit from CMBS of RM154,741,000 (2019: RM156,751,000) that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

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

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Profit for the financial year | **383,782** | 410,932 | **30,029** | 30,074 |
| Other comprehensive income: | | | | |
| Items that may be subsequently reclassified to income statement | | | | |
| Financial asset at FVOCI | | | | |
| – Net gain from change in fair value | **65,169** | 68,357 | **–** | – |
| – Deferred taxation | **(15,608)** | (16,406) | **–** | – |
| Cash flow hedge | | | | |
| – Net gain on cash flow hedge | **4,992** | 56,550 | **–** | – |
| – Deferred taxation | **(1,198)** | (13,572) | **–** | – |
| Other comprehensive income for the financial year, net of taxation | **53,355** | 94,929 | **–** | – |
| Total comprehensive income for the financial year | **437,137** | 505,861 | **30,029** | 30,074 |

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

| Group | Note | Issued ordinary shares of RM1 each | Non-distributable | | | Distributable | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Financial asset at FVOCI reserves RM'000 | Cash flow hedge reserves RM'000 | Regulatory reserves RM'000 | Retained profits RM'000 | Other reserves* RM'000 | Total equity RM'000 |
| Balance as at 1 January 2020 | | 150,000 | 56,921 | 7,267 | 109,779 | 3,882,068 | 2,642,463 | 6,848,498 |
| Profit for the financial year | | – | – | – | – | 229,041 | 154,741 | 383,782 |
| Other comprehensive income | | – | 49,561 | 3,794 | – | – | – | 53,355 |
| Total comprehensive income for the financial year | | – | 49,561 | 3,794 | – | 229,041 | 154,741 | 437,137 |
| Transfer to retained profits | | – | – | – | (10,001) | 10,001 | – | – |
| Discretionary dividend on RPS paid during the year | 39 | – | – | – | – | – | (886,690) | (886,690) |
| Issuance of RPS ** | 28 | – | – | – | – | – | – | – |
| Dividends paid | 39 | – | – | – | – | (30,000) | – | (30,000) |
| Balance as at 31 December 2020 | 28 & 29 | 150,000 | 106,482 | 11,061 | 99,778 | 4,091,110 | 1,910,514 | 6,368,945 |

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

** Denotes the RPS issued by CMBS of RM1 on 17 December 2020.

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

# STATEMENTS OF CHANGES IN EQUITY
*(CONTINUED)*

for the financial year ended 31 December 2020

| Group | Note | Issued ordinary shares of RM1 each | Non-distributable | | | Distributable | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Financial asset at FVOCI reserves RM'000 | Cash flow hedge reserves RM'000 | Regulatory reserves RM'000 | Retained profits RM'000 | Other reserves* RM'000 | Total equity RM'000 |
| Balance as at 1 January 2019 | | 150,000 | 4,970 | (35,711) | 144,472 | 3,623,194 | 2,485,823 | 6,372,748 |
| Profit for the financial year | | – | – | – | – | 254,181 | 156,751 | 410,932 |
| Other comprehensive income | | – | 51,951 | 42,978 | – | – | – | 94,929 |
| Total comprehensive income for the financial year | | – | 51,951 | 42,978 | – | 254,181 | 156,751 | 505,861 |
| Transfer to retained profits | | – | – | – | (34,693) | 34,693 | – | – |
| Discretionary dividend on RPS paid during the year | 39 | – | – | – | – | – | (111) | (111) |
| Redemption of RPS ** | 28 | (–) | – | – | – | – | – | (–) |
| Dividends paid | 39 | – | – | – | – | (30,000) | – | (30,000) |
| Balance as at 31 December 2019 | 28 & 29 | 150,000 | 56,921 | 7,267 | 109,779 | 3,882,068 | 2,642,463 | 6,848,498 |

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

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

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

# STATEMENTS OF CHANGES IN EQUITY

*(CONTINUED)*

for the financial year ended 31 December 2020

| Company | Note | Issued ordinary shares of RM1 each<br>Share capital RM'000 | Non-distributable<br>Share premium relief reserve RM'000 | Distributable<br>Retained profits RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| Balance as at 1 January 2020 | | **150,000** | **3,831,628** | **202,348** | **4,183,976** |
| Profit for the financial year | | **–** | **–** | **30,029** | **30,029** |
| Total comprehensive income for the financial year | | **–** | **–** | **30,029** | **30,029** |
| Dividends paid | 39 | **–** | **–** | **(30,000)** | **(30,000)** |
| Balance as at 31 December 2020 | 28 & 29 | **150,000** | **3,831,628** | **202,377** | **4,184,005** |
| Balance as at 1 January 2019 | | 150,000 | 3,831,628 | 202,274 | 4,183,902 |
| Profit for the financial year | | – | – | 30,074 | 30,074 |
| Total comprehensive income for the financial year | | – | – | 30,074 | 30,074 |
| Dividends paid | 39 | – | – | (30,000) | (30,000) |
| Balance as at 31 December 2019 | 28 & 29 | 150,000 | 3,831,628 | 202,348 | 4,183,976 |

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

# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **OPERATING ACTIVITIES** | | | | |
| Profit before taxation and zakat | **512,220** | 534,154 | **30,063** | 30,113 |
| 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 | **(7,878)** | (12,474) | **–** | – |
| – Unsecured bearer bonds and notes | **(3,409)** | (3,598) | **–** | – |
| – Sukuk | **(7,568)** | (13,149) | **–** | – |
| Accretion of discount on: | | | | |
| – Mortgage assets - Conventional | **(142,467)** | (175,035) | **–** | – |
| – Mortgage assets - Islamic | **(158,637)** | (133,566) | **–** | – |
| (Write–back)/allowance for impairment losses on: | | | | |
| – Cash and short-term funds | **(105)** | 105 | **–** | – |
| – Financial asset at FVOCI | **(94)** | 232 | **–** | – |
| – Amount due from counterparties/ Islamic financing assets | **(594)** | 18 | **–** | – |
| – Mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets | **(28,380)** | 17,051 | **–** | – |
| Write-back on mortgage assets and Islamic mortgage assets | **(3,174)** | – | **–** | – |
| Write-off on mortgage assets and Islamic mortgage assets | **1,464** | – | **–** | – |
| Guarantee/Wakalah exposures | **8,009** | 892 | **–** | – |
| Interest income | **(953,655)** | (1,230,455) | **(121)** | (166) |
| Interest income - derivative | **(101,763)** | (250,423) | **–** | – |
| Income from Islamic operations | **(743,528)** | (760,863) | **–** | – |
| Interest expense - bonds | **737,346** | 948,756 | **–** | – |
| Interest expense - derivative | **110,754** | 261,346 | **–** | – |
| Interest expense - RMBS | **53,924** | 62,825 | **–** | – |
| Profit attributable to sukuk holders | **666,583** | 641,755 | **–** | – |
| Profit attributable to derivative | **38,293** | 47,423 | **–** | – |
| Profit attributable to IRMBS holders | **38,649** | 51,004 | **–** | – |
| Guarantee/Wakalah fee income | **(7,089)** | (11,291) | **–** | – |
| Guarantee/Kafalah expense | **153** | 43 | **–** | – |
| Depreciation of property and equipment | **1,582** | 1,828 | **–** | – |
| Amortisation of intangible assets | **3,608** | 3,563 | **–** | – |
| Amortisation of right-of-use asset | **937** | 936 | **–** | – |
| Interest on lease liability | **2,441** | 2,523 | **–** | – |
| Gain on disposal of: | | | | |
| – Property and equipment | **(10)** | (23) | **–** | – |
| – Financial asset at FVOCI | **(9,572)** | (7,636) | **–** | – |

# STATEMENTS OF CASH FLOWS
*(CONTINUED)*

for the financial year ended 31 December 2020

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Operating profit/(loss) before working capital changes | **8,040** | (24,059) | **29,942** | 29,947 |
| Change in cash and short-term funds and deposits and placements with financial institutions | **313,283** | (316,818) | **(1,659)** | – |
| Change in amount due from counterparties | **2,531,678** | 3,785,374 | **–** | – |
| Change in Islamic financing assets | **1,169,597** | (813,711) | **–** | – |
| Change in mortgage assets: | | | | |
| – Conventional | **838,154** | 902,756 | **–** | – |
| – Islamic | **705,638** | 768,228 | **–** | – |
| Change in Islamic hire purchase assets | **103** | 647 | **–** | – |
| Change in other assets | **(198)** | (8,374) | **–** | – |
| Change in derivative | **6,983** | 357,238 | **–** | – |
| Change in deferred financing fees | **535** | 2,353 | **–** | – |
| Change in amount due to related company | **(44)** | 970 | **–** | – |
| Change in short-term borrowings | **124,826** | – | **–** | – |
| Change in other liabilities | **16,146** | 40,712 | **(5)** | 52 |
| Cash generated from operating activities | **6,422,012** | 4,695,316 | **28,278** | 29,999 |
| Interest received | **942,806** | 1,192,515 | **121** | 166 |
| Interest received on derivative | **118,301** | 208,544 | **–** | – |
| Guarantee/Wakalah fee income received | **47,055** | 27,903 | **–** | – |
| Profit received from Islamic assets | **740,851** | 748,378 | **–** | – |
| Profit received on derivative | **45,712** | 49,957 | **–** | – |
| Interest paid | **(348)** | (884) | **–** | – |
| Interest paid on derivative | **(133,898)** | (267,785) | **–** | – |
| Profit paid on derivative | **(44,003)** | (48,042) | **–** | – |
| Guarantee/Kafalah paid | **(153)** | (57) | **–** | – |
| Payment of: | | | | |
| – Zakat | **(1,060)** | (812) | **–** | – |
| – Taxation | **(200,219)** | (98,178) | **–** | – |
| Net cash generated from operating activities | **7,229,785** | 6,506,855 | **28,399** | 30,165 |

# STATEMENTS OF CASH FLOWS
*(CONTINUED)*

for the financial year ended 31 December 2020

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of: | | | | |
| – Financial asset at FVOCI | **(4,141,145)** | (3,573,581) | **–** | – |
| – Financial asset at FVTPL | **(280,000)** | (142,766) | **–** | – |
| – Property and equipment | **(904)** | (1,058) | **–** | – |
| – Intangible assets | **(2,572)** | (2,094) | **–** | – |
| Net proceeds from sale/redemption of: | | | | |
| – Financial asset at FVOCI | **3,887,034** | 3,879,566 | **–** | – |
| – Financial asset at FVTPL | **226,006** | – | **–** | – |
| Income received from: | | | | |
| – Financial asset at FVOCI | **94,409** | 90,209 | **–** | – |
| – Financial asset at FVTPL | **2,713** | 1,383 | **–** | – |
| Proceeds from disposal of property and equipment | **10** | 23 | **–** | – |
| Net cash (utilised in)/generated from investing activities | **(214,449)** | 251,682 | **–** | – |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of: | | | | |
| – unsecured bearer bonds and notes | **8,581,426** | 6,247,983 | **–** | – |
| – sukuk | **3,085,000** | 3,995,000 | **–** | – |
| Redemption of: | | | | |
| – unsecured bearer bonds and notes | **(11,802,132)** | (11,613,748) | **–** | – |
| – sukuk | **(4,845,000)** | (2,932,000) | **–** | – |
| – RMBS | **(385,000)** | (260,000) | **–** | – |
| – IRMBS | **(400,000)** | (245,000) | **–** | – |
| Interest paid on: | | | | |
| – unsecured bearer bonds and notes | **(793,078)** | (1,002,576) | **–** | – |
| – RMBS | **(55,251)** | (64,164) | **–** | – |
| Profit paid on: | | | | |
| – sukuk | **(685,506)** | (650,195) | **–** | – |
| – IRMBS | **(41,839)** | (51,894) | **–** | – |
| Dividends paid to: | | | | |
| – shareholders | **(30,000)** | (30,000) | **(30,000)** | (30,000) |
| – RPS holder | **(179,419)** | (111) | **–** | – |
| Issuance of RPS | **–*** | – | **–** | – |
| Redemption of RPS | **–** | –* | **–** | – |
| Lease rental paid | **(2,649)** | (2,648) | **–** | – |
| Net cash utilised in financing activities | **(7,553,448)** | (6,609,353) | **(30,000)** | (30,000) |

* denotes RPS of RM1

# STATEMENTS OF CASH FLOWS

*(CONTINUED)*

for the financial year ended 31 December 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| Net change in cash and cash equivalents | | **(538,112)** | 149,184 | **(1,601)** | 165 |
| Effect of foreign exchange translation | | **–** | (5) | **–** | – |
| Cash and cash equivalents as at 1 January | | **782,620** | 633,441 | **2,403** | 2,238 |
| Cash and cash equivalents as at 31 December | | **244,508** | 782,620 | **802** | 2,403 |
| Analysis of cash and short-term funds as at 31 December: | | | | | |
| Cash and short-term funds | 5 | **244,508** | 568,729 | **802** | 652 |
| Deposits and placements with financial institutions | 6 | **490,585** | 1,017,767 | **1,625** | 1,751 |
| Less: | | | | | |
| Cash and short-term funds and deposits and placements with financial institutions with original maturity of more than three months | | **(490,585)** | (803,876) | **(1,625)** | – |
| | | **244,508** | 782,620 | **802** | 2,403 |

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

# STATEMENTS OF CASH FLOWS
*(CONTINUED)*

for the financial year ended 31 December 2020

| | Lease liability RM'000 | Unsecured bearer bonds and notes RM'000 | Sukuk RM'00 | RMBS RM'000 | IRMBS RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2020** | | | | | | |
| As at 1 January | **4,791** | **20,661,027** | **15,849,883** | **1,008,979** | **1,015,463** | **38,540,143** |
| Proceeds from issuance | **–** | **8,581,426** | **3,085,000** | **–** | **–** | **11,666,426** |
| Repayment and redemption | **(2,649)** | **(11,802,132)** | **(4,845,000)** | **(385,000)** | **(400,000)** | **(17,434,781)** |
| Interest/profit paid | **–** | **(793,078)** | **(685,506)** | **(55,251)** | **(41,839)** | **(1,575,674)** |
| Exchange fluctuation | **–** | **101,931** | **–** | **–** | **–** | **101,931** |
| Other non-cash movement | **2,441** | **733,805** | **659,015** | **53,924** | **38,649** | **1,487,834** |
| As at 31 December | **4,583** | **17,482,979** | **14,063,392** | **622,652** | **612,273** | **32,785,879** |
| **2019** | | | | | | |
| As at 1 January | – | 26,082,391 | 14,808,472 | 1,270,318 | 1,261,353 | 43,422,534 |
| Effect of adopting MFRS 16 | 4,916 | – | – | – | – | 4,916 |
| As at 1 January, as restated | 4,916 | 26,082,391 | 14,808,472 | 1,270,318 | 1,261,353 | 43,427,450 |
| Proceeds from issuance | – | 6,247,983 | 3,995,000 | – | – | 10,242,983 |
| Repayment and redemption | (2,648) | (11,613,748) | (2,932,000) | (260,000) | (245,000) | (15,053,396) |
| Interest/profit paid | – | (1,002,576) | (650,195) | (64,164) | (51,894) | (1,768,829) |
| Exchange fluctuation | – | (5,041) | – | – | – | (5,041) |
| Other non-cash movement | 2,523 | 952,018 | 628,606 | 62,825 | 51,004 | 1,696,976 |
| As at 31 December | 4,791 | 20,661,027 | 15,849,883 | 1,008,979 | 1,015,463 | 38,540,143 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding.

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

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

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

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

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

The Islamic operations of the Group refer to:

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

(b) Islamic financial guarantee contracts from SRP and SPB;

(c) issuance of sukuk under Shariah principles; and

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

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

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 to the financial statements.

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

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

# 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:

*Financial year beginning on 1 January 2021*

- 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.

- 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.

- 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 months 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

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

The Group 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 is closely monitoring the development of IBOR transition and will make adjustments to the contracts according to industry widely accepted practices.

The Group 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 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 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 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 also assume that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

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 ("USD London Interbank Offered Rate").

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

### 2.2 Economic entities in the Group

*Subsidiaries*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Economic entities in the Group (continued)

*Subsidiaries (continued)*

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time;

- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS $122_{2004}$ "Business Combinations";

- internal group reorganisations, as defined in FRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:

  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and

  - the minorities' share of net assets of the Group is not altered by the transfer.

- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

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

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

*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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Economic entities in the Group (continued)

*Acquisition-related costs are expensed as incurred. (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 Structured entity

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

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

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

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

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

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

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

### 2.4 Amount due from counterparties and Islamic financing assets

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

### 2.6 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.9 to the financial statements describe the Group's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

### 2.7 Property and equipment and depreciation

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is 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 assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets is reflected in Note 2.9.2 to the financial statements.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets

(a) Classification

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

<u>Debt instruments</u>

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

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

(i) Amortised cost

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

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

(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 (expense)/income.

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

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

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

Equity instruments

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

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

### 2.9 Impairment of assets

2.9.1 Financial assets

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

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

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

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

The measurement of ECL reflects:

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

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 – non-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 months will be recognised.

