FINANCIAL STATEMENTS

Directors' Report 78
Statements of Financial Position 83
Income Statements 85
Statements of Comprehensive Income 86
Statements of Changes in Equity 87
Statements of Cash Flows 89
Notes to the Financial Statements 93
Statement by Directors 215
Statutory Declaration 215
Independent Shariah Advisor's Report 216
Independent Auditors' Report 218

PILLAR 3 DISCLOSURE

1.0 Overview 221
2.0 Scope of Application 221
3.0 Capital Management 222
4.0 Risk Management 224
5.0 Credit Risk 227
6.0 Market & Liquidity Risk 240
7.0 Operational Risk 241
8.0 Shariah Governance Disclosure 243

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 2021.

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	317,600	130,021

DIVIDENDS

The dividends paid by the Group and Company since 31 December 2020 were as follows:

	Group RM'000	Company RM'000
In respect of the financial year ended 31 December 2021,		
On ordinary shares:		
– First dividend of 15 sen per share on 150,000,000 shares, paid on 5 May 2021	22,500	22,500
– Second dividend of 5 sen per share on 150,000,000 shares, paid on 27 August 2021	7,500	7,500
	30,000	30,000
On redeemable preference shares ("RPS"):		
– a dividend paid in cash on 26 January 2021	5,692	–
– a dividend paid in cash on 22 December 2021	389	–
	6,081	–

The Directors now recommend the payment of a first dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2022, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The dividends on RPS were approved by the Board of Directors of its subsidiary company, CMBS, on 23 January 2021 and 15 November 2021 and paid in the current financial year.

SHARE CAPITAL

There are 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 $_{g}$A2/Stable/$_{g}$P1, $_{sea}$AAA/Stable/$_{sea}$P1 and AAA/Stable/P1 to Global, ASEAN and National-scale rating to a subsidiary of the Group, Cagamas, respectively. In addition, RAM has also assigned a rating of AAA/Stable and P1 and AAA/Stable to the RMBS and IRMBS issued by 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 $_{g}$A2(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 41 to the financial statements.

DIRECTORS

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

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

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

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato' Bakarudin Ishak, Wan Hanisah Wan Ibrahim and Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 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' 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.

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 42.

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 2021

In financial year 2021, the Group achieved a profit of RM317.6 million as compared to RM383.8 million in 2020. Cagamas remains the key operating subsidiary which contributes 59% of total group profit for the financial year. The Group total capital ratio ("TCR") stood at 56.1% (2020: 59.1%).

Cagamas recorded RM13.8 billion of purchases of loans and financing under PWR scheme (2020: RM7.0 billion) and no purchase of loans under PWOR scheme (2020: Nil). Cagamas' net outstanding loans and financing increased by 8.4% to RM36.0 billion (2020: RM33.2 billion). As at the end of 2021, residential mortgage dominated Cagamas' portfolio at 94.3% (2020: 98.0%), personal loans at 4.1% (2020: Nil) and hire purchase loans and financing at 1.6% (2020: 2.0%). Cagamas' Islamic asset portfolio against conventional assets decreased to a ratio of 42:58 (2020: 45:55), while PWR and PWOR loans and financing portfolios were at 74% and 26% respectively (2020: 68% and 32% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.54% (2020: 0.61%), while net impaired loans and financing under the PWOR scheme is at 0.07% (2020: 0.09%).

CMBS achieved a pre-tax profit of RM121.0 million, compared with RM204.0 million in 2020. There were no redemption of RMBS/IRMBS during the financial year and the remaining RM1.2 billion worth of RMBS/IRMBS are expected to mature in stages and fully redeemed by August 2027.

As at 31 December 2021, the total guarantee exposures that have been provided by CSRP to the SRP and SPB schemes was RM1.7 billion compared with RM1.2 billion in 2020. The value and number of new loans and financing approved with guarantee cover for SRP has increased, mainly due to greater public awareness of the schemes through the participating financial institutions. Up to 31 December 2021, SRP and SPB helped cumulatively 72,475 Malaysian households own their first home since the schemes' inception with total loans/financings amount worth RM16 billion, of which 89% were from B40 group.

SUBSIDIARIES

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

AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out in Note 38 of the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 23 March 2022.

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN ISHAK
Chairman

TAN SRI DATO' SRI TAY AH LEK
Director

Statements of **Financial Position**

As At 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Cash and cash equivalents	5	**506,935**	244,508	**15**	802
Deposits and placements with financial institutions	6	**587,895**	490,585	**2,392**	1,625
Financial assets at fair value through profit or loss ("FVTPL")	7	**127,779**	193,466	**–**	–
Financial assets at fair value through other comprehensive income ("FVOCI")	8	**4,708,546**	3,898,881	**–**	–
Financial assets at amortised cost	9	**354,353**	–	**–**	–
Derivative financial instruments	10	**29,607**	57,904	**–**	–
Amount due from counterparties	11	**17,141,175**	14,069,195	**–**	–
Islamic financing assets	12	**10,273,747**	9,662,661	**–**	–
Mortgage assets					
– Conventional	13	**4,819,123**	5,509,163	**–**	–
– Islamic	14	**5,411,935**	5,947,232	**–**	–
Hire purchase assets					
– Islamic	15	**62**	34	**–**	–
Other assets	16	**8,189**	6,637	**–**	–
Tax recoverable		**64,724**	87,888	**4**	3
Deferred taxation	17	**58,277**	49,511	**–**	–
Investment in subsidiaries	18	**–**	–	**4,281,628**	4,181,628
Investment in structured entity	19	**–***	–*	**–***	–*
Property and equipment	20	**2,338**	3,245	**–**	–
Intangible assets	21	**18,357**	20,344	**–**	–
Right-of-use asset	22	**11,592**	3,043	**–**	–
TOTAL ASSETS		**44,124,634**	40,244,297	**4,284,039**	4,184,058
LIABILITIES					
Short-term borrowings		**302,367**	125,145	**–**	–
Derivative financial instruments	10	**28,595**	45,963	**–**	–
Other liabilities	23	**177,121**	149,484	**11**	46
Lease liability	24	**13,738**	4,583	**–**	–
Provision for taxation		**11,717**	55,924	**–**	–
Deferred taxation	17	**637,106**	627,210	**2**	7
Unsecured bearer bonds and notes	25	**19,956,954**	17,482,979	**–**	–
Sukuk	26	**15,082,028**	14,063,392	**–**	–
RMBS	27	**622,744**	622,652	**–**	–
IRMBS	28	**612,344**	612,273	**–**	–
Deferred guarantee fee income		**22,268**	16,278	**–**	–
Deferred Wakalah fee income		**112,707**	69,469	**–**	–
TOTAL LIABILITIES		**37,579,689**	33,875,352	**13**	53

