FINANCIAL STATEMENTS

PILLAR 3 DISCLOSURE

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

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

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

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

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

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	335,378	29,998

DIVIDENDS

The dividends paid by the Group and Company since 31 December 2021 were as follows:

	Group RM'000	Company RM'000
In respect of the financial year ended 31 December 2022,		
On ordinary shares:		
– First dividend of 15 sen per share on 150,000,000 shares, paid on 11 May 2022	22,500	22,500
– Second dividend of 5 sen per share on 150,000,000 shares, paid on 19 September 2022	7,500	7,500
	30,000	30,000

The Directors recommend the payment of a first dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2023, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

No dividend on Redeemable Preference Shares ("RPS") has been paid, declared or proposed by the Board of Directors of its subsidiary company, CMBS, during the financial year.

Subsequent to the year end, the Board of Directors of CMBS, had approved a final dividend on RPS on 18 January 2023. The final dividend on RPS of RM378,817 was paid in cash on 20 January 2023.

SHARE CAPITAL

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

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

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

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

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

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

DIRECTORS' REPORT *(continued)*

RELATED PARTY TRANSACTIONS

The Company's related party transactions are disclosed in Note 42 to the financial statements.

DIRECTORS

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

Dato' Bakarudin Ishak (Chairman)	
Tan Sri Dato' Sri Dr. Tay Ah Lek	
Dato' Lee Kok Kwan	
Wan Hanisah Wan Ibrahim	
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	
Datuk Siti Zauyah Md Desa	
Chong Kin Leong	
Dato' Khairussaleh Ramli	(Appointed w.e.f. 01.05.2022)
Tan Sri Abdul Farid Alias	(Resigned w.e.f. 30.04.2022)

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Datuk Siti Zauyah Md Desa and Chong Kin Leong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 23.2 of the Company's Constitution, Dato' Khairussaleh Ramli retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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

Dato' Wee Yiaw Hin	
Ho Chai Huey	
Tan Sri Tajuddin Atan	
Dato' Albert Yeoh Beow Tit	
Datuk Chung Chee Leong	
Abdul Hakim Amir Zainol	(Appointed w.e.f. 20.01.2022)
Abdul Rahman Hussein	(Appointed w.e.f. 01.04.2022)
Sophia Ch'ng Sok Heang	(Appointed w.e.f. 01.04.2022)
Ridzuan Shah Alladin	(Resigned w.e.f. 21.01.2022)
Datuk Azizan Haji Abd Rahman	(Resigned w.e.f. 09.03.2022)
Dato' Halipah Esa	(Resigned w.e.f. 26.03.2022)

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 37 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' BENEFITS AND REMUNERATION (CONTINUED)

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

	Group RM'000	Company RM'000
Directors of the Company		
Directors' fees	590	590
Directors' other emoluments	195	195
Directors of the subsidiaries		
Directors' fees	608	-
Directors' other emoluments	2,125	-
	3,518	785

The amount paid to or receivable by any third party for services provided by the Director of the Company and its subsidiaries for the year is RM57,486.

During the financial year, the Directors and Officers of the Group and Company are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and Company subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM30.0 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance of RM185,510 (2021: RM196,428) was borne by Cagamas.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that 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 realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than disclosed in Note 43.

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

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

In the opinion of the Directors:

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

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

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2022

In financial year 2022, the Group achieved a profit of RM335.4 million as compared to RM317.6 million in 2021. Cagamas remains the key operating subsidiary which contributes 67% of total group profit for the financial year. The Group total capital ratio ("TCR") stood at 51.0% (2021: 56.1%).

Cagamas recorded RM19.3 billion of purchases of loans and financing under PWR scheme (2021: RM13.8 billion). Cagamas' net outstanding loans and financing increased by 11.9% to RM40.3 billion (2021: RM36.0 billion). As at the end of 2022, residential mortgage dominated Cagamas' portfolio at 93.0% (2021: 94.3%), personal loans at 5.9% (2021: 4.1%) and hire purchase loans and financing at 1.1% (2021: 1.6%). Cagamas' Islamic asset portfolio and conventional assets ratio stood at 49:51 (2021: 42:58), while PWR and PWOR loans and financing portfolios were at 79% and 21% respectively (2021: 74% and 26% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.45% (2021: 0.54%), while net impaired loans and financing is at 0.06% (2021: 0.07%).

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2022 (CONTINUED)

CMBS achieved a pre-tax profit of RM119.1 million, compared to RM121.0 million in 2021. The Company has also redeemed RMBS/IRMBS totalling RM570.0 million and the remaining RM660.0 million worth of RMBS/IRMBS are expected to mature in stages and fully redeemed by August 2027.

CSRP registered a pre-tax profit of RM26.8 million as compared to RM25.7 million in 2021. As at 31 December 2022, the total guarantee exposures that have been provided by CSRP to the SRP and SPB schemes was RM2.4 billion compared to RM1.7 billion in 2021. The value and number of new loans and financing approved with guarantee cover under SRP have increased, mainly due to greater public awareness of the scheme through multiple roadshows alongside Ministry of Local Government Development or Kementerian Pembangunan Kerajaan Tempatan ("KPKT") throughout the year 2022. SRP was listed as one of the financing schemes offered under the Inisiatif Pembiayaan Perumahan Malaysia ("i-Biaya") which was launched by the government through KPKT on 14 April 2022 as part of the government's efforts to facilitate housing loans to the M40 and B40 low-income groups. Up to 31 December 2022, SRP and SPB helped cumulatively 99,940 Malaysian individuals/households own their first home since the schemes' inception with total loans/financings amount worth RM23.0 billion, of which 88% were from B40 group.

SUBSIDIARIES

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

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

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

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company are RM471,927 and RM39,622 respectively. Details of the auditors' remuneration are set out in Note 38 of the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), will not be seeking re-appointment at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors on 22 March 2023.

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN ISHAK
Chairman

DATO' LEE KOK KWAN
Director

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Cash and cash equivalents	5	**374,685**	506,935	**2,402**	15
Deposits and placements with financial institutions	6	**366,205**	587,895	**–**	2,392
Financial assets at fair value through profit or loss ("FVTPL")	7	**–**	127,779	**–**	–
Financial assets at fair value through other comprehensive income ("FVOCI")	8	**5,452,903**	4,708,546	**–**	–
Financial assets at amortised cost	9	**1,817,754**	354,353	**–**	–
Derivative financial instruments	10	**102,583**	29,607	**–**	–
Amount due from counterparties	11	**17,097,746**	17,141,175	**–**	–
Islamic financing assets	12	**15,482,284**	10,273,747	**–**	–
Mortgage assets					
– Conventional	13	**4,167,687**	4,819,123	**–**	–
– Islamic	14	**4,884,396**	5,411,935	**–**	–
Hire purchase assets					
– Islamic	15	**50**	62	**–**	–
Reverse mortgage assets		**552**	–	**–**	–
Other assets	16	**32,677**	8,189	**–**	–
Tax recoverable		**51,508**	64,724	**7**	4
Deferred taxation	17	**90,300**	58,277	**–**	–
Investment in subsidiaries	18	**–**	–	**4,281,628**	4,281,628
Investment in structured entity	19	**–***	–*	**–***	–*
Property and equipment	20	**1,459**	2,338	**–**	–
Intangible assets	21	**18,586**	18,357	**–**	–
Right-of-use asset	22	**9,384**	11,592	**–**	–
TOTAL ASSETS		**49,950,759**	44,124,634	**4,284,037**	4,284,039
LIABILITIES					
Short-term borrowings		**812,339**	302,367	**–**	–
Derivative financial instruments	10	**6,619**	28,595	**–**	–
Other liabilities	23	**229,176**	177,121	**13**	11
Lease liability	24	**11,384**	13,738	**–**	–
Provision for taxation		**12,656**	11,717	**–**	–
Deferred taxation	17	**689,025**	637,106	**–**	2
Unsecured bearer bonds and notes	25	**20,414,672**	19,956,954	**–**	–
Sukuk	26	**20,135,060**	15,082,028	**–**	–
RMBS	27	**371,444**	622,744	**–**	–
IRMBS	28	**291,138**	612,344	**–**	–
Deferred guarantee fee income		**30,033**	22,268	**–**	–
Deferred Wakalah fee income		**159,707**	112,707	**–**	–
TOTAL LIABILITIES		**43,163,253**	37,579,689	**13**	13

* Denotes RM2

The accompanying notes form an integral part of these financial statements

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Share capital	29	**150,000**	150,000	**150,000**	150,000
Reserves**	30	**6,637,506**	6,394,945	**4,134,024**	4,134,026
SHAREHOLDERS' FUNDS		**6,787,506**	6,544,945	**4,284,024**	4,284,026
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**49,950,759**	44,124,634	**4,284,037**	4,284,039
NET TANGIBLE ASSETS PER SHARE (RM)	31	**45.13**	43.51	**28.56**	28.56

** Included in the reserves of the Group is RM2,085,003,000 (2021: RM1,994,109,000) which relates to retained profits that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

The accompanying notes form an integral part of these financial statements

INCOME STATEMENTS

For The Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest income	32	**1,005,956**	966,860	**57**	86
Interest expense	33	**(675,327)**	(658,200)	**–**	–
Income from Islamic operations	53	**187,214**	162,429	**–**	–
Non-interest income/(expense)	34	**(9,797)**	3,736	**30,000**	130,000
		508,046	474,825	**30,057**	130,086
Administration and general expenses		**(30,257)**	(23,178)	**(47)**	(49)
Personnel costs	35	**(28,248)**	(29,416)	**–**	–
OPERATING PROFIT		**449,541**	422,231	**30,010**	130,037
Allowance for impairment losses	36	**(3,290)**	5,684	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT	38	**446,251**	427,915	**30,010**	130,037
Taxation	39	**(107,598)**	(104,948)	**(12)**	(16)
Zakat		**(3,275)**	(5,367)	**–**	–
PROFIT FOR THE FINANCIAL YEAR*		**335,378**	317,600	**29,998**	130,021
EARNINGS PER SHARE (SEN)	31	**223.59**	211.73	**20.00**	86.68
DIVIDEND PER SHARE (SEN)	40	**20.00**	20.00	**20.00**	20.00

* Profit for the financial year of the Group includes profit from CMBS of RM90,894,000 (2021: RM89,676,000) that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

The accompanying notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2022

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit for the financial year	**335,378**	317,600	**29,998**	130,021
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial assets at FVOCI				
– Net loss from change in fair value	**(73,765)**	(130,406)	**–**	–
– Reversal of impairment losses	**39**	238	**–**	–
– Deferred taxation	**17,703**	31,298	**–**	–
Cash flow hedge				
– Net loss on cash flow hedge	**(8,939)**	(8,749)	**–**	–
– Deferred taxation	**2,145**	2,100	**–**	–
Other comprehensive loss for the financial year, net of taxation	**(62,817)**	(105,519)	**–**	–
Total comprehensive income for the financial year	**272,561**	212,081	**29,998**	130,021

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2022

Group	Note	Issued ordinary shares of RM1 each	Non-distributable			Distributable		
		Share capital RM'000	Financial assets at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	Total equity RM'000
Balance as at 1 January 2022		**150,000**	**7,612**	**4,412**	**89,723**	**4,299,089**	**1,994,109**	**6,544,945**
Profit for the financial year		**-**	**-**	**-**	**-**	**244,484**	**90,894**	**335,378**
Other comprehensive loss		**-**	**(56,023)**	**(6,794)**	**-**	**-**	**-**	**(62,817)**
Total comprehensive (loss)/income for the financial year		**-**	**(56,023)**	**(6,794)**	**-**	**244,484**	**90,894**	**272,561**
Transfer to retained profits		**-**	**-**	**-**	**(10,283)**	**10,283**	**-**	**-**
Dividends paid	40	**-**	**-**	**-**	**-**	**(30,000)**	**-**	**(30,000)**
Balance as at 31 December 2022	29 & 30	**150,000**	**(48,411)**	**(2,382)**	**79,440**	**4,523,856**	**2,085,003**	**6,787,506**
Balance as at 1 January 2021		150,000	106,482	11,061	99,778	4,091,110	1,910,514	6,368,945
Profit for the financial year		-	-	-	-	227,924	89,676	317,600
Other comprehensive loss		-	(98,870)	(6,649)	-	-	-	(105,519)
Total comprehensive (loss)/income for the financial year		-	(98,870)	(6,649)	-	227,924	89,676	212,081
Transfer to retained profits		-	-	-	(10,055)	10,055	-	-
Discretionary dividend on RPS paid during the year	40	-	-	-	-	-	(6,081)	(6,081)
Dividends paid	40	-	-	-	-	(30,000)	-	(30,000)
Balance as at 31 December 2021	29 & 30	150,000	7,612	4,412	89,723	4,299,089	1,994,109	6,544,945

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

The accompanying notes form an integral part of these financial statements

Company	**Note**	**Issued ordinary shares of RM1 each**	**Non-distributable**	**Distributable**	
		Share capital RM'000	**Share premium relief reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2022		**150,000**	**3,831,628**	**302,398**	**4,284,026**
Profit for the financial year		**–**	**–**	**29,998**	**29,998**
Total comprehensive income for the financial year		**–**	**–**	**29,998**	**29,998**
Dividends paid	40	**–**	**–**	**(30,000)**	**(30,000)**
Balance as at 31 December 2022	29 & 30	**150,000**	**3,831,628**	**302,396**	**4,284,024**
Balance as at 1 January 2021		150,000	3,831,628	202,377	4,184,005
Profit for the financial year		–	–	130,021	130,021
Total comprehensive income for the financial year		–	–	130,021	130,021
Dividends paid	40	–	–	(30,000)	(30,000)
Balance as at 31 December 2021	29 & 30	150,000	3,831,628	302,398	4,284,026

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
OPERATING ACTIVITIES					
Profit before taxation and zakat		**446,251**	427,915	**30,010**	130,037
Adjustments for non-cash items	41	**(476,315)**	(462,391)	**(57)**	(86)
Operating loss before working capital changes		**(30,064)**	(34,476)	**29,953**	129,951
Net changes in operating assets and liabilities	41	**(1,438,887)**	(709,696)	**2,451**	(100,716)
Zakat paid		**(5,367)**	(2,326)	**–**	–
Tax paid		**(67,623)**	(91,462)	**(17)**	(22)
Net cash from operating activities		**(1,541,941)**	(837,960)	**32,387**	29,213
INVESTING ACTIVITIES					
Purchase of:					
– Financial assets at FVOCI		**(3,993,450)**	(1,537,576)	**–**	–
– Financial assets at FVTPL		**–**	(2,023,402)	**–**	–
– Financial assets at amortised cost		**(1,450,611)**	–	**–**	–
– Property and equipment		**(628)**	(745)	**–**	–
– Intangible assets		**(4,196)**	(1,856)	**–**	–
Net proceeds from sale/redemption of:					
– Financial assets at FVOCI		**3,173,805**	2,243,302	**–**	–
– Financial assets at FVTPL		**128,097**	94,199	**–**	–
Income received from:					
– Financial assets at FVOCI		**127,679**	103,261	**–**	–
– Financial assets at FVTPL		**221**	4,080	**–**	–
Proceeds from disposal of property and equipment		**–**	3	**–**	–
Net cash from investing activities		**(2,019,083)**	(1,118,734)	**–**	–

The accompanying notes form an integral part of these financial statements

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
FINANCING ACTIVITIES					
Proceeds from issuance of:					
– Unsecured bearer bonds and notes		**12,269,498**	14,540,197	**–**	–
– Sukuk		**10,090,000**	7,255,000	**–**	–
Redemption of:					
– Unsecured bearer bonds and notes		**(12,010,150)**	(10,171,987)	**–**	–
– Sukuk		**(5,075,000)**	(6,225,000)	**–**	–
– RMBS		**(250,000)**	–	**–**	–
– IRMBS		**(320,000)**	–	**–**	–
Interest paid on:					
– Unsecured bearer bonds and notes		**(603,234)**	(2,521,674)	**–**	–
– RMBS		**(30,142)**	(33,180)	**–**	–
Profit paid on:					
– Sukuk		**(590,335)**	(560,142)	**–**	–
– IRMBS		**(19,130)**	(25,859)	**–**	–
Dividends paid to:					
– Shareholders		**(30,000)**	(30,000)	**(30,000)**	(30,000)
– RPS holder		**–**	(6,081)	**–**	–
Lease rental paid		**(2,733)**	(2,153)	**–**	–
Net cash from financing activities		**3,428,774**	2,219,121	**(30,000)**	(30,000)
Net change in cash and cash equivalents		**(132,250)**	262,427	**2,387**	(787)
Cash and cash equivalents as at 1 January		**506,935**	244,508	**15**	802
Cash and cash equivalents as at 31 December	5	**374,685**	506,935	**2,402**	15

The Group and the Company have changed the presentation of the cash flows from operating activities by disclosing the detailed breakdown in Note 41. This change is to simplify the presentation of cash flows from operating activities on the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding.

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Islamic operations of the Group refer to:

(a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;
(b) Islamic financial guarantee contracts from SRP and SPB;
(c) issuance of Sukuk under Shariah principles;
(d) acquisition, investment in and trading of Islamic financial instruments; and
(e) origination of reverse mortgage financing.

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

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

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2022:

- Amendment to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

The adoption of other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'

The 2021 amendments extended the applicable period of the practical expedient provided by the 2020 amendments to MFRS 16 to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. These amendments have no impact on the opening balance of retained earnings as at 1 January 2022.

Amendments to MFRS 116 'Proceeds before intended use'

The amendments prohibit the Group from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds are instead recognised in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the Group recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The Group applies the amendments to the contracts for which it has not yet fulfilled all of its obligations at the date of initial application of 1 January 2022.

These amendments had no impact on the amounts recognised in the current or prior period as the Group had not identified any contracts as being onerous.

Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'

The amendment clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test for derecognition of financial liabilities.

The Group applies the amendment to financial liabilities that are modified or exchanged on or after the date of initial application of 1 January 2022.

There were no modifications of financial instruments during the financial year.

Amendments to MFRS 3 'Reference to the Conceptual Framework'

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The Group and the Company adopted the amendments, which did not change its current accounting for business combinations on acquisition date.

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

The Group and the Company apply the amendments prospectively to business combinations for which the acquisition date is on or after 1 January 2022.

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2022. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2024) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period based on its compliance with the conditions required on or before the reporting date (even if tested only after period end). Conditions that an entity is required to comply only within 12 months after the reporting period do not affect the classification of liability as current or non-current at reporting date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

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

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

The Group and the Company has applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

- When considering the 'highly probable' requirement, the Group and the Company has assumed that the IBOR interest rate on which the Group and the Company's hedged borrowings is based does not change as a result of IBOR reform.

- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group and the Company has assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.

- The Group and the Company has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

For the financial year ended 31 December 2022, the Group and the Company has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform-Phase 2':

- Hedge designation: When the Phase 1 amendments cease to apply, the Group and the Company will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:

  a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  c) amending the description of the hedging instrument.

The Group and the Company will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Company to discontinue its hedge relationships. As of the financial year ended 31 December 2022, the Group and the Company have not made any amendments to its hedge documentation in the reporting period relating to IBOR reform as the replacement of KLIBOR is not yet effective.

Amounts accumulated in the cash flow hedge reserve: When the Group amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based has changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur.

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR") and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

As at 31 December 2022, the Group and the Company has no exposures which are referred to other IBORs except for KLIBOR. The Group and the Company hold the following financial instruments which are referenced to KLIBOR and have yet to transition to an alternative interest rate benchmark:

	Group and Company			
	Notional amount		Carrying amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2022				
Derivative financial instruments	**1,540,000**	**(110,000)**	**21,772**	**(3,247)**
Amount due from counterparties	**–**	**–**	**160,553**	**–**
Unsecured bearer bonds and notes	**–**	**–**	**–**	**(1,101,471)**
Sukuk	**–**	**–**	**–**	**(402,499)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Effect of IBOR reform (continued)

	Group and Company			
	Notional amount		Carrying amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2021				
Derivative financial instruments	780,000	(1,135,000)	23,035	(21,468)
Amount due from counterparties	–	–	160,304	–
Unsecured bearer bonds and notes	–	–	–	(1,112,217)
Sukuk	–	–	–	(647,237)

2.2 Economic entities in the Group

Subsidiaries

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

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

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

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} "Business Combinations";
- internal group reorganisations, as defined in FRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2.3 Structured entity

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Structured entity (continued)

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

2.4 Amount due from counterparties and Islamic financing assets

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

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

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

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

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

2.6 Reverse mortgage assets

Reverse mortgage assets introduced by the Group and the Company is a type of loan and financing which is targeted for the elderly people or retirees that own a home and allows them to convert their residential property into a fixed monthly income stream throughout their lifetime. The Group and the Company classify and measure the reverse mortgage assets as financial assets at its fair value through profit or loss ("FVTPL") as the reverse mortgage assets did not meet the criteria for amortised cost or FVOCI. The details of the measurement for financial assets at FVTPL are stated in Note 2.9 (c) (iii).

2.7 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.10 to the financial statements describe the Group's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment and depreciation

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

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

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

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

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets is reflected in Note 2.10.2 to the financial statements.

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

2.9 Financial assets

(a) Classification

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

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

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group and the Company measure financial assets at its fair value plus transaction costs, unless it is carried at fair value through profit or loss ("FVTPL"). Transaction costs of financial assets carried at FVTPL are expensed in income statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(c) Measurement (continued)

Debt instruments

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

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

(i) Amortised cost

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

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

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

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

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

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

Equity instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets

2.10.1 Financial assets

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

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

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

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

The measurement of ECL reflects:

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

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

<u>General approach</u>

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

- Stage 1: 12-month ECL – not credit impaired
  For credit exposures where there has not been a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12-month will be recognised.

