Cagamas Holdings

Cagamas 35 YEARS

2022

ANNUAL
REPORT

Cagamas Holdings 35 YEARS

Contents

This Annual Report is available at https://ar.cagamas.com.my

VISION

To promote **HOME OWNERSHIP** and contribute towards **NATION DEVELOPMENT**

MISSION

- Support the government's initiatives on home ownership
- Provide liquidity to the financial sector as a secondary mortgage corporation
- Contribute towards the growth of the capital markets, Islamic finance and other priority sectors through issuance of innovative instruments
- Offer bespoke risk and capital management solutions in line with the company's objectives
- Embrace a culture of deploying sustainable initiatives
- Promote professionalism, integrity and good corporate governance

GROUP FINANCIAL HIGHLIGHTS
for the financial year ended 31 December 2022

	2013	2014	2015
Revenue (RM million)			
Gross Operating Revenue	1,954.7	1,996.9	1,983.2
Profit Before Tax and Zakat	703.2	546.5	558.3
Profit After Tax and Zakat	527.6	391.2	436.5
Dividend After Tax	22.5	30.0	30.0
Statement of Financial Position (RM million)			
Amount Due From Counterparties	3,825.7	6,540.2	10,971.0
Islamic Financing Assets	6,107.9	6,541.2	5,581.4
Conventional Mortgage Assets	11,064.3	10,189.8	9,354.3
Islamic Mortgage Assets	10,648.2	10,176.2	9,618.6
Total Assets	36,420.0	37,407.7	40,346.8
Unsecured Bearer Bonds and Notes	11,521.7	13,291.6	17,994.7
Sukuk	13,403.0	13,261.7	11,944.0
Residential Mortgage-Backed Securities	3,195.3	2,464.5	2,143.5
Islamic Residential Mortgage-Backed Securities	2,865.3	2,594.2	2,075.5
Paid-up Capital	150.0	150.0	150.0
Reserves	4,614.8	4,983.3	5,414.6
Shareholders' Funds	4,764.8	5,133.3	5,564.6
Per Share			
Earnings (sen)*	351.7	260.8	291.0
Net Tangible Assets (RM)*	31.7	34.2	37.1
Dividend (sen)	15.0	20.0	20.0
Financial Ratios			
Pre-tax Return on Average Shareholders' Funds (%)	15.6	11.0	10.4
After-tax Return on Average Shareholders' Funds (%)	11.7	7.9	8.2
Pre-tax Return on Average Total Assets (%)	2.1	1.5	1.4
After-tax Return on Average Total Assets (%)	1.5	1.1	1.1
Dividend Cover (times)	23.4	13.0	14.6
Total Capital Ratio (%)	39.1	39.9	37.1

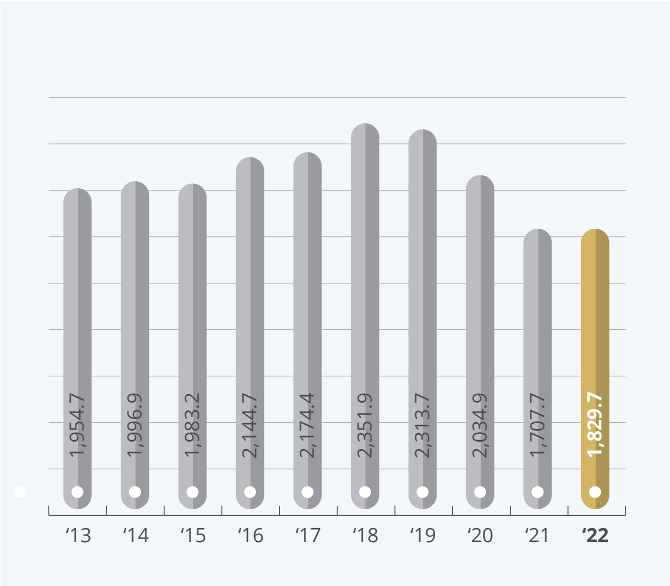
* *Based on 150 million ordinary shares of RM1.00 each.*

2016	2017	2018	2019	2020	2021	2022
2,144.7	2,174.4	2,351.9	2,313.7	2,034.9	1,707.7	**1,829.7**
574.2	548.2	544.0	534.2	512.2	427.9	**446.3**
439.4	414.3	416.5	410.9	383.8	317.6	**335.4**
30.0	30.0	30.0	30.0	30.0	30.0	**30.0**
14,296.2	19,870.4	20,404.9	16,657.2	14,069.2	17,141.2	**17,097.7**
5,307.7	5,544.4	10,030.0	10,842.2	9,662.7	10,273.7	**15,482.3**
8,494.0	7,678.1	6,939.3	6,212.1	5,509.2	4,819.1	**4,167.7**
9,058.7	8,465.4	7,857.9	7,209.4	5,947.2	5,411.9	**4,884.4**
42,972.4	46,812.2	50,701.5	46,346.9	40,244.3	44,124.6	**49,950.8**
20,946.6	25,764.9	26,082.4	20,661.0	17,483.0	19,957.0	**20,414.7**
11,214.9	11,597.9	14,808.5	15,849.9	14,063.4	15,082.0	**20,135.1**
2,143.5	1,270.3	1,270.3	1,009.0	622.7	622.7	**371.4**
2,075.8	1,261.4	1,261.4	1,015.5	612.3	612.3	**291.1**
150.0	150.0	150.0	150.0	150.0	150.0	**150.0**
5,799.6	5,914.7	6,222.7	6,698.5	6,218.9	6,394.9	**6,637.5**
5,949.6	6,064.7	6,372.7	6,848.5	6,368.9	6,544.9	**6,787.5**
292.9	276.2	277.7	274.0	255.9	211.7	**223.6**
39.6	40.3	42.3	45.5	42.3	43.5	**45.1**
20.0	20.0	20.0	20.0	20.0	20.0	**20.0**
10.0	9.1	8.7	8.1	7.8	6.6	**6.7**
7.6	6.9	6.7	6.2	5.8	4.9	**5.0**
1.4	1.2	1.1	1.1	1.2	1.0	**0.9**
1.1	0.9	0.9	0.8	0.9	0.8	**0.7**
14.6	13.8	13.9	13.7	12.8	10.6	**11.2**
38.0	35.1	45.0	44.00	59.1	56.1	**51.0**

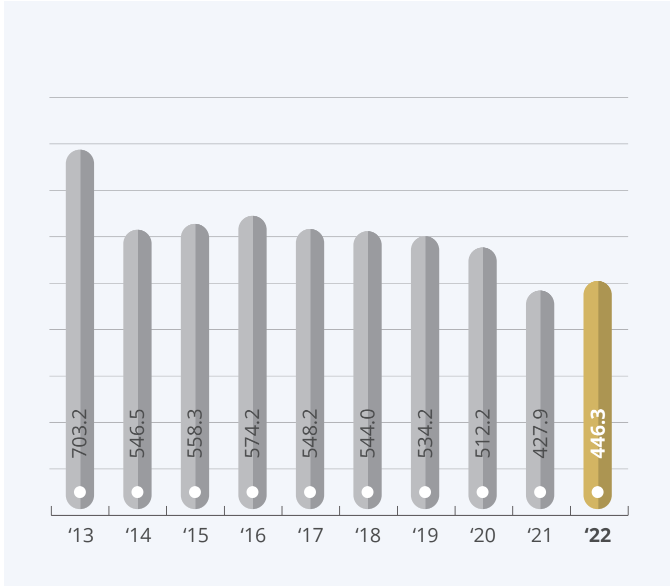
GROUP FINANCIAL HIGHLIGHTS *(continued)*

for the financial year ended 31 December 2022

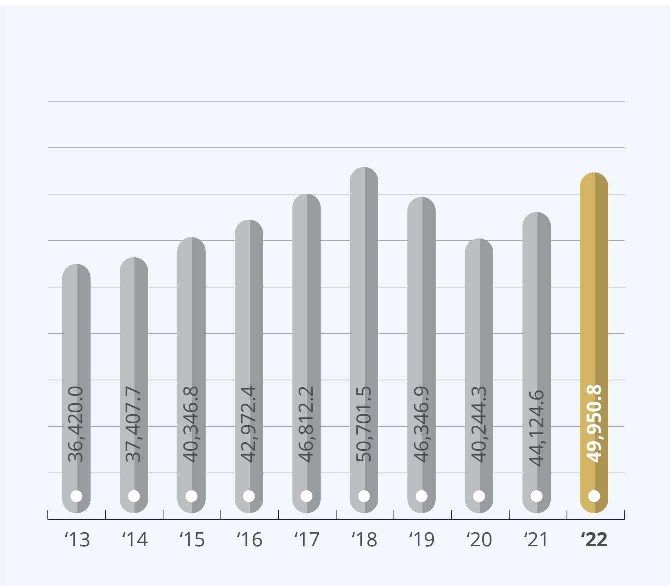
GROSS OPERATING REVENUE (RM million)



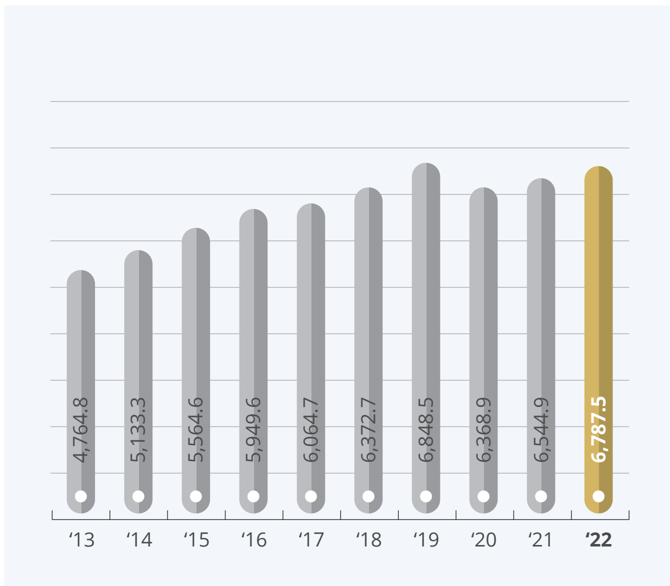
PROFIT BEFORE TAX AND ZAKAT (RM million)



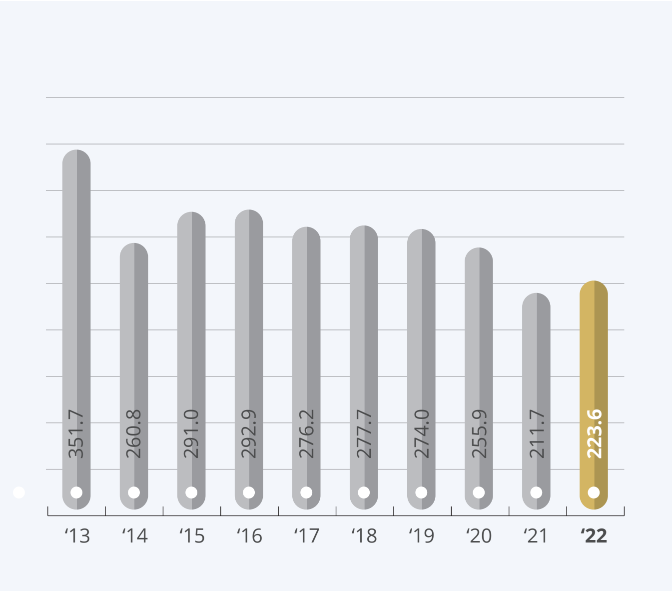
TOTAL ASSETS (RM million)



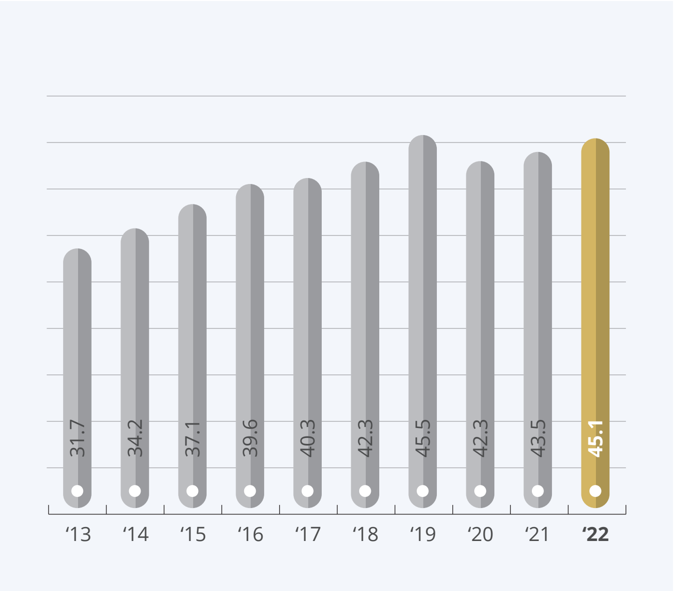
SHAREHOLDERS' FUNDS (RM million)



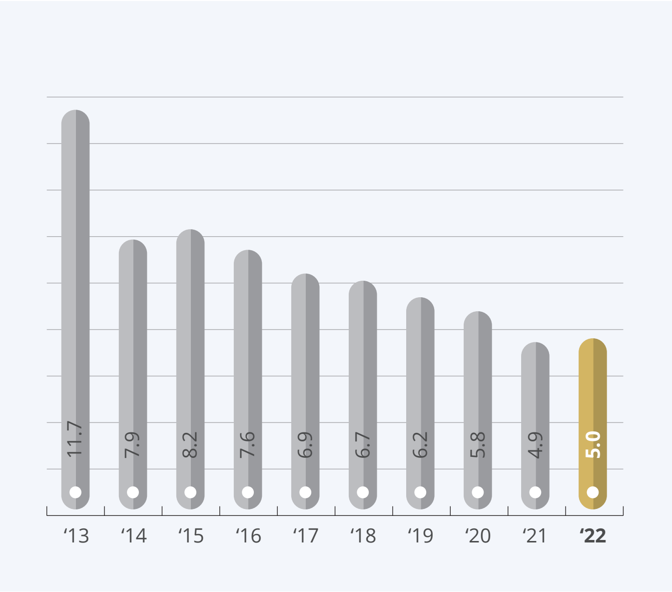
EARNINGS PER SHARE (Sen)*



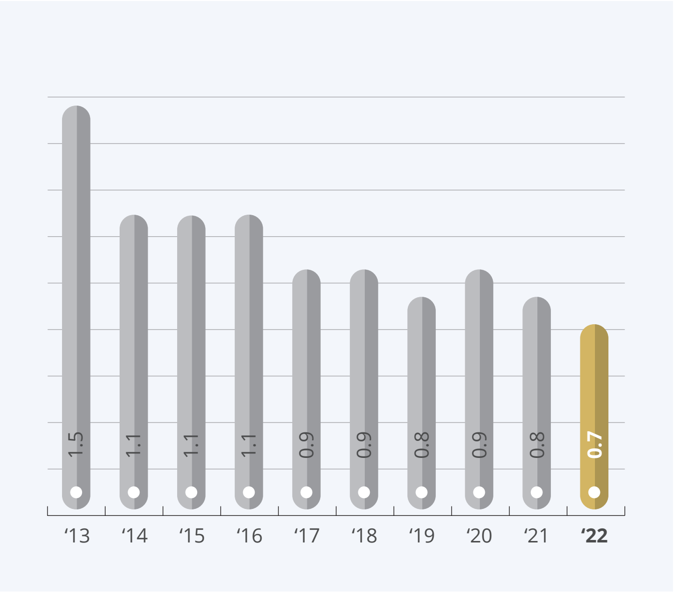
NET TANGIBLE ASSETS (RM)*



AFTER-TAX RETURN ON AVERAGE SHAREHOLDERS' FUNDS (%)



AFTER-TAX RETURN ON AVERAGE TOTAL ASSETS (%)



* *Based on 150 million ordinary shares of RM1.00 each*

CORPORATE INFORMATION

REGISTERED OFFICE

LEVEL 32, THE GARDENS NORTH TOWER
MID VALLEY CITY
LINGKARAN SYED PUTRA
59200 KUALA LUMPUR
TEL : +603-2262 1800
FAX : +603-2282 9125

AUDITORS

MESSRS. PRICEWATERHOUSECOOPERS PLT
LEVEL 10, 1 SENTRAL, JALAN TRAVERS
KUALA LUMPUR SENTRAL
50470 KUALA LUMPUR

COMPANY SECRETARY

MALATHI GOPALAKRISHNA MENON
(LS 0010458)

SSM PRACTISING
CERTIFICATE NO. 202008001689

BANKER

Maybank
MALAYAN BANKING BERHAD

Cagamas.Official

Cagamas Berhad

CagamasOfficial

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www.cagamas.com.my

GROUP CORPORATE STRUCTURE

CAGAMAS HOLDINGS BERHAD

- 100% **CAGAMAS BERHAD**
  - 100% **CAGAMAS GLOBAL P.L.C.** (Incorporated in Labuan, Malaysia)
  - 100% **CAGAMAS GLOBAL SUKUK BERHAD**
- 100% **CAGAMAS MBS BERHAD**[1]
- 100% **CAGAMAS SRP BERHAD**
- 100% **BNM SUKUK BERHAD**
- 100% **CAGAMAS SME BERHAD**
- 100% **CAGAMAS MGP BERHAD**

[1] *One Redeemable Preference Share (RPS) equivalent to 100% RPS shareholding in Cagamas MBS Berhad, held by Cagamas SRP Berhad in trust for Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), was fully redeemed on 21 March 2023.*

CAGAMAS BERHAD AND OTHER SUBSIDIARY COMPANIES

CAGAMAS BERHAD

Cagamas Berhad ("Cagamas"), the National Mortgage Corporation of Malaysia, was established in 1986 to promote home ownership and contribute towards nation development. It supports the growth of the capital markets, Islamic finance and other priority sectors through the issuance of innovative instruments. The provision of liquidity at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost.

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued RM381.1 billion (as at 31 December 2022) of bonds and sukuk, inclusive of issuances by its wholly owned subsidiaries, Cagamas Global P.L.C. ("CGP") and Cagamas Global Sukuk Berhad ("CGS"), that are guaranteed by Cagamas. CGP was incorporated on 4 April 2014 in Labuan as a conventional fund raising vehicle to undertake the issuance of notes in foreign currency, whereas CGS was incorporated on 5 May 2014 as an Islamic fund raising vehicle to undertake the issuance of sukuk in foreign currency.

Cagamas' corporate bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad and AAA/MARC-1 and AAA_{IS}/MARC-1_{IS} by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned local and foreign currency long-term issuer ratings of A3 by Moody's Investors Service that is in line with Malaysian sovereign ratings.

CAGAMAS MBS BERHAD

Cagamas MBS Berhad was incorporated on 8 June 2004 for the purpose of undertaking the purchase of mortgage assets and Islamic mortgage assets from the Government and the issuance of residential mortgage-backed securities and Islamic residential mortgage-backed securities to finance the purchases.

CAGAMAS SRP BERHAD

Cagamas SRP Berhad was incorporated on 7 January 2011 to undertake the guarantee of residential mortgages under the *Skim Rumah Pertamaku* – My First Home Scheme announced by the Government in the 2011 Malaysia Budget and the *Skim Perumahan Belia* – Youth Housing Scheme announced by the Government on 1 October 2015. The provision of guarantees under both schemes is based on the mortgage guarantee programme offered to financial institutions.

BNM SUKUK BERHAD

BNM Sukuk Berhad ("BNM Sukuk") was incorporated on 18 January 2006 for the purpose of undertaking the issuances of Islamic investment securities namely Sukuk BNM Ijarah ("SBI") and Sukuk BNM Murabahah ("SBM") based on Shariah principles. The issuance of SBI is to finance the purchase of assets from Bank Negara Malaysia ("BNM") and thereafter, the assets are leased to BNM for a specified period. The issuance of SBM is to enable BNM to manage liquidity via commodity trading under the principle of Murabahah.

BNM Sukuk has remained dormant since 1 September 2015.

CAGAMAS SME BERHAD

Cagamas SME Berhad ("CSME") was incorporated on 17 February 2006 to undertake the purchase of Small and Medium Enterprise loans and structured product transactions via cash or synthetic securitisations or a combination of both, through the issuance of bonds to finance the purchase.

CSME has remained dormant since 10 October 2012.

CAGAMAS MGP BERHAD

Cagamas MGP Berhad ("CMGP") was incorporated on 14 April 2008 to develop a mortgage guarantee business. Effective 20 December 2012, CMGP became a wholly owned subsidiary of Cagamas Holdings Berhad ("Company") and is intended to complement the Company's other activities and developmental initiatives.

CMGP has remained dormant since 1 January 2014.

SHAREHOLDERS

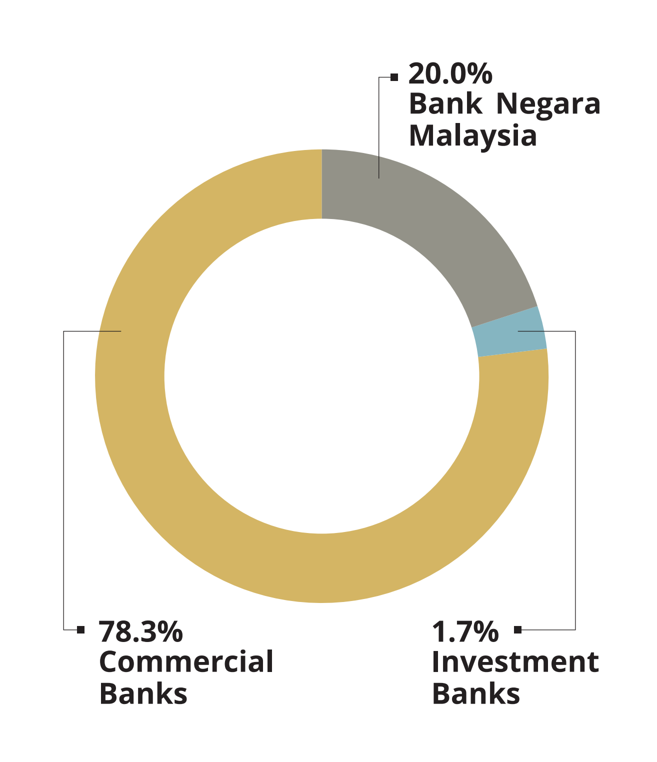
CAGAMAS HOLDINGS BERHAD'S
SHARE CAPITAL STRUCTURE
AS AT 22 MARCH 2023

Issued and Paid-up Capital:

RM150 MILLION

ordinary shares of RM1 each

Shareholding Structure as at 22 March 2023



SHAREHOLDING STRUCTURE
AS AT 22 MARCH 2023

Institutions	% Shareholding	No. of Shareholders	Range of % Shareholding
Bank Negara Malaysia	20.0	1	20.0
Commercial Banks	78.3	18	0.2 – 16.5
Investment Banks	1.7	3	0.4 – 0.8
Total	**100.0**	**22**	

ANALYSIS OF SHAREHOLDINGS
AS AT 22 MARCH 2023

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
300,001 to less than 7,500,000 (less than 5%)	15	68.0	31,395,000	20.9
7,500,000 (5%) and above	7	32.0	118,605,000	79.1

SHAREHOLDERS OF CAGAMAS HOLDINGS BERHAD
AS AT 22 MARCH 2023

Shareholders	No. of Shares	% Shareholding
Bank Negara Malaysia	**30,000,000**	**20.0**
CIMB Bank Berhad	**24,684,000**	**16.5**
Malayan Banking Berhad	**21,279,000**	**14.2**
RHB Bank Group	**12,932,400**	**8.6**
RHB Bank Berhad	11,732,400	7.8
RHB Investment Bank Berhad	1,200,000	0.8
AmBank (M) Berhad	**12,066,000**	**8.0**
Public Bank Group	**10,485,600**	**7.0**
Public Bank Berhad	9,885,600	6.6
Public Investment Bank Berhad	600,000	0.4
Hong Leong Bank Berhad	**8,958,000**	**6.0**
HSBC Bank Malaysia Berhad	**6,201,000**	**4.1**
Alliance Bank Malaysia Berhad	**5,583,000**	**3.7**
Standard Chartered Bank Malaysia Berhad	**4,590,000**	**3.1**
Affin Bank Group	**4,410,000**	**2.9**
Affin Bank Berhad	3,660,000	2.4
Affin Hwang Investment Bank Berhad	750,000	0.5
United Overseas Bank (Malaysia) Berhad	**3,330,000**	**2.2**
OCBC Bank (Malaysia) Berhad	**2,997,000**	**2.0**
MUFG Bank (Malaysia) Berhad	**738,000**	**0.5**
SIBB Berhad	**450,000**	**0.3**
Bangkok Bank Berhad	**369,000**	**0.3**
The Bank of Nova Scotia Berhad	**327,000**	**0.2**
Deutsche Bank (Malaysia) Berhad	**300,000**	**0.2**
Bank of China (Malaysia) Berhad	**300,000**	**0.2**
Total	**150,000,000**	**100.0**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth (16th) Annual General Meeting ("AGM") of Cagamas Holdings Berhad ("the Company") will be held at the Board Room, Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, on Friday, 28 April 2023 at 10.00 a.m. for the transaction of the following business:

AS ORDINARY BUSINESS		
1.	To receive the audited financial statements for the financial year ended 31 December 2022, together with the Reports of the Directors and Auditors thereon.	
2.	To approve the payment of Directors' Fees from the 16th to the 17th AGM as stated below, payable in a manner as the Directors may determine: (i) RM100,000 per annum for the Chairman of the Board; (ii) RM70,000 per annum for the Chairman of Board Committees; and (iii) RM70,000 per annum for the Members of the Board.	**(Ordinary Resolution 1)**
3.	To approve the Directors' benefits comprising meeting allowances payable to the Directors from the 16th to the 17th AGM as stated below: (i) RM5,000 per meeting for the Chairman of the Board/Chairman of Board Committees; and (ii) RM3,500 per meeting for each Member of the Board/Board Committees.	**(Ordinary Resolution 2)**
4.	To re-elect Datuk Siti Zauyah Md Desa who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company's Constitution and being eligible, offers herself for re-election.	**(Ordinary Resolution 3)**
5.	To re-elect Encik Chong Kin Leong who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company's Constitution and being eligible, offers himself for re-election.	**(Ordinary Resolution 4)**
6.	To re-elect Dato' Khairussaleh Ramli who is retiring pursuant to Article 23.2 of the Company's Constitution and being eligible, offers himself for re-election.	**(Ordinary Resolution 5)**
7.	To appoint Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	**(Ordinary Resolution 6)**
8.	To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.	

Virtual/ Live Meeting

Friday, 28 April 2023

10.00 a.m.

By Order of the Board

Malathi Gopalakrishna Menon (LS 0010458)
SSM Practising Certificate No. 202008001689
Company Secretary

Kuala Lumpur
30 March 2023

NOTES

1. A member entitled to attend and vote at the meeting shall be entitled to appoint up to two (2) proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointments shall not be valid unless the member specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. All Proxy Forms must be duly executed and deposited at the Registered Office of the Company at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur or emailed to cosec@cagamas.com.my not less than 48 hours before the time appointed for holding the meeting or adjourned meeting as the case may be.