* Denotes RM2

The accompanying notes form an integral part of these financial statements

Statements of Financial Position *(Continued)*
As At 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Share capital	29	**150,000**	150,000	**150,000**	150,000
Reserves**	30	**6,394,945**	6,218,945	**4,134,026**	4,034,005
SHAREHOLDERS' FUNDS		**6,544,945**	6,368,945	**4,284,026**	4,184,005
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**44,124,634**	40,244,297	**4,284,039**	4,184,058
NET TANGIBLE ASSETS PER SHARE (RM)	31	**43.51**	42.32	**28.56**	27.89

** Included in the reserves of the Group is RM1,994,109,000 (2020: RM1,910,514,000) which relates to retained profits of CMBS that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP

The accompanying notes form an integral part of these financial statements

Income
Statements

For The Financial Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Interest income	32	**966,860**	1,114,621	**86**	121
Interest expense	33	**(658,200)**	(790,300)	**–**	–
Income from Islamic operations	52	**162,429**	215,720	**–**	–
Non-interest income/(expense)	34	**3,736**	6,848	**130,000**	30,000
		474,825	546,889	**130,086**	30,121
Administration and general expenses		**(23,178)**	(26,245)	**(49)**	(58)
Personnel costs	35	**(29,416)**	(31,298)	**–**	–
OPERATING PROFIT		**422,231**	489,346	**130,037**	30,063
Allowance for impairment losses	36	**5,684**	22,874	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT	38	**427,915**	512,220	**130,037**	30,063
Taxation	39	**(104,948)**	(126,963)	**(16)**	(34)
Zakat		**(5,367)**	(1,475)	**–**	–
PROFIT FOR THE FINANCIAL YEAR*		**317,600**	383,782	**130,021**	30,029
EARNINGS PER SHARE (SEN)	31	**211.73**	255.85	**86.68**	20.02
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 RM89,676,000 (2020: RM154,741,000) 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 2021

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Profit for the financial year	**317,600**	383,782	**130,021**	30,029
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial assets at FVOCI				
– Net (loss)/gain from change in fair value	**(130,168)**	65,169	**–**	–
– Deferred taxation	**31,298**	(15,608)	**–**	–
Cash flow hedge				
– Net (loss)/gain on cash flow hedge	**(8,749)**	4,992	**–**	–
– Deferred taxation	**2,100**	(1,198)	**–**	–
Other comprehensive (loss)/income for the financial year, net of taxation	**(105,519)**	53,355	**–**	–
Total comprehensive income for the financial year	**212,081**	437,137	**130,021**	30,029

The accompanying notes form an integral part of these financial statements

Statements of
Changes in Equity

For The Financial Year Ended 31 December 2021

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 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**
Balance as at 1 January 2020		150,000	56,921	7,267	109,779	3,882,068	2,642,463	6,848,498
Profit for the financial year		–	–	–	–	229,041	154,741	383,782
Other comprehensive income		–	49,561	3,794	–	–	–	53,355
Total comprehensive income for the financial year		–	49,561	3,794	–	229,041	154,741	437,137
Transfer to retained profits		–	–	–	(10,001)	10,001	–	–
Discretionary dividend on RPS paid during the year	40	–	–	–	–	–	(886,690)	(886,690)
Issuance of RPS**	29	–	–	–	–	–	–	–
Dividends paid	40	–	–	–	–	(30,000)	–	(30,000)
Balance as at 31 December 2020	29 & 30	150,000	106,482	11,061	99,778	4,091,110	1,910,514	6,368,945

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

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

The accompanying notes form an integral part of these financial statements

Statements of Changes in Equity *(Continued)*
For The Financial Year Ended 31 December 2021

Company	Note	Issued ordinary shares of RM1 each Share capital RM'000	Non-distributable Share premium relief reserves RM'000	Distributable Retained profits RM'000	Total equity RM'000
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**
Balance as at 1 January 2020		150,000	3,831,628	202,348	4,183,976
Profit for the financial year		–	–	30,029	30,029
Total comprehensive income for the financial year		–	–	30,029	30,029
Dividends paid	40	–	–	(30,000)	(30,000)
Balance as at 31 December 2020	29 & 30	150,000	3,831,628	202,377	4,184,005

The accompanying notes form an integral part of these financial statements

Statements of
Cash Flows

For The Financial Year Ended 31 December 2021

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
OPERATING ACTIVITIES				
Profit before taxation and zakat	**427,915**	512,220	**130,037**	30,063
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
– Financial assets at FVOCI	**8,432**	(7,878)	**–**	–
– Unsecured bearer bonds and notes	**9**	(3,409)	**–**	–
– Sukuk	**–**	(7,568)	**–**	–
Accretion of discount on:				
– Mortgage assets – Conventional	**(113,301)**	(142,467)	**–**	–
– Mortgage assets – Islamic	**(90,799)**	(158,637)	**–**	–
(Reversal)/allowance for impairment losses on:				
– Cash and cash equivalents	**11**	(105)	**–**	–
– Financial assets at FVOCI	**238**	(94)	**–**	–
– Financial assets at amortised cost	**1,155**	–	**–**	–
– Amount due from counterparties/ Islamic financing assets	**(38)**	(594)	**–**	–
– Mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets	**(12,677)**	(28,380)	**–**	–
Recovered mortgage assets and Islamic mortgage assets	**(181)**	(1,710)	**–**	–
Guarantee/Wakalah exposures	**1,326**	8,009	**–**	–
Interest income	**(854,220)**	(953,655)	**(86)**	(121)
Interest income – derivative	**(61,844)**	(101,763)	**–**	–
Income from Islamic operations	**(649,028)**	(743,528)	**–**	–
Interest expense – bonds	**625,016**	737,346	**–**	–
Interest expense – derivative	**73,750**	110,754	**–**	–
Interest expense – RMBS	**33,272**	53,924	**–**	–
Profit attributable to Sukuk holders	**548,778**	666,583	**–**	–
Profit attributable to derivative	**20,609**	38,293	**–**	–
Profit attributable to IRMBS holders	**25,930**	38,649	**–**	–
Guarantee/Wakalah fee income	**(17,337)**	(7,089)	**–**	–
Guarantee/Kafalah expense	**4**	153	**–**	–
Depreciation of property and equipment	**1,652**	1,582	**–**	–
Amortisation of intangible assets	**3,843**	3,608	**–**	–
Amortisation of right-of-use asset	**1,996**	937	**–**	–
Interest on lease liability	**–**	2,441	**–**	–
Gain on disposal of:				
– Property and equipment	**(3)**	(10)	**–**	–
– Financial assets at FVOCI	**(8,984)**	(9,572)	**–**	–