- Stage 2: Lifetime ECL – non-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 objectives 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of assets (continued)

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

The following indicators are incorporated:

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

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

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

Definition of default and credit impaired financial assets

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

*Quantitative criteria:*

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

Qualitative criteria:

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

Definition of default and credit impaired financial assets (continued)

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

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

2.9.2 Non-financial assets

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

### 2.10 Write-off

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

### 2.11 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 2.19 on hedge accounting.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial liabilities (continued)

(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.

### 2.12 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.

### 2.13 Income recognition on Guarantee and Wakalah fees

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

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

### 2.14 Premium and discount on unsecured bearer bonds and notes/sukuk

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

### 2.15 Current and deferred tax

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Cash and cash equivalents

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

### 2.17 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.

### 2.18 Segment reporting

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

### 2.19 Derivative financial instruments and hedge accounting

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 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 (expense)/income”.

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

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

### 2.20 Provisions

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

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

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

### 2.21 Zakat

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business for the financial year is 2.5% (2019: 2.5%) of the zakat base.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Zakat (continued)

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

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

### 2.22 Employee benefits

(a) *Short-term employee benefits*

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

(b) *Defined contributions plans*

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

### 2.23 Intangible assets

(a) *Computer software*

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 RMBS and IRMBS

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

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

### 2.25 Share capital

(a) *Classification*

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

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

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

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

### 2.26 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 Company's functional and presentation currency.

(b) *Foreign currency transactions and balances*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.27 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.

### 2.28 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.

### 2.29 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

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

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

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

### 2.30 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 (i.e. the commencement date).

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.30 Leases (continued)

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.30 Leases (continued)

Lease liabilities (continued)

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

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

## 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 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 derivative (Note 7, 8 and 9)*

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

*(b) Impairment of mortgage assets and hire purchase assets (Note 12, 13 and 14)*

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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 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) *Securitisation and structured entities (Note 18)*

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

(e) *Impairment of guarantee exposure and Wakalah exposure (Note 22)*

In determining ECL, management's judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macroeconomic variables that are used in multiple scenarios (i.e. base, downside and upside), include (but are not limited to) real GDP growth rates, unemployment rates, consumer price index and housing price index.

Forward looking macroeconomic information and assumptions relating to COVID-19 have been considered in these scenarios, including potential impacts of COVID-19, recognising that uncertainty still exists in relation to the duration of COVID-19 related restrictions and the anticipated impact of government stimulus and regulatory actions. When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's historical loss experience. Consistent with industry guidance, customer support payment deferrals as part of COVID-19 support packages in isolation will not necessarily result in a significant increase in credit risk, and therefore will not trigger an automatic migration from Stage 1 (12-month ECL) to Stage 2 (Lifetime ECL) in the credit impairment provision for such guarantee and Wakalah exposure.

The probability weighted ECL is a blended outcome after taking into consideration the multiple scenarios applied to the Group's guarantee and Wakalah exposure.

(f) *MFRS 16 Leases (Note 21 and 23)*

The Group uses an incremental borrowing rate on an average 5-year AAA rated bonds as at date of implementation. In determining the lease term, the Group 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.

## 4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group constantly enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

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

### 4.1 Risk management structure

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

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

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

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

### 4.2 Credit risk management

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

The Group manages the credit risk by screening borrowers and counterparties, 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 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 4.3 Market risk management

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

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

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

### 4.4 Liquidity risk management

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

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

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

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

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

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

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

### 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 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. To mitigate such operational risks, the Group have developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

## 4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 4.5 Operational Risk Management (continued)

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

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

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

## 5 CASH AND SHORT-TERM FUNDS

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Cash and balance with banks and other financial institutions | **79,771** | 110,990 | **16** | 16 |
| Money at call and deposits and placements maturing less than three months | **111,274** | 321,461 | **786** | 636 |
| Mudharabah money at call and deposits and placements maturing less than three months | **53,463** | 136,383 | **–** | – |
| | **244,508** | 568,834 | **802** | 652 |
| Less: Allowance for impairment losses | – | (105) | **–** | – |
| | **244,508** | 568,729 | **802** | 652 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 5 CASH AND SHORT-TERM FUNDS (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Stage 1** | | | | |
| As at 1 January | **105** | – | **–** | – |
| (Write-back)/allowance during the year | **(105)** | 105 | **–** | – |
| As at 31 December | **–** | 105 | **–** | – |

## 6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Licensed banks | **490,585** | 1,017,767 | **1,625** | 1,751 |

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)

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Unit Trust | **193,466** | 141,383 |

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| *Debt instrument at fair value* | | |
| Malaysian government securities | **479,266** | 313,731 |
| Corporate bonds | **712,770** | 487,826 |
| Government investment issues | **952,770** | 816,675 |
| Sukuk | **828,266** | 942,572 |
| Quasi government sukuk | **925,809** | 1,009,815 |
| | **3,898,881** | 3,570,619 |
| The maturity structure of financial asset at FVOCI are as follows: | | |
| Maturing within one year | **713,552** | 836,087 |
| One to three years | **1,460,849** | 1,000,372 |
| Three to five years | **734,868** | 905,126 |
| More than five years | **989,612** | 829,266 |
| | **3,898,881** | 3,570,851 |
| Less: Allowance for impairment losses | **–** | (232) |
| | **3,898,881** | 3,570,619 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

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

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

| | Gross carrying value RM'000 | Impairment allowance RM'000 |
|---|---|---|
| **2020** | | |
| By stage of allocation: | | |
| Stage 1 (12-months ECL; non-credit impaired) | **3,898,881** | **138** |
| As at 31 December | **3,898,881** | **138** |
| **2019** | | |
| By stage of allocation: | | |
| Stage 1 (12-months ECL; non-credit impaired) | 3,525,607 | 232 |
| Stage 3 (Lifetime ECL; credit impaired) | 45,244 | – |
| As at 31 December | 3,570,851 | 232 |

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

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

| | Group and Company | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Stage 1** | | |
| As at 1 January | **232** | – |
| Allowance during the year on new assets purchased | **56** | – |
| Loans derecognised during the year due to maturity of assets | **(54)** | – |
| (Write-back)/allowance during the year due to changes in credit risk | **(96)** | 232 |
| As at 31 December | **138** | 232 |

## 9 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

- 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.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Contract/ Notional amount RM'000 | Assets RM'000 | Liabilities RM'000 | Contract/ Notional amount RM'000 | Assets RM'000 | Liabilities RM'000 |
| Derivative 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 | – |
| | **2,615,000** | **52,796** | **(43,936)** | 3,475,000 | 29,700 | (31,779) |
| 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 | – |
| | **669,927** | **5,108** | **(2,027)** | 2,673,652 | 28,722 | (120,530) |
| | **3,284,927** | **57,904** | **(45,963)** | 6,148,652 | 58,422 | (152,309) |

## 9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Fair value* | | | | | |
| | Nominal amount RM'000 | Assets RM'000 | Liabilities RM'000 | 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 |
| **2020** | | | | | | | |
| Interest/profit rate risk | | | | | | | |
| 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)** | **–** | **–** |
| Foreign exchange risk | | | | | | | |
| Cross currency interest rate swaps | **669,927** | **5,108** | **(2,027)** | **2,914** | **(80,375)** | **–** | **73,725** |
| **2019** | | | | | | | |
| Interest/profit rate risk | | | | | | | |
| Interest rate swap | 2,170,000 | 27,990 | (27,411) | 6,101 | 6,101 | – | – |
| Islamic profit rate swap | 1,305,000 | 1,710 | (4,368) | (2,839) | (2,839) | – | – |
| Foreign exchange risk | | | | | | | |
| Cross currency interest rate swaps | 2,673,652 | 28,722 | (120,530) | 6,301 | 79,889 | – | (26,601) |

* 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 'Net non-interest income/(expenses)' in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

| | Group | | | |
|---|---|---|---|---|
| | **Line items in the statements of financial position in which the hedged item is included** | **Changes in fair value used for calculating hedge effectiveness RM'000** | **Cash flow hedge reserve RM'000** | **Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000** |
| **2020** | | | | |
| Interest/profit rate/foreign exchange | | | | |
| 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** | **43,033** | **–** |
| Fixed rate financial liabilities | Unsecured bearer bonds and notes | **(28,489)** | **(21,652)** | **–** |
| Fixed rate financial liabilities | Sukuk | **(8,750)** | **(6,650)** | **–** |
| **2019** | | | | |
| Interest/profit rate/foreign exchange | | | | |
| 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 | 133,765 | 103,181 | – |
| Fixed rate financial liabilities | Unsecured bearer bonds and notes | (19,144) | (14,549) | – |
| Fixed rate financial liabilities | Sukuk | (4,201) | (3,193) | – |

## 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:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Cash flow hedge | | |
| As at 1 January | **7,267** | (35,711) |
| 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 33) | **73,725** | (26,601) |
| Income tax effects | **(1,198)** | (13,572) |
| As at 31 December | **11,061** | 7,267 |

## 10 AMOUNT DUE FROM COUNTERPARTIES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Relating to: | | |
| Mortgage loans | **13,397,099** | 16,114,190 |
| Hire purchase and leasing debts | **672,096** | 542,964 |
| | **14,069,195** | 16,657,154 |
| The maturity structure of amount due from counterparties are as follows: | | |
| Maturing within one year | **6,093,353** | 7,491,961 |
| One to three years | **7,338,049** | 8,527,330 |
| Three to five years | **226,133** | – |
| More than five years | **411,679** | 637,922 |
| | **14,069,214** | 16,657,213 |
| Less: Allowance for impairment losses | **(19)** | (59) |
| | **14,069,195** | 16,657,154 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Stage 1** | | |
| 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 | **19** | 59 |

## 11 ISLAMIC FINANCING ASSETS

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Relating to: | | |
| Islamic house financing | **9,662,661** | 10,842,232 |
| The maturity structure of Islamic 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 |
| | **9,662,760** | 10,842,885 |
| Less: | | |
| Allowance for impairment losses | **(99)** | (653) |
| | **9,662,661** | 10,842,232 |

## 11 ISLAMIC FINANCING ASSETS (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Stage 1** | | |
| As at 1 January | **653** | 627 |
| Allowance during the year on new assets purchased | **3** | 87 |
| Financing 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 | **99** | 653 |

## 12 MORTGAGE ASSETS – CONVENTIONAL

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Purchase without recourse ("PWOR") | **5,509,163** | 6,212,124 |
| The maturity structure of mortgage assets – conventional are as follows: | | |
| Maturing within one year | **972,245** | 1,032,659 |
| One to three years | **1,304,939** | 1,350,617 |
| Three to five years | **1,068,546** | 1,139,690 |
| More than five years | **2,196,477** | 2,733,047 |
| | **5,542,207** | 6,256,013 |
| Less: | | |
| Allowance for impairment losses | **(33,044)** | (43,889) |
| | **5,509,163** | 6,212,124 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

| By stage of allocation: | Gross carrying value RM'000 | Impairment allowance RM'000 |
|---|---|---|
| **2020** | | |
| Stage 1 (12-months ECL; non-credit impaired) | **5,496,238** | **18,591** |
| Stage 2 (Lifetime ECL; non-credit impaired) | **2,056** | **366** |
| Stage 3 (Lifetime ECL; credit impaired) | **43,913** | **14,087** |
| As at 31 December | **5,542,207** | **33,044** |
| Impairment allowance over gross carrying value (%) | | **0.60** |
| **2019** | | |
| Stage 1 (12-months ECL; non-credit impaired) | 6,172,838 | 21,696 |
| Stage 2 (Lifetime ECL; non-credit impaired) | 24,616 | 3,400 |
| Stage 3 (Lifetime ECL; credit impaired) | 58,559 | 18,793 |
| As at 31 December | 6,256,013 | 43,889 |
| Impairment allowance over gross carrying value (%) | | 0.70 |

## 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 | | | |
|---|---|---|---|---|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| **2020** | | | | |
| As at 1 January | **21,696** | **3,400** | **18,793** | **43,889** |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | **148** | **(3,019)** | **(8,058)** | **(10,929)** |
| – Transfer to ECL non-credit impaired (Stage 2) | **(7)** | **352** | **(73)** | **272** |
| – Transfer to ECL credit impaired (Stage 3) | **(86)** | **(160)** | **7,523** | **7,277** |
| Total transfer between stages | **55** | **(2,827)** | **(608)** | **(3,380)** |
| Loans derecognised during the year (other than write-offs) | **(512)** | **(189)** | **(2,754)** | **(3,455)** |
| Write-back during the year due to changes in credit risk | **(2,648)** | **(18)** | **(221)** | **(2,887)** |
| Amount written off | **–** | **–** | **(1,123)** | **(1,123)** |
| As at 31 December | **18,591** | **366** | **14,087** | **33,044** |
| **2019** | | | | |
| As at 1 January | 9,755 | 1,713 | 29,981 | 41,449 |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | 11,094 | (3,306) | (7,788) | – |
| – Transfer to ECL non-credit impaired (Stage 2) | (1,241) | 1,660 | (419) | – |
| – Transfer to ECL credit impaired (Stage 3) | (13,149) | (133) | 13,282 | – |
| Total transfer between stages | (3,296) | (1,779) | 5,075 | – |
| Loans derecognised during the year (other than write-offs) | (281) | (219) | (6,057) | (6,557) |
| Allowance/(write-back) during the year due to changes in credit risk | 15,518 | 3,685 | (10,151) | 9,052 |
| Amount written off | – | – | (55) | (55) |
| As at 31 December | 21,696 | 3,400 | 18,793 | 43,889 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 13 MORTGAGE ASSETS - ISLAMIC

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| PWOR | **5,947,232** | 7,209,409 |

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

| | **2020** **RM'000** | **2019** **RM'000** |
|---|---|---|
| Maturing within one year | **764,475** | 898,416 |
| One to three years | **1,026,576** | 1,270,415 |
| Three to five years | **957,448** | 1,192,778 |
| More than five years | **3,231,734** | 3,898,338 |
| | **5,980,233** | 7,259,947 |
| Less: | | |
| Allowance for impairment losses | **(33,001)** | (50,538) |
| | **5,947,232** | 7,209,409 |

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

| | **Gross carrying value RM'000** | **Impairment allowance RM'000** |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| Stage 1 (12-months ECL; non-credit impaired) | **5,941,305** | **20,815** |
| Stage 2 (Lifetime ECL; non-credit impaired) | **2,086** | **367** |
| Stage 3 (Lifetime ECL; credit impaired) | **36,842** | **11,819** |
| As at 31 December | **5,980,233** | **33,001** |
| Impairment allowance over gross carrying value (%) | | **0.55** |

## 13 MORTGAGE ASSETS - ISLAMIC (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **2019** | | |
| Stage 1 (12-months ECL; non-credit impaired) | **7,179,630** | 28,532 |
| Stage 2 (Lifetime ECL; non-credit impaired) | **23,830** | 3,892 |
| Stage 3 (Lifetime ECL; credit impaired) | **56,487** | 18,114 |
| As at 31 December | **7,259,947** | 50,538 |
| Impairment allowance over gross carrying value (%) | | 0.70 |

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

| | Group | | | |
|---|---|---|---|---|
| | **Stage 1 RM'000** | **Stage 2 RM'000** | **Stage 3 RM'000** | **Total RM'000** |
| **2020** | | | | |
| As at 1 January | **28,532** | **3,892** | **18,114** | **50,538** |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | **140** | **(3,111)** | **(5,629)** | **(8,600)** |
| – Transfer to ECL non-credit impaired (Stage 2) | **(19)** | **783** | **(37)** | **727** |
| – Transfer to ECL credit impaired (Stage 3) | **(68)** | **(225)** | **5,748** | **5,455** |
| Total transfer between stages | **53** | **(2,553)** | **82** | **(2,418)** |
| Financing derecognised during the year (other than write-offs) | **(4,504)** | **(944)** | **(5,932)** | **(11,380)** |
| Write-back during the year due to changes in credit risk | **(3,266)** | **(28)** | **(104)** | **(3,398)** |
| Amount written off | **–** | **–** | **(341)** | **(341)** |
| As at 31 December | **20,815** | **367** | **11,819** | **33,001** |

## 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: (continued)

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

## 14 HIRE PURCHASE ASSETS - ISLAMIC

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

## 14 HIRE PURCHASE ASSETS - ISLAMIC (CONTINUED)

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 15 OTHER ASSETS

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Compensation receivable from originator on mortgage assets | **415** | 469 |
| Staff loans and financing | **2,883** | 2,899 |
| Deposits | **898** | 931 |
| Prepayments | **2,422** | 2,713 |
| Other receivables | **19** | 159 |
| | **6,637** | 7,171 |

## 16 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Deferred tax assets (before offsetting) | **49,511** | 32,498 | **–** | – |
| Deferred tax liabilities (before offsetting) | **(627,210)** | (613,691) | **(7)** | (3) |
| Deferred tax liabilities | **(577,699)** | (581,193) | **(7)** | (3) |
| The movements of deferred tax are as follows: | | | | |
| As at 1 January | **(581,193)** | (579,141) | **(3)** | (4) |
| Recognised to income statement (Note 38) | **20,300** | 27,926 | **(4)** | 1 |
| Recognised to reserves | **(16,806)** | (29,978) | **–** | – |
| As at 31 December | **(577,699)** | (581,193) | **(7)** | (3) |