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

1. Ordinary Resolutions 3, 4 and 5

Re-election of Directors

The Board of Directors is satisfied with the fitness and propriety as well as the contributions of the Directors who are retiring and offering themselves for re-election at this AGM, based on their respective Directors' Fit & Proper Declaration Forms and the annual assessment carried out by the Group Board Governance Committee.

The profiles of the Directors seeking re-election are set out in the "Profile of the Board of Directors" in the Company's 2022 Annual Report.

2. Ordinary Resolution 6

Appointment of Auditors

To appoint Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

The Board of Directors has reviewed the recommendation of the Group Board Audit Committee on the appointment of Messrs. Ernst & Young PLT as the external auditor of the Company for the financial year ending 31 December 2023, which is based on the assessment and evaluation of proposals from four (4) audit firms by an Evaluation Committee comprising members of the Management Team, and has recommended that the proposal be tabled to the shareholders for approval at the AGM of the Company.

AWARDS AND ACCOLADES

THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2022

- **Industry Leadership Award**
- **Best Quasi-Sovereign Sukuk**
  1.5 billion Ringgit triple-tranche Commodity Murabahah Sukuk
- **Islamic Issuer of the Year – Quasi-Sovereign**

GLOBAL ISLAMIC FINANCE AWARDS 2022

- **GIFA Market Leadership Award (Islamic Securitization)**

BPAM BOND MARKET AWARDS 2022

- **Top Issuance – Conventional**
- **Top Issuance – All**

MESSAGE FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

The Cagamas Group of Companies ("the Group") celebrated the 35th anniversary of its main operating entity, Cagamas Berhad ("Cagamas"), in 2022. Cagamas has continued to fulfil its mandate by meeting the needs of the financial markets over the last three decades. Despite the improved business environment in the endemic phase, the transition remains complex and challenging due to economic uncertainties arising from elevated cost pressures and tighter global financial conditions. Nevertheless, the Group continued to demonstrate resilience to deliver a commendable business performance in achieving the targets set under the strategic plan.

The Group, which includes Cagamas, Cagamas MBS Berhad ("CMBS") and Cagamas SRP Berhad ("Cagamas SRP"), continued to show improvement with a pre-tax profit increase to RM446.3 million, compared with RM427.9 million in 2021. Both Cagamas and CMBS remained as the Group's main income generators during the year.

The Financial Institutions ("FIs") sold a total of RM19.3 billion worth of housing mortgages under the Purchase With Recourse ("PWR") scheme in 2022. This record high acquisition reflects the continued importance of Cagamas' intermediary role in providing liquidity for FIs at competitive rates. Moving ahead, the Group will continue to be steadfastly focused on its core purpose and looks towards pursuing growth opportunities which are aligned with market needs. This entails reframing the Group's traditional approach towards liquidity requirements, which include development of alternative liquidity and structured funding solutions for a wider spectrum of counterparties. With these initiatives, the Group hopes to increase its outstanding housing mortgage assets, which currently stand at 4% of a total of RM737.0 billion in the banking system as at December 2022.

In parallel, Cagamas has raised a total fund of RM24.9 billion, with RM22.4 billion from debt securities and RM2.5 billion via interbank transactions. During the year, the Group concluded its first effort to issue Cagamas bonds priced against the Malaysia Overnight Rate ("MYOR") in support of the adoption of new benchmark rates for financial instruments.

The Group advanced its sustainability agenda, adopted since 2020, with successful issuances totalling RM1.6 billion of social and sustainability-related conventional bonds and sukuk in 2022.

Cagamas continued to tap on the foreign currency ("FCY") bond market space in 2022. Bonds totalling SGD615.0 million were issued to underscore its presence in this market. All FCY issuances are fully hedged. Going forward, Cagamas will actively capitalise on comparative advantages in emerging market dynamics, in meeting our funding diversification strategy.

In 2022, Cagamas received a positive response to our newly launched product, SSB/ SSB-i with 25 applications approved, valued at RM24.3 million. This product offering is expected to grow further and to achieve this, Cagamas has developed a shariah compliant product option and extended the availability of SSB/ SSB-i to more cities in Malaysia. Cagamas has also facilitated accessibility by providing a web-based application process, in addition to the current arrangements with the Employees Provident Fund ("EPF") and Agensi Kaunseling dan Pengurusan Kredit ("AKPK").

A very encouraging development in the Group is the achievement of Cagamas SRP in managing Skim Rumah Pertamaku ("SRP") and Skim Perumahan Belia ("SPB"). Since inception, these two schemes have resulted in a tremendous positive societal impact, particularly on young Malaysians. These schemes are funded by the government which had allocated RM420.7 million in the form of guarantee fees as at 31 December 2022. In 2022, SRP recorded a significant increase in new approvals for 27,465 households and both schemes have cumulatively helped 99,940 households. An important point to note is that 88.2% of the total households represent the B40 group and 90.5% comprise youth aged 35 years and below. In terms of value, new loans and financing approved in 2022 amounted to RM7.0 billion, and cumulatively totalled RM23.0 billion as at December 2022. In addition, Cagamas SRP participated as a strategic partner under the i-Biaya initiative which was launched by the Ministry of Local Government Development ("KPKT"). Consequently, SRP was showcased across the country, and this coupled with the promotion by the SRP Participating banks, has generated greater public awareness about the scheme.

Over the last 35 years, the long-standing relationships that have been forged with relevant stakeholders have helped the Group refine its strategic priorities, and the Board will continue to ensure an appropriate balance of opportunity and risk to create sustainable value. I also wish to express my deep appreciation to the management and staff for their resilience, professionalism and commitment throughout the year.

Dato' Bakarudin Ishak
Chairman

MARKET OVERVIEW AND OUTLOOK

MARKET OVERVIEW IN 2022

Global and Domestic Economic Environment

Global economic growth in 2022 was estimated at 3.4%[1] (2021: 6.0%) as recovery continued to be uneven where the full reopening of economies and international borders alongside improvement in labour market conditions were weighed down by the global fight against inflation, geopolitical conflict between Russia and Ukraine as well as a resurgence of COVID-19 in China. Central banks across the globe accelerated the pace of rate increases to manage inflationary pressures driven by post-pandemic pent-up demand and supply chain disruptions resulting in further tightening of financial conditions and cooling consumer and business demand.

In Malaysia, gross domestic product expanded at 8.7%[2] in 2022 (2021: 3.1%) driven by the recovery in private and public sector spending following the easing of COVID-19 restrictions as the Government continued to provide relief measures and support towards rapid and broad recovery of the economy. Expansion was also observed across all economic sectors and notably the services sector as better labour market conditions and continued recovery in tourism activities provided support to growth.

Interest Rate and Liquidity Environment

Bank Negara Malaysia ("BNM") raised the overnight policy rate ("OPR") four times in 2022, each time by 25 basis points ("bps"), taking the OPR from 1.75% to 2.75%, amid global monetary authorities' measure to tighten liquidity in order to tame inflation. BNM's recalibration of monetary policy settings remained accommodative to support sustainable economic growth in an environment of price stability.

The liquidity condition in the banking system remained stable with all banks consistently reporting healthy Liquidity Coverage Ratio of more than 100% and compliance with BNM's Net Stable Funding Ratio minimum requirement of 100%. With the expiration of Statutory Reserve Requirement ("SRR") flexibility on 31 December 2022, all banks are expected to meet the SRR requirement.

Property Market

The resumption of economic activities in the endemic phase brought overall improvement to the property market in 2022. As of Q3 2022, the number of residential housing transactions increased by 52.5% in volume and 40.5% in value year-on-year, indicating that home ownership aspiration in Malaysia remains strong. The Malaysian House Price Index ("MHPI") continued to increase, albeit at a moderating trend and stood at 203.5[3] points, up by 0.7% on annual basis as at Q3 2022.

Bond Market

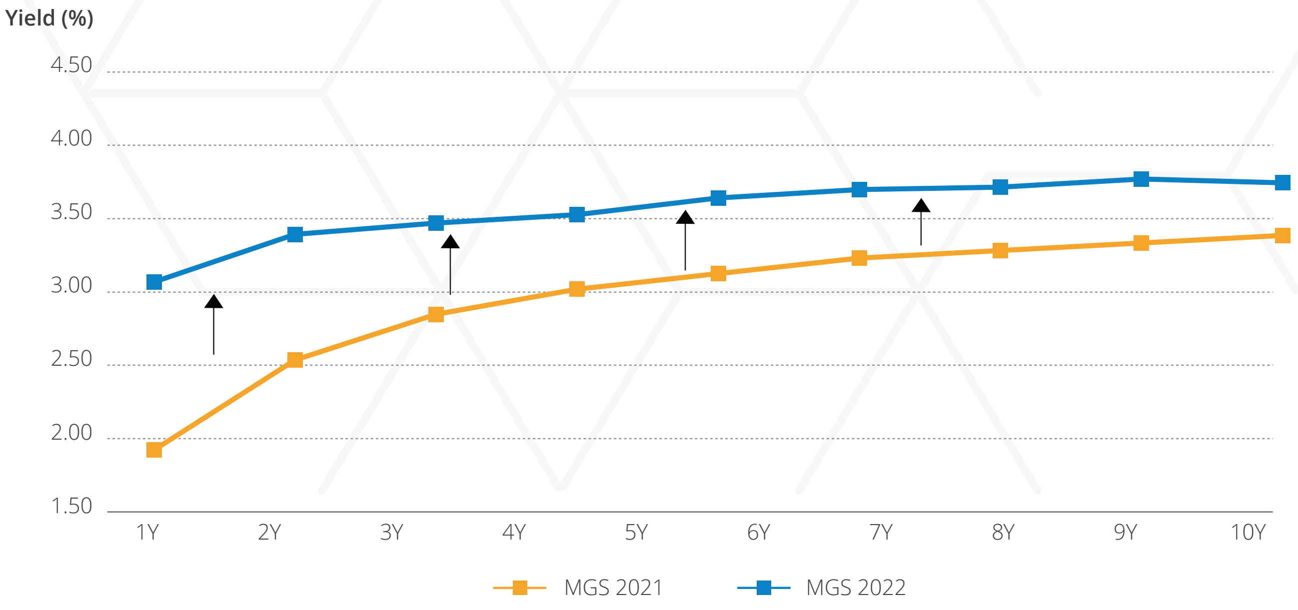
The US Federal Reserve (the "Fed") tightened its monetary policies aggressively in 2022, amid rising global inflationary pressure from continued supply chain disruption, which further deteriorated due to the Russia-Ukraine war. On a year-on-year basis, the Fed had raised its policy rate from 0-0.25% to 4.25-4.50%, the fastest pace in more than 50 years and begun its quantitative tightening program to reduce its balance sheet. The benchmark US 10-year Treasury yield rose to a high of 3.88%, the highest since the global financial crisis, while the 2-year Treasury yield was raised from a low of 0.73% to end the year at 4.43%, resulting in an inverted yield curve in the US Treasury market.

Locally, total issuances of bonds and sukuk including Government papers amounted to RM435.1 billion comprising RM232.0 billion for Government papers and RM203.1 billion for corporate bonds and sukuk. Notable increase was seen in terms of corporate issuances from RM168.0 billion in 2021 to RM203.1 billion in 2022 mainly due to higher issuances by infrastructure, utilities and financial sectors.

The Malaysian Government Securities ("MGS") yield curve climbed significantly higher in tandem with the bearish global bond market. Overall, local bond yields have increased where the benchmark 10-year MGS yield rose by 51 basis points from 3.58% to 4.09% at the end of the year.

1 International Monetary Fund, World Economic Outlook, January 2023
2 Bank Negara Malaysia, Economic & Financial Development, 4Q 2022
3 National Property Information Centre (NAPIC) Malaysia

Chart 1
MGS Yield Comparison for 31 December 2021 vs 31 December 2022



OUTLOOK 2023

- The International Monetary Fund ("IMF") predicts global economic growth to slow down from 3.4% in 2022 to 2.9% in 2023 driven by decline in advanced economies while growth in emerging markets and developing economies is estimated to have bottomed out. The economic outlook in 2023 is subjected to further downside risks, including potentially severe health outcomes in China, escalation of the Russia-Ukraine conflict and tighter global financing conditions which could worsen debt distress.
- Malaysia's economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in the labour market as well as the services and manufacturing sectors. Household spending growth will be underpinned by sustained improvements in employment and income prospects. Tourist arrivals are expected to rise further, boosting tourism-related activities. The ongoing progress of multi-year infrastructure projects will support investment activity.
- BNM is expected to maintain an accommodative monetary policy stance in line with slower monetary policy tightening by major central banks moving forward as inflation showed signs of peaking. The Malaysian fixed income market is expected to perform better in 2023. MGS have priced in much anticipation of OPR while inflation is expected to moderate in 2023. Given the historical yield spread between MGS and the OPR, the bond yields are expected to remain stable.
- The expectation of further increase in the OPR may have some impact on property demand in 2023, although it is not expected to be significant. The residential property sector has continued to face challenges due to global supply chain disruption resulting in high material costs, labour shortages, rising interest rates and inflationary pressures.
- While oversupply in the property market remains a structural challenge, modest growth in property prices and the prudent loan-to-value ratios as well as cautious lending to the residential property segment will limit risks from this sector.

BUSINESS REVIEW

KEY HIGHLIGHTS IN 2022

RM19.3 billion

New record high for Purchase With Recourse on the back of challenging operating environment

Introduced Skim Saraan Bercagar Islamik, the world's first Islamic reverse mortgage programme

and expanded product coverage across major city centres in Malaysia

RM24.9 billion

Total funds raised with more than 90% dominated by domestic issuances of bonds and sukuk

RM200 million

Concluded Malaysia's first floating rate bond based on MYOR reference rate

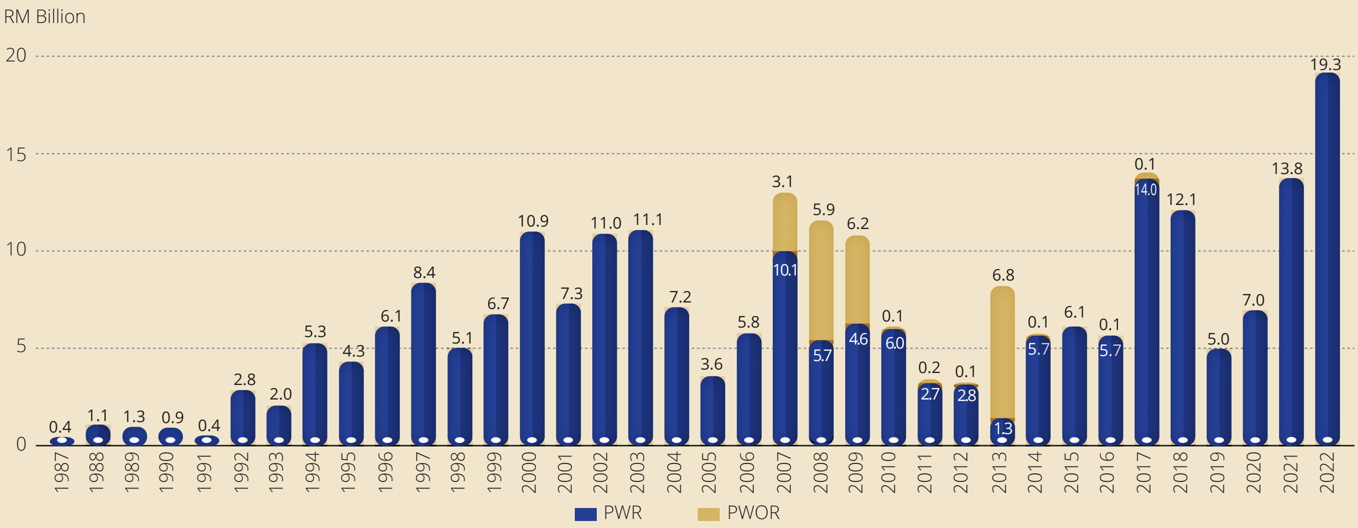
RM1.6 billion

Total sustainability and social-related bonds and sukuk issuances, more than doubled from last year's issuances

PURCHASE OF LOANS AND FINANCING

Cagamas Berhad ("Cagamas") registered new record high purchases of loans and financing under the Purchase With Recourse ("PWR") scheme at RM19.3 billion in 2022 (2021: RM13.8 billion). There were no Purchase Without Recourse ("PWOR") purchases during the year. Cagamas' net outstanding loans and financing increased by 11.9% to RM40.3 billion (2021: RM36.0 billion) mainly backed by residential mortgages which dominated Cagamas' portfolio at 93.0% (2021: 94.3%), followed by personal loan financing at 5.9% (2021: 4.1%) and hire purchase financing at 1.1% (2021: 1.6%). Cagamas' Islamic asset portfolio against conventional asset portfolio increased to a ratio of 49:51 (2021: 42:58), while PWR and PWOR loans and financing portfolio were at 79.5% and 20.5%[4] respectively (2021: 74.3% and 25.7% respectively). Gross and net impaired loans and financing under the PWOR scheme stood at 0.45%[5] (2021: 0.54%) and 0.06%[5] (2021: 0.07%) respectively.

Chart 2
Annual Asset Purchases, 1987-2022



SECURITISATION

As at end 2022, total outstanding Cagamas MBS Berhad's ("CMBS") mortgage-backed securities stood at RM0.7 billion out of the total issuances of RM10.2 billion, comprising RM0.4 billion of conventional bonds and RM0.3 billion of sukuk. The outstanding CMBS bonds and sukuk are expected to mature in stages and be fully redeemed by August 2027. During the year, there were no new securitisation transactions.

CAPITAL MANAGEMENT SOLUTIONS

As part of Cagamas' role in providing innovative risk and capital management solutions to financial institutions ("FIs") to lock-in long term unsecured funding, the outstanding subordinated debt issuances by FIs under Cagamas' Capital Management Solutions ("CMS") in 2022 was RM1.8 billion (December 2021: RM0.4 billion). Although CMS is viewed to be riskier due to its unsecured and subordinated features, Cagamas has put in place risk controls for subscription amount, credit rating and concentration limits in order to quantify and limit the associated risk.

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4 Gross loans and financing before loan loss provision and accretion
5 Gross and net impaired loans included the accretion of discount

MORTGAGE GUARANTEE

Cagamas SRP Berhad ("Cagamas SRP") offers mortgage guarantee as a "first loss" protection on the residential mortgage home financing portfolio of FIs. For first time house buyers, the guarantee serves as a useful facility to obtain up to 110% financing, enabling home ownership without having the need to make a down payment through *Skim Rumah Pertamaku* ("SRP"). This is in line with the Government's aspirations to increase home ownership amongst the "*rakyat*".

As at 31 December 2022, Cagamas SRP's cumulative guarantee exposure to the SRP scheme was RM2,292.8 million as compared with RM1,528.5 million in 2021. In addition, the outstanding cumulative exposure to *Skim Perumahan Belia* ("SPB") which has been discontinued in 2020, stood at RM177.4 million.

The value and number of new loans and financing approved with guarantee cover under SRP have increased, owing primarily to greater public awareness of the scheme through multiple roadshows in support of the Ministry of Local Government Development *(Kementerian Pembangunan Kerajaan Tempatan*, "KPKT") throughout 2022. SRP was also 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 the M40 and B40 low-income groups to own homes. In 2022, the total value of new loans and financing approved for SRP was RM7 billion benefitting 27,465 individuals/households.

Since the launch of SRP and SPB in 2011 and 2015 respectively, Cagamas SRP has provided guarantees for housing loans and financing totalling RM23 billion enabling 99,940 individuals/households to own their first home, of which 88.2% are from the B40 segment.

Table 1
Skim Rumah Pertamaku ("SRP")

	2011-2021	2011-2022	Growth
Guarantee Exposure (RM'mil)	1,528.5	2,292.8	+50.0%
Loans and Financing Value (RM'mil)	14,078.7	21,072.0	+49.7%
Number of Loans and Financing Approved	63,869	91,334	+43.0%

Note: Latest figures may differ with previous reporting due to revisions requested by counterparties

Chart 3
SRP: Income Range by Number of Loans

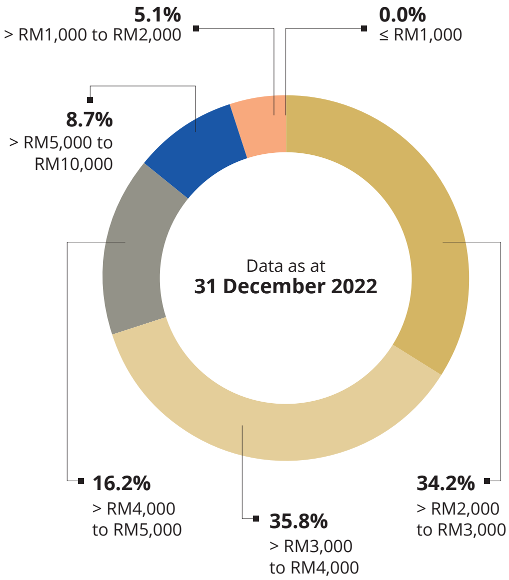


Chart 4
SRP: Age Range by Number of Loans

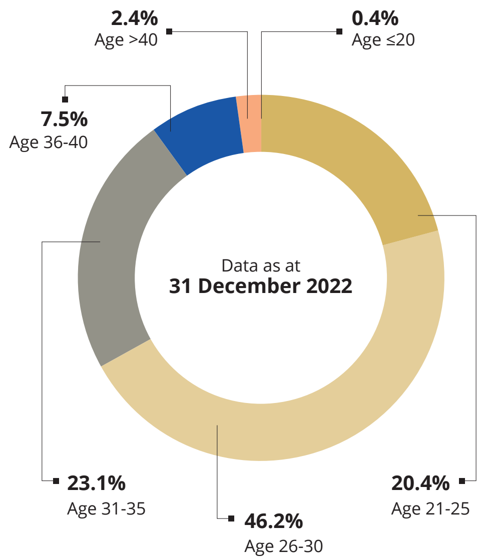
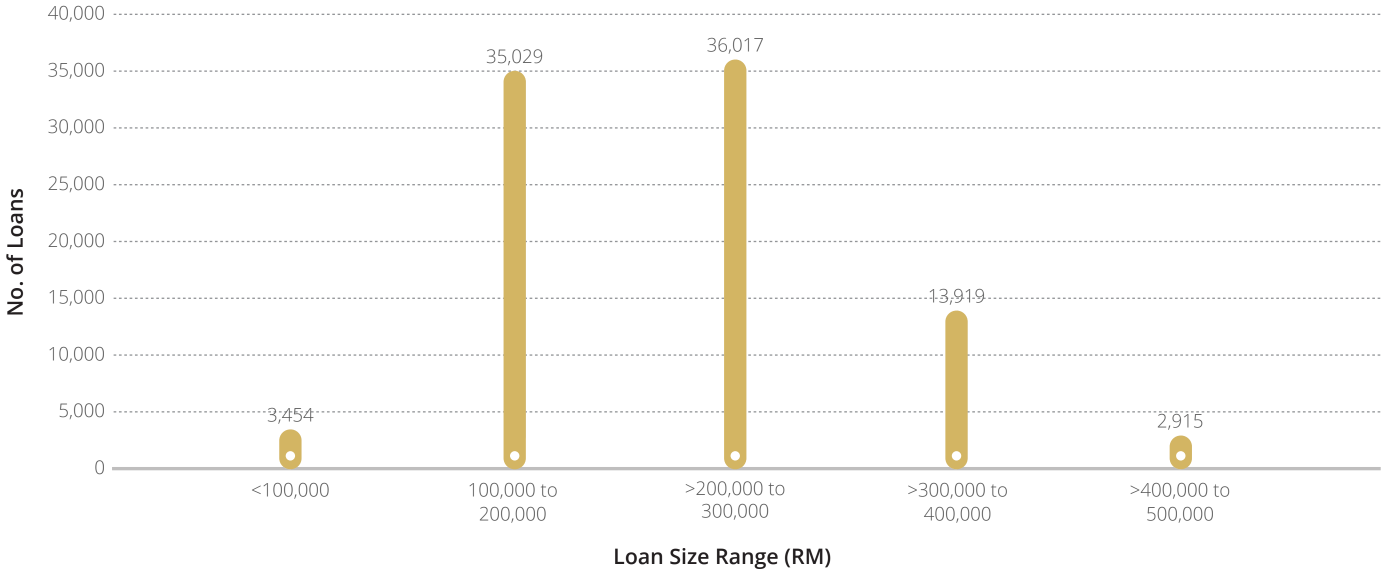


Chart 5
SRP: Loan Size Range by Number of Loans (as at 31 December 2022)



REVERSE MORTGAGE

Cagamas' reverse mortgage programme known as Skim Saraan Bercagar ("SSB") allows senior homeowners to convert their home equity in exchange for a steady stream of monthly income and provides a form of social security to the elderly homeowners for retirement. Cagamas allocated RM100 million from its internal funds to support this initiative.

In October 2022, Cagamas introduced Skim Saraan Bercagar Islamik ("SSB-i"), the world's first Islamic reverse mortgage programme and expanded the SSB and SSB-i schemes beyond Klang Valley to include Johor Bahru, Penang Island, Ipoh, Malacca City and Seremban. In addition, to improve customer experience through digitalisation, an online application is now available through Cagamas' SSB website.

With the various new developments made in 2022, a higher take-up rate is expected as more retirees will be able to benefit from SSB and SSB-i. As of December 2022, the SSB programme has approved 25 loans applications totalling RM24.3 million.

ISSUANCE OF BONDS AND SUKUK

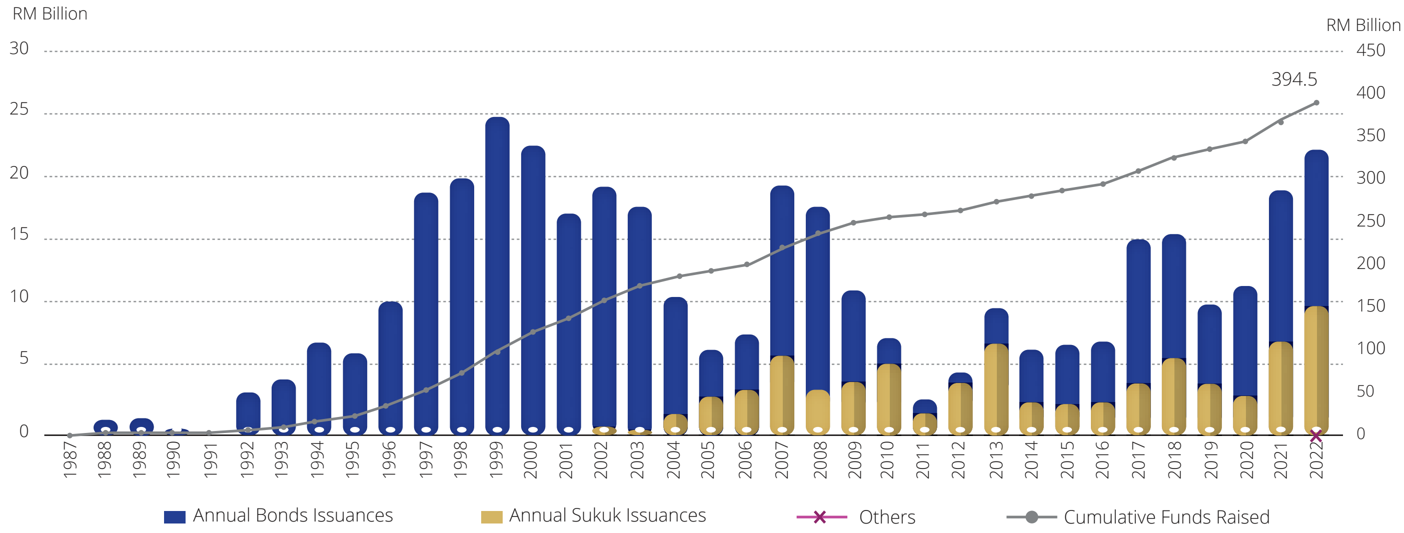
Since 1987 until end 2022, Cagamas Holdings Berhad and its subsidiaries had cumulatively issued a total of RM391.9 billion equivalent of corporate bonds and sukuk, of which RM83.4 billion or 21.3% comprised of sukuk and RM14.9[6] billion equivalent or 3.8% in Foreign Currency ("FCY") issuances.