Statements of Cash Flows *(Continued)*

For The Financial Year Ended 31 December 2021

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Operating (loss)/profit before working capital changes	**(34,476)**	8,040	**129,951**	29,942
Change in cash and cash equivalents and deposits and placements with financial institutions	**(97,177)**	313,283	**(767)**	(1,659)
Change in amount due from counterparties	**(3,065,760)**	2,531,678	**–**	–
Change in Islamic financing assets	**(626,586)**	1,169,597	**–**	–
Change in mortgage assets:				
– Conventional	**794,345**	838,154	**–**	–
– Islamic	**623,694**	705,638	**–**	–
Change in Islamic hire purchase assets	**(28)**	103	**–**	–
Change in other assets	**(2,037)**	(198)	**–**	–
Change in derivative	**3,157**	6,983	**–**	–
Change in investment in subsidiaries	**–**	–	**(100,000)**	–
Change in deferred financing fees	**(2,130)**	535	**–**	–
Change in amount due to related company	**(641)**	(44)	**–**	–
Change in short-term borrowings	**176,962**	124,826	**–**	–
Change in other liabilities	**24,384**	16,146	**(35)**	(5)
Cash from operating activities	**(2,206,293)**	5,714,741	**29,149**	28,278
Interest received	**772,591**	942,806	**86**	121
Interest received on derivative	**66,411**	118,301	**–**	–
Guarantee/Wakalah fee income received	**66,565**	47,055	**–**	–
Profit received from Islamic assets	**637,774**	740,851	**–**	–
Profit received on derivative	**12,913**	45,712	**–**	–
Interest paid	**(1,863)**	(348)	**–**	–
Interest paid on derivative	**(71,934)**	(133,898)	**–**	–
Profit paid on derivative	**(20,332)**	(44,003)	**–**	–
Guarantee/Kafalah paid	**(4)**	(153)	**–**	–
Payment of:				
– Zakat	**(2,326)**	(1,060)	**–**	–
– Taxation	**(91,462)**	(200,219)	**(22)**	–
Net cash from operating activities	**(837,960)**	7,229,785	**29,213**	28,399

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
INVESTING ACTIVITIES					
Purchase of:					
– Financial assets at FVOCI		**(1,537,576)**	(4,141,145)	**–**	–
– Financial assets at FVTPL		**(2,023,402)**	(280,000)	**–**	–
– Property and equipment		**(745)**	(904)	**–**	–
– Intangible assets		**(1,856)**	(2,572)	**–**	–
Net proceeds from sale/redemption of:					
– Financial assets at FVOCI		**2,243,302**	3,887,034	**–**	–
– Financial assets at FVTPL		**94,199**	226,006	**–**	–
Income received from:					
– Financial assets at FVOCI		**103,261**	94,409	**–**	–
– Financial assets at FVTPL		**4,080**	2,713	**–**	–
Proceeds from disposal of property and equipment		**3**	10	**–**	–
Net cash from investing activities		**(1,118,734)**	(214,449)	**–**	–
FINANCING ACTIVITIES					
Proceeds from issuance of:					
– Unsecured bearer bonds and notes		**14,540,197**	8,581,426	**–**	–
– Sukuk		**7,255,000**	3,085,000	**–**	–
Redemption of:					
– Unsecured bearer bonds and notes		**(10,171,987)**	(11,802,132)	**–**	–
– Sukuk		**(6,225,000)**	(4,845,000)	**–**	–
– RMBS		**–**	(385,000)	**–**	–
– IRMBS		**–**	(400,000)	**–**	–
Interest paid on:					
– Unsecured bearer bonds and notes		**(2,521,674)**	(793,078)	**–**	–
– RMBS		**(33,180)**	(55,251)	**–**	–
Profit paid on:					
– Sukuk		**(560,142)**	(685,506)	**–**	–
– IRMBS		**(25,859)**	(41,839)	**–**	–
Dividends paid to:					
– Shareholders		**(30,000)**	(30,000)	**(30,000)**	(30,000)
– RPS holder		**(6,081)**	(179,419)	**–**	–
Issuance of RPS		**–**	–*	**–**	–
Lease rental paid		**(2,153)**	(2,649)	**–**	–
Net cash from financing activities		**2,219,121**	(7,553,448)	**(30,000)**	(30,000)
Net change in cash and cash equivalents		**262,427**	(538,112)	**(787)**	(1,601)
Cash and cash equivalents as at 1 January		**244,508**	782,620	**802**	2,403
Cash and cash equivalents as at 31 December	5	**506,935**	244,508	**15**	802

* denotes RPS of RM1

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows *(Continued)*

For The Financial Year Ended 31 December 2021

Group	Lease liability RM'000	Unsecured bearer bonds and notes RM'000	Sukuk RM'000	RMBS RM'000	IRMBS RM'000	Total RM'000
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**
2020						
As at 1 January	4,791	20,661,027	15,849,883	1,008,979	1,015,463	38,540,143
Proceeds from issuance	–	8,581,426	3,085,000	–	–	11,666,426
Repayment and redemption	(2,649)	(11,802,132)	(4,845,000)	(385,000)	(400,000)	(17,434,781)
Interest/profit paid	–	(793,078)	(685,506)	(55,251)	(41,839)	(1,575,674)
Exchange fluctuation	–	101,931	–	–	–	101,931
Other non-cash movement	2,441	733,805	659,015	53,924	38,649	1,487,834
As at 31 December	4,583	17,482,979	14,063,392	622,652	612,273	32,785,879

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.

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

The Islamic operations of the Group refer to:

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

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

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

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform-Phase 2'

The Group has adopted Amendments to MFRS 16 'COVID-19-Related Rent Concessions' and Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform-Phase 2' for the first time in the December 2021 financial statements, which resulted in changes in accounting policies.

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 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform-Phase 2'

The Group adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate for instruments measured at amortised cost to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ("IBOR") reform. As a result, no immediate gain or loss is recognised in profit or loss.

The amendments also provide reliefs that enable and require the Group to continue the MFRS 9 hedge accounting in circumstances when the Group updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because none of the IBOR-based contracts of the Group were modified in 2020. For contracts modified as a result of IBOR reform during the year, the Group applies the Phase 2 amendments as described in Note 2.1(c).

(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 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

  The amendments shall be applied prospectively.

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

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

  The amendments shall be applied retrospectively.