## 16 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 | | | |
|---|---|---|---|---|
| | 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 derivative financial instrument under cash flow hedge accounting | 1,472 | – | 3,986 | 5,458 |
| Provisions | 1,084 | 507 | – | 1,591 |
| Temporary difference relating to: | | | | |
| – interest/profit receivables on deposit and placements | 10 | – | – | 10 |
| – ECL | 17,795 | 2,978 | – | 20,773 |
| – lease liability | 1,150 | (50) | – | 1,100 |
| – guarantee/Wakalah fees | 10,987 | 9,592 | – | 20,579 |
| | 32,498 | 13,027 | 3,986 | 49,511 |
| **Deferred tax liabilities** | | | | |
| Net unrealised gains on revaluation of derivative financial instrument under cash flow hedge accounting | (3,767) | – | (5,184) | (8,951) |
| Revaluation reserves of financial asset at FVOCI | (17,980) | – | (15,608) | (33,588) |
| Accelerated depreciation | (1,237) | (1,019) | – | (2,256) |
| Unaccreted discount on mortgage assets | (586,500) | 8,322 | – | (578,178) |
| Temporary difference relating to: | | | | |
| – interest/profit receivables on deposit and placements | (2,800) | (251) | – | (3,051) |
| – right-of-use asset | (951) | 221 | – | (730) |
| – ECL | (456) | – | – | (456) |
| | (613,691) | 7,273 | (20,792) | (627,210) |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 16 DEFERRED TAXATION (CONTINUED)

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

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

## 16 DEFERRED TAXATION (CONTINUED)

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

| | Company | | | |
|---|---|---|---|---|
| | **As at 1 January RM'000** | **Recognised to income statement RM'000** | **Recognised to reserves RM'000** | **As at 31 December RM'000** |
| **2020** | | | | |
| **Deferred tax liabilities** | | | | |
| Temporary difference relating to interest receivables on deposits and placements | **(3)** | **(4)** | **–** | **(7)** |
| **2019** | | | | |
| **Deferred tax liabilities** | | | | |
| Temporary difference relating to interest receivables on deposits and placements | (4) | 1 | – | (3) |

## 17 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Unquoted shares at cost | **4,181,628** | 4,181,628 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

| Name | Principal activities | Country of incorporation | Direct and indirect interest in equity held by the Company 2020 % | 2019 % |
|---|---|---|---|---|
| Cagamas | Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of sukuk. | Malaysia | **100** | 100 |
| CGP* | Undertake the issuance of bonds and notes in foreign currency. CGP is a wholly owned subsidiary of Cagamas. | Labuan | **100** | 100 |
| CGS* | Undertake the issuance of sukuk in foreign currency. CGS is a wholly owned subsidiary of Cagamas. | Malaysia | **100** | 100 |
| CMBS | Purchases of mortgage assets and Islamic mortgage assets from LPPSA and issuance of RMBS and IRMBS to finance the purchases | Malaysia | **100** | 100 |
| CSRP | Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to SRP and SPB. | Malaysia | **100** | 100 |
| CMGP | Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection.<br><br>The Company has remained dormant since 1 January 2014. | Malaysia | **100** | 100 |
| CSME | Purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase.<br><br>The Company has remained dormant since 10 October 2012. | Malaysia | **100** | 100 |

* indirect interest via investment in Cagamas

## 18 INVESTMENT IN STRUCTURED ENTITY

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

* denotes RM2

The structured entity of the Company is as follows:

| | | Direct and indirect interest in equity held by the Company | |
|---|---|---|---|
| **Name** | **Principal activities** | **2020 %** | **2019 %** |
| BNM Sukuk | Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Shariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Shariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM.<br><br>The Company has remained dormant since 1 September 2015. | **100** | 100 |

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 19 PROPERTY AND EQUIPMENT

| Group | Office equipments RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 January 2020 | **9,817** | **4,681** | **703** | **15,201** |
| Additions | **900** | **4** | **–** | **904** |
| Disposals | **(591)** | **(5)** | **–** | **(596)** |
| As at 31 December 2020 | **10,126** | **4,680** | **703** | **15,509** |
| **Accumulated depreciation** | | | | |
| As at 1 January 2020 | **(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 2020 | **(7,290)** | **(4,591)** | **(383)** | **(12,264)** |
| **Net book value** | | | | |
| As at 31 December 2020 | **2,836** | **89** | **320** | **3,245** |
| **Cost** | | | | |
| As at 1 January 2019 | 9,242 | 4,659 | 593 | 14,494 |
| Additions | 837 | 22 | 199 | 1,058 |
| Disposals | (262) | – | (89) | (351) |
| As at 31 December 2019 | 9,817 | 4,681 | 703 | 15,201 |
| **Accumulated depreciation** | | | | |
| As at 1 January 2019 | (5,074) | (4,452) | (274) | (9,800) |
| Charge for the financial year | (1,608) | (128) | (92) | (1,828) |
| Disposals | 261 | – | 89 | 350 |
| As at 31 December 2019 | (6,421) | (4,580) | (277) | (11,278) |
| **Net book value** | | | | |
| As at 31 December 2019 | 3,396 | 101 | 426 | 3,923 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 20 INTANGIBLE ASSETS

| Group | Service rights RM'000 | Computer softwares RM'000 | Computer software licenses RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2020 | 16,712 | 13,207 | 26,607 | – | 56,526 |
| Additions | – | 1,966 | 606 | – | 2,572 |
| Write-offs | (9,022) | – | – | – | (9,022) |
| As at 31 December 2020 | 7,690 | 15,173 | 27,213 | – | 50,076 |
| **Accumulated amortisation** | | | | | |
| As at 1 January 2020 | (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 2020 | (5,403) | (12,383) | (11,946) | – | (29,732) |
| **Net book value** | | | | | |
| As at 31 December 2020 | 2,287 | 2,790 | 15,267 | – | 20,344 |
| **Cost** | | | | | |
| As at 1 January 2019 | 16,712 | 12,128 | 25,311 | 281 | 54,432 |
| Additions | – | 1,079 | 1,015 | – | 2,094 |
| Transfer during the year | – | – | 281 | (281) | – |
| As at 31 December 2019 | 16,712 | 13,207 | 26,607 | – | 56,526 |
| **Accumulated amortisation** | | | | | |
| As at 1 January 2019 | (13,374) | (12,104) | (6,105) | – | (31,583) |
| Charge for the financial year | (564) | (51) | (2,948) | – | (3,563) |
| As at 31 December 2019 | (13,938) | (12,155) | (9,053) | – | (35,146) |
| **Net book value** | | | | | |
| As at 31 December 2019 | 2,774 | 1,052 | 17,554 | – | 21,380 |

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 21 RIGHT-OF-USE ASSET

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Cost** | | |
| As at 1 January | **4,916** | – |
| Effect of adoption of MFRS 16 | **–** | 4,916 |
| As at 31 December | **4,916** | 4,916 |
| **Accumulated amortisation** | | |
| As at 1 January | **(936)** | – |
| Charge for the financial year (Note 37) | **(937)** | (936) |
| As at 31 December | **(1,873)** | (936) |
| **Net book value** | | |
| As at 31 December | **3,043** | 3,980 |

## 22 OTHER LIABILITIES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Provision for zakat | **2,326** | 1,911 |
| Amount due to GOM * | **99,624** | 90,625 |
| Other payables and accruals | **36,164** | 29,584 |
| Expected credit loss on guarantee exposure | **3,389** | 1,230 |
| Expected credit loss on Wakalah exposure | **7,981** | 2,131 |
| | **149,484** | 125,481 |

* Amount due to GOM refers to fund provided by the Government for CSRP's SRP and SPB programme.

## 22 OTHER LIABILITIES (CONTINUED)

### 22.1 Expected credit loss on guarantee exposure

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

| | Unexpired financial guarantee exposure RM'000 | Impairment allowance RM'000 |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| Stage 1 (12-months ECL; non-credit impaired) | **99,737** | **1,124** |
| Stage 2 (Lifetime ECL; non-credit impaired) | **2,308** | **1,673** |
| Stage 3 (Lifetime ECL; credit impaired) | **592** | **592** |
| As at 31 December | **102,637** | **3,389** |
| Impairment allowance over unexpired financial guarantee exposure (%) | | **3.30** |
| **2019** | | |
| Stage 1 (12-months ECL; non-credit impaired) | 61,818 | 244 |
| Stage 2 (Lifetime ECL; non-credit impaired) | 1,077 | 527 |
| Stage 3 (Lifetime ECL; credit impaired) | 459 | 459 |
| As at 31 December | 63,354 | 1,230 |
| Impairment allowance over unexpired financial guarantee exposure (%) | | 1.94 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 22 OTHER LIABILITIES (CONTINUED)

### 22.1 Expected credit loss on guarantee exposure (continued)

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

| | Group | | | |
|---|---|---|---|---|
| | **Stage 1 RM'000** | **Stage 2 RM'000** | **Stage 3 RM'000** | **Total RM'000** |
| **2020** | | | | |
| As at 1 January | **244** | **527** | **459** | **1,230** |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | **23** | **(352)** | **(182)** | **(511)** |
| – Transfer to ECL not-credit impaired (Stage 2) | **(12)** | **724** | **(74)** | **638** |
| – Transfer to ECL credit impaired (Stage 3) | **(3)** | **(57)** | **314** | **254** |
| Total transfer between stages | **8** | **315** | **58** | **381** |
| Allowance during the year on new guarantee exposure | **482** | **785** | **192** | **1,459** |
| Guarantee amount derecognised during the year | **(4)** | **(11)** | **(117)** | **(132)** |
| Allowance during the year due to changes in credit risk | **394** | **57** | **–** | **451** |
| As at 31 December | **1,124** | **1,673** | **592** | **3,389** |
| **2019** | | | | |
| As at 1 January | 369 | 232 | 428 | 1,029 |
| Transfer between stages: | | | | |
| – Transfer to 12-months ECL (Stage 1) | 267 | (129) | (138) | – |
| – Transfer to ECL non-credit impaired (Stage 2) | (18) | 77 | (59) | – |
| – Transfer to ECL credit impaired (Stage 3) | (8) | (55) | 63 | – |
| Total transfer between stages | 241 | (107) | (134) | – |
| Allowance during the year on new guarantee exposure | 110 | 129 | 16 | 255 |
| Guarantee amount derecognised during the year | (6) | (9) | (109) | (124) |
| (Write-back)/allowance during the year due to changes in credit risk | (470) | 282 | 258 | 70 |
| At as 31 December | 244 | 527 | 459 | 1,230 |

## 22 OTHER LIABILITIES (CONTINUED)

### 22.2 Expected credit loss on Wakalah exposure

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

| | Unexpired financial Wakalah exposure RM'000 | Impairment allowance RM'000 |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| Stage 1 (12-months ECL; non-credit impaired) | **388,356** | **4,226** |
| Stage 2 (Lifetime ECL; non-credit impaired) | **4,196** | **3,041** |
| Stage 3 (Lifetime ECL; credit impaired) | **714** | **714** |
| As at 31 December | **393,266** | **7,981** |
| Impairment allowance over unexpired financial Wakalah exposure (%) | | **2.03** |
| **2019** | | |
| Stage 1 (12-months ECL; non-credit impaired) | 184,558 | 715 |
| Stage 2 (Lifetime ECL; non-credit impaired) | 2,096 | 965 |
| Stage 3 (Lifetime ECL; credit impaired) | 451 | 451 |
| As at 31 December | 187,105 | 2,131 |
| Impairment allowance over unexpired financial Wakalah exposure (%) | | 1.14 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 22 OTHER LIABILITIES (CONTINUED)

### 22.2 Expected credit loss on Wakalah exposure (continued)

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

| | Group | | | |
|---|---|---|---|---|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| **2020** | | | | |
| As at 1 January | **715** | **965** | **451** | **2,131** |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | **59** | **(626)** | **(127)** | **(694)** |
| – Transfer to ECL not-credit impaired (Stage 2) | **(34)** | **1,282** | **(23)** | **1,225** |
| – Transfer to ECL credit impaired (Stage 3) | **(5)** | **(69)** | **299** | **225** |
| Total transfer between stages | **20** | **587** | **149** | **756** |
| Allowance during the year on new Wakalah exposure | **2,276** | **1,311** | **196** | **3,783** |
| Wakalah amount derecognised during the year | **(4)** | **(39)** | **(82)** | **(125)** |
| Allowance during the year due to changes in credit risk | **1,219** | **217** | **–** | **1,436** |
| As at 31 December | **4,226** | **3,041** | **714** | **7,981** |
| **2019** | | | | |
| As at 1 January | 682 | 319 | 439 | 1,440 |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | 272 | (141) | (131) | – |
| – Transfer to ECL-non-credit impaired (Stage 2) | (34) | 125 | (91) | – |
| – Transfer to ECL credit impaired (Stage 3) | (5) | (23) | 28 | – |
| Total transfer between stages | 233 | (39) | (194) | – |
| Allowance during the year on new Wakalah exposure | 387 | 364 | 96 | 847 |
| Wakalah amount derecognised during the year | (9) | (19) | (72) | (100) |
| (Write-back)/allowance during the year due to changes in credit risk | (578) | 340 | 182 | (56) |
| As at 31 December | 715 | 965 | 451 | 2,131 |

## 23 LEASE LIABILITY

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| As at 1 January | **4,791** | – |
| Effect of adoption of MFRS 16 | **–** | 4,916 |
| As restated | **4,791** | 4,916 |
| Lease obligation interest expense (Note 32) | **2,441** | 2,523 |
| Lease obligation repayment | **(2,649)** | (2,648) |
| As at 31 December | **4,583** | 4,791 |

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 | **4,583** | 4,791 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 24 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 note | | | | | |
| | 2020 | **–** | **–** | 100,000 | 3.460 |
| Add: | | | | | |
| Interest payable | | **–** | | 667 | |
| | | **–** | | 100,667 | |
| (b) Commercial papers | 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 | |

## 24 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Maturing within one year | **7,412,979** | 9,083,664 |
| One to three years | **7,420,000** | 8,402,295 |
| Three to five years | **1,070,000** | 955,000 |
| More than five years | **1,580,000** | 2,220,068 |
| | **17,482,979** | 20,661,027 |

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 ("FRN")

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

(b) Commercial paper ("CP")

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

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 RM'000** | **2019 RM'000** |
| HKD | **163,218** | 352,201 |
| USD | **112,781** | 1,553,180 |
| SGD | **395,401** | 688,405 |
| | **671,400** | 2,593,786 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 25 SUKUK

| | Group | | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Year of maturity | Amount outstanding RM'000 | Effective profit rate % | Amount outstanding RM'000 | Effective profit 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 | |
| | | **847,256** | | 906,587 | |
| (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 |
| | | **13,110,000** | | 14,810,000 | |
| Add: | | | | | |
| Profit payable | | **106,136** | | 125,728 | |
| Unaccreted premium | | **–** | | 7,568 | |
| | | **13,216,136** | | 14,943,296 | |
| | | **14,063,392** | | 15,849,883 | |

## 25 SUKUK (CONTINUED)

The maturity structure of the sukuk are as follows:

| | Group | |
|---|---|---|
| | **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 |
| | **14,063,392** | 15,849,883 |

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.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 26 RMBS

| | Year of maturity | Group 2020 Amount outstanding RM'000 | Group 2020 Effective interest rate % | Group 2019 Amount outstanding RM'000 | Group 2019 Effective interest rate % |
|---|---|---|---|---|---|
| RMBS | 2020 | – | – | 385,000 | 5.65 |
| | 2022 | **250,000** | **4.90** | 250,000 | 4.90 |
| | 2025 | **265,000** | **5.92** | 265,000 | 5.92 |
| | 2027 | **105,000** | **5.08** | 105,000 | 5.08 |
| | | **620,000** | | 1,005,000 | |
| Add: | | | | | |
| Interest payable | | **2,652** | | 3,979 | |
| | | **622,652** | | 1,008,979 | |

The maturity structure of the RMBS are as follows:

| | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|
| Maturing within one year | **2,652** | 388,979 |
| One to three years | **250,000** | 250,000 |
| Three to five years | **265,000** | – |
| More than five years | **105,000** | 370,000 |
| | **622,652** | 1,008,979 |

The RMBS have the following features:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 27 IRMBS

| | Group | | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Year of maturity | Amount outstanding RM'000 | Effective profit rate % | Amount outstanding RM'000 | Effective profit rate % |
| IRMBS | 2020 | **–** | **–** | 400,000 | 5.27 |
| | 2022 | **320,000** | **4.17** | 320,000 | 4.17 |
| | 2027 | **290,000** | **4.34** | 290,000 | 4.34 |
| | | **610,000** | | 1,010,000 | |
| Add: | | | | | |
| Profit attributable | | **2,273** | | 5,463 | |
| | | **612,273** | | 1,015,463 | |

The maturity structure of the IRMBS are as follows:

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Maturing within one year | **2,273** | 405,463 |
| One year to three years | **320,000** | 320,000 |
| More than five years | **290,000** | 290,000 |
| | **612,273** | 1,015,463 |

The IRMBS have the following features:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 28 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Amount RM'000** | **Number of shares '000** | **Amount RM'000** | **Number of shares '000** |
| Ordinary shares issued | | | | |
| As at 1 January/31 December | **150,000** | **150,000** | 150,000 | 150,000 |

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Redeemable preference shares: | | |
| As at 1 January * | **–** | – |
| Issued during the year | **–** ** | – |
| Redeemed during the year | **–** | ( – ) *** |
| As at 31 December | **–** | – |

* denotes RM1

** denotes RPS of RM1 which was issued on 17 December 2020.

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

On 17 December 2020, CMBS allotted and issued 1 RPS of RM1 to CSRP, held in trust for LPPSA. The trust mechanism had been agreed under a Tripartite Trust Deed dated 17 December 2020 whereby CSRP will hold the RPS in trust for LPPSA to facilitate the distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon full settlement of RMBS for Pool 2005-1.

