Company No

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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CAGAMAS BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	241,715	237,615

DIVIDEND

The dividends paid by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016,	
- a final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 29 March 2017.	22,500
In respect of the financial year ended 31 December 2017,	
- an interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 31 Oct 2017.	7,500
	30,000

DIVIDEND (CONTINUED)

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2017 which is subject to approval of the member at the forthcoming Annual General Meeting of the Company.

SHARE CAPITAL

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

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad (RAM Ratings) has assigned Cagamas Berhad's Global, ASEAN and national-scale Corporate Credit Ratings at $_{g}A_{2}$/Stable/$_{g}$P1, $_{sea}$AAA/Stable/$_{sea}$P1 and AAA/Stable/P1, respectively. In addition, Malaysian Rating Corporation Berhad (MARC) has also assigned Cagamas Berhad's bonds and sukuk issues ratings at AAA/MARC-1 and AAA$_{IS}$/MARC-1$_{IS}$ respectively. Moody's Investors Service (Moody's) has assigned local and foreign currency issuer ratings of A3 that is in line with Malaysian sovereign ratings.

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

RELATED PARTY TRANSACTIONS

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

During the financial year ended 31 December 2017, the Company entered into a shared service arrangement with Cagamas SRP Berhad ("CSRP"). Under this arrangement, the Company sets out the scope of services performed for CSRP in the normal course of business. The details and nature of the transactions are disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (appointed as Chairman on 1.7.2017)
Dato' Halipah binti Esa
Dr. Roslan bin A. Ghaffar
Dato' Md Agil bin Mohd Natt
Encik Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Datuk Chung Chee Leong
Encik Nazrul Hisyam bin Mohd Noh
Dato' Ooi Sang Kuang (redesignated as Director on 1.7.2017 and resigned on 1.1.2018)
Encik Tang Wing Chew (resigned on 1.3.2017)

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

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dr. Roslan bin A. Ghaffar and Encik Phillip Tan Puay Koon 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 31 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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

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

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

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

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

SUBSIDIARIES

Details of subsidiaries are set in Note 18 to the financial statements.

ULTIMATE HOLDING COMPANY

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

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2017

Cagamas recorded RM14.0 billion of purchases of loans and financing under PWR scheme (2016: RM5.7 billion) and RM100.0 million purchase of loans under PWOR scheme (2016: Nil). Cagamas' net outstanding loans and financing rose by 16% to RM37.6 billion (2016: RM32.5 billion). As at the end of 2017, residential mortgage dominated Cagamas' portfolio at 98.8%, followed by hire purchase loans and financing at 0.8% and personal loans and financing at 0.4%. Cagamas's Islamic asset portfolio against conventional assets contracted to a ratio of 32:68, while PWR and PWOR loans and financing portfolios were at 65% and 35% respectively. The gross impaired loans and financing under the PWOR scheme remained low at 0.72%, while net impaired loans and financing was at 0.23%.

SIGNIFICANT EVENT DURING THE YEAR

The significant event during the financial year is disclosed in Note 45 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

AUDITORS REMUNERATION

Details of the auditors' remuneration are set in Note 30 to the financial statements

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 15 March 2018.

Signed on behalf of the Board of Directors:

DATUK SHAIK ABDUL RASHEED BIN ABDUL GHAFFOUR
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

Company No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Cash and short-term funds	5	534,591	409,396	524,185	405,476
Derivative financial instruments	6	466,339	887,826	466,339	887,826
AFS investment securities	7	2,471,430	1,650,518	2,471,430	1,650,518
Amount due from counterparties	8	19,870,378	14,296,165	19,870,378	14,296,165
Islamic financing assets	9	5,544,378	5,307,689	5,544,378	5,307,689
Mortgage assets					
- Conventional	10	5,848,119	6,238,337	5,848,119	6,238,337
- Islamic	11	6,300,576	6,662,093	6,300,576	6,662,093
Hire purchase assets					
- Conventional		-	-	-	-
- Islamic	12	953	1,924	953	1,924
Amount due from					
- Related company		464	436	464	436
- Subsidiaries	13	-	-	6,755	4,951
Other assets	14	8,489	9,153	8,462	9,102
Property and equipment	15	4,437	2,892	4,437	2,892
Intangible assets	16	16,354	14,032	16,354	14,032
Deferred taxation	17	7,965	8,365	7,965	8,365
Investment in subsidiaries	18	-	-	-*	-*
TOTAL ASSETS		41,074,473	35,488,826	41,070,795	35,489,806
LIABILITIES					
Unsecured bearer bonds and notes	19	25,764,940	20,946,586	19,705,283	15,080,427
Sukuk	20	11,597,878	11,214,913	11,445,035	10,746,160
Loans/financing from subsidiaries	21	-	-	6,217,865	6,340,542
Derivative financial instruments	6	216,871	33,825	216,871	33,825
Provision for taxation		12,430	15,668	12,410	15,648
Other liabilities	22	60,789	61,796	59,504	60,804
TOTAL LIABILITIES		37,652,908	32,272,788	37,656,968	32,277,406
Share capital	23	150,000	150,000	150,000	150,000
Reserves	24	3,271,565	3,066,038	3,263,827	3,062,400
SHAREHOLDERS' FUNDS		3,421,565	3,216,038	3,413,827	3,212,400
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		41,074,473	35,488,826	41,070,795	35,489,806
NET TANGIBLE ASSETS PER SHARE (RM)	25	22.70	21.34	22.65	21.32

*denotes USD1 in CGP and RM2 in CGS.

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

Company No.

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CAGAMAS BERHAD
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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest income	26	1,202,563	1,051,533	1,202,563	1,051,533
Interest expense	27	(896,484)	(782,991)	(901,214)	(786,739)
Income from Islamic operations	44	133,634	139,314	133,614	141,107
Non-interest expense	28	(61,785)	(33,470)	(61,791)	(33,467)
		377,928	374,386	373,172	372,434
Personnel costs	29	(27,302)	(25,488)	(27,302)	(25,488)
Administration and general expenses		(29,132)	(24,925)	(28,496)	(24,553)
OPERATING PROFIT		321,494	323,973	317,374	322,393
(Allowance)/write-back of impairment losses		(719)	8,062	(719)	8,062
PROFIT BEFORE TAXATION AND ZAKAT	30	320,775	332,035	316,655	330,455
Zakat		(927)	(1,011)	(927)	(1,011)
Taxation	32	(78,133)	(75,988)	(78,113)	(75,968)
PROFIT FOR THE FINANCIAL YEAR		241,715	255,036	237,615	253,476
EARNINGS PER SHARE (SEN)	25	161.14	170.02	158.41	168.98
DIVIDEND PER SHARE (SEN)	33	20.00	20.00	20.00	20.00

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

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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit for the financial year		241,715	255,036	237,615	253,476
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
AFS investment securities					
- Net gain on fair value changes before taxation		12,908	5,405	12,908	5,405
- Deferred taxation		(3,103)	(1,297)	(3,103)	(1,297)
Cash flow hedge					
- Net loss on cash flow hedge before taxation		(20,753)	(37,225)	(20,753)	(37,225)
- Deferred taxation		4,760	8,923	4,760	8,923
Other comprehensive loss for the financial year, net of taxation		(6,188)	(24,194)	(6,188)	(24,194)
Total comprehensive income for the financial year		235,527	230,842	231,427	229,282

The accompanying notes form an integral part of these financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Issued ordinary shares of RM1 each	Non-distributable				
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2017		150,000	(10,529)	(12,364)	173,564	2,915,367	3,216,038
Profit for the financial year		-	-	-	-	241,715	241,715
Other comprehensive income/(loss)		-	9,805	(15,993)	-	-	(6,188)
Total comprehensive income/(loss) for the financial year		-	9,805	(15,993)	-	241,715	235,527
Transfer to retained profits during the financial year		-	-	-	(12,532)	12,532	-
Final dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2017	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2017		150,000	(724)	(28,357)	161,032	3,139,614	3,421,565

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

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

		Issued ordinary shares of RM1 each	Non-distributable				
	Note	Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2016		150,000	(14,637)	15,938	189,647	2,674,248	3,015,196
Profit for the financial year		-	-	-	-	255,036	255,036
Other comprehensive income/(loss)		-	4,108	(28,302)	-	-	(24,194)
Total comprehensive income/(loss) for the financial year		-	4,108	(28,302)	-	255,036	230,842
Transfer to retained profits during the financial year		-	-	-	(16,083)	16,083	-
Final dividend in respect of financial year ended 31 December 2015	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2016		150,000	(10,529)	(12,364)	173,564	2,915,367	3,216,038

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

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Issued ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2017		150,000	(10,529)	(12,364)	173,564	2,911,729	3,212,400
Profit for the financial year		-	-	-	-	237,615	237,615
Other comprehensive income/ (loss)		-	9,805	(15,993)	-	-	(6,188)
Total comprehensive income/(loss) for the financial year		-	9,805	(15,993)	-	237,615	231,427
Transfer to retained profits during the financial year		-	-	-	(12,532)	12,532	-
Final dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2017	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2017		150,000	(724)	(28,357)	161,032	3,131,876	3,413,827

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

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

Company	Note	Issued ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Non-distributable Cash flow hedge reserves RM'000	Non-distributable Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2016		150,000	(14,637)	15,938	189,647	2,672,170	3,013,118
Profit for the financial year		-	-	-	-	253,476	253,476
Other comprehensive income/ (loss)		-	4,108	(28,302)	-	-	(24,194)
Total comprehensive income/(loss) for the financial year		-	4,108	(28,302)	-	253,476	229,282
Transfer to retained profits during the financial year		-	-	-	(16,083)	16,083	-
Final dividend in respect of financial year ended 31 December 2015	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2016		150,000	(10,529)	(12,364)	173,564	2,911,729	3,212,400