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

- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12-month after the reporting period. 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 only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later 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.

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 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.

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

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

The Group 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 has assumed that the IBOR interest rate on which the Group'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 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 has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

For the financial year ended 31 December 2021, the Group 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 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 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 to discontinue its hedge relationships. As of the financial year ended 31 December 2021, the Group has 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.

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 2021, the Group has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' – Phase 2: (continued)

- 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 2021, the Group hold the following financial instruments which are referenced to KLIBOR and has yet to transition to an alternative interest rate benchmark:

	Group			
	Notional amount		Carrying amount	
2021	**Assets RM'000**	**Liabilities RM'000**	**Assets RM'000**	**Liabilities RM'000**
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

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

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 Investment in subsidiaries and structured entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment and depreciation

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

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

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

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

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets is reflected in Note 2.9.2 to the financial statements.

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

2.8 Financial assets

(a) Classification

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

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

(b) Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(c) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

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

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

2.9 Impairment of assets

2.9.1 Financial assets

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

General approach

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

Significant increase in credit risk (continued)

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

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.

2.9.2 Non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Write-off

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

2.11 Financial liabilities

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

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.19 on hedge accounting.

(b) Borrowings measured at amortised cost

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

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

(c) Other financial liabilities measured at amortised cost

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

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

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

2.13 Income recognition on Guarantee and Wakalah fees

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.15 Current and deferred tax

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

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

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

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

2.16 Cash and cash equivalents

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

2.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.18 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Derivative financial instruments and hedge accounting

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

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

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

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

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

Cash flow hedge

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

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

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

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

2.21 Zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group has been in operations for at least 12-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% (2020: 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.

2.22 Employee benefits

(a) *Short-term employee benefits*

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

(b) *Defined contributions plans*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Intangible assets

(a) *Computer software*

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

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

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

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

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

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

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

2.24 RMBS and IRMBS

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share capital

(a) *Classification*

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

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

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

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

2.26 Currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of the Group'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.

2.27 Contingent liabilities and contingent assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 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.

2.29 Financial guarantee contracts

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

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

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

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

2.30 Leases

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

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

Lease term

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

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 bases as an expense in income statements.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Fair value of financial assets at FVTPL, FVOCI and derivative (Note 7, 8, 10 and 48)

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

(b) Impairment of mortgage assets and hire purchase assets (Note 13, 14, 15 and 45)

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

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

Due to the COVID-19 pandemic, the negative case has been assigned with a higher weightage for the ECL.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) 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 purposes of determining accretion of discount. The estimate is determined based on the historical repayment and redemption trend of the borrowers of the mortgage assets and hire purchase assets. Changes in these assumptions could impact the amount recognised as accretion of discount.

(d) 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.

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 mortgage assets, Islamic mortgage assets, hire purchase assets and Islamic hire purchase assets.

4.3 Market risk management

Market risk is the potential loss arising from adverse movements of market prices 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 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.4 Liquidity risk management

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

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

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

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

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

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

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

4.5 Operational Risk Management

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

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

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash and balance with banks and other financial institutions	**121,829**	79,771	**15**	16
Money at call and deposits and placements maturing less than three months	**271,053**	111,274	**–**	786
Mudharabah money at call and deposits and placements maturing less than three months	**114,064**	53,463	**–**	–
	506,946	244,508	**15**	802
Less: Allowance for impairment losses	**(11)**	–	**–**	–
	506,935	244,508	**15**	802

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 reflects the ECL model on impairment are as follows:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Stage 1				
As at 1 January	**–**	105	**–**	–
Allowance/(reversal) during the year	**11**	(105)	**–**	–
As at 31 December	**11**	–	**–**	–

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Licensed banks	**587,895**	490,585	**2,392**	1,625

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 2021 (2020: Nil).

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

	Group	
	2021 RM'000	**2020 RM'000**
Unit trusts	**127,779**	193,466

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	
	2021 RM'000	**2020 RM'000**
Debt instrument:		
Malaysian government securities	**436,933**	479,266
Corporate bonds	**492,556**	712,770
Government investment issues	**960,313**	952,770
Corporate Sukuk	**1,905,442**	828,266
Quasi government Sukuk	**913,302**	925,809
	4,708,546	3,898,881

	Group	
	2021 RM'000	**2020 RM'000**
The maturity structure of financial assets at FVOCI are as follows:		
Maturing within one year	**1,236,338**	713,552
One to three years	**1,252,641**	1,460,849
Three to five years	**954,045**	734,868
More than five years	**1,265,522**	989,612
	4,708,546	3,898,881

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.

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

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
2021		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	**4,708,546**	**376**
As at 31 December	**4,708,546**	**376**
2020		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	3,898,881	138
As at 31 December	3,898,881	138

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

	Group	
	2021 RM'000	2020 RM'000
Stage 1		
As at 1 January	**138**	232
Allowance during the year on new assets purchased	**305**	56
Financial assets during the year due to maturity of assets	**(49)**	(54)
Reversal during the year due to changes in credit risk	**(18)**	(96)
As at 31 December	**376**	138

9 FINANCIAL ASSETS AT AMORTISED COST

	Group	
	2021 RM'000	2020 RM'000
Corporate Sukuk	**354,353**	–

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

More than five years	**355,508**	–
Less: Allowance for impairment losses	**(1,155)**	–
	354,353	–

9 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

The gross carrying value and impairment allowance are within Stage 1 allocation. Movement in impairment allowance that reflects the ECL model on impairment are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
2021		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	**355,508**	**1,155**
As at 31 December	**355,508**	**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 will issue short duration bonds/Sukuk and enters into swap transaction to receive floating rate interest/profit from and pay fixed rate interest/profit to the swap counterparty. Upon receiving instalment from assets, the Group pays fixed rate interest/profit to the swap counterparty and receives floating rate interest/profit to pay to the bondholders/Sukuk holders.

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

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

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

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

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

The Group 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			
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)**	

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.