- Stage 2: Lifetime ECL – not credit impaired
  For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

- Stage 3: Lifetime ECL – credit impaired
  Financial assets are assessed as credit impaired when one or more objectives evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. A lifetime ECL will be recognised for financial assets that have become credit impaired. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets (continued)

2.10.1 Financial assets (continued)

Simplified approach

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

Significant increase in credit risk

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

The following indicators are incorporated:

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

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

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

Definition of default and credit impaired financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets (continued)

2.10.1 Financial assets (continued)

Definition of default and credit impaired financial assets (continued)

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

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

2.10.2 Non-financial assets

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

2.11 Write-off

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

2.12 Financial liabilities

Financial liabilities are measured at amortised cost unless it is a financial liability held for trading or designated at FVTPL. Financial liabilities are recognised at fair value plus transaction costs and are derecognised when extinguished.

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.20 on hedge accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial liabilities (continued)

(b) Borrowings measured at amortised cost

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

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

Included in short-term borrowings is obligations on securities sold under repurchase agreements which the Group has sold from its portfolio, with a commitment to repurchase at future dates.

(c) Other financial liabilities measured at amortised cost

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

2.13 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.

2.14 Income recognition on Guarantee and Wakalah fees

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

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

2.15 Premium and discount on unsecured bearer bonds and notes/Sukuk

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

2.16 Current and deferred tax

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Cash and cash equivalents

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

2.18 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.

2.19 Segment reporting

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

2.20 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swaps ("CCS") and Islamic cross currency swaps ("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 10 to the financial statements.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Derivative financial instruments and hedge accounting (continued)

Cash flow hedge

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

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

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

2.21 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 reflect current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Zakat

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business for the financial year is 2.5% (2021: 2.5%) of the zakat base.

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

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

2.23 Employee benefits

(a) *Short-term employee benefits*

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

(b) *Defined contributions plans*

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

2.24 Intangible assets

(a) *Computer software*

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Intangible assets (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 2.10.2 to the financial statements.

2.25 RMBS and IRMBS

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

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

2.26 Share capital

(a) *Classification*

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

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

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

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

2.27 Currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of the Group's entities 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 Company's functional and presentation currency.

(b) *Foreign currency transactions and balances*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but disclose 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 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 does not recognise contingent assets but disclose 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.

2.29 Deferred financing fees

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

2.30 Financial guarantee contracts

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Leases

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

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

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Leases (continued)

Lease liabilities

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

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

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

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

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

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

Reassessment of lease liabilities

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

Short-term leases and leases of low value assets

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

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have 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) Impairment of mortgage assets and hire purchase assets (Note 13, 14, 15 and 46)

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

Two economic scenarios using different probability weighted are applied to the ECL:

- Base case – based upon current economic outlook or forecast
- Negative case – based upon a projected pessimistic or negative outlook or forecast

(b) Accretion of discount on mortgage assets and hire purchase assets (Note 13, 14 and 15)

Assumptions are used to estimate cash flow projections of the principal balance outstanding of the mortgage assets and hire purchase assets acquired by the Group for the purpose 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.

(c) Impairment of guarantee exposures and Wakalah exposures (Note 23)

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

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Risk management structure

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

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

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

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

4.2 Credit risk management

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

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.3 Market risk management

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

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

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

4.4 Liquidity risk management

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

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

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

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

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

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Operational Risk Management

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk associated with the Group's business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

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

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

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

5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash and balance with banks and other financial institutions	**5,150**	121,829	**18**	15
Money at call and deposits and placements maturing with original maturity less than three months	**262,363**	271,053	**2,384**	–
Mudharabah money at call and deposits and placements maturing with original maturity less than three months	**107,173**	114,064	**–**	–
	374,686	506,946	**2,402**	15
Less: Allowance for impairment losses	**(1)**	(11)	**–**	–
	374,685	506,935	**2,402**	15

5 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Stage 1				
As at 1 January	**–**	–	**–**	–
Allowance during the year	**1**	11	**–**	–
As at 31 December	**1**	11	**–**	–

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Licensed banks	**366,205**	587,895	**–**	2,392

The gross carrying value of deposits and placements with financial institutions are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2022 (2021: Nil).

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

	Group	
	2022 RM'000	**2021 RM'000**
Unit trusts	**–**	127,779

Financial assets classified or designated as FVTPL are not subjected to impairment assessment under MFRS 9.

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

	Group	
	2022 RM'000	**2021 RM'000**
Debt instrument:		
Malaysian government securities	**648,143**	436,933
Corporate bonds	**573,196**	492,556
Government investment issues	**923,320**	960,313
Corporate Sukuk	**2,223,980**	1,905,442
Quasi government Sukuk	**984,400**	913,302
Negotiable instruments of deposit	**50,018**	–
Islamic treasury bills	**49,846**	–
	5,452,903	4,708,546

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

Maturing within one year	**1,616,503**	1,236,338
One to three years	**1,497,991**	1,252,641
Three to five years	**872,191**	954,045
More than five years	**1,466,218**	1,265,522
	5,452,903	4,708,546

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

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

	Gross carrying value RM'000	Impairment allowance RM'000
2022		
Stage 1 (12-month ECL; non-credit impaired)	**5,452,903**	**415**
As at 31 December	**5,452,903**	**415**
2021		
Stage 1 (12-month ECL; non-credit impaired)	4,708,546	376
As at 31 December	4,708,546	376

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

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

	Group and Company	
	2022 RM'000	**2021 RM'000**
Stage 1		
As at 1 January	**376**	138
Allowance during the year on new assets purchased	**106**	305
Financial assets derecognised during the year due to maturity of assets	**(27)**	(49)
Reversal during the year due to changes in credit risk	**(40)**	(18)
As at 31 December	**415**	376

The financial assets at FVOCI which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and Company amounting to RM801.9 million (2021: RM301.2 million).

9 FINANCIAL ASSETS AT AMORTISED COST

	Group	
	2022 RM'000	**2021 RM'000**
Corporate bonds	**1,463,359**	–
Corporate Sukuk	**354,395**	354,353
	1,817,754	354,353

The maturity structure of financial assets at amortised cost are as follows:

	2022 RM'000	**2021 RM'000**
More than five years	**1,820,889**	355,508
Less: Allowance for impairment losses	**(3,135)**	(1,155)
	1,817,754	354,353

9 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
2022		
Stage 1 (12-month ECL; non-credit impaired)	**1,820,889**	**3,135**
2021		
Stage 1 (12-month ECL; non-credit impaired)	355,508	1,155

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

	Group and Company	
	2022 RM'000	**2021 RM'000**
Stage 1		
As at 1 January	**1,155**	–
Allowance during the year on new assets purchased	**2,022**	1,155
Reversal during the year due to changes in credit risk	**(42)**	–
As at 31 December	**3,135**	1,155

10 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) At inception, the Group swaps 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 receives interest/profit payment in foreign currency from the CCS/ICCS counterparty and remit the same to the foreign currency bonds/Sukuk holders for coupon payment. Simultaneously, the Group pays interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.

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

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

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

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

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

	Group			
2022	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Average fixed interest rate %**
Derivative designated as cash flow hedges:				
IRS/IPRS				
Maturing within one year	**490,000**	**5,577**	**(3,247)**	**3.49**
One to three years	**1,000,000**	**6,767**	**–**	**2.66**
More than five years	**160,000**	**9,428**	**–**	**4.66**
	1,650,000	**21,772**	**(3,247)**	
CCS				
Maturing within one year	**2,705,125**	**67,054**	**(3,372)**	**3.03**
One to three years	**308,000**	**13,757**	**–**	**2.99**
	3,013,125	**80,811**	**(3,372)**	
	4,663,125	**102,583**	**(6,619)**	

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

2021	Group Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Average fixed interest rate %
Derivative designated as cash flow hedges:				
IRS/IPRS				
Maturing within one year	1,165,000	12	(13,655)	3.08
One to three years	590,000	2,656	(7,813)	3.22
Three to five years	–	–	–	–
More than five years	160,000	20,367	–	4.66
	1,915,000	23,035	(21,468)	
CCS				
Maturing within one year	1,526,640	6,572	(3,210)	2.22
One to three years	1,036,600	–	(3,917)	2.59
	2,563,240	6,572	(7,127)	
	4,478,240	29,607	(28,595)	

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

	Group						
	Notional amount RM'000	Fair value* Assets RM'000	Fair value* Liabilities RM'000	Changes in fair value used for calculating hedging effectiveness RM'000	Changes in fair value recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in income statement** RM'000	Amount reclassified from hedge reserve to income statement** RM'000
2022							
Interest rate risk							
IRS	**1,250,000**	**15,246**	**(3,248)**	**18,690**	**18,690**	**–**	**–**
IPRS	**400,000**	**6,527**	**–**	**5,706**	**5,706**	**–**	**–**
Foreign exchange risk							
CCS/ICCS	**3,013,125**	**80,811**	**(3,372)**	**(27,528)**	**108,716**	**–**	**(142,051)**

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

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

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group						
	Notional amount RM'000	Fair value* Assets RM'000	Fair value* Liabilities RM'000	Changes in fair value used for calculating hedging effectiveness RM'000	Changes in fair value recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in income statement** RM'000	Amount reclassified from hedge reserve to income statement** RM'000
2021							
Interest rate risk							
IRS	1,270,000	20,379	(17,291)	7,649	7,649	–	–
IPRS	645,000	2,656	(4,177)	(912)	(912)	–	–
Foreign exchange risk							
CCS/ICCS	2,563,240	6,572	(7,127)	(931)	23,772	–	(39,258)

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

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

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

	Group			
	Line item in the statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge effectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied RM'000
2022				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	**9,240**	**7,023**	–
Floating rate financial liabilities	Unsecured bearer bonds and notes	**9,450**	**7,182**	–
Floating rate financial liabilities	Sukuk	**5,706**	**4,337**	–
Fixed rate financial liabilities	Unsecured bearer bonds and notes	**(27,528)**	**(20,922)**	–
2021				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	19,929	15,146	–
Floating rate financial liabilities	Unsecured bearer bonds and notes	(12,280)	(9,333)	–
Floating rate financial liabilities	Sukuk	(912)	(693)	–
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(931)	(707)	–

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Reconciliation of components of equity

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

	Group	
	2022 RM'000	**2021 RM'000**
Cash flow hedge		
As at 1 January	**4,413**	11,062
Effective portion of changes in fair value, net of amount reclassified to profit or loss on:		
– Interest rate risk	**133,112**	30,509
– Foreign exchange fluctuations (Note 34)	**(142,051)**	(39,258)
Income tax effects	**2,145**	2,100
As at 31 December	**(2,381)**	4,413

11 AMOUNT DUE FROM COUNTERPARTIES

	Group	
	2022 RM'000	**2021 RM'000**
Relating to:		
Mortgage loans	**16,641,501**	16,548,478
Hire purchase and leasing debts	**456,245**	592,697
	17,097,746	17,141,175

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

Maturing within one year	**6,619,978**	9,612,698
One to three years	**6,028,557**	6,890,791
Three to five years	**4,288,658**	226,134
More than five years	**160,569**	411,571
	17,097,762	17,141,194
Less: Allowance for impairment losses	**(16)**	(19)
	17,097,746	17,141,175

11 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

	Group	
	2022 RM'000	**2021 RM'000**
Stage 1		
As at 1 January	**19**	19
Allowance during the year on new assets purchased	**10**	13
Financial assets derecognised during the year due to maturity of assets	**(9)**	(6)
Reversal during the year due to changes in credit risk	**(4)**	(7)
As at 31 December	**16**	19

12 ISLAMIC FINANCING ASSETS

	Group	
	2022 RM'000	**2021 RM'000**
Relating to:		
Islamic house financing	**13,100,130**	8,805,885
Islamic personal financing	**2,382,154**	1,467,862
	15,482,284	10,273,747

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	**4,664,996**	2,768,566
One to three years	**8,872,270**	7,505,242
Three to five years	**1,945,111**	–
	15,482,377	10,273,808
Less:		
Allowance for impairment losses	**(93)**	(61)
	15,482,284	10,273,747

12 ISLAMIC FINANCING ASSETS (CONTINUED)

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

	Group	
	2022 RM'000	**2021 RM'000**
Stage 1		
As at 1 January	**61**	99
Allowance during the year on new assets purchased	**59**	26
Financial assets derecognised during the year due to maturity of assets	**(20)**	(5)
Reversal during the year due to changes in credit risk	**(7)**	(59)
As at 31 December	**93**	61

13 MORTGAGE ASSETS – CONVENTIONAL

	Group	
	2022 RM'000	**2021 RM'000**
Purchase Without Recourse ("PWOR")	**4,167,687**	4,819,123

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

Maturing within one year	**774,049**	868,127
One to three years	**1,020,188**	1,194,688
Three to five years	**836,600**	964,911
More than five years	**1,555,004**	1,818,217
	4,185,841	4,845,943
Less:		
Allowance for impairment losses	**(18,154)**	(26,820)
	4,167,687	4,819,123

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
2022		
Stage 1 (12-month ECL; non-credit impaired)	**4,159,796**	**10,176**
Stage 2 (Lifetime ECL; non-credit impaired)	**2,467**	**414**
Stage 3 (Lifetime ECL; credit impaired)	**23,578**	**7,564**
As at 31 December	**4,185,841**	**18,154**
Impairment allowance over gross carrying value (%)		**0.43**
2021		
Stage 1 (12-month ECL; non-credit impaired)	4,806,369	14,528
Stage 2 (Lifetime ECL; non-credit impaired)	3,135	602
Stage 3 (Lifetime ECL; credit impaired)	36,439	11,690
As at 31 December	4,845,943	26,820
Impairment allowance over gross carrying value (%)		0.55

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
As at 1 January	**14,528**	**602**	**11,690**	**26,820**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**44**	**(328)**	**(2,843)**	**(3,127)**
– Transfer to ECL non-credit impaired (Stage 2)	**(7)**	**401**	**(98)**	**296**
– Transfer to ECL credit impaired (Stage 3)	**(45)**	**(28)**	**3,249**	**3,176**
Total transfer between stages	**(8)**	**45**	**308**	**345**
Financial assets derecognised during the year (other than write-offs)	**(552)**	**(236)**	**(3,868)**	**(4,656)**
(Reversal)/allowance during the year due to changes in credit risk	**(3,792)**	**3**	**(106)**	**(3,895)**
Amount written-off	**–**	**–**	**(460)**	**(460)**
As at 31 December	**10,176**	**414**	**7,564**	**18,154**
2021				
As at 1 January	18,591	366	14,087	33,044
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	68	(229)	(4,102)	(4,263)
– Transfer to ECL non-credit impaired (Stage 2)	(14)	589	(4)	571
– Transfer to ECL credit impaired (Stage 3)	(69)	(51)	5,113	4,993
Total transfer between stages	(15)	309	1,007	1,301
Financial assets derecognised during the year (other than write-offs)	(554)	(76)	(2,034)	(2,664)
(Reversal)/allowance during the year due to changes in credit risk	(3,494)	3	(62)	(3,553)
Amount written-off	–	–	(1,308)	(1,308)
As at 31 December	14,528	602	11,690	26,820

14 MORTGAGE ASSETS – ISLAMIC

	Group	
	2022 RM'000	**2021 RM'000**
PWOR	**4,884,396**	5,411,935

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

	2022 RM'000	**2021 RM'000**
Maturing within one year	**733,593**	714,252
One to three years	**989,036**	958,108
Three to five years	**894,230**	924,737
More than five years	**2,287,235**	2,841,386
	4,904,094	5,438,483
Less:		
Allowance for impairment losses	**(19,698)**	(26,548)
	4,884,396	5,411,935

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2022		
Stage 1 (12-month ECL; non-credit impaired)	**4,880,385**	**12,383**
Stage 2 (Lifetime ECL; non-credit impaired)	**1,619**	**229**
Stage 3 (Lifetime ECL; credit impaired)	**22,090**	**7,086**
As at 31 December	**4,904,094**	**19,698**
Impairment allowance over gross carrying value (%)		**0.40**
2021		
Stage 1 (12-month ECL; non-credit impaired)	5,407,800	16,942
Stage 2 (Lifetime ECL; non-credit impaired)	2,016	411
Stage 3 (Lifetime ECL; credit impaired)	28,667	9,195
As at 31 December	5,438,483	26,548
Impairment allowance over gross carrying value (%)		0.49

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
As at 1 January	**16,942**	**411**	**9,195**	**26,548**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**45**	**(299)**	**(2,729)**	**(2,983)**
– Transfer to ECL non-credit impaired (Stage 2)	**(4)**	**207**	**(140)**	**63**
– Transfer to ECL credit impaired (Stage 3)	**(43)**	**(8)**	**2,754**	**2,703**
Total transfer between stages	**(2)**	**(100)**	**(115)**	**(217)**
Financial assets derecognised during the year (other than write-offs)	**(609)**	**(74)**	**9**	**(674)**
Reversal during the year due to changes in credit risk	**(3,948)**	**(8)**	**(54)**	**(4,010)**
Amount written-off	**–**	**–**	**(1,949)**	**(1,949)**
As at 31 December	**12,383**	**229**	**7,086**	**19,698**
2021				
As at 1 January	20,815	367	11,819	33,001
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	62	(319)	(3,399)	(3,656)
– Transfer to ECL non-credit impaired (Stage 2)	(8)	406	(3)	395
– Transfer to ECL credit impaired (Stage 3)	(56)	(26)	3,970	3,888
Total transfer between stages	(2)	61	568	627
Financial assets derecognised during the year (other than write-offs)	(573)	(13)	38	(548)
Reversal during the year due to changes in credit risk	(3,298)	(4)	(56)	(3,358)
Amount written-off	–	–	(3,174)	(3,174)
As at 31 December	16,942	411	9,195	26,548

15 HIRE PURCHASE ASSETS – ISLAMIC

	Group	
	2022 RM'000	**2021 RM'000**
PWOR	**50**	62

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

	2022 RM'000	**2021 RM'000**
Maturing within one year	**62**	74
Less:		
Allowance for impairment losses	**(12)**	(12)
	50	62

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2022		
Stage 1 (12-month ECL; non-credit impaired)	**26**	**–**
Stage 3 (Lifetime ECL; credit impaired)	**36**	**12**
As at 31 December	**62**	**12**
Impairment allowance over gross carrying value (%)		**19.35**
2021		
Stage 1 (12-month ECL; non-credit impaired)	38	–
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	74	12
Impairment allowance over gross carrying value (%)		16.22

15 HIRE PURCHASE ASSETS – ISLAMIC (CONTINUED)

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

	Group	
	Stage 3 RM'000	Total RM'000
2022		
As at 1 January/31 December	**12**	**12**
2021		
As at 1 January/31 December	12	12

16 OTHER ASSETS

	Group	
	2022 RM'000	2021 RM'000
Compensation receivable from originator on mortgage assets	**353**	377
Deposits	**923**	923
Collateral receivable	**25,495**	–
Staff loans and financings	**2,546**	2,811
Prepayments	**2,374**	2,796
Other receivables	**986**	1,282
	32,677	8,189

17 DEFERRED TAXATION

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets (before offsetting)	**90,300**	58,277	**–**	–
Deferred tax liabilities (before offsetting)	**(689,025)**	(637,106)	**–**	(2)
Deferred tax liabilities	**(598,725)**	(578,829)	**–**	(2)

17 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
The movements of deferred tax are as follows:				
As at 1 January	**(578,829)**	(577,699)	**(2)**	(7)
Recognised to income statement (Note 39)	**(39,744)**	(34,528)	**2**	5
Recognised to reserves	**19,848**	33,398	**–**	–
As at 31 December	**(598,725)**	(578,829)	**–**	(2)

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

	Group			
2022	**As at 1 January RM'000**	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
Deferred tax assets				
Revaluation of derivative financial instruments under cash flow hedge accounting	**2,155**	**–**	**4,173**	**6,328**
Provisions	**1,715**	**(23)**	**–**	**1,692**
Revaluation reserves of financial assets at FVOCI	**347**	**–**	**15,066**	**15,413**
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	**(14)**	**27**	**–**	**13**
– ECL	**18,383**	**202**	**–**	**18,585**
– lease liability	**3,297**	**(565)**	**–**	**2,732**
– guarantee/Wakalah fees	**32,394**	**13,143**	**–**	**45,537**
	58,277	**12,784**	**19,239**	**90,300**
Deferred tax liabilities				
Revaluation of derivative financial instruments under cash flow hedge accounting	**(4,004)**	**–**	**(2,028)**	**(6,032)**
Revaluation reserves of financial assets at FVOCI	**(2,637)**	**–**	**2,637**	**–**
Temporary difference relating to plant and equipment	**(3,321)**	**291**	**–**	**(3,030)**
Unaccreted discount on mortgage assets	**(623,854)**	**(53,530)**	**–**	**(677,384)**
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	**(508)**	**181**	**–**	**(327)**
– right-of-use asset	**(2,782)**	**530**	**–**	**(2,252)**
	(637,106)	**(52,528)**	**609**	**(689,025)**