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

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CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		241,715	255,036	237,615	253,476
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on AFS investment securities		(8,530)	(8,201)	(8,530)	(8,201)
Accretion of discount on:					
Mortgage assets					
- Conventional		(129,089)	(129,457)	(129,089)	(129,457)
- Islamic		(108,739)	(112,838)	(108,739)	(112,838)
Hire purchase assets					
- Islamic		(16)	(78)	(16)	(78)
Allowance/(write-back) for impairment losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets		719	(8,062)	719	(8,062)
Reclassification adjustment on fair value gains on CCS, transfer from equity		(236,599)	(247,650)	(236,599)	(247,650)
Unrealised loss on foreign exchange		236,856	246,478	236,862	246,475
Interest income		(1,056,603)	(907,703)	(1,056,603)	(907,703)
Income from Islamic operations		(518,732)	(560,558)	(518,732)	(560,558)
Interest expense		731,545	644,062	904,382	802,293
Profit attributable to Sukuk holders		503,697	519,593	503,697	519,593
Depreciation of property and equipment		1,057	1,132	1,057	1,132
Amortisation of intangible assets		1,416	1,407	1,416	1,407
Loss on disposal of property and equipment		-	10	-	10
Gain on disposal of AFS investment securities		(2,756)	(3,863)	(2,756)	(3,863)
Taxation		78,133	75,988	78,113	75,968
Zakat		927	1,011	927	1,011
Operating loss before working capital changes		(264,999)	(233,693)	(96,276)	(77,045)

CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Increase in amount due from counterparties		(5,531,394)	(3,283,417)	(5,531,394)	(3,283,417)
(Increase)/decrease in Islamic financing assets		(230,874)	275,436	(230,874)	275,436
Decrease in mortgage assets					
- Conventional		508,564	634,948	508,564	634,948
- Islamic		458,345	454,812	458,345	454,812
Decrease in hire purchase assets					
- Conventional		-	3	-	3
- Islamic		1,078	2,300	1,078	2,300
Decrease/(increase) in other assets		637	132	(1,191)	2,534
Increase in unsecured bearer bonds and notes		4,779,759	2,922,718	4,582,224	1,786,376
Increase/(decrease) in Sukuk		381,422	(727,993)	697,157	(703,143)
Increase in deferred financing fees		(4,213)	(1,481)	-	-
(Decrease)/increase in loans/financing from subsidiary		-	-	(115,589)	1,098,389
Decrease/(increase) in derivatives		648,664	(190,029)	648,652	(190,023)
Decrease in other liabilities		(927)	(5,474)	(1,216)	(5,205)
Cash generated from/(utilised in) operations		746,062	(151,738)	919,480	(4,035)
Interest received		1,164,214	1,006,815	1,164,214	1,006,815
Profit received from Islamic assets		534,105	599,620	534,105	599,620
Interest paid		(961,161)	(827,438)	(1,141,085)	(978,958)
Profit paid on derivatives		(19,007)	(40,177)	(19,007)	(40,177)
Profit attributable to Sukuk holders		(502,630)	(519,864)	(502,630)	(519,864)
Payment of:					
- Zakat		(1,011)	(2,777)	(1,011)	(2,777)
- Taxation		(79,313)	(84,565)	(79,293)	(84,545)
Net cash generated from/(utilised in) operating activities		881,259	(20,124)	874,773	(23,921)

CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
INVESTING ACTIVITIES					
Purchase of AFS investment securities		(3,786,672)	(2,391,852)	(3,786,672)	(2,391,852)
Proceeds from sale/redemption of AFS investment securities		2,995,928	2,551,418	2,995,928	2,551,418
Purchase of:					
- Property and equipment		(2,602)	(1,068)	(2,602)	(1,068)
- Intangible assets		(3,738)	(7,711)	(3,738)	(7,711)
Income received from AFS investment securities		65,193	62,775	65,193	62,775
Income received from Sukuk		5,827	2,046	5,827	2,046
Net cash (utilised in)/generated from investing activities		(726,064)	215,608	(726,064)	215,608
FINANCING ACTIVITY					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Net cash utilised in financing activity		(30,000)	(30,000)	(30,000)	(30,000)
Net increase in cash and cash equivalents		125,195	165,484	118,709	161,687
Cash and cash equivalents as at 1 January		409,396	243,912	405,476	243,789
Cash and cash equivalents as at 31 December		534,591	409,396	524,185	405,476
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	5	534,591	409,396	524,185	405,476

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

The new accounting standards, amendments and improvements to published standards and interpretation that are effective for the Group’s and the Company's financial year beginning on 1 January 2017 are as follows:

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’ clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  During the financial year, the Group and Company have assessed the impact of changes in MFRS 9 to the classification and measurement of financial assets and liabilities of the Group and Company. The combined application of the entity's business model and cash flows characteristic does not result in significant change in the respective classification of financial assets and liabilities in the statement of financial position as at 31 December 2017. The Group and Company does not expect any significant impact arising from the changes in classification and measurement under MFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement"(continued)

  MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used under MFRS 139. The ECL model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The Group and Company have finalised its impairment model and have assessed the financial impact resulting from the adoption of MFRS 9 based on the financial year ended 31 December 2017. The financial impact of MFRS 9 adoption will be reflected as a movement in the Group's and Company's opening retained earnings and overall capital position as at 1 January 2018.

  The Group and the Company is now progressing to the finalisation of the implementation of the identified changes and will complete this process prior to reporting the interim results for the financial period ending 30 June 2018.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract
  - Allocated the transaction price to each of the separate performance obligations; and
  - Recognize the revenue as each performance obligation is satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (continued).

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

  The adoption of new accounting standards will not have a significant impact on the financial results of the Group and the Company.

- Transfers of Investment Property (Amendments to MFRS 140 – effective from 1 January 2018)

  The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category.

  The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group and the Company.

- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

  The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received.

  The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group and the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4 – effective from 1 January 2018)

  The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon.

  The expiration date of the temporary exemption from MFRS 9 coincides with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach.

  The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group and the Company.

2.2 Economic entities in the Group

Subsidiaries

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (Continued)

Subsidiaries (Continued)

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

2.3 Amount due from counterparties and Islamic financing assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.5 AFS investment securities

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

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

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

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

See accounting policy on impairment of financial assets in Note 2.8 (a) to the financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment in subsidiaries

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.8 to the financial statements describes the Group’s and the Company’s accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2.7 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	20%-25%
Furniture and fittings	10%
Motor vehicles	20%

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note 2.8 (b) to the financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

(a) Financial assets (continued)

(ii) Assets classified as *AFS*

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

(b) Non-financial assets

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

2.9 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.

2.10 Premium and discount on unsecured bearer bonds, notes and Sukuk

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Current and deferred tax

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

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

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

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

2.12 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.

2.13 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.

2.14 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap (“CCS”) and Islamic cross currency swap (“ICCS”). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 6 to the financial statements.

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

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

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

To apply hedge accounting, the Group and the Company document at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

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

Cash flow hedge

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 Zakat

Zakat or "alms giving" is mandatory for all Muslims who possesses minimum nisab.

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2016: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit before taxation after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contributions plans

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

2.19 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. These costs are amortised over their estimated useful lives of three to five years.

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

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 3 years.

Subsequent to the year end, the computer software and computer software licenses shall be 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Intangible assets (continued)

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

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8 (b) to the financial statements.

2.20 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

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

(b) Dividends to the shareholder of the Company

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

2.21 Currency translations

(a) Functional and presentation currency

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Currency translations (continued)

(b) Foreign currency transactions and balances

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

2.22 Financial instruments

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity, a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable or an equity instrument of another entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

(b) Fair value estimation for disclosure purposes

Please refer to Note 41 for the detailed methods and assumptions needed to estimate the fair value for each type of financial instruments.

In assessing fair value of other financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Contingent liabilities and contingent assets

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

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

2.24 Deferred financing fees

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

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 and the Company's accounting policies.

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

(a) Fair value of derivatives and AFS investment securities

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

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

The Group and the Company make allowances for losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of MFRS 139, management makes judgement on the future and other key factors in respect of the recovery of the assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Risk management structure

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

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

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

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

4.2 Credit risk management

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 Credit risk management (continued)

The Group and the Company manage its credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financing to be purchased. The Group and the Company have in place an internal rating system which sets out the maximum credit limit permissible for each category of rating. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to management and the Board of Directors for immediate remedy.

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

4.3 Market risk management

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

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

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

4.4 Liquidity risk management

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.4 Liquidity risk management (continued)

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

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

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

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

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

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 Company’s business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

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

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

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

5 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and balance with banks and other financial institutions	47,679	45,531	37,273	41,611
Money at call and deposits and placements maturing within one month	377,100	230,877	377,100	230,877
Mudharabah money at call and deposits and placements maturing within one month	109,812	132,988	109,812	132,988
	534,591	409,396	524,185	405,476

6 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 139 to achieve hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because achieving hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group and the Company have designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2017 was a credit of RM249.5 million (2016: RM853.5 million).