	Group			
2020	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Average fixed interest rate %**
Derivative designated as cashflow hedges:				
IRS/IPRS				
Maturing within one year	1,100,000	13,994	(2,803)	3.82
One to three years	1,355,000	–	(41,133)	3.53
Three to five years	–	–	–	–
More than five years	160,000	38,802	–	4.66
	2,615,000	52,796	(43,936)	
CCS				
Maturing within one year	669,927	5,108	(2,027)	3.33
	3,284,927	57,904	(45,963)	

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

	Group						
	Notional amount RM'000	**Fair value* Assets RM'000**	**Fair value* Liabilities RM'000**	**Changes in fair value used for calculating hedging effectiveness RM'000**	**Changes in fair value recognised in other comprehensive income RM'000**	**Hedge ineffectiveness recognised in income statement** RM'000**	**Amount reclassified from hedge reserve to income statement** RM'000**
2021							
Interest/profit rate risk							
Interest rate swap	**1,270,000**	**20,379**	**(17,291)**	**7,649**	**7,649**	**–**	**–**
Islamic profit rate swap	**645,000**	**2,656**	**(4,177)**	**(912)**	**(912)**	**–**	**–**
Foreign exchange risk							
Cross currency interest rate swaps	**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 'Net non-interest income/(expenses)' 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
2020							
Interest/profit rate risk							
Interest rate swap	2,070,000	52,796	(34,649)	20,392	20,392	–	–
Islamic profit rate swap	545,000	–	(9,287)	(8,750)	(8,750)	–	–
Foreign exchange risk							
Cross currency interest rate swaps	669,927	5,108	(2,027)	2,914	(80,375)	–	73,725

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

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

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

	Group			
	Line items in the statements of financial position in which the hedged item is included	Changes in fair value used for calculating hedge effectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
2021				
Interest/profit rate/foreign exchange				
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)	–
2020				
Interest/profit rate/foreign exchange				
Floating rate financial assets	Amount due from counterparties	(4,829)	(3,670)	–
Floating rate financial liabilities	Unsecured bearer bonds and notes	56,624	43,033	–
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(28,489)	(21,652)	–
Fixed rate financial liabilities	Sukuk	(8,750)	(6,650)	–

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	
	2021 **RM'000**	**2020** **RM'000**
Cash flow hedge		
As at 1 January	**11,062**	7,268
Effective portion of changes in fair value:		
– Interest rate risk	**30,509**	(68,733)
Net amount reclassified to profit or loss:		
– Foreign exchange fluctuations (Note 34)	**(39,258)**	73,725
Income tax effects	**2,100**	(1,198)
As at 31 December	**4,413**	11,062

11 AMOUNT DUE FROM COUNTERPARTIES

	Group	
	2021 **RM'000**	**2020** **RM'000**
Relating to:		
Mortgage loans	**16,548,478**	13,397,099
Hire purchase and leasing debts	**592,697**	672,096
	17,141,175	14,069,195

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

Maturing within one year	**9,612,698**	6,093,353
One to three years	**6,890,791**	7,338,049
Three to five years	**226,134**	226,133
More than five years	**411,571**	411,679
	17,141,194	14,069,214
Less: Allowance for impairment losses	**(19)**	(19)
	17,141,175	14,069,195

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 reflects the ECL model on impairment are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Stage 1		
As at 1 January	**19**	59
Allowance during the year on new assets purchased	**13**	11
Loans derecognised during the year due to maturity of assets	**(6)**	(9)
Reversal during the year due to changes in credit risk	**(7)**	(42)
As at 31 December	**19**	19

12 ISLAMIC FINANCING ASSETS

	Group	
	2021 RM'000	**2020 RM'000**
Relating to:		
Islamic house financing	**8,805,885**	9,662,661
Islamic personal financing	**1,467,862**	–
	10,273,747	9,662,661

The maturity structure of Islamic financing assets are as follows:

	2021 RM'000	**2020 RM'000**
Maturing within one year	**2,768,566**	3,528,607
One to three years	**7,505,242**	5,218,907
Three to five years	**–**	915,246
	10,273,808	9,662,760
Less:		
Allowance for impairment losses	**(61)**	(99)
	10,273,747	9,662,661

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 reflects the ECL model on impairment are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Stage 1		
As at 1 January	**99**	653
Allowance during the year on new assets purchased	**26**	3
Financing derecognised during the year due to maturity of assets	**(5)**	(3)
Reversal during the year due to changes in credit risk	**(59)**	(554)
As at 31 December	**61**	99

13 MORTGAGE ASSETS – CONVENTIONAL

	Group	
	2021 RM'000	**2020 RM'000**
Purchase Without Recourse ("PWOR")	**4,819,123**	5,509,163

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

Maturing within one year	**868,127**	972,245
One to three years	**1,194,688**	1,304,939
Three to five years	**964,911**	1,068,546
More than five years	**1,818,217**	2,196,477
	4,845,943	5,542,207
Less:		
Allowance for impairment losses	**(26,820)**	(33,044)
	4,819,123	5,509,163

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
By stage of allocation:		
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**
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,496,238	18,591
Stage 2 (Lifetime ECL; non-credit impaired)	2,056	366
Stage 3 (Lifetime ECL; credit impaired)	43,913	14,087
As at 31 December	5,542,207	33,044
Impairment allowance over gross carrying value (%)		0.60

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects 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**
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**
Loans 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**
2020				
As at 1 January	21,696	3,400	18,793	43,889
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	148	(3,019)	(8,058)	(10,929)
– Transfer to ECL non-credit impaired (Stage 2)	(7)	352	(73)	272
– Transfer to ECL credit impaired (Stage 3)	(86)	(160)	7,523	7,277
Total transfer between stages	55	(2,827)	(608)	(3,380)
Loans derecognised during the year (other than write-offs)	(512)	(189)	(2,754)	(3,455)
Reversal during the year due to changes in credit risk	(2,648)	(18)	(221)	(2,887)
Amount written-off	–	–	(1,123)	(1,123)
As at 31 December	18,591	366	14,087	33,044

14 MORTGAGE ASSETS – ISLAMIC

	Group	
	2021 **RM'000**	**2020** **RM'000**
PWOR	**5,411,935**	5,947,232

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

	2021 **RM'000**	**2020** **RM'000**
Maturing within one year	**714,252**	764,475
One to three years	**958,108**	1,026,576
Three to five years	**924,737**	957,448
More than five years	**2,841,386**	3,231,734
	5,438,483	5,980,233
Less:		
Allowance for impairment losses	**(26,548)**	(33,001)
	5,411,935	5,947,232

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

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

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

15 HIRE PURCHASE ASSETS – ISLAMIC

	Group	
	2021 RM'000	**2020 RM'000**
PWOR	**62**	34

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

	2021 RM'000	**2020 RM'000**
Maturing within one year	**74**	46
Less:		
Allowance for impairment losses	**(12)**	(12)
	62	34

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage of allocation:		
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 (%)		**15.73**
2020		
Stage 1 (12-month ECL; non-credit impaired)	10	–
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	46	12
Impairment allowance over gross carrying value (%)		26.09

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 1 RM'000	**Stage 3 RM'000**	**Total RM'000**
2021			
As at 1 January/31 December	–	12	12
2020			
As at 1 January/31 December	–	12	12