In 2022, Cagamas had raised a total fund of RM24.9 billion (2021: RM19.2 billion) with RM22.4 billion through debt securities and RM2.5 billion from other funding sources[7]. More than 90% of Cagamas' total borrowings are primarily dominated by domestic issuances with the balance being in FCY from six (6) SGD issuances. Despite the volatility in the foreign exchange market, Cagamas had successfully issued bonds totalling SGD615 million[8] in 2022, which are fully hedged, signalling continued investors' interest in the Company's FCY papers. Although issuances have been dominated by local currencies to date, Cagamas remains focused on selecting the most competitive and optimal funding options from both local and foreign currencies.

[6] Foreign currency issuances of RM14.9 billion equivalent valued as at issue date
[7] Includes repurchase agreements and interbank borrowings
[8] Equivalent RM1.98 billion as at issue dates

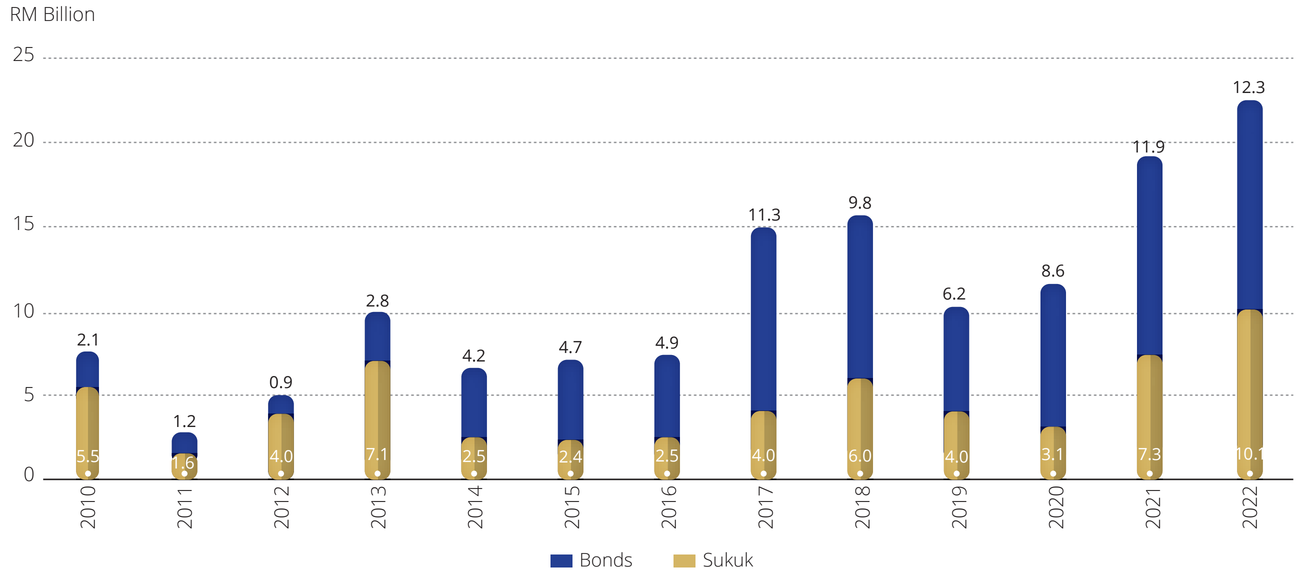
BUSINESS REVIEW *(continued)*

Chart 6
Annual Funds Raised, 1987-2022



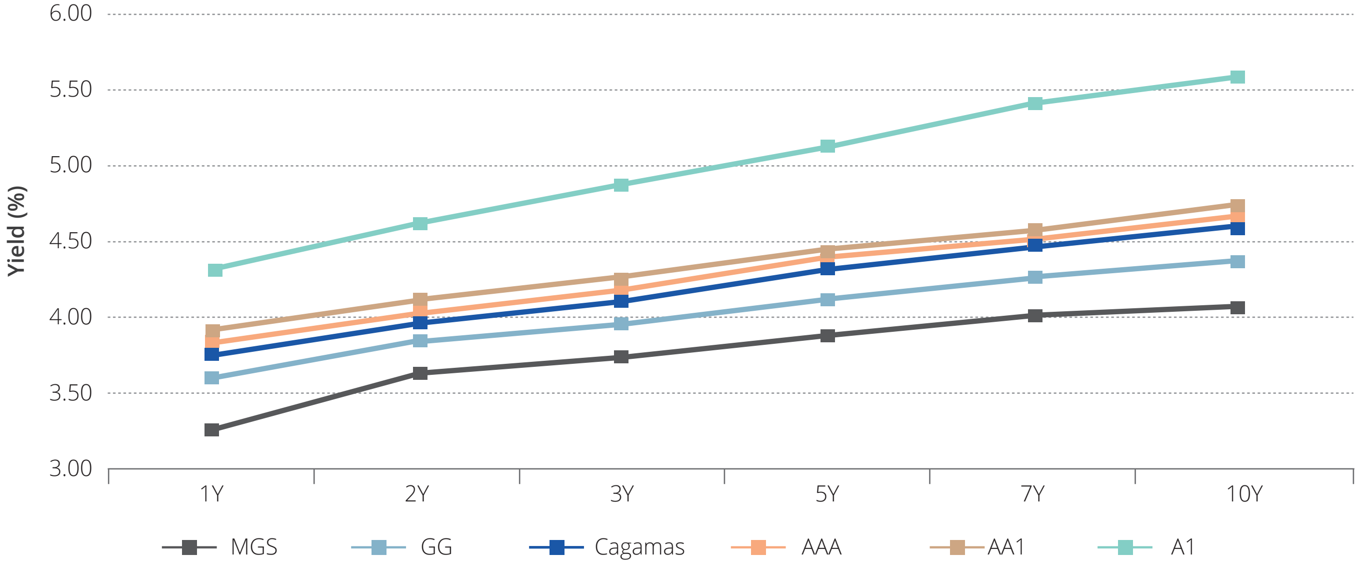
During the year, the Company successfully concluded a landmark transaction amounting to RM200 million, which represents Malaysia's and Cagamas' first ever bonds to be priced against Malaysia Overnight Rate ("MYOR"), the new Alternative Reference Rate for Malaysia, launched by BNM in September 2021. The issuance is an important step in driving the adoption of new benchmark rates for financial instruments in Malaysia and reflects the continued strong commitment by Cagamas to support new market developments.

Chart 7
Annual Bonds and Sukuk Issuances, 2010-2022



Cagamas yields continued to track the MGS yield curve which climbed significantly higher following the bearish global bond market. Cagamas 1-year, 2-year, 3-year and 5-year yields were higher by 172 bps, 127 bps, 95 bps and 81 bps respectively by 31 December 2022 as compared to its levels at the beginning of the year.

Chart 8
Bond Yield Comparison (Government and Corporate Papers as at 31 December 2022)



In terms of issuance tenure, 30.6% of total issuances in 2022 amounting to RM6.8 billion were for tenures of one year and below (2021: 49.4% or RM9.5 billion) while 36.4% or RM8.1 billion were for tenures of between one to three years (2021: 48.8% or RM9.4 billion). The balance of 33.0% or RM7.4 billion were for tenures above three years (2021: 1.8% or RM0.4 billion).

As at end December 2022, outstanding Cagamas debt securities stood at RM40.2 billion where RM37.2 billion or 92.5% was in local currency and RM3.0 billion equivalent or 7.5% was denominated in foreign currencies. Conventional bonds comprised RM20.2 billion or 50.2% of the total outstanding while the remaining RM20.0 billion or 49.8% were sukuk. Cagamas remained as one of the largest issuers of corporate bonds and sukuk in the Malaysian market, accounting for 4.5% of the total outstanding corporate bonds and sukuk and 18.1% of outstanding AAA-rated bonds and sukuk.

Chart 9
Issuances Tenure, 2021 & 2022

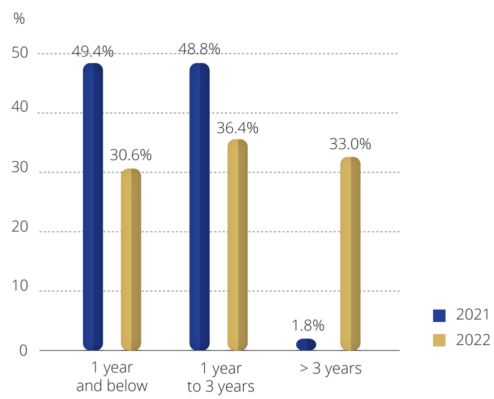
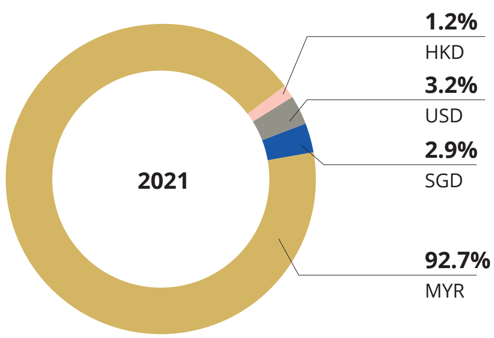
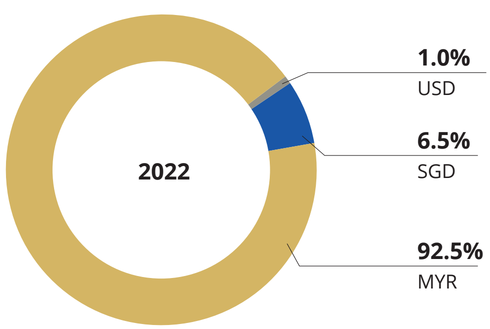


Chart 10
Outstanding Bonds/Sukuk by Currency, 2021 & 2022





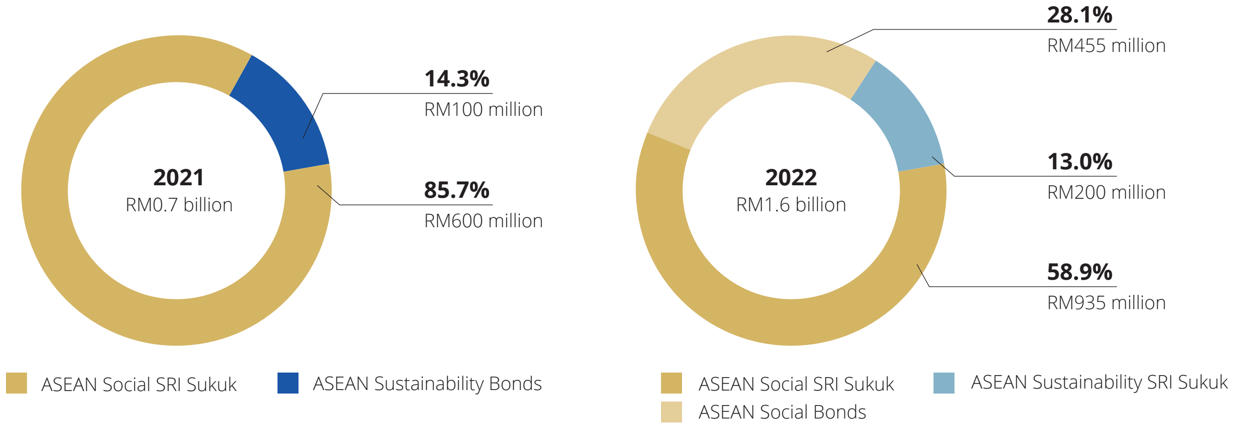
BUSINESS REVIEW *(continued)*

In terms of the most traded local corporate bonds and sukuk, Cagamas ranked third with a total traded volume of RM4.3 billion, commanding a market share of 4.7% (2021: ranked fifth, RM4.1 billion or 3.2%). Cagamas recorded the highest traded local conventional corporate bonds, with total traded volume of RM1.7 billion for a market share of 16.4% (2021: ranked fourth, RM1.6 billion or 10.2%) whereas for local corporate sukuk, Cagamas ranked fourth with total traded volume of RM2.6 billion, with a market share of 3.2% (2021: RM2.5 billion or 2.2%).

SUSTAINABILITY/ SOCIAL BONDS AND SUKUK ISSUANCES

Since 2020, a total of RM2.5 billion sustainability/social bonds and sukuk were issued to purchase loans and financing extended for affordable housing and eligible non-carbon emission industrial hire-purchase loans for Small Medium Enterprises ("SMEs"). This includes issuances of RM700 million of ASEAN Sustainability Bonds, RM400 million of ASEAN Sustainability SRI Sukuk, RM455 million of ASEAN Social Bonds and RM935 million of ASEAN Social SRI Sukuk. In 2022, a total of RM1.6 billion (2021: RM0.7 billion) of sustainability/ social bonds and sukuk have been issued to purchase loans and financing extended for affordable housing.

Chart 11
Sustainability/ Social Bonds and Sukuk Issuances by Type, 2021 & 2022



In-line with the Company's overall commitment towards embracing sustainability values, the Company has designed and adopted its inaugural Sustainability Investment Framework in 2022, in congruence with the overall Corporate Sustainability Framework. The framework incorporates key principles of selected exclusion sectors and the integration of Environment, Social and Governance ("ESG") factors as part of the evaluation and overall consideration to invest in sustainable assets.

CREDIT RATING

For 2022, Cagamas had its credit ratings successfully reaffirmed by three rating agencies. Moody's Investors Service ("Moody's") assigned long-term issuer A3 ratings for both Cagamas' local and FCY capital market programmes, on par with Malaysia's sovereign ratings. RAM Rating Services Berhad ("RAM Ratings") assigned Cagamas' Global, ASEAN and national-scale corporate credit ratings at ${}_{g}$A2/Stable/${}_{g}$P1, ${}_{sea}$AAA/Stable/${}_{sea}$P1 and AAA/Stable/P1, respectively. In addition, MARC Ratings Berhad ("MARC Ratings") assigned Cagamas' bonds and sukuk issues ratings at AAA/MARC-1 and AAA$_{IS}$/MARC-1$_{IS}$, respectively. Reaffirmation of these ratings reflects Cagamas' track record of strong capitalisation, robust asset quality and stable profitability resulting in continued support by both domestic and foreign investors for Cagamas' bonds and sukuk issuances.

Table 2
Credit Ratings

	Rating Agency		
	Moody's	RAM Ratings	MARC Ratings
Cagamas Berhad	A3	${}_{g}$A2/Stable/${}_{g}$P1, ${}_{sea}$AAA/Stable/${}_{sea}$P1 AAA/Stable/P1	AAA/MARC-1, AAA$_{IS}$/MARC-1$_{IS}$

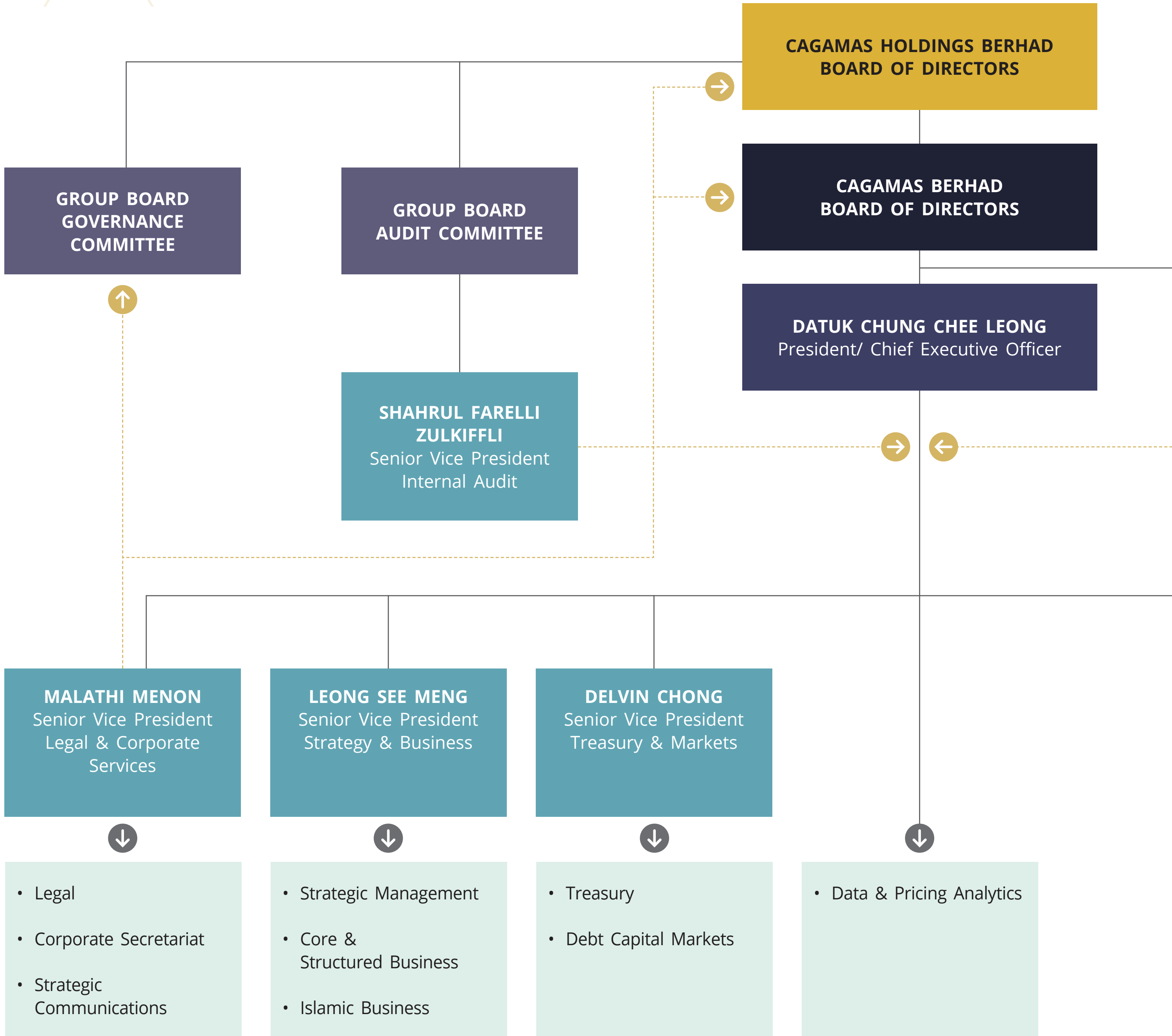
CAGAMAS' PRIORITIES IN 2023

Cagamas anticipates demand for loans and financing including mortgages to remain stable on the back of Malaysia's continued economic growth in 2023 albeit at moderated pace due to the challenging external environment.

Notwithstanding, Cagamas remains committed to its mandate to promote home ownership and to contribute towards the stability of the housing market and financial system through various innovative solutions for its stakeholders while exploring new opportunities that are in line with its core mission and social objectives. Cagamas will continue to support the Government in achieving the nation's home ownership aspirations and undertake its developmental role in the housing space leveraging on its expertise in the housing market. As an advocate and thought leader in mortgage refinancing and Islamic finance, Cagamas will also continue to work towards enhancing mutual development in the secondary mortgage finance market through collaborations and sharing of knowledge and expertise with housing/ mortgage finance corporations in the region.

As one of the pioneers in the market to push for the development of ESG through the establishment of emerging sustainable asset classes via its issuances, Cagamas aims to further strengthen its contribution to the United Nations Sustainable Development Goals ("UNSDGs") through its Sustainability agenda. Cagamas intends to facilitate homeowners to manage the challenge of climate change and support the financial industry's transition to low-carbon economy through the development of industry-recognised methodology for green housing and green home improvement financing in its bid to scale-up green residential mortgages and make energy-efficient homes more mainstream.

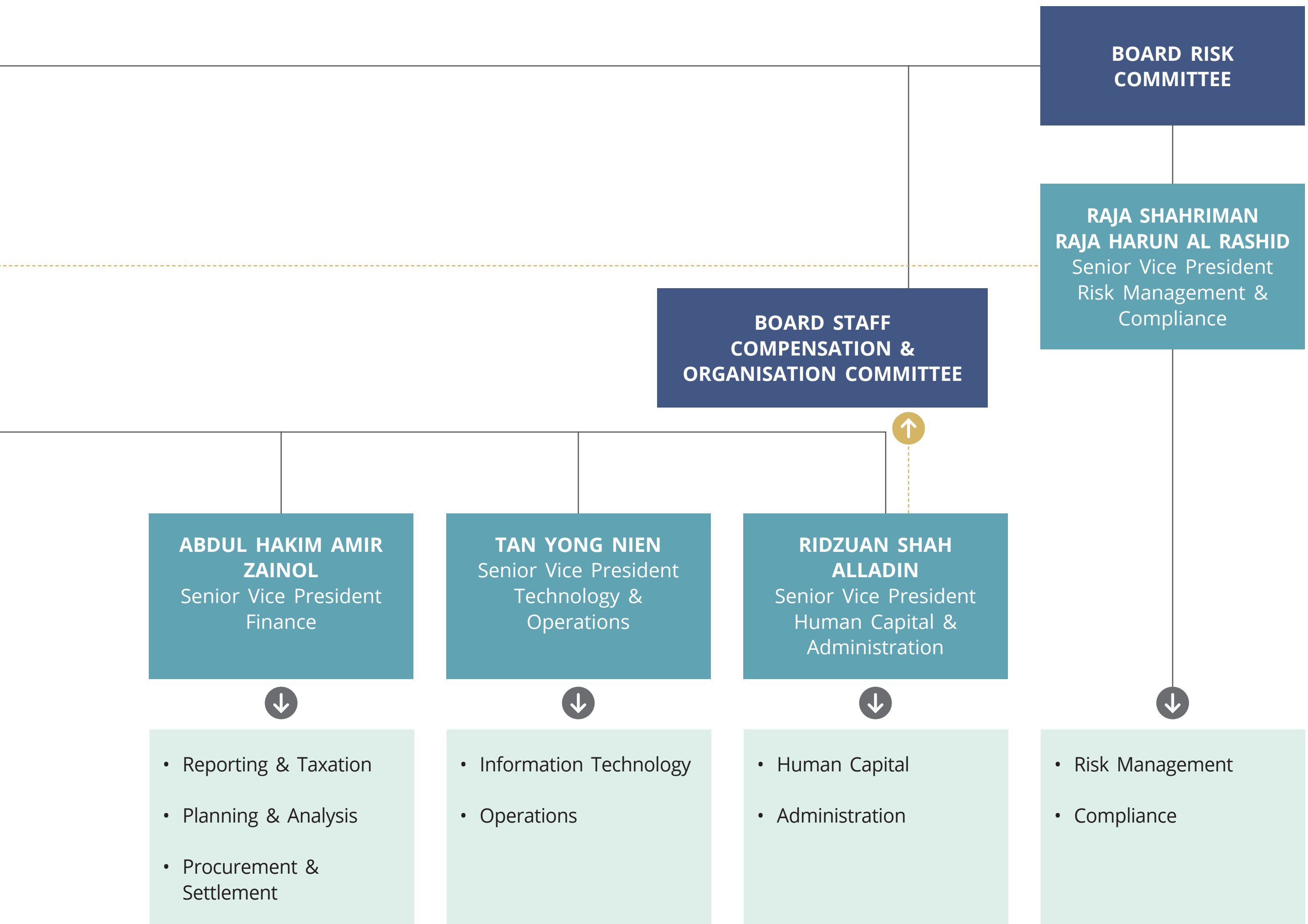
ORGANISATION STRUCTURE



LEGEND:

Direct Reporting:

Indirect Reporting:


BOARD RISK COMMITTEE
RAJA SHAHRIMAN RAJA HARUN AL RASHID
Senior Vice President Risk Management & Compliance
BOARD STAFF COMPENSATION & ORGANISATION COMMITTEE
ABDUL HAKIM AMIR ZAINOL
Senior Vice President Finance
TAN YONG NIEN
Senior Vice President Technology & Operations
RIDZUAN SHAH ALLADIN
Senior Vice President Human Capital & Administration
• Reporting & Taxation
• Planning & Analysis
• Procurement & Settlement
• Information Technology
• Operations
• Human Capital
• Administration
• Risk Management
• Compliance

PROFILE OF THE BOARD OF DIRECTORS
(CAGAMAS HOLDINGS BERHAD)

Age	**62 years**
Nationality	**Malaysian**
Date Appointed	**1 January 2019**
Board Meetings Attended	**4/4**

DATO' BAKARUDIN ISHAK
Independent Non-Executive Chairman

Membership of Board Committee
- Member, Group Board Governance Committee

Qualification
- Bachelor of Economics (Honours), University of Malaya

Working Experience/ Other Directorships
Present
- Chairman, Cagamas Berhad
- Chairman, Cagamas SRP Berhad
- Director, Hong Leong MSIG Takaful Berhad

Past
- Assistant Governor, Bank Negara Malaysia
  - Member, BNM Monetary Policy Committee
  - Director, Foreign Exchange Administration Department
  - Director, Islamic Banking and Takaful Department
- Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear)
- Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF)
- Investment Panel, Employees' Provident Fund
- Director, ACE Money Exchange Sdn. Bhd.
- Director, Affin Islamic Bank Berhad

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

TAN SRI DATO' SRI DR. TAY AH LEK
Non-Independent Non-Executive Director

Age	**80 years**
Nationality	**Malaysian**
Date Appointed	**12 August 2011**
Board Meetings Attended	**4/4**

Membership of Board Committee

- Member, Group Board Governance Committee

Qualification

- Emeritus Fellow, Malaysian Institute of Management
- Fellow, Chartered Banker of the Asian Institute of Chartered Bankers
- Fellow, CPA Australia
- Fellow, Financial Services Institute of Australasia
- Alumni of Harvard Business School
- Master's degree, Business Administration from Henley, United Kingdom
- Honorary Doctor of Philosophy in Economics, HELP University

Working Experience/ Other Directorships

Present

- Managing Director and CEO, Public Bank Berhad
- Director of several companies in Public Bank Group
- Deputy Chairman, Ombudsman for Financial Services
- Chairman, Association of Hire Purchase Companies Malaysia
- Council Member, Association of Banks in Malaysia
- Council Member, Asian Institute of Chartered Bankers

Past

- Director, Cagamas Berhad
- Executive Vice President, Public Finance
- Executive Vice President, Public Bank
- Member, Economic Action Council
- Member, Steering Committee and the Service Provider Consultative Group of the National Payments Advisory Council

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS *(continued)*
(CAGAMAS HOLDINGS BERHAD)

Age	**57 years**
Nationality	**Malaysian**
Date Appointed	**1 June 2015**
Board Meetings Attended	**3/4**

DATO' LEE KOK KWAN
Non-Independent Non-Executive Director

Membership of Board Committee
- Member, Group Board Audit Committee

Qualification
- Master of Business Administration, Simon Fraser University of Canada
- BBA Joint Honours (1st Class) degree, Simon Fraser University of Canada

Working Experience/ Other Directorships
Present
- Director, CIMB Group Holdings
- Director, CIMB Bank
- Director, CIMB Investment Bank Berhad
- Director, RAM Rating Services Berhad
- Director, IGB Berhad
- Chairman, BIX Malaysia (Bond & Sukuk Information Platform Sdn. Bhd.)
- Board of Trustees, Capital Market Development Fund

Past
- Deputy Group CEO, CIMB
- President, Financial Markets Association of Malaysia
- Treasury Portfolio Manager with a leading Canadian bank and member of its Senior Asset-Liability Management Committee
- Adviser, Securities Commission Malaysia

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

WAN HANISAH WAN IBRAHIM
Independent Non-Executive Director

Age	**66 years**
Nationality	**Malaysian**
Date Appointed	**26 May 2016**
Board Meetings Attended	**4/4**

Membership of Board Committee
- Member, Group Board Audit Committee

Qualification
- Masters in Economics, University of Malaya
- Bachelor's degree in Economics (Honours), University of Malaya

Working Experience/ Other Directorships
Present
- Director, Cagamas MBS Berhad
- Director, Franklin Templeton GSC Asset Management Sdn. Bhd.