(b) Fair value hedges

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

(c) Net investment hedges

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

6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company					
			2017			2016
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives designated as cashflow hedges:						
IRS						
One to three years	2,585,000	2,344	(11,386)	1,525,000	4,808	(13,154)
Three to five years	545,000	-	(7,904)	-	-	-
More than five years	270,000	7,100	(12,147)	570,000	5,340	(20,434)
	3,400,000	9,444	(31,437)	2,095,000	10,148	(33,588)
CCS/ICCS						
Maturing within one year	2,630,696	157,081	(47,104)	2,452,543	95,405	(237)
One to three years	3,268,500	299,814	(138,330)	2,800,000	781,808	-
	5,899,196	456,895	(185,434)	5,252,543	877,213	(237)
Derivatives not designated as cashflow hedges:						
IPRS						
Maturing within one year	-	-	-	500,000	465	-
	-	-	-	500,000	465	-
	9,299,196	466,339	(216,871)	7,847,543	887,826	(33,825)

7 AFS INVESTMENT SECURITIES

	Group and Company	
	2017	2016
	RM'000	RM'000
At fair value		
Malaysian government securities	81,687	10,060
Corporate bonds	504,181	428,062
Government investment issues	627,143	442,200
Sukuk	554,681	348,602
Quasi government Sukuk	602,446	340,328
Unit trust	101,292	81,266
	2,471,430	1,650,518

The maturity structure of AFS investment securities are as follows:

Maturing within one year	726,423	284,709
One to three years	503,885	285,505
Three to five years	416,171	154,459
More than five years	824,951	925,845
	2,471,430	1,650,518

8 AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	2017	2016
	RM'000	RM'000
Relating to:		
Mortgage loans	19,545,875	13,872,352
Hire purchase and leasing debts	286,304	258,746
Personal loans	38,199	165,067
	19,870,378	14,296,165

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

Maturing within one year	6,285,506	5,154,450
One to three years	7,604,833	8,135,868
Three to five years	5,345,007	50,824
More than five years	635,032	955,023
	19,870,378	14,296,165

9 ISLAMIC FINANCING ASSETS

	Group and Company	
	2017	2016
	RM'000	RM'000
Relating to:		
Islamic house financing	5,434,616	4,225,536
Islamic hire purchase financing	-	382,819
Islamic personal financing	109,762	699,334
	5,544,378	5,307,689

The maturity structure Islamic financing assets are as follows:

	2017	2016
Maturing within one year	1,730,200	3,001,966
One to three years	2,574,231	1,387,816
Three to five years	1,239,947	500,003
More than five years	-	417,904
	5,544,378	5,307,689

10 MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	2017	2016
	RM'000	RM'000
Purchase without recourse ("PWOR")	5,848,119	6,238,337

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

	2017	2016
Maturing within one year	933,922	935,176
One to three years	1,204,460	1,218,288
Three to five years	1,114,465	1,148,044
More than five years	3,449,082	3,910,131
	6,701,929	7,211,639
Less:		
Unaccreted discount	(815,839)	(934,931)
Allowance for impairment losses	(37,971)	(38,371)
	5,848,119	6,238,337

11 MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	2017	2016
	RM'000	RM'000
PWOR	6,300,576	6,662,093

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

Maturing within one year	712,367	726,071
One to three years	964,148	958,087
Three to five years	967,336	980,438
More than five years	4,475,152	4,924,612
	7,119,003	7,589,208
Less:		
Unaccreted discount	(788,230)	(896,969)
Allowance for impairment losses	(30,197)	(30,146)
	6,300,576	6,662,093

12 HIRE PURCHASE ASSETS - ISLAMIC

	Group and Company	
	2017	2016
	RM'000	RM'000
PWOR	953	1,924

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

Maturing within one year	970	2,001
One to three years	45	153
	1,015	2,154
Less:		
Unaccreted discount	-	(15)
Allowance for impairment losses	(62)	(215)
	953	1,924

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and has no fixed term of repayment.

14 OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	3,974	4,487	3,974	4,487
Deposits	908	927	881	876
Prepayments	1,509	1,276	1,509	1,276
Other receivables	328	1,001	328	1,001
Compensation receivable from originator on mortgage assets	1,770	1,462	1,770	1,462
	8,489	9,153	8,462	9,102

15 PROPERTY AND EQUIPMENT

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

15 PROPERTY AND EQUIPMENT (CONTINUED)

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group and Company				
Cost				
As at 1 January 2016	4,834	4,667	627	10,128
Additions	1,048	13	-	1,061
Disposals	(269)	(27)	-	(296)
As at 31 December 2016	5,613	4,653	627	10,893
Accumulated depreciation				
As at 1 January 2016	(3,614)	(3,112)	(434)	(7,160)
Charge for the financial year	(547)	(460)	(125)	(1,132)
Disposals	268	23	-	291
As at 31 December 2016	(3,893)	(3,549)	(559)	(8,001)
Net book value as at 31 December 2016	1,720	1,104	68	2,892

16 INTANGIBLE ASSETS

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
Group and Company					
Cost					
As at 1 January 2017	16,712	12,047	5,523	7,020	41,302
Additions	-	35	309	3,394	3,738
As at 31 December 2017	16,712	12,082	5,832	10,414	45,040
Accumulated amortisation					
As at 1 January 2017	(12,246)	(12,017)	(3,007)	-	(27,270)
Charge for the financial year	(563)	(48)	(805)	-	(1,416)
As at 31 December 2017	(12,809)	(12,065)	(3,812)	-	(28,686)
Net book value					
31 December 2017	3,903	17	2,020	10,414	16,354
Cost					
As at 1 January 2016	16,712	12,047	4,832	-	33,591
Additions	-	-	691	7,020	7,711
As at 31 December 2016	16,712	12,047	5,523	7,020	41,302
Accumulated amortisation					
As at 1 January 2016	(11,682)	(11,943)	(2,238)	-	(25,863)
Charge for the financial year	(564)	(74)	(769)	-	(1,407)
As at 31 December 2016	(12,246)	(12,017)	(3,007)	-	(27,270)
Net book value					
31 December 2016	4,466	30	2,516	7,020	14,032

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 3 to 10 years (2016: 4 to 11 years).

17 DEFERRED TAXATION

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Deferred tax assets (before offsetting)	(10,431)	(10,481)
Deferred tax liabilities (before offsetting)	2,466	2,116
Deferred tax assets	(7,965)	(8,365)

The movements of deferred tax are as follows:

As at 1 January	(8,365)	29
Debit/(credit) to income statement (Note 32)	2,057	(767)
Credit to other comprehensive income	(1,657)	(7,627)
As at 31 December	(7,965)	(8,365)

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

	Group and Company			
	As at 1 January	Recognised to income statement	Recognised to reserves	As at 31 December
	RM'000	RM'000	RM'000	RM'000
2017				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(5,911)	-	(3,896)	(9,807)
Provisions	(1,245)	940	-	(305)
Revaluation reserves of AFS investment securities	(3,325)	-	3,006	(319)
	(10,481)	940	(890)	(10,431)

17 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 and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2017				
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instruments under cash flow hedge accounting	1,716	-	(864)	852
Revaluation reserves of AFS investment securities	-	-	97	97
Accelerated tax depreciation	305	970	-	1,275
Temporary difference relating to interest/profit receivables on deposits and placements	95	147	-	242
	2,116	1,117	(767)	2,466
Deferred taxation	(8,365)	2,057	(1,657)	(7,965)
2016				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(7,049)	-	1,138	(5,911)
Provisions	(1,026)	(219)	-	(1,245)
Revaluation reserves of AFS investment securities	(4,736)	-	1,411	(3,325)
	(12,811)	(219)	2,549	(10,481)

17 DEFERRED TAXATION (CONTINUED)

	Group and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2016				
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instruments under cash flow hedge accounting	11,776	-	(10,060)	1,716
Revaluation reserves of AFS investment securities	116	-	(116)	-
Accelerated tax depreciation	892	(587)	-	305
Temporary difference relating to interest/profit receivables on deposits and placements	56	39	-	95
	12,840	(548)	(10,176)	2,116
Deferred taxation	29	(767)	(7,627)	(8,365)

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares at cost	-*	-*

*denotes USD1 in CGP and RM2 in CGS.

The subsidiaries of the Company are as follows:

Name	Principal activities	Place of Incorporation	Interest in equity held by the Company 2017 %	Interest in equity held by the Company 2016 %
Cagamas Global P.L.C.	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
Cagamas Global Sukuk Berhad	To undertake the issuance of Sukuk in foreign currency.	Malaysia	100	100

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 UNSECURED BEARER BONDS AND NOTES

					Group
			2017		2016
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2017	-	-	300,000	3.820
	2018	300,000	3.480	-	-
Add: Interest payable		1,001		1,052	
		301,001		301,052	
(b) Commercial paper	2018	700,000	3.560	-	-
Add: Interest payable		1,297		-	
		701,297		-	
(c) Medium-term notes	2017	-	-	5,795,017	1.600 - 4.640
	2018	6,429,072	1.520 – 5.710	4,887,493	1.520 - 5.710
	2019	5,078,550	2.745 – 5.280	5,288,107	2.745 - 5.280
	2020	4,053,485	2.530 – 6.000	540,000	2.530 - 6.000
	2021	315,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	485,000	3.900 - 4.480
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 - 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 - 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 - 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	160,000	5.750
		24,561,107		20,485,617	
Add:					
Interest payable		201,523		166,929	
Unaccreted premium		5,852		29	
Less:					
Deferred financing fees		(4,572)		(4,372)	
Unamortised discount		(1,268)		(2,669)	
		24,762,642		20,645,534	
		25,764,940		20,946,586	

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

					Company
			2017		2016
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2017	-	-	300,000	3.8200
	2018	300,000	3.480	-	-
Add: Interest payable		1,001		1,052	
		301,001		301,052	
(b) Commercial paper	2018	700,000	3.560	-	-
Add: Interest payable		1,297		-	
		701,297		-	
(c) Medium-term notes	2017	-	-	3,530,000	3.300 - 4.640
	2018	3,840,000	3.420 – 5.710	3,550,000	3.420 - 5.710
	2019	3,045,000	3.650 – 5.280	3,045,000	3.650 - 5.280
	2020	2,630,000	4.100 – 6.000	540,000	4.100 - 6.000
	2021	315,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	485,000	3.900 - 4.480
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 - 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 - 4.850
	2026	10,000	4.410	10,000	4.140
	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
		18,515,000		14,640,000	
Add:					
Interest payable		183,401		142,015	
Unaccreted premium		5,852		29	
Less:					
Unamortised discount		(1,268)		(2,669)	
		18,702,985		14,779,375	
		19,705,283		15,080,427	

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,626,244	6,260,024	5,021,775	3,973,096
One to three years	9,138,696	10,171,562	5,683,508	6,592,331
Three to five years	5,825,000	855,000	5,825,000	855,000
More than five years	3,175,000	3,660,000	3,175,000	3,660,000
	25,764,940	20,946,586	19,705,283	15,080,427

(a) Floating rate notes

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

(b) Commercial paper

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

(c) Medium-term notes

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

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

	Group	
	2017	2016
	RM'000	RM'000
CNH	-	974,256
HKD	521,812	580,170
USD	3,870,347	3,279,146
SGD	1,349,057	1,032,586
AUD	318,441	-
	6,059,657	5,866,158