16 OTHER ASSETS

	Group	
	2021 RM'000	**2020 RM'000**
Compensation receivable from originator on mortgage assets	**377**	415
Staff loans and financings	**2,811**	2,883
Deposits	**923**	898
Prepayments	**2,796**	2,422
Other receivables	**1,282**	19
	8,189	6,637

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deferred tax assets (before offsetting)	**58,277**	49,511	**–**	–
Deferred tax liabilities (before offsetting)	**(637,106)**	(627,210)	**(2)**	(7)
Deferred tax liabilities	**(578,829)**	(577,699)	**(2)**	(7)

17 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
The movements of deferred tax are as follows:				
As at 1 January	**(577,699)**	(581,193)	**(7)**	(3)
Recognised to income statement (Note 39)	**(34,528)**	20,300	**5**	(4)
Recognised to reserves	**33,398**	(16,806)	**–**	–
As at 31 December	**(578,829)**	(577,699)	**(2)**	(7)

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

	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				
Net unrealised losses on revaluation of derivative financial instrument 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				
Net unrealised gains on revaluation of derivative financial instrument under cash flow hedge accounting	**(8,951)**	**–**	**4,947**	**(4,004)**
Revaluation reserves of financial assets at FVOCI	**(33,588)**	**–**	**30,951**	**(2,637)**
Accelerated depreciation	**(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):

	Group			
2020	**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				
Net unrealised losses on revaluation of derivative financial instrument under cash flow hedge accounting	1,472	–	3,986	5,458
Provisions	1,084	507	–	1,591
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	10	–	–	10
– ECL	17,795	2,978	–	20,773
– lease liability	1,150	(50)	–	1,100
– guarantee/Wakalah fees	10,987	9,592	–	20,579
	32,498	13,027	3,986	49,511
Deferred tax liabilities				
Net unrealised gains on revaluation of derivative financial instrument under cash flow hedge accounting	(3,767)	–	(5,184)	(8,951)
Revaluation reserves of financial assets at FVOCI	(17,980)	–	(15,608)	(33,588)
Accelerated depreciation	(1,237)	(1,019)	–	(2,256)
Unaccreted discount on mortgage assets	(586,500)	8,322	–	(578,178)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(2,800)	(251)	–	(3,051)
– right-of-use asset	(951)	221	–	(730)
– ECL	(456)	–	–	(456)
	(613,691)	7,273	(20,792)	(627,210)

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
2021				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	**(7)**	**5**	**–**	**(2)**
2020				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(3)	(4)	–	(7)

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares at cost	**4,281,628**	4,181,628

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 2021 %	2020 %
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	
	2021 RM'000	2020 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 2021 %	 2020 %
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
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**
2020				
Cost				
As at 1 January	9,817	4,681	703	15,201
Additions	900	4	–	904
Disposals	(591)	(5)	–	(596)
As at 31 December	10,126	4,680	703	15,509
Accumulated depreciation				
As at 1 January	(6,421)	(4,580)	(277)	(11,278)
Charge for the financial year	(1,460)	(16)	(106)	(1,582)
Disposals	591	5	–	596
As at 31 December	(7,290)	(4,591)	(383)	(12,264)
Net book value				
As at 31 December	2,836	89	320	3,245

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
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**
2020					
Cost					
As at 1 January	16,712	13,207	26,607	–	56,526
Additions	–	1,966	606	–	2,572
Write-offs	(9,022)	–	–	–	(9,022)
As at 31 December	7,690	15,173	27,213	–	50,076
Accumulated amortisation					
As at 1 January	(13,938)	(12,155)	(9,053)	–	(35,146)
Charge for the financial year	(487)	(228)	(2,893)	–	(3,608)
Write-offs	9,022	–	–	–	9,022
As at 31 December	(5,403)	(12,383)	(11,946)	–	(29,732)
Net book value					
As at 31 December	2,287	2,790	15,267	–	20,344

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 1 to 7 years (2020: 2 to 8 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	
	2021 RM'000	**2020 RM'000**
Cost		
As at 1 January	**4,916**	4,916
Modification arising from extension of lease term	**10,545**	–
As at 31 December	**15,461**	4,916
Accumulated amortisation		
As at 1 January	**(1,873)**	(936)
Charge for the financial year (Note 38)	**(1,996)**	(937)
As at 31 December	**(3,869)**	(1,873)
Net book value		
As at 31 December	**11,592**	3,043

23 OTHER LIABILITIES

	Group	
	2021 RM'000	**2020 RM'000**
Provision for zakat	**5,367**	2,326
Amount due to GOM*	**129,921**	99,624
Other payables and accruals	**29,137**	36,164
Expected credit loss on guarantee exposures	**4,132**	3,389
Expected credit loss on Wakalah exposures	**8,564**	7,981
	177,121	149,484

* 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
By stage of allocation:		
2021		
Stage 1 (12-month ECL; non-credit impaired)	**133,270**	**930**
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**	**4,131**
Impairment allowance over unexpired financial guarantee exposures (%)		**3.02**
2020		
Stage 1 (12-month ECL; non-credit impaired)	99,736	1,124
Stage 2 (Lifetime ECL; non-credit impaired)	2,308	1,673
Stage 3 (Lifetime ECL; credit impaired)	593	592
As at 31 December	102,637	3,389
Impairment allowance over unexpired financial guarantee exposures (%)		3.30

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
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	**(447)**	**85**	**(3)**	**(365)**
As at 31 December	**930**	**2,361**	**840**	**4,131**
2020				
As at 1 January	244	527	459	1,230
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	23	(352)	(182)	(511)
– Transfer to ECL not credit impaired (Stage 2)	(12)	724	(74)	638
– Transfer to ECL credit impaired (Stage 3)	(3)	(57)	314	254
Total transfer between stages	8	315	58	381
Allowance during the year on new guarantee exposures	482	785	192	1,459
Guarantee amount derecognised during the year	(4)	(11)	(117)	(132)
Allowance during the year due to changes in credit risk	394	57	–	451
As at 31 December	1,124	1,673	592	3,389

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
By stage of allocation:		
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**
2020		
Stage 1 (12-month ECL; non-credit impaired)	388,356	4,226
Stage 2 (Lifetime ECL; non-credit impaired)	4,196	3,041
Stage 3 (Lifetime ECL; credit impaired)	714	714
As at 31 December	393,266	7,981
Impairment allowance over unexpired financial Wakalah exposures (%)		2.03