The RPS issued by CMBS of RM1 to facilitate the distribution of discretionary bonus fee for Pool 2004-1 was fully redeemed and cancelled on 16 December 2019.

## 29 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 | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Financial assets at FVOCI | | |
| – Net gain from change in fair value | **74,510** | 75,993 |
| – Net transfer to income statement on disposal | **(9,467)** | (7,636) |
| – Allowance of impairment losses | **126** | – |
| – Deferred taxation | **(15,608)** | (16,406) |

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

## 30 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM6,348,601,000 of the Group and RM4,184,005,000 of the Company respectively (2019: RM6,827,118,000 of the Group and RM4,183,976,000 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 RM383,782,000 of the Group and RM30,029,000 of the Company respectively (2019: RM410,932,000 of the Group and RM30,074,000 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.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 31 INTEREST INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | 2019 RM'000 | **2020 RM'000** | 2019 RM'000 |
| Amount due from counterparties | **581,518** | 819,265 | **–** | – |
| Mortgage assets | **248,297** | 283,409 | **–** | – |
| Compensation from mortgage assets | **20** | 14 | **–** | – |
| Financial asset at FVOCI | **113,330** | 121,845 | **–** | – |
| Deposits and placements with financial institutions | **26,790** | 21,919 | **121** | 166 |
| | **969,955** | 1,246,452 | **121** | 166 |
| Accretion of discount less amortisation of premium (net) | **144,666** | 182,415 | **–** | – |
| | **1,114,621** | 1,428,867 | **121** | 166 |

## 32 INTEREST EXPENSE

| | Group | |
|---|---|---|
| | **2020 RM'000** | 2019 RM'000 |
| Floating rate notes | **1,720** | 8,650 |
| Medium-term notes | **699,475** | 913,549 |
| RMBS | **53,924** | 62,825 |
| Commercial paper | **32,073** | 25,674 |
| Short-term borrowings | **667** | 883 |
| Lease liability (Note 23) | **2,441** | 2,523 |
| | **790,300** | 1,014,104 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 33 NON-INTEREST (EXPENSE)/INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Net loss arising from derivatives | **(7,933)** | (55,571) | **–** | – |
| Gain on disposal of financial asset at FVOCI | **9,572** | 7,636 | **–** | – |
| Income from financial asset at FVTPL | **1,976** | 1,383 | **–** | – |
| Gain on disposal of property and equipment | **10** | 23 | **–** | – |
| Guarantee fee income | **2,312** | 3,214 | **–** | – |
| Net amount reclassified into profit or loss – cash flow hedge (Note 9) | **73,725** | (26,601) | **–** | – |
| Net (loss)/gain on foreign exchange | **(74,805)** | 26,260 | **–** | – |
| Dividend income | **–** | – | **30,000** | 30,000 |
| Other non-operating income | **1,991** | 2,583 | **–** | – |
| | **6,848** | (41,073) | **30,000** | 30,000 |

## 34 PERSONNEL COSTS

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 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 |
| | **31,298** | 31,308 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 35 WRITE-BACK/(ALLOWANCE) OF IMPAIRMENT LOSSES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Cash and short-term funds | **105** | (105) |
| Financial asset at FVOCI | **94** | (232) |
| Amount due from counterparties | **40** | 8 |
| Islamic financing assets | **554** | (26) |
| Mortgage assets - Conventional | **10,845** | (2,440) |
| Mortgage assets - Islamic | **17,537** | (14,442) |
| Hire purchase assets - Islamic | **–** | 3 |
| Guarantee exposures | **(2,159)** | (201) |
| Wakalah exposures | **(5,850)** | (691) |
| Write-off of mortgage assets | **(1,123)** | (172) |
| Write-off of Islamic mortgage assets | **(341)** | – |
| Write-back of mortgage assets | **3,172** | – |
| Write-back/(allowance) of impairment losses | **22,874** | (18,298) |

## 36 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Dato' Bakarudin Ishak (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Datuk Abdul Farid Alias
Dato' Lee Kok Kwan
Wan Hanisah Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani
Datuk Siti Zauyah Md Desa
Chong Kin Leong (appointed w.e.f. 1 May 2020)
Datuk George Ratilal (retired w.e.f. 4 June 2020)

## 36 DIRECTORS' REMUNERATION (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Directors' fees | **1,207** | 1,216 | **597** | 576 |
| Directors' other emoluments | **1,939** | 2,021 | **171** | 204 |
| | **3,146** | 3,237 | **768** | 780 |

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 the Company.

## 37 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) | **3,146** | 3,237 | **–*** | –* |
| short-term and low value assets expensed off | **1,013** | 741 | **–** | – |
| Auditors' remuneration: | | | | |
| – Audit fees | **477** | 432 | **–*** | –* |
| – Non-audit fees | **43** | 68 | **–*** | –* |
| Depreciation of property and equipment | **1,582** | 1,828 | **–** | – |
| Amortisation of intangible assets | **3,608** | 3,563 | **–** | – |
| Amortisation of right-of-use asset (Note 21) | **937** | 936 | **–** | – |
| Servicers fees | **2,524** | 3,044 | **–** | – |
| Repairs and maintenance | **5,095** | 6,982 | **–** | – |
| Donations and sponsorship | **200** | 115 | **–** | – |
| Corporate expenses | **744** | 892 | **–** | – |
| Travelling expenses | **(80)** | 476 | **–** | – |
| (Write-back)/allowance of impairment losses | **(22,874)** | 18,298 | **–** | – |

* Directors' remuneration of RM767,503 (2019: RM779,692) and auditors' remuneration of RM38,152 (2019: RM37,235) which include audit fee of RM32,130 and non-audit fee of RM6,022 respectively (2019: audit fees RM31,500 and non-audit fees of RM5,735 respectively) for the Company in the financial year were borne by Cagamas.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 38 TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| (a) Tax charge for the financial year | | | | |
| Malaysian income tax: | | | | |
| – Current tax | **147,263** | 150,111 | **30** | 40 |
| – Deferred taxation (Note 16) | **(20,300)** | (27,926) | **4** | (1) |
| | **126,963** | 122,185 | **34** | 39 |
| Current tax: | | | | |
| – Current year | **253,197** | 111,149 | **30** | 40 |
| – (Over)/under provision in prior years | **(105,934)** | 38,962 | **–** | – |
| Deferred taxation: | | | | |
| – (Reversal)/origination of temporary differences (Note 16) | **(20,300)** | (27,926) | **4** | (1) |
| | **126,963** | 122,185 | **34** | 39 |

(b) Reconciliation of income tax expense

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Profit before taxation and zakat | **512,220** | 534,154 | **30,063** | 30,113 |
| Tax calculated at Malaysian tax rate of 24% (2019: 24%) | **122,933** | 128,197 | **7,215** | 7,227 |
| Expenses not deductible for tax purposes | **911** | 5,672 | **14** | 12 |
| Income not subject to tax | **–** | – | **(7,200)** | (7,200) |
| Deductible tax losses from subsidiary utilised | **(28)** | (28) | **–** | – |
| (Over)/under provision in prior years | **(105,934)** | 38,962 | **–** | – |
| Deduction arising from zakat contribution | **(254)** | (393) | **–** | – |
| Origination/(reversal of) temporary differences recognised in prior years | **109,307** | (50,207) | **–** | – |
| Loss not subject to tax | **28** | 1 | **–** | – |
| Others | **–** | (19) | **5** | – |
| | **126,963** | 122,185 | **34** | 39 |

## 39 DIVIDENDS

Dividends of the Group and the Company are as follows:

| | Group and Company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Per share Sen | Total amount RM'000 | Per share Sen | Total amount RM'000 |
| **On ordinary shares:** | | | | |
| First dividend | **15.00** | **22,500** | 15.00 | 22,500 |
| Second dividend | **5.00** | **7,500** | 5.00 | 7,500 |
| | **20.00** | **30,000** | 20.00 | 30,000 |

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

| | Group | |
|---|---|---|
| | 2020 Total amount RM'000 | 2019 Total amount RM'000 |
| **On RPS:** | | |
| Dividend paid in specie | **707,271** | – |
| Dividend paid in cash | **179,419** | 111 |
| | **886,690** | 111 |

The dividend on RPS for the financial year ended 31 December 2020 was approved by the Board of Directors of a subsidiary company, CMBS on 28 December 2020, and paid in the current financial year. This is shown as a reduction in the other reserves of the Group, as reflected in the statement of changes in equity in the current financial year.

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

Subsequent to the year end, the Board of Directors on 23 January 2021 approved a further dividend in cash on RPS of RM5,691,890.20 and paid on 26 January 2021.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related parties and relationships

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

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

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

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

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

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

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

During the financial year ended 31 December 2020, CMBS, LPPSA and CSRP (as trustee to LPPSA) have entered into a Tripartite Trust Deed to facilitate the distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon full settlement of IRMBS for Pool 2005-1. The Tripartite Trust Deed have been signed on 17 December 2020 prior to the issuance of the RPS.

During the financial year 31 December 2019, the RPS of RM1 issued for the purpose of distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon settlement of RMBS for Pool 2004-1 was fully redeemed and cancelled on 16 December 2019.

## 40 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.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Other related party** | | | | |
| Expenses: | | | | |
| Directors' fee and allowances | **930** | 916 | **–** | – |
| Servicer fees | **2,524** | 3,044 | **–** | – |
| Amount due to: | | | | |
| Directors' fee and allowances | **(72)** | (65) | **–** | – |
| Servicer fees | **(678)** | (618) | **–** | – |
| **Subsidiary** | | | | |
| Expenses: | | | | |
| Management fee | **–** | – | **58** | 52 |
| Amount due to: | | | | |
| Management fee | **–** | – | **(46)** | (52) |

The Group's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM8,053,839 (2019: RM7,430,703).

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

### (c) Transaction with the GOM and its related parties

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 41 CAPITAL COMMITMENT AND CONTINGENCY

### (a) Capital commitment

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

### (b) Contingency

As at the end of the financial year, the Group's guarantee exposure to the SRP and SPB schemes (with combination of guarantee and Wakalah contracts) amounted to RM394,090,837 (2019: RM165,257,798) and RM101,812,151 (2019: RM85,200,959) respectively.

Included above are contingent liabilities relating to possible claims against the Group that may arise from defaults in the repayment of principal and interest of some of the loans covered under the guarantee and Wakalah contracts. The contingent liabilities that estimated arising from the guarantee and Wakalah are RM917,477 (2019: RM534,193) and RM764,337 (2019: RM576,937). However, no provision is made as at year end as a reliable estimate of the provision cannot be made.

## 42 FINANCIAL INSTRUMENTS BY CATEGORY

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Financial assets** | | |
| *Financial asset at amortised cost:* | | |
| Cash and short-term funds | **244,508** | 568,729 |
| Deposits and placements with financial institutions | **490,585** | 1,017,767 |
| Amount due from counterparties | **14,069,195** | 16,657,154 |
| Islamic financing assets | **9,662,661** | 10,842,232 |
| Mortgage assets | | |
| – Conventional | **5,509,163** | 6,212,124 |
| – Islamic | **5,947,232** | 7,209,409 |
| Hire purchase assets | | |
| – Islamic | **34** | 136 |
| | **35,923,378** | 42,507,551 |
| *Financial asset at FVOCI:* | | |
| Debt instruments | **3,898,881** | 3,570,619 |
| *Financial asset at FVTPL:* | | |
| Unit trust | **193,466** | 141,383 |
| Derivative financial instrument | **57,904** | 58,422 |
| | **251,370** | 199,805 |
| **Financial liabilities** | | |
| *Financial liabilities at amortised cost:* | | |
| Short-term borrowings | **125,145** | – |
| Unsecured bearer bonds and notes | **17,482,979** | 20,661,027 |
| Sukuk | **14,063,392** | 15,849,883 |
| RMBS | **622,652** | 1,008,979 |
| IRMBS | **612,273** | 1,015,463 |
| | **32,906,441** | 38,535,352 |
| *Financial liabilities at FVTPL:* | | |
| Derivative financial instrument | **45,963** | 152,309 |

## 43 INTEREST/PROFIT RATE RISK

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

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

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

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

## 43 INTEREST/PROFIT RATE RISK (CONTINUED)

| | Within one year RM'000 | One to three years RM'000 | Three to five years RM'000 | More than five years RM'000 | Non-interest/ non-profit bearing RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2020** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and short-term funds | 164,737 | – | – | – | 79,771 | 244,508 |
| Deposits and placements with financial institutions | 490,585 | – | – | – | – | 490,585 |
| Financial asset at FVOCI | 713,552 | 1,337,022 | 858,695 | 989,612 | – | 3,898,881 |
| Financial asset at FVTPL | 193,466 | – | – | – | – | 193,466 |
| 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 | 972,245 | 1,304,939 | 1,068,546 | 2,196,477 | (33,044) | 5,509,163 |
| – Islamic | 764,475 | 1,026,576 | 957,448 | 3,231,734 | (33,001) | 5,947,232 |
| Hire purchase assets: | | | | | | |
| – Islamic | 46 | – | – | – | (12) | 34 |
| Other assets | 19,119 | – | – | 38,802 | 170,651 | 228,572 |
| | 12,940,185 | 16,225,493 | 4,026,068 | 6,868,304 | 184,247 | 40,244,297 |
| **Financial liabilities** | | | | | | |
| Short-term borrowings | 125,145 | – | – | – | – | 125,145 |
| Other liabilities | 4,830 | 41,133 | – | – | 837,201 | 883,164 |
| 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 |
| RMBS | 2,652 | 250,000 | 265,000 | 105,000 | – | 622,652 |
| IRMBS | 2,273 | 320,000 | – | 290,000 | – | 612,273 |
| Deferred guarantee fees | – | – | – | – | 16,278 | 16,278 |
| Deferred Wakalah fees | – | – | – | – | 69,469 | 69,469 |
| | 12,046,271 | 14,036,133 | 2,925,000 | 3,945,000 | 922,948 | 33,875,352 |
| Interest/profit sensitivity gap | 893,914 | 2,189,360 | 1,101,068 | 2,923,304 | | |
| Cumulative gap | 893,914 | 3,083,274 | 4,184,342 | 7,107,646 | | |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 43 INTEREST/PROFIT RATE RISK (CONTINUED)

| | Within one year RM'000 | One to three years RM'000 | Three to five years RM'000 | More than five years RM'000 | Non-interest/ Non-profit bearing RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and short-term funds | 457,844 | – | – | – | 110,885 | 568,729 |
| Deposits and placements with financial institutions | 1,017,767 | – | – | – | – | 1,017,767 |
| Financial asset at FVOCI | 836,087 | 1,000,372 | 905,126 | 829,266 | (232) | 3,570,619 |
| Financial asset at FVTPL | 141,383 | – | – | – | – | 141,383 |
| Amount due from counterparties | 7,491,961 | 8,527,330 | – | 637,922 | (59) | 16,657,154 |
| Islamic financing assets | 2,513,118 | 5,823,131 | 2,506,636 | – | (653) | 10,842,232 |
| Mortgage assets: | | | | | | |
| – Conventional | 1,032,659 | 1,350,617 | 1,139,690 | 2,733,047 | (43,889) | 6,212,124 |
| – Islamic | 898,416 | 1,270,415 | 1,192,778 | 3,898,338 | (50,538) | 7,209,409 |
| Hire purchase assets: | | | | | | |
| – Conventional | 2 | – | – | – | (2) | – |
| – Islamic | 148 | – | – | – | (12) | 136 |
| Other assets | 22,854 | 16,004 | 492 | 22,506 | 65,518 | 127,374 |
| | 14,412,239 | 17,987,869 | 5,744,722 | 8,121,079 | 81,018 | 46,346,927 |
| **Financial liabilities** | | | | | | |
| Other liabilities | 126,133 | 15,677 | 10,499 | – | 764,987 | 917,296 |
| Unsecured bearer bonds and notes | 9,083,664 | 8,402,295 | 955,000 | 2,220,068 | – | 20,661,027 |
| Sukuk | 3,764,836 | 6,030,000 | 3,630,000 | 2,425,047 | – | 15,849,883 |
| RMBS | 388,979 | 250,000 | – | 370,000 | – | 1,008,979 |
| IRMBS | 405,463 | 320,000 | – | 290,000 | – | 1,015,463 |
| Deferred guarantee fees | – | – | – | – | 10,058 | 10,058 |
| Deferred Wakalah fees | – | – | – | – | 35,723 | 35,723 |
| | 13,769,075 | 15,017,972 | 4,595,499 | 5,305,115 | 810,768 | 39,498,429 |
| Interest/profit sensitivity gap | 643,164 | 2,969,897 | 1,149,223 | 2,815,964 | | |
| Cumulative gap | 643,164 | 3,613,061 | 4,762,284 | 7,578,248 | | |

## 43 INTEREST/PROFIT RATE RISK (CONTINUED)

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

| | Group | | | |
|---|---|---|---|---|
| | +100 basis | | -100 basis | |
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| *Impact to equity:* | | | | |
| Financial asset at FVOCI reserves | **(127,298)** | (107,801) | **137,637** | 115,006 |
| Derivative financial instruments | – | (36) | **–** | 36 |
| Taxation effects on the above at tax rate of 24% | **30,552** | 25,881 | **(33,033)** | (27,610) |
| Effect on shareholder's funds | **(96,746)** | (81,956) | **104,604** | 87,432 |
| As percentage of shareholder's funds | **(1.5%)** | (1.2%) | **1.6%** | 1.3% |
| *Impact to income statements:* | | | | |
| Net interest/profit 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 | **9,362** | 4,107 | **(9,360)** | (4,102) |
| As percentage of profit after tax | **2.4%** | 1.1% | **(2.4%)** | (1.1%) |

## 44 CREDIT RISK

### 44.1 Credit risk concentration

The Group's counterparties are mainly LPPSA, the GOM, financial institutions and individuals in Malaysia. The financial institutions are governed by the Financial Services Act 2013 ("FSA") and the Islamic Financial Services Act 2013 ("IFSA") and Development Financial Institution Act 2002 ("DFIA") are subject to periodic review by the BNM. The following tables summarise the Group's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date.