20 SUKUK

	Year of maturity	2017 Amount outstanding RM'000	2017 Effective profit rate %	2016 Amount outstanding RM'000	2016 Effective profit rate %
					Group
(a) Islamic commercial papers	2017	-	-	500,000	3.6200
	2018	305,000	3.5100	-	-
Add:					
Profit payable		1,173		248	
		306,173		500,248	
(b) Islamic medium-term	2017	-	-	2,625,512	2.300 - 4.050
	2018	1,592,025	1.850 – 5.800	1,145,000	1.850 - 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 - 5.280
	2020	2,230,000	3.980 – 6.000	1,180,000	3.980 - 6.000
	2021	245,000	4.150 – 5.380	245,000	4.150 - 5.380
	2022	2,150,000	3.900 – 4.700	460,000	3.900 - 4.700
	2023	995,000	4.250 – 6.350	995,000	4.250 - 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 - 4.650
	2026	20,000	4.410 – 4.920	20,000	4.410 - 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 – 6.500	1,080,000	4.750 - 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 - 5.750
	2033	675,000	5.000	675,000	5.000
		11,139,025		10,577,512	
Add:					
Profit payable		114,351		116,678	
Unaccreted premium		39,014		21,857	
Less:					
Deferred financing fees		(29)		(75)	
Unamortised discount		(656)		(1,307)	
		11,291,075		10,714,665	
		11,597,878		11,214,913	

20 SUKUK (CONTINUED)

	Year of maturity	2017 Amount outstanding RM'000	2017 Effective profit rate %	2016 Amount outstanding RM'000	2016 Effective profit rate %
					Company
(a) Islamic commercial	2017	-	-	500,000	3.6200
papers	2018	305,000	3.5100	-	-
Add:					
Profit payable		1,173		248	
		306,173		500,248	
(b) Islamic medium-term	2017	-	-	2,160,000	3.300 – 4.050
	2018	1,440,000	3.510 – 5.800	1,145,000	3.510 – 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	1,180,000	3.980 – 6.000
	2021	245,000	4.150 – 5.380	245,000	4.150 – 5.380
	2022	2,150,000	3.900 – 4.700	460,000	3.900 – 4.700
	2023	995,000	4.250 – 6.350	995,000	4.250 – 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	20,000	4.410 – 4.920	20,000	4.410 – 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 – 6.500	1,080,000	4.750 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750
	2033	675,000	5.000	675,000	5.000
		10,987,000		10,112,000	
Add:					
Profit payable		113,504		113,362	
Unaccreted premium		39,014		21,857	
Less:					
Unamortised discount		(656)		(1,307)	
		11,138,862		10,245,912	
		11,445,035		10,746,160	

20 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,011,864	3,242,363	1,859,021	2,773,610
One to three years	3,456,014	2,352,550	3,456,014	2,352,550
Three to five years	2,395,000	1,425,000	2,395,000	1,425,000
More than five years	3,735,000	4,195,000	3,735,000	4,195,000
	11,597,878	11,214,913	11,445,035	10,746,160

(a) Islamic commercial paper

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

(b) Islamic medium-term notes

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

(c) Islamic variable medium-term notes

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

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

	Group	
	2017	2016
	RM'000	RM'000
SGD	152,843	468,751

21 LOANS/FINANCING FROM SUBSIDIARY

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

	Company	
	2017	2016
	RM'000	RM'000
CNH	-	975,934
HKD	521,812	580,170
USD	3,874,422	3,282,148
SGD	1,502,915	1,502,290
AUD	318,716	-
	6,217,865	6,340,542

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 1.520% to 2.745% per annum (2016: 1.710% to 3.860% per annum).

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

	Company	
	2017	2016
	RM'000	RM'000
Maturing within one year	2,760,830	2,759,942
One to three years	3,457,035	3,580,600
	6,217,865	6,340,542

22 OTHER LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	927	1,011	927	1,011
Amount due to GOM	36,734	41,209	36,734	41,209
Other payables and accruals	23,128	19,576	21,843	18,584
	60,789	61,796	59,504	60,804

23 SHARE CAPITAL

	Group and Company			
		2017		2016
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	RM'000
Ordinary shares				
Issued:				
As at 1 January/ 31 December	150,000	150,000	150,000	150,000

24 RESERVES

(a) AFS reserves

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

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

The Group and the Company have adopted the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves which was effective from 31 December 2015 on voluntary basis. The policy document requires banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of the total outstanding loans/financing, net of individual impairment provisions.

25 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM3,405,211,000 of the Group and RM 3,397,473,000 of the Company respectively (2016: RM3,202,006,000 of the Group and RM3,198,368,000 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 RM241,715,000 of the Group and RM237,615,000 of the Company respectively (2016: RM255,036,000 of the Group and RM253,476,000 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.

26 INTEREST INCOME

	Group and Company	
	2017 RM'000	2016 RM'000
Amount due from counterparties	721,338	563,317
Mortgage assets	269,289	283,236
Compensation from mortgage assets	48	73
AFS investment securities	70,310	62,416
Deposits and placements with financial institutions	8,050	7,358
	1,069,035	916,400
Accretion of discount less amortisation of premium (net)	133,528	135,133
	1,202,563	1,051,533

27 INTEREST EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate notes	10,431	13,640	10,431	13,640
Medium-term notes	883,768	766,361	720,229	628,780
Commercial paper	2,285	2,990	2,285	2,990
Loans/financing from subsidiaries	-	-	168,269	141,329
	896,484	782,991	901,214	786,739

28 NON-INTEREST EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net derivatives expense	(69,287)	(43,463)	(69,287)	(43,463)
Gain on disposal of AFS investment securities	2,756	3,863	2,756	3,863
Loss on disposal of property and equipment	-	(10)	-	(10)
Reclassification adjustments of fair value gains on CCS, transfer from equity	236,599	247,650	236,599	247,650
Unrealised loss on foreign exchange	(236,856)	(246,478)	(236,862)	(246,475)
Other non-operating income	5,003	4,968	5,003	4,968
	(61,785)	(33,470)	(61,791)	(33,467)

29 PERSONNEL COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salary and allowances	13,528	12,380	13,528	12,380
Bonus	6,647	6,674	6,647	6,674
Overtime	58	63	58	63
EPF and SOCSO	3,859	2,542	3,859	2,542
Insurance	747	747	747	747
Others	2,463	3,082	2,463	3,082
	27,302	25,488	27,302	25,488

30 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 31)	2,220	2,173	2,220	2,173
Rental of premises	2,648	2,648	2,648	2,648
Hire of equipment	529	435	529	435
Auditor's remuneration				
- Audit fees	321	205	293	177
- Non audit fees	134	18	129	8
Depreciation of property and equipment	1,057	1,132	1,057	1,132
Amortisation of intangible assets	1,416	1,407	1,416	1,407
Servicers fees	3,720	3,202	3,720	3,202
Repairs and maintenance	(395)	4,945	(395)	4,945
Donations and sponsorship	10	416	10	416
Corporate expenses	673	734	673	734
Travelling expenses	510	684	510	684
Loss on disposal of property and equipment	-	10	-	10
Allowance/(write-back) of impairment losses	719	(8,062)	719	(8,062)

31 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (appointed as Chairman on 1.7.2017)
Dato' Halipah binti Esa
Dr. Roslan bin A. Ghaffar
Dato' Md Agil bin Mohd Natt
Encik Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Encik Nazrul Hisyam bin Mohd Noh
Dato' Ooi Sang Kuang (redesignated as Director on 1.7.2017 and resigned on 1.1.2018)
Encik Tang Wing Chew (resigned on 1.3.2017)

Executive Director

Datuk Chung Chee Leong

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Directors' fees	428	382
Directors' other emoluments	1,792	1,791
	2,220	2,173

D&O insurance premium of RM170,000 (2016: RM170,000) were paid to cover all the Directors and Officers of the Group and were borne by the Company.

32 TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	76,076	76,755	76,056	76,735
- Deferred taxation (Note 17)	2,057	(767)	2,057	(767)
	78,133	75,988	78,113	75,968
Current tax:				
- Current year	74,763	78,001	74,743	77,981
- under/(over) provision in prior year	1,313	(1,246)	1,313	(1,246)
	76,076	76,755	76,056	76,735
Deferred taxation:				
Origination and reversal of temporary differences (Note 17)	2,057	(767)	2,057	(767)
	78,133	75,988	78,113	75,968

32 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation and zakat	320,775	332,035	316,655	330,455
Tax calculated at Malaysian tax rate of 24% (2016: 24%)	76,986	79,689	75,997	79,309
Different tax rate in Labuan	(1,011)	(825)	-	-
Subsidiary's current year tax losses utilised	(27)	(465)	(27)	(465)
Loss not subject to tax	27	465	-	-
Expenses not deductible for tax purposes	449	427	434	427
Deduction arising from zakat contribution	(243)	(666)	(243)	(666)
Others	639	(1,391)	639	(1,391)
Under/(over) provision in prior year	1,313	(1,246)	1,313	(1,246)
	78,133	75,988	78,113	75,968

33 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	Group and Company			
		2017		2016
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
Interim dividend paid	5.00	7,500	5.00	7,500
Final dividend paid	15.00	22,500	15.00	22,500
	20.00	30,000	20.00	30,000

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017 of 15 sen per share (2016: 15 sen per share) amounting to RM22,500,000 (2016: RM22,500,000) will be proposed for shareholder's approval.

34 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	Relationships
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSRP")	Related company and trustee for LPPSA
Cagamas MGP Berhad ("CMGP")	Related company
Government of Malaysia ("GOM")	Other related party
Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA")	Originator/servicer and entity related to GOM
Bank Negara Malaysia ("BNM")	Other related party
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding company.