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**
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**
2020				
As at 1 January	715	965	451	2,131
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	59	(626)	(127)	(694)
– Transfer to ECL not credit impaired (Stage 2)	(34)	1,282	(23)	1,225
– Transfer to ECL credit impaired (Stage 3)	(5)	(69)	299	225
Total transfer between stages	20	587	149	756
Allowance during the year on new Wakalah exposures	2,276	1,311	196	3,783
Wakalah amount derecognised during the year	(4)	(39)	(82)	(125)
Allowance during the year due to changes in credit risk	1,219	217	–	1,436
As at 31 December	4,226	3,041	714	7,981

24 LEASE LIABILITY

	Group	
	2021 **RM'000**	**2020** **RM'000**
As at 1 January	**4,583**	4,791
Modification arising from extension of lease term	**10,545**	–
Lease obligation interest expense	**763**	2,441
Lease obligation repayment	**(2,153)**	(2,649)
As at 31 December	**13,738**	4,583

The maturity structure of lease liability are as follows:

Due within 1 year	**2,354**	495
Due in 2 to 5 years	**11,384**	4,088
Total present value of minimum lease payments	**13,738**	4,583

25 UNSECURED BEARER BONDS AND NOTES

		Group			
	Year of maturity	Amount outstanding RM'000	2021 Effective interest rate %	Amount outstanding RM'000	2020 Effective interest rate %
(a) Floating rate note					
	2022	**200,000**	**1.940**	–	–
Add:					
Interest payable		**393**		–	
		200,393		–	
(b) Commercial papers					
	2021	**–**	**–**	2,800,000	1.900 – 2.050
	2022	**1,300,000**	**1.990-2.080**	–	–
Add:					
Interest payable		**1,236**		6,388	
		1,301,236		2,806,388	
(c) Conventional medium-term notes					
	2021	**–**	**–**	4,483,959	0.850 – 5.380
	2022	**9,445,892**	**0.850-4.650**	6,850,000	2.130 – 4.650
	2023	**4,700,653**	**1.250-6.050**	570,000	2.180 – 6.050
	2024	**1,970,000**	**2.380-5.520**	430,000	4.000 – 5.520
	2025	**640,000**	**4.550-4.850**	640,000	4.550 – 4.850
	2026	**10,000**	**4.410**	10,000	4.410
	2027	**275,000**	**4.140-4.900**	275,000	4.140 – 4.900
	2028	**890,000**	**4.750-6.500**	890,000	4.750 – 6.500
	2029	**245,000**	**5.500-5.750**	245,000	5.500 – 5.750
	2035	**160,000**	**5.070**	160,000	5.070
		18,336,545		14,553,959	
Add:					
Interest payable		**120,264**		122,942	
Less:					
Deferred financing fees		**(1,484)**		(301)	
Unamortised discount		**–**		(9)	
		18,455,325		14,676,591	
Total		**19,956,954**		17,482,979	

25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group	
	2021 **RM'000**	**2020** **RM'000**
Maturing within one year	**11,066,290**	7,412,979
One to three years	**6,670,664**	7,420,000
Three to five years	**650,000**	1,070,000
More than five years	**1,570,000**	1,580,000
	19,956,954	17,482,979

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

(a) Floating rate notes ("FRN")

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

(b) Commercial paper ("CP")

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

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

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

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency, EMTN. Under the USD2.5 billion 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	
	2021 **RM'000**	**2020** **RM'000**
HKD	**430,850**	163,218
USD	**1,118,649**	112,781
SGD	**1,021,375**	395,401
	2,570,874	671,400

26 SUKUK

	Group				
	Year of maturity	**Amount outstanding RM'000**	**2021 Effective profit rate %**	Amount outstanding RM'000	2020 Effective profit rate %
(a) Islamic commercial papers					
	2021	**–**	**–**	845,000	1.900 – 2.000
	2022	**645,000**	**1.980-1.990**	–	–
Add:					
Profit payable		**2,046**		2,256	
		647,046		847,256	
(b) Islamic medium-term notes					
	2021	**–**	**–**	3,545,000	2.050 – 5.380
	2022	**3,785,000**	**1.980-3.700**	3,060,000	2.250 – 4.700
	2023	**3,895,000**	**2.230-6.350**	2,945,000	2.230 – 6.350
	2024	**3,885,000**	**2.670-5.520**	1,135,000	3.550 – 5.520
	2025	**455,000**	**4.550-4.650**	455,000	4.550 – 4.650
	2026	**370,000**	**3.150-4.920**	20,000	4.410 – 4.920
	2027	**15,000**	**4.140**	15,000	4.140
	2028	**1,080,000**	**4.750-6.500**	1,080,000	4.750 – 6.500
	2029	**180,000**	**5.500-5.750**	180,000	5.500 – 5.750
	2033	**675,000**	**5.000**	675,000	5.000
		14,340,000		13,110,000	
Add:					
Profit payable		**94,982**		106,136	
		14,434,982		13,216,136	
Total		**15,082,028**		14,063,392	

26 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	Group	
	2021 **RM'000**	**2020** **RM'000**
Maturing within one year	**4,527,028**	4,498,392
One to three years	**7,780,000**	6,005,000
Three to five years	**825,000**	1,590,000
More than five years	**1,950,000**	1,970,000
	15,082,028	14,063,392

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

(a) Islamic commercial papers ("ICP")

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

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

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

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

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

(d) Multicurrency Sukuk

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

27 RMBS

	Group				
			2021		**2020**
	Year of maturity	**Amount outstanding RM'000**	**Effective interest rate %**	**Amount outstanding RM'000**	**Effective interest rate %**
RMBS	2022	**250,000**	**4.90**	250,000	4.90
	2025	**265,000**	**5.92**	265,000	5.92
	2027	**105,000**	**5.08**	105,000	5.08
		620,000		620,000	
Add:					
Interest payable		**2,744**		2,652	
		622,744		622,652	

The maturity structure of the RMBS are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Maturing within one year	**252,744**	2,652
One to three years	**–**	250,000
Three to five years	**265,000**	265,000
More than five years	**105,000**	105,000
	622,744	622,652

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				
			2021		2020
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
IRMBS	2022	**320,000**	**4.17**	320,000	4.17
	2027	**290,000**	**4.34**	290,000	4.34
		610,000		610,000	
Add:					
Profit attributable		**2,344**		2,273	
		612,344		612,273	

The maturity structure of the IRMBS are as follows:

	Group	
	2021 RM'000	2020 RM'000
Maturing within one year	**322,344**	2,273
One year to three years	**–**	320,000
More than five years	**290,000**	290,000
	612,344	612,273

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			
	2021		2020	
	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	
	2021 RM'000	2020 RM'000
Redeemable preference shares:		
As at 1 January	**–**	–
Issued during the year	**–**	–**
Redeemed during the year	**–**	–
As at 31 December	**–***	–*

* denotes RPS of RM1.