Past
- Director, LINK & Regional Offices Department, Bank Negara Malaysia (BNM)
- Director, Foreign Exchange Administration Department, BNM
- Director, Treasury Department, BNM
- Director, International Department, BNM
- Chief Representative, BNM London Representative Office

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS *(continued)*
(CAGAMAS HOLDINGS BERHAD)

Age	**62 years**
Nationality	**Malaysian**
Date Appointed	**1 January 2019**
Board Meetings Attended	**4/4**

Membership of Board Committee
- Chairman, Group Board Governance Committee

Qualification
- Ph.D in Law, the School of Oriental and African Studies (SOAS), University of London
- Post-Graduate Diploma in Syariah Law and Practice (with distinction), the International Islamic University Malaysia
- LL.M, Queen Mary College, University of London
- Barrister at Law, Lincoln's Inn
- LL.B (Hons), University of Buckingham

DATUK SERI DR. NIK NORZRUL THANI N. HASSAN THANI
Independent Non-Executive Director

Working Experience/ Other Directorships
Present
- Chairman, Malaysian Rating Corporation Berhad
- Chairman, Zaid Ibrahim & Co. (ZICO)/ Advocate & Solicitor
- Chairman, T7 Global Berhad
- Director, Amanah Saham Nasional Berhad
- Chairman, Malaysia – Singapore Business Council
- Practising Member, Chartered Institute of Islamic Finance Professionals (CIIF)
- Member, Chartered Institute of Marketing (United Kingdom)
- Fellow member, Financial Services Institute of Australasia (FINSIA)
- Registered Notary Public
- Director, Sime Darby Plantation Berhad
- Chairman & Director, Sime Darby Oils International Limited
- Director, Pertama Digital Berhad

Past
- Chairman, Pengurusan Aset Air Berhad
- Visiting Fulbright Scholar, Harvard Law School (1996-1997)
- Chevening Visiting Fellow, the Oxford Centre of Islamic Studies, Oxford University (2004-2005)
- Deputy Dean of the Faculty of Laws, International Islamic University Malaysia
- Legal Consultant, State General Reserve Fund (SGRF), the sovereign wealth fund of Sultanate of Oman
- Director, Tabung Haji
- Member of the Islamic Religious Council, Federal Territories of Malaysia (MAIWP) (Appointed by His Majesty Yang di-Pertuan Agong of Malaysia)
- Chairman and Director, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- Chairman and Director, Perodua Sales Sdn. Bhd. and Perodua Otomobil Kedua Sdn. Bhd.
- Chairman, UMW Manufacturing & Engineering
- Director, Manulife Holdings Berhad
- Director, Manulife Insurance Berhad
- Director, UMW Holdings Berhad
- Director, Fraser & Neave Holdings Berhad
- Director, MSIG Insurance (Malaysia) Berhad
- Director, Ranhill Holdings Berhad
- Chairman, Chin Hin Group Berhad
- Chairman, IIUM Holdings Sdn. Bhd.
- Visiting Senior Fellow, Melbourne Law School, University of Melbourne, Australia
- Director, MUFG Bank Malaysia Berhad
- Chairman, Capital Market Compensation Fund Corporation (set up by the Securities Commission of Malaysia)

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

DATUK SITI ZAUYAH MD DESA
Independent Non-Executive Director

Membership of Board Committee
- Nil

Qualification
- The Oxford High Performance Leadership Programme, Said Business School, University of Oxford, United Kingdom (UK)
- MBA (International Banking) (Board of Directors' list), University of Manchester, UK
- Diploma in Public Administration (Excellent), Nat. Ins. of Public Admin (INTAN), Malaysia
- BSc (Hons) in Quantity Surveying (Second Class Upper), University of Reading, UK

Working Experience/ Other Directorships
Present
- Director, Telekom Malaysia Berhad
  – Chairman of GITN Sdn. Berhad, subsidiary of Telekom Malaysia
- Director, Cagamas SRP Berhad
- Board of Trustee, Capital Market Development Fund
- Director, Westports Holdings Berhad
  – Chairman, Sustainability Committee

Past
- Director, Westports Malaysia Sdn. Bhd.
- Director for Trade Finance Corporation, Islamic Development Bank
- Director, Social Security Fund of Malaysia
- Director, Export-Import Bank of Malaysia
- Director, Bank Pembangunan Malaysia Berhad
- Director, UDA Holdings Berhad
- Director, Syarikat Prasarana Malaysia Berhad
- Director, Bank Simpanan Nasional
- Director, DanaInfra Nasional Berhad
- Director, Malaysia Digital Economy Corporation Sdn. Bhd.
- Director, Bank Kerjasama Rakyat Malaysia
- Director, Kumpulan Wang Persaraan (Diperbadankan)
- Chairman of ASEAN Infrastructure Fund
- Director/ Deputy Chairman, Employees Provident Fund
- Co-chairman for National Investment Committee II
- Ministry of Finance, Malaysia
  – Deputy Secretary General (Policy)
  – Director of National Budget, National Budget Office
  – Under Secretary, Government Investment Companies Division
  – Under Secretary, Loan Management, Financial Market & Actuary Division
  – Deputy Secretary (Infrastructure), Investment, MOF (Inc) & Privatisation Division
  – Director's Advisor for Asian Development Bank to the constituency belonging to Malaysia, Myanmar, Nepal, Singapore and Thailand
- Council Member, Majlis Amanah Rakyat (MARA)

Age	**63 years**
Nationality	**Malaysian**
Date Appointed	**1 December 2019**
Board Meetings Attended	**4/4**

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS *(continued)*
(CAGAMAS HOLDINGS BERHAD)

Age	**64 years**
Nationality	**Malaysian**
Date Appointed	**1 May 2020**
Board Meetings Attended	**4/4**

CHONG KIN LEONG
Independent Non-Executive Director

Membership of Board Committee
- Chairman, Group Board Audit Committee

Qualification
- Honours Degree in Bachelor of Accounting, University of Malaya
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

Working Experience/ Other Directorships
Present
- Director, AIA General Berhad
- Honorary Trustee, The Community Chest
- Director, AIA Public Takaful Bhd.
- Director, Press Metal Aluminium Holdings Berhad
- Director, Deutsche Bank (Malaysia) Berhad

Past
- Chief Financial Officer, Genting Berhad
- Finance Director, Rashid Hussain Berhad Group
- Financial Controller, Sime Darby Group subsidiaries
- Audit Supervisor, Peat Marwick Mitchell (now known as KPMG)

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

DATO' KHAIRUSSALEH RAMLI
Non-Independent Non-Executive Director

Membership of Board Committee
- Nil

Qualification
- Bachelor of Science in Business Administration from Washington University, USA
- Advanced Management Programme, Harvard Business School, Harvard University, USA
- Fellow Chartered Banker of Asian Institute of Chartered Bankers (AICB)

Working Experience/ Other Directorships
Present
- Group President and CEO/ Executive Director, Malayan Banking Berhad
- Director, Maybank Singapore Limited
- Director, Payments Network Malaysia Sdn. Bhd.
- Chairman, The Association of Banks in Malaysia (ABM)
- Vice Chairman/ Council Member, AICB
- Member, Visa Asia Pacific Senior Client Council
- President/ Commissioner, PT Bank Maybank Indonesia Tbk
- Co–Chairman, IIF's Emerging Markets Advisory Council
- Director, Financial Industry Collective Outreach (FINCO)

Past
- RHB Banking Group
  - Group Managing Director
  - Deputy Group Managing Director/ Managing Director, RHB Bank
- Maybank Group
  - President Director and Chief Executive Officer, Maybank Indonesia
  - Group Chief Financial Officer, Maybank
- Telekom Malaysia Berhad
  - Group Chief Strategy Officer
  - Chief Executive Officer, TM Ventures
- Bursa Malaysia Berhad
  - Chief Financial Officer
  - Senior Vice President, Finance & Strategy
  - Vice President, Planning and Development
  - Senior Manager, International Affairs
- Public Bank Group
  - Executive Director, PB Futures Sdn Bhd
  - Research Analyst, PB Securities Sdn Bhd
  - Senior Operations Officer, Corporate Banking, Public Bank
- Pigas Engineering Sdn Bhd
  - Director, Corporate Services

Age	**55 years**
Nationality	**Malaysian**
Date Appointed	**1 May 2022**
Board Meetings Attended	**3/3**

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

BOARD AND BOARD COMMITTEES

The Board of Directors of Cagamas Holdings Berhad ("the Board"), comprising senior officers/ representatives and chief executives of selected substantial shareholders as well as experienced professionals appointed by the Board, is responsible for the formulation of the Company's general policies.

The Group Board Audit Committee reviews the plan and scope of audit of the Cagamas group of companies ("Group") by the external auditors as well as the effectiveness of financial and internal control procedures.

The Group Board Governance Committee reviews the corporate governance practices of the Group in line with best practices, annually assesses the effectiveness of the Board as a whole, the Board Committees and the contributions of individual Directors and proposes appointments to the boards and board committees of the Group.

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD
Dato' Bakarudin Ishak

DIRECTORS
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 as Director w.e.f. 1 May 2022)
Tan Sri Abdul Farid Alias (Resigned as Director w.e.f. 30 April 2022)

MEMBERS OF THE GROUP BOARD AUDIT COMMITTEE
Chong Kin Leong (Chairman)
Dato' Lee Kok Kwan
Wan Hanisah Wan Ibrahim

MEMBERS OF THE GROUP BOARD GOVERNANCE COMMITTEE
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani (Chairman)
Tan Sri Dato' Sri Dr. Tay Ah Lek
Dato' Bakarudin Ishak

PROFILE OF THE BOARD OF DIRECTORS
(CAGAMAS BERHAD)

DATO' BAKARUDIN ISHAK
Independent Non-Executive Chairman

Age	62 years
Nationality	Malaysian
Date Appointed	26 March 2019
Board Meetings Attended	7/7

Membership of Board Committee
- Member, Board Staff Compensation & Organisation Committee

Qualification
- Bachelor of Economics (Honours), University of Malaya

Working Experience/ Other Directorships
Present
- Chairman, Cagamas Holdings Berhad
- Chairman, Cagamas SRP Berhad
- Director, Hong Leong MSIG Takaful Berhad

Past
- Assistant Governor, Bank Negara Malaysia
  - Member, BNM Monetary Policy Committee
  - Director, Foreign Exchange Administration Department
  - Director, Islamic Banking and Takaful Department
- Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear)
- Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF)
- Investment Panel, Employees' Provident Fund
- Director, ACE Money Exchange Sdn. Bhd.
- Director, Affin Islamic Bank Berhad

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS *(continued)*
(CAGAMAS BERHAD)

Age	**64 years**
Nationality	**Malaysian**
Date Appointed	**1 July 2016**
Board Meetings Attended	**7/7**

DATO' WEE YIAW HIN
Independent Non-Executive Director

Membership of Board Committee
- Chairman, Board Staff Compensation and Organisation Committee

Qualification
- Bachelor of Engineering, Civil Engineer, University of Wales
- Masters of Science Degree, Imperial College, United Kingdom

Working Experience/ Other Directorships
Present
- Independent Non-Executive Director, ENRA Group Berhad
- Independent Non-Executive Director, Anton Oilfield Services Group Ltd. HK
- Independent Non-Executive Director, Hextar Kimia Australia Pty Ltd

Past
- Director, PETRONAS
  - Executive Vice President and CEO, Upstream Business
  - Member, Executive Committee
  - Chairman and Director of several companies
- Managing Director, Shell Malaysia Exploration and Production Companies
- Vice President, Talisman Energy, Malaysia

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

HO CHAI HUEY
Independent Non-Executive Director

Age	**62 years**
Nationality	**Malaysian**
Date Appointed	**1 February 2019**
Board Meetings Attended	**7/7**

Membership of Board Committee

- Member, Board Risk Committee
- Member, Board Staff Compensation & Organisation Committee

Qualification

- Bachelor of Economics, Honours Class 1 Statistics, University of Malaya

Working Experience/ Other Directorships

Present

- Director, HSBC Amanah Malaysia Berhad
- Senior IT Consultant for STF Resources Sdn. Bhd. (STFR) a Shared Service Company supporting its group entities namely the Asian Institute of Chartered Bankers (AICB) and Asian Banking School (ABS) in the financial education sector
  - IT and digital consultancy service on strategic plans and digital transformation including project management
  - Advice on the establishment of enterprise risk management and its operationalisation

Past

- Director, Information Technology (IT) Services Department, Bank Negara Malaysia, responsible for providing technology solution and IT direction as well as managing technology risk and IT governance

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS *(continued)*
(CAGAMAS BERHAD)

Age	**63 years**
Nationality	**Malaysian**
Date Appointed	**1 May 2020**
Board Meetings Attended	**7/7**

Membership of Board Committee

- Chairman, Board Risk Committee

Qualification

- Bachelor of Science (Agribusiness), University Putra Malaysia
- Master in Business Administration, Ohio University
- Fellow Chartered Banker, Asian Institute of Chartered Bankers (AICB)
- Honorary Degree of Doctorate in Finance, University Putra Malaysia
- Malaysian Futures & Options Registered Representative (MFORR)

TAN SRI TAJUDDIN ATAN
Independent Non-Executive Director

Working Experience/ Other Directorships

Present
- Chairman, MMC Corporation Berhad
- Director, MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd.
- Director, MMC Gamuda KVMRT (T) Sdn. Bhd.
- Director, MMC Gamuda KVMRT (PDP) Sdn. Bhd.
- Chairman, Bank Muamalat Malaysia Berhad
- Chairman, Honda Malaysia Sdn. Bhd.
- Chairman, Asian Institute of Chartered Bankers (AICB) Disciplinary Panel

Past
- Chief Executive Officer/ Executive Director, Bursa Malaysia Berhad
- RHB Banking Group
  - Group Managing Director, RHB Capital Berhad
  - Managing Director, RHB Bank Berhad
- President/ Group Managing Director, Bank Pembangunan Malaysia Berhad
- Chief Executive Officer, Bank Simpanan Nasional
- Managing Director, Chase Perdana Berhad
- Senior General Manager, Corporate Finance, Penang Shipbuilding Group
- Head of Treasury Division, Bank Bumiputra Commerce Berhad
- Non-Independent Executive Director in all subsidiary companies within Bursa Malaysia Group
- Director, Capital Market Development Fund
- Director, Securities Industry Development Corporation
- Member of Executive Committee, Financial Reporting Foundation
- Member of Executive Committee, Malaysia International Islamic Financial Centre
- Member of Malaysian Communications and Multimedia Commission (MCMC)

Declaration

The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

ABDUL RAHMAN HUSSEIN
Independent Non-Executive Director

Age	**58 years**
Nationality	**Malaysian**
Date Appointed	**1 April 2022**
Board Meetings Attended	**5/5**

Membership of Board Committee

- Member, Board Risk Committee

Qualification

- Bachelor of Land Economy (Hons), University of Aberdeen, Scotland

Working Experience/ Other Directorships

Present
- Nil

Past
- Bank Negara Malaysia (BNM) (1988-2020)
  - Chairman of BNM Sukuk Berhad
  - Director of Sukuk Kijang Berhad
  - Board member of Kumpulan Wang Amanah Persaraan (KWAP), representing BNM from January to September 2018
  - Portfolio Manager, London Representative Office
  - Deputy Director of Treasury Risk Management, Investment Operations and Financial Market Department
  - Director of Risk Management Department and Secretary to the Board Risk Committee
  - Director of Investment Operations and Financial Market
  - Member of the Financial Market Committee
- International Islamic Liquidity Management Corporation (IILM) (2011-2020)
  - Member of Board Risk Management Committee, representing BNM
- Executive' Meeting Of Asia-Pacific Central Banks (EMEAP) (2003-2020)
  - Member of the Working Group on Financial Markets, representing BNM
  - Task Force member for the Asian Bond Funds 1 and Asian Bond Funds 2

Declaration

The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS *(continued)*
(CAGAMAS BERHAD)

Age	**50 years**
Nationality	**Malaysian**
Date Appointed	**1 April 2022**
Board of Meetings Attended	**5/5**

SOPHIA CH'NG SOK HEANG
Independent Non-Executive Director

Membership of Board Committee
- Member, Board Risk Committee

Qualification
- Fellow, Actuarial Society of Malaysia
- Chartered Accountant, Malaysian Institute of Accountants
- Chartered Audit Committee Director, Institute of Internal Auditors
- Fellow, Institute and Faculty of Actuaries, UK
- Fellow, Chartered Institute of Management Accountants, UK
- Qualified Director, Institute of Enterprise Risk Practitioners
- Bachelor of Economics, Macquarie University, Australia

Working Experience/ Other Directorships
Present
- Director, Nicholas Actuarial Solutions
- Director, Syarikat Takaful Malaysia Keluarga Berhad

Past
- President, Actuarial Society of Malaysia
- Chief Financial Officer (CFO), AmMetlife Insurance Berhad
- Chief Financial Officer (CFO), Zurich Insurance Malaysia Berhad
- Senior Vice President and Head, Finance, Strategic Planning, Actuarial, Products and Pricing, Great Eastern Life Insurance (Malaysia) Berhad

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

DATUK CHUNG CHEE LEONG
Non-Independent Executive Director

Membership of Board Committee
- Nil

Qualification
- Bachelor of Economics (Honours), majoring in Business Administration, University of Malaya
- Summer School Programme, University of Cambridge
- Global Islamic Finance Award 2020
  - Special Award for Islamic Financial Advocacy
- The Asset Triple A Islamic Finance Awards 2022
  - Industry Leadership Award

Working Experience/ Other Directorships
Present
- President/ Chief Executive Officer, Cagamas Berhad (since 1 April 2012)
- Chairman, Cagamas Global P.L.C.
- Chairman, Cagamas Global Sukuk Berhad
- Director, Cagamas MBS Berhad
- Director, Cagamas SRP Berhad
- Director, BNM Sukuk Berhad
- Chairman, Cagamas SME Berhad
- Chairman, Cagamas MGP Berhad
- Member, Panel of Experts, Kementerian Perumahan dan Kerajaan Tempatan

Past
- Chairman, International Secondary Mortgage Market Association
- Chairman, Asian Secondary Mortgage Market Association
- Member, Bond Market Sub-Committee of the Financial Market Committee, Bank Negara Malaysia
- Director, Risk Management and Secretary, Board Risk Committee, Bank Negara Malaysia
- Director, Banking Supervision, Bank Negara Malaysia
- Non-Independent Non-Executive Director and Member, Board Audit Committee, Credit Guarantee Corporation Berhad
- Member, Small Debt Resolution Committee, established by Bank Negara Malaysia
- Expert, International Monetary Fund
- Consultant, Asian Development Bank

Age	**62 years**
Nationality	**Malaysian**
Date Appointed	**27 March 2013**
Board Meetings Attended	**7/7**

Declaration
The Director has no:
- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

MANAGEMENT TEAM

1. **DATUK CHUNG CHEE LEONG**
   President/
   Chief Executive Officer

2. **ABDUL HAKIM AMIR ZAINOL**
   Senior Vice President,
   Finance

3. **LEONG SEE MENG**
   Senior Vice President,
   Strategy & Business

4. **DELVIN CHONG**
   Senior Vice President,
   Treasury & Markets

5. **MALATHI MENON**
   Senior Vice President,
   Legal & Corporate Services/
   Company Secretary

6. **RIDZUAN SHAH ALLADIN**
   Senior Vice President,
   Human Capital & Administration

7. **TAN YONG NIEN**
   Senior Vice President,
   Technology & Operations

8. **RAJA SHAH RIMAN RAJA HARUN AL RASHID**
   Senior Vice President,
   Risk Management & Compliance

9. **SHAHRUL FARELLI ZULKIFFLI**
   Senior Vice President,
   Internal Audit

SUSTAINABILITY REPORT

SECTION 1

CORPORATE SUSTAINABILITY REPORTING

This Sustainability Report marks Cagamas Holdings Berhad and its subsidiaries' ("the Group") fifth Sustainability Report. This report highlights the Group's continuous efforts in driving forward our sustainability agenda and covers the financial period from 1 January 2022 to 31 December 2022.

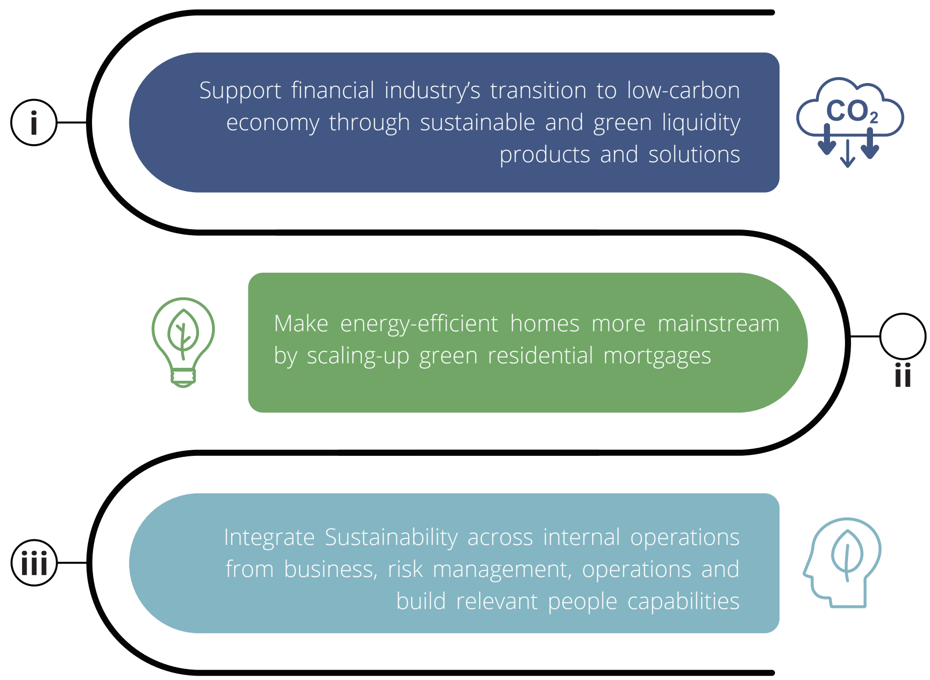
SUSTAINABILITY GOVERNANCE

Cagamas is committed to the highest standards of sustainability governance and regularly reviews its sustainability governance practices and disclosures. The Board of Directors of both Cagamas Holdings Berhad and Cagamas Berhad ("the Board") provide oversight on the progress of the Group's sustainability journey and execution, and develop and instill practical sustainability governance practices whilst meeting corporate objectives. The Management is responsible for the formulation and implementation of sustainability strategies and policies.

In line with this, Cagamas Sustainability Framework was introduced in 2020 to outline our approach in embedding sustainability across our business activities and operations, followed by the Cagamas Sustainability Bond/ Sukuk Framework, to provide guidance on the use of proceeds from our sustainability issuances. In congruence with the frameworks, Cagamas has established its Sustainability Investment Framework in 2022 which aims to integrate ESG factors as part of the evaluation and consideration to invest in sustainable assets.

SUSTAINABILITY STRATEGY

Cagamas has outlined its overall Sustainability strategy with the overarching aim to facilitate home owners and counterparties to manage climate change challenges as well as reducing impact from its own operations. Underpinning its strategy is its focus in the following strategic areas:



These focus areas are in line with Cagamas' commitment to achieve 10% of total assets to be sustainable and green by 2030.

CONTRIBUTION TO SDG GOALS

The Group contributes to sustainable development through impactful actions centred around 4 thematic pillars namely promoting sustainable home ownership, becoming the employer of choice, and promoting positive societal and environmental impact. Each pillar and its respective focus areas positively contributes to the various sustainability development goals under United Nations Sustainable Development Goals ("UNSDGs").