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

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

(b) Significant related party transactions and balances

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

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

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

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

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

	Group	
	Related company RM'000	Other related party RM'000
2017		
Income		
Transaction administrator and administrator fees	4,282	-
Management fee	568	-
Expenses		
FAST* and RENTAS** charges	-	(18)
Servicers fees	3,720	-
Amount due from/(to)		
Transaction administrator and administrator fees	379	-
BNM current accounts	-	30
Reimbursement of operating expenses	-	6
Servicers fees	(896)	-
Management fee receivable	568	-
2016		
Income		
Transaction administrator and administrator fees	4,829	-
Expenses		
FAST* and RENTAS** charges	-	(1)
Servicers fees	3,202	-
Amount due from/(to)		
Transaction administrator and administrator fees	436	-
BNM current accounts	-	25
Servicers fees	(770)	-

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

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

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

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

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

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

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

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

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

	Company		
	Subsidiaries	Related company	Other related party
	RM'000	RM'000	RM'000
2016			
Income			
Transaction administrator and administrator fees	-	4,829	-
Expenses			
FAST* and RENTAS** charges	-	-	(1)
Servicers fees	-	3,202	-
Interest expense	141,329	-	-
Profit charged	16,901	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	436	-
BNM current accounts	-	-	25
Servicers fees	-	(770)	-
Loans/financing	(6,340,542)	-	-
Payment on behalf	4,951	-	-

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

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM7,390,607 (2016: RM8,049,828).

The total remuneration paid to the Directors is disclosed in Note 31 to the financial statements.

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

(c) Transactions with the GOM and its related parties

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

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

35 CAPITAL COMMITMENTS

	Group and Company	
	2017	2016
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	12,054	20,501
Authorised but not contracted for	3,911	3,258
	15,965	23,759
Analysed as follows:		
Equipment and others	196	616
Computer hardware and software	15,769	23,143
	15,965	23,759

36 LEASE COMMITMENTS

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Maturing within one year	4,727	4,618
One to three years	6,593	3,700
Three to five years	-	96
	11,320	8,414

37 INTEREST/PROFIT RATE RISK

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

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

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

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

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2017						
Financial assets						
Cash and short-term funds	486,912	-	-	-	47,679	534,591
AFS investment securities	726,423	503,885	416,171	824,951	-	2,471,430
Amount due from counterparties	6,285,506	7,604,833	5,345,007	635,032	-	19,870,378
Islamic financing assets	1,730,200	2,574,231	1,239,947	-	-	5,544,378
Mortgage assets:						
- Conventional	933,922	1,204,460	1,114,465	3,449,082	(853,810)	5,848,119^1
- Islamic	712,367	964,148	967,336	4,475,152	(818,427)	6,300,576^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	970	45	-	-	(62)	953^4
Other assets	158,424	303,201	840	9,050	32,533	504,048
	11,034,726	13,154,803	9,083,766	9,393,267	(1,592,089)	41,074,473

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

Company No.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 INTEREST/PROFIT RATE RISK (CONTINUED)

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

37 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						
2016						
Financial assets						
Cash and short-term funds	363,865	-	-	-	45,531	409,396
AFS investment securities	284,709	285,505	154,459	925,845	-	1,650,518
Amount due from counterparties	5,154,450	8,135,868	50,824	955,023	-	14,296,165
Islamic financing assets	3,001,966	1,387,816	500,003	417,904	-	5,307,689
Mortgage assets:						
- Conventional	935,176	1,218,288	1,148,044	3,910,131	(973,302)	6,238,337^1
- Islamic	726,071	958,087	980,438	4,924,612	(927,115)	6,662,093^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	2,001	153	-	-	(230)	1,924^4
Other assets	101,723	782,956	653	8,443	28,929	922,704
	10,569,963	12,768,673	2,834,421	11,141,958	(1,826,189)	35,488,826

^1 Includes impairment losses on conventional mortgage assets of RM38,370,723.
^2 Includes impairment losses on Islamic mortgage assets of RM30,146,432.
^3 Includes impairment losses on conventional hire purchase assets of RM2,059.
^4 Includes impairment losses on Islamic hire purchase assets of RM214,714.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 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						
2016						
Financial liabilities						
Unsecured bearer bonds and notes	6,260,024	10,171,562	855,000	3,660,000	-	20,946,586
Sukuk	3,242,363	2,352,550	1,425,000	4,195,000	-	11,214,913
Other liabilities	13,391	-	-	20,434	77,464	111,289
	9,515,778	12,524,112	2,280,000	7,875,434	77,464	32,272,788
Total interest/profit sensitivity gap	1,054,185	244,561	554,421	3,266,524		
Cumulative gap	1,054,185	1,298,746	1,853,167	5,119,691		

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2017						
Financial assets						
Cash and short-term funds	486,912	-	-	-	37,273	524,185
AFS investment securities	726,423	503,885	416,171	824,951	-	2,471,430
Amount due from counterparties	6,285,506	7,604,833	5,345,007	635,032	-	19,870,378
Islamic financing assets	1,730,200	2,574,231	1,239,947	-	-	5,544,378
Mortgage assets:						
- Conventional	933,922	1,204,460	1,114,465	3,449,082	(853,810)	5,848,119^1
- Islamic	712,367	964,148	967,336	4,475,152	(818,427)	6,300,576^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	970	45	-	-	(62)	953^4
Other assets	158,424	303,201	840	9,050	39,261	510,776
	11,034,726	13,154,803	9,083,766	9,393,267	(1,595,767)	41,070,795

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

37 INTEREST/PROFIT RATE RISK (CONTINUED)

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

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2016						
Financial assets						
Cash and short-term funds	363,865	-	-	-	41,611	405,476
AFS investment securities	284,709	285,505	154,459	925,845	-	1,650,518
Amount due from counterparties	5,154,450	8,135,868	50,824	955,023	-	14,296,165
Islamic financing assets	3,001,966	1,387,816	500,003	417,904	-	5,307,689
Mortgage assets:						
- Conventional	935,176	1,218,288	1,148,044	3,910,131	(973,302)	6,238,337^1
- Islamic	726,071	958,087	980,438	4,924,612	(927,115)	6,662,093^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	- ^3
- Islamic	2,001	153	-	-	(230)	1,924^4
Other assets	101,723	782,956	653	8,443	33,829	927,604
	10,569,963	12,768,673	2,834,421	11,141,958	(1,825,209)	35,489,806

^1 Includes impairment losses on conventional mortgage assets of RM38,370,723.
^2 Includes impairment losses on Islamic mortgage assets of RM30,146,432.
^3 Includes impairment losses on conventional hire purchase assets of RM2,059.
^4 Includes impairment losses on Islamic hire purchase assets of RM214,714.

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37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2016						
Financial liabilities						
Unsecured bearer bonds and notes	3,973,096	6,592,331	855,000	3,660,000	-	15,080,427
Sukuk	2,773,610	2,352,550	1,425,000	4,195,000	-	10,746,160
Loans/financing from subsidiary	2,759,942	3,580,600	-	-	-	6,340,542
Other liabilities	13,391	-	-	20,434	76,452	110,277
	9,520,039	12,525,481	2,280,000	7,875,434	76,452	32,277,406
Total interest/profit sensitivity gap	1,049,924	243,192	554,421	3,266,524		
Cumulative gap	1,049,924	1,293,116	1,847,537	5,114,061		

37 INTEREST/PROFIT RATE RISK (CONTINUED)

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

	Group			
	+100 basis		-100 basis	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
AFS reserves	(74,075)	(58,568)	79,191	62,305
PWR (floating rate)	(6,202)	(3,429)	6,362	3,565
Unsecured bonds and notes (floating rate)	1,087	3,168	(1,100)	(3,213)
Taxation effects on the above at tax rate of 24%	19,006	14,119	(20,269)	(15,038)
Effect on shareholder's funds	(60,184)	(44,710)	64,184	47,619
As percentage of shareholder's funds	(1.8%)	(1.4%)	1.9%	1.5%

	Company			
	+100 basis		-100 basis	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
AFS reserves	(74,075)	(58,568)	79,191	62,305
Derivatives financial instruments	(1,509)	(6,831)	1,534	7,005
Loans/financing from subsidiaries	4,636	7,743	(4,704)	(7,918)
PWR (floating rate)	(6,202)	(3,429)	6,362	3,565
Unsecured bonds and notes (floating rate)	1,087	3,168	(1,100)	(3,213)
Taxation effects on the above at tax rate of 24%	18,255	13,900	(19,508)	(14,819)
Effect on shareholder's funds	(57,808)	(44,017)	61,775	46,925
As percentage of shareholder's funds	(1.7%)	(1.5%)	1.8%	1.4%

38 CREDIT RISK

38.1 Credit risk concentration

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
Group										
2016										
Government bodies	-	-	572,718	-	-	-	-	-	2,062	574,780
Financial institutions:										
- Commercial banks	319,361	887,826	442,276	13,002,576	4,355,927	-	-	-	-	19,007,966
- Investment banks	90,033	-	-	-	-	-	-	-	-	90,033
Communication, electricity, gas and water	-	-	70,528	-	-	-	-	-	-	70,528
Transportation	-	-	194,967	-	-	-	-	-	-	194,967
Leasing	-	-	-	258,746	-	-	-	-	-	258,746
Consumers	-	-	-	-	-	6,238,337	6,662,093	1,924	-	12,902,354
Corporate	-	-	-	1,034,843	951,762	-	-	-	-	1,986,605
Construction	-	-	86,051	-	-	-	-	-	-	86,051
Others	2	-	283,978	-	-	-	-	-	7,527	291,507
Total	409,396	887,826	1,650,518	14,296,165	5,307,689	6,238,337	6,662,093	1,924	9,589	35,463,537

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Company										
2016										
Government bodies	-	-	572,718	-	-	-	-	-	2,062	574,780
Financial institutions:										
- Commercial banks	315,441	887,826	442,276	13,002,576	4,355,927	-	-	-	-	19,004,046
- Investment banks	90,033	-	-	-	-	-	-	-	-	90,033
Communication, electricity, gas and water	-	-	70,528	-	-	-	-	-	-	70,528
Transportation	-	-	194,967	-	-	-	-	-	-	194,967
Leasing	-	-	-	258,746	-	-	-	-	-	258,746
Consumers	-	-	-	-	-	6,238,337	6,662,093	1,924	-	12,902,354
Corporate	-	-	-	1,034,843	951,762	-	-	-	-	1,986,605
Construction	-	-	86,051	-	-	-	-	-	-	86,051
Others	2	-	283,978	-	-	-	-	-	12,427	296,407
Total	405,476	887,826	1,650,518	14,296,165	5,307,689	6,238,337	6,662,093	1,924	14,489	35,464,517