## 44 CREDIT RISK (CONTINUED)

### 44.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

| | On-statement of financial position | | | | | | | | | | | Off-statement of financial position | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash and short-term funds RM'000 | Deposits and placements with financial institutions RM'000 | Derivative financial instruments RM'000 | Financial asset at FVOCI RM'000 | Financial asset at FVTPL RM'000 | Amount due from counter parties RM'000 | Islamic financing assets RM'000 | Mortgage assets-Conventional RM'000 | Mortgage assets-Islamic RM'000 | Hire purchase assets-Islamic RM'000 | Other assets RM'000 | Financial guarantee RM'000 | Total RM'000 |
| **Group** | | | | | | | | | | | | | |
| **2020** | | | | | | | | | | | | | |
| Government bodies | – | – | – | 1,557,438 | – | – | – | – | – | – | 415 | – | 1,557,853 |
| Financial institutions: | | | | | | | | | | | | | |
| – Commercial banks | 244,508 | 490,585 | 57,904 | 30,002 | 120,802 | 13,397,099 | 9,322,362 | – | – | – | – | – | 23,663,262 |
| – Development | – | – | – | 187,184 | – | – | 340,299 | – | – | – | – | – | 527,483 |
| Communication, electricity, gas and water | – | – | – | 312,932 | – | – | – | – | – | – | – | – | 312,932 |
| Transportation | – | – | – | 819,756 | – | – | – | – | – | – | – | – | 819,756 |
| Leasing | – | – | – | – | – | 672,096 | – | – | – | – | – | – | 672,096 |
| Consumers | – | – | – | – | – | – | – | 5,509,163 | 5,947,232 | 34 | – | 495,903 | 11,952,332 |
| Construction | – | – | – | 215,183 | – | – | – | – | – | – | – | – | 215,183 |
| Corporate | – | – | – | 426,397 | 72,664 | – | – | – | – | – | – | – | 499,061 |
| Related company | – | – | – | 96,609 | – | – | – | – | – | – | – | – | 96,609 |
| Others | – | – | – | 253,380 | – | – | – | – | – | – | 6,222 | – | 259,602 |
| Total | 244,508 | 490,585 | 57,904 | 3,898,881 | 193,466 | 14,069,195 | 9,662,661 | 5,509,163 | 5,947,232 | 34 | 6,637 | 495,903 | 40,576,169 |

## 44 CREDIT RISK (CONTINUED)

### 44.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 44 CREDIT RISK (CONTINUED)

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

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

- neither more than 90 days past due nor individually impaired; or
- more than 90 days past due but not individually impaired.

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

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

Credit risk loans comprised 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.

| Group | Neither more than 90 days past due nor individually impaired RM'000 | More than 90 days past due but not individually impaired* RM'000 | Total RM'000 | Impairment allowance RM'000 | Total carrying value RM'000 | Credit risk loan RM'000 | Coverage ratio % |
|---|---|---|---|---|---|---|---|
| **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 | **5,498,294** | **43,913** | **5,542,207** | **33,044** | **5,509,163** | **43,913** | **75** |
| – Islamic | **5,943,391** | **36,842** | **5,980,233** | **33,001** | **5,947,232** | **36,842** | **90** |
| Hire purchase assets: | | | | | | | |
| – Islamic | **10** | **36** | **46** | **12** | **34** | **36** | **33** |
| | **35,173,669** | **80,791** | **35,254,460** | **66,175** | **35,188,285** | **80,791** | |

* These assets have been provided for under collective assessment.

## 44 CREDIT RISK (CONTINUED)

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

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

* These assets have been provided for under collective assessment.

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

| Group | 2020 Strong RM'000 | 2020 Total RM'000 | 2019 Strong RM'000 | 2019 Total 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 | **5,498,294** | **5,498,294** | 6,197,454 | 6,197,454 |
| – Islamic | **5,943,391** | **5,943,391** | 7,203,460 | 7,203,460 |
| Hire purchase assets: | | | | |
| – Islamic | **10** | **10** | 112 | 112 |
| | **35,173,669** | **35,173,669** | 40,901,124 | 40,901,124 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 44 CREDIT RISK (CONTINUED)

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

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

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

| | Group | | | | |
|---|---|---|---|---|---|
| | **91 to 120 days RM'000** | **121 to 150 days RM'000** | **151 to 180 days RM'000** | **Over 180 days RM'000** | **Total RM'000** |
| **2020** | | | | | |
| Mortgage assets: | | | | | |
| – Conventional | **1,963** | **2,545** | **1,675** | **37,730** | **43,913** |
| – Islamic | **1,758** | **2,223** | **1,840** | **31,021** | **36,842** |
| Hire purchase assets: | | | | | |
| – Islamic | **–** | **–** | **–** | **36** | **36** |
| | **3,721** | **4,768** | **3,515** | **68,787** | **80,791** |
| **2019** | | | | | |
| Mortgage assets: | | | | | |
| – Conventional | 6,081 | 3,446 | 2,086 | 46,946 | 58,559 |
| – Islamic | 8,185 | 4,033 | 2,503 | 41,766 | 56,487 |
| Hire purchase assets: | | | | | |
| – Conventional | – | – | – | 2 | 2 |
| – Islamic | – | – | – | 36 | 36 |
| | 14,266 | 7,479 | 4,589 | 88,750 | 115,084 |

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

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

## 44 CREDIT RISK (CONTINUED)

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

The movement in impairment allowance are as follows:

| | Group | | | |
|---|---|---|---|---|
| | As at 1 January RM'000 | (Write-back)/ allowance 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 | **43,889** | **(9,722)** | **(1,123)** | **33,044** |
| – Islamic | **50,538** | **(17,196)** | **(341)** | **33,001** |
| Hire purchase assets: | | | | |
| – Conventional | **2** | **–** | **(2)** | **–** |
| – Islamic | **12** | **–** | **–** | **12** |
| | **95,153** | **(27,512)** | **(1,466)** | **66,175** |
| **2019** | | | | |
| Amount due from counterparties | 67 | (8) | – | 59 |
| Islamic financing assets | 627 | 26 | – | 653 |
| Mortgage assets: | | | | |
| – Conventional | 41,449 | 2,495 | (55) | 43,889 |
| – Islamic | 36,096 | 14,442 | – | 50,538 |
| Hire purchase assets: | | | | |
| – Conventional | 2 | – | – | 2 |
| – Islamic | 15 | (3) | – | 12 |
| | 78,256 | 16,952 | (55) | 95,153 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 44 CREDIT RISK (CONTINUED)

### 44.3 Credit quality

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | GOM RM'000 | AAA RM'000 | AA1 to AA2/ AA+ to AA RM'000 | No rating RM'000 | Total RM'000 | Impairment allowance RM'000 |
| **2020** | | | | | | |
| Financial asset at FVOCI | | | | | | |
| – Stage 1 | 2,356,895 | 1,008,739 | 533,247 | – | 3,898,881 | 138 |
| Amount due from counterparties | | | | | | |
| – Stage 1 | – | 7,596,290 | 6,472,924 | – | 14,069,214 | 19 |
| Islamic financing assets | | | | | | |
| – Stage 1 | – | 740,305 | 8,922,455 | – | 9,662,760 | 99 |
| Mortgage assets | | | | | | |
| – Stage 1 | – | – | – | 5,496,238 | 5,496,238 | 18,591 |
| – Stage 2 | – | – | – | 2,056 | 2,056 | 366 |
| – Stage 3 | – | – | – | 43,913 | 43,913 | 14,087 |
| | – | – | – | 5,542,207 | 5,542,207 | 33,044 |
| Islamic mortgage assets | | | | | | |
| – Stage 1 | – | – | – | 5,941,305 | 5,941,305 | 20,815 |
| – Stage 2 | – | – | – | 2,086 | 2,086 | 367 |
| – Stage 3 | – | – | – | 36,842 | 36,842 | 11,819 |
| | – | – | – | 5,980,233 | 5,980,233 | 33,001 |

## 44 CREDIT RISK (CONTINUED)

### 44.3 Credit quality (continued)

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | GOM RM'000 | AAA RM'000 | AA1 to AA2/ AA+ to AA RM'000 | No rating RM'000 | Total RM'000 | Impairment allowance RM'000 |
| **2020** | | | | | | |
| Islamic hire purchase assets | | | | | | |
| – Stage 1 | – | – | – | 10 | 10 | – |
| – Stage 3 | – | – | – | 36 | 36 | 12 |
| | – | – | – | 46 | 46 | 12 |
| Guarantee exposure | | | | | | |
| – Stage 1 | – | – | – | 99,737 | 99,737 | 1,124 |
| – Stage 2 | – | – | – | 2,308 | 2,308 | 1,673 |
| – Stage 3 | – | – | – | 592 | 592 | 592 |
| | – | – | – | 102,637 | 102,637 | 3,389 |
| Wakalah exposure | | | | | | |
| – Stage 1 | – | – | – | 388,356 | 388,356 | 4,226 |
| – Stage 2 | – | – | – | 4,196 | 4,196 | 3,041 |
| – Stage 3 | – | – | – | 714 | 714 | 714 |
| | – | – | – | 393,266 | 393,266 | 7,981 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 44 CREDIT RISK (CONTINUED)

### 44.3 Credit quality (continued)

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | GOM RM'000 | AAA RM'000 | AA1 to AA2/ AA+ to AA RM'000 | No rating RM'000 | Total RM'000 | Impairment allowance RM'000 |
| **2019** | | | | | | |
| Financial asset at FVOCI | | | | | | |
| – Stage 1 | 1,191,263 | 1,905,441 | 428,903 | – | 3,525,607 | 232 |
| – Stage 3 | – | 45,244 | – | – | 45,244 | – |
| | 1,191,263 | 1,950,685 | 428,903 | – | 3,570,851 | 232 |
| Amount due from counterparties | | | | | | |
| – Stage 1 | – | 11,070,691 | 5,586,522 | – | 16,657,213 | 59 |
| Islamic financing assets | | | | | | |
| – Stage 1 | – | 2,268,430 | 8,574,455 | – | 10,842,885 | 653 |
| Mortgage assets | | | | | | |
| – Stage 1 | – | – | – | 6,172,838 | 6,172,838 | 21,696 |
| – Stage 2 | – | – | – | 24,616 | 24,616 | 3,401 |
| – Stage 3 | – | – | – | 58,559 | 58,559 | 18,792 |
| | – | – | – | 6,256,013 | 6,256,013 | 43,889 |
| Islamic mortgage assets | | | | | | |
| – Stage 1 | – | – | – | 7,179,630 | 7,179,630 | 28,532 |
| – Stage 2 | – | – | – | 23,830 | 23,830 | 3,892 |
| – Stage 3 | – | – | – | 56,487 | 56,487 | 18,114 |
| | – | – | – | 7,259,947 | 7,259,947 | 50,538 |

## 44 CREDIT RISK (CONTINUED)

### 44.3 Credit quality (continued)

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

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 44 CREDIT RISK (CONTINUED)

### 44.4 Credit risk mitigation

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group 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 assets | | | | |
| - Conventional | **5,542,207** | **(33,044)** | **5,509,163** | **28,622,458** |
| - Islamic | **5,980,233** | **(33,001)** | **5,947,232** | **19,146,648** |
| | **11,522,440** | **(66,045)** | **11,456,395** | **47,769,106** |
| **2019** | | | | |
| Mortgage assets | | | | |
| - Conventional | 6,256,013 | (43,889) | 6,212,124 | 30,679,898 |
| - Islamic | 7,259,947 | (50,538) | 7,209,409 | 26,595,786 |
| | 13,515,960 | (94,427) | 13,421,533 | 57,275,684 |

## 44 CREDIT RISK (CONTINUED)

### 44.5 Offsetting financial instruments

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the statement of financial position | | |
| | Gross amount of recognised financial liabilities RM'000 | Gross amount of recognised financial assets set off in the statement of financial position RM'000 | Net amount of financial liabilities presented in the statement of financial position RM'000 | Financial instruments RM'000 | Cash collateral placed RM'000 | Net amount RM'000 |
| **2020** | | | | | | |
| Derivative financial liabilities | **(45,963)** | **–** | **(45,963)** | **–** | **–** | **(45,963)** |
| **2019** | | | | | | |
| Derivative financial liabilities | (152,309) | – | (152,309) | – | – | (152,309) |

## 45 LIQUIDITY RISK

### 45.1 Funding approach

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 45 LIQUIDITY RISK (CONTINUED)

### 45.2 Liquidity pool

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

| | Cash and short-term funds with licensed financial institutions RM'000 | Deposits and placements with financial institutions RM'000 | Derivative financial instruments RM'000 | Financial asset at FVTPL RM'000 | Financial asset at FVOCI RM'000 | Mortgage assets RM'000 | Islamic mortgage assets RM'000 | Amount due from counterparties RM'000 | Islamic financing assets RM'000 | Other available liquidity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | | |
| **2020** | **244,508** | **490,585** | **57,904** | **193,466** | **3,898,881** | **5,509,163** | **5,947,232** | **14,069,195** | **9,662,661** | **4,284** | **40,077,879** |
| 2019 | 568,729 | 1,017,767 | 58,422 | 141,383 | 3,570,619 | 6,212,124 | 7,209,409 | 16,657,154 | 10,842,232 | 4,629 | 46,282,468 |

### 45.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | On demand up to one month RM'000 | One to three months RM'000 | Three to twelve months RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
| **2020** | | | | | | |
| **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** |
| RMBS | **–** | **8,166** | **25,015** | **608,294** | **114,265** | **755,740** |
| IRMBS | **–** | **6,252** | **19,607** | **376,888** | **308,827** | **711,574** |
| Unexpired financial guarantee contracts | **495,903** | **–** | **–** | **–** | **–** | **495,903** |
| Other liabilities | **147,378** | **2,106** | **–** | **–** | **–** | **149,484** |
| | **1,401,693** | **3,335,506** | **8,642,527** | **18,926,097** | **4,765,064** | **37,070,887** |
| **Assets held for managing liquidity risk** | **808,559** | **2,856,060** | **10,525,250** | **22,391,753** | **8,300,553** | **44,882,175** |

## 45 LIQUIDITY RISK (CONTINUED)

### 45.3 Contractual maturity of financial liabilities (continued)

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

## 45 LIQUIDITY RISK (CONTINUED)

### 45.4 Derivative liabilities

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

The following table analyses the subsidiary's derivative financial liabilities 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 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand up to one month RM'000** | **One to three months RM'000** | **Three to twelve months RM'000** | **One to five years RM'000** | **Over five years RM'000** | **Total RM'000** |
| **2020** | | | | | | |
| Net settled derivatives | | | | | | |
| Derivatives held for hedging: | | | | | | |
| IRS/IPRS | **(1,016)** | **(5,553)** | **4,080** | **(6,053)** | **43,556** | **35,014** |
| Gross settled derivatives | | | | | | |
| Derivatives held for hedging: | | | | | | |
| CCS/ICCS | | | | | | |
| – Outflow | **(3,433)** | **–** | **(1,028,926)** | **–** | **–** | **(1,032,359)** |
| – Inflow | **66** | **–** | **592,905** | **–** | **–** | **592,971** |