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			
2021	**As at 1 January RM'000**	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
Deferred tax assets				
Revaluation of derivative financial instruments under cash flow hedge accounting	5,458	–	(3,303)	2,155
Provisions	1,591	124		1,715
Revaluation reserves of financial assets at FVOCI	–	–	347	347
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	10	(24)	–	(14)
– ECL	20,773	(2,390)	–	18,383
– lease liability	1,100	2,197	–	3,297
– guarantee/Wakalah fees	20,579	11,815	–	32,394
	49,511	11,722	(2,956)	58,277
Deferred tax liabilities				
Revaluation of derivative financial instruments under cash flow hedge accounting	(8,951)	–	4,947	(4,004)
Revaluation reserves of financial assets at FVOCI	(33,588)	–	30,951	(2,637)
Temporary difference relating to plant and equipment	(2,256)	(1,065)	–	(3,321)
Unaccreted discount on mortgage assets	(578,178)	(45,676)	–	(623,854)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(3,051)	2,543	–	(508)
– right-of-use asset	(730)	(2,052)	–	(2,782)
– ECL	(456)	–	456	–
	(627,210)	(46,250)	36,354	(637,106)

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):

	Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2022				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	**(2)**	**2**	**–**	**–**
2021				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(7)	5	–	(2)

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares at cost	**4,281,628**	4,281,628

18 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

Name	Principal activities	Country of incorporation	Direct and indirect interest in equity held by the Company	
			2022 %	2021 %
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.	Malaysia	**100**	100
CGP*	Undertake the issuance of bonds and notes in foreign currency. CGP is a wholly owned subsidiary of Cagamas.	Labuan	**100**	100
CGS*	Undertake the issuance of Sukuk in foreign currency. CGS is a wholly owned subsidiary of Cagamas.	Malaysia	**100**	100
CMBS	Purchases of mortgage assets and Islamic mortgage assets from LPPSA and issuance of RMBS and IRMBS to finance the purchases.	Malaysia	**100**	100
CSRP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to SRP and SPB.	Malaysia	**100**	100
CMGP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. The Company has remained dormant since 1 January 2014.	Malaysia	**100**	100
CSME	Purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase. The Company has remained dormant since 10 October 2012.	Malaysia	**100**	100

* indirect interest via investment in Cagamas

19 INVESTMENT IN STRUCTURED ENTITY

	Company	
	2022 **RM'000**	**2021** **RM'000**
Unquoted shares at cost	**–***	–*

* denotes RM2

The structured entity of the Company is as follows:

Name	Principal activities	Direct and indirect interest in equity held by the Company	
		2022 **%**	**2021** **%**
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Shariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Shariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM. The Company has remained dormant since 1 September 2015.	**100**	100

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

20 PROPERTY AND EQUIPMENT

Group	Office equipments RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
2022				
Cost				
As at 1 January	**10,516**	**4,709**	**703**	**15,928**
Additions	**521**	**107**	**–**	**628**
Disposals	**(210)**	**(87)**	**–**	**(297)**
As at 31 December	**10,827**	**4,729**	**703**	**16,259**
Accumulated depreciation				
As at 1 January	**(8,488)**	**(4,613)**	**(489)**	**(13,590)**
Charge for the financial year	**(1,374)**	**(27)**	**(106)**	**(1,507)**
Disposals	**210**	**87**	**–**	**297**
As at 31 December	**(9,652)**	**(4,553)**	**(595)**	**(14,800)**
Net book value				
As at 31 December	**1,175**	**176**	**108**	**1,459**
2021				
Cost				
As at 1 January	10,126	4,680	703	15,509
Additions	716	29	–	745
Disposals	(326)	–	–	(326)
As at 31 December	10,516	4,709	703	15,928
Accumulated depreciation				
As at 1 January	(7,290)	(4,591)	(383)	(12,264)
Charge for the financial year	(1,524)	(22)	(106)	(1,652)
Disposals	326	–	–	326
As at 31 December	(8,488)	(4,613)	(489)	(13,590)
Net book value				
As at 31 December	2,028	96	214	2,338

21 INTANGIBLE ASSETS

Group	Service rights RM'000	Computer softwares RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
2022					
Cost					
As at 1 January	**7,690**	**16,136**	**27,980**	**126**	**51,932**
Additions	**–**	**371**	**–**	**3,825**	**4,196**
Write-offs	**–**	**–**	**–**	**(70)**	**(70)**
As at 31 December	**7,690**	**16,507**	**27,980**	**3,881**	**56,058**
Accumulated amortisation					
As at 1 January	**(5,784)**	**(12,881)**	**(14,910)**	**–**	**(33,575)**
Charge for the financial year	**(381)**	**(630)**	**(2,886)**	**–**	**(3,897)**
As at 31 December	**(6,165)**	**(13,511)**	**(17,796)**	**–**	**(37,472)**
Net book value					
As at 31 December	**1,525**	**2,996**	**10,184**	**3,881**	**18,586**
2021					
Cost					
As at 1 January	7,690	15,173	27,213	–	50,076
Additions	–	963	767	126	1,856
As at 31 December	7,690	16,136	27,980	126	51,932
Accumulated amortisation					
As at 1 January	(5,403)	(12,383)	(11,946)	–	(29,732)
Charge for the financial year	(381)	(498)	(2,964)	–	(3,843)
As at 31 December	(5,784)	(12,881)	(14,910)	–	(33,575)
Net book value					
As at 31 December	1,906	3,255	13,070	126	18,357

Service rights are amortised on a straight-line basis over the tenure of RMBS/IRMBS pools. The remaining amortisation period of the intangible assets ranges from 3 to 5 years (2021: 1 to 6 years).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22 RIGHT-OF-USE ASSET

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

	Group	
	2022 RM'000	**2021 RM'000**
Cost		
As at 1 January	**15,461**	4,916
Modification arising from extension of lease term	**–**	10,545
As at 31 December	**15,461**	15,461
Accumulated amortisation		
As at 1 January	**(3,869)**	(1,873)
Charge for the financial year (Note 38)	**(2,208)**	(1,996)
As at 31 December	**(6,077)**	(3,869)
Net book value		
As at 31 December	**9,384**	11,592

23 OTHER LIABILITIES

	Group	
	2022 RM'000	**2021 RM'000**
Amount due to GOM*	**172,694**	129,921
Provision for zakat	**3,275**	5,367
Expected credit loss on guarantee exposures	**8,560**	4,132
Expected credit loss on Wakalah exposures	**18,651**	8,564
Other payables and accruals	**25,996**	29,137
	229,176	177,121

* Amount due to GOM refers to fund provided by the Government for Mortgage Guarantee Programme ("MGP") under Cagamas SRP Berhad.

23 OTHER LIABILITIES (CONTINUED)

23.1 Expected credit loss on guarantee exposures

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

	Unexpired financial guarantee exposures RM'000	Impairment allowance RM'000
2022		
Stage 1 (12-month ECL; non-credit impaired)	**173,234**	**888**
Stage 2 (Lifetime ECL; non-credit impaired)	**7,541**	**4,602**
Stage 3 (Lifetime ECL; credit impaired)	**3,070**	**3,070**
As at 31 December	**183,845**	**8,560**
Impairment allowance over unexpired financial guarantee exposures (%)		**4.66**
2021		
Stage 1 (12-month ECL; non-credit impaired)	133,270	931
Stage 2 (Lifetime ECL; non-credit impaired)	2,676	2,361
Stage 3 (Lifetime ECL; credit impaired)	840	840
As at 31 December	136,786	4,132
Impairment allowance over unexpired financial guarantee exposures (%)		3.02

23 OTHER LIABILITIES (CONTINUED)

23.1 Expected credit loss on guarantee exposures (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2022				
As at 1 January	**931**	**2,361**	**840**	**4,132**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**42**	**(1,176)**	**(130)**	**(1,264)**
– Transfer to ECL not credit impaired (Stage 2)	**(148)**	**3,017**	**(97)**	**2,772**
– Transfer to ECL credit impaired (Stage 3)	**(23)**	**(648)**	**2,013**	**1,342**
Total transfer between stages	**(129)**	**1,193**	**1,786**	**2,850**
Allowance during the year on new guarantee exposures	**292**	**1,217**	**651**	**2,160**
Guarantee amount derecognised during the year	**(18)**	**(49)**	**(207)**	**(274)**
Reversal during the year due to changes in credit risk	**(188)**	**(120)**	**–**	**(308)**
As at 31 December	**888**	**4,602**	**3,070**	**8,560**
2021				
As at 1 January	1,124	1,673	592	3,389
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	22	(1,092)	(199)	(1,269)
– Transfer to ECL not credit impaired (Stage 2)	(46)	1,137	(74)	1,017
– Transfer to ECL credit impaired (Stage 3)	(3)	(139)	393	251
Total transfer between stages	(27)	(94)	120	(1)
Allowance during the year on new guarantee exposures	320	741	220	1,281
Guarantee amount derecognised during the year	(40)	(44)	(89)	(173)
(Reversal)/allowance during the year due to changes in credit risk	(446)	85	(3)	(364)
As at 31 December	931	2,361	840	4,132

23 OTHER LIABILITIES (CONTINUED)

23.2 Expected credit loss on Wakalah exposures

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

	Unexpired financial Wakalah exposure RM'000	Impairment allowance RM'000
2022		
Stage 1 (12-month ECL; non-credit impaired)	**926,313**	**3,822**
Stage 2 (Lifetime ECL; non-credit impaired)	**16,953**	**9,928**
Stage 3 (Lifetime ECL; credit impaired)	**4,901**	**4,901**
As at 31 December	**948,167**	**18,651**
Impairment allowance over unexpired financial Wakalah exposures (%)		**1.97**
2021		
Stage 1 (12-month ECL; non-credit impaired)	657,454	3,713
Stage 2 (Lifetime ECL; non-credit impaired)	4,591	3,876
Stage 3 (Lifetime ECL; credit impaired)	975	975
As at 31 December	663,020	8,564
Impairment allowance over unexpired financial Wakalah exposures (%)		1.29

23 OTHER LIABILITIES (CONTINUED)

23.2 Expected credit loss on Wakalah exposures (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2022				
As at 1 January	**3,713**	**3,876**	**975**	**8,564**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**51**	**(1,663)**	**(225)**	**(1,837)**
– Transfer to ECL not credit impaired (Stage 2)	**(313)**	**6,896**	**(79)**	**6,504**
– Transfer to ECL credit impaired (Stage 3)	**(69)**	**(1,030)**	**3,727**	**2,628**
Total transfer between stages	**(331)**	**4,203**	**3,423**	**7,295**
Allowance during the year on new Wakalah exposures	**1,397**	**2,185**	**825**	**4,407**
Wakalah amount derecognised during the year	**(71)**	**(42)**	**(319)**	**(432)**
Reversal during the year due to changes in credit risk	**(886)**	**(294)**	**(3)**	**(1,183)**
As at 31 December	**3,822**	**9,928**	**4,901**	**18,651**
2021				
As at 1 January	4,226	3,041	714	7,981
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	77	(2,244)	(279)	(2,446)
– Transfer to ECL not credit impaired (Stage 2)	(85)	1,996	(67)	1,844
– Transfer to ECL credit impaired (Stage 3)	(12)	(118)	526	396
Total transfer between stages	(20)	(366)	180	(206)
Allowance during the year on new Wakalah exposures	1,709	1,266	222	3,197
Wakalah amount derecognised during the year	(62)	(109)	(138)	(309)
(Reversal)/allowance during the year due to changes in credit risk	(2,140)	44	(3)	(2,099)
As at 31 December	3,713	3,876	975	8,564

24 LEASE LIABILITY

	Group	
	2022 **RM'000**	**2021** **RM'000**
As at 1 January	**13,738**	4,583
Modification arising from extension of lease term	**–**	10,545
Lease obligation interest expense	**379**	763
Lease obligation repayment	**(2,733)**	(2,153)
As at 31 December	**11,384**	13,738

The maturity structure of lease liability are as follows:

Due within 1 year	**2,076**	2,354
Due in 2 to 5 years	**9,308**	11,384
Total present value of minimum lease payments	**11,384**	13,738

25 UNSECURED BEARER BONDS AND NOTES

	Group				
	Year of maturity	Amount outstanding RM'000	2022 Effective interest rate %	Amount outstanding RM'000	2021 Effective interest rate %
(a) Floating rate note					
	2022	**–**	**–**	200,000	1.940
	2023	**880,000**	**2.830**	–	–
Add:					
Interest payable		**5,985**		393	
		885,985		200,393	
(b) Commercial papers					
	2022	**–**	**–**	1,300,000	1.990 – 2.080
Add:					
Interest payable		**–**		1,236	
		–		1,301,236	
(c) Conventional medium-term notes					
	2022	**–**	**–**	9,445,892	0.850 – 4.650
	2023	**6,617,476**	**1.250 – 6.050**	4,700,653	1.250 – 6.050
	2024	**3,878,259**	**1.990 – 5.520**	1,970,000	2.380 – 5.520
	2025	**1,860,000**	**3.850 – 4.850**	640,000	4.550 – 4.850
	2026	**10,000**	**4.410**	10,000	4.410
	2027	**5,725,000**	**3.780 – 4.900**	275,000	4.140 – 4.900
	2028	**890,000**	**4.750 – 6.500**	890,000	4.750 – 6.500
	2029	**245,000**	**5.500 – 5.750**	245,000	5.500 – 5.750
	2035	**160,000**	**5.070**	160,000	5.070
		19,385,735		18,336,545	
Add:					
Interest payable		**145,088**		120,264	
Less:					
Deferred financing fees		**(2,136)**		(1,484)	
		19,528,687		18,455,325	
Total		**20,414,672**		19,956,954	

25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group	
	2022 RM'000	**2021 RM'000**
Maturing within one year	**7,646,413**	11,066,290
One to three years	**5,738,259**	6,670,664
Three to five years	**5,735,000**	650,000
More than five years	**1,295,000**	1,570,000
	20,414,672	19,956,954

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

(a) Floating rate notes ("FRNs")

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

(b) Commercial Papers ("CPs")

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

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

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

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

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

	Group	
	2022 RM'000	**2021 RM'000**
HKD	–	430,850
USD*	**440,873**	1,118,649
SGD	**2,694,205**	1,021,375
	3,135,078	2,570,874

* The USD denominated unsecured bearer bonds and notes amounting to RM440.9 million (2021: RM701.2 million) are listed in Singapore Exchange.

26 SUKUK

	Group				
	Year of maturity	Amount outstanding RM'000	2022 Effective profit rate %	Amount outstanding RM'000	2021 Effective profit rate %
(a) Islamic commercial papers					
	2022	**–**	**–**	645,000	1.980 – 1.990
Add:					
Profit payable		**–**		2,046	
		–		647,046	
(b) Islamic medium-term notes					
	2022	**–**	**–**	3,785,000	1.980 – 3.700
	2023	**6,370,000**	**2.230 – 6.350**	3,895,000	2.230 – 6.350
	2024	**5,070,000**	**2.670 – 5.520**	3,885,000	2.670 – 5.520
	2025	**4,300,000**	**3.100 – 4.650**	455,000	4.550 – 4.650
	2026	**370,000**	**3.150 – 4.920**	370,000	3.150 – 4.920
	2027	**1,955,000**	**4.140 – 4.620**	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
		20,000,000		14,340,000	
Add:					
Profit payable		**137,888**		94,982	
Less:					
Unamortised discount		**(2,828)**		–	
		20,135,060		14,434,982	
Total		**20,135,060**		15,082,028	

26 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	Group	
	2022 RM'000	2021 RM'000
Maturing within one year	**6,505,060**	4,527,028
One to three years	**9,370,000**	7,780,000
Three to five years	**2,325,000**	825,000
More than five years	**1,935,000**	1,950,000
	20,135,060	15,082,028

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

(a) Islamic Commercial Papers ("ICPs")

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

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

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

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

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

(d) Multicurrency Sukuk

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

27 RMBS

	Group				
			2022		2021
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
RMBS	2022	–	–	250,000	4.90
	2025	**265,000**	**5.92**	265,000	5.92
	2027	**105,000**	**5.08**	105,000	5.08
		370,000		620,000	
Add:					
Interest payable		**1,444**		2,744	
		371,444		622,744	

The maturity structure of the RMBS are as follows:

	Group	
	2022 RM'000	2021 RM'000
Maturing within one year	**1,444**	252,744
Three to five years	**370,000**	265,000
More than five years	**–**	105,000
	371,444	622,744

The RMBS have the following features:

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

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

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

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

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

28 IRMBS

	Group				
		2022		**2021**	
	Year of maturity	**Amount outstanding RM'000**	**Effective profit rate %**	**Amount outstanding RM'000**	**Effective profit rate %**
IRMBS	2022	**–**	**–**	320,000	4.17
	2027	**290,000**	**4.34**	290,000	4.34
		290,000		610,000	
Add:					
Profit attributable		**1,138**		2,344	
		291,138		612,344	

The maturity structure of the IRMBS are as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Maturing within one year	**1,138**	322,344
More than five years	**290,000**	290,000
	291,138	612,344

The IRMBS have the following features:

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

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

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

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

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

29 SHARE CAPITAL

	Group and Company			
	2022		2021	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares issued As at 1 January/31 December	**150,000**	**150,000**	150,000	150,000

	Group	
	2022 RM'000	2021 RM'000
Redeemable preference shares: As at 31 December	**–***	–*

* denotes RPS of RM1.

30 RESERVES

(a) *Financial assets at FVOCI reserves*

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

(b) *Cash flow hedge reserves*

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

(c) *Regulatory reserves*

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

31 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM6,768,920,000 of the Group and RM4,284,024,000 of the Company respectively (2021: RM6,526,588,000 of the Group and RM4,284,026,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share are calculated by dividing the profit for the financial year of RM335,378,000 of the Group and RM29,998,000 of the Company respectively (2021: RM317,600,000 of the Group and RM130,021,000 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.

32 INTEREST INCOME

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Amount due from counterparties	**520,750**	507,456	**–**	–
Mortgage assets	**185,272**	214,565	**–**	–
Compensation from mortgage assets	**5**	7	**–**	–
Financial assets at amortised cost	**35,084**	–	**–**	–
Reverse mortgage assets	**5**	–	**–**	–
Financial assets at FVOCI	**138,152**	125,529	**–**	–
Deposits and placements with financial institutions	**16,188**	8,709	**57**	86
	895,456	856,266	**57**	86
Accretion of discount less amortisation of premium (net)	**110,500**	110,594	**–**	–
	1,005,956	966,860	**57**	86

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

33 INTEREST EXPENSE

	Group	
	2022 RM'000	**2021 RM'000**
Floating rate notes	**18,716**	1,371
Medium-term notes	**603,111**	592,100
Commercial paper	**10,312**	28,571
RMBS	**28,842**	33,272
Short-term borrowings	**13,967**	2,123
Lease liability (Note 24)	**379**	763
	675,327	658,200

34 NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Net loss arising from derivatives	**(26,455)**	(11,751)	**–**	–
Income from financial assets at FVTPL	**1**	1,579	**–**	–
Gain on disposal of:				
– Financial assets at FVOCI	**2,286**	8,932	**–**	–
– Property and equipment	**–**	3	**–**	–
Guarantee fee (expense)/income	**(68)**	4,033	**–**	–
Net amount reclassified into profit or loss				
– cash flow hedge (Note 10)	**(142,051)**	(39,258)	**–**	–
Net gain on foreign exchange	**141,518**	39,111	**–**	–
Dividend income	**–**	–	**30,000**	130,000
Guarantee expense	**5,242**	(7)	**–**	–
Income from repo collateral	**8,707**	–	**–**	–
Other non-operating income	**1,023**	1,094	**–**	–
	(9,797)	3,736	**30,000**	130,000

35 PERSONNEL COSTS

	Group	
	2022 RM'000	**2021 RM'000**
Salary and allowances	**16,874**	16,418
Bonus	**7,256**	7,435
Overtime	**69**	30
EPF and SOCSO	**4,094**	3,793
Insurance	**660**	976
Others	**(705)**	764
	28,248	29,416

36 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2022 RM'000	**2021 RM'000**
Reversal/(allowance) for impairment losses:		
– Cash and cash equivalents	**10**	(11)
– Financial assets at FVOCI	**(39)**	(238)
– Financial assets at amortised cost	**(1,980)**	(1,155)
– Amount due from counterparties	**3**	–
– Islamic financing assets	**(32)**	38
– Mortgage assets – Conventional	**8,666**	6,224
– Mortgage assets – Islamic	**6,850**	6,453
– Guarantee exposures	**(4,428)**	(743)
– Wakalah exposures	**(10,087)**	(583)
Credit impaired:		
– Mortgage assets written-off	**(312)**	(1,124)
– Islamic mortgage assets written-off	**(1,941)**	(3,177)
	(3,290)	5,684

37 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Dato' Bakarudin Ishak (Chairman)
Tan Sri Dato' Sri Dr. Tay Ah Lek
Dato' Lee Kok Kwan
Wan Hanisah Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani
Datuk Siti Zauyah Md Desa
Chong Kin Leong
Dato' Khairussaleh Ramli (Appointed w.e.f. 01.05.2022)
Tan Sri Abdul Farid Alias (Resigned w.e.f. 30.04.2022)

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

Dato' Wee Yiaw Hin
Ho Chai Huey
Tan Sri Tajuddin Atan
Dato' Albert Yeoh Beow Tit
Datuk Chung Chee Leong
Abdul Hakim Amir Zainol (Appointed w.e.f. 20.01.2022)
Abdul Rahman Hussein (Appointed w.e.f. 01.04.2022)
Sophia Ch'ng Sok Heang (Appointed w.e.f. 01.04.2022)
Ridzuan Shah Alladin (Resigned w.e.f. 21.01.2022)
Datuk Azizan Haji Abd Rahman (Resigned w.e.f. 09.03.2022)
Dato' Halipah Esa (Resigned w.e.f. 26.03.2022)

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Directors' fees	**1,198**	1,170	**590**	590
Directors' other emoluments	**2,320**	2,414	**195**	199
	3,518	3,584	**785**	789

The amount paid to or receivable by any third party for services provided by the Director of the Company and its subsidiaries for the year is RM57,486.