38 CREDIT RISK (CONTINUED)

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

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets are categorised as either:
- neither past due nor impaired; or
- past due but not individually impaired.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

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

Group and Company	Neither past due nor impaired RM'000	Past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2017							
Amount due from counterparties	19,870,378	-	19,870,378	-	19,870,378	-	-
Islamic financing assets	5,544,378	-	5,544,378	-	5,544,378	-	-
Mortgage assets:							
- Conventional	5,832,022	54,068	5,886,090	37,971	5,848,119	54,068	70
- Islamic	6,284,879	45,894	6,330,773	30,197	6,300,576	45,894	66
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100
- Islamic	953	62	1,015	62	953	62	100
	37,532,610	100,026	37,632,636	68,232	37,564,404	100,026	

* These assets have been provided for under collective assessment

38 CREDIT RISK (CONTINUED)

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

Group and Company	Neither past due nor impaired RM'000	Past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2016							
Amount due from counterparties	14,296,165	-	14,296,165	-	14,296,165	-	-
Islamic financing assets	5,307,689	-	5,307,689	-	5,307,689	-	-
Mortgage assets:							
- Conventional	6,202,839	73,869	6,276,708	38,371	6,238,337	73,869	52
- Islamic	6,641,629	50,610	6,692,239	30,146	6,662,093	50,610	60
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100
- Islamic	1,798	341	2,139	215	1,924	341	63
	32,450,120	124,822	32,574,942	68,734	32,506,208	124,822	

* These assets have been provided for under collective assessment

38 CREDIT RISK (CONTINUED)

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

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

	Group and Company			
		2017		2016
	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	19,870,378	19,870,378	14,296,165	14,296,165
Islamic financing assets	5,544,378	5,544,378	5,307,689	5,307,689
Mortgage assets:				
- Conventional	5,832,022	5,832,022	6,202,839	6,202,839
- Islamic	6,284,879	6,284,879	6,641,629	6,641,629
Hire purchase assets:				
- Islamic	953	953	1,798	1,798
	37,532,610	37,532,610	32,450,120	32,450,120

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

38 CREDIT RISK (CONTINUED)

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

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

	Group and Company				
	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2017					
Mortgage assets:					
- Conventional	3,866	3,252	3,396	43,554	54,068
- Islamic	4,049	2,656	3,776	35,413	45,894
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	2	60	62
	7,915	5,908	7,174	79,029	100,026
2016					
Mortgage assets:					
- Conventional	5,719	3,138	3,268	61,744	73,869
- Islamic	4,519	3,480	2,124	40,487	50,610
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	28	313	341
	10,238	6,618	5,420	102,546	124,822

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

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

38 CREDIT RISK (CONTINUED)

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

For the financial year ended 31 December 2017, the Group and the Company have deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

The movement in impairment allowance are as follows:

	Group and Company			
	As at 1 January RM'000	(Write-back) /allowance made RM'000	Allowance (written-off to) / written-back from principal balance outstanding RM'000	As at 31 December RM'000
2017				
Mortgage assets:				
- Conventional	38,371	502	(902)	37,971
- Islamic	30,146	217	(166)	30,197
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	215	-	(153)	62
	68,734	719	(1,221)	68,232
2016				
Mortgage assets:				
- Conventional	40,387	(1,526)	(490)	38,371
- Islamic	36,167	(6,536)	515	30,146
Hire purchase assets:				
- Conventional	1	-	1	2
- Islamic	70	-	145	215
	76,625	(8,062)	171	68,734

38 CREDIT RISK (CONTINUED)

38.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Group and the Company use the rating by external rating agencies, mainly RAM and MARC. The table below presents an analysis of AFS investment securities external rating:

	Group and Company			
	Investment grade			
	GOM	AAA	AA1 to AA2/ AA+ to A-	Total
	RM'000	RM'000	RM'000	RM'000
2017				
Malaysian Government securities	81,687	-	-	81,687
Corporate Bonds	-	156,947	347,234	504,181
Government investment issues	627,143	-	-	627,143
Sukuk	20,345	509,489	24,847	554,681
Quasi Government Sukuk	414,148	-	188,298	602,446
Unit trust	-	-	101,292	101,292
Total	1,143,323	666,436	661,671	2,471,430
2016				
Malaysian Government securities	10,060	-	-	10,060
Corporate Bonds	-	117,703	310,359	428,062
Government investment issues	442,200	-	-	442,200
Sukuk	-	288,731	59,871	348,602
Quasi Government Sukuk	340,328	-	-	340,328
Unit trust	-	-	81,266	81,266
Total	792,588	406,434	451,496	1,650,518

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

38.4 Amount due from related company

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

38 CREDIT RISK (CONTINUED)

38.5 Offsetting financial instruments

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

	Group and Company					
				Related amounts not set off in the statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Financial instrument	Cash collateral placed	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Derivatives financial liabilities	(216,871)	-	(216,871)	-	7,760	(209,111)
2016						
Derivatives financial liabilities	(33,825)	-	(33,825)	-	13,690	(20,135)

39 LIQUIDITY RISK

39.1 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.

39 LIQUIDITY RISK (CONTINUED)

39.2 Liquidity pool

The liquidity pool comprised the following cash and unencumbered assets:

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	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									
2017	534,591	466,339	2,471,430	5,848,119	6,300,576	19,870,378	5,544,378	8,396	41,044,207
2016	409,396	887,826	1,650,518	6,238,337	6,662,093	14,296,165	5,307,689	10,236	35,462,260
Company									
2017	524,185	466,339	2,471,430	5,848,119	6,300,576	19,870,378	5,544,378	15,124	41,040,529
2016	405,476	887,826	1,650,518	6,238,337	6,662,093	14,296,165	5,307,689	15,136	35,463,240

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities

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

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

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities (continued)

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

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2016						
Financial liabilities						
Unsecured bonds and notes	2,958	722,096	5,391,903	11,026,562	3,660,000	20,803,519
Sukuk	-	1,048,751	2,080,000	3,777,550	4,195,000	11,101,301
Other liabilities	-	-	-	-	41,209	41,209
	2,958	1,770,847	7,471,903	14,804,112	7,896,209	31,946,029
Assets held for managing liquidity risk	517,919	1,166,321	8,091,461	14,819,484	11,133,515	35,728,700

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities (continued)

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

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2016						
Financial liabilities						
Unsecured bonds and notes	-	300,000	3,530,029	7,447,331	3,660,000	14,937,360
Sukuk	-	580,000	2,080,000	3,777,550	4,195,000	10,632,550
Loans/financing from subsidiary	3,017	892,764	1,864,161	3,580,600	-	6,340,542
Other liabilities	-	-	-	-	41,209	41,209
	3,017	1,772,764	7,474,190	14,805,481	7,896,209	31,951,661
Assets held for managing liquidity risk	522,870	1,166,321	8,091,461	14,819,484	11,133,515	35,733,651

39 LIQUIDITY RISK (CONTINUED)

39.4 Derivative liabilities

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

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

	Group and Company					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Derivatives held for hedging						
- IRS/IPRS	(4,204)	17,029	(9,403)	20,358	(38,449)	(14,669)
- CCS/ICCS	318,831	(644,764)	1,790,793	(1,295,756)	-	169,104
2016						
Derivatives held for hedging						
- IRS/IPRS	-	1,243	(12,804)	(17,938)	(3,397)	(32,896)
- CCS/ICCS	-	(138)	(140)	-	-	(278)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 FOREIGN EXCHANGE RISK

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

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

40.1 Exposure to foreign currency risk

					Group
	AUD RM'000	HKD RM'000	USD RM'000	SGD RM'000	CNH RM'000
2017					
Derivatives financial Instruments	319,497	521,812	3,851,753	1,505,110	-
	319,497	521,812	3,851,753	1,505,110	-
Unsecured bonds and notes	318,441	521,812	3,870,347	1,349,057	-
Sukuk	-	-	-	152,843	-
	318,441	521,812	3,870,347	1,501,900	-
2016					
Derivatives financial Instruments	-	583,885	3,280,824	1,508,608	-
Amount due from Counterparties	-	-	-	-	974,781
	-	583,885	3,280,824	1,508,608	974,781
Unsecured bonds and notes	-	580,170	3,279,146	1,032,586	974,256
Sukuk	-	-	-	468,75	-
Derivatives financial instruments	-	-	-	-	1,397
	-	580,170	3,279,146	1,501,337	975,653

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157931	A

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 FOREIGN EXCHANGE RISK (CONTINUED)

40.1 Exposure to foreign currency risk (continued)

					Company
	AUD	HKD	USD	SGD	CNH
	RM'000	RM'000	RM'000	RM'000	RM'000
2017					
Derivatives financial Instruments	319,497	521,812	3,851,753	1,505,110	-
	319,497	521,812	3,851,753	1,505,110	-
Amount due from subsidiaries	318,716	521,812	3,874,422	1,502,915	-
	318,716	521,812	3,874,422	1,502,915	-
2016					
Derivatives financial Instruments	-	583,885	3,280,824	1,508,608	-
Amount due from Counterparties	-	-	-	-	974,781
	-	583,885	3,280,824	1,508,608	974,981
Amount due from subsidiaries	-	580,170	3,282,148	1,502,290	975,934
Derivatives financial instruments	-	-	-	-	1,397
	-	580,170	3,282,148	1,502,290	977,331

40 FOREIGN EXCHANGE RISK (CONTINUED)

40.2 Currency risk sensitivity analysis

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

	Group		Company	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2017				
HKD	2	-	2	-
USD	(166)	(1)	(166)	(1)
SGD	18	-	18	-
AUD	6	-	6	-
	(140)	(1)	(140)	(1)
2016				
CNH	(1)	-	(1)	-
HKD	(26)	-	(26)	-
USD	(5)	(1)	(5)	(1)
SGD	51	-	51	-
	19	(1)	19	(1)

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

41.1 Fair value of financial instruments carried at fair value

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

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

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

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

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

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

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

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

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

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

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Assets				
AFS investment Securities	-	2,471,430	-	2,471,430
Derivatives financial instruments	-	466,339	-	466,339
Liabilities				
Derivatives financial instruments	-	216,871	-	216,871
2016				
Assets				
AFS investment Securities	-	1,650,518	-	1,650,518
Derivatives financial instruments	-	887,826	-	887,826
Liabilities				
Derivatives financial instruments	-	33,825	-	33,825