Pillar	Objectives	FY2022 Achievements & Progress	Contribution to the UNSDGs
Pillar 1: Promote Sustainable Home Ownership	Promote sustainable home ownership to all Malaysians by supporting financial institutions' liquidity requirements to grow their mortgage portfolios as well as through mortgage guarantee programs.	• Purchased home financing in the secondary market totalling RM19.3 billion, equivalent to a total of 40,000 homes. • Provided mortgage guarantees to 99,940 individuals/ households to own their first house through Skim Rumah Pertamaku and Skim Perumahan Belia since 2011, of which 88.2% are from the B40 segment.	11 SUSTAINABLE CITIES AND COMMUNITIES
Pillar 2: Employer of Choice	Our employees are our greatest assets and play an important role in ensuring that we embed sustainable initiatives across the Group. We are committed to creating a conducive work environment and culture, meaningful work, career advancement and personal development opportunities.	• 3,643 hours spent on learning and development, an average of 35 hours per employee. • Introduced Cagamas Internship Programme, to provide graduates and students opportunities to explore careers in the financial industry.	8 DECENT WORK AND ECONOMIC GROWTH
Pillar 3: Positive Societal Impact	We are committed to creating long-term positive societal impact in the communities that we are in through our community engagement initiatives, scholarship programme, zakat distribution and inclusive products and solutions.	• Impacted the lives of 2,638 recipients through our Corporate Zakat Wakalah Programme and Corporate Social Responsibility projects. • Contributed approximately RM960,000 on scholarships for 36 scholars since 2016. • Launched Skim Saraan Bercagar Islamik, the world's first Islamic reverse mortgage progamme and purchased RM110.8 million of non-carbon emitting industrial hire purchase receivables, benefitting 862 SMEs.	8 DECENT WORK AND ECONOMIC GROWTH
Pillar 4: Positive Environmental Impact	We aim to promote positive environmental impact by facilitating home owners and counterparties to manage the challenge of climate change through our products and solutions as well as reducing impact from our own operations.	• Enhanced stakeholders' awareness in the promotion of green home financing in Malaysia through the signing of Technical Assistance agreement with Asian Development Bank. • Mobilised RM4.2 million towards renewable energy and sustainable water and waste management projects.	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 17 PARTNERSHIPS FOR THE GOALS

PILLAR 1:
PROMOTE SUSTAINABLE HOME OWNERSHIP

HOW CAGAMAS CREATES VALUE

As the National Mortgage Corporation of Malaysia, Cagamas continues to promote sustainable home ownership to all Malaysians by providing competitive funding to financial institutions through its PWR and PWOR schemes to expand their capacity for housing loans portfolio growth while enabling borrowers more affordable and accessible mortgages. Cagamas also facilitates first-time homebuyers, particularly those in the M40 and B40 income groups, to own homes through its mortgage guarantee schemes which provide a financial guarantee of up to 110% of the total loan and financing amount.

Cagamas remains committed to contribute and create positive impact through identified opportunities in sustainable home development including the continuous enhancements of its products and solutions including the promotion of green and affordable housing activities.

2022 KEY HIGHLIGHTS

Facilitating all Malaysians to achieve successful home ownership

The Group purchased home financing in the secondary market totalling RM19.3 billion, equivalent to a total of 40,000 homes in 2022. Since its inception in 1986, Cagamas has cumulatively purchased home financing in the secondary market totalling RM176.4 billion, equivalent to a total of 2.1 million homes.

Enabling access to home financing for low-to-middle income groups

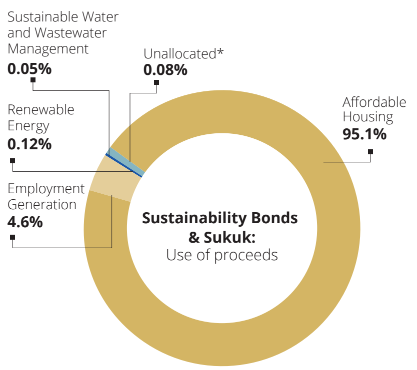
The Group also provided mortgage guarantees for housing loans and financing to first-time home buyers through Skim Rumah Pertamaku ("SRP") and Skim Perumahan Belia ("SPB") totalling RM22.9 billion since the schemes inception. This has enabled 99,940 individuals/ households to own their first house, of which 88.2% are from the B40 segment.

During the year, the Group has also intensified its developmental effort to promote greater awareness on financial accessibility for home ownership for the mid-to-lower income groups by partnering with the Kementerian Pembangunan Kerajaan Tempatan ("KPKT") for the Inisiatif Pembiayaan Perumahan Malaysia ("i-Biaya") under the Malaysian Family Home Ownership Programme ("HOPE").

Supporting the growth of affordable homes through Sustainability issuances

Cagamas was among the first main players in the market to push for the development of ESG through issuance of sustainability bonds and sukuk as part of its ongoing efforts to establish an emerging sustainable asset class.

To-date, Cagamas has cumulatively issued a total of RM2.5 billion of sustainability bonds and sukuk since 2020 with RM2.4 billion outstanding as of 31 December 2022. The proceeds from the issuances have been primarily allocated to eligible assets in line with the Cagamas' Sustainability Bond and Sukuk Framework, of which, 95.1% of the proceeds were chanelled to affordable housing.



* *Loans which do not fulfill eligible criteria and will be replaced with eligible sustainability loans in 2023*

PILLAR 2:
EMPLOYER OF CHOICE

HOW CAGAMAS CREATES VALUE

As employees are our greatest assets, Cagamas is committed to creating and maintaining a conducive work environment and culture, meaningful and challenging work, career advancement and personal development opportunities.

In 2022, we introduced our enhanced Core Values, known as C.A.R.E. ("Collaboration, Accountability, Resilience and Excellence") which aim to provide guidance to all employees in supporting Cagamas' vision and mission, as well as preparing Cagamas to transform to meet future demand in promoting home ownership in the country. In addition, the C.A.R.E values also aim to provide the foundation for our employees to embed sustainability practices in their day-to-day work.

2022 KEY HIGHLIGHTS

Safeguarding employee well-being

While the country ended its containment measures due to the Covid-19 pandemic early in the year, Cagamas continued to put in place robust business continuity and crisis plans and implemented safety measures to combat further spread of the virus. Effective from 9 May 2022, Cagamas had reverted to 100% work-in-office arrangement with continuous safety measures as the Company slowly transitioned into the endemic phase. These included requirement for weekly RTK self-test as an early detection to minimise the spread of Covid-19 in the office, supply of test-kits, hand sanitisers and facemasks to all staff, daily disinfection of high-touch items/ areas, and continuous advisory on Covid-19 to keep staff informed on the latest guidance and decisions by the Management. In consideration of the transition period towards the endemic phase, Cagamas also provided work-from-home flexibility for parents who needed to attend to their small children who contracted communicable diseases (including Covid-19 and HFMD).

Employee Learning & Development

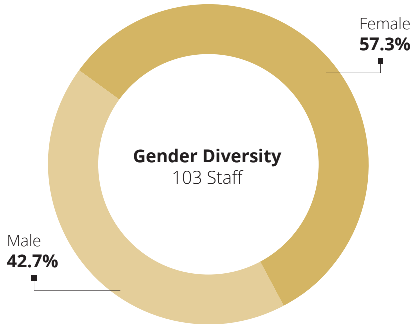
We remain focused on bringing out the best in our employees through learning and development enabling them to harness the skills they need to thrive and succeed. We also continue to invest in our people to ensure that we maintain a robust leadership and talent pipeline.

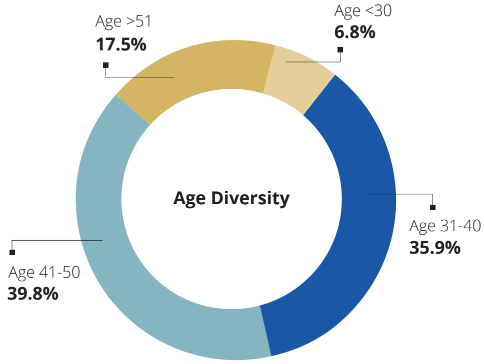
		Dec 2022
Employee Learning and Development	Total Staff Attended Training	104
	Total Training Hours	3,643
	Average Training Hours/ Staff	35 hours
	Average Training Days/ Staff	4 days*

** The mandatory corporate learning target practised by Cagamas is 16 hours per employee (equivalent to two full days of training)*

Promoting diversity, equity and inclusive values

We are committed towards promoting the values of diversity and inclusion within our organisation and proactively building an environment where each employee feels respected, valued, and empowered to have their voices heard.





Other key highlights

- 82% of the targeted workforce are qualified professionals certified to operate in the field of financial and capital markets
- A comprehensive succession plan and talent pipeline are in place to ensure continuity in key positions and to encourage individual career development and advancement
- In-line with the Company's digital transformation, a digital talent management portal (Talent Pulse) was rolled out in April 2022 to facilitate assessment for employees to identify competencies gap in order to proceed with talent development plans, for succession planning, talent movements and recruitment selection process.
- Introduced Cagamas Internship Programme, to provide both undergraduates and fresh graduates opportunities to explore careers in the financial industry.
- Signed the Memorandum of Understanding (MOU) on HR Exchange Programme with Korean Housing Finance Corporation ("KHFC") in September 2022.

PILLAR 3:
POSITIVE SOCIETAL IMPACT

HOW CAGAMAS CREATES VALUE

Cagamas is committed to create long-term positive societal impact through various community engagement initiatives that reflect the Group's commitment to giving back to society and ensuring sustainable communities' growth. Cagamas' social contribution and development initiatives include supporting access to quality education for underprivileged students through scholarship programmes, distribution of funds through zakat and social investments, as well as developing innovative products in our effort to promote a more inclusive and caring society.

SUSTAINABILITY REPORT *(continued)*

2022 KEY HIGHLIGHTS

Providing access to quality education to underprivileged students through Scholarship Programme

In developing the future workforce for the nation, specifically in the financial services industry, Cagamas has established its scholarship programme since 2016 to help students from low-income households in their pursuit of higher learning education and to ultimately alleviate the livelihoods of themselves and their families. Cagamas has contributed approximately RM960,000 in scholarships for 36 scholars to study various disciplines since 2016.

Supporting Communities through CSR Programmes and Zakat

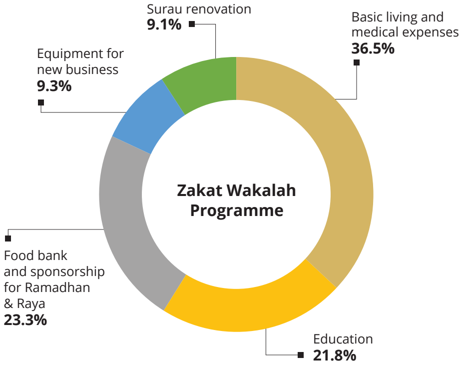
Cagamas' Corporate Social Responsibility ("CSR") approach is centred on grant giving, educational programmes and employees volunteerism. In 2022, our initiatives were focused on improving the lives of the handicapped, underprivileged children living with autism as well as equipping women from the B40 categories with entrepreneurship skills through various charitable and non-governmental welfare organisations. During the year, Cagamas' CSR projects impacted the lives of more than 1,000 recipients with a total allocation of approximately RM146,000.

Incitement: Urban Hijau Edible Garden with Rumah Amal Cheshire Selangor (RACS)

Hydrotherapy Programme for Underprivileged Autistic Children at IDEAS Autism Centre

Entrepreneurship Skill Development for Women (B40 category) with Women of Will (WoW)

Hippotherapy Programme for Underprivileged Autistic Children at IDEAS Autism Centre



In addition to the CSR programmes, Cagamas supports communities through its Zakat Wakalah Programme ("ZWP") which aims to uplift the livelihood of Asnaf (beneficiaries) through Islamic social finance. In 2022, the ZWP distributed over RM586,608 to various associations and charity homes impacting 1,638 individuals and 40 corporations for various purposes including providing financial assistance for cost of living expenses, medical costs and purchasing medical equipment, as well as distribution of food packs through the Pasca Covid-19 Food Bank. Moving forward, the ZWP will expand its distribution to include flood relief programmes and supporting sustainability of businesses.

Facilitating Retired Home Owners through Skim Saraan Bercagar

In 2022, Cagamas launched its suite of reverse mortgage products comprising of Skim Saraan Bercagar ("SSB") and Skim Saraan Bercagar Islamik ("SSB-i") which offer comprehensive solutions for retired home owners who may be affected by the current economic conditions resulting in insufficient savings, to help them maintain their standard of living. Retired home owners will receive fixed monthly cash payments during their lifetime while continuing to live in their existing homes. The fixed monthly cash payments will be able to supplement the retirement savings of retirees to help them maintain a decent standard of living in their retirement years.

PILLAR 4:
POSITIVE ENVIRONMENTAL IMPACT

HOW CAGAMAS CREATES VALUE

As the National Mortgage Corporation, we aim to promote positive environmental impact by facilitating home owners and counterparties to manage the climate challenges through our products and solutions as well as reducing impact from our own operations.

2022 KEY HIGHLIGHTS

Promoting Green Home Financing In Malaysia

In September 2022, Cagamas in collaboration with the Asian Development Bank ("ADB") signed a Technical Assistance ("TA") agreement which aims to expand the green mortgage market to include B40, M40 and female-headed households. The TA research study aims to identify the challenges and constraints facing the industry in scaling up inclusive and green residential mortgages and provide recommendations and solutions based on the outcome of the study. The signing was held during the Developing and Financing Green Housing in Asia Conference, and witnessed by the Minister of Finance, Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz.

Signing of TA agreement between Cagamas and Asian Development Bank (ADB)

Channeling Liquidity Towards Green Projects

In addition to providing liquidity for the purpose of affordable housing, Cagamas also channelled its proceeds towards green projects in its effort to encourage the financial industry's transition to low-carbon economy. As of December 2022, over RM4.2 million was mobilised towards renewable energy and sustainable water and waste management projects.

CONCLUSION

During the year, Cagamas has further strengthened its sustainability agenda by rolling out more robust initiatives across all areas – from promotion of sustainable home ownership and empowering local communities to raising stakeholders' awareness on the scaling-up of green mortgages. Moving forward, the Group remains committed in generating positive results while creating sustainable value for its stakeholders and further progressing its sustainability agenda.

SECTION 2
ANNUAL SUSTAINABILITY PROGRESS REPORT

This report provides information on the outstanding Cagamas Sustainability Bonds/ Sukuk issuances, the use of proceeds and the impact analysis as at 31 December 2022.

1. Details of Sustainability Bond/ Sukuk

Facility Code	Facility Description	Stock Code	Issue date	Maturity date	Original Tenure	Issue Size (RM million)	Purchase Contract
201900073	Sustainability Cagamas MTN	UG200253	27/10/2020	27/04/2023	2.5	45	208012
201900073	Sustainability Cagamas MTN	UG210266	05/08/2021	05/08/2024	3.0	200	218014
201900073	Sustainability Cagamas MTN	UF210380	29/10/2021	30/10/2023	2.0	300	218019
201900073	Sustainability Cagamas MTN	UF210397	24/11/2021	24/11/2023	2.0	20	218023
201900073	Sustainability Cagamas MTN	UG210396	24/11/2021	24/05/2024	2.5	50	218023
201900073	Sustainability Cagamas MTN	UF220239	08/08/2022	08/08/2024	2.0	110	228017
201900073	Sustainability Cagamas MTN	UF220256	30/08/2022	08/08/2024	1.9	45	228023
201900073	Sustainability Cagamas MTN	UG220305	31/10/2022	31/10/2025	3.0	300	228028
201900074	Sustainability Sukuk Cagamas	VG200270	26/10/2020	26/10/2023	3.0	100	208013
201900074	Sustainability Sukuk Cagamas	VG210294	05/08/2021	05/08/2024	3.0	100	218015
201900074	Sustainability Sukuk Cagamas	VG220130	24/03/2022	24/03/2025	3.0	200	228005
201900074	Sustainability Sukuk Cagamas	VG220235	29/06/2022	30/06/2025	3.0	150	228012
201900074	Sustainability Sukuk Cagamas	VF220280	08/08/2022	08/08/2024	2.0	285	228020
201900074	Sustainability Sukuk Cagamas	VG220401	27/10/2022	27/10/2025	3.0	200	228029
201900074	Sustainability Sukuk Cagamas	VG220400	31/10/2022	31/10/2025	3.0	300	228030
					Total	**2,405**	

2. Use of Proceeds

No.	Purpose	RM mil	%
1	Renewable Energy	2.93	0.12%
2	Energy Efficiency	0.00	0.00%
3	Green Buildings	0.00	0.00%
4	Low Carbon and Low Emission Transportation	0.00	0.00%
5	Sustainable Water and Wastewater Management	1.26	0.05%
6	Affordable Housing	2,288.18	95.14%
7	Employment Generation	110.81	4.61%
8	Unallocated*	1.82	0.08%
	Total	**2,405.00**	**100.00%**

* *Loans which do not fulfill eligible criteria and will be replaced with eligible sustainability loans in 2023*

3. Details of Sustainability Loan/ Financing

No.	Use of Proceeds	Size (RM million)	Description	Impact	Impact Indicators
1	Renewable Energy	2.93	Solar PV System for Rooftop Installation	1,444	Total installed capacity (kwh)
2	Sustainable Water and Wastewater Management	1.26	Effluent water treatment	1,709	Amount of waste water treated (m3/day)
3	Affordable Housing	2,288.18	Affordable Housing	22,894	Total affordable homes
4	Employment Generation	110.81	Non-carbon emitting industrial hire purchase receivables for Small and Medium Enterprises	862	Number of SMEs
	Total	**2,403.18**			

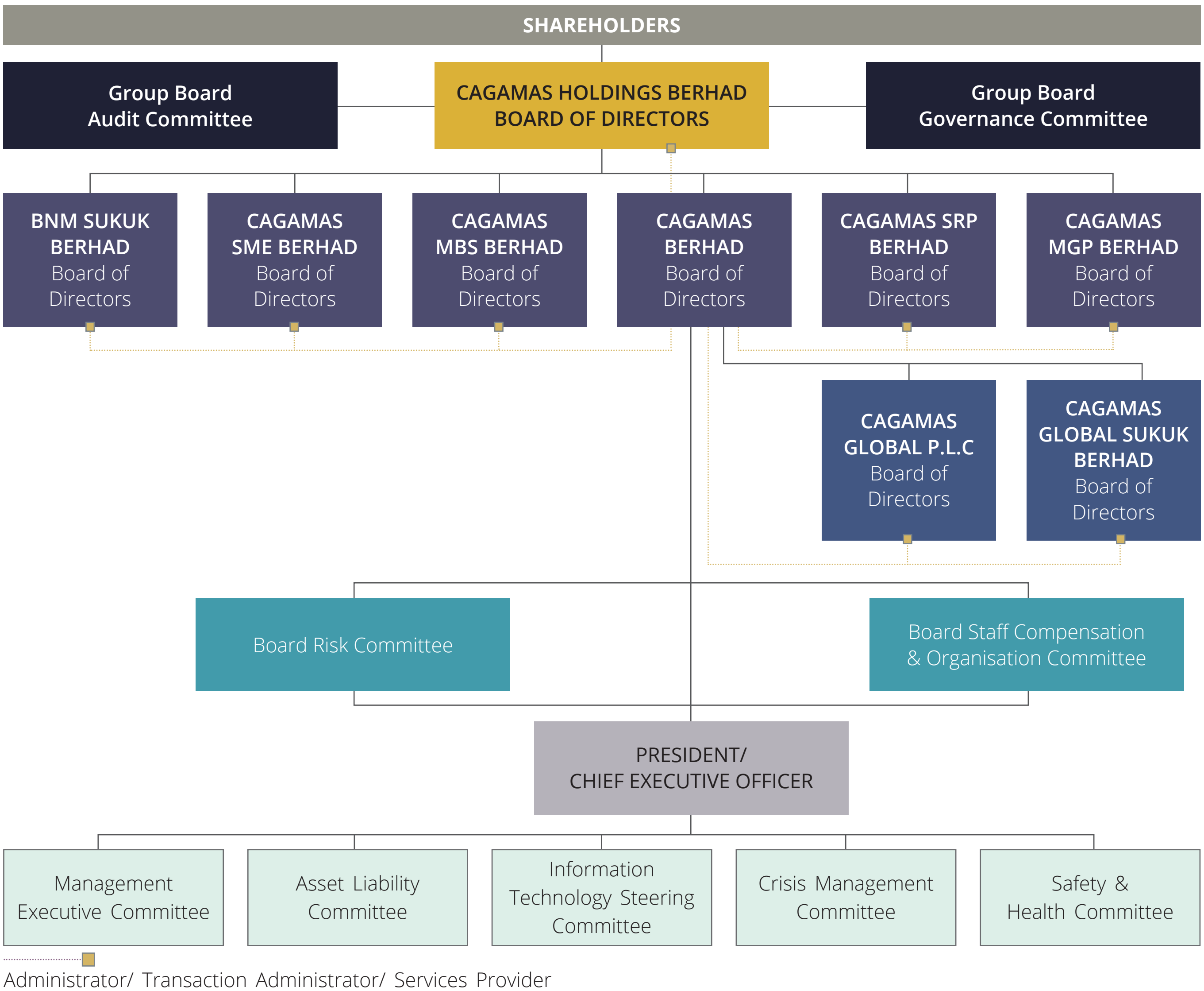
RAM Sustainability Sdn Bhd has provided an independent post-issuance annual review report on Cagamas' Sustainability Bond/ Sukuk issuances to confirm that the allocation of proceeds was carried out in accordance with Cagamas Sustainability Bond/ Sukuk Framework and that the impact information was accurately disclosed.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Cagamas Holdings Berhad ("the Company") is committed to ensuring that the Company and its subsidiaries ("the Group"), practise the highest standards of corporate governance so that the Group's affairs are conducted with integrity and professionalism to safeguard the financial performance of the Group and enhance long term shareholder value. To this end, the Board has largely adopted the Bank Negara Malaysia Corporate Governance 2016 policy document ("BNMCG") for financial institutions as its guiding principles to ensure that the highest standards of corporate governance are practised within the Group.

In 2022, the Board continued its efforts to enhance the Group's corporate governance standards, with the introduction of a 3-year term limit for future independent directors of the Company, Cagamas Berhad and Cagamas SRP Berhad. These appointments are renewable, subject to the approval of the respective boards, up to a cumulative tenure of 9 years. In addition, all Directors of the Group are now required to submit the Directors' Fit & Proper Declaration Form on an annual basis. The implementation of the Directors' Succession Planning Guidelines, previously approved by the Company, was also adopted by the boards of Cagamas Berhad and Cagamas SRP Berhad.

GOVERNANCE FRAMEWORK



BOARD OF DIRECTORS

Board Composition

The Board consists of eight Non-Executive Directors, comprising chief executives and representatives of selected substantial shareholders as well as experienced professionals. Collectively, the Directors bring to the Board a broad and diverse range of knowledge in banking and finance, capital markets, accounting, law, economics and risk management.

Based on the BNMCG criteria, a majority of the Company's Directors are considered independent as they are independent in character and judgment, and free from associations or circumstances that may impair the exercise of their independent judgment. The Directors provide objective and independent views for the Board's deliberations and do not participate in the day-to-day running of the Company's business.

With effect from 23 March 2022, all new independent directors of the Company, will be appointed for a three (3) year term, which is renewable upon the approval of the Board, subject to a cumulative tenure of nine (9) years, a limit which is strictly observed by the Board.

Clear Roles and Responsibilities

Cagamas Holdings Berhad/ Cagamas Berhad/ Cagamas SRP Berhad

The boards of the above companies have each adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of each board to assist the Directors to be aware of their roles and responsibilities and to effectively discharge their fiduciary duties by providing oversight of the affairs of the respective companies. The Board Charters are reviewed periodically to ensure consistency with each board's strategic intent and relevant standards of corporate governance.

The Board assumes the overall responsibility for corporate governance, strategic direction, risk appetite, formulation of policies and oversight of the operations of the Group. The Board ensures that an appropriate system is in place to identify the Group's material risks and that appropriate internal controls and mitigation measures are implemented to manage these risks. The Board is also entrusted to ensure the adequacy and integrity of the Group's internal control systems and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The Board is regularly updated and apprised by the Senior Vice President of the Risk Management and Compliance Division ("RMD") on relevant new laws and directives issued by regulatory authorities and the resultant implications for the Group and the Directors in relation to their duties and responsibilities.

The Board sets the overall risk appetite for the Group's business. The oversight of management of risks within the Group is undertaken by the Board Risk Committee ("BRC") of Cagamas Berhad. The BRC oversees the development of risk management strategies, policies and critical internal processes and systems to assess, measure, manage, monitor and report risk exposures within the Group.

The BRC reports directly to the board of Cagamas Berhad which in turn, updates and where necessary, seeks input from the Board of Cagamas Holdings Berhad on decisions pertaining to risk reviews and other risk related matters. The BRC is supported by RMD which is responsible for performing risk reviews and assessments on the operations of Cagamas Berhad and other subsidiaries of the Company. The Senior Vice President of RMD reports directly to the BRC. RMD also submits the risk reviews to the respective boards of the subsidiaries.

The Board oversees the conduct and performance of the Group's business by reviewing the Group's strategic business plan and annual budget. Updates on the key operations of the Group are provided to the Board for review at every Board meeting. In addition, significant matters presented to the boards of the subsidiaries are forwarded to the Board for information or endorsement.

The Chairman leads the Board and ensures it performs and functions effectively in meeting its obligations and responsibilities. Being an investment holding company, Cagamas Holdings Berhad does not have a President/ Chief Executive Officer ("CEO") or any employees.

The day-to-day operations of the Group are being undertaken by the main operating entity, Cagamas Berhad.

STATEMENT ON CORPORATE GOVERNANCE *(continued)*

In Cagamas Berhad's Board Charter, there is a clear segregation of roles and responsibilities between the Chairman and the CEO. The Chairman provides leadership, leading discussions on overall strategies, policies, risk appetite and oversight of the conduct of the business and ensuring that the board functions effectively. All the Directors are Independent Non-Executive Directors except for the CEO who is an Executive Director.

The CEO leads the management and is responsible for the implementation of strategies and policies as well as the day-to-day running of Cagamas Berhad's business. Annual Key Performance Indicators for the CEO and management of the company are reviewed and set by the board.

Cagamas SRP Berhad was incorporated to undertake the guarantee of residential mortgages under the ***Skim Rumah Pertamaku*** ("My First Home Scheme, SRP") and later the ***Skim Perumahan Belia*** ("Youth Housing Scheme, SPB") as announced by the Government in 2011 and 2015 respectively.

The Chairman provides leadership to the board and ensures that the board functions effectively whereas the management of Cagamas Berhad as the appointed services provider, is responsible for the implementation of the strategies and policies as well as the routine administration of the business, as currently, Cagamas SRP Berhad does not have a CEO or any employees.

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded in the statutory books maintained at the registered office of the Company.

Board Meetings

During the financial year ended 31 December 2022, the Board met four (4) times to deliberate on a wide range of matters, including the Company's business performance, risk profile, business plans and strategic issues that affect the Group's business. Board papers providing updates on operations, financials, risk profile, regulatory issues and corporate developments are sent to the Directors in advance of each meeting.

All Directors have direct access to the advice of the management of Cagamas Berhad. In furtherance of their duties, the Board is entitled to seek independent professional advice at the Company's expense, as and when deemed necessary.

In addition, the Directors participated in the Board Strategic Meeting held on 21 May 2022.

The Directors' attendance at Board meetings during the financial year ended 31 December 2022 is set out below:

Director	Designation/ Independence	Board Meetings Attendance
Dato' Bakarudin Ishak	Chairman, Independent	4/4
Tan Sri Dato' Sri Dr. Tay Ah Lek	Non-Independent	4/4
Dato' Lee Kok Kwan	Non-Independent	3/4
Wan Hanisah Wan Ibrahim	Independent	4/4
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	Independent	4/4
Datuk Siti Zauyah Md Desa	Independent	4/4
Chong Kin Leong	Independent	4/4
Dato' Khairussaleh Ramli (Appointed on 1 May 2022)	Non-Independent	3/3
Tan Sri Abdul Farid Alias (Resigned on 30 April 2022)	Non-Independent	0/1

Board Committees

The Board is assisted by the Group Board Governance Committee ("GBGC") and the Group Board Audit Committee ("GBAC") which operate within their specified terms of reference as approved by the Board.