During the financial year, the Directors and Officers of the Group and Company are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and Company subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM30.0 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance of RM185,510 (2021: RM196,428) was borne by Cagamas.

38 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Directors' remuneration (Note 37)	**3,518**	3,584	**–***	–*
Amortisation of right-of-use asset (Note 22)	**2,208**	1,996	**–**	–
Interest lease liability (Note 24)	**379**	763	**–**	–
Short-term and low value assets expensed off	**656**	43	**–**	–
Auditors' remuneration:				
– Audit fees	**431**	495	**–***	–*
– Non-audit fees	**40**	49	**–***	–*
Depreciation of property and equipment	**1,507**	1,652	**–**	–
Amortisation of intangible assets	**3,897**	3,843	**–**	–
Servicers fees	**129**	2,264	**–**	–
Repairs and maintenance	**5,332**	4,543	**–**	–
Donations and sponsorship	**696**	200	**–**	–
Corporate expenses	**557**	1,221	**–**	–
Travelling expenses	**236**	3	**–**	–
Gain on disposal of property and equipment	**–**	(3)	**–**	–
Rental of premises	**2,208**	–	**–**	–

* Directors' remuneration of RM785,000 (2021: RM788,500) and auditors' remuneration of RM39,622 (2021: RM38,634) which include audit fee of RM33,600 and non-audit fee of RM6,022 respectively (2021: audit fees RM32,612 and non-audit fees of RM6,022 respectively) for the Company in the financial year were borne by Cagamas.

39 TAXATION

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(a) Tax charge for the financial year				
Malaysian income tax:				
– Current tax	**67,854**	70,420	**14**	21
– Deferred taxation (Note 17)	**39,744**	34,528	**(2)**	(5)
	107,598	104,948	**12**	16
Current tax:				
– Current year	**69,192**	64,772	**14**	21
– (Over)/under provision in prior years	**(1,338)**	5,648	**–**	–
Deferred taxation (Note 17)	**39,744**	34,528	**(2)**	(5)
	107,598	104,948	**12**	16

(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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit before taxation and zakat	**446,251**	427,915	**30,010**	130,037
Tax calculated at Malaysian tax rate of 24% (2021: 24%)	**107,099**	102,700	**7,202**	31,209
Expenses not deductible for tax purposes	**335**	467	**11**	12
Income not subject to tax	**–**	(345)	**(7,200)**	(31,200)
(Over)/under provision in prior years	**(1,338)**	5,648	**–**	–
Deduction arising from zakat contribution	**(777)**	(784)	**–**	–
Reversal of temporary differences recognised in prior years	**(114)**	(2,756)	**(1)**	(5)
Loss not subject to tax	**104**	18	**–**	–
Temporary difference not recognised in prior year	**917**	–	**–**	–
Tax impact of Cukai Makmur	**1,372**	–	**–**	–
	107,598	104,948	**12**	16

39 TAXATION (CONTINUED)

(c) In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed in Budget 2022 that for year of assessment ("YA") 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022. The Group has assessed that it is not significantly impacted by the Cukai Makmur.

40 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	2022		2021	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
On ordinary shares:				
First dividend	**15.00**	**22,500**	15.00	22,500
Second dividend	**5.00**	**7,500**	5.00	7,500
	20.00	**30,000**	20.00	30,000

The Directors recommend the payment of a first dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2023, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2023.

No dividend on Redeemable Preference Shares ("RPS") has been paid, declared or proposed by the Board of Directors of its subsidiary, CMBS, during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

41 STATEMENT OF CASH FLOWS

(a) Adjustments for non-cash items

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortisation of premium less accretion of discount on:				
- Financial assets at FVOCI	**8,777**	8,432	**–**	–
- Unsecured bearer bonds and notes	**–**	9	**–**	–
- Sukuk	**–**	–	**–**	–
Accretion of discount on:				
- Mortgage assets – Conventional	**(118,187)**	(113,301)	**–**	–
- Mortgage assets – Islamic	**(100,355)**	(90,799)	**–**	–
(Reversal)/allowance for impairment losses on:				
- Cash and cash equivalents	**(10)**	11	**–**	–
- Financial assets at FVOCI	**39**	238	**–**	–
- Financial assets at amortised cost	**1,980**	1,155	**–**	–
- Amount due from counterparties/Islamic financing assets	**29**	(38)	**–**	–
- Mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets	**(15,516)**	(12,677)	**–**	–
Recovered mortgage assets and Islamic mortgage assets	**13,756**	(181)	**–**	–
Guarantee/Wakalah exposures	**14,515**	1,326	**–**	–
Interest income	**(891,059)**	(854,220)	**(57)**	(86)
Interest income – derivative	**(88,909)**	(61,844)	**–**	–
Income from Islamic operations	**(722,025)**	(649,028)	**–**	–
Interest expense – bonds	**646,323**	625,016	**–**	–
Interest expense – derivative	**118,014**	73,750	**–**	–
Interest expense – RMBS	**28,842**	33,272	**–**	–
Profit attributable to Sukuk holders	**628,367**	548,778	**–**	–
Profit attributable to derivative	**2,394**	20,609	**–**	–
Profit attributable to IRMBS holders	**17,924**	25,930	**–**	–
Guarantee/Wakalah fee income	**(26,783)**	(17,337)	**–**	–
Guarantee/Kafalah expense	**173**	4	**–**	–
Depreciation of property and equipment	**1,507**	1,652	**–**	–
Amortisation of intangible assets	**3,897**	3,843	**–**	–
Amortisation of right-of-use asset	**2,208**	1,996	**–**	–
Gain on disposal of:				
- Property and equipment	**70**	(3)	**–**	–
- Financial assets at FVOCI	**(2,286)**	(8,984)	**–**	–
	(476,315)	(462,391)	**(57)**	(86)

41 STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in operating assets and liabilities

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Change in cash and cash equivalents and deposits and placements with financial institutions	**221,092**	(97,177)	**2,392**	(767)
Change in amount due from counterparties	**61,190**	(3,065,760)	**-**	-
Change in Islamic financing assets	**(5,179,067)**	(626,586)	**-**	-
Change in mortgage assets:				
– Conventional	**765,677**	794,345	**-**	-
– Islamic	**626,090**	623,694	**-**	-
Change in Islamic hire purchase assets	**12**	(28)	**-**	-
Change in other assets	**(25,018)**	(2,037)	**-**	-
Change in derivative	**85,445**	3,157	**-**	-
Change in reverse mortgage assets	**(552)**	-	**-**	-
Change in investment in subsidiaries	**-**	-	**-**	(100,000)
Change in deferred financing fees	**(652)**	(2,130)	**-**	-
Change in amount due to related company	**(7)**	(641)	**-**	-
Change in short-term borrowings	**508,638**	176,962	**-**	-
Change in other liabilities	**39,636**	24,384	**2**	(35)
Interest received	**791,649**	772,591	**57**	86
Interest received on derivative	**71,519**	66,411	**-**	-
Guarantee/Wakalah fee income received	**81,547**	66,565	**-**	-
Profit received from Islamic assets	**634,324**	637,774	**-**	-
Profit received on derivative	**14,076**	12,913	**-**	-
Interest paid	**(12,633)**	(1,863)	**-**	-
Interest paid on derivative	**(17,900)**	(71,934)	**-**	-
Profit paid on derivative	**(103,780)**	(20,332)	**-**	-
Guarantee/Kafalah paid	**(173)**	(4)	**-**	-
	(1,438,887)	(709,696)	**2,451**	(100,716)

41 STATEMENT OF CASH FLOWS (CONTINUED)

(c) An analysis of changes in liabilities arising from financing activities is as follows:

	Lease liability RM'000	Unsecured bearer bonds and notes RM'000	Sukuk RM'000	RMBS RM'000	IRMBS RM'000	Total RM'000
2022						
As at 1 January	**13,738**	**19,956,954**	**15,082,028**	**622,744**	**612,344**	**36,287,808**
Proceeds from issuance	**–**	**12,269,498**	**10,090,000**	**–**	**–**	**22,359,498**
Repayment and redemption	**(2,733)**	**(12,010,150)**	**(5,075,000)**	**(250,000)**	**(320,000)**	**(17,657,883)**
Interest/profit paid	**–**	**(603,233)**	**(590,335)**	**(30,142)**	**(19,130)**	**(1,242,840)**
Exchange fluctuation	**–**	**170,279**	**–**	**–**	**–**	**170,279**
Other non-cash movement	**379**	**631,324**	**628,367**	**28,842**	**17,924**	**1,306,836**
As at 31 December	**11,384**	**20,414,672**	**20,135,060**	**371,444**	**291,138**	**41,223,698**
2021						
As at 1 January	4,583	17,482,979	14,063,392	622,652	612,273	32,785,879
Proceeds from issuance	–	14,540,197	7,255,000	–	–	21,795,197
Repayment and redemption	(2,153)	(10,171,987)	(6,225,000)	–	–	(16,399,140)
Interest/profit paid	–	(2,521,674)	(560,142)	(33,180)	(25,859)	(3,140,855)
Exchange fluctuation	–	7,429	–	–	–	7,429
Other non-cash movement	11,308	620,010	548,778	33,272	25,930	1,239,298
As at 31 December	13,738	19,956,954	15,082,028	622,744	612,344	36,287,808

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

42 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

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

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

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

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

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

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

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

(b) Significant related party transactions and balances

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

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Other related party				
Expenses:				
Directors' fee and allowances	**929**	968	**–**	–
Servicer fees	**2,057**	2,264	**–**	–
Amount due to:				
Directors' fee and allowances	**(11)**	(7)	**–**	–
Servicer fees	**(465)**	(549)	**–**	–
Subsidiary				
Expenses:				
Management fee	**–**	–	**46**	48
Amount due to:				
Management fee	**–**	–	**(13)**	(10)

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total salaries and other employees' benefits paid to the Group's key management personnel was RM7,563,862 (2021: RM8,677,505).

The total remuneration paid to the Directors is disclosed in Note 37 to the financial statements.

43 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	Group	
	2022 RM'000	**2021 RM'000**
Capital expenditure:		
Authorised and contracted for	**6,108**	2,886
Authorised but not contracted for	**3,547**	4,477
	9,655	7,363
Analysed as follows:		
Equipment and others	**1,053**	875
Computer hardware and software	**8,602**	6,488
	9,655	7,363

(b) Contingencies

(i) On 26 January 2022, the Inland Revenue Board ("IRB") issued a review findings letter on the Cagamas' tax return for Year of Assessment ("YA") 2018 with a disagreement on certain tax treatment that has been taken by the Company. The same tax treatment has been applied by the Company for YA 2019 to YA 2022.

The Group has been in discussion with the IRB as the tax treatment was applied consistently and discussed with the relevant authorities prior to adoption by the Group. An adverse decision from this disagreement could lead to additional tax liability (approximately RM191.4 million) and tax penalty (approximately RM31.9 million) for YA 2019 to YA 2022.

IRB issued Notice of Additional Assessment ("Form JA") on 4 July 2022 in relation to the additional tax payable (RM6.4 million) and penalty (RM1.0 million) for YA 2018 which have been duly paid on 2 August 2022.

Cagamas has on 1 August 2022 filed a notice of appeal ("Form Q") according to Section 99 (1) of the Income Tax Act, 1967 against the Form JA issued by IRB.

The estimated additional tax liability of RM191.4 million is not expected to significantly impact the profit after taxation ("PAT") of the Group as the Group has consistently recognised temporary differences as deferred tax on the tax treatment currently under dispute.

No provision has been made in the financial statements for the potential tax penalty as the Group is of the view that there are strong justifications for its appeal against the matter raised by the IRB.

(ii) As at the end of the financial year, the Group's guarantee and Wakalah exposures amounted to RM1,132,011,610 (2021: RM799,805,868).

Contingent liabilities may arise from possible claims against the Group from defaults in the repayment of principal and interest of some of the loans covered under the guarantee and Wakalah contracts. The contingent liabilities estimated arising from the guarantee and Wakalah are RM3,070,019 (2021: RM840,399) and RM4,901,750 (2021: RM975,325) respectively.

44 FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2022 RM'000	**2021 RM'000**
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	**374,685**	506,935
Deposits and placements with financial institutions	**366,205**	587,895
Corporate bond and Sukuk	**1,817,754**	354,353
Amount due from counterparties	**17,097,746**	17,141,175
Islamic financing assets	**15,482,284**	10,273,747
Mortgage assets		
– Conventional	**4,167,687**	4,819,123
– Islamic	**4,884,396**	5,411,935
Hire purchase assets		
– Islamic	**50**	62
Other financial assets	**30,922**	4,809
	44,221,729	39,100,034
Financial assets at FVOCI:		
Debt instruments	**5,452,903**	4,708,546
Financial assets at FVTPL:		
Derivative financial instruments	**102,583**	29,607
Unit trusts	**–**	127,779
Reverse mortgage assets	**552**	–
	103,135	157,386
Financial liabilities		
Financial liabilities at amortised cost:		
Short-term borrowings	**812,339**	302,367
Unsecured bearer bonds and notes	**20,414,672**	19,956,954
Sukuk	**20,135,060**	15,082,028
RMBS	**371,444**	622,744
IRMBS	**291,138**	612,344
Other financial liabilities	**230,096**	185,955
	42,254,749	36,762,392
Financial liabilities at FVTPL:		
Derivative financial instruments	**6,619**	28,595

45 INTEREST/PROFIT RATE RISK

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

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

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

	Group			
	+100 basis		-100 basis	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Impact to equity:				
Financial assets at FVOCI	**(161,350)**	(142,406)	**172,675**	153,269
Taxation effects on the above at tax rate of 24%	**38,724**	34,177	**(41,442)**	(36,785)
Effect on shareholders' funds	**(122,626)**	(108,229)	**131,233**	116,484
As percentage of shareholders' funds	**(1.8%)**	(1.7%)	**1.9%**	1.8%
Impact to income statements:				
Net interest/profit income	**2,284**	14,666	**(2,281)**	(14,708)
Taxation effects at the rate of 24%	**(548)**	(3,520)	**547**	3,530
Effect on net interest income	**1,736**	11,146	**(1,734)**	(11,178)
As percentage of profit after tax	**0.8%**	5.3%	**(0.8%)**	(5.4%)

46 CREDIT RISK

46.1 Credit risk concentration

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

46 CREDIT RISK (CONTINUED)

46.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

Group 2022	On-statement of financial position												Off-statement of financial position	
	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Reverse Mortgage RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Financial guarantee RM'000	Total RM'000
Government bodies	-	-	-	1,763,326	-	-	-	-	-	-	-	353	-	1,763,679
Financial institutions:														
- Commercial banks	374,685	366,205	-	752,571	1,817,754	102,583	16,641,501	14,981,115	-	-	-	-	-	35,036,414
- Development financial institutions	-	-	-	594,321	-	-	-	501,169	-	-	-	-	-	1,095,490
Communication, electricity, gas and water	-	-	-	541,562	-	-	-	-	-	-	-	-	-	541,562
Transportation	-	-	-	696,508	-	-	-	-	-	-	-	-	-	696,508
Leasing	-	-	-	-	-	-	456,245	-	-	-	-	-	-	456,245
Consumers	-	-	552	-	-	-	-	-	4,167,687	4,884,396	50	-	1,132,012	10,184,697
Corporate	-	-	-	804,702	-	-	-	-	-	-	-	-	-	804,702
Construction	-	-	-	203,978	-	-	-	-	-	-	-	-	-	203,978
Related company	-	-	-	60,758	-	-	-	-	-	-	-	-	-	60,758
Others	-	-	-	35,177	-	-	-	-	-	-	-	29,985	-	65,162
Total	374,685	366,205	552	5,452,903	1,817,754	102,583	17,097,746	15,482,284	4,167,687	4,884,396	50	30,338	1,132,012	50,909,195

46 CREDIT RISK (CONTINUED)

46.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

	On-statement of financial position												Off-statement of financial position	
Group 2021	**Cash and cash equivalents RM'000**	**Deposits and placements with financial institutions RM'000**	**Financial assets at FVTPL RM'000**	**Financial assets at FVOCI RM'000**	**Financial assets at amortised cost RM'000**	**Derivative financial instruments RM'000**	**Amount due from counter parties RM'000**	**Islamic financing assets RM'000**	**Mortgage assets-Conventional RM'000**	**Mortgage assets-Islamic RM'000**	**Hire purchase assets-Islamic RM'000**	**Other assets RM'000**	**Financial guarantee RM'000**	**Total RM'000**
Government bodies	-	-	-	1,525,082	-	-	-	-	-	-	-	-	-	1,525,082
Financial institutions:														
- Commercial banks	436,880	587,895	127,779	357,021	354,353	29,607	16,548,478	9,954,993	-	-	-	-	-	28,397,006
- Development Financial institutions	70,055	-	-	638,908	-	-		318,754	-	-	-	-	-	1,027,717
Communication, electricity, gas and water	-	-	-	464,759	-	-	-	-	-	-	-	-	-	464,759
Transportation	-	-	-	689,104	-	-	-	-	-	-	-	-	-	689,104
Leasing	-	-	-	-	-	-	529,697	-	-	-	-	-	-	592,697
Consumers	-	-	-	-	-	-	-	-	4,819,123	5,411,935	62	-	799,806	11,030,926
Corporate	-	-	-	666,387	-	-	-	-	-	-	-	-	-	666,387
Construction	-	-	-	300,816	-	-	-	-	-	-	-	-	-	300,816
Related company	-	-	-	41,435	-	-	-	-	-	-	-	-	-	41,435
Others	-	-	-	25,034	-	-	-	-	-	-	-	3,792	-	28,826
Total	506,935	587,895	127,779	4,708,546	354,353	29,607	17,141,175	10,273,747	4,819,123	5,411,935	62	3,792	799,806	44,764,755

46 CREDIT RISK (CONTINUED)

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

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

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

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

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

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

Group 2022	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Amount due from counterparties	17,097,762	-	17,097,762	16	17,097,746	-	-
Islamic financing assets	15,482,377	-	15,482,377	93	15,482,284	-	-
Mortgage assets:							
– Conventional	4,162,263	23,578	4,185,841	18,154	4,167,687	23,578	77
– Islamic	4,882,004	22,090	4,904,094	19,698	4,884,396	22,090	89
Hire purchase assets:							
– Islamic	26	36	62	12	50	36	33
	41,624,432	45,704	41,670,136	37,973	41,632,163	45,704	

* These assets have been provided for under collective assessment.

46 CREDIT RISK (CONTINUED)

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

Group 2021	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Amount due from counterparties	17,141,194	–	17,141,194	19	17,141,175	–	–
Islamic financing assets	10,273,808	–	10,273,808	61	10,273,747	–	–
Mortgage assets:							
– Conventional	4,809,504	36,439	4,845,943	26,820	4,819,123	36,439	74
– Islamic	5,409,816	28,667	5,438,483	26,548	5,411,935	28,667	93
Hire purchase assets:							
– Islamic	38	36	74	12	62	36	33
	37,634,360	65,142	37,699,502	53,460	37,646,042	65,142	

* These assets have been provided for under collective assessment.