## 45 LIQUIDITY RISK (CONTINUED)

### 45.4 Derivative liabilities (continued)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | On demand up to one month RM'000 | One to three months RM'000 | Three to twelve months RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
| **2019** | | | | | | |
| Net settled derivatives | | | | | | |
| Derivatives held for hedging: | | | | | | |
| IRS/IPRS | – | (4,573) | 12,791 | (6,664) | 19,452 | 21,006 |
| Gross settled derivatives | | | | | | |
| Derivatives held for hedging: | | | | | | |
| CCS/ICCS | | | | | | |
| – Outflow | – | – | (2,714,476) | – | – | (2,714,476) |
| – Inflow | – | – | 2,460,503 | 168,044 | – | 2,628,547 |

## 46 FOREIGN EXCHANGE RISK

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

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

## 46 FOREIGN EXCHANGE RISK (CONTINUED)

### 46.1 Exposure to foreign currency risk

| | Group | | |
|---|---|---|---|
| | **HKD RM'000** | **USD RM'000** | **SGD RM'000** |
| **2020** | | | |
| Derivative financial instruments | **165,763** | **113,083** | **395,772** |
| Unsecured bearer bonds and notes | **163,218** | **112,781** | **395,401** |
| **2019** | | | |
| Derivative financial instruments | 355,910 | 1,550,156 | 694,748 |
| Unsecured bearer bonds and notes | 352,201 | 1,553,180 | 688,405 |

### 46.2 Currency risk sensitivity analysis

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

| | Group | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Equity RM'000** | **Profit RM'000** | **Equity RM'000** | **Profit RM'000** |
| HKD | **19** | **–** | 28 | – |
| USD | **2** | **–** | (25) | – |
| SGD | **1** | **–** | 45 | 1 |
| | **22** | **–** | 48 | 1 |

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS

### 47.1 Fair value of financial instruments carried at fair value

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

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

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

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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows (continued):

| | Group | | | |
|---|---|---|---|---|
| | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** | **Total RM'000** |
| **2020** | | | | |
| **Assets** | | | | |
| Financial asset at FVOCI | **–** | **3,898,881** | **–** | **3,898,881** |
| Financial asset at FVTPL | **–** | **193,466** | **–** | **193,466** |
| Derivative financial Instruments | **–** | **57,904** | **–** | **57,904** |
| **Liabilities** | | | | |
| Derivative financial Instruments | **–** | **45,963** | **–** | **45,963** |
| **2019** | | | | |
| **Assets** | | | | |
| Financial asset at FVOCI | – | 3,570,619 | – | 3,570,619 |
| Financial asset at FVTPL | – | 141,383 | – | 141,383 |
| Derivative financial instruments | – | 58,422 | – | 58,422 |
| **Liabilities** | | | | |
| Derivative financial instruments | – | 152,309 | – | 152,309 |

### 47.2 Fair value of financial instruments carried at 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 a month.

(b) *Other financial assets*

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

(c) *Other financial liabilities*

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

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

| | Group | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Carrying value RM'000 | Fair value RM'000 | Carrying value RM'000 | Fair value 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 | **5,509,163** | **6,332,849** | 6,212,124 | 7,020,513 |
| - Islamic | **5,947,232** | **7,069,733** | 7,209,409 | 8,333,868 |
| Hire purchase assets: | | | | |
| - Islamic | **34** | **48** | 136 | 250 |
| | **35,188,285** | **37,454,762** | 40,921,055 | 43,195,994 |
| **Financial liabilities** | | | | |
| Unsecured bearer bonds and notes | **17,482,979** | **18,236,203** | 20,661,027 | 21,352,182 |
| Sukuk | **14,063,392** | **14,886,518** | 15,849,883 | 16,494,980 |
| RMBS | **622,652** | **683,114** | 1,008,979 | 1,062,015 |
| IRMBS | **612,273** | **642,220** | 1,015,463 | 1,031,281 |
| | **32,781,296** | **34,448,055** | 38,535,352 | 39,940,458 |

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

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

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### 47.2 Fair value of financial instruments carried at 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 market yield to maturity at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

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

## 48 SEGMENT REPORTING

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

*(a) PWR*

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

*(b) PWOR*

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

*(c) Mortgage guarantee*

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

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

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

## 48 SEGMENT REPORTING (CONTINUED)

| | Group | | | |
|---|---|---|---|---|
| | PWR RM'000 | PWOR RM'000 | Mortgage guarantee RM'000 | Total RM'000 |
| **2020** | | | | |
| External revenue | 1,096,225 | 916,367 | 15,868 | 2,028,460 |
| External interest/profit expense | (896,481) | (591,483) | – | (1,487,964) |
| Profit from operations | 165,530 | 339,949 | 6,741 | 512,220 |
| Zakat | (897) | (358) | (220) | (1,475) |
| Taxation | (44,069) | (81,463) | (1,431) | (126,963) |
| Profit after taxation and zakat by segment | 120,564 | 258,128 | 5,090 | 383,782 |
| Segment assets | 25,891,083 | 13,983,159 | 370,055 | 40,244,297 |
| Segment liabilities | 23,032,612 | 10,741,097 | 101,643 | 33,875,352 |
| **Other information:** | | | | |
| Capital expenditure | 2,485 | 991 | – | 3,476 |
| Depreciation and amortisation | 4,380 | 1,747 | – | 6,127 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 48 SEGMENT REPORTING (CONTINUED)

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 49 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

### ASSETS AND LIABILITIES

| | The Company, Cagamas, CMGP and CSME* RM'000 | CMBS RM'000 | CSRP RM'000 | Consolidation adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **ASSETS** | | | | | |
| Cash and short-term funds | **109,873** | **80,540** | **54,095** | **–** | **244,508** |
| Deposits and placements with financial institutions | **104,511** | **345,900** | **40,174** | **–** | **490,585** |
| Financial asset at FVTPL | **193,466** | **–** | **–** | **–** | **193,466** |
| Financial asset at FVOCI | **2,383,316** | **1,262,691** | **252,874** | **–** | **3,898,881** |
| Derivative financial instruments | **57,904** | **–** | **–** | **–** | **57,904** |
| Amount due from counterparties | **14,069,195** | **–** | **–** | **–** | **14,069,195** |
| Islamic financing assets | **9,662,661** | **–** | **–** | **–** | **9,662,661** |
| Mortgage assets: | | | | | |
| – Conventional | **4,366,916** | **1,142,247** | **–** | **–** | **5,509,163** |
| – Islamic | **5,115,509** | **831,723** | **–** | **–** | **5,947,232** |
| Hire purchase assets: | | | | | |
| – Islamic | **34** | **–** | **–** | **–** | **34** |
| Other assets | **7,431** | **–** | **–** | **(794)** | **6,637** |
| Tax recoverable | **87,888** | **–** | **–** | **–** | **87,888** |
| Deferred taxation | **–** | **2,803** | **22,912** | **23,796** | **49,511** |
| Investment in subsidiaries | **4,181,628** | **–** | **–** | **(4,181,628)** | **–** |
| Property and equipment | **3,245** | **–** | **–** | **–** | **3,245** |
| Intangible assets | **20,344** | **–** | **–** | **–** | **20,344** |
| Right-of-use asset | **3,043** | **–** | **–** | **–** | **3,043** |
| Amount due from a related company | **1,375** | **–** | **–** | **(1,375)** | **–** |
| **TOTAL ASSETS** | **40,368,339** | **3,665,904** | **370,055** | **(4,160,001)** | **40,244,297** |
| **LIABILITIES** | | | | | |
| Short-term borrowings | **125,145** | **–** | **–** | **–** | **125,145** |
| Derivative financial instruments | **45,963** | **–** | **–** | **–** | **45,963** |
| Other liabilities | **133,351** | **5,844** | **12,493** | **(2,204)** | **149,484** |
| Lease liability | **4,583** | **–** | **–** | **–** | **4,583** |
| Provision for taxation | **41** | **54,341** | **1,542** | **–** | **55,924** |
| Deferred taxation | **170,087** | **431,466** | **1,861** | **23,796** | **627,210** |
| Unsecured bearer bonds and notes | **17,482,979** | **–** | **–** | **–** | **17,482,979** |
| Sukuk | **14,063,392** | **–** | **–** | **–** | **14,063,392** |
| RMBS | **–** | **622,652** | **–** | **–** | **622,652** |
| IRMBS | **–** | **612,273** | **–** | **–** | **612,273** |
| Deferred guarantee fee income | **–** | **–** | **16,278** | **–** | **16,278** |
| Deferred Wakalah fee income | **–** | **–** | **69,469** | **–** | **69,469** |
| **TOTAL LIABILITIES** | **32,025,541** | **1,726,576** | **101,643** | **21,592** | **33,875,352** |

* Total assets of CMGP and CSME were nil.

* Total liabilities of CMGP and CSME were nil.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

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

### ASSETS AND LIABILITIES (CONTINUED)

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

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

* Total liabilities of CMGP and CSME were RM1,287 and nil respectively.

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

### INCOME STATEMENTS

| | The Company, Cagamas, CMGP, and CSME* RM'000 | CMBS RM'000 | CSRP RM'000 | Consolidation adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Interest income | **958,601** | **146,674** | **9,346** | **–** | **1,114,621** |
| Interest expense | **(736,376)** | **(53,924)** | **–** | **–** | **(790,300)** |
| Income from Islamic operations | **112,549** | **98,254** | **6,522** | **(1,605)** | **215,720** |
| Non-interest income | **38,766** | **105** | **2,312** | **(34,335)** | **6,848** |
| | **373,540** | **191,109** | **18,180** | **(35,940)** | **546,889** |
| Administration and general expenses | **(25,742)** | **(3,017)** | **(3,426)** | **5,940** | **(26,245)** |
| Personnel costs | **(31,298)** | **–** | **–** | **–** | **(31,298)** |
| **OPERATING PROFIT** | **316,500** | **188,092** | **14,754** | **(30,000)** | **489,346** |
| Write-back/(allowance) of impairment losses | **14,954** | **15,933** | **(8,013)** | **–** | **22,874** |
| **PROFIT BEFORE TAXATION AND ZAKAT** | **331,454** | **204,025** | **6,741** | **(30,000)** | **512,220** |
| Zakat | **(1,255)** | **–** | **(220)** | **–** | **(1,475)** |
| Taxation | **(76,248)** | **(49,284)** | **(1,431)** | **–** | **(126,963)** |
| **PROFIT FOR THE FINANCIAL YEAR** | **253,951** | **154,741** | **5,090** | **(30,000)** | **383,782** |

* CMGP and CSME's loss for the financial year were nil.

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

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

### INCOME STATEMENTS (CONTINUED)

| | The Company, Cagamas, CMGP, and CSME* RM'000 | CMBS RM'000 | CSRP RM'000 | Consolidation adjustments RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Interest income | 1,248,883 | 170,314 | 9,670 | – | 1,428,867 |
| Interest expense | (951,279) | (62,825) | – | – | (1,014,104) |
| Income from Islamic operations | 133,658 | 95,047 | 9,439 | (2,487) | 235,657 |
| Non-interest (expense)/income | (8,834) | – | 3,214 | (35,453) | (41,073) |
| | 422,428 | 202,536 | 22,323 | (37,940) | 609,347 |
| Administration and general expenses | (24,986) | (4,806) | (3,735) | 7,940 | (25,587) |
| Personnel costs | (31,308) | – | – | – | (31,308) |
| **OPERATING PROFIT** | 366,134 | 197,730 | 18,588 | (30,000) | 552,452 |
| (Allowance)/write-back of impairment losses | (18,026) | 627 | (899) | – | (18,298) |
| **PROFIT BEFORE TAXATION AND ZAKAT** | 348,108 | 198,357 | 17,689 | (30,000) | 534,154 |
| Zakat | (926) | – | (111) | – | (1,037) |
| Taxation | (76,711) | (41,606) | (3,868) | – | (122,185) |
| **PROFIT FOR THE FINANCIAL YEAR** | 270,471 | 156,751 | 13,710 | (30,000) | 410,932 |

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

## 50 CAPITAL ADEQUACY

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

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

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

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

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

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

The regulatory capital comprises of two tiers:

(a) Tier 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.

### 50.1 Regulatory capital

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **%** | **%** |
| Before deducting dividend* | | |
| CET1 Capital Ratio | **57.5** | 42.7 |
| Tier 1 Capital Ratio | **57.5** | 42.7 |
| Total Capital Ratio | **59.1** | 44.0 |
| After deducting dividend* | | |
| CET1 Capital Ratio | **57.3** | 42.5 |
| Tier 1 Capital Ratio | **57.3** | 42.5 |
| Total Capital Ratio | **58.9** | 43.8 |

* refers to proposed first dividend which are to be declared after the financial year

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 50 CAPITAL ADEQUACY (CONTINUED)

### 50.1 Regulatory capital (continued)

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Components of CET1, Tier 1 and Tier 2 capital: | | |
| CET1/Tier 1 capital | | |
| Issued share capital | **150,000** | 150,000 |
| Retained profits | **6,101,402** | 6,634,310 |
| | **6,251,402** | 6,784,310 |
| Financial asset at FVOCI reserves | **47,917** | (56,921) |
| Deferred tax assets | **(49,511)** | (32,498) |
| Less: Regulatory reserves*** | **(99,778)** | (109,779) |
| Total CET1/Tier 1 capital | **6,150,030** | 6,585,112 |
| Tier 2 capital | | |
| Allowance for impairment losses | **66,175** | 95,153 |
| Add: Regulatory reserves*** | **99,778** | 109,779 |
| Total Tier 2 capital | **165,953** | 204,932 |
| Total capital | **6,315,983** | 6,790,044 |
| The breakdown of risk-weighted assets by each major risk category is as follows: | | |
| Credit risk | **9,540,017** | 14,252,495 |
| Operational risk | **1,148,944** | 1,181,945 |
| Total risk-weighted assets | **10,688,961** | 15,434,440 |

### 50.2 Proforma regulatory capital excluding CMBS

| | Group | |
|---|---|---|
| | **2020** %** | **2019** %** |
| Before deducting dividend* | | |
| CET1 Capital Ratio | **43.9** | 30.0 |
| Tier 1 Capital Ratio | **43.9** | 30.0 |
| Total Capital Ratio | **45.5** | 31.4 |

* refers to proposed first dividend which are to be declared after the financial year

** excludes CMBS's risk-weighted assets and total capital

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

## 50 CAPITAL ADEQUACY (CONTINUED)

### 50.2 Proforma regulatory capital excluding CMBS (continued)

| | Group | |
|---|---|---|
| | **2020**<br>**%** | **2019**<br>**%** |
| After deducting dividend* | | |
| CET1 Capital Ratio | **43.6** | 29.8 |
| Tier 1 Capital Ratio | **43.6** | 29.8 |
| Total Capital Ratio | **45.2** | 31.2 |

| | Group | |
|---|---|---|
| | **2020**<br>**RM'000** | **2019**<br>**RM'000** |
| Components of CET1, Tier 1 and Tier 2 capital: | | |
| CET1/Tier 1 capital | | |
| Issued share capital | **150,000** | 150,000 |
| Retained profits | **4,190,888** | 3,991,847 |
| | **4,340,888** | 4,141,847 |
| Financial asset at FVOCI reserves | **34,951** | (40,431) |
| Deferred tax assets | **(46,708)** | (29,314) |
| Less: Regulatory reserves*** | **(99,778)** | (109,779) |
| Total CET1/Tier 1 capital | **4,229,353** | 3,962,323 |
| Tier 2 capital | | |
| Allowance for impairment losses | **54,546** | 70,803 |
| Add: Regulatory reserves *** | **99,778** | 109,779 |
| Total Tier 2 capital | **154,324** | 180,582 |
| Total capital | **4,383,677** | 4,142,905 |
| The breakdown of risk-weighted assets by each major risk category is as follows: | | |
| Credit risk | **8,876,838** | 12,419,144 |
| Operational risk | **766,211** | 785,020 |
| Total risk-weighted assets | **9,643,049** | 13,204,164 |