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

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.

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

	Group	
	2021 RM'000	2020 RM'000
Financial assets at FVOCI		
– Net gain from change in fair value	**(130,406)**	65,043
– Allowance of impairment losses	**238**	126
– Deferred taxation	**31,298**	(15,608)

30 RESERVES (CONTINUED)

(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 RM6,526,588,000 of the Group and RM4,284,026,000 of the Company respectively (2020: RM6,348,601,000 of the Group and RM4,184,005,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM317,600,000 of the Group and RM130,021,000 of the Company respectively (2020: RM383,782,000 of the Group and RM30,029,000 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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Amount due from counterparties	**507,456**	581,518	**–**	–
Mortgage assets	**214,565**	248,297	**–**	–
Compensation from mortgage assets	**7**	20	**–**	–
Financial assets at FVOCI	**125,529**	113,330	**–**	–
Deposits and placements with financial institutions	**8,709**	26,790	**86**	121
	856,266	969,955	**86**	121
Accretion of discount less amortisation of premium (net)	**110,594**	144,666	**–**	–
	966,860	1,114,621	**86**	121

33 INTEREST EXPENSE

	Group	
	2021 **RM'000**	**2020** **RM'000**
Floating rate notes	**1,371**	1,720
Medium-term notes	**592,100**	699,475
RMBS	**33,272**	53,924
Commercial paper	**28,571**	32,073
Short-term borrowings	**2,123**	667
Lease liability (Note 24)	**763**	2,441
	658,200	790,300

34 NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	2021 **RM'000**	**2020** **RM'000**	**2021** **RM'000**	**2020** **RM'000**
Net loss arising from derivatives	**(11,751)**	(7,933)	**–**	–
Income from financial assets at FVTPL	**1,579**	1,976	**–**	–
Gain on disposal of:				
– Financial assets at FVOCI	**8,932**	9,572	**–**	–
– Property and equipment	**3**	10	**–**	–
Guarantee fee income	**4,033**	2,312	**–**	–
Net amount reclassified into profit or loss				
– cash flow hedge (Note 10)	**(39,258)**	73,725	**–**	–
Net gain/(loss) on foreign exchange	**39,111**	(74,805)	**–**	–
Dividend income	**–**	–	**130,000**	30,000
Guarantee expense	**(7)**	–	**–**	–
Other non-operating income	**1,094**	1,991	**–**	–
	3,736	6,848	**130,000**	30,000

35 PERSONNEL COSTS

	Group	
	2021 **RM'000**	**2020** **RM'000**
Salary and allowances	**16,418**	15,536
Bonus	**7,435**	7,312
Overtime	**30**	46
EPF and SOCSO	**3,793**	3,652
Insurance	**976**	886
Others	**764**	3,866
	29,416	31,298

36 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2021 **RM'000**	**2020** **RM'000**
(Allowance)/reversal for impairment losses:		
– Cash and cash equivalents	**(11)**	105
– Financial assets at FVOCI	**(238)**	94
– Financial assets at amortised cost	**(1,155)**	–
– Amount due from counterparties	**–**	40
– Islamic financing assets	**38**	554
– Mortgage assets – Conventional	**6,224**	10,845
– Mortgage assets – Islamic	**6,453**	17,537
– Guarantee exposures	**(743)**	(2,159)
– Wakalah exposures	**(583)**	(5,850)
Credit impaired:		
– Mortgage assets (written-off)/recovered	**(1,124)**	2,049
– Islamic mortgage assets written-off	**(3,177)**	(341)
Reversal of impairment losses	**5,684**	22,874

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 Tay Ah Lek
Dato' Sri Abdul Farid Alias
Dato' Lee Kok Kwan
Wan Hanisah Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani
Datuk Siti Zauyah Md Desa
Chong Kin Leong

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Directors' fees	**1,170**	1,207	**590**	597
Directors' other emoluments	**2,414**	1,939	**199**	171
	3,584	3,146	**789**	768

For the financial year ended 31 December 2021, a total of RM196,428 (2020: RM196,428) has been paid by the Group in relation to insurance premium paid for Directors and Officers of the Group and the Company.

38 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Directors' remuneration (Note 37)	**3,593**	3,146	**–***	–*
Amortisation of right-of-use asset (Note 22)	**1,996**	937	**–**	–
Interest lease liability (Note 24)	**763**	2,441	**–**	–
Short-term and low value assets expensed off	**436**	1,013	**–**	–
Auditors' remuneration:				
– Audit fees	**495**	477	**–***	–*
– Non-audit fees	**49**	43	**–***	–*
Depreciation of property and equipment	**1,652**	1,582	**–**	–
Amortisation of intangible assets	**3,843**	3,608	**–**	–
Servicers fees	**2,264**	2,524	**–**	–
Repairs and maintenance	**4,543**	5,095	**–**	–
Donations and sponsorship	**200**	200	**–**	–
Corporate expenses	**1,221**	744	**–**	–
Travelling expenses	**3**	(80)	**–**	–
Gain on disposal of property and equipment	**(3)**	(10)	**–**	–

* Directors' remuneration of RM788,500 (2020: RM767,503) and auditors' remuneration of RM38,634 (2020: RM38,152) which include audit fee of RM32,612 and non-audit fee of RM6,022 respectively (2020: audit fees RM32,130 and non-audit fees of RM6,022 respectively) for the Company in the financial year were borne by Cagamas

39 TAXATION

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
(a) Tax charge for the financial year				
Malaysian income tax:				
– Current tax	**70,420**	147,263	**21**	30
– Deferred taxation (Note 17)	**34,528**	(20,300)	**(5)**	4
	104,948	126,963	**16**	34
Current tax:				
– Current year	**64,772**	253,197	**21**	30
– Under/(over) provision in prior years	**5,648**	(105,934)	**–**	–
Deferred taxation:				
– Origination/(reversal) of temporary differences (Note 17)	**34,528**	(20,300)	**(5)**	4
	104,948	126,963	**16**	34

(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 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before taxation and zakat	**427,915**	512,220	**130,037**	30,063
Tax calculated at Malaysian tax rate of 24% (2020: 24%)	**102,700**	122,933	**31,209**	7,215
Expenses not deductible for tax purposes	**467**	911	**12**	14
Income not subject to tax	**(345)**	–	**(31,200)**	(7,200)
Deductible tax losses from subsidiary utilised	**