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

	Group	
	2022	2021
	Strong/ Total RM'000	**Strong/ Total RM'000**
Amount due from counterparties	**17,097,762**	17,141,194
Islamic financing assets	**15,482,377**	10,273,808
Mortgage assets:		
– Conventional	**4,162,263**	4,809,504
– Islamic	**4,882,004**	5,409,816
Hire purchase assets:		
– Islamic	**26**	38
	41,624,432	37,634,360

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

46 CREDIT RISK (CONTINUED)

46.2 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 more than 90 days past due but not individually impaired is set out below:

	Group				
	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
2022					
Mortgage assets:					
– Conventional	**1,124**	**1,462**	**1,557**	**19,435**	**23,578**
– Islamic	**1,465**	**1,123**	**869**	**18,633**	**22,090**
Hire purchase assets:					
– Islamic	**–**	**–**	**–**	**36**	**36**
	2,589	**2,585**	**2,426**	**38,104**	**45,704**
2021					
Mortgage assets:					
– Conventional	3,493	2,065	1,996	28,885	36,439
– Islamic	2,850	2,144	872	22,801	28,667
Hire purchase assets:					
– Islamic	–	–	–	36	36
	6,343	4,209	2,868	51,722	65,142

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

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

46 CREDIT RISK (CONTINUED)

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

The movements in impairment allowance are as follows:

	Group			
	As at 1 January RM'000	Reversal made RM'000	Written-off to principal balance outstanding RM'000	As at 31 December RM'000
2022				
Amount due from counterparties	**19**	**(3)**	**–**	**16**
Islamic financing assets	**61**	**32**	**–**	**93**
Mortgage assets:				
– Conventional	**26,820**	**(8,206)**	**(460)**	**18,154**
– Islamic	**26,548**	**(4,901)**	**(1,949)**	**19,698**
Hire purchase assets:				
– Islamic	**12**	**–**	**–**	**12**
	53,460	**(13,078)**	**(2,409)**	**37,973**
2021				
Amount due from counterparties	19	–	–	19
Islamic financing assets	99	(38)	–	61
Mortgage assets:				
– Conventional	33,044	(4,916)	(1,308)	26,820
– Islamic	33,001	(3,279)	(3,174)	26,548
Hire purchase assets:				
– Islamic	12	–	–	12
	66,175	(8,233)	(4,482)	53,460

46 CREDIT RISK (CONTINUED)

46.3 Credit quality

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2022						
Financial assets at FVOCI						
– Stage 1	2,540,508	1,970,051	942,344	–	5,452,903	415
Amount due from counterparties						
– Stage 1	–	5,179,833	11,917,913	–	17,097,746	16
Islamic financing assets						
– Stage 1	–	2,561,055	12,921,229	–	15,482,284	93
Mortgage assets						
– Stage 1	–	–	–	4,159,796	4,159,796	10,176
– Stage 2	–	–	–	2,467	2,467	414
– Stage 3	–	–	–	23,578	23,578	7,564
	–	–	–	4,185,841	4,185,841	18,154
Islamic mortgage assets						
– Stage 1	–	–	–	4,880,385	4,880,385	12,383
– Stage 2	–	–	–	1,619	1,619	229
– Stage 3	–	–	–	22,090	22,090	7,086
	–	–	–	4,904,094	4,904,094	19,698

46 CREDIT RISK (CONTINUED)

46.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2022						
Islamic hire purchase assets						
– Stage 1	–	–	–	26	26	–
– Stage 3	–	–	–	36	36	12
	–	–	–	62	62	12
Guarantee exposures						
– Stage 1	–	–	–	173,234	173,234	887
– Stage 2	–	–	–	7,541	7,541	4,603
– Stage 3	–	–	–	3,070	3,070	3,070
	–	–	–	183,845	183,845	8,560
Wakalah exposures						
– Stage 1	–	–	–	926,313	926,313	3,822
– Stage 2	–	–	–	16,953	16,953	9,928
– Stage 3	–	–	–	4,901	4,901	4,901
	–	–	–	948,167	948,167	18,651

46 CREDIT RISK (CONTINUED)

46.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2021						
Financial assets at FVOCI						
– Stage 1	2,306,433	1,661,220	740,893	–	4,708,546	376
Amount due from counterparties						
– Stage 1	–	6,013,346	11,127,829	–	17,141,175	19
Islamic financing assets						
– Stage 1	–	1,928,890	8,344,857	–	10,273,747	61
Mortgage assets						
– Stage 1	–	–	–	4,806,369	4,806,369	14,528
– Stage 2	–	–	–	3,135	3,135	602
– Stage 3	–	–	–	36,439	36,439	11,690
	–	–	–	4,845,943	4,845,943	26,820
Islamic mortgage assets						
– Stage 1	–	–	–	5,407,800	5,407,800	16,942
– Stage 2	–	–	–	2,016	2,016	411
– Stage 3	–	–	–	28,667	28,667	9,195
	–	–	–	5,438,483	5,438,483	26,548

46 CREDIT RISK (CONTINUED)

46.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2021						
Islamic hire purchase assets						
– Stage 1	–	–	–	38	38	–
– Stage 3	–	–	–	36	36	12
	–	–	–	74	74	12
Guarantee exposures						
– Stage 1	–	–	–	133,270	133,270	931
– Stage 2	–	–	–	2,676	2,676	2,361
– Stage 3	–	–	–	840	840	840
	–	–	–	136,786	136,786	4,132
Wakalah exposures						
– Stage 1	–	–	–	657,454	657,454	3,713
– Stage 2	–	–	–	4,591	4,591	3,876
– Stage 3	–	–	–	975	975	975
	–	–	–	663,020	663,020	8,564

46 CREDIT RISK (CONTINUED)

46.4 Credit risk mitigation

The Group holds the properties financed by the mortgage asset as collateral. The collateral is closely monitored for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

Financial assets and related collateral held to mitigate potential losses are shown below:

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
2022				
Mortgage assets				
– Conventional	**4,185,841**	**(18,154)**	**4,167,687**	**24,482,103**
– Islamic	**4,904,094**	**(19,698)**	**4,884,396**	**18,358,036**
	9,089,935	**(37,852)**	**9,052,083**	**42,840,139**
2021				
Mortgage assets				
– Conventional	4,845,943	(26,820)	4,819,123	28,622,458
– Islamic	5,438,483	(26,548)	5,411,935	19,146,648
	10,284,426	(53,368)	10,231,058	47,769,106

46.5 Offsetting financial instruments

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

	Group		
	Gross amounts RM'000	Related amount not set-off RM'000	Net amount RM'000
2022			
Derivatives financial assets	**102,583**	**–**	**102,583**
Derivatives financial liabilities	**6,619**	**–**	**6,619**
2021			
Derivatives financial assets	29,607	(6,942)	22,665
Derivatives financial liabilities	28,595	(6,942)	21,653

47 LIQUIDITY RISK

47.1 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.

47.2 Liquidity pool

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

Group	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Amount due from counter-parties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Reverse mortgage RM'000	Total RM'000
2022	**374,685**	**366,205**	**-**	**5,452,903**	**1,817,754**	**102,583**	**4,167,687**	**4,884,396**	**17,097,746**	**15,482,284**	**30,388**	**552**	**49,777,183**
2021	506,935	587,895	127,779	4,708,546	354,353	29,607	4,819,123	5,411,935	17,141,175	10,273,747	5,490	-	43,966,585

47 LIQUIDITY RISK (CONTINUED)

47.3 Contractual maturity of financial liabilities

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

	Group					
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2022						
Financial liabilities						
Short-term borrowings	**–**	**817,730**	**–**	**–**	**–**	**817,730**
Unsecured bearer bonds and notes	**33,979**	**91,755**	**8,078,904**	**13,003,328**	**1,432,402**	**22,640,368**
Sukuk	**20,461**	**172,916**	**6,893,835**	**12,957,341**	**2,214,080**	**22,258,633**
RMBS	**–**	**5,256**	**15,766**	**421,396**	**–**	**442,418**
IRMBS	**–**	**3,138**	**9,448**	**333,999**	**–**	**346,585**
Unexpired financial guarantee contracts	**1,132,012**	**–**	**–**	**–**	**–**	**1,132,012**
Other financial liabilities	**193,063**	**2,828**	**–**	**–**	**–**	**195,891**
	1,379,515	**1,093,623**	**14,997,953**	**26,716,064**	**3,646,482**	**47,833,637**
Assets held for managing liquidity risk	**658,649**	**1,597,277**	**14,734,988**	**32,305,300**	**6,216,979**	**55,513,193**
2021						
Financial liabilities						
Short-term borrowings	–	303,300	–	–	–	303,300
Unsecured bearer bonds and notes	81,052	5,190,997	6,136,732	8,056,356	1,791,579	21,256,716
Sukuk	305,008	454,574	4,181,155	9,494,575	2,331,884	16,767,196
RMBS	–	8,343	271,798	333,472	108,946	722,559
IRMBS	–	6,465	332,665	50,413	296,172	685,715
Unexpired financial guarantee contracts	799,806	–	–	–	–	799,806
Other financial liabilities	172,248	5,114	–	–	–	177,362
	1,358,114	5,968,793	10,922,350	17,934,816	4,528,581	40,712,654
Assets held for managing liquidity risk	859,503	6,135,873	12,039,487	21,510,302	7,989,064	48,534,229

47 LIQUIDITY RISK (CONTINUED)

47.4 Derivative liabilities

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

The following table analyses the subsidiary's derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group					
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2022						
Net settled derivatives						
Derivatives held for hedging:						
IRS/IPRS	**2,337**	**(6,432)**	**15,405**	**3,669**	**14,863**	**29,842**
Gross settled derivatives						
Derivatives held for hedging:						
CCS/ICCS						
– Outflow	**–**	**(28,186)**	**(2,768,540)**	**(312,592)**	**–**	**(3,109,318)**
– Inflow	**–**	**33,394**	**2,845,680**	**331,552**	**–**	**3,210,626**
2021						
Net settled derivatives						
Derivatives held for hedging:						
IRS/IPRS	1,467	(4,194)	(13,343)	11,862	38,915	34,707
Gross settled derivatives						
Derivatives held for hedging:						
CCS/ICCS						
– Outflow	–	(831,692)	(746,943)	(1,063,452)	–	(2,642,087)
– Inflow	–	835,712	721,419	1,048,808	–	2,605,939

48 FOREIGN EXCHANGE RISK

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

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

48.1 Exposure to foreign currency risk

	Group		
	HKD RM'000	**USD RM'000**	**SGD RM'000**
2022			
Derivative financial instruments	**–**	**429,517**	**2,680,156**
Unsecured bearer bonds and notes	**–**	**440,873**	**2,694,205**
2021			
Derivative financial instruments	431,383	1,118,056	1,021,961
Unsecured bearer bonds and notes	430,850	1,118,649	1,021,375

48.2 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:

	Group			
	2022		**2021**	
	Equity RM'000	**Profit RM'000**	**Equity RM'000**	**Profit RM'000**
HKD	**–**	**–**	19	–
USD	**(87)**	**–**	2	–
SGD	**(122)**	**–**	1	–
	(209)	**–**	22	–

The sensitivity analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS/ICCS.

The movement of the spot rate of foreign currency denominated for unsecured bearer bonds and notes, Sukuk and CCS/ICCS are not shown as it offsets each other.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

49.1 Fair value of financial instruments carried at fair value

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

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

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

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

The fair value of financial assets at FVTPL and FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2022				
Assets				
Financial assets at FVOCI	**–**	**5,452,903**	**–**	**5,452,903**
Financial assets at FVTPL	**–**	**–**	**–**	**–**
Derivative financial instruments	**–**	**102,583**	**–**	**102,583**
Liabilities				
Derivative financial instruments	**–**	**6,619**	**–**	**6,619**
2021				
Assets				
Financial assets at FVOCI	–	4,708,546	–	4,708,546
Financial assets at FVTPL	–	127,779	–	127,779
Derivative financial instruments	–	29,607	–	29,607
Liabilities				
Derivative financial instruments	–	28,595	–	28,595

49.2 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 cash equivalent and deposits and placements with financial institutions*

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

(b) *Other financial assets*

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

(c) *Other financial liabilities*

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group			
	2022		2021	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Financial assets at amortised cost	**1,817,754**	**1,767,949**	354,353	351,905
Amount due from counterparties	**17,097,746**	**17,150,880**	17,141,175	17,183,186
Islamic financing assets	**15,482,284**	**15,450,301**	10,273,747	10,290,259
Mortgage assets:				
– Conventional	**4,167,687**	**4,368,064**	4,819,123	5,280,360
– Islamic	**4,884,396**	**5,263,356**	5,411,935	6,085,327
Hire purchase assets:				
– Islamic	**50**	**62**	62	74
	43,449,917	**44,000,612**	38,000,395	39,191,111
Financial liabilities				
Short-term borrowings	**812,339**	**812,339**	302,367	302,367
Unsecured bearer bonds and notes	**20,414,672**	**19,033,752**	19,956,954	20,283,816
Sukuk	**20,135,060**	**18,841,467**	15,082,028	15,423,362
RMBS	**371,444**	**385,495**	622,744	656,739
IRMBS	**291,138**	**289,611**	612,344	623,056
	42,024,653	**39,362,664**	36,576,437	37,289,340

The fair value of financial assets at amortised cost is based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

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.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The fair value of the short-term borrowing is estimated at their carrying amount due to short tenure of less than one year.

The fair value of the unsecured bearer bonds and notes and Sukuk are derived based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

50 SEGMENT REPORTING

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

(a) *PWR*

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

(b) *PWOR*

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

(c) *Mortgage guarantee*

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

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

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

50 SEGMENT REPORTING (CONTINUED)

	Group				
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Others RM'000	Total RM'000
2022					
External revenue	1,052,149	706,008	39,017	49,983	1,847,157
External interest/profit expense	(908,260)	(391,687)	–	(40,346)	(1,340,293)
Segment results (Net operating income)	143,889	316,560	26,835	9,637	496,921
Profit before taxation and zakat					446,251
Taxation					(107,598)
Zakat					(3,275)
Profit after taxation and zakat					335,378
Segment assets	35,690,661	11,816,471	624,584	1,819,043	49,950,759
Segment liabilities	30,303,730	10,799,762	226,728	1,833,033	43,163,253
Other information:					
Capital expenditure	3,732	902	–	190	4,824
Depreciation and amortisation	5,889	5,889	–	5,889	17,667

50 SEGMENT REPORTING (CONTINUED)

	Group				
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Others RM'000	Total RM'000
2021					
External revenue	945,618	741,790	25,237	7,995	1,720,640
External interest/profit expense	(825,139)	(420,544)	–	(2,294)	(1,247,977)
Segment results (Net operating income)	120,479	321,246	25,237	5,701	472,663
Profit before taxation and zakat					427,915
Taxation					(104,948)
Zakat					(5,367)
Profit after taxation and zakat					317,600
Segment assets	30,130,391	13,102,084	537,806	354,353	44,124,634
Segment liabilities	26,220,032	10,853,528	156,129	350,000	37,579,689
Other information:					
Capital expenditure	1,986	614	–	–	2,600
Depreciation and amortisation	5,655	1,768	–	67	7,490

51 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2022					
ASSETS					
Cash and cash equivalents	162,167	146,121	66,397	–	374,685
Deposits and placements with financial institutions	132,570	226,623	7,012	–	366,205
Financial assets at FVTPL	–	–	–	–	–
Financial assets at FVOCI	3,493,471	1,461,435	497,997	–	5,452,903
Financial assets at amortised cost	1,817,754	–	–	–	1,817,754
Derivative financial instruments	102,583	–	–	–	102,583
Amount due from counterparties	17,097,746	–	–	–	17,097,746
Islamic financing assets	15,482,284	–	–	–	15,482,284
Mortgage assets:					
– Conventional	3,426,761	740,926	–	–	4,167,687
– Islamic	4,275,424	608,972	–	–	4,884,396
Hire purchase assets:					
– Islamic	50	–	–	–	50
Reverse mortgage assets	552	–	–	–	552
Other assets	33,261	–	–	(584)	32,677
Tax recoverable	51,508	–	–	–	51,508
Deferred taxation	–	3,542	53,178	33,580	90,300
Investment in subsidiaries	4,281,628	–	–	(4,281,628)	–
Property and equipment	1,459	–	–	–	1,459
Intangible assets	18,586	–	–	–	18,586
Right-of-use asset	9,384	–	–	–	9,384
Amount due from a related company	378	–	–	(378)	–
TOTAL ASSETS	50,387,566	3,187,619	624,584	(4,249,010)	49,950,759
LIABILITIES					
Short-term borrowings	812,339	–	–	–	812,339
Derivative financial instruments	6,619	–	–	–	6,619
Other liabilities	201,384	433	28,356	(997)	229,176
Lease liability	11,384	–	–	–	11,384
Provision for taxation	–	4,051	8,605	–	12,656
Deferred taxation	213,063	442,355	27	33,580	689,025
Unsecured bearer bonds and notes	20,414,672	–	–	–	20,414,672
Sukuk	20,135,060	–	–	–	20,135,060
RMBS	–	371,444	–	–	371,444
IRMBS	–	291,138	–	–	291,138
Deferred guarantee fee income	–	–	30,033	–	30,033
Deferred Wakalah fee income	–	–	159,707	–	159,707
TOTAL LIABILITIES	41,794,521	1,109,421	226,728	32,583	43,163,253

* Total assets and liabilities of CMGP and CSME were nil

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

ASSETS AND LIABILITIES (CONTINUED)

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2021					
ASSETS					
Cash and cash equivalents	318,958	85,714	102,263	–	506,935
Deposits and placements with financial institutions	174,413	413,482	–	–	587,895
Financial assets at FVTPL	123,132	–	4,647	–	127,779
Financial assets at FVOCI	2,792,094	1,521,477	394,975	–	4,708,546
Financial assets at amortised cost	354,353	–	–	–	354,353
Derivative financial instruments	29,607	–	–	–	29,607
Amount due from counterparties	17,141,175	–	–	–	17,141,175
Islamic financing assets	10,273,747	–	–	–	10,273,747
Mortgage assets:					
– Conventional	3,886,956	932,167	–	–	4,819,123
– Islamic	4,691,424	720,511	–	–	5,411,935
Hire purchase assets:					
– Islamic	62	–	–	–	62
Other assets	7,570	1,259	–	(640)	8,189
Tax recoverable	64,198	–	526	–	64,724
Deferred taxation	–	2,255	35,395	20,627	58,277
Investment in subsidiaries	4,281,628	–	–	(4,281,628)	–
Property and equipment	2,338	–	–	–	2,338
Intangible assets	18,357	–	–	–	18,357
Right-of-use asset	11,592	–	–	–	11,592
Amount due from a related company	735	–	–	(735)	–
TOTAL ASSETS	44,172,339	3,676,865	537,806	(4,262,376)	44,124,634
LIABILITIES					
Short-term borrowings	302,367	–	–	–	302,367
Derivative financial instruments	28,595	–	–	–	28,595
Other liabilities	164,030	812	13,689	(1,410)	177,121
Lease liability	13,738	–	–	–	13,738
Provision for taxation	–	4,451	7,266	–	11,717
Deferred taxation	181,937	434,343	199	20,627	637,106
Unsecured bearer bonds and notes	19,956,954	–	–	–	19,956,954
Sukuk	15,082,028	–	–	–	15,082,028
RMBS	–	622,744	–	–	622,744
IRMBS	–	612,344	–	–	612,344
Deferred guarantee fee income	–	–	22,268	–	22,268
Deferred Wakalah fee income	–	–	112,707	–	112,707
TOTAL LIABILITIES	35,729,649	1,674,694	156,129	19,217	37,579,689

* Total assets and liabilities of CMGP and CSME were nil

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

INCOME STATEMENTS

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2022					
Interest income	**881,244**	**112,413**	**12,299**	**–**	**1,005,956**
Interest expense	**(646,485)**	**(28,842)**	**–**	**–**	**(675,327)**
Income from Islamic operations	**128,238**	**33,234**	**26,613**	**(871)**	**187,214**
Non-interest income	**18,045**	**11**	**5,270**	**(33,123)**	**(9,797)**
	381,042	**116,816**	**44,182**	**(33,994)**	**508,046**
Administration and general expenses	**(29,870)**	**(1,543)**	**(2,838)**	**3,994**	**(30,257)**
Personnel costs	**(28,248)**	**–**	**–**	**–**	**(28,248)**
OPERATING PROFIT	**322,924**	**115,273**	**41,344**	**(30,000)**	**449,541**
Reversal/(allowance) of impairment losses	**7,401**	**3,818**	**(14,509)**	**–**	**(3,290)**
PROFIT BEFORE TAXATION AND ZAKAT	**330,325**	**119,091**	**26,835**	**(30,000)**	**446,251**
Taxation	**(73,104)**	**(28,197)**	**(6,297)**	**–**	**(107,598)**
Zakat	**(2,828)**	**–**	**(447)**	**–**	**(3,275)**
PROFIT FOR THE FINANCIAL YEAR	**254,393**	**90,894**	**20,091**	**(30,000)**	**335,378**
2021					
Interest income	836,500	121,318	9,042	–	966,860
Interest expense	(624,928)	(33,272)	–	–	(658,200)
Income from Islamic operations	115,165	31,972	16,315	1,023	162,429
Non-interest income	132,142	411	4,393	133,210	3,736
	458,879	120,429	29,750	134,233	474,825
Administration and general expenses	(22,860)	(1,878)	(2,673)	(4,233)	(23,178)
Personnel costs	(29,416)	–	–	–	(29,416)
OPERATING PROFIT	406,603	118,551	27,077	130,000	422,231
Reversal/(allowance) of impairment losses	4,608	2,415	(1,339)	–	5,684
PROFIT BEFORE TAXATION AND ZAKAT	411,211	120,966	25,738	130,000	427,915
Taxation	(67,221)	(31,290)	(6,437)	–	(104,948)
Zakat	(5,094)	–	(273)	–	(5,367)
PROFIT FOR THE FINANCIAL YEAR	338,896	89,676	19,028	130,000	317,600

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

52 CAPITAL ADEQUACY

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

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

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

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

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

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

The regulatory capital comprises of two tiers:

(a) Tier 1 capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and

(b) Tier 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common Equity Tier 1 ("CET1") and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

52.1 Regulatory capital

	Group	
	2022	**2021**
	%	**%**
Before deducting dividend*		
CET1 capital ratio	**50.1**	54.8
Tier 1 capital ratio	**50.1**	54.8
Total capital ratio	**51.0**	56.1
After deducting dividend*		
CET1 capital ratio	**49.9**	54.7
Tier 1 capital ratio	**49.9**	54.7
Total capital ratio	**50.8**	55.9

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

52 CAPITAL ADEQUACY (CONTINUED)

52.1 Regulatory capital (continued)

	Group	
	2022 RM'000	**2021 RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	**150,000**	150,000
Retained profits	**6,688,299**	6,382,921
	6,838,299	6,532,921
Financial assets at FVOCI reserves	**(48,411)**	3,146
Deferred tax assets	**(90,300)**	(58,291)
Less: Regulatory reserves*	**(79,440)**	(89,723)
Total CET1/Tier 1 capital	**6,620,148**	6,388,053
Tier 2 capital		
Allowance for impairment losses	**37,973**	53,460
Add: Regulatory reserves*	**79,440**	89,723
Total Tier 2 capital	**117,413**	143,183
Total capital	**6,737,561**	6,531,236
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**12,134,247**	10,512,881
Operational risk	**1,083,183**	1,133,749
Total risk-weighted assets	**13,217,430**	11,646,630

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

52 CAPITAL ADEQUACY (CONTINUED)

52.2 Proforma regulatory capital excluding CMBS

	Group	
	2022 **%**	**2021** **%**
Before deducting dividend*		
CET1 capital ratio	**36.6**	41.1
Tier 1 capital ratio	**36.6**	41.1
Total capital ratio	**37.5**	42.4
After deducting dividend*		
CET1 capital ratio	**36.4**	40.9
Tier 1 capital ratio	**36.4**	40.9
Total capital ratio	**37.3**	42.2