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

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS

### STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | (a) | **161,712** | 136,940 |
| Deposits and placements with financial institutions | (b) | **164,342** | 777,057 |
| Financial asset at FVTPL | | **120,802** | – |
| Financial asset at FVOCI | (c) | **550,879** | 617,783 |
| Derivative financial instruments | | **–** | 1,711 |
| Financing assets | (d) | **9,662,661** | 10,842,232 |
| Mortgage assets | (e) | **5,944,990** | 7,206,514 |
| Hire purchase assets | (f) | **26** | 132 |
| Tax recoverable | | **40,462** | – |
| Deferred taxation | | **19,552** | 9,112 |
| Other assets and prepayments | | **288,365** | 288,602 |
| **TOTAL ASSETS** | | **16,953,791** | 19,880,083 |
| **LIABILITIES** | | | |
| Derivative financial instruments | | **9,287** | 4,369 |
| Other liabilities | (g) | **23,063** | 13,669 |
| Deferred taxation | | **179,421** | 293,073 |
| Sukuk | (h) | **14,063,392** | 15,849,883 |
| IRMBS | (i) | **612,273** | 1,015,463 |
| Deferred Wakalah fees | | **69,469** | 35,723 |
| Provision for taxation | | **58,878** | 8,391 |
| **TOTAL LIABILITIES** | | **15,015,783** | 17,220,571 |
| **ISLAMIC OPERATIONS' FUNDS** | | **1,938,008** | 2,659,512 |
| **TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS** | | **16,953,791** | 19,880,083 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### INCOME STATEMENTS
### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Group | |
|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 |
| Total income attributable | | **913,838** | 933,323 |
| Income attributable to the sukuk holders | (j) | **(697,664)** | (692,759) |
| Non-profit expense | | **(454)** | (4,907) |
| Total net income attributable | (k) | **215,720** | 235,657 |
| Administration and general expenses | | **(2,631)** | (365) |
| Write-back/(allowance) for impairment losses | | **14,351** | (15,328) |
| **PROFIT BEFORE TAXATION AND ZAKAT** | | **227,440** | 219,964 |
| Zakat | | **(1,475)** | (1,037) |
| **PROFIT BEFORE TAXATION** | | **225,965** | 218,927 |
| Taxation | | **(60,405)** | (77,008) |
| **PROFIT FOR THE FINANCIAL YEAR** | | **165,560** | 141,919 |

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

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Profit for the financial year | **165,560** | 141,919 |
| Other comprehensive income: | | |
| Items that may be subsequently reclassified to income statement | | |
| Financial asset at FVOCI | | |
| - Net gain on fair value changes before taxation | **5,408** | 5,891 |
| - Deferred taxation | **(1,290)** | (1,415) |
| Cash flow hedge | | |
| - Net (loss)/gain on cash flow hedge before taxation | **(5,911)** | 766 |
| - Deferred taxation | **1,419** | (184) |
| Other comprehensive (loss)/income for the financial year, net of taxation | **(374)** | 5,058 |
| Total comprehensive income for the financial year | **165,186** | 146,977 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

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

| | | Non-distributable | | | Distributable | | |
|---|---|---|---|---|---|---|---|
| **Group** | **Allocated capital funds RM'000** | **Financial asset at FVOCI reserves RM'000** | **Cash flow hedge reserves RM'000** | **Regulatory reserves RM'000** | **Retained profits RM'000** | **Other reserves RM'000** | **Total RM'000** |
| Balance as at 1 January 2020 | **294,159** | **4,923** | **(2,157)** | **58,561** | **1,008,316** | **1,295,710** | **2,659,512** |
| Profit for the financial year | **–** | **–** | **–** | **–** | **83,193** | **82,367** | **165,560** |
| Other comprehensive income | **–** | **4,118** | **(4,492)** | **–** | **–** | **–** | **(374)** |
| Total comprehensive income for the financial year | **–** | **4,118** | **(4,492)** | **–** | **83,193** | **82,367** | **165,186** |
| Discretionary dividend on RPS paid during the year | **–** | **–** | **–** | **–** | **–** | **(886,690)** | **(886,690)** |
| Transfer to retained profits | **–** | **–** | **–** | **(4,626)** | **4,626** | **–** | **–** |
| Balance as at 31 December 2020 | **294,159** | **9,041** | **(6,649)** | **53,935** | **1,096,135** | **491,387** | **1,938,008** |
| Balance as at 1 January 2019 | 294,159 | 447 | (2,739) | 76,013 | 920,064 | 1,224,591 | 2,512,535 |
| Profit for the financial year | – | – | – | – | 70,800 | 71,119 | 141,919 |
| Other comprehensive income | – | 4,476 | 582 | – | – | – | 5,058 |
| Total comprehensive income for the financial year | – | 4,476 | 582 | – | 70,800 | 71,119 | 146,977 |
| Transfer to retained profits | – | – | – | (17,452) | 17,452 | – | – |
| Balance as at 31 December 2019 | 294,159 | 4,923 | (2,157) | 58,561 | 1,008,316 | 1,295,710 | 2,659,512 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **227,440** | 219,964 |
| 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 | **(6,109)** | (5,094) |
| – Sukuk | **(7,568)** | (13,149) |
| – Mortgage assets | **(158,637)** | (133,551) |
| Allowance/(write-back) for impairment losses on: | | |
| – Cash and short-term funds | **(105)** | 105 |
| – Financial asset at FVOCI | **10** | 25 |
| – Financing assets | **(554)** | 67 |
| – Mortgage and hire purchase assets | **(17,535)** | 14,439 |
| – Wakalah exposure | **5,850** | 692 |
| Write-off on mortgage assets | **550** | – |
| Write-back on mortgage assets | **(2,873)** | – |
| Kafalah | **74** | 5 |
| Income from Islamic operations | **(716,832)** | (760,880) |
| Income from derivative | **(39,284)** | (46,307) |
| Wakalah fee income | **(4,699)** | (8,039) |
| Profit attributable to: | | |
| – Sukuk holders | **666,583** | 641,755 |
| – IRMBS holders | **38,649** | 51,004 |
| – derivative | **38,293** | 47,423 |
| Gain on disposal of financial asset at FVOCI | **(670)** | (22) |
| Operating profit before working capital changes | **22,583** | 8,437 |
| Change in cash and short-term funds and deposits and placements with financial institutions | **385,513** | (105,983) |
| Change in financing assets | **1,169,597** | (1,354,168) |
| Change in mortgage assets | **705,969** | 767,527 |
| Change in hire purchase assets | **106** | 158 |
| Change in other assets and prepayments | **240** | (786,316) |
| Change in derivative | **–** | (3,532) |
| Change in other liabilities | **2,844** | 1,082 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **OPERATING ACTIVITIES (CONTINUED)** | | |
| Cash generated from/(utilised in) operating activities | **2,286,852** | (1,472,795) |
| Profit received from assets | **740,198** | 1,553,911 |
| Profit received from derivative | **45,712** | 49,957 |
| Wakalah fee received | **38,445** | 21,986 |
| Profit paid on derivative | **(44,003)** | (48,042) |
| Payment of: | | |
| – Taxation | **(174,352)** | (50,330) |
| – Zakat | **(1,060)** | (812) |
| Net cash generated from operating activities | **3,599,063** | 53,875 |
| **INVESTING ACTIVITIES** | | |
| Purchase of: | | |
| – Financial asset at FVOCI | **(1,871,888)** | (1,199,567) |
| – Financial asset at FVTPL | **(280,000)** | – |
| Net proceeds from sale/redemption of: | | |
| – Financial asset at FVOCI | **1,952,322** | 1,181,385 |
| – Financial asset at FVTPL | **159,402** | – |
| Income received from: | | |
| – Financial asset at FVOCI | **12,002** | 11,004 |
| – Financial asset at FVTPL | **598** | – |
| Net cash utilised in investing activities | **(27,564)** | (7,178) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of sukuk | **3,085,000** | 3,995,000 |
| Redemption: | | |
| – Sukuk | **(4,845,000)** | (2,932,000) |
| – IRMBS | **(400,000)** | (245,000) |
| Profit paid on: | | |
| – Sukuk | **(685,506)** | (650,195) |
| – IRMBS | **(41,839)** | (51,894) |
| Dividend paid to RPS holder | **(179,419)** | – |
| Net cash (utilised in)/generated from financing activities | **(3,066,764)** | 115,911 |
| Net change in cash and cash equivalents | **(202,536)** | 162,608 |
| Cash and cash equivalents as at 1 January | **364,248** | 201,640 |
| Cash and cash equivalents as at 31 December | **161,712** | 364,248 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

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

| | Note | Group 2020 RM'000 | Group 2019 RM'000 |
|---|---|---|---|
| Analysis of cash and short-term funds as at 31 December: | | | |
| Cash and short-term funds | (a) | **161,712** | 136,940 |
| Deposit and placements with financial institutions | (b) | **164,342** | 777,057 |
| Less: | | | |
| Cash and short-term funds and deposit and placements with financial institutions with original maturity of more than three months | | **(164,342)** | (549,749) |
| | | **161,712** | 364,248 |

| | Sukuk RM'000 | IRMBS RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2020** | | | |
| As at 1 January | **15,849,883** | **1,015,463** | **16,865,346** |
| Proceeds from issuance | **3,085,000** | **–** | **3,085,000** |
| Repayment and redemption | **(4,845,000)** | **(400,000)** | **(5,245,000)** |
| Profit paid | **(685,506)** | **(41,839)** | **(727,345)** |
| Other non-cash movement | **659,015** | **38,649** | **697,664** |
| As at 31 December | **14,063,392** | **612,273** | **14,675,665** |
| **2019** | | | |
| As at 1 January | 14,808,472 | 1,261,353 | 16,069,825 |
| Proceeds from issuance | 3,995,000 | – | 3,995,000 |
| Repayment and redemption | (2,932,000) | (245,000) | (3,177,000) |
| Profit paid | (650,195) | (51,894) | (702,089) |
| Other non-cash movement | 628,606 | 51,004 | 679,610 |
| As at 31 December | 15,849,883 | 1,015,463 | 16,865,346 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| *(a) Cash and short-term funds* | | |
| Cash and bank balances with bank and other financial institutions | **60,198** | 662 |
| Money at call and deposits and placements maturing less than three months | **48,051** | – |
| Mudharabah money at call and deposit placements maturing within one month | **53,463** | 136,383 |
| | **161,712** | 137,045 |
| Less: | | |
| Allowance for impairment losses | **–** | (105) |
| | **161,712** | 136,940 |

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

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| Stage 1 | | |
| As at 1 January | **105** | – |
| (Write-back)/allowance during the year | **(105)** | 105 |
| As at 31 December | **–** | 105 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(b) Deposits and placements with financial institutions*

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| Licensed banks | **164,342** | 777,057 |

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

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| *(c) Financial asset at FVOCI* | | |
| *At fair value:* | | |
| Government investment issues | **154,374** | 229,850 |
| Quasi government sukuk | **129,040** | 173,525 |
| Sukuk | **267,465** | 214,408 |
| | **550,879** | 617,783 |

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

| | | |
|---|---|---|
| Maturing within one year | **167,357** | 437,444 |
| One to three years | **277,475** | 81,270 |
| Three to five years | **26,246** | 67,077 |
| More than five years | **79,801** | 32,024 |
| | **550,879** | 617,815 |
| Less: Allowance for impairment losses | **–** | (32) |
| | **550,879** | 617,783 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(c) *Financial asset at FVOCI (continued)*

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

| | Gross carrying value RM'000 | Impairment allowance RM'000 |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| Stage 1 (12-month ECL; non-credit impaired) | **550,879** | **10** |
| **2019** | | |
| Stage 1 (12-month ECL; non-credit impaired) | 617,815 | 32 |

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Movement in impairment allowances that reflects the ECL model on impairment are as follows: | | |
| Stage 1 | | |
| As at 1 January | **32** | – |
| Allowance during the year on new assets purchased | **5** | – |
| Loans derecognised during the year due to maturity of assets | **(17)** | – |
| (Write-back)/allowance during the year due to changes in credit risk | **(10)** | 32 |
| As at 31 December | **10** | 32 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| *(d) Financing assets* | | |
| House financing | **9,662,661** | 10,842,232 |
| 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 |
| | **9,662,760** | 10,842,885 |
| Less: | | |
| Allowance for impairment losses | **(99)** | (653) |
| | **9,662,661** | 10,842,232 |

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

| | Group | |
|---|---|---|
| | **2020** **RM'000** | **2019** **RM'000** |
| Stage 1 | | |
| As at 1 January | **653** | 586 |
| Allowance during the year on new assets purchased | **3** | 87 |
| Financing derecognised during the year due to maturity of assets | **(3)** | (4) |
| Write-back during the year due to changes in credit risk | **(554)** | (16) |
| As at 31 December | **99** | 653 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| *(e) Mortgage assets* | | |
| PWOR | **5,944,990** | 7,206,514 |
| The maturity structure of mortgage assets are as follows: | | |
| Maturing within one year | **763,878** | 897,568 |
| One to three years | **1,025,565** | 1,269,490 |
| Three to five years | **956,579** | 1,192,119 |
| More than five years | **3,231,964** | 3,897,868 |
| | **5,977,986** | 7,257,045 |
| Less: | | |
| Allowance for impairment losses | **(32,996)** | (50,531) |
| | **5,944,990** | 7,206,514 |

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

| | **Gross carrying value RM'000** | **Impairment allowance RM'000** |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| Stage 1 (12-month ECL; non-credit impaired) | **5,939,058** | **20,809** |
| Stage 2 (Lifetime ECL; non-credit impaired) | **2,086** | **367** |
| Stage 3 (Lifetime ECL; credit impaired) | **36,842** | **11,820** |
| As at 31 December | **5,977,986** | **32,996** |
| Impairment allowance over gross carrying value (%) | | **0.55** |
| **2019** | | |
| Stage 1 (12-month ECL; non-credit impaired) | 7,178,519 | 28,518 |
| Stage 2 (Lifetime ECL; non-credit impaired) | 23,291 | 3,892 |
| Stage 3 (Lifetime ECL; credit impaired) | 55,235 | 18,121 |
| As at 31 December | 7,257,045 | 50,531 |
| Impairment allowance over gross carrying value (%) | | 0.70 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(e) Mortgage assets (continued)*

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

| | Group | | | |
|---|---|---|---|---|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| **2020** | | | | |
| As at 1 January | **28,518** | **3,892** | **18,121** | **50,531** |
| Transfer between stages: | | | | |
| Transfer to 12-month ECL (Stage1) | **140** | **(3,111)** | **(5,629)** | **(8,600)** |
| Transfer to ECL non-credit impaired (Stage 2) | **(19)** | **783** | **(37)** | **727** |
| Transfer to ECL credit impaired (Stage 3) | **(68)** | **(225)** | **5,748** | **5,455** |
| Total transfer between stages | **53** | **(2,553)** | **82** | **(2,418)** |
| Financing derecognised during the year (other than write-offs) | **(4,503)** | **(944)** | **(5,932)** | **(11,379)** |
| Write-back during the year due to changes in credit risk | **(3,259)** | **(28)** | **(110)** | **(3,397)** |
| Amount written off | **–** | **–** | **(341)** | **(341)** |
| As at 31 December | **20,809** | **367** | **11,820** | **32,996** |
| **2019** | | | | |
| As at 1 January | 10,939 | 1,119 | 24,031 | 36,089 |
| Transfer between stages: | | | | |
| Transfer to 12-month ECL (Stage1) | 12,984 | (3,806) | (9,178) | – |
| Transfer to ECL non-credit impaired (Stage 2) | (488) | 916 | (428) | – |
| Transfer to ECL credit impaired (Stage 3) | (9,492) | (72) | 9,564 | – |
| Total transfer between stages | 3,004 | (2,962) | (42) | – |
| Financing derecognised during the year (other than write-offs) | (238) | (131) | (5,543) | (5,912) |
| Allowance/(write-back) during the year due to changes in credit risk | 14,813 | 5,866 | (325) | 20,354 |
| As at 31 December | 28,518 | 3,892 | 18,121 | 50,531 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| *(f) Hire purchase* | | |
| PWOR | **26** | 132 |
| The maturity structure of hire purchase assets are as follows: | | |
| Maturing within one year | **37** | 143 |
| | **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:

| | **Gross carrying value RM'000** | **Impairment allowance RM'000** |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| 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** |
| **2019** | | |
| 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 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(f) Hire purchase (continued)*

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

| | Group | | | |
|---|---|---|---|---|
| | **Stage 1 RM'000** | **Stage 2 RM'000** | **Stage 3 RM'000** | **Total RM'000** |
| **2020** | | | | |
| As at 1 January/31 December | **–** | **–** | **11** | **11** |
| **2019** | | | | |
| As at 1 January | – | – | 14 | 14 |
| Financing derecognised during the year (other than write-offs) | – | – | (10) | (10) |
| Allowance during the year due to changes in credit risk | – | – | 7 | 7 |
| As at 31 December | – | – | 11 | 11 |

*(g) Other liabilities*

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Zakat | **2,326** | 1,911 |
| Other payables | **12,756** | 9,627 |
| Expected credit loss on Wakalah exposure | **7,981** | 2,131 |
| | **23,063** | 13,669 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(g) Other liabilities (continued)*

Expected credit loss on Wakalah exposure

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

| | Unexpired financial Wakalah exposure RM'000 | Impairment allowance RM'000 |
|---|---|---|
| By stage of allocation: | | |
| **2020** | | |
| Stage 1 (12-month ECL; non-credit impaired) | **388,356** | **4,226** |
| Stage 2 (Lifetime ECL; non-credit impaired) | **4,196** | **3,041** |
| Stage 3 (Lifetime ECL; credit impaired) | **714** | **714** |
| As at 31 December | **393,266** | **7,981** |
| Impairment allowance over unexpired financial Wakalah exposure (%) | | **2.03** |
| **2019** | | |
| Stage 1 (12-month ECL; non-credit impaired) | 184,558 | 715 |
| Stage 2 (Lifetime ECL; non-credit impaired) | 2,096 | 965 |
| Stage 3 (Lifetime ECL; credit impaired) | 451 | 451 |
| As at 31 December | 187,105 | 2,131 |
| Impairment allowance over unexpired financial Wakalah exposure (%) | | 1.14 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(g) Other liabilities (continued)*