The GBGC comprises three Non-Executive Directors, namely:
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani (Chairman)
Tan Sri Dato' Sri Dr. Tay Ah Lek
Dato' Bakarudin Ishak

The GBGC is responsible for the review and alignment of the Group's corporate governance practices with best practices. The GBGC is also responsible to annually assess the effectiveness of the Board as a whole, the Board Committees and the contributions of individual Directors and to propose appointments to the boards and board committees of the Group.

The details of the GBAC are described in the Report of the Group Board Audit Committee in this Annual Report.

Other committees, namely the Board Staff Compensation and Organisation Committee and the BRC remain at Cagamas Berhad.

Appointment and Re-election of Directors

Candidates who are nominated to be appointed as Directors are reviewed by the GBGC, which then presents its recommendations to the Board for approval.

In accordance with the Company's Constitution, at least one-third of the Directors retire from office at each AGM and if eligible, may offer themselves for re-election. In the AGM notice, the Board provides an explanatory note on the reasons why it supports the re-election of such Directors. The Constitution also states that any Director appointed by the Board during a particular year shall hold office only until the next following AGM and shall then be eligible for re-election.

Directors' Remuneration

The Company's policy on Directors' remuneration endeavours to attract Directors of the calibre and experience required to provide sound and effective oversight of the Group's activities. The GBGC reviews the remuneration of the Non-Executive Directors every three (3) years to ensure that Directors' remuneration commensurates with the Directors' time commitment and expertise, as well as the risk and complexity of the business of the respective companies and the responsibilities undertaken.

The remuneration paid to the Directors as disclosed in the financial statements is as follows:

Non-Executive Directors	Directors' Fees (RM)	Meeting Allowance (RM)	Total (RM)
Dato' Bakarudin Ishak	100,000	20,000	120,000
Tan Sri Dato' Sri Dr. Tay Ah Lek	70,000	14,000	84,000
Dato' Lee Kok Kwan	70,000	10,500	80,500
Wan Hanisah Wan Ibrahim	70,000	14,000	84,000
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	70,000	14,000	84,000
Datuk Siti Zauyah Md Desa	70,000	14,000	84,000
Chong Kin Leong	70,000	14,000	84,000
Dato' Khairussaleh Ramli (Appointed on 1 May 2022)	46,667	10,500	57,167
Tan Sri Abdul Farid Alias (Resigned on 30 April 2022)	23,333	–	23,333

STATEMENT ON CORPORATE GOVERNANCE *(continued)*

Directors' Training

The annual Directors' training programme focuses on the continued enhancement of the Directors' skill sets and updates on recent developments in the financial services sector, including relevant new laws and regulations. Some of the Directors are also Directors of public listed companies and have attended the Mandatory Accreditation Programme required by the Bursa Malaysia Listing Requirements. In addition, some Directors of the Group have attended the Financial Institutions Directors' Education (FIDE) Core Programme.

For 2022, training programmes attended by the Directors are detailed below.

Training Programmes Attended by Directors

Training Programmes	Duration in Day(s)
Financial Institutions Directors' Education (FIDE) FORUM:	
BNM-FIDE FORUM: Dialogue on Climate Risk Management & Scenario Analysis	1
BNM-FIDE FORUM: MyFintech Week Master Class	1
BNM-FIDE FORUM Dialogue: Engagement with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms	1
PIDM-FIDE FORUM: Recovery and Resolution Planning Sharing Session	1
ICLIF-FIDE FORUM: Joint Event on Steward Leadership for Sustainability	1
FIDE FORUM: MetaFinance The Next Frontier of the Global Economy	1
FIDE FORUM: CGM Conversation with Chairman : A Standing Item in Board Agendas	1
FIDE FORUM: Leadership Perspective Forum Board Effectiveness in conjunction with BEE launch	1
FIDE FORUM: Board Effectiveness Evaluation - Post-launch Workshop	1
FIDE FORUM: The Emerging Trends, Threats and Risks to the Financial Services Industry – Managing Global Risk, Investment and Payment System	1
FIDE FORUM: Leadership Perspectives Forum on Board Effectiveness in conjunction with the Launch of FIDE FORUM Board Effectiveness Evaluation Guidebook	1
Institute of Corporate Directors Malaysia (ICDM)	
ICDM International Directors Summit	3
Financial Essentials for Non-Finance Directors	1
ESG: Board Oversight	1
Companies Commission of Malaysia:	
SSM Corporate Directors Training Programme Fundamental	1
Malaysian Institute of Accountants (MIA):	
Audit Committee Conference 2022	2
The Institute of Enterprise Risk Practitioners (IERP)	
Qualified Risk Directors Programme	10
Financial Services and the Treasury Bureau and Invest Hong Kong	
HK FINTECH 2022	1
Cagamas Berhad	
Developing and Financing Green Housing in Asia	1

Management Committees

At Cagamas Berhad, management committees have been established to support the CEO in managing various activities and operations throughout the Group. The management committees comprise the following:

Management Executive Committee
Asset Liability Committee
Information Technology Steering Committee
Crisis Management Committee
Safety & Health Committee

Investor Relations and Shareholders' Communication

The Board recognises the importance of effective and timely communication with all its shareholders and bondholders. The Group's strategic plans, financial information and new products are communicated to the shareholders and investors through letters, the Annual Report, press statements and announcements, and other financial information providers e.g. Bloomberg, Refinitiv, Bursa Malaysia Berhad, Labuan International Financial Exchange and Singapore Exchange Limited. The principal forum for dialogue with shareholders continues to be the AGM. At the AGM, the Chairman highlights the performance of the Group and provides the shareholders every opportunity to raise questions and seek clarification on the business and performance of the Group.

Cagamas Berhad continues to organise its annual Investor Briefing in its efforts to engage and update its local and foreign investors on the company's financial results and outlook prospects for the year. The 2022 briefing was attended by local and foreign financial institutions, asset managers, insurance companies as well as corporate investors. Cagamas also participates in other investors' forums and conferences organised by financial institutions.

Cagamas Berhad maintains several websites, www.cagamas.com.my, www.srp.com.my and www.ssb.cagamas.com.my which provide comprehensive up-to-date information on the Group's products, rates and financial information.

RELATIONSHIP WITH THE AUDITORS

The roles and responsibilities of the GBAC in relation to the internal and external auditors are described from pages 62 to 65 of this Annual Report.

Internal Auditors

The Internal Audit Division reports functionally to the GBAC and has unrestricted access to the GBAC. Its function is independent of the activities or operations of other operating units as set out in the Company's Statement on Internal Control on pages 66 to 67 of this Annual Report.

External Auditors

The external auditors, namely Messrs. PricewaterhouseCoopers PLT also attended Board and GBAC meetings in 2022 to report on matters related to the external audit and financials of the Group, and were present during the AGM of the Company to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

Auditors' remuneration as well as non-audit fees paid are shown on page 167 of this Annual Report.

REPORT OF THE GROUP BOARD AUDIT COMMITTEE

MEMBERS

The members of the Group Board Audit Committee ("GBAC") for the year of 2022 were as follows:

(a) Chong Kin Leong (Chairman)
(b) Dato' Lee Kok Kwan
(c) Wan Hanisah Wan Ibrahim

The GBAC members comprised a majority of two (2) Independent Non-Executive Directors as per Cagamas Holdings Berhad's Board Charter. Collectively, the GBAC has a wide range of skills and experience which includes the areas of accounting as well as related credit and treasury knowledge in discharging their roles, duties and responsibilities. The Directors do not participate in the day-to-day running of the Group's business but provides independent oversight of Management and deliberates on financial reporting and internal control systems.

ATTENDANCE AT MEETINGS

The GBAC held four (4) meetings during the financial year ended 31 December 2022 with the President/ Chief Executive Officer and the Senior Vice President of Internal Audit Division in attendance. Other senior officers attended the meetings upon invitation, when required. The record of attendance of meetings by the members is as follows:

Name of Committee Member	Status	No. of Meetings Attended
Chong Kin Leong	Chairman/ Independent Non-Executive Director	4/4
Dato' Lee Kok Kwan	Non-Independent Non-Executive Director	4/4
Wan Hanisah Wan Ibrahim	Independent Non-Executive Director	4/4

The Group's External Auditors, Messrs. PricewaterhouseCoopers PLT had attended two (2) meetings during the year to report on the audit for financial year ended 31 December 2021, limited review for financial period ended 30 June 2022, audit plan for the Group for the year 2022 and related tax matters applicable to the Group.

COMPOSITION AND TERMS OF REFERENCE

Authority

(a) The GBAC shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to Management of the companies within the Group.

(b) The GBAC is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of external parties with relevant experience and expertise to attend meetings whenever it deems necessary.

(c) The GBAC is authorised by the Board to investigate any activity within its purview and members of the GBAC shall direct all employees to co-operate as they may deem necessary.

Size and Composition

(a) The GBAC shall be appointed by the Board from amongst the Non-Executive Directors and shall comprise a minimum of three (3) members, a majority of whom shall be Independent Directors.

(b) If for any reason the number of members is reduced to below three (3), the Board must fill the vacancies within three (3) months.

(c) The members of the GBAC shall elect a Chairman from amongst their members who shall be an Independent Director.

(d) At least one member of the GBAC:

(i) must be a member of the Malaysian Institute of Accountants (MIA); or

(ii) has a minimum of three (3) years' working experience and:

- passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
- a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or

(iii) holds a degree or masters or doctorate in accounting or finance with at least three (3) years of post qualification experience in accounting or finance; or

(iv) has a minimum of seven (7) years' experience being a Chief Financial Officer of a corporation or having function of being primarily responsible for the management of the financial affairs of a corporation.

(e) No member of the GBAC shall have a relationship, which in the opinion of the Board will interfere with the exercise of independent judgment in carrying out the functions of the GBAC.

Meetings

(a) Meetings will be held once a quarter or at a frequency to be decided by the Chairman. Invitation shall be extended to the President/ Chief Executive Officer to attend the meetings. The GBAC may invite any person to be in attendance to assist in its deliberation.

Quorum

(a) A quorum shall consist of two (2) members.

Secretary

(a) The Secretary to the GBAC shall be the Senior Vice President of Internal Audit Division.

Duties and Responsibilities

Financial Reporting

(a) Review the consolidated annual financial statements of the Group for submission to the Board of Directors for approval, to ensure compliance with the disclosure requirements and the adjustments suggested by the external auditors. These include:

- Review of the auditors' report and qualifications (if any) which must be properly discussed and acted upon to address the auditors' concerns in future audits;
- Changes and adjustments in the presentation of financial statements;
- Major changes in accounting policies and principles;
- Compliance with accounting standards and other legal requirements;
- Material fluctuations in statement of balances;
- Significant variants in audit scope; and
- Significant commitment or contingent liabilities.

(b) Review the half yearly Condensed Interim Financial Statement for Cagamas Berhad and its subsidiaries (Cagamas Berhad Group) for submission to the Cagamas Board of Directors for approval, to ensure compliance with disclosure requirements.

Internal Audit

(a) Review the scope and results of internal audit procedures including:

- Compliance with internal auditing standards, the Group's internal controls, policies and other legal requirements;
- Adequacy of policies and procedures including the existing internal controls;
- Co-ordination between the internal and external auditors;
- Exercise independence and professionalism in carrying out internal auditing work;
- Reporting results of the audit performed;
- Recommending changes in accounting policies to the Board; and
- Recommending and ensuring the implementation of appropriate remedial and corrective actions regularly.

(b) Responsible for establishment of the internal audit functions which include:

- Approval of the Internal Audit Charter;
- Approval of the Internal Audit Plan;
- Evaluate the performance and decide on the remuneration package for the Senior Vice President of Internal Audit Division in line with the Company's remuneration policy;
- Reviewing the adequacy of the scope, functions and resources of the Internal Audit Division or any restrictions encountered in the course of the audit work;
- Approval of the appointment or termination of the Senior Vice President of Internal Audit Division;
- Notification of resignation of internal audit staff and to provide opportunity for such staff to submit reasons for resigning;
- Ensuring that the internal audit functions have appropriate standing within the Group;
- Alignment of goals and objectives of the internal audit functions with the Group's overall goals; and
- Place Internal Audit Division under the direct authority and supervision of the GBAC.

(c) Review the internal audit reports before submission to the boards of Directors of the respective companies within the Cagamas Group and recommend to the Board for information or endorsement.

(d) Ensure that appropriate and prompt remedial actions are taken by Management on major control or procedures deficiencies identified.

External Audit

(a) Assess the objectivity, performance and independence of the external auditors.

(b) Discuss and review the external audit plan, the findings on the system of internal controls (including Management's actions and the relevant audit reports).

(c) Review the external auditors engagement letter and Management's response.

(d) Recommend to the Board the appointment of external auditors, the audit fee and any question of resignation or dismissal of the external auditors.

(e) Discuss matters arising from the previous year's audit, review with the external auditors on the scope of their current year's audit plan, their evaluation of the accounts and internal controls systems, including their findings and recommended actions.

(f) Review changes in statutory requirements and any significant audit problems that can be foreseen as a result of previous years' experience or because of new developments.

(g) Evaluate and review the role of external auditors from time to time.

(h) Approve the provision of non-audit services by the external auditors and evaluate whether there are any potential conflicts arising from such non-audit services.

(i) Ensure that proper checks and balances are in place so that the provision of non-audit services does not interfere with the independent judgment of the external auditors.

(j) Meet with the external auditors at least once a year without the presence of Management to discuss any key concerns and to obtain feedback.

Related Party Transaction

(a) Review any significant related party transaction or conflict of interest situation that may arise within the Group.

(b) Review any significant transactions, which are not a normal part of the Group's business.

Other Responsibility

(a) To review the Management's proposal for payment of dividend prior to submission to the Board for approval.

(b) Perform any other functions as may be delegated by the Board from time to time.

SUMMARY OF ACTIVITIES

During the financial year, the GBAC carried out its duties in accordance with its terms of reference. A summary of the main activities undertaken by the GBAC is as follows:-

Internal Audit

(a) Reviewed and approved the Internal Audit Plan for Financial Year 2023 to ensure adequate scope and coverage of the audit activities of the Group and the resources requirements of the Internal Audit Division to carry out its functions;

(b) Reviewed the internal audit reports, audit recommendations and Management's responses to the audit findings and recommendations;

(c) Reviewed the status report on Management's efforts to rectify the outstanding audit issues to ensure that appropriate actions have been taken as per the audit recommendations; and

(d) Provided independent evaluation on the performance of the Senior Vice President of Internal Audit Division.

External Audit

(a) Reviewed audit plan and scope of work of the external auditors for the year 2022;

(b) Recommended the appointment of the external auditors and their audit fees to the Board of Directors; and

(c) Reviewed the results of the audit by the external auditors and discussed the findings and other concerns of the external auditors.

Financial Reporting

(a) Reviewed the annual audited financial statements of the Group to ensure that the financial reporting and disclosure requirements are in compliance with accounting standards.

INTERNAL AUDIT FUNCTION

The Group has an established Internal Audit Division, which reports directly to the GBAC and assists the Board in discharging its responsibilities to ensure that the Group maintains a sound and effective system of internal controls. The Internal Audit Division is independent of the activities or operations of other units. This enables the Internal Audit Division to provide the GBAC with independent and objective reports on the state of internal controls, risk management and comments on the governance process within the Group.

The Internal Audit Division undertakes the internal audit functions of the Group in accordance with the approved Audit Charter and the Annual Audit Plan approved by the GBAC. The Audit Plan is derived from the results of the systematic risk assessment process, whereby the risks arising from key processes and strategic initiatives of Cagamas were identified, prioritised and linked to the auditable areas. The risk assessment process also enables the Internal Audit Division to prioritise its resources and the areas to be audited. In addition, the annual audit plan also includes areas that must be audited annually due to regulatory requirements.

The audits conducted during the financial year 2022 focused on the independent review of the risk management, operating effectiveness of internal controls, and compliance to regulatory requirements across the Group. The audit reports were submitted to the GBAC for its deliberation. This enabled the GBAC to execute its overseeing function by forming an opinion on the adequacy of measures undertaken by Management.

The International Standard for the Professional Practices of Internal Auditing issued by the Institute of Internal Auditors was used where relevant as authoritative guides for internal auditing procedures.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY OF THE BOARD

The Board of Directors of Cagamas Holdings Berhad ("the Board") together with the boards of other companies within the Group affirms its overall responsibility in ensuring that the Cagamas Group of Companies ("the Group") maintains a sound and effective system of internal controls that supports the achievement of the Group's objectives. The system of internal controls covers, inter alia, risk management, financial, strategy, organisational, operational and compliance controls. The Board recognises that such a system is designed to manage and control the risks at acceptable levels in line with the risk appetite set by the Board in achieving business objectives. Therefore, the system provides reasonable, but not absolute assurance, against the occurrence of any material misstatement of financial information.

The role of Management is to implement the Board's policies on risk and internal control by identifying and evaluating the risks faced by the group as well as designing, operating and monitoring a suitable system of internal controls to mitigate and control these risks.

RISK MANAGEMENT

The Board Risk Committee ("BRC") of Cagamas oversees the management of risks associated with the Group's business and operations. The BRC oversees the development of risk management strategies, policies, key internal processes and systems to identify, assess, measure, manage, monitor and report risk exposures within the Group. The BRC reports directly to the board of Cagamas which in turn keeps the Board informed of the decisions pertaining to risk reviews and related risk issues.

The BRC is supported by the Risk Management & Compliance Division of Cagamas which provides risk management function and performs risk management reviews on the business and operations of Cagamas Berhad, the main operating entity as well as for the other entities within the Group. Result of the risk management reviews and other findings are reported to the Board and the boards of the respective subsidiaries. The Group's risk management principles are generally based on Bank Negara Malaysia ("BNM") guidelines and industry best practices.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system encompasses the following key processes:

1. Authority and Responsibility

(a) An organisational structure, job descriptions and Key Results Areas which clearly define lines of responsibility and accountability aligned to business and operational requirements.

(b) Clearly defined lines of responsibility and delegation of authority to the Committees of the Board, Management and staff.

(c) Management has also set up the Management Executive Committee, Asset Liability Committee, IT Steering Committee, Safety & Health Committee and Crisis Management Committee to ensure effective management and supervision of the areas under the respective Committees' purview.

2. Planning, Monitoring and Reporting

(a) The Annual Business Plan and Budget is developed, presented and approved by the board of Cagamas before implementation. In addition, actual performances are reviewed against the targeted results on a quarterly basis allowing timely responses and corrective actions to be taken to mitigate risks. The result of such performance reviews is reported to the Board on a half-yearly basis. Where necessary, the Annual Business Plan and Budget are revised, taking into account any changes in business conditions.

(b) Regular reporting to the Board, the boards of other companies within the Group and board committees. Reports on the financial position, status of loans and financings purchased, bonds and notes issued and interest rate swap transactions are provided to the Board at least once each quarter. Where necessary, other issues such as legal, accounting and other relevant matters are also reported to the Board.

(c) Regular and comprehensive information covering financial and operational reports is provided to Management at least on a monthly basis.

3. Policies and Procedures

Clear, formalised and documented internal policies and procedures manuals are in place to ensure compliance with internal controls and relevant laws and regulations. Regular reviews are performed to ensure that documentation remains current and relevant.

4. Independent Review by Internal Audit Division

(a) The Internal Audit Division provides reasonable assurance to the Board by conducting an independent review on the adequacy, effectiveness and integrity of the system of internal controls. It adopts a risk-based audit approach in accordance with the annual audit plan approved by the Group Board Audit Committee ("GBAC") of Cagamas Holdings Berhad. The results of the audits were presented to the GBAC, which met four times during the financial year ended 31 December 2022.

(b) The audit plan and audit reports are submitted to the Board and the respective boards of the other companies within the Group to inform of any gaps in the internal controls system. During the financial year, several observations were highlighted, but none resulted in any material loss, contingencies or uncertainties as well as no impact on reputational risk that would require disclosure in the Annual Report.

5. Performance Measurement and Staff Competency

(a) Key Performance Indicators, which are based on the Performance Scorecard approach are used to track and measure staff performance.

(b) There are proper guidelines for the hiring and termination of staff, formal training programs and upskilling certification by industry experts for staff, annual performance appraisal and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

6. Business Continuity Planning

(a) A Business Continuity Plan, including a Disaster Recovery Plan is in place to ensure continuity of business operations.

(b) The governance, controls and processes to manage the business continuity are in place to prepare Cagamas in the event of disaster or pandemic.

CONCLUSION

The system of internal controls in place for the year under review and up to the date of issuance of the Annual Report and financial statements, is sound and sufficient to safeguard the shareholders' investment as well as the interests of key stakeholders namely regulators, counterparties, employees and the Group's assets.

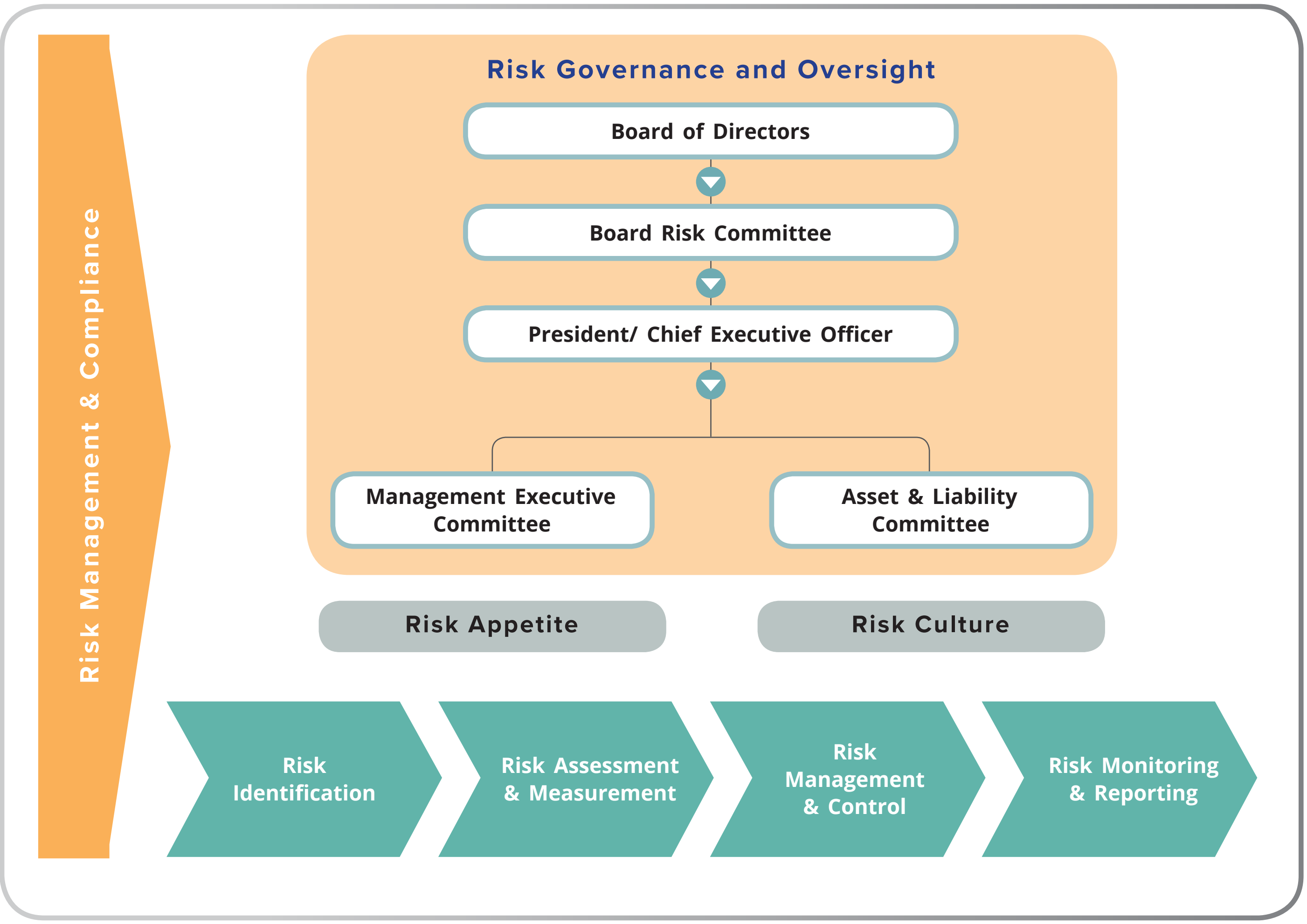
RISK MANAGEMENT

The Group embraces risk management as an integral part of the Group's business, operations, and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management & compliance function is involved at the early stage of the risk-taking process by providing independent inputs, including credit evaluations, new product assessments, quantification of capital requirements and relevant operational and regulatory requirements. These inputs enable the business units to assess the risk-vs-reward propositions, thus mitigating the risks whilst enabling residual risk to be considered and priced appropriately in relation to the expected return.

RISK MANAGEMENT OVERVIEW

The Group's risk management approach is supported by a sound and robust Enterprise Risk Management Framework (Framework), which is continuously reviewed and enhanced to remain relevant and resilient against the background of a volatile risk landscape and evolving industry practices.

Key components of the Enterprise Risk Management Framework are represented in the diagram below:



RISK MANAGEMENT GOVERNANCE

In line with the Framework, three lines of defence in managing risks are adopted within the Group. The following table summarises the responsibility and accountability of the various parties involved in the risk management of the Group.

1 FIRST LINE OF DEFENCE: Business and Support Units

- primarily responsible to identify, mitigate and manage risks within their respective lines of business.
- ensure day-to-day activities are carried out within the established risk and compliance policies, procedures, and limits.

2 SECOND LINE OF DEFENCE: Risk Management & Compliance Division (RMD)

- independently assess risk exposures and coordinate risk management on an enterprise-wide basis.
- ensure that risk management and compliance policies are implemented accordingly.
- ensure compliance with the applicable laws and regulations.

3 THIRD LINE OF DEFENCE: Internal Audit Division (IAD)

- independently review the adequacy and effectiveness of risk management processes, system of internal controls and conformity with risk and compliance policies.

MANAGEMENT RECOGNISES AND MANAGES THE FOLLOWING KEY RISKS THAT COULD PREVENT THE GROUP FROM ACHIEVING ITS OBJECTIVES AS PART OF ITS ENTERPRISE RISK MANAGEMENT:

Strategic Risk

Risk of not achieving the Group's corporate strategy objectives and goals. This may be caused by internal factors such as deficiency in performance planning, execution and monitoring as well as external factors such as changes in the market environment.

Strategic risk management is addressed by the Board's involvement in the setting of the Group strategic goals. The Board is regularly updated on matters affecting corporate strategy implementation and corporate direction.

RISK MANAGEMENT *(continued)*

Credit Risk

Potential financial loss arising from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk within the Group arises from Purchase with Recourse (PWR) and Purchase without Recourse (PWOR) business, mortgage guarantee programmes, investments including Capital Management Solution (CMS), Skim Saraan Bercagar (SSB) and treasury hedging activities.