	Group	
	2022 **RM'000**	**2021** **RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	**150,000**	150,000
Retained profits	**4,603,296**	4,388,812
	4,753,296	4,538,812
Financial assets at FVOCI reserves	**(41,606)**	(482)
Deferred tax assets	**(86,758)**	(56,036)
Less: Regulatory reserves***	**(79,440)**	(89,723)
Total CET1/Tier 1 capital	**4,545,492**	4,392,571
Tier 2 capital		
Allowance for impairment losses	**32,209**	44,063
Add: Regulatory reserves***	**79,440**	89,723
Total Tier 2 capital	**111,649**	133,786
Total capital	**4,657,141**	4,526,357
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**11,613,738**	9,869,771
Operational risk	**815,462**	812,453
Total risk-weighted assets	**12,429,200**	10,682,224

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

53 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000
ASSETS			
Cash and cash equivalents	(a)	**148,374**	130,110
Deposits and placements with financial institutions	(b)	**47,505**	211,228
Financial assets at FVTPL		**–**	127,779
Financial assets at FVOCI	(c)	**1,759,817**	1,233,368
Financial assets at amortised cost		**354,395**	354,353
Derivative financial instruments		**6,527**	2,656
Financing assets	(d)	**15,482,284**	10,273,747
Mortgage assets	(e)	**4,882,865**	5,410,185
Hire purchase assets	(f)	**45**	55
Tax recoverable		**12,132**	25,968
Deferred taxation		**44,306**	29,821
Other assets and prepayments		**288,889**	289,363
TOTAL ASSETS		**23,027,139**	18,088,633
LIABILITIES			
Derivative financial instruments		**–**	4,176
Other liabilities	(g)	**26,580**	20,656
Deferred taxation		**217,243**	195,604
Sukuk	(h)	**20,135,060**	15,082,028
IRMBS	(i)	**291,138**	612,344
Deferred Wakalah fees		**159,707**	112,707
Provision for taxation		**7,127**	8,678
TOTAL LIABILITIES		**20,836,855**	16,036,193
ISLAMIC OPERATIONS' FUNDS		**2,190,284**	2,052,440
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		**23,027,139**	18,088,633

53 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group	
	Note	2022 RM'000	2021 RM'000
Total income attributable		**838,740**	741,717
Income attributable to the Sukuk holders	(j)	**(646,291)**	(574,708)
Non-profit expense		**(5,235)**	(4,580)
Total net income attributable	(k)	**187,214**	162,429
Administration and general expenses		**(739)**	(2,207)
Reversal of prior year provision		**–**	3,436
(Allowance)/reversal for impairment losses		**(5,213)**	1,503
PROFIT BEFORE TAXATION AND ZAKAT		**181,262**	165,161
Taxation		**(36,475)**	(35,013)
Zakat		**(3,275)**	(5,367)
PROFIT FOR THE FINANCIAL YEAR		**141,512**	124,781

53 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	
	2022 RM'000	**2021 RM'000**
Profit for the financial year	**141,512**	124,781
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Financial assets at FVOCI		
– Net loss on fair value changes before taxation	**(11,460)**	(13,474)
– Deferred taxation	**2,762**	3,249
Cash flow hedge		
– Net gain on cash flow hedge before taxation	**6,618**	7,838
– Deferred taxation	**(1,588)**	(1,881)
Other comprehensive loss for the financial year, net of taxation	**(3,668)**	(4,268)
Total comprehensive income for the financial year	**137,844**	120,513

53 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable			Distributable		
Group	**Allocated capital funds RM'000**	**Financial assets at FVOCI reserves RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Other reserves RM'000**	**Total RM'000**
Balance as at 1 January 2022	**294,159**	**(1,184)**	**(692)**	**49,203**	**1,203,611**	**507,343**	**2,052,440**
Profit for the financial year	**–**	**–**	**–**	**–**	**115,415**	**26,097**	**141,512**
Other comprehensive (loss)/ income	**–**	**(8,698)**	**5,030**	**–**	**–**	**–**	**(3,668)**
Total comprehensive (loss)/ income for the financial year	**–**	**(8,698)**	**5,030**	**–**	**115,415**	**26,097**	**137,844**
Transfer to retained profits	**–**	**–**	**–**	**(4,953)**	**4,953**	**–**	**–**
Balance as at 31 December 2022	**294,159**	**(9,882)**	**4,338**	**44,250**	**1,323,979**	**533,440**	**2,190,284**
Balance as at 1 January 2021	294,159	9,041	(6,649)	53,935	1,096,135	491,387	1,938,008
Profit for the financial year	–	–	–	–	102,744	22,037	124,781
Other comprehensive (loss)/ income	–	(10,225)	5,957	–	–	–	(4,268)
Total comprehensive (loss)/ income for the financial year	–	(10,225)	5,957	–	102,744	22,037	120,513
Discretionary dividend on RPS paid during the year	–	–	–	–	–	(6,081)	(6,081)
Transfer to retained profits	–	–	–	(4,732)	4,732	–	–
Balance as at 31 December 2021	294,159	(1,184)	(692)	49,203	1,203,611	507,343	2,052,440

53 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group	
		2022 RM'000	2021 RM'000
OPERATING ACTIVITIES			
Profit before taxation		**181,262**	165,161
Adjustment for non-cash items	(l)	**(183,094)**	(177,309)
Operating loss before working capital changes		**(1,832)**	(12,148)
Net changes in operating assets and liabilities	(l)	**(3,669,996)**	646,136
Zakat paid		**(5,367)**	(2,326)
Tax paid		**(15,040)**	(63,435)
Net cash from operating activities		**(3,692,235)**	568,227
INVESTING ACTIVITIES			
Purchase of:			
– Financial assets at FVOCI		**(2,285,598)**	(1,395,490)
– Financial assets at FVTPL		**–**	(10,000)
– Financial assets at amortised cost		**–**	(355,000)
Net proceeds from sale/redemption of:			
– Financial assets at FVOCI		**1,747,000**	698,468
– Financial assets at FVTPL		**128,097**	3,048
Income received from:			
– Financial assets at FVOCI		**35,244**	18,824
– Financial assets at FVTPL		**221**	2,403
Net cash from investing activities		**(375,036)**	(1,037,747)
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuk		**10,090,000**	7,255,000
Redemption:			
– Sukuk		**(5,075,000)**	(6,225,000)
– IRMBS		**(320,000)**	–
Profit paid on:			
– Sukuk		**(590,335)**	(560,142)
– IRMBS		**(19,130)**	(25,859)
Dividend paid to RPS holder		**–**	(6,081)
Net cash from financing activities		**4,085,535**	437,918
Net change in cash and cash equivalents		**18,264**	(31,602)
Cash and cash equivalents as at 1 January		**130,110**	161,712
Cash and cash equivalents as at 31 December		**148,374**	130,110

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

(a) Cash and cash equivalents

	Group 2022 RM'000	Group 2021 RM'000
Cash and bank balances with bank and other financial institutions	**697**	290
Mudharabah money at call and deposit placements maturing with original maturity less than three months	**147,678**	129,831
	148,375	130,121
Less:		
Allowance for impairment losses	**(1)**	(11)
	148,374	130,110

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

	Group 2022 RM'000	Group 2021 RM'000
Stage 1		
As at 1 January	**–**	–
Allowance during the year	**1**	11
As at 31 December	**1**	11

(b) Deposits and placements with financial institutions

	Group 2022 RM'000	Group 2021 RM'000
Licensed banks	**47,505**	211,228

The gross carrying value of deposits and placements with financial institutions are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2022 (2021: Nil).

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2022 **RM'000**	**2021** **RM'000**
(c) Financial assets at FVOCI		
At fair value:		
Government investment issues	**168,554**	142,321
Quasi government Sukuk	**416,570**	168,886
Sukuk	**1,124,847**	922,161
Treasury bills	**49,846**	–
	1,759,817	1,233,368

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

	2022 RM'000	2021 RM'000
Maturing within one year	**1,100,537**	621,101
One to three years	**94,223**	282,050
Three to five years	**303,421**	169,898
More than five years	**261,636**	160,319
	1,759,817	1,233,368

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2022		
Stage 1 (12-month ECL; non-credit impaired)	**1,759,817**	**123**
2021		
Stage 1 (12-month ECL; non-credit impaired)	1,233,368	71

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(c) Financial assets at FVOCI (continued)

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

	Group	
	2022 RM'000	**2021 RM'000**
Stage 1		
As at 1 January	**71**	10
Allowance during the year on new assets purchased	**74**	66
Financial assets derecognised during the year due to maturity of assets	**(15)**	–
Reversal during the year due to changes in credit risk	**(7)**	(5)
As at 31 December	**123**	71

(d) Financing assets

	2022 RM'000	**2021 RM'000**
House financing	**15,482,284**	10,273,747

The maturity structure of financing assets are as follows:

	2022 RM'000	**2021 RM'000**
Maturing within one year	**4,664,996**	2,768,566
One to three years	**8,872,270**	7,505,242
Three to five years	**1,945,111**	–
	15,482,377	10,273,808
Less:		
Allowance for impairment losses	**(93)**	(61)
	15,482,284	10,273,747

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

	Group	
	2022 RM'000	**2021 RM'000**
Stage 1		
As at 1 January	**61**	99
Allowance during the year on new assets purchased	**59**	26
Financial assets derecognised during the year due to maturity of assets	**(20)**	(5)
Reversal during the year due to changes in credit risk	**(7)**	(59)
As at 31 December	**93**	61

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets

	Group	
	2022 RM'000	**2021 RM'000**
PWOR	**4,882,865**	5,410,185

The maturity structure of mortgage assets are as follows:

	2022 RM'000	**2021 RM'000**
Maturing within one year	**733,132**	713,777
One to three years	**988,355**	957,282
Three to five years	**894,812**	924,456
More than five years	**2,286,260**	2,841,213
	4,902,559	5,436,728
Less:		
Allowance for impairment losses	**(19,694)**	(26,543)
	4,882,865	5,410,185

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

By stage of allocation:	**Gross carrying value RM'000**	**Impairment allowance RM'000**
2022		
Stage 1 (12-month ECL; non-credit impaired)	**4,878,850**	**12,379**
Stage 2 (Lifetime ECL; non-credit impaired)	**1,619**	**229**
Stage 3 (Lifetime ECL; credit impaired)	**22,090**	**7,086**
As at 31 December	**4,902,559**	**19,694**
Impairment allowance over gross carrying value (%)		**0.40**
2021		
Stage 1 (12-month ECL; non-credit impaired)	5,406,046	16,937
Stage 2 (Lifetime ECL; non-credit impaired)	2,016	411
Stage 3 (Lifetime ECL; credit impaired)	28,666	9,195
As at 31 December	5,436,728	26,543
Impairment allowance over gross carrying value (%)		0.49

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2022				
As at 1 January	**16,937**	**411**	**9,195**	**26,543**
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	**45**	**(299)**	**(2,729)**	**(2,983)**
Transfer to ECL non-credit impaired (Stage 2)	**(4)**	**207**	**(140)**	**63**
Transfer to ECL credit impaired (Stage 3)	**(43)**	**(8)**	**2,754**	**2,703**
Total transfer between stages	**(2)**	**(100)**	**(115)**	**(217)**
Financial assets derecognised during the year (other than write-offs)	**(609)**	**(74)**	**9**	**(674)**
Reversal during the year due to changes in credit risk	**(3,947)**	**(8)**	**(54)**	**(4,009)**
Amount written-off	**–**	**–**	**(1,949)**	**(1,949)**
As at 31 December	**12,379**	**229**	**7,086**	**19,694**
2021				
As at 1 January	20,809	367	11,820	32,996
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	62	(319)	(3,399)	(3,656)
Transfer to ECL non-credit impaired (Stage 2)	(8)	406	(4)	394
Transfer to ECL credit impaired (Stage 3)	(56)	(26)	3,970	3,888
Total transfer between stages	(2)	61	567	626
Financial assets derecognised during the year (other than write-offs)	(572)	(13)	38	(547)
Reversal during the year due to changes in credit risk	(3,298)	(4)	(56)	(3,358)
Amount written-off	–	–	(3,174)	(3,174)
As at 31 December	16,937	411	9,195	26,543

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase

	Group	
	2022 RM'000	**2021 RM'000**
PWOR	**45**	55

The maturity structure of hire purchase assets are as follows:

	2022 RM'000	**2021 RM'000**
Maturing within one year	**56**	66
Less: Allowance for impairment losses	**(11)**	(11)
	45	55

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2022		
Stage 1 (12-month ECL; non-credit impaired)	**22**	**–**
Stage 3 (Lifetime ECL; credit impaired)	**34**	**11**
As at 31 December	**56**	**11**
Impairment allowance over gross carrying value (%)		**19.64**
2021		
Stage 1 (12-month ECL; non-credit impaired)	32	–
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	66	11
Impairment allowance over gross carrying value (%)		16.67

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase (continued)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
As at 1 January/31 December	**–**	**–**	**11**	**11**
2021				
As at 1 January/31 December	–	–	11	11

(g) Other liabilities

	Group	
	2022 RM'000	2021 RM'000
Zakat	**3,275**	5,367
Other payables	**4,634**	6,725
Expected credit loss on Wakalah exposures	**18,651**	8,564
Other liabilities	**20**	–
	26,580	20,656

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) Other liabilities (continued)

Expected credit loss on Wakalah exposures

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

	Unexpired financial Wakalah exposures RM'000	Impairment allowance RM'000
By stage of allocation:		
2022		
Stage 1 (12-month ECL; non-credit impaired)	**926,313**	**3,822**
Stage 2 (Lifetime ECL; non-credit impaired)	**16,953**	**9,928**
Stage 3 (Lifetime ECL; credit impaired)	**4,901**	**4,901**
As at 31 December	**948,167**	**18,651**
Impairment allowance over unexpired financial Wakalah exposures (%)		**1.97**
2021		
Stage 1 (12-month ECL; non-credit impaired)	657,454	3,713
Stage 2 (Lifetime ECL; non-credit impaired)	4,591	3,876
Stage 3 (Lifetime ECL; credit impaired)	975	975
As at 31 December	663,020	8,564
Impairment allowance over unexpired financial Wakalah exposures (%)		1.29

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) *Other liabilities (continued)*

Expected credit loss on Wakalah exposures (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2022				
As at 1 January	**3,713**	**3,876**	**975**	**8,564**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**51**	**(1,663)**	**(225)**	**(1,837)**
– Transfer to ECL non-credit impaired (Stage 2)	**(313)**	**6,896**	**(79)**	**6,504**
– Transfer to ECL credit impaired (Stage 3)	**(69)**	**(1,030)**	**3,727**	**2,628**
Total transfer between stages	**(331)**	**4,203**	**3,423**	**7,295**
Allowance during the year on new Wakalah exposure	**1,397**	**2,185**	**825**	**4,407**
Wakalah amount derecognised during the year	**(71)**	**(42)**	**(319)**	**(432)**
Reversal during the year due to changes in credit risk	**(886)**	**(294)**	**(3)**	**(1,183)**
As at 31 December	**3,822**	**9,928**	**4,901**	**18,651**
2021				
As at 1 January	4,226	3,041	714	7,981
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	77	(2,244)	(279)	(2,446)
– Transfer to ECL non-credit impaired (Stage 2)	(85)	1,996	(67)	1,844
– Transfer to ECL credit impaired (Stage 3)	(12)	(118)	526	396
Total transfer between stages	(20)	(366)	180	(206)
Allowance during the year on new Wakalah fee	1,709	1,266	222	3,197
Wakalah amount derecognised during the year	(62)	(109)	(138)	(309)
(Reversal)/allowance during the year due to changes in credit risk	(2,140)	44	(3)	(2,099)
As at 31 December	3,713	3,876	975	8,564

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group 2022 RM'000	Group 2021 RM'000
(h) Sukuk		
Commercial papers	**–**	647,046
Medium-term notes	**20,135,060**	14,434,982
	20,135,060	15,082,028
The maturity structures of Sukuk are as follows:		
Maturing within one year	**6,505,060**	4,527,028
One to three years	**9,370,000**	7,780,000
Three to five years	**2,325,000**	825,000
More than five years	**1,935,000**	1,950,000
	20,135,060	15,082,028
(i) IRMBS		
IRMBS	**291,138**	612,344
The maturity structures of the IRMBS are as follows:		
Maturing within one year	**1,138**	322,344
One to three years	**290,000**	–
More than five years	**–**	290,000
	291,138	612,344
(j) Income attributable to the Sukuk holders		
Mortgage assets	**210,388**	224,162
Financing assets	**435,800**	350,437
Hire purchase assets	**103**	109
	646,291	574,708
Income attributable to the Sukuk holders analysed by concept are as follows:		
Bai Al-Dayn	**628,367**	548,778
Musyarakah	**17,924**	25,930
	646,291	574,708

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2022 RM'000	**2021 RM'000**
(k) Total net income attributable		
Income from:		
Mortgage assets	**106,191**	106,386
Hire purchase assets	**(100)**	(63)
Financing assets	**9,628**	14,023
Financial assets at FVOCI	**45,165**	27,573
Financial assets at FVTPL	**–**	97
Deposits and placements with financial institutions	**10,024**	5,787
Wakalah fee	**21,541**	13,304
Kafalah (expenses)/income	**(105)**	3
Non-profit expense	**(5,130)**	(4,681)
	187,214	162,429

Total net income attributable analysed by concept are as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Bai Al-Dayn	**110,589**	115,646
Mudharabah	**14,142**	4,680
Bai Bithaman Ajil	**–**	–
Murabahah	**19,988**	18,751
Musyarakah	**6,011**	3,432
Wakalah	**28,219**	16,751
Ijarah	**2,513**	903
Qard Al-Hassan	**656**	582
Tawarruq	**5,096**	1,684
	187,214	162,429

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2022 RM'000	**2021 RM'000**
(l) Statement of Cash Flows		
(i) Adjustment of non-cash items		
Amortisation of premium less accretion of discount on:		
– Financial assets at FVOCI	**2,110**	4,791
– Sukuk	**–**	–
– Mortgage assets	**(100,355)**	(90,799)
Allowance/(reversal) for impairment losses on:		
– Cash and cash equivalents	**(10)**	11
– Financial assets at FVOCI	**57**	61
– Financial assets at amortised cost	**(42)**	1,155
– Financing assets	**32**	(38)
– Mortgage and hire purchase assets	**(6,850)**	(6,453)
– Wakalah exposures	**10,086**	583
Write-off on mortgage assets	**–**	55
Write-back on mortgage assets	**(20)**	(52)
Kafalah	**105**	(3)
Income from:		
– Financial assets at FVOCI	**(37,373)**	(21,814)
– Financial assets at FVTPL	**–**	(97)
Income from Islamic operations	**(675,190)**	(633,633)
Income from derivative	**(14,470)**	(13,119)
Wakalah fee income	**(21,541)**	(13,304)
Profit attributable to:		
– Sukuk holders	**628,367**	548,778
– IRMBS holders	**17,924**	25,930
– Derivative	**14,076**	20,609
Gain on disposal of financial assets at FVOCI	**–**	30
	(183,094)	(177,309)

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) Statement of Cash Flows (continued)

(ii) Net changes in operating assets and liabilities

	Group 2022 RM'000	Group 2021 RM'000
Change in cash and cash equivalents and deposits and placements with financial institutions	**163,604**	(46,897)
Change in financing assets	**(5,179,067)**	(626,586)
Change in mortgage assets	**625,871**	639,783
Change in hire purchase assets	**10**	(28)
Change in other assets and prepayments	**474**	(999)
Change in derivative	**(641)**	–
Change in other liabilities	**(3,534)**	(6,034)
Profit received from assets	**655,140**	637,774
Profit received from derivative	**14,076**	12,913
Wakalah fee received	**68,541**	56,542
Profit paid on derivative	**(14,470)**	(20,332)
	(3,669,996)	646,136

(iii) An analysis of changes in liabilities arising from financing activities is as follows:

Group	Sukuk RM'000	IRMBS RM'000	Total RM'000
2022			
As at 1 January	**15,082,028**	**612,344**	**15,694,372**
Proceeds from issuance	**10,090,000**	**–**	**10,090,000**
Repayment and redemption	**(5,075,000)**	**(320,000)**	**(5,395,000)**
Profit paid	**(590,335)**	**(19,130)**	**(609,465)**
Other non-cash movement	**628,367**	**17,924**	**646,291**
As at 31 December	**20,135,060**	**291,138**	**20,426,198**
2021			
As at 1 January	14,063,392	612,273	14,675,665
Proceeds from issuance	7,255,000	–	7,255,000
Repayment and redemption	(6,225,000)	–	(6,225,000)
Profit paid	(560,142)	(25,859)	(586,001)
Other non-cash movement	548,778	25,930	574,708
As at 31 December	15,082,028	612,344	15,694,372

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) *Capital adequacy*

	Group	
	2022 %	**2021 %**
Regulatory capital		
Before deducting dividend*		
CET1 capital ratio	**20.8**	24.6
Tier 1 capital ratio	**20.8**	24.6
Total capital ratio	**21.7**	25.9
After deducting dividend*		
CET1 capital ratio	**20.8**	24.6
Tier 1 capital ratio	**20.8**	24.6
Total capital ratio	**21.7**	25.9

	Group	
	2022 RM'000	**2021 RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	**294,159**	294,159
Other reserves	**1,323,979**	1,203,611
	1,618,138	1,497,770
Financial assets at FVOCI reserves	**(9,882)**	(1,472)
Deferred tax assets	**(44,306)**	(29,821)
Less: Regulatory reserves**	**(44,250)**	(49,203)
Total CET1/Tier 1 capital	**1,519,700**	1,417,274
Tier 2 capital:		
Allowance for impairment losses	**19,803**	26,621
Add: Regulatory reserves**	**44,250**	49,203
Total Tier 2 capital	**64,053**	75,824
Total capital	**1,583,753**	1,493,098

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

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

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) Capital adequacy (continued)

Regulatory capital (continued)

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

	Group	
	2022 RM'000	**2021 RM'000**
Credit risk	**6,943,654**	5,380,250
Operational risk	**354,910**	386,020
Total risk-weighted assets	**7,298,564**	5,766,270

Proforma regulatory capital excluding CMBS

	Group	
	2022 %	**2021** %
Before deducting dividend*		
CET1 capital ratio	**14.0**	16.9
Tier 1 capital ratio	**14.0**	16.9
Total capital ratio	**14.9**	18.2
After deducting dividend*		
CET1 capital ratio	**14.0**	16.9
Tier 1 capital ratio	**14.0**	16.9
Total capital ratio	**14.9**	18.2

* refers to proposed first dividend which are to be declared after the financial year.
** excludes CMBS's risk-weighted assets and total capital.