Expected credit loss on Wakalah exposure (continued)

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

| | Group | | | |
|---|---|---|---|---|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| **2020** | | | | |
| As at 1 January | **715** | **965** | **451** | **2,131** |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | **59** | **(626)** | **(127)** | **(694)** |
| – Transfer to ECL non-credit impaired (Stage 2) | **(34)** | **1,282** | **(23)** | **1,225** |
| – Transfer to ECL credit impaired (Stage 3) | **(5)** | **(69)** | **299** | **225** |
| Total transfer between stages | **20** | **587** | **149** | **756** |
| Allowance during the year on new Wakalah fee | **2,276** | **1,311** | **196** | **3,783** |
| Wakalah amount derecognised during the year | **(4)** | **(39)** | **(82)** | **(125)** |
| Allowance during the year due to changes in credit risk | **1,219** | **217** | **–** | **1,436** |
| As at 31 December | **4,226** | **3,041** | **714** | **7,981** |
| **2019** | | | | |
| As at 1 January | 682 | 319 | 439 | 1,440 |
| Transfer between stages: | | | | |
| – Transfer to 12-month ECL (Stage 1) | 272 | (141) | (131) | – |
| – Transfer to ECL non-credit impaired (Stage 2) | (34) | 125 | (91) | – |
| – Transfer to ECL credit impaired (Stage 3) | (5) | (23) | 28 | – |
| Total transfer between stages | 233 | (39) | (194) | – |
| Allowance during the year on new Wakalah fee | 387 | 364 | 96 | 847 |
| Wakalah amount derecognised during the year | (9) | (19) | (72) | (100) |
| (Write-back)/allowance during the year due to changes in credit risk | (578) | 340 | 182 | (56) |
| As at 31 December | 715 | 965 | 451 | 2,131 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| *(h) Sukuk* | | |
| Commercial papers | **847,256** | 906,587 |
| Medium-term notes | **13,216,136** | 14,943,296 |
| | **14,063,392** | 15,849,883 |
| The maturity structures of sukuk are as follows: | | |
| 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 |
| | **14,063,392** | 15,849,883 |
| *(i) IRMBS* | | |
| IRMBS | **612,273** | 1,015,463 |
| The maturity structures of the IRMBS are as follows: | | |
| Maturing within one year | **2,273** | 405,463 |
| One to three years | **320,000** | 320,000 |
| More than five years | **290,000** | 290,000 |
| | **612,273** | 1,015,463 |
| *(j) Income attributable to the sukuk holders* | | |
| Mortgage assets | **268,310** | 299,691 |
| Financing assets | **429,214** | 393,068 |
| Hire purchase assets | **140** | – |
| | **697,664** | 692,759 |
| Income attributable to the sukuk holders analysed by concept are as follows: | | |
| Bai Al-Dayn | **659,015** | 641,755 |
| Musyarakah | **38,649** | 51,004 |
| | **697,664** | 692,759 |

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| *(k) Total net income attributable* | | |
| Income from: | | |
| Mortgage assets | **153,902** | 161,052 |
| Hire purchase assets | **(178)** | – |
| Financing assets | **5,588** | 17,798 |
| Financial asset at FVOCI | **24,470** | 27,922 |
| Financial asset at FVTPL | **800** | – |
| Deposits and placements with financial institutions | **26,968** | 25,758 |
| Wakalah fee | **4,698** | 8,039 |
| Kafalah expenses | **(74)** | (5) |
| Non-profit expense | **(454)** | (4,907) |
| | **215,720** | 235,657 |

Total net income attributable analysed by concept are as follows:

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Bai Al-Dayn | **159,658** | 173,943 |
| Mudharabah | **9,477** | 11,390 |
| Bai Bithaman Ajil | **332** | – |
| Murabahah | **33,077** | 31,526 |
| Musyarakah | **3,429** | 5,842 |
| Wadiah Yad Dhamanah | **–** | 348 |
| Wakalah | **5,841** | 9,984 |
| Ijarah | **849** | 624 |
| Qard Al-Hassan | **1,217** | 2,000 |
| Tawarruq | **1,840** | – |
| | **215,720** | 235,657 |

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

| | Group | |
|---|---|---|
| | **2020 %** | **2019 %** |
| *(l) Capital adequacy* | | |
| Regulatory capital | | |
| Before deducting dividend* | | |
| CET1 Capital Ratio | **34.4** | 33.3 |
| Tier 1 Capital Ratio | **34.4** | 33.3 |
| Total Capital Ratio | **36.0** | 34.7 |
| After deducting dividend* | | |
| CET1 Capital Ratio | **34.4** | 33.3 |
| Tier 1 Capital Ratio | **34.4** | 33.3 |
| Total Capital Ratio | **36.0** | 34.7 |

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Components of CET1, Tier 1 and Tier 2 capital: | | |
| CET1/Tier 1 capital: | | |
| Allocated capital funds | **294,159** | 294,159 |
| Other reserves | **1,641,457** | 2,362,587 |
| | **1,935,616** | 2,656,746 |
| Financial asset at FVOCI reserves | **4,068** | 2,215 |
| Deferred tax assets | **(19,552)** | (9,112) |
| Less: Regulatory reserves** | **(53,935)** | (58,561) |
| Total CET1/Tier 1 capital | **1,866,197** | 2,591,288 |
| Tier 2 capital: | | |
| Allowance for impairment losses | **33,112** | 51,203 |
| Add: Regulatory reserves ** | **53,935** | 58,561 |
| Total Tier 2 capital | **87,047** | 109,764 |
| Total capital | **1,953,244** | 2,701,052 |

* refers to proposed first dividend which are to be declared after the financial year

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

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(l) Capital adequacy (continued)*

Regulatory capital (continued)

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

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Credit risk | **5,003,966** | 7,345,862 |
| Operational risk | **418,948** | 427,606 |
| Total risk-weighted assets | **5,422,914** | 7,773,468 |

Proforma regulatory capital excluding CMBS

| | Group | |
|---|---|---|
| | **2020** %** | **2019** %** |
| Before deducting dividend* | | |
| CET1 Capital Ratio | **27.5** | 19.9 |
| Tier 1 Capital Ratio | **27.5** | 19.9 |
| Total Capital Ratio | **29.2** | 21.4 |
| After deducting dividend* | | |
| CET1 Capital Ratio | **27.5** | 19.9 |
| Tier 1 Capital Ratio | **27.5** | 19.9 |
| Total Capital Ratio | **29.2** | 21.4 |

* refers to proposed first dividend which are to be declared after the financial year

** excludes CMBS's risk-weighted assets and total capital

# NOTES TO THE FINANCIAL STATEMENTS
*(CONTINUED)*

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(l) Capital adequacy (continued)*

Proforma regulatory capital excluding CMBS (continued)

| | Group | |
|---|---|---|
| | **2020**** **RM'000** | **2019**** **RM'000** |
| Components of CET1, Tier 1 and Tier 2 capital: | | |
| CET1/Tier 1 capital: | | |
| Allocated capital funds | **294,159** | 294,159 |
| Other reserves | **1,150,692** | 1,066,318 |
| | **1,444,851** | 1,360,477 |
| Financial asset at FVOCI reserves | **2,889** | 1,758 |
| Deferred tax assets | **(18,364)** | (9,112) |
| Less: Regulatory reserves *** | **(53,935)** | (58,561) |
| Total CET1/Tier 1 capital | **1,375,441** | 1,294,562 |
| Tier 2 capital: | | |
| Allowance for impairment losses | **28,557** | 35,749 |
| Add: Regulatory reserves *** | **53,935** | 58,561 |
| Total Tier 2 capital | **82,492** | 94,310 |
| Total capital | **1,457,933** | 1,388,872 |
| The breakdown of risk-weighted assets by each major risk category is as follows: | | |
| Credit risk | **4,767,378** | 6,254,722 |
| Operational risk | **233,741** | 245,477 |
| Total risk-weighted assets | **5,001,119** | 6,500,199 |

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

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

## 51 ISLAMIC OPERATIONS (CONTINUED)

### NOTES TO ISLAMIC OPERATIONS (CONTINUED)

*(m) Shariah advisor*

The Group consult and obtains 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 does 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 will obtain the approval of the SACs through counterparty or intermediary that falls under the purview of BNM, and/or through the principal advisor of sukuk programme for submission of the Islamic financial products.

## 52 CHANGE IN COMPARATIVES

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

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

**i) Impact on the income statements for the financial year ended 31 December 2019**

| | Group | | |
|---|---|---|---|
| | As previously reported RM'000 | Reclassification RM'000 | As restated RM'000 |
| Interest expense | (1,011,581) | (2,523) | (1,014,104) |
| Non-interest expense | (43,596) | 2,523 | (41,073) |

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

**ii) Impact on the statement of cash flows for the financial year ended 31 December 2019**

| | Group | | |
|---|---|---|---|
| | As previously reported RM'000 | Reclassification RM'000 | As restated RM'000 |
| Cash generated from operations | 4,692,668 | 2,648 | 4,695,316 |
| Net cash generated from operating activities | 6,504,207 | 2,648 | 6,506,855 |
| Net cash utilised from financing activities | (6,606,705) | (2,648) | (6,609,353) |

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

## 52 CHANGE IN COMPARATIVES (CONTINUED)

### iii) Impact on the disclosure notes to the financial statements for the financial year ended 31 December 2019

| | Group | | |
|---|---|---|---|
| | **As previously reported RM'000** | **Reclassification RM'000** | **As restated RM'000** |
| **a) Mortgage assets – Conventional** | | | |
| PWOR | 6,212,124 | – | 6,212,124 |
| The maturity structure of mortgage assets – Conventional are as follows: | | | |
| Maturing within one year | 1,189,583 | (156,924) | 1,032,659 |
| One to three years | 1,583,150 | (232,533) | 1,350,617 |
| Three to five years | 1,303,414 | (163,724) | 1,139,690 |
| More than five years | 2,931,508 | (198,461) | 2,733,047 |
| | 7,007,655 | (751,642) | 6,256,013 |
| Less: | | | |
| Unaccreted discount | (739,521) | 739,521 | – |
| Net advance received | (12,121) | 12,121 | – |
| Allowance for impairment losses | (43,889) | – | (43,889) |
| | 6,212,124 | – | 6,212,124 |

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

## 52 CHANGE IN COMPARATIVES (CONTINUED)

### iii) Impact on the disclosure notes to the financial statements for the financial year ended 31 December 2019 (continued)

| | Group | | |
|---|---|---|---|
| | As previously reported RM'000 | Reclassification RM'000 | As restated RM'000 |
| **b) Mortgage assets – Islamic** | | | |
| PWOR | 7,209,409 | – | 7,209,409 |
| The maturity structure of mortgage assets – Islamic are as follows: | | | |
| Maturing within one year | 1,029,702 | (131,286) | 898,416 |
| One to three years | 1,472,055 | (201,640) | 1,270,415 |
| Three to five years | 1,345,069 | (152,291) | 1,192,778 |
| More than five years | 4,169,236 | (270,898) | 3,898,338 |
| | 8,016,062 | (756,115) | 7,259,947 |
| Less: | | | |
| Unaccreted discount | (745,095) | 745,095 | – |
| Net advance received | (11,020) | 11,020 | – |
| Allowance for impairment losses | (50,538) | – | (50,538) |
| | 7,209,409 | – | 7,209,409 |

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

**c) Lease liability**

| | Group | | |
|---|---|---|---|
| | As previously reported RM'000 | Reclassification RM'000 | As restated RM'000 |
| **2019** | | | |
| As at 1 January | 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 |

## 53 SIGNIFICANT EVENTS 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 spread of the COVID-19 virus such as social distancing and working from home. For the financial year ended 31 December 2020, this event has impacted one of the Group's subsidiaries, CSRP, resulting in an additional ECL of RM8 million in CSRP's books.

On 17 December 2020, the Board of Directors of CMBS approved the issuance of 1 RPS of RM1 as disclosed in Note 28 to the financial statements. CMBS, LPPSA and CSRP, a related company (as trustee to LPPSA) have entered into a Tripartite Trust Deed to facilitate the distribution of discretionary bonus fee to LPPSA upon full settlement of IRMBS for Pool 2005-1. The Tripartite Trust Deed have been signed on 17 December 2020 prior to the issuance of the RPS.

On 28 December 2020, the Board of Directors of CMBS approved a dividend of RM886,690,459.88 on the RPS issued by the CMBS for the financial year ended 31 December 2020. The dividend has been paid in cash and in specie as disclosed in Note 39 to the financial statements.

## 54 SIGNIFICANT EVENTS 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's businesses and results is limited. Based on a preliminary assessment, the Group expects that the current situation may have a negative ECL impact on CSRP for the financial year ending 31 December 2021.

The Group will continue to follow various government policies and advice and in parallel will do its utmost to continue the Group's operations in the best and safest way possible without jeopardising the health of our employees.

On 23 January 2021, the Board of Directors of CMBS approved a further dividend in cash on the RPS issued by CMBS of RM5,691,890.20 and paid on 26 January 2021.

## 55 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.

# STATEMENT BY DIRECTORS

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

We, Dato' Bakarudin Ishak and Tan Sri Dato' Sri Tay Ah Lek, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 112 to 254 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2020 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

**DATO' BAKARUDIN ISHAK**
CHAIRMAN

**TAN SRI DATO' SRI TAY AH LEK**
DIRECTOR

# STATUTORY DECLARATION

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

I, Datuk Chung Chee Leong, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 112 to 254 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

**DATUK CHUNG CHEE LEONG**

Subscribed and solemnly declared by the abovenamed Datuk Chung Chee Leong at Kuala Lumpur in Malaysia on 25 March 2021.

Before me,
**COMMISSIONER FOR OATHS**

PESURUHJAYA SUMPAH
MALAYSIA

# INDEPENDENT SHARIAH ADVISOR'S REPORT

*In the name of Allah, The Most Compassionate, The Most Merciful.*

*All praise is due to Allah, Lord of the worlds, and peace and blessings be upon the Prophet of Allah (Muhammad SAW), on his family and all his companions.*

*Assalamualaikum Warahmatullahi Wabarakatuh*

*To the shareholders of the Cagamas Holdings Berhad:*

Amanie Advisors Sdn Bhd ("Amanie") have acted as the Independent Shariah Advisor to Cagamas Berhad ("Cagamas") in relation to all Shariah matters within the scope of general Shariah advisory and Shariah advisory in the development of new Islamic products which are related to Islamic business offerings of the Cagamas Holdings Berhad and its subsidiaries ("the Group").

We, the Independent Shariah Advisor of Cagamas, hereby confirm that we have vetted, deliberated and endorsed on Shariah matters related to the Group's Islamic business and Islamic products offerings from 1 January 2020 until 31 December 2020 (the "Islamic Business Offerings").

We have provided appropriate Shariah advisories and consultation to Cagamas in various aspects of the Islamic Business Offerings in order to ensure compliance with Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of Bank Negara Malaysia and Securities Commission of Malaysia. It is our responsibility to deliberate and form an independent opinion and highlight the Shariah advice to Cagamas.

In performing our roles and responsibilities, we have obtained all the information and explanations from Cagamas which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Islamic Business Offerings have complied with the Shariah rules and principles.

Cagamas' management is responsible to ensure the operation of the Islamic Business Offerings is in accordance with Shariah rules and principles.

For the Group's financial year ended 31 December 2020, we have been consulted and have advised and endorsed on the following aspects of the Islamic Business Offerings:

1. The Group's Islamic products including enhancement of the existing products, preliminary new product assessment, legal documentation, structure, marketing of Islamic financial products, activities and services;

2. The contracts, transactions and dealings entered into by the Group in relation to the Islamic Business Offerings during the year; and

3. The funding sources and investments in relation to the Islamic Business Offerings.

# INDEPENDENT SHARIAH ADVISOR'S REPORT
*(CONTINUED)*

Cagamas has carried out Shariah audit on the Group's Islamic business and operations and the report were presented and deliberated in the Shariah meeting. We note that based on the Shariah audit findings, there has been no Shariah Non-Compliance event for the financial year ended 31 December 2020.

We hereby confirm that to the best of our knowledge, we have obtained sufficient and appropriate evidence to form our Shariah compliant opinion that all Shariah advice issued by us have been complied with during the financial year ended 31 December 2020.

We beg Allah the Almighty to grant us all the Success and Guidance and Allah Knows Best.

For **Amanie Advisors Sdn Bhd**,

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**DATUK DR MOHD DAUD BAKAR**
Executive Chairman
25 March 2021

# INDEPENDENT AUDITORS' REPORT

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Cagamas Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 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 112 to 254.

### 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.

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditors' report, and 2020 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

# INDEPENDENT AUDITORS' REPORT
*(CONTINUED)*

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

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

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

# INDEPENDENT AUDITORS' REPORT

*(CONTINUED)*

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

## OTHER MATTERS

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

**PRICEWATERHOUSECOOPERS PLT**
LLP0014401-LCA & AF 1146
Chartered Accountants

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

Kuala Lumpur
25 March 2021