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

41.2 Fair value of financial instruments carried other than fair value

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

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

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

(b) Other financial assets

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

(c) Amount due from related company

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

(d) Other financial liabilities

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

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

				Group
		2017		2016
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	19,870,378	19,944,333	14,296,165	14,280,849
Islamic financing assets	5,544,378	5,504,117	5,307,689	5,332,670
Mortgage assets:				
- Conventional	5,848,119	6,008,321	6,238,337	7,291,685
- Islamic	6,300,576	6,715,579	6,662,093	7,698,475
Islamic hire purchase assets	953	1,186	1,924	1,930
	37,564,404	38,173,536	32,506,208	34,605,609
Financial liabilities				
Unsecured bearer bonds and notes	25,764,940	26,158,440	20,946,586	21,317,956
Sukuk	11,597,878	11,925,862	11,214,913	11,587,453
	37,362,818	38,084,302	32,161,499	32,905,409

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Company			
	2017		2016	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	19,870,378	19,944,333	14,296,165	14,280,849
Islamic financing assets	5,544,378	5,504,117	5,307,689	5,332,670
Mortgage assets:				
- Conventional	5,848,119	6,008,321	6,238,337	7,291,685
- Islamic	6,300,576	6,715,579	6,662,093	7,698,475
Islamic hire purchase assets	953	1,186	1,924	1,930
	37,564,404	38,173,536	32,506,208	34,605,609
Financial liabilities				
Unsecured bearer bonds and notes	19,705,283	20,094,241	15,080,427	15,447,425
Sukuk	11,445,035	11,772,990	10,746,160	11,118,626
Loans/financing from subsidiary	6,217,865	6,331,393	6,340,542	6,237,081
	37,368,183	38,198,624	32,167,129	32,803,132

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

42 SEGMENT REPORTING

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

(a) PWR

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

42 SEGMENT REPORTING (CONTINUED)

(b) PWOR

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

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

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

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

42 SEGMENT REPORTING (CONTINUED)

			Group
	PWR RM'000	PWOR RM'000	Total RM'000
2016			
External revenue	871,751	862,517	1,734,268
External interest/profit expense	(709,773)	(605,723)	(1,315,496)
Profit from operations	88,974	243,061	332,035
Zakat	(610)	(401)	(1,011)
Taxation	(17,853)	(58,135)	(75,988)
Profit after taxation and zakat by segment	70,511	184,525	255,036
Segment assets	21,756,280	13,732,546	35,488,826
Segment liabilities	19,744,510	12,528,278	32,272,788
Other information:			
Capital expenditure	5,377	3,395	8,772
Depreciation and amortisation	1,556	983	2,539

42 SEGMENT REPORTING (CONTINUED)

			Company
	PWR RM'000	PWOR RM'000	Total RM'000
2017			
External revenue	1,018,795	820,865	1,839,660
Internal interest/profit expense	(172,387)	-	(172,837)
External interest/profit expense	(639,924)	(585,971)	(1,225,895)
Total interest/profit expense	(812,761)	(585,971)	(1,398,732)
Profit from operations	104,874	211,781	316,655
Zakat	(627)	(300)	(927)
Taxation	(26,337)	(51,776)	(78,113)
Profit after taxation and zakat by segment	77,910	159,705	237,615
Segment assets	27,938,025	13,138,770	41,070,795
Segment liabilities	26,449,975	11,206,993	37,656,968
Other information:			
Capital expenditure	4,312	2,028	6,340
Depreciation and amortisation	1,682	791	2,473

42 SEGMENT REPORTING (CONTINUED)

			Company
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2016			
External revenue	871,751	862,517	1,734,268
Internal interest/profit expense	(158,231)	-	(158,231)
External interest/profit expense	(553,496)	(605,723)	(1,159,219)
Total interest/profit expense	(711,727)	(605,723)	(1,317,450)
Profit from operations	87,394	243,061	330,455
Zakat	(610)	(401)	(1,011)
Taxation	(17,833)	(58,135)	(75,968)
Profit after taxation and zakat by segment	68,951	184,525	253,476
Segment assets	21,757,260	13,732,546	35,489,806
Segment liabilities	19,749,129	12,528,277	32,277,406
Other information:			
Capital expenditure	5,377	3,395	8,772
Depreciation and amortisation	1,556	983	2,539

43 CAPITAL ADEQUACY

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

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

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

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

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

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

The regulatory capital comprise of two tiers:

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

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

Common equity tier 1 ("CET1") and Tier I capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Before deducting proposed final dividend*				
CET I capital ratio	20.9	22.3	20.8	22.3
Tier I capital ratio	20.9	22.3	20.8	22.3
Total capital ratio	22.3	24.1	22.3	24.0
After deducting proposed final dividend*				
CET I capital ratio	20.7	22.2	20.7	22.2
Tier I capital ratio	20.7	22.2	20.7	22.2
Total capital ratio	22.2	23.9	22.1	23.9

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

43 CAPITAL ADEQUACY (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CET1/Tier I capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,300,646	3,088,931	3,292,908	3,085,293
	3,450,646	3,238,931	3,442,908	3,235,293
AFS reserve	(724)	(10,529)	(724)	(10,529)
Deferred tax assets	(7,965)	(8,365)	(7,965)	(8,365)
Less : Regulatory reserves	(161,032)	(173,564)	(161,032)	(173,564)
	3,280,925	3,046,473	3,273,187	3,042,835
Tier II capital				
Allowance for impairment losses	68,232	68,734	68,232	68,734
Add : Regulatory reserves	161,032	173,564	161,032	173,564
Total Tier II capital	229,264	242,298	229,264	242,298
Total capital	3,510,189	3,288,771	3,502,451	3,285,133

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Credit risk	15,026,002	12,935,305	15,030,648	12,939,362
Operational risk	711,021	722,196	711,021	722,196
Total risk-weighted assets	15,737,023	13,657,501	15,741,669	13,661,558

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Cash and short-term funds	(a)	110,090	133,084	110,083	133,084
Derivative financial instruments		-	23,025	-	23,025
AFS investment securities	(b)	576,571	40,119	576,571	40,119
Financing assets	(c)	5,544,378	5,307,689	5,544,378	5,307,689
Mortgage assets	(d)	6,297,302	6,657,724	6,297,302	6,657,724
Hire purchase assets	(e)	457	1,584	457	1,584
Deferred taxation		1,058	-	1,058	-
Other assets and prepayments		289,393	289,364	291,626	291,753
TOTAL ASSETS		12,819,249	12,452,589	12,821,475	12,454,978
LIABILITIES					
Sukuk	(f)	11,597,878	11,214,913	11,445,035	10,746,160
Derivative financial instruments		10,315	-	10,315	-
Deferred taxation		-	98	-	98
Other liabilities	(g)	15,408	131,540	167,361	599,741
TOTAL LIABILITIES		11,623,601	11,346,551	11,622,711	11,345,999
ISLAMIC OPERATIONS' FUNDS		1,195,648	1,106,038	1,198,764	1,108,979
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		12,819,249	12,452,589	12,821,475	12,454,978

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total income attributable		637,098	682,737	637,098	682,736
Income attributable to the Sukuk holders	(h)	(497,498)	(532,505)	(497,518)	(530,712)
Non-profit expense		(5,966)	(10,918)	(5,966)	(10,917)
Total income attributable	(i)	133,634	139,314	133,614	141,107
Administration and general expenses		(7,414)	(2,594)	(7,219)	(2,448)
(Allowance)/write-back of impairment losses		(217)	6,536	(217)	6,536
PROFIT BEFORE TAXATION AND ZAKAT		126,003	143,256	126,178	145,195
Zakat		(927)	(1,011)	(927)	(1,011)
Taxation		(30,487)	(37,478)	(30,487)	(37,478)
PROFIT FOR THE FINANCIAL YEAR		94,589	104,767	94,764	106,706

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year	94,589	104,767	94,764	106,706
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
AFS investment securities				
- Net gain/(loss) on fair value changes before taxation	528	(598)	528	(598)
- Deferred taxation	(127)	144	(127)	144
Cash flow hedge				
- Net loss on cash flow hedge before taxation	(6,788)	(6,788)	(6,788)	(6,788)
- Deferred taxation	1,408	1,618	1,408	1,618
Other comprehensive loss for the financial year net of taxation	(4,979)	(5,624)	(4,979)	(5,624)
Total comprehensive income for the financial year	89,610	99,143	89,785	101,082

44 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Group						
Balance as at 1 January 2017	294,159	(93)	1,326	89,137	721,509	1,106,038
Profit for the financial year	-	-	-	-	94,589	94,589
Other comprehensive Income/(loss)	-	401	(5,380)	-	-	(4,979)
Total comprehensive Income/(loss) for the financial year	-	401	(5,380)	-	94,589	89,610
Transfer to retained profits during the financial year	-	-	-	(5,482)	5,482	-
Balance as at 31 December 2017	294,159	308	(4,054)	83,655	821,580	1,195,648
Balance as at 1 January 2016	294,159	361	6,496	95,598	610,281	1,006,895
Profit for the financial year	-	-	-	-	104,767	104,767
Other comprehensive loss	-	(454)	(5,170)	-	-	(5,624)
Total comprehensive (loss)/income for the financial year		(454)	(5,170)	-	104,767	99,143
Transfer to retained profits during the financial year	-	-	-	(6,461)	6,461	-
Balance as at 31 December 2016	294,159	(93)	1,326	89,137	721,509	1,106,038