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) Capital adequacy (continued)

Proforma regulatory capital excluding CMBS (continued)

	Group	
	2022** **RM'000**	**2021**** **RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	**294,159**	294,159
Other reserves	**790,539**	696,268
	1,084,698	990,427
Financial assets at FVOCI reserves	**(8,683)**	(1,711)
Deferred tax assets	**(44,306)**	(29,821)
Less: Regulatory reserves ***	**(44,250)**	(49,203)
Total CET1/Tier 1 capital	**987,459**	909,692
Tier 2 capital:		
Allowance for impairment losses	**17,296**	22,705
Add: Regulatory reserves ***	**44,250**	49,203
Total Tier 2 capital	**61,546**	71,908
Total capital	**1,049,005**	981,600
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**6,781,958**	5,148,424
Operational risk	**252,747**	245,224
Total risk-weighted assets	**7,034,705**	5,393,648

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

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

53 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(n) Shariah advisor

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

54 SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Subsequent to the year end, the Board of Directors of its subsidiary company, CMBS, had approved a final dividend on RPS on 18 January 2023. The final dividend on RPS of RM378,817 was paid in cash on 20 January 2023.

The RPS issued by CMBS for the purpose of distribution of discretionary bonus fee for pool 2005-1 had been fully redeemed and cancelled on 21 March 2023.

55 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 March 2023.

STATEMENT BY DIRECTORS

Pursuant To Section 251(2) Of The Companies Act 2016

We, Dato' Bakarudin Ishak and Dato' Lee Kok Kwan, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 94 to 226 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2022 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

DATO' BAKARUDIN ISHAK
Chairman

DATO' LEE KOK KWAN
Director

STATUTORY DECLARATION

Pursuant To Section 251(1) Of The Companies Act 2016

I, Datuk Chung Chee Leong, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 94 to 226 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

DATUK CHUNG CHEE LEONG

Subscribed and solemnly declared by the abovenamed Datuk Chung Chee Leong at Kuala Lumpur in Malaysia on 22 March 2023.

Before me,
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
NO: W 681
RAJEEV SAIGAL A/L
RAMLABAYA SAIGAL
BC/R/548
1 JAN 2022 - 31 DIS 2024
MALAYSIA

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

INDEPENDENT SHARIAH ADVISOR'S REPORT

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

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

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholders of the Cagamas Holdings Berhad:

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

We, the Independent Shariah Advisor of Cagamas, hereby confirm that we have vetted, deliberated and endorsed Shariah matters related to the Group's Islamic business and Islamic products offerings from 1 January 2022 until 31 December 2022 (the "Islamic Business Offerings").

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

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

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

For the Group's financial year ended 31 December 2022, we have been consulted and have advised and endorsed the following aspects of the Islamic Business Offerings:

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

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

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

Cagamas have carried out its Shariah audit on the Group's Islamic business and operations and the report were presented and deliberated in the Shariah meeting. We note that based on the Shariah audit report, there has been no Shariah Non-Compliance event for the financial year ended 31 December 2022.

We hereby confirm that to the best of our knowledge, we have obtained sufficient and appropriate evidence to form our Shariah compliant opinion that all the Shariah advices issued by us have been complied with during the financial year ended 31 December 2022.

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

For **Amanie Advisors Sdn Bhd,**

TAN SRI DR MOHD DAUD BAKAR
Executive Chairman

22 March 2023

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 94 to 226.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2024 J
Chartered Accountant

Kuala Lumpur
22 March 2023

PILLAR 3 DISCLOSURE

1.0 OVERVIEW

Cagamas Berhad and its subsidiaries (collectively referred to herein as Cagamas) has chosen to adopt the Bank Negara Malaysia's (BNM) Risk-Weighted Capital Adequacy Framework (RWCAF) – Disclosure Requirements ("Pillar 3") as a matter of best practice. The organisation's Pillar 3 disclosure is governed by the approved internal Disclosure Policy on Risk-Weighted Capital Adequacy Framework (Basel II Pillar 3) which documents the content, materiality, frequency of disclosure and internal controls over the disclosure process.

In determining the capital requirement for credit risk, Cagamas has adopted the Advanced Internal Rating Based ("AIRB") Approach for the Purchase Without Recourse ("PWOR") portfolio and Standardised Approach for Purchase With Recourse ("PWR") portfolio, Capital Management Solutions ("CMS"), reverse mortgage portfolio and investments.

For market risk, the Standardised Approach is adopted whilst the risk-weighted capital requirement for operational risk is based on the Basic Indicator Approach ("BIA") which is the average of a percentage fixed by BNM of positive annual gross income over the previous three years.

The disclosure has been reviewed and verified by internal auditors and approved by the Board of Directors. The Pillar 3 disclosure will be published annually together with the annual report which is available on Cagamas' website, www.cagamas.com.my.

2.0 SCOPE OF APPLICATION

The basis for consolidation is described in Note 2 to the financial statements. There are no significant restrictions or impediments to the transfer of funds or regulatory capital within the Cagamas Holdings Group ("The Group"). There are no capital deficiencies in any of the subsidiary companies of the Group during the year.

For the purpose of this Pillar 3 disclosure, the scope shall be restricted to the subsidiary which is material in relation to the Group's assets i.e. Cagamas. The disclosure published is for the year ended 31 December 2022 and is based on the consolidated financial statement of Cagamas Berhad. Information on other subsidiaries of the Group is available in the notes to the financial statements.

3.0 CAPITAL MANAGEMENT

Cagamas' capital management is guided by its Capital Management Framework which sets out the minimum policies and procedures required to be put in place to ensure adequate capital is maintained to support the development of its businesses.

The framework aims to ensure that capital requirements are reviewed over a minimum 3-year period, consistent with the organisation's risk profile and business plan as well as to maintain an adequate capital level at all times. This involves the following key initiatives:

- Focus on measuring return on capital employed in evaluating business proposals that require incorporating Cagamas' unique developmental role in the debt capital market and as a liquidity provider;
- Continuous monitoring on the robustness of its capital position and the efficient use of capital through the 3-year capital plan;
- Implementation of the Internal Capital Adequacy Assessment Process ("ICAAP") as well as ensuring that capital requirements under stressed scenarios are taken into account in capital planning.

The capital management strategy is dynamic and forward-looking, incorporates the capital needs of existing and new businesses as well as takes into account the business environment that impacts the needs and value of the organisation.

The strategy requires the proactive management of Cagamas' capital structure to be effective whilst maintaining a strong and robust capital position aligned with the risk profile and supporting business growth. This involves ongoing review and monitoring of the level and quality of capital by the Board of Directors which is assessed based on the following key objectives:

- Maintaining a high level of financial strength, correlated to the overall risk profile and risk appetite
- Satisfying the expectations of the various stakeholders, counterparties, debt obligors, rating agencies and shareholders
- Ability to withstand capital demands under market shocks and stress conditions
- Preserving financial flexibility for funding internal growth
- Maintaining strong external credit ratings

The capital adequacy requirements are computed in accordance with BNM's Capital Adequacy Framework (Capital Component) and Capital Adequacy Framework (Basel II – Risk-Weighted Assets) which sets out the general requirements concerning regulatory capital adequacy, components of eligible regulatory capital and requirements for computing risk-weighted assets ("RWA").

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Capital Adequacy Ratios

The following table details the capital adequacy ratios for Cagamas:

	2022	2021
Before deducting the proposed final dividend		
CET1 Capital Ratio	**37.0%**	41.0%
Tier 1 Capital Ratio	**37.0%**	41.0%
TCR	**38.0%**	42.4%
After deducting the proposed final dividend		
CET1 Capital Ratio	**36.8%**	40.8%
Tier 1 Capital Ratio	**36.8%**	40.8%
TCR	**37.8%**	42.1%

Common Equity Tier 1 ("CET1") and Tier 1 Capital Ratios refer to the Total Tier 1 capital to RWA.

Total Capital Ratio ("TCR") is the total capital to RWA.

3.2 Capital Structure

The following table details the capital structure of Cagamas:

	2022 RM'000	2021 RM'000
CET1/ Tier 1 Capital		
Issued capital	**150,000**	150,000
Retained profits	**4,198,590**	4,004,195
	4,348,590	4,154,195
Financial assets at FVOCI* reserves	**(37,188)**	25
Less: Deferred tax assets	**(33,580)**	(20,713)
Less: Regulatory reserves**	**(79,440)**	(89,723)
Total CET1/ Tier 1 Capital	**4,198,382**	4,043,784
Tier 2 Capital		
Allowance for impairment losses	**35,709**	45,533
Add: Regulatory reserves**	**79,440**	89,723
Total Tier 2 Capital	**115,149**	135,256
Total Capital	**4,313,531**	4,179,040

* Fair Value through Other Comprehensive Income ("FVOCI")
** comprise qualifying regulatory reserves for non-impaired loans and financing of Cagamas

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Minimum Regulatory Capital Requirement

The following table presents the minimum capital requirements to support Cagamas' RWA:

Exposure Class **Risk-weighted assets**	**2022** **RM'000**	**2021** **RM'000**
i) Credit Risk	**10,703,611**	9,212,424
ii) Operational Risk	**639,049**	649,569
Total RWA	**11,342,660**	9,861,993
Minimum capital requirement at 10.5%		
i) Credit Risk	**1,123,879**	967,305
ii) Operational Risk	**67,100**	68,205
Total	**1,190,979**	1,035,510

4.0 RISK MANAGEMENT

The Group takes a holistic and enterprise-wide view in managing risk across the subsidiaries with regular evaluation of risks.

4.1 Enterprise Risk Management ("ERM") Framework

ERM forms part of the Group's culture and is embedded into business, operations and decision-making processes and practices. The ERM Framework is geared towards achieving the Group's objectives in the four categories below:

Strategic	**Operations**	**Financial**	**Reporting & Compliance**
high-level goals, aligned with and supporting the Group's mission	effective and efficient use of resources	profitability and sustainability of performance	reliability of reporting and compliance with applicable laws and regulations

In line with the ERM, three lines of defence in managing risks are adopted within the Group. Business units, being the first line of defence have the primary responsibility of identifying, mitigating and managing risks within their lines of business. They also ensure that their day-to-day activities are carried out within established risk policies, procedures and limits.

An independent Risk Management and Compliance Division ("RMD") plays the role of second line of defence by providing specialised resources to proactively manage risks & compliance. This includes the assessment of risk exposures and the coordination of risk management on an enterprise-wide basis. RMD is also responsible for ensuring that risk policies are implemented accordingly.

The Internal Audit Division ("IAD") being the third line of defence is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with internal risk policies.

4.0 RISK MANAGEMENT (CONTINUED)

4.2 Risk Governance Structure

Board of Directors
("BOD" or "the Board")

- Sets the overall strategic direction for the Group;
- Provides oversight to ensure that Management has appropriate risk management systems and practices to manage risks associated with the Group's operations and activities;
- Sets the risk appetite and tolerance levels that are consistent with the Group's overall business objectives and desired risk profile;
- Reviews and approves all significant risk management policies and risk exposures.

Board Risk Committee
("BRC")

Assists the Board by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks. The BRC is supported by management committees which address key risks identified.

Management Executive Committee ("MEC")	**Asset Liability Committee ("ALCO")**
Undertake the oversight function for overall risk limits, aligning them to the risk appetite set by the Board.	Undertake the oversight function for liquidity management and capital allocation, aligning them to the risk appetite set by the Board.

Management

Responsible for the implementation of policies laid down by the Board and ensuring there are adequate and effective operational procedures, internal controls and systems to support these policies.

First Line of Defence	*Second Line of Defence*	*Third Line of Defence*
Business and Support Function	**Risk Management & Compliance Division ("RMD")**	**Internal Audit Department ("IAD")**
Primary responsibility of identifying, mitigating and managing risks within their lines of business. They also ensure that their day-to-day activities are carried out within established risk policies, procedures and limits.	Monitoring and reporting of risk exposures independently and coordinating the management of risks on an enterprise-wide basis. It is independent of other departments involved in risk taking activities and reports directly to the BRC.	Responsible for independently reviewing the adequacy and effectiveness of risk management processes, system of internal controls and compliance with internal policies.

4.0 RISK MANAGEMENT (CONTINUED)

4.3 Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP primarily involves a comprehensive assessment of all material risks that Cagamas is exposed to, including assessing the adequacy of the capital in relation to its risks and setting capital targets that commensurate with its risk profile and operating environment, taking into consideration Cagamas' business strategy and risk appetite. The following are the main components in the organisation's ICAAP:

Risk Appetite

Risk appetite is the acceptable risk tolerance for each material risk category and other related parameters in achieving business objectives. It does not seek to prevent risk taking. Instead, it ensures that the risks undertaken are aligned to business strategies approved by the BOD.

Material Risk Assessment & Quantification

This component requires analysis of all risks that occur in business activities and recognition of the risks that Cagamas can be exposed to in the future. These include quantifiable and non-quantifiable risks. Risks are aggregated in order to determine the overall risk under the ICAAP, including impact assessment of stress on the internal Total Capital Ratio target.

Stress Testing

A rigorous and forward-looking stress testing is an integral part of ICAAP, enabling assessment of the impact to capital adequacy arising from adverse events or changes in market conditions. Further stress testing would enable Cagamas to assess the vulnerability of its statement of financial position and resilience of financial plans to extreme but plausible stress events.

To ensure effectiveness of stress test results, a range of scenarios is considered which includes at least an adverse economic scenario that is severe but plausible, such as a severe economic downturn and/ or a system-wide shock to liquidity. The stress test would be conducted company-wide covering all relevant risk areas and material entities. Results of the stress test are deliberated by the MEC and reported to the BRC and the Board.

Capital Management

Measurement of the available capital and capital instruments is detailed out in the Capital Management Framework. The components considered as available capital are reviewed or enhanced as and when required to ensure its relevance.

Independent Review

An independent review of ICAAP is performed to review the processes or systems for assessing the various risks that Cagamas is exposed to and for relating the risks to capital levels. The scope includes review of the appropriateness of the ICAAP, the identification of material risks, the reasonableness of stress testing scenarios, the integrity, verifiability and completeness of data inputs and the assumptions used.

5.0 CREDIT RISK

Credit risk is defined as the potential for financial loss resulting from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk arises from PWR and PWOR business, Capital Management Solution ("CMS"), reverse mortgage, investments and treasury hedging activities. Cagamas seeks to take credit risk that meets the underwriting standards while ensuring that the risk taken is commensurate with the return.

Credit Risk Management Oversight and Organisation

The MEC is the senior management committee responsible for the organisation's overall credit risk exposure, taking a proactive view of risks and positioning the credit portfolio. MEC, which is chaired by the President/ Chief Executive Officer ("CEO"), also reviews the credit risk management framework, the credit profile of material portfolios, and aligns credit risk management with business strategy.

Business Units undertake thorough credit assessment prior to submission to the Credit Department of the RMD. The Credit Department will independently assess the counterparty taking into consideration the credit strength of the counterparty and business requirement prior to recommendation to the MEC. The Credit Department is also responsible for formulating and developing credit risk policies and procedures for identifying, measuring, monitoring and reporting credit risk. Credit limits are approved by the MEC within the risk parameters set by the Board.

Regular risk reporting which includes quality of portfolio, changes in counterparties' rating and concentration risk exposures is made to the BRC and the Board for their oversight.

Credit Risk Management Approach

Credit risk management includes the establishment of credit risk policies and procedure manuals wherein the credit processes, controls, approval authority, risk rating/ scoring and credit review are documented. These standards cover credit origination, measurement and documentation as well as problem recognition, classification and remedial actions.

Credit risk is managed via a thorough assessment of the counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financings to be purchased. Credit limits are reviewed periodically and are determined based on the combination of external ratings, internal credit assessment and business requirements. Cagamas has in place an internal credit rating methodology and Management Credit Approving Limit, which sets out the maximum credit approving limit by the MEC.

All credit exposures are monitored on a regular basis and non-compliance is independently reported to the Management and BRC/ BOD for remedy. Financing activities are also guided by internal credit policies, procedure manuals and the Risk Appetite Framework approved by the Board.

5.0 CREDIT RISK (CONTINUED)

Key areas of credit exposures:

(a) Purchase With Recourse ("PWR")

Under the PWR scheme, Cagamas takes on counterparty risk i.e. credit risk of the selling institutions given the latter's undertaking to repurchase or replace ineligible loans. Reviews on counterparties are conducted at least once a year with updated information. There are strict limits on counterparty exposures based on rating and internal credit assessment. In addition, concentration risk under PWR is managed and monitored via concentration limits established based on the type of counterparty, type of assets and counterparty rating band.

(b) Purchase Without Recourse ("PWOR")

As for the PWOR scheme, Cagamas absorbs all the credit risk of the loans and financing acquired wherein purchases are restricted to the approved sellers and type of assets. Purchase of these loans is managed via adherence to stringent eligibility criteria and due diligence on a sample of the portfolio prior to the purchase. To further mitigate credit risks, PWOR purchases may include loans with an automated salary deduction feature. These portfolios are monitored via concentration limits based on property types and location.

(c) Capital Management Solutions ("CMS"), Investment and Derivatives Activities

The management of credit risk arising from the investment of surplus funds is primarily via the setting of counterparty credit limits. These credit limits are established following an assessment of the counterparty's creditworthiness and is subject to the credit policy on investment which stipulates the minimum investment grade for debt securities and the maximum tenure. The policy is subject to regular review. Credit exposures are also controlled through independent monitoring and reporting of excesses and breaches against approved limits and risk mitigation thresholds.

Cagamas' exposures to Interest Rate Swaps ("IRS"), Islamic Profit Rate Swaps ("IPRS"), Cross Currency Swaps ("CCS") and Islamic Cross Currency Swaps ("ICCS") are for hedging purposes only.

5.1 Credit Risk Mitigation

Credit limits are assigned on the basis of the counterparty's credit standing, source of repayment, debt servicing ability and business requirements.

Under the PWR scheme, Cagamas accepts guarantee from the parent company of corporate and institutional counterparties to mitigate credit risk subject to internal guidelines and policy. Credit exposure which is secured by a guarantee from an eligible guarantor, the portion of the exposure is weighted according to the risk weight appropriate to the guarantor. In accordance with BNM's RWCAF guidelines, this guarantee shall not be considered again for credit risk mitigation purposes as the rating has already taken into account the guarantee provided by the parent of the counterparty.

5.0 CREDIT RISK (CONTINUED)

5.1 Credit Risk Mitigation (continued)

The following table presents the minimum regulatory capital requirement for credit risk:

	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	RWA RM'000	Minimum Capital Requirement at 10.5% RM'000
2022				
Exposure Class Credit Risk				
On-balance sheet exposure:				
Sovereign & Central Bank	**1,953,553**	**1,953,553**	**–**	**–**
Banks, Development Financial Institutions & Multilateral Development Banks	**35,147,296**	**35,147,296**	**8,943,333**	**939,050**
Corporates & Leasing Companies	**1,238,148**	**1,238,148**	**270,150**	**28,366**
Mortgage Assets	**7,664,760**	**7,664,760**	**1,250,613**	**131,314**
Hire Purchase Assets	**15**	**15**	**4**	**–**
Reverse Mortgage Assets	**552**	**552**	**193**	**20**
Other Assets	**61,747**	**61,747**	**61,746**	**6,484**
Defaulted Exposures	**37,458**	**37,458**	**150,208**	**15,772**
Total	**46,103,529**	**46,103,529**	**10,676,247**	**1,121,006**
Off-balance sheet exposure:				
Derivative Financial Instruments	**239,405**	**239,405**	**27,364**	**2,873**
Total Credit Exposures	**46,342,934**	**46,342,934**	**10,703,611**	**1,123,879**
2021				
Exposure Class Credit Risk				
On-balance sheet exposure:				
Sovereign & Central Bank	1,682,433	1,682,433	–	–
Banks, Development Financial Institutions & Multilateral Development Banks	28,397,557	28,397,557	7,033,432	738, 510
Corporates & Leasing Companies	1,189,662	1,189,662	283,173	29,733
Mortgage Assets	8,527,526	8,527,526	1,625,899	170,719
Hire Purchase Assets	28	28	7	1
Other Assets	40,207	40,207	40,206	4,223
Defaulted Exposures	50,887	50,887	204,058	21,426
Total	39,888,300	39,888,300	9,186,775	964,612
Off-balance sheet exposure:				
Derivative Financial Instruments	157,851	157,851	25,649	2,693
Total Credit Exposures	40,046,151	40,046,151	9,212,424	967,305

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures

Cagamas' counterparties are mainly the Government of Malaysia ("GOM"), financial institutions, development financial institutions and corporate companies in Malaysia. The following tables present the analysis of credit exposure of financial assets before the effect of credit risk mitigation by:

(a) Industrial analysis based on its industrial distribution:

2022	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivative financial instruments RM'000	Financial assets at FVOCI* RM'000	Financial asset at amortised cost 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	Reverse Mortgage RM'000	Other assets RM'000	Total RM'000
Government bodies	-	-	-	1,542,101	-	-		-	-	-	-	353	1,524,454
Financial institutions:													
- Commercial banks	159,765	132,570	102,583	618,961	1,817,754	16,641,501	14,981,115	-	-	-	-	-	34,454,249
- Development banks	-	-	-	202,129	-	-	501,169	-	-	-	-	-	703,298
Communications, electricity, gas and water	-	-	-	300,140	-	-	-	-	-	-	-	-	300,140
Transportation	-	-	-	381,397	-	-	-	-	-	-	-	-	381,397
Leasing	-	-	-	-	-	456,245	-	-	-	-	-	-	456,245
Consumers	-	-	-	-	-	-	-	3,426,761	4,275,424	50	552		7,702,787
Corporate	-	-	-	375,365	-	-	-	-	-	-	-	-	375,365
Construction	-	-	-	56,201	-	-	-	-	-	-	-	-	56,201
Others	-	-	-	35,177	-	-	-	-	-	-	-	30,947	66,124
Total	159,765	132,570	102,583	3,493,471	1,817,754	17,097,746	15,482,284	3,426,761	4,275,424	50	552	31,300	46,020,260

* Fair Value through Other Comprehensive Income ("FVOCI")

** Fair Value through Profit or Loss ("FVTPL")

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(a) Industrial analysis based on its industrial distribution (continued):

2021	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivative financial instruments RM'000	Financial assets at FVOCI* RM'000	Financial assets at FVTPL** RM'000	Financial asset at amortised cost 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
Government bodies	-	-	-	1,326,500	-	-	-	-	-	-	-	377	1,326,877
Financial institutions:													
- Commercial banks	248,888	172,021	29,607	326,901	123,132	354,353	16,548,478	9,954,993	-	-	-	-	27,758,373
- Development banks	70,055	-	-	260,617	-	-	-	318,754	-	-	-	-	649,426
Communications, electricity, gas and water	-	-	-	242,565	-	-	-	-	-	-	-	-	242,565
Transportation	-	-	-	286,218	-	-	-	-	-	-	-	-	286,218
Leasing	-	-	-	-	-	-	592,697	-	-	-	-	-	592,697
Consumers	-	-	-	-	-	-	-	-	3,886,956	4,691,424	62	-	8,578,442
Corporate	-	-	-	225,882	-	-	-	-	-	-	-	-	225,882
Construction	-	-	-	98,377	-	-	-	-	-	-	-	-	98,377
Others	-	-	-	25,034	-	-	-	-	-	-	-	5,167	30,201
Total	318,943	172,021	29,607	2,792,094	123,132	354,353	17,141,175	10,273,747	3,886,956	4,691,424	62	5,544	39,789,058

* Fair Value through Other Comprehensive Income ("FVOCI")

** Fair Value through Profit or Loss ("FVTPL")

(b) Geographical location analysis is not applicable because all credit exposures comprises of domestic exposures.

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(c) Maturity analysis based on the residual contractual maturity

2022	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
On-balance sheet exposure:						
Cash and short-term funds	158,354	–	–	–	1,411	159,765
Deposits and placements with financial institutions	132,570	–	–	–	–	132,570
Financial assets at FVOCI	1,172,957	493,730	475,704	1,351,080	–	3,493,471
Financial asset at amortised cost	–	–	–	1,820,889	(3,135)	1,817,754
Amount due from counterparties	–	11,119,106	1,529,429	4,449,227	(16)	17,097,746
Islamic financing assets	–	9,509,737	4,027,529	1,945,111	(93)	15,482,284
Mortgage assets:						
– Conventional	570,966	710,627	654,002	1,506,063	(14,897)	3,426,761
– Islamic	617,661	791,051	721,141	2,162,762	(17,191)	4,275,424
Hire purchase assets:						
– Islamic	62	–	–	–	(12)	50
Reverse Mortgage	–	–	–	–	552	552
Other assets	5,577	6,767	–	9,428	195,380	217,152
Total on-balance sheet exposure	**2,658,147**	**22,631,018**	**7,407,805**	**13,244,560**	**161,999**	**46,103,529**
Off-balance sheet exposure:						
IRS/ IPRS	6,801	16,767	–	28,629	–	52,197
CCS	154,971	32,237	–	–	–	187,208
Total	**2,819,919**	**22,680,022**	**7,407,805**	**13,273,189**	**161,999**	**46,342,934**

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(c) Maturity analysis based on the residual contractual maturity (continued)

2021	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
On-balance sheet exposure:						
Cash and short-term funds	299,456	–	–	–	19,487	318,943
Deposits and placements with financial institutions	172,021	–	–	–	–	172,021
Financial assets at FVTPL	123,132	–	–	–	–	123,132
Financial assets at FVOCI	677,907	594,477	341,312	1,178,398	–	2,792,094
Financial asset at amortised cost	–	–	–	355,508	(1,155)	354,353
Amount due from counterparties	9,612,698	6,890,791	226,134	411,571	(19)	17,141,175
Islamic financing assets	2,768,566	7,505,242	–	–	(61)	10,273,747
Mortgage assets:						
– Conventional	652,653	846,026	715,011	1,694,605	(21,339)	3,886,956
– Islamic	595,770	755,159	739,961	2,623,166	(22,632)	4,691,424
Hire purchase assets:						
– Islamic	74	–	–	–	(12)	62
Other assets	6,623	2,656	–	20,367	104,747	134,393
Total on-balance sheet exposure	**14,908,900**	**16,594,351**	**2,022,418**	**6,283,615**	**79,016**	**39,888,300**
Off-balance sheet exposure:						
IRS/ IPRS	2,325	9,556	–	41,167	–	53,048
CCS	42,607	62,196	–	–	–	104,803
Total	**14,953,832**	**16,666,103**	**2,022,418**	**6,324,782**	**79,016**	**40,046,151**

5.0 CREDIT RISK (CONTINUED)

5.3 Off-Balance Sheet Exposure and Counterparty Credit Risk ("CCR")

CCR on derivative financial instruments is the risk that a counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to or on maturity date of the contract and Cagamas, at the relevant time has a claim on the counterparty. Derivative financial instruments restricted to interest rate and foreign exchange related contracts are entered into solely for hedging purposes.

Off-Balance Sheet Exposures

	Principal Amount RM'000	Positive Fair Value of Derivatives Contracts RM'000	Credit Equivalent Amount RM'000	RWA RM'000
2022				
Derivative Financial Instruments	**4,663,125**	**102,583**	**239,405**	**27,364**
IRS/ IPRS				
– Less than 1 year	**490,000**	**5,577**	**6,801**	**245**
– 1 year to less than 5 years	**1,000,000**	**6,767**	**16,767**	**2,000**
– 5 years and above	**160,000**	**9,428**	**28,629**	**3,840**
CCS				
– Less than 1 year	**2,705,125**	**67,054**	**154,971**	**17,583**
– 1 year to less than 5 years	**308,000**	**13,757**	**32,237**	**3,696**
2020				
Derivative Financial Instruments	4,478,240	29,607	157,851	25,649
IRS/ IPRS				
– Less than 1 year	1,165,000	12	2,324	463
– 1 year to less than 5 years	590,000	2,656	9,556	1,380
– 5 years and above	160,000	20,367	41,168	4,160
CCS				
– Less than 1 year	1,526,640	6,572	42,607	7,207
– 1 year to less than 5 years	1,036,600	–	62,196	12,439

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating

5.4.1 Assignment of risk weights under the Standardised Approach

Under the Standardised Approach, the credit rating assigned by the credit rating agencies is used in the calculation of credit risk-weighted assets for PWR, IRS/ IPRS and CCS in accordance with BNM RWCAF. Rating agencies or External Credit Assessment Institutions ("ECAI") recognised by BNM are as follows:

(i) Standard & Poor's Rating Services ("S&P");
(ii) Moody's Investors Service ("Moody's");
(iii) Fitch Ratings ("Fitch");
(iv) RAM Rating Services Berhad ("RAM");
(v) Malaysian Rating Corporation Berhad ("MARC"); and
(vi) Rating & Investment Information, Inc ("R&I").

In accordance with BNM's RWCAF, where the exposure is rated by more than one external rating agency, risk-weight shall be determined based on the second highest rating. For Cagamas, if exposure is denominated in local currency and where the exposure is rated by more than one external rating agency, risk weight is determined based on the second highest local rating. The counterparty shall be deemed as unrated when an exposure is not rated by an ECAI whilst the exposure which is secured by an explicit guarantee issued by an eligible or rated guarantor, rating similar to that of the guarantor is assigned.

The following table presents the credit exposures of Cagamas after the effect of credit risk mitigation by risk-weights:

Risk Weights	Sovereign & Central Bank RM'000	FI & DFI* RM'000	Corporates & Leasing Companies RM'000	Other Assets RM'000	RWA RM'000
2022					
0%	**1,953,553**	**–**	**–**	**1**	**–**
10%	**–**	**–**	**–**	**–**	**–**
20%	**–**	**29,007,122**	**1,163,080**	**–**	**6,013,524**
50%	**–**	**6,379,579**	**75,068**	**–**	**3,227,323**
100%	**–**	**–**	**–**	**61,746**	**61,746**
Total	**1,953,553**	**35,386,701**	**1,238,148**	**61,747**	**9,302,593**
Average Risk Weights	**0.0%**	**25.4%**	**21.8%**	**100.00%**	**24.1%**
2021					
0%	1,682,433	–	–	1	–
10%	–	–	–	–	–
20%	–	24,042,336	1,038,860	–	5,010,317
50%	–	4,513,072	150,802	–	2,331,937
100%	–	–	–	40,206	40,206
Total	1,682,433	28,555,408	1,189,662	40,207	7,382,460
Average Risk Weights	0.0%	24.7%	23.8%	100.0%	23.5%

* Financial Institutions ("FI")
Development Financial Institutions ("DFI")

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

5.4.1 Assignment of risk weights under the Standardised Approach (continued)

The following table is a summary of the risk weight mapping matrix and the allocation of risk weights under the Standardised Approach:

	Rating of Counterparties by Approved ECAIs				
Exposure class:					
Moody's	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
S&P	**AAA to AA–**	**A+ to A–**	**BBB+ to BB–**	**B+ to D**	**Unrated**
Fitch	**AAA to AA–**	**A+ to A–**	**BBB+ to BB–**	**B+ to D**	**Unrated**
RAM	**AAA to AA3**	**A1 to A3**	**BBB1 to BB3**	**B1 to C**	**Unrated**
MARC	**AAA to AA–**	**A+ to A–**	**BBB+ to BB–**	**B+ to D**	**Unrated**
R&I	**AAA to AA–**	**A+ to A–**	**BBB+ to BB–**	**B+ to D**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-balance sheet exposure					
2022					
Sovereign/ Central Bank#	**1,953,553**	**–**	**–**	**–**	**–**
FI and DFI	**29,007,122**	**6,379,579**	**–**	**–**	**–**
Corporates and Leasing Companies	**1,163,080**	**75,068**	**–**	**–**	**–**
Other Assets	**–**	**–**	**–**	**–**	**61,747**
Total	**32,123,755**	**6,454,647**	**–**	**–**	**61,747**
2021					
Sovereign/ Central Bank#	1,682,433	–	–	–	–
FI and DFI	24,042,335	4,513,073	–	–	–
Corporates and Leasing Companies	1,038,860	150,802	–	–	–
Other Assets	–	–	–	–	40,207
Total	26,763,628	4,663,875	–	–	40,207

\# Under BNM RWCAF, exposures to and/ or guaranteed by the Federal Government of Malaysia are accorded a preferential sovereign risk weight of 0%.

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

5.4.2 Assignment of risk-weights under the Advanced Internal Rating Based ("AIRB") Approach

Cagamas adopts the AIRB approach for its PWOR exposure which primarily consists of mortgage loans and hire purchase loans using 3 key parameters i.e. Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") to quantify credit risk.

The risk estimates are developed based on internal historical data wherein the historical behaviour of the portfolio forms the basis for the computation of PD and LGD. EAD is the exposure when default occurs.

Disclosure on exposure by PD range:

	EAD RM'000	LGD %	Exposure Weighted Average RW %	RWA RM'000
2022				
Mortgage assets				
PD range:				
up to 3%	**8,332,112**	**32.08%**	**14.89%**	**1,240,862**
>3% to <100%	**3,154**	**32.08%**	**169.15%**	**5,335**
100%	**37,423**	**32.08%**	**401.00%**	**150,068**
Hire purchase assets				
PD range:				
up to 3%	**29,681**	**32.08%**	**14.89%**	**4,420**
>3% to <100%	**–**	**–**	**–**	**–**
100%	**35**	**32.08%**	**401.00%**	**140**
Total	**8,402,405**			**1,400,825**
2021				
Mortgage assets				
PD range:				
up to 3%	9,409,894	32.08%	17.20%	1,618,803
>3% to <100%	3,961	32.08%	179.14%	7,096
100%	50,852	32.08%	401.00%	203,918
Hire purchase assets				
PD range:				
up to 3%	40	32.08%	17.20%	7
>3% to <100%	–	–	–	–
100%	35	32.08%	401.00%	140
Total	9,464,782			1,829,964

5.0 CREDIT RISK (CONTINUED)

5.5 Past Due and Impaired Loans

Refer to Note 2 of the Financial Statements for the accounting policies and accounting estimates on impairment assessment for loans and financing. This credit impairment policy is applicable to the Group.

(a) The following table is a summary of the impairment allowance by economic purpose:

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000
2022					
Purchase of mortgage assets	**39,820,745**	**37,422**	**39,858,167**	**32,196**	**39,825,971**
Purchase of motor vehicles/ equipment	**456,271**	**36**	**456,307**	**13**	**456,294**
	40,277,016	**37,458**	**40,314,474**	**32,209**	**40,282,265**
2021					
Purchase of mortgage assets	35,393,803	50,851	35,444,654	44,049	35,400,605
Purchase of motor vehicles/ equipment	592,737	36	592,773	14	592,759
	35,986,540	50,887	36,037,427	44,063	35,993,364

5.0 CREDIT RISK (CONTINUED)

5.5 Past Due and Impaired Loans (continued)

(b) The following table is a summary of the impairment allowance by product-type:

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000
2022					
Amount due from counterparties	**17,097,762**	**–**	**17,097,762**	**16**	**17,097,746**
Islamic financing assets	**15,482,377**	**–**	**15,482,377**	**93**	**15,482,284**
Mortgage Assets:					
– Conventional	**3,423,344**	**18,314**	**3,441,658**	**14,897**	**3,426,761**
– Islamic	**4,273,507**	**19,108**	**4,292,615**	**17,191**	**4,275,424**
Hire Purchase Assets:					
– Islamic	**26**	**36**	**62**	**12**	**50**
	40,277,016	**37,458**	**40,314,474**	**32,209**	**40,282,265**
2021					
Amount due from counterparties	17,141,194	–	17,141,194	19	17,141,175
Islamic financing assets	10,273,808	–	10,273,808	61	10,273,747
Mortgage Assets:					
– Conventional	3,880,901	27,394	3,908,295	21,339	3,886,956
– Islamic	4,690,599	23,457	4,714,056	22,632	4,691,424
Hire Purchase Assets:					
– Islamic	38	36	74	12	62
	35,986,540	50,887	36,037,427	44,063	35,993,364

6.0 MARKET & LIQUIDITY RISK

Market risk is the potential loss arising from adverse movement of market prices and rates. Market risk exposure is limited to interest rate and foreign exchange as Cagamas is not engaged in any equity or commodity trading activities. There is also no exposure to interest rate and foreign exchange risk arising from trading activities as it is prohibited.

Liquidity risk arises when funds are insufficient to meet financial obligations when they fall due.

Market and Liquidity Risk Management Oversight and Organisation

The ALCO is the management committee responsible for the management of market and liquidity risk activities including the setting of risk limits. The ALCO, which is chaired by the CEO, reviews Cagamas' market and liquidity risk policies, funding strategy, aligns market and liquidity risk management with business strategies and reviews performance of the investment portfolio, hedged positions, risk limits/ compliance and stress test results.

RMD supports ALCO at the working level and is an independent risk control unit responsible for developing the market and liquidity risk policy and ensuring adequate risk control oversight.

Market and Liquidity Risk Management Approach

Cagamas manages market and liquidity risks by imposing threshold limits which are approved by Management within the parameters approved by the Board based on a risk-return relationship.

Further, a match-funding policy is adhered to where all asset purchases are funded by bonds of closely matched size as well as duration and each transaction is self-sufficient in terms of cash flow. A forward looking liquidity mechanism is in place to promote efficient and effective cash flow management while avoiding excessive concentration of funding.

Cagamas plans its cash flow and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. Liquidity reserves which comprise marketable debt securities are also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

Derivatives instruments such as interest rate swaps and cross currency swaps are used to manage and hedge market risk exposures against fluctuation in interest rates and foreign exchange. Liquidity management processes involve regular monitoring against liquidity risk limits and establishing contingency funding plans. These processes are subject to regular review. Liquidity based on Basel III liquidity coverage ratio and net stable funding ratio is also monitored.

6.0 MARKET & LIQUIDITY RISK (CONTINUED)

6.1 Management of Interest/ Profit Rate Risk in the Banking Book

The interest/ profit rate risk in the banking book is monitored on a monthly basis and exposure is minimal given the match funding approach adopted by Cagamas for its assets and liabilities. The impact on net interest/ profit income is simulated and the following table summarises the impact arising from a 100 basis points parallel shift.

Impact on position as at 31 December	(-100 basis points) Parallel Shift	(+100 basis points) Parallel Shift
	Decline in Net Interest/ Profit Income RM'000	Increase in Net Interest/ Profit Income RM'000
2022	(2,281)	2,284
2021	(14,708)	14,666

6.2 Management of Non-Traded Foreign Exchange Risk

Cagamas is exposed to foreign exchange risk from treasury funding activities when functional currencies are not in Ringgit Malaysia. Foreign currency risk is managed/ hedged by entering into CCS/ ICCS with selected counterparties concurrently with bond issuance and asset purchase to ensure that there is no timing mismatch between cash flows from the underlying assets, obligations on the foreign currency bonds as well as the hedge instrument.

7.0 OPERATIONAL RISK

Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk associated with the organisation's business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

Operational Risk Management Oversight and Organisation

The MEC governs the overall operational risk within the organisation. The Committee meets at least on a quarterly basis and discusses operational risk related issues.

RMD established the Operational Risk Management ("ORM") Framework which clearly defines Cagamas' approach to operational risk management that includes the Risk & Control Self-Assessment/ Operational Risk Policy and Standards ("The Policy"). The Operational Risk Department of RMD provides independent oversight of operational risk monitoring and control. Legal Risk is managed by the Legal Department and where necessary, in consultation with external legal counsel.

7.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Approach

The Operational Risk Management policy codifies the core governing principles for operational risk management and provides a consistent, value added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment.

Business/ Support units constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. These units are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken comply with the Group's operational risk management framework. Each business/ support unit undertakes self-assessment of the risk and control environment to identify, assess and manage its operational risks. Operational risk losses and incidents are reported to Management and BRC through RMD which provides independent assessment.

The Management places a very high value on maintaining an effective control environment to mitigate operational risk. Therefore, a number of tools have been put in place to mitigate this risk. These tools range from:

- Risk & Control Self-Assessment ("RCSA") which is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the organisation. The RCSA is signed-off by the respective department's Senior Management;

- Key risk indicators as early warning signals of increasing risk and/ or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/ monitoring;

- Incident management which is a structured process and system to identify and focus attention on operational 'hotspots' and to minimise the risk impact; and

- Operational loss reporting involves the process of collecting, evaluating, monitoring and reporting operational risk loss, including near-misses, data which provides an important metric in the measurement of key operational risk.

In order to ensure uninterrupted services and to safeguard staff and assets during disaster, Cagamas has put in place a well-defined Business Continuity Management ("BCM") Framework and Policy at enterprise level. BCM comprises of Business Continuity Plan ("BCP") and Disaster Recovery Procedures ("DRP"), which can be activated in the event of business disruption/ disaster. The resilience of these plans under different scenarios are being tested on an ongoing basis through regular BC/ DR exercises.

In managing the global emerging of cyberattacks and cybersecurity risks, Cagamas has implemented robust frameworks and policies, namely Technology Risk Management Framework ("TRMF"), Cyber Resilience Framework ("CRF") and Information Technology Risk Management Policy ("TRMP"). Additionally, comprehensive Data Loss Protection ("DLP") Policy and DLP tool were also implemented to safeguard Cagamas' critical data.

The Basic Indicator Approach (BIA) is used for calculating Operational Risk Weighted Assets.

8.0 SHARIAH GOVERNANCE DISCLOSURE

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

Periodic Shariah reviews/ audits are performed to verify that Islamic products and operations are in compliance with the Shariah opinions or endorsements issued by the independent Shariah Advisor and the Joint Shariah Advisors for sukuk programmes, where applicable. Any incidences of Shariah non-compliance are reported to the independent Shariah Advisor, the Group Board Audit Committee, BRC and the Board. Remedial actions are presented for the endorsement of the independent Shariah Advisor and for notification to the BRC or the Board.

During the financial period under review, no Shariah non-compliance event has been reported.

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