The primary objective of credit risk management is to proactively manage credit risk and limits to ensure that all exposures to credit risks are kept within parameters approved by the Board. Investment activities are guided by internal credit policies and guidelines that are approved by the Board.

Market Risk

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

The Group manages market risk by imposing threshold limits and entering into derivative hedging contracts. The limits are set based on the Group's risk appetite and risk-return considerations. 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 assist in managing and monitoring the interest/ profit rate risk.

The Group also uses derivative instruments such as interest rate swaps, profit rate swaps, cross currency swaps and Islamic cross currency swaps to manage and hedge its market risk exposure against fluctuations in interest/ profit rates and foreign currency exchange rates.

Liquidity Risk

Arises when the Group does not have sufficient funds to meet its financial obligations as and when they fall due.

The Group manages liquidity risk by adhering to a match-funding principle whereby all asset purchases are funded by bonds/ sukuk of closely matched size, duration, and are 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 concentrations of funding.

The Group plans its cash flow and monitors closely every business transaction to ensure that available funds are sufficient to always meet business requirements. Reserve liquidity, which comprises of marketable debt securities, is also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial markets.

Operational Risk

Defined as the potential loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Each business or support unit undertakes self- assessment of its own risk and control environment to identify, assess and manage its operational risks. The Group has established comprehensive internal controls, systems and procedures which are subject to regular reviews by both internal and external auditors.

Technology Risk

Technology risk management involves structured and consistent risk assessment pertaining to technology and cyber security risks. The Group has embedded sound governance and effective management of technology risk which encompass strong information technology (IT) security, reliability, resiliency, and recoverability to ensure the availability, accuracy, accessibility and agility of systems and data.

Business Disruption Risk

The Group has a robust Business Continuity Management (BCM) program to minimise the impact and likelihood of any unexpected disruptions to its business operations through implementation of its BCM framework and policy, business continuity plans as well as regular BCM exercises. The Group has various enterprise-wide recovery strategies to expedite business and technology recovery and resumption during catastrophic events.

Regulatory Compliance Risk

Regulatory compliance risk is the failure to observe relevant laws and regulations resulting in adverse consequences that leads to fines, penalties, and reputational damage to Group's business.

The Group embedded policies that outlines overarching principles and guidelines to manage regulatory compliance risk within the Group. This includes, first line manages compliance risks inherent in business activities, to ensure the Group remains compliant. Periodic regulatory compliance reviews are independently carried out by Compliance Department (CD), on adequacy of controls and level of adherence of laws and regulatory requirements. Further, CD keep abreast of industry regulatory developments which impact the Group and provide recommendations for necessary controls to be in place.

Any incidences of non-compliance, deficiencies, corrective measures, and information are reported to the Board through Board Risk Committee (BRC), to facilitate a holistic and overall view of all compliance matters across the Group.

RISK MANAGEMENT *(continued)*

Reputational Risk

Risk arising from negative real/ perceived impact on the part of shareholders, investors, counterparties, customers, market analyst, regulators, employees, and other relevant parties that can adversely affect the Group's ability to maintain existing/ new business relationship, preserve credibility and maintain stakeholders' trust and confidence.

The Group has in place Reputational Risk Framework which outlines reputational risk management process, tools, and controls to effectively manage reputational risk within the Group. The process for managing reputational risks in the Group can be divided into 3-stage approach namely risk assessment, early warning & escalation and risk monitoring & control which are important to safeguard the Group's business reputation and image.

Shariah Non-Compliance Risk

Shariah non-compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Group may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (BNM) and/ or Securities Commission of Malaysia (SC) (collectively referred as SACs), standards on Shariah matters issued by BNM or SC including advice of the Shariah Advisors that are consistent with the rulings of the SACs.

The Group consults and obtains endorsements/ clearance from an independent Shariah Advisor for all its Islamic products, transactions, and operations to ensure compliance with relevant Shariah requirements. From a regulatory standpoint, the Group does not have direct access to the SACs for Shariah ruling/ advice. Where applicable, the Group will obtain approval of the SACs through the counterparty or intermediary that falls under the purview of BNM, and/ or through the principal adviser of the sukuk programme for submission of its Islamic financial products to SC.

Periodic Shariah compliance review by Compliance Department (CD) and annual audit by Internal Audit Division are performed to verify that Islamic operations conducted by the business units are in compliance with the decisions endorsed by the Shariah Advisor. Any incidences of Shariah non-compliance will be reported to the Shariah Advisor, relevant Board Committee and Board.

2022 KEY RISK MANAGEMENT & COMPLIANCE HIGHLIGHTS

01

Establishment of Reverse Mortgage Credit Committee (RMCC) that reviews and approves the reverse mortgage (RM) applications within the set eligibility criteria.

02

Introduction and implementation of Capital at Risk (CaR) computation for better risk quantification and measurement to ensure that risk exposures are sufficiently backed by an adequate amount of capital.

03

Portfolio management and monitoring has been intensified and heighten to detect timely emerging threats i.e. **rigorous environmental scanning** covering holistic market outlook and its potential impact to Cagamas.

04

Provided **independent advisories and risk assessment** on business strategic initiatives to ensure risk identification, control and mitigations are provided for Management and Board to make informed decisions.

05

Stress testing parameters have been enhanced i.e. include CMS and refinement to crisis parameters to reflect the risk profile of Cagamas business as well as the economic outlook.

06

Thematic risk and compliance review conducted to identify emerging risk and to assess current risk levels with recommended adequate mitigations amongst other assessments on credit portfolio, funding risk, Shariah Compliance Review, as well as post implementation of Skim Saraan Bercagar (SBB).

07

Assessed and updated new/ revised regulations issued by relevant authorities in relation to risk management and compliance to the Management and the Board.

08

Established a structured reporting of Data Loss Prevention (DLP) alerts and incidents to the Management and Board.

09

Established 'Monthly Reputational Risk Event Reporting' tool to identify and conduct assessment on any emerging trends and potential reputational risk events and its impact to Cagamas.

10

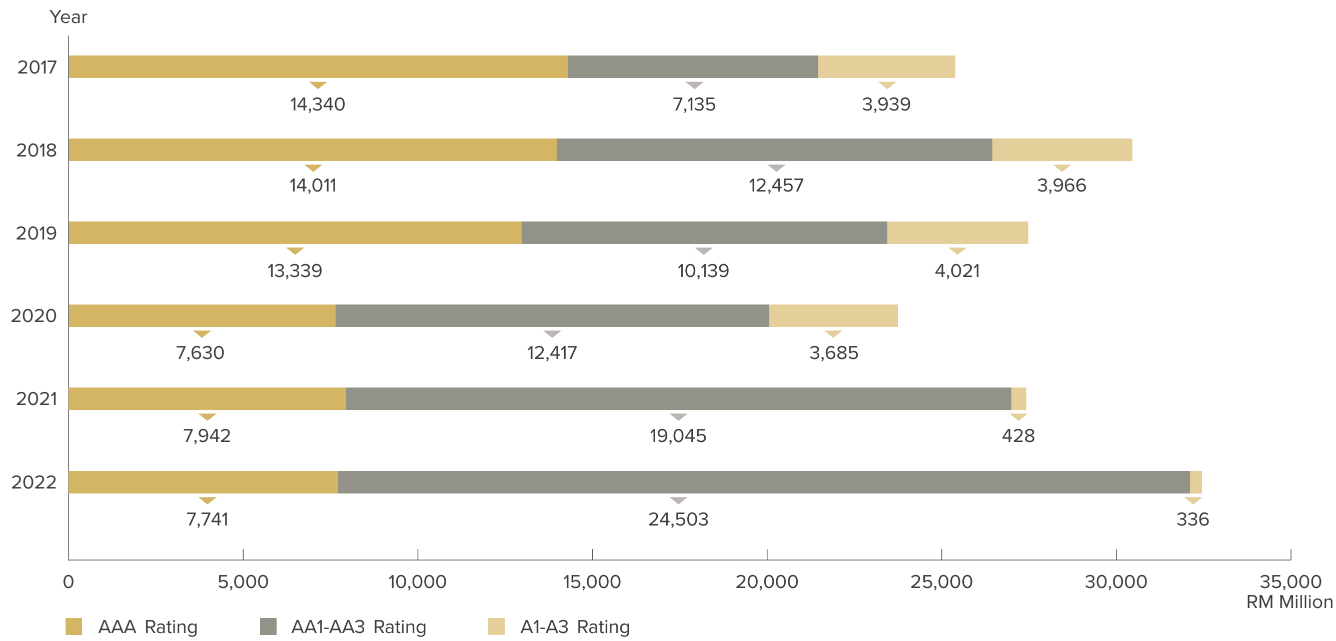
Collaborated with Information Technology Department (ITD) via **providing independent assessments and feedbacks** on ITD' initiatives pertaining to risk of data loss, security of database and application, compliance to the regulatory requirements which may impact Cagamas operations and reputation.

11

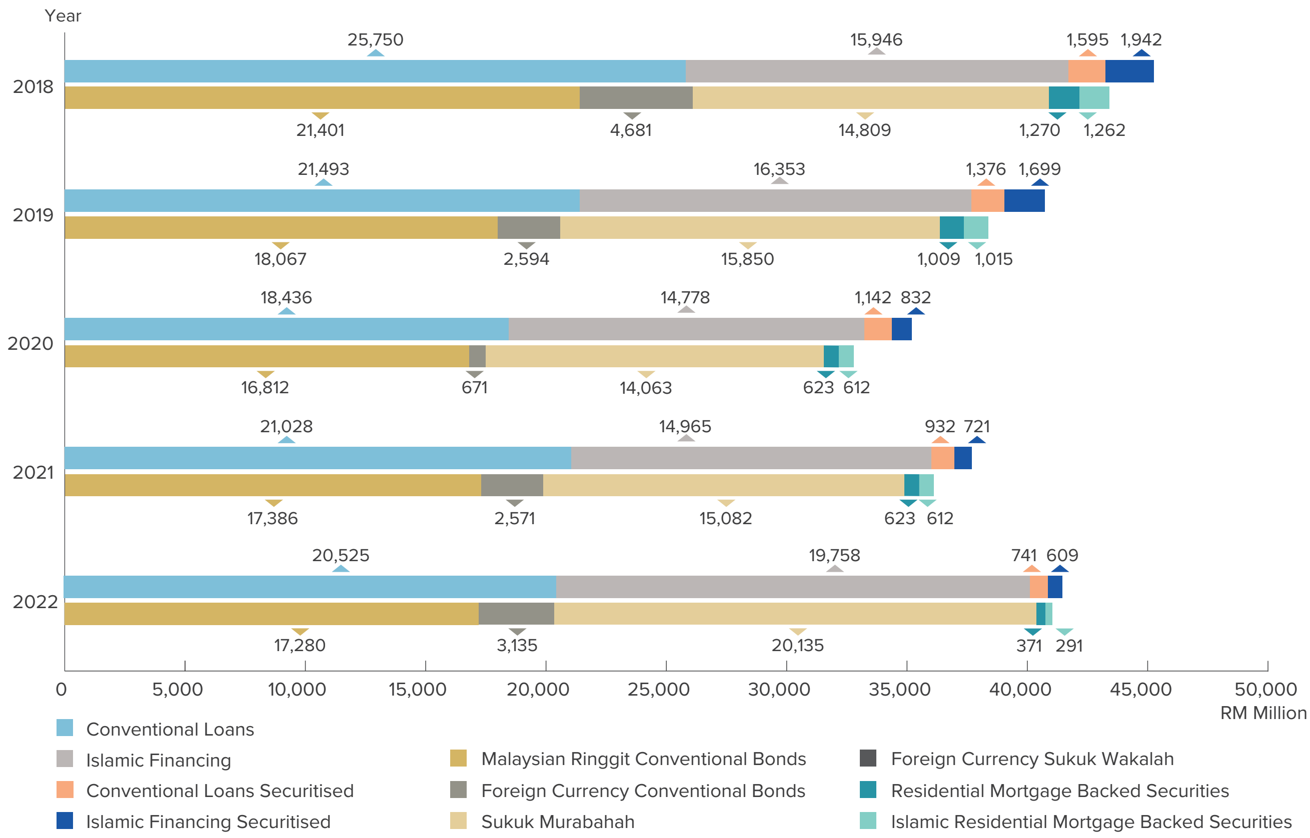
Continuous staff risk awareness initiatives through risk and compliance trainings, newsletters and quizzes on various risk areas and emerging threats.

STATISTICAL INFORMATION

COUNTERPARTIES EXPOSURE BY RATINGS (PWR)



COMPARISON BETWEEN OUTSTANDING CAGAMAS GROUP DEBT SECURITIES AND LOANS/FINANCING HELD



CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2022

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
							RM MILLION			
2005										
12.12.2005	20	5.920	12.12.2025	2.95			265			
2007										
29.05.2007	20	4.340	28.05.2027	4.41						290
22.08.2007	20	5.080	20.08.2027	4.64			105			
2008										
08.08.2008	20	6.500	08.08.2028	5.61	90					
08.08.2008	15	6.350	08.08.2023	0.60					305	
08.08.2008	20	6.500	08.08.2028	5.61					370	
10.10.2008	15	6.050	10.10.2023	0.78	140					
10.10.2008	20	6.250	10.10.2028	5.78	340					
10.10.2008	15	6.050	10.10.2023	0.78					30	
10.10.2008	20	6.250	10.10.2028	5.78					35	
2009										
30.03.2009	15	5.460	29.03.2024	1.24	150					
30.03.2009	20	5.690	30.03.2029	6.25	150					
30.03.2009	15	5.460	29.03.2024	1.24					155	
30.03.2009	20	5.690	30.03.2029	6.25					80	
17.07.2009	15	5.520	17.07.2024	1.55	100					
17.07.2009	20	5.750	17.07.2029	6.55	50					
17.07.2009	15	5.520	17.07.2024	1.55					70	
17.07.2009	20	5.750	17.07.2029	6.55					55	
03.09.2009	15	5.280	03.09.2024	1.68	90					
26.11.2009	15	5.270	26.11.2024	1.91	85					
26.11.2009	20	5.500	26.11.2029	6.91	45					
26.11.2009	15	5.270	26.11.2024	1.91					80	
26.11.2009	20	5.500	26.11.2029	6.91					45	
2010										
03.09.2010	15	4.650	03.09.2025	2.68					5	
03.09.2010	15	4.650	03.09.2025	2.68	5					
2011										
07.04.2011	12	4.760	07.04.2023	0.27					5	
07.04.2011	15	4.920	07.04.2026	3.27					10	
20.12.2011	12	4.250	20.12.2023	0.97	10					
20.12.2011	15	4.410	18.12.2026	3.97	10					
20.12.2011	12	4.250	20.12.2023	0.97					5	
20.12.2011	15	4.410	18.12.2026	3.97					10	
2012										
31.10.2012	15	4.170	29.10.2027	4.83	20					
04.12.2012	12	4.000	04.12.2024	1.93	5					
04.12.2012	15	4.140	03.12.2027	4.93	5					
04.12.2012	12	4.000	04.12.2024	1.93					10	
04.12.2012	15	4.140	03.12.2027	4.93					15	

STATISTICAL INFORMATION *(continued)*

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2022 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
							RM MILLION			
2013										
28.10.2013	10	4.300	27.10.2023	0.82					645	
28.10.2013	12	4.550	28.10.2025	2.83					450	
28.10.2013	15	4.750	27.10.2028	5.83					675	
28.10.2013	20	5.000	28.10.2033	10.83					675	
18.11.2013	10	4.300	17.11.2023	0.88	375					
18.11.2013	12	4.550	18.11.2025	2.88	410					
18.11.2013	15	4.750	17.11.2028	5.88	460					
20.12.2013	10	4.600	20.12.2023	0.97					5	
2015										
25.11.2015	10	4.850	25.11.2025	2.90	225					
25.11.2015	12	4.900	25.11.2027	4.90	250					
25.11.2015	20	5.070	26.11.2035	12.91	160					
2018										
25.05.2018	5	4.500	25.05.2023	0.40					1,500	
2019										
18.10.2019	5	3.600	18.10.2024	1.80					370	
28.11.2019	5	3.550	28.11.2024	1.91					450	
2020										
26.10.2020	3	2.230	26.10.2023	0.82					100	
26.10.2020	3	2.250	26.10.2023	0.82					350	
27.10.2020	2.5	2.180	27.04.2023	0.32	45					
2021										
19.01.2021	3	2.380	19.01.2024	1.05	55					
18.05.2021	3	2.780	20.05.2024	1.39					400	
24.05.2021	2	2.500	24.05.2023	0.39	700					
27.05.2021	2	2.500	29.05.2023	0.41	800					
15.06.2021	5	3.150	15.06.2026	3.46					200	
25.06.2021	5	3.150	15.06.2026	3.46					150	
25.06.2021	2	2.480	26.06.2023	0.48					600	
28.06.2021	2	2.410	28.06.2023	0.49	700					
28.06.2021	2	2.410	28.06.2023	0.49					200	
05.08.2021	3	2.670	05.08.2024	1.60	200					
05.08.2021	3	2.670	05.08.2024	1.60					100	
24.09.2021	2	2.370	25.09.2023	0.73	300					
24.09.2021	2	2.400	25.09.2023	0.73	250					
28.09.2021	2	2.400	28.09.2023	0.74					150	
28.09.2021	3	2.780	30.09.2024	1.75					1,150	
29.10.2021	2	2.520	30.10.2023	0.83	300					
29.10.2021	3	3.050	29.10.2024	1.83	700					
24.11.2021	2	2.800	24.11.2023	0.90	20					
24.11.2021	2.5	2.970	24.05.2024	1.40	50					
24.11.2021	2	2.800	24.11.2023	0.90	25					

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2022 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2021 (Cont'd)										
24.11.2021	2.5	2.970	24.05.2024	1.40	35					
25.11.2021	3	3.040	25.11.2024	1.90					1,100	
26.11.2021	2	1.300	26.11.2023	0.90				418		
08.12.2021	2	1.250	08.12.2023	0.94				618		
10.12.2021	3	3.160	10.12.2024	1.95	500					
2022										
31.01.2022	1	2.470	02.02.2023	0.09					100	
31.01.2022	3	3.310	31.01.2025	2.09					930	
18.02.2022	2	2.860	19.02.2024	1.14	150					
28.02.2022	2	2.930	28.02.2024	1.16	400					
23.03.2022	2	2.950	25.03.2024	1.23	330					
23.03.2022	2	2.950	25.03.2024	1.23					200	
23.03.2022	2	1.990	25.03.2024	1.23				308		
24.03.2022	3	3.100	24.03.2025	2.23					200	
07.04.2022	5	3.780	07.04.2027	4.27	1,000					
13.04.2022	1	3-mth KLIBOR + 0.15	14.04.2023	0.28					300	
29.04.2022	1	2.750	02.05.2023	0.33					45	
29.04.2022	3	3.920	29.04.2025	2.33					555	
18.05.2022	1	3-mth KLIBOR + 0.40	19.05.2023	0.38	300					
23.05.2022	1	3-mth KLIBOR + 0.40	24.05.2023	0.39					245	
24.05.2022	1	3-mth KLIBOR + 0.40	25.05.2023	0.40					100	
26.05.2022	1	3-mth KLIBOR + 0.40	29.05.2023	0.41	80					
30.05.2022	1	3-mth KLIBOR + 0.40	31.05.2023	0.41	300					
20.06.2022	3	3.910	20.06.2025	2.47					100	
29.06.2022	3	4.000	30.06.2025	2.50					150	
30.06.2022	1	3.350	03.07.2023	0.50	50					
30.06.2022	2	3.840	01.07.2024	1.50	50					
05.07.2022	1	MYOR + 0.83	06.07.2023	0.51	200					
06.07.2022	5	4.250	06.07.2027	4.52	1,000					
26.07.2022	5	4.180	26.07.2027	4.57	200					
08.08.2022	1	3.450	09.08.2023	0.61	85					
08.08.2022	1	3.450	09.08.2023	0.61					25	
08.08.2022	2	3.750	08.08.2024	1.61					285	
08.08.2022	2	3.770	08.08.2024	1.61					115	
08.08.2022	3	3.930	08.08.2025	2.61					100	
08.08.2022	2	3.750	08.08.2024	1.61	110					
08.08.2022	3	3.930	08.08.2025	2.61	390					
30.08.2022	2	3.740	30.08.2024	1.67	45					
30.08.2022	2	3.760	30.08.2024	1.67	205					
30.08.2022	3	3.850	29.08.2025	2.66	250					
09.09.2022	1	3.850	11.09.2023	0.70				479		
23.09.2022	1	3.410	25.09.2023	0.73					560	
27.09.2022	1	4.250	27.09.2023	0.74				486		

STATISTICAL INFORMATION *(continued)*

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2022 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2022 (Cont'd)										
27.09.2022	1	4.250	27.09.2023	0.74				486		
30.09.2022	1	3.490	02.10.2023	0.75	30					
30.09.2022	2	3.890	30.09.2024	1.75	40					
30.09.2022	3	4.000	30.09.2025	2.75	30					
12.10.2022	5	4.540	12.10.2027	4.78	100					
27.10.2022	1	2.250	26.10.2023	0.82					265	
27.10.2022	3	4.350	27.10.2025	2.82					200	
31.10.2022	3	4.350	31.10.2025	2.84					300	
31.10.2022	3	4.350	31.10.2025	2.84	300					
31.10.2022	2	4.150	31.10.2024	1.84					500	
01.11.2022	1	3.680	02.11.2023	0.84					100	
01.11.2022	2	4.200	01.11.2024	1.84					85	
01.11.2022	3	4.450	03.11.2025	2.84					355	
03.11.2022	1	4.790	03.11.2023	0.84				218		
04.11.2022	5	4.620	04.11.2027	4.85					1000	
08.11.2022	5	4.550	08.11.2027	4.86	2,000					
25.11.2022	1	3.580	27.11.2023	0.91					250	
01.12.2022	3	4.300	01.12.2025	2.92					200	
02.12.2022	5	4.710	02.12.2027	4.92	150					
02.12.2022	1	3.770	04.12.2023	0.93					485	
13.12.2022	5	4.500	13.12.2027	4.95					500	
13.12.2022	5	4.500	13.12.2027	4.95	1,000					
21.12.2022	3	4.270	22.12.2025	2.98					455	
21.12.2022	2	4.010	23.12.2024	1.98	250					
21.12.2022	3	4.240	22.12.2025	2.98	250					
27.12.2022	5	4.500	27.12.2027	4.99					440	
28.12.2022	3	4.080	29.12.2025	3.00					300	
TOTAL					**17,150**	**0**	**370**	**3,013**	**20,000**	**290**
					40,823					

HOLDERS OF DEBTS SECURITIES ISSUED BY CAGAMAS BERHAD GROUP

	2018		2019		2020		2021		2022	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Financial Institutions	21,451	53.33	20,573	56.71	19,086	60.96	19,861	57.04	**23,868**	**59.43**
Provident and Pension Funds	7,730	19.22	7,055	19.44	5,672	18.11	4,946	14.20	**4,281**	**10.66**
Insurance Companies	3,483	8.66	3,688	10.16	3,523	11.25	3,991	11.46	**4,960**	**12.35**
Asset Management and Trust Funds	2,552	6.34	1,886	5.20	2,008	6.41	2,340	6.72	**3,022**	**7.52**
Non-Resident Investors	4,323	10.75	2,727	7.52	780	2.49	3,279	9.42	**3,307**	**8.23**
Corporations	199	0.49	114	0.31	181	0.58	51	0.15	**155**	**0.39**
Government Linked Companies	488	1.21	241	0.66	60	0.20	350	1.01	**570**	**1.42**
Total	**40,226**	**100**	**36,284**	**100**	**31,310**	**100**	**34,818**	**100**	**40,163**	**100**

HOLDERS OF DEBT SECURITIES ISSUED BY CAGAMAS MBS BERHAD

	2018		2019		2020		2021		2022	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Insurance Companies	1,306	51.84	1,164	57.77	734	59.66	739	60.31	**409**	**61.89**
Provident and Pension Funds	305	12.08	255	12.66	220	17.89	240	19.60	**95**	**14.39**
Asset Management and Trust Funds	291	11.54	264	13.10	145	11.82	135	11.06	**115**	**17.42**
Financial Institutions	577	22.90	282	13.99	75	6.07	72	5.88	**10**	**1.52**
Corporations	15	0.60	25	1.24	21	1.71	39	3.15	**32**	**4.77**
Government Linked Companies	5	0.20	5	0.25	20	1.63	0	0.00	**0**	**0.00**
Individuals	15	0.60	15	0.74	15	1.22	0	0.00	**0**	**0.00**
Non-Resident Investors	6	0.25	5	0.25	0	0.00	0	0.00	**0**	**0.00**
Total	**2,520**	**100**	**2,015**	**100**	**1,230**	**100**	**1,225**	**100**	**660**	**100**

TOTAL DEBT SECURITIES OUTSTANDING IN THE MARKET

	% of Total Debt Securities Outstanding				
Instruments	**2018**	**2019**	**2020**	**2021**	**2022**
Malaysian Government Securities/Government Investment Issues	51.7	51.4	52.5	53.8	**55.4**
Corporate Bonds and Sukuk	31.1	31.7	30.6	29.5	**28.9**
Other Quasi-Government Securities, e.g., Multilateral Development Financial Institution	13.3	13.6	14.2	14.2	**13.3**
Cagamas Group Debt Securities	2.8	2.4	2.0	2.0	**2.1**
Khazanah Bonds and Sukuk	1.1	0.9	0.7	0.5	**0.4**
Total	100.0	100.0	100.0	100.0	**100.0**

CAGAMAS IN THE NEWS

Mobile

Cagamas inks agreement with ADB to expand green mortgage market

Cagamas kicks off 2022 with RM300 million issuance of Islamic commercial papers

Cagamas catat pertumbuha[n] positif perniagaan

CAGAMAS PRICES RM3.3B IN BONDS

Proceeds to fund purchase of housing loans, house financing and eligible assets

NOTEPAD. IBRAHIM SANI

MALAYSIA MEMILIH

Capital Market resilience during elections

DATUK CHUNG CHEE LEONG

President/Chief Executive Officer, Cagamas Berhad

WEDNESDAY • 19 OCT 2022 •

Watch it on CH 501 | Live TV - astroawani.com & As[troAwani]

THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2022

27 October 2022 • [Kuala] Lumpur, Malaysia

Cagamas Bhd president and chief executive officer Datuk Chung Chee Leong with its awards at The Asset Triple A Islamic Finance Awards 2022 last week.

Cagamas muktamad harga bon, sukuk RM1.3 bilion

CHUNG CHEE LEONG

SUKUK MARKET

Cagamas recognised at The Asset Triple A Finance Awards, GIFA

KUALA LUMPUR: Cagamas Bhd has bagged multiple awards at The Asset Triple A Islamic Finance Awards 2022 and the 12th Global Islamic Finance Awards (GIFA).

The national mortgage corporation won the Islamic Issuer of the Year-Quasi-Sovereign Award, the Industry Leadership Award and the Best Quasi-Sovereign Sukuk Award at The Asset Triple A.

At GIFA, Cagamas clinched the GIFA Market Leadership Award (Islamic Securitisation) for its contribution to the growth of capital markets, Islamic finance and other priority sectors through the issuance of innovative instruments.

This is the sixth consecutive year Cagamas is conferred the Islamic Issuer of the Year-Quasi-Sovereign Award and the third consecutive year it received the GIFA Market Leadership Award.

Cagamas president and chief executive officer Datuk Chung Chee Leong said the awards reaffirm its regional leadership position in the Islamic finance space.

"The awards celebrate the dedication and collective contributions of our board members and capable team. In addition, it is a testament to our unceasing efforts in developing solutions to address our clients' needs," he said.

The Asset Triple A Islamic Finance Awards were given out to the best Islamic banks and houses as well as deals that defined the industry in 2021.

持續於外幣市場籌資
Cagamas發1.5億新元歐債

（吉隆坡9日讯）大马国家按揭机构（Cagamas）宣布，已成功发行1亿5000万新元固定率欧元中期债券（EMTN），这批债券所筹得到资金将用来向金融机构收购房屋贷款。

该机构首席执行员曾志良说："尽管本地和全球固定收入市场走势波动，但我们感到欣喜，完成以新元计算的欧元中期债券。"

该机构继续扮演金融中介角色，通过发行外币为单元的债券，提供竞争性融资给岸内金融机构。

曾志良补充："各方投资者对大马国家按揭机构的外币债券需求，持续保持韧性，这可从这次的发行由海外投资者悉数认购看出，有关投资者包括：资产管理人、金融机构，以及保险公司，这次的新元债券发行，是公司今年第二项外币债券计划，使到新元为计算单元的债券，已增至19亿7000万新元。"

以新元为计算单元的债券将由大马国家按揭机构全面及无条件担保，一旦期满将以面值赎回，也是公司的无抵押债务，与公司目前其他的无抵押债务，享有同等地位。

Skim saraan bercagar Islamik diperkenalkan untuk warga emas

Over ... of bo[nds] price[d]

an

PENGERUSI
Cagamas, Datuk Bakaruddin Ishak

RM1 bln worth
nds, sukuk
d by Cagamas

ONE-YEAR FLOATING PROFIT RATE

Cagamas prices RM300m Islamic medium-term notes

KUALA LUMPUR: Cagamas Bhd (Cagamas) has announced the successful pricing of its RM300 million one-year floating profit rate of Islamic medium-term notes (IMTNs).

These were priced via private placement at the three-month Kuala Lumpur Interbank Offered Rate (KLIBOR), or 2.12 per cent, depending on the KLIBOR fixing on the pricing date.

The new issuance brings the company's aggregate issuances for the year to RM5.6 billion.

The national mortgage corporation said the proceeds would be used to fund the purchase of house financing from the financial system.

The transaction represents the company's first IMTNs with floating rate mechanisms since June 2014.

Datuk Chung Chee Leong

President and chief executive officer Datuk Chung Chee Leong said the successful conclusion of the company's IMTNs represents its efforts in developing onshore capital markets through the issuance of diversified structures.

"This is catering to market needs in the current interest rate environment that contributes positively to the depth and breadth of the domestic sukuk market," said Chung.

The IMTNs are unsecured obligations of Cagamas that rank pari passu with the company's other existing unsecured obligations.

Cagamas umum penetapan IMTN bernilai RM300j

Cagamas Bhd mengumumkan penetapan harga Nota Jangka Sederhana Islam (IMTN) Kadar Keuntungan Terapung satu tahun bernilai RM300 juta, yang hasilnya akan digunakan untuk membiayai pembelian rumah daripada sistem kewangan.

Presiden/Ketua Pegawai Eksekutif Cagamas, Datuk Chung Chee Leong berkata kejayaan memuktamadkan IMTN syarikat mewakili usaha berterusannya membangunkan pasaran modal dalam pesisir melalui penerbitan struktur yang pelbagai, memenuhi keperluan pasaran dalam persekitaran kadar faedah semasa yang menyumbang secara positif kepada kedalaman dan keluasan pasaran sukuk domestik.

Dalam satu kenyataannya, Cagamas berkata, urus niaga itu menandakan IMTN pertama dengan mekanisme kadar terapung sejak Jun 2014, menarik pelabur dengan menyediakan pulangan yang berpotensi lebih tinggi dalam persekitaran kadar faedah yang meningkat.

Chung Chee Leong

Harga IMTN berjaya ditetapkan melalui penempatan persendirian pada Kadar Tawaran Antara Bank Kuala Lumpur (KLIBOR) tiga bulan yang sepadan atau bersamaan 2.12 peratus berdasarkan penetapan KLIBOR pada tarikh penetapan harga.

Terbitan baharu itu menjadikan terbitan agregat syarikat untuk tahun ini kepada RM5.6 bilion.

IMTN itu yang akan ditebus pada nilai nominal penuh apabila matang, adalah obligasi tidak bercagar syarikat, pada kedudukan sama rata (ranking pari passu) dengan semua obligasi tidak bercagar sedia ada lain syarikat berkenaan.

Cagamas anjur DFGH 2022

KUALA LUMPUR: Perbadanan gadai janji nasional, Cagamas Bhd (Cagamas) akan menganjurkan persidangan Developing and Finan- cing Green Housing in Asia (DFGH) 2022 pada 21 Sept, 2022 di sini yang menumpukan pemajuan serta pembiayaan perumahan hijau dan mampan khususnya di Asia.

Menurut kenyataan Cagamas pada Selasa, Menteri Kewangan, Tengku Datuk Seri Zafrul Tengku Abdul Aziz akan menyampaikan ucap utama manakala Timbalan Gabenor Bank Negara Malaysia, Datuk Jessica Chew akan memberikan ucapan pembukaan pada persidangan itu.

Persidangan sehari yang akan diadakan di Asia School of Business di sini adalah anjuran dengan kerjasama Pemangkin Kemudahan Kewangan Hijau ASEAN serta Inisiatif Pasaran Bon Asia ASEAN+3 (ABMI).

Presiden dan Ketua Pegawai Eksekutif (CEO) Cagamas, Datuk Chung Chee

telah menunjukkan perkembangan yang memberangsangkan dalam memanfaatkan pembiayaan hijau.

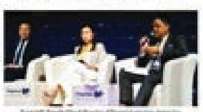
"Cagamas komited untuk mempromosikan perumahan hijau dan mampu milik bagi mendukung aspirasi Malaysia untuk menjadi negara sifar karbon menjelang 2050.

"Sehingga hari ini, Cagamas telah menerbitkan bon lestari serta sukuk Pelaburan Mampan dan Bertanggungjawab (SRI) terkumpul bernilai kira-kira RM1.69 bilion, dan kami akan mempercepat penawaran kami bagi menyalurkan lebih banyak modal kepada sektor infrastruktur hijau," katanya dalam kenyataan yang sama.

Persidangan ini menghimpunkan tokoh utama daripada sektor awam dan swasta, kewangan dan pelaburan global, serta pakar pensijilan hijau untuk berkongsi pandangan dan penyelesaian bagi mempercepat peralihan rantau ini ke arah sifar karbon dan ekonomi yang memiliki daya

Cagamas expands housing mandate to cover green housing, female-headed households

Developing and financing green housing in Asia



Cagamas issues nation's first Malaysia Overnight Rate based floating rate note

KUALA LUMPUR: AmInvestment Bank led Cagamas Berhad's inaugural Malaysia Overnight Rate (MYOR) based Floating Rate Note (FRN) issuance as the sole lead manager.

This is the nation's first FRN referencing the MYOR, which was introduced by Bank Negara Malaysia in September 2021 as an alternative to the Kuala Lumpur Interbank Offered Rate (KLIBOR).

The landmark transaction for a notional value of RM200 million sets a new footprint for further market development towards adopting MYOR as the preferred benchmark for Ringgit floating rate capital market transaction. The MYOR FRN's coupon will be determined prior to each coupon payment date based on the daily MYOR rate during the interest accrual period, as opposed to a KLIBOR based FRN where coupon is determined at the start of each interest accrual period.

Globally, alternative reference rates such as MYOR have been introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates, arising from the London Interbank Offered Rate (LIBOR) reforms following the Global Financial Crisis. These alternative reference rates are meant to be more robust benchmark rates and based upon transactions in active and liquid markets.

Jamzidi Khalid, Group Treasurer and Deputy Managing Director of Wholesale Banking, AmBank Group added that the transaction complements the on-going efforts to further develop and deepen the Malaysian financial market. In addition, the transaction also came in timely in anticipation of rising interest rates.

"We are indeed honoured to partner Cagamas on this inaugural FRN issuance referencing to MYOR. Incidentally, a floating rate note would benefit investors in an interest rate rising environment, as the returns would be reset semi-annually. This transaction represents a pivotal milestone in the Malaysian financial market and we are indeed pleased to be able to play a part in contributing to market breadth and liquidity while developing the local interest rates landscape. The transaction demonstrates the Bank's commitment to deliver innovative solutions that matches the needs of both our customer as well as the investors." — Bernama

CORPORATE HIGHLIGHTS

JANUARY

Cagamas Enhanced Core Values Launch

Cagamas Berhad ("Cagamas") launched its enhanced core values, C.A.R.E., representing Collaboration, Accountability, Resilience and Excellence. These enhanced core values, which were selected and crafted, through a collaborative effort, aim to foster a highly motivated, engaged and supportive workforce.

FEBRUARY

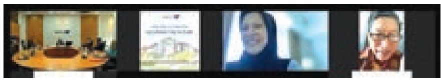
Majlis Perumahan Mampu Milik Negara Virtual Meeting

President/ Chief Executive Officer ("CEO"), Datuk Chung Chee Leong represented Cagamas in the *Majlis Perumahan Mampu Milik Negara* virtual meeting on 10 February 2022. The meeting, chaired by Prime Minister, Yang Amat Berhormat Datuk Seri Ismail Sabri Yaakob, was held to examine affordable housing in detail and to agree on new strategic frameworks, plans and synergy alliances involving all parties. The meeting also touched base on the direction of social housing implementation by the government and the private sector, discussed and coordinated issues concerning affordable housing and new concept proposals as well as suggested improvements regarding home ownership issues, particularly the financing aspect. The meeting agreed on the concept of *"Satu Keluarga Satu Rumah"* and on establishing a new direction for the *Program Perumahan Rakyat* that takes current needs into account while incorporating new components towards achieving the *"Malaysia Berdaya Huni"* or Liveable Malaysia agenda.

MARCH

Cagamas Group of Companies: Annual General Meetings ("AGMs") of the Subsidiaries

Cagamas and Cagamas Global Sukuk along with other subsidiaries of Cagamas Holdings Berhad, comprising Cagamas SRP Berhad, Cagamas MBS Berhad, Cagamas SME Berhad, Cagamas MGP Berhad and BNM Sukuk Berhad, held their hybrid AGMs on 25 March 2022. The AGMs were conducted in-person at Cagamas' office and via video conference for virtual attendees.



BPAM Bond Market Awards 2022

Cagamas was accorded the Top Issuance – All (MYR16.655 billion) and Top Issuance – Conventional (MYR9.4 billion) by the Bond Pricing Agency Malaysia ("BPAM") at the BPAM Bond Market Awards 2022. BPAM applauded Cagamas' steadfast dedication and contribution to the market throughout 2021 despite a challenging market environment. President/ CEO, Datuk Chung Chee Leong received the awards on behalf of Cagamas. The winners were selected based on the BPAM Bond League Tables for the year ended 31 December 2021.

APRIL

Malaysian Housing Financing Initiative *(i-Biaya)* Launch – Collaboration Strategic Partner

Datuk Chung Chee Leong, President/ CEO, Cagamas and Director, Cagamas SRP Berhad ("CSRP"), was presented with a certificate of appreciation by Datuk M Noor Azman Taib, Chief Secretary of Housing and Local Government Ministry ("KPKT") for CSRP's participation in *i-Biaya* by KPKT. The certificate presentation at the *i-Biaya* launch was witnessed by the Minister of Finance, Yang Berhormat Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of KPKT, Yang Berhormat Dato' Sri Reezal Merican Naina Merican, Deputy Minister of Finance and Deputy Minister of KPKT. *Skim Rumah Pertamaku* ("SRP"), administered by CSRP, is one of three schemes offered through the *i-Biaya* initiative. *i-Biaya* is one of four components of the Home Ownership Programme by KPKT in its efforts to increase home ownership among B40 and M40 Malaysians.

Cagamas' Annual Investor Briefing

Cagamas organised its virtual Investor Briefing, which was attended by 66 registered attendees from across the region. The briefing, led by President/ CEO, Datuk Chung Chee Leong, highlighted Cagamas' financial performance in 2021 and the outlook for 2022. Senior Vice Presidents of Finance and Treasury and Markets were also in attendance during the briefing.

Malaysian Housing Financing Initiative *(i-Biaya)* Launch – Top Participating Banks for *Skim Rumah Pertamaku* ("SRP") Recognised

The Ministry of Finance ("MOF") and CSRP presented awards to five Top Participating Banks for the SRP during the *i-Biaya* launch, held on 14 April 2022. The awards were in recognition of participating financial institutions in Malaysia which offered the largest volumes of SRP loan/ financing facilities over the last ten years. Yang Berhormat Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of Finance, accompanied by Yang Berhormat Dato' Sri Reezal Merican Naina Merican, Minister of KPKT, presented the awards to the Top Participating Banks' representatives from AmBank (M) Berhad, AmBank Islamic Berhad, Bank Islam Malaysia Berhad, CIMB Islamic Bank Berhad and Maybank Islamic Berhad.

Cagamas Holdings Berhad's Fifteenth Annual General Meeting ("AGM")

Cagamas Holdings Berhad ("CHB") held its fifteenth AGM in hybrid mode on 29 April 2022. The AGM was chaired by Dato' Bakarudin Ishak, Chairman of CHB, with the other members of the Board of Directors and Datuk Chung Chee Leong, President/ CEO of Cagamas Berhad in attendance. Cagamas recorded the largest asset purchase since 2017 at RM13.8 billion under the Purchase With Recourse scheme, reflecting pre-pandemic business momentum. Cagamas also successfully issued a total of RM19.2 billion bonds and sukuk in 2021, the highest since 2002.

MAY

Cagamas Board Strategic Retreat Meeting 2022

Members of Board of Directors of the Cagamas Group of Companies and senior management of Cagamas, attended the Cagamas Board Strategic Retreat Meeting 2022 held in Melaka. The meeting deliberated on Cagamas' strategic direction to meet the evolving needs of customers and contribute towards the Financial Sector Blueprint and Capital Market Masterplan 3.

JUNE

Business Meetings in Singapore

President/ CEO, Datuk Chung Chee Leong led a delegation from Cagamas for a series of business meetings with its stakeholders in Singapore.

JULY

12th Annual Affordable Housing Projects

President/ CEO, Datuk Chung Chee Leong represented Cagamas as a speaker at the 12th Annual Affordable Housing Projects organised by Marcus Evans, which was held in Singapore. Datuk Chung presented his views on "Rethinking Home Ownership in the 21st Century: Bridging Home Ownership and Reverse Mortgage."

SEPTEMBER

Developing and Financing Green Housing in Asia Conference 2022 ("DFGH 2022")

Cagamas hosted the DFGH 2022 on 21 September 2022 at the Asian School of Business, Kuala Lumpur. In collaboration with the ASEAN Catalytic Green Finance Facility and the ASEAN+3 Asian Bond Markets Initiative, DFGH 2022 brought together more than 300 participants in-person and more than 100 participants virtually, from all over Asia including financial regulators, policy makers, investors, financial institutions, corporations, developers and universities, and offered a unique opportunity for the private and public sectors to exchange views and discuss initiatives and priorities for 2022 to further strengthen the capacity in developing and financing the green housing agenda, to accelerate the region's transition towards net zero carbon and climate resilient economies.

Signing of Memorandum of Understanding ("MoU") between Cagamas Berhad ("Cagamas") and Asian Development Bank ("ADB")

Cagamas signed a MoU with the ADB to jointly identify challenges for scaling up green residential mortgages in Malaysia, including the affordable housing segment and housing in smaller towns. Cagamas' President/ CEO, Datuk Chung Chee Leong and ADB Director, Private Sector Financial Institutions Division, Private Sector Operations Department, Christine Engstrom, sealed the agreement at the Developing and Financing Green Housing in Asia Conference 2022. The signing ceremony was witnessed by the Finance Minister, Yang Berhormat Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Executive Chairman, Securities Commission Malaysia, Dato' Seri Dr. Awang Adek Hussin, Cagamas Chairman, Dato' Bakarudin Ishak and ADB Director, Regional Cooperation and Operations Coordination Division, Southeast Asia Department, Alfredo Perdiguero.

CORPORATE HIGHLIGHTS *(continued)*

SEPTEMBER (cont'd)

Islamic Sustainable Finance & Investment Asia Forum 2022

Cagamas participated in the Islamic Sustainable Finance & Investment Asia Forum 2022 organised by RedMoney Sdn Bhd at the Securities Commission Malaysia. Cagamas' President/ CEO, Datuk Chung Chee Leong discussed and shared industry insights as a panelist during the session on "Positioning ESG and Sustainable Finance and Investment – Policy, Regulation and Action."

Asian Secondary Mortgage Market Association ("ASMMA") Meeting 2022 and Memorandum of Understanding ("MoU") Signing Ceremony

The ASMMA held an in-person meeting in Kuala Lumpur after two years of various movement restrictions. The meeting saw leaders of ASMMA member countries comprising Indonesia, Japan, Korea, Malaysia, Mongolia, Pakistan and Philippines gather to share knowledge, country updates, expertise and product innovation as well as to welcome its newest member from The State Mortgage Company of Kyrgyzstan ("SMCK"). Cagamas was represented by its President/ CEO, Datuk Chung Chee Leong, who chaired the meeting. Subsequent to the meeting, Cagamas also inked a MoU with SMCK, Pakistan Mortgage Refinance Company Limited and Korea Housing Finance Corporation.

OCTOBER

Fourth International Secondary Mortgage Market Association ("ISMMA") Meeting for 2022

The ISMMA held an in-person meeting in Venice, Italy after two years of various movement restrictions. It was attended by 32 participants from 13 member countries and four multilateral agencies. The meeting discussed the expectations of the new secretariat function, future activities and meetings as well as exchanged views on development of green finance across global jurisdictions. Cagamas was represented by its President/ CEO, Datuk Chung Chee Leong.

Cagamas' Participation at the Global Islamic Finance Forum ("GIFF") 2022

Cagamas participated as a sponsor at the GIFF 2022 in Kuala Lumpur, which was organised by the Association of Islamic Banking and Financial Institutions Malaysia, in partnership with Bank Negara Malaysia. Senior Vice President, Strategy & Business, Leong See Meng represented Cagamas as a panelist at the session on "VBI & Sustainability: Towards a Greener World: Intersection Between Sustainability and Technology."

Interview with Astro Awani

Cagamas' President/ CEO, Datuk Chung Chee Leong, was interviewed on Astro Awani for the programme Notepad with Ibrahim Sani. Datuk Chung shared his views on capital market resilience during elections as well as new product offerings from Cagamas.

Cagamas Celebrates its 35th Anniversary

Cagamas marked its 35th anniversary celebrations with a dinner, which included presentations of the Cagamas Scholarship Programme 2022 and the Long Service Awards. The dinner was attended by guests from regulatory bodies, shareholders, financial institutions, corporates and other stakeholders.

OCTOBER (cont'd)

The Asset Triple A Islamic Finance Awards 2022

Cagamas and its President/ CEO, Datuk Chung Chee Leong, were honoured with the prestigious Islamic Issuer of the Year – Quasi-Sovereign Award, Best Quasi-Sovereign Sukuk (Cagamas 1.5 billion Ringgit triple-tranche Commodity Murabahah Sukuk) award and the Industry Leadership Award respectively at The Asset Triple A Islamic Finance Awards 2022 ceremony, which was held in Kuala Lumpur.

12th Global Islamic Finance Awards 2022 ("GIFA 2022")

Cagamas was honoured with the GIFA Market Leadership Award (Islamic Securitization) 2022 for its contribution towards the growth of capital markets, Islamic finance and other priority sectors through the issuance of innovative instruments. The 12th GIFA 2022 was held on 14 September 2022 in Djibouti, East Africa.

NOVEMBER

1st Asia-Pacific Housing Conference: Making Housing Affordable, Inclusive and Resilient

Cagamas participated in the 1st Asia-Pacific Housing Conference: Making Housing Affordable, Inclusive and Resilient, organised by the Asian Development Bank. Cagamas' President/ CEO, Datuk Chung Chee Leong, was invited to provide insights on the current and emerging issues of the Malaysian housing finance market and Cagamas' role in facilitating the housing finance ecosystem, strategies for establishing an energy efficient mortgage ecosystem and lowering the barrier on first time home buyers in Malaysia.

Cagamas' Collaboration with The International Shari'ah Research Academy ("ISRA") to Produce the Islamic Financial System Textbook (3rd Edition)

The ISRA launched its 3rd edition of Islamic Financial System ("IFS") textbook in a ceremony which was officiated by the Chairman of INCEIF University, Tan Sri Dato' Azman Mokhtar. Published by ISRA, the IFS textbook has incorporated latest developments in the global Islamic finance industry, particularly products, regulations, governance and future directions of the industry.

Cagamas had previously collaborated with ISRA on the first and second editions of the IFS textbook, which has successfully registered usage in 56 countries to date. The IFS textbook is a compulsory read in various universities and in almost all local and international institutions of higher learning that offer Islamic Finance as a subject.

2nd Kenya Affordable Housing Conference

Cagamas participated in the 2nd Kenya Affordable Housing Conference ("Conference") organised by The Kenya Mortgage Refinance Company. Datuk Chung Chee Leong, President/ CEO of Cagamas participated virtually as a panelist at the Conference to share Malaysia's experience in scaling up its housing finance. The Conference brought together various key stakeholders in the housing sector to share experiences, challenges and opportunities to promote sustainable affordable housing as a driver of economic growth in Kenya.

Workshop on Scaling up Green Finance in Indonesia

Cagamas participated in the Workshop on Scaling up Green Finance in Indonesia organised by The Financial Services Authority, in collaboration with the Indonesia Stock Exchange, Asian Development Bank and United Nations Development Programme. Datuk Chung Chee Leong, President/ CEO presented Cagamas' sustainability journey and its experience with the issuance of sustainability bonds during the case study session on "Green, Social and Sustainability Bond Issuances and Policy Interventions."

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.

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 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

	Note	Group		Company	
		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

		Issued ordinary shares of RM1 each	Non-distributable	Distributable	
Company	**Note**	**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

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	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

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	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.

The accompanying notes form an integral part of these financial statements

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.

General approach

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

- Stage 1: 12-month ECL – not credit impaired
  For credit exposures where there has not been a significant increase in credit risk since initial recognition or which 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.

<u>Lease term</u>

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.

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:

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

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

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)

	Group			
2021	**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						
		Fair value*					
	Notional amount RM'000	**Assets RM'000**	**Liabilities RM'000**	**Changes in fair value used for calculating hedging effectiveness RM'000**	**Changes in fair value recognised in other comprehensive income RM'000**	**Hedge ineffectiveness recognised in income statement** RM'000**	**Amount reclassified from hedge reserve to income statement** RM'000**
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:

	2022 RM'000	**2021 RM'000**
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).

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

27 RMBS

	Group				
	Year of maturity	Amount outstanding RM'000	2022 Effective interest rate %	Amount outstanding RM'000	2021 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

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.

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	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
	On-statement of financial position												Off-statement of financial position	
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

Group 2021	On-statement of financial position												Off-statement of financial position	
	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:

	2022 RM'000	**2021 RM'000**
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

		Group	
	Note	2022 RM'000	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

Group	Allocated capital funds RM'000	Non-distributable Financial assets at FVOCI reserves RM'000	Non-distributable Cash flow hedge reserves RM'000	Non-distributable Regulatory reserves RM'000	Distributable 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	Group 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

	Group	
	2022 **RM'000**	**2021** **RM'000**
(a) Cash and cash equivalents		
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**	**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**	**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

House financing	**15,482,284**	10,273,747

The maturity structure of 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

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

The maturity structure of mortgage assets are as follows:

	Group 2022 RM'000	Group 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	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)

(k) Total net income attributable

	Group 2022 RM'000	Group 2021 RM'000
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	Group 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	Group 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)

	Group 2022 %	Group 2021 %
(m) Capital adequacy		
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	Group 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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PROXY FORM

Cagamas Holdings

Number of Shares

I/We ____

(FULL NAME IN BLOCK CAPITALS)

of ____

(FULL ADDRESS)

being a member/members of CAGAMAS HOLDINGS BERHAD, hereby appoint:

Name	Designation	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Designation	Proportion of Shareholding (%)

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Sixteenth (16th) Annual General Meeting of the Company, to be held at the Board Room, Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Friday, 28 April 2023 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "**X**":

No.	Resolutions		For	Against
1.	Payment of Directors' Fees from the 16th to the 17th AGM	(Ordinary Resolution No. 1)		
2.	Payment of Directors' benefits comprising meeting allowances from the 16th to the 17th AGM	(Ordinary Resolution No. 2)		
3.	Re-election of Datuk Siti Zauyah Md Desa under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 3)		
4.	Re-election of Encik Chong Kin Leong under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 4)		
5.	Re-election of Dato' Khairussaleh Ramli under Article 23.2 of the Company's Constitution	(Ordinary Resolution No. 5)		
6.	To appoint Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration	(Ordinary Resolution No. 6)		

Dated this ________ day of ________________ 2023

____

Signature of Member(s)

Notes

1. A member entitled to attend and vote at the meeting shall be entitled to appoint up to two (2) proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointments shall not be valid unless the member specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. All Proxy Forms must be duly executed and deposited at the Registered Office of the Company at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur or emailed to cosec@cagamas.com.my not less than 48 hours before the time appointed for holding the meeting or adjourned meeting as the case may be.

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

1. Ordinary Resolutions 3, 4 and 5

Re-election of Directors

The Board of Directors is satisfied with the fitness and propriety as well as the contributions of the Directors who are retiring and offering themselves for re-election at this AGM, based on their respective Directors' Fit & Proper Declaration Forms and the annual assessment carried out by the Group Board Governance Committee.

The profiles of the Directors seeking re-election are set out in the "Profile of the Board of Directors" in the Company's 2022 Annual Report.

2. Ordinary Resolution 6

Appointment of Auditors

To appoint Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

The Board of Directors has reviewed the recommendation of the Group Board Audit Committee on the appointment of Messrs. Ernst & Young PLT as the external auditor of the Company for the financial year ending 31 December 2023, which is based on the assessment and evaluation of proposals from four (4) audit firms by an Evaluation Committee comprising members of the Management Team, and has recommended that the proposal be tabled to the shareholders for approval at the AGM of the Company.

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STAMP

Company Secretary
CAGAMAS HOLDINGS BERHAD
Level 32, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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Cagamas Holdings Berhad
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