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Company						
Balance as at 1 January 2017	294,159	(93)	1,326	89,137	724,450	1,108,979
Profit for the financial year	-	-	-	-	94,764	94,764
Other comprehensive Income/(loss)	-	401	(5,380)	-	-	(4,979)
Total comprehensive Income/(loss) for the financial year	-	401	(5,380)	-	94,764	89,785
Transfer to retained profits during the financial year	-	-	-	(5,482)	5,482	-
Balance as at 31 December 2017	294,159	308	(4,054)	83,655	824,696	1,198,764
Balance as at 1 January 2016	294,159	361	6,496	95,598	611,283	1,007,897
Profit for the financial year	-	-	-	-	106,706	106,706
Other comprehensive loss	-	(454)	(5,170)	-	-	(5,624)
Total comprehensive (loss)/income for the financial year	-	(454)	(5,170)	-	106,706	101,082
Transfer to retained profits during the financial year	-	-	-	(6,461)	6,461	-
Balance as at 31 December 2016	294,159	(93)	1,326	89,137	724,450	1,108,979

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		94,589	104,767	94,764	106,706
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- AFS investment securities		(4,739)	(3,152)	(4,739)	(3,152)
- Mortgage assets		(108,739)	(112,838)	(108,739)	(112,838)
- Hire purchases		(17)	(77)	(17)	(77)
- Sukuk		651	626	651	626
Allowance/(write-back) of impairment losses on Islamic mortgage assets and Islamic hire purchase assets		217	(6,536)	217	(6,536)
Reclassification adjustment on fair value gains on CCS, transfer from equity		(12,434)	(21,937)	(12,434)	(21,937)
Unrealised loss on foreign exchange		27,716	8,721	27,716	8,721
Income from:					
- AFS investment securities		(8,949)	(2,044)	(8,949)	(2,044)
- Operations		(509,783)	(558,515)	(509,783)	(558,515)
Profit attributable to Sukuk holders		503,915	522,315	503,697	519,592
Gain on disposal of AFS investment securities		(49)	-	(49)	-
Taxation		30,487	37,478	30,487	37,478
Zakat		927	1,011	927	1,011
Operating profit/(loss) before working capital changes		13,792	(30,181)	13,749	(30,965)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Increase)/decrease in financing assets		(230,874)	275,436	(230,874)	275,436
Decrease in mortgage assets		457,581	452,490	457,581	452,490
Decrease in hire purchase assets		1,205	2,559	1,205	2,559
(Increase)/decrease in other assets and prepayments		(26)	(29)	127	548
Increase/(decrease) in Sukuk		382,462	(845,629)	698,223	(817,026)
Increase in deferred financing		(174)	(450)	-	-
Decrease in financing from subsidiary company		-	-	(316,088)	(28,663)
Decrease/(increase) in derivatives		11,270	(12,326)	11,270	(12,326)
(Decrease)/increase in other liabilities		(112,137)	30,527	(112,101)	30,344
Cash generated from/(utilized in) operating activities		523,099	(127,603)	523,092	(127,603)
Profit received from assets		518,384	565,931	518,384	565,931
Profit paid to Sukuk holders		(503,697)	(405,981)	(503,697)	(405,981)
Payment of:					
- Taxation		(34,273)	(26,429)	(34,273)	(26,429)
- Zakat		(1,011)	(2,777)	(1,011)	(2,777)
Net cash generated from operations		502,502	3,141	502,495	3,141
INVESTING ACTIVITIES					
Purchase of AFS investment securities		(1,770,718)	(30,430)	(1,770,718)	(30,430)
Sale of AFS investment securities		1,242,510	78,688	1,242,510	78,688
Income received from AFS investment securities		2,712	2,056	2,712	2,056
Net cash (utilised in)/generated from investing activities		(525,496)	50,314	(525,496)	50,314

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net (decrease)/increase in cash and cash equivalents		(22,994)	53,455	(23,001)	53,455
Cash and cash equivalents as at 1 January		133,084	79,629	133,084	79,629
Cash and cash equivalents as at 31 December		110,090	133,084	110,083	133,084
Analysis of cash and cash equivalents as at 31 December					
Cash and short-term funds	(a)	110,090	133,084	110,083	133,084

44 ISLAMIC OPERATIONS (CONTINUED)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(a) Cash and short-term funds				
Cash and bank balances with bank and other financial institutions	278	96	271	96
Mudharabah money at call and deposit placements maturing within one month	109,812	132,988	109,812	132,988
	110,090	133,084	110,083	133,084

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
(b) AFS investment securities		
At fair value:		
Sukuk	91,321	10,044
Government investment issues	50,723	30,075
Quasi government securities	434,527	-
	576,571	40,119
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	332,868	465
One to three years	123,213	-
Three to five years	65,233	39,654
More than five years	55,257	-
	576,571	40,119

44 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company 2017 RM'000	2016 RM'000
(c) Financing assets		
Relating to:		
House financing	5,434,616	4,225,536
Hire purchase financing	-	382,819
Personal financing	109,762	699,334
	5,544,378	5,307,689
The maturity structure of financing assets are as follows:		
Maturing within one year	1,708,434	3,001,966
One to three years	2,594,787	1,387,816
Three to five years	1,241,157	500,003
More than five years	-	417,904
	5,544,378	5,307,689
(d) Mortgage assets		
PWOR	6,297,302	6,657,724
The maturity structure of mortgage assets are as follows:		
Maturing within one year	711,371	724,663
One to three years	962,429	956,214
Three to five years	966,501	979,385
More than five years	4,474,359	4,923,648
	7,114,660	7,583,910
Less:		
Unaccreted discount	(788,230)	(896,969)
Allowance for impairment losses	(29,128)	(29,217)
	6,297,302	6,657,724

44 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
(e) Hire purchase assets		
PWOR	457	1,584
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	474	1,523
One to three years	45	153
Three to five years	-	-
	519	1,676
Less:		
Unaccreted discount	-	(17)
Allowance for impairment losses	(62)	(75)
	457	1,584

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(f) Sukuk				
Commercial Papers	306,173	500,248	306,173	500,248
Medium-term notes	11,291,705	10,714,665	11,138,862	10,245,912
	11,597,878	11,214,913	11,445,035	10,746,160
The maturity structure of Sukuk are as follows:				
Maturing within one year	2,011,864	3,242,363	1,859,021	2,773,610
One to three years	3,456,014	2,352,550	3,456,014	2,352,550
Three to five years	2,395,000	1,425,000	2,395,000	1,425,000
More than five years	3,735,000	4,195,000	3,735,000	4,195,000
	11,597,878	11,214,913	11,445,035	10,746,160

44 ISLAMIC OPERATIONS (CONTINUED)

(g) *Other liabilities*

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Zakat	927	1,011	927	1,011
Other payables	14,481	130,529	14,409	129,760
Financing from subsidiary	-	-	152,025	468,970
	15,408	131,540	167,361	599,741

(h) *Income attributable to the Sukuk holders*

Mortgage assets	291,535	310,814	291,555	309,021
Hire purchase assets	251	278	251	278
Financing assets	205,712	221,413	205,712	221,413
	497,498	532,505	497,518	530,712

Income attributable to Sukuk holders analysed by concept:

Bai Al-Dayn	497,498	532,505	497,518	530,712

(i) *Total income attributable*

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	103,008	110,853	103,008	110,853
Hire purchase assets	(213)	(300)	(213)	(300)
Financing assets	18,196	28,329	18,176	30,121
AFS investment securities	13,737	5,195	13,737	5,195
Deposit and placements with financial institutions	4,872	6,155	4,872	6,155
Non-profit income expense	(5,966)	(10,918)	(5,966)	(10,917)
	133,634	139,314	133,614	141,107

44 ISLAMIC OPERATIONS (CONTINUED)

(i) *Total income attributable (continued)*

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total net income analysed by concept are as follows:				
Ijarah	145	-	145	-
Murabahah	9,548	801	9,548	801
Bai Al-Dayn	115,024	128,695	115,004	130,488
Mudharabah	5,932	8,668	5,932	8,668
Musyarakah	1,392	1,150	1,392	1,150
Wakalah	1,593	-	1,593	-
	133,634	139,314	133,614	141,107

(j) *Capital adequacy*

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Before deducting proposed final dividend*				
CET I	25.2	22.5	25.2	22.6
Tier I capital ratio	25.2	22.5	25.2	22.6
Total capital ratio	27.7	25.2	27.8	25.2
After deducting proposed* final dividend				
CET I capital ratio	24.6	22.0	24.7	22.1
Tier I capital ratio	24.6	22.0	24.7	22.1
Total capital ratio	27.2	24.7	27.3	24.7

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CET I/Tier I capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	882,735	811,726	885,851	813,587
	1,176,894	1,105,885	1,180,010	1,107,746
Less: Regulatory reserves	(83,655)	(89,137)	(83,655)	(89,137)
AFS reserve	138	(93)	138	(93)
Total CET I/Tier I capital	1,093,377	1,016,655	1,096,493	1,018,516

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

44 ISLAMIC OPERATIONS (CONTINUED)

(j) Capital adequacy (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tier II capital:				
Add: Regulatory reserves	83,655	89,137	83,655	89,137
Allowance for impairment losses	30,259	30,361	30,259	30,361
Total Tier II capital	113,914	119,498	113,914	119,498
Total capital	1,207,291	1,136,153	1,210,407	1,138,014

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
The breakdown of risk -weighted assets by each major risk category is as follows:				
Credit risk	4,172,477	4,235,172	4,174,710	4,237,559
Operational risk	263,407	277,449	263,407	277,449
Total risk-weighted assets	4,435,884	4,512,621	4,438,117	4,515,008

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.

(k) Shariah advisor

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

45 SIGNIFICANT EVENT DURING THE YEAR

During the financial year, the Company entered into a shared service arrangement with Cagamas SRP Berhad ("CSRP"). Under this arrangement, the Company sets out the scope of services performed for CSRP in the normal course of business. The details and nature of the transactions are disclosed in Note 34 to the financial statements.

46 APPROVAL OF FINANCIAL STATEMENTS

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

We, Datuk Shaik Abdul Rasheed Bin Abdul Ghaffour and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 126 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

DATUK SHAIK ABDUL RASHEED BIN
ABDUL GHAFFOUR
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

I, Norazilla Md Tahir, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 126 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NORAZILLA MD TAHIR

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

2 1 MAR 2018

Before me,
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W 681
RAJEEV SAIGAL A/L
RAMLABAYA SAIGAL
MALAYSIA

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 126.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2019 J
Chartered Accountant

Kuala Lumpur
21 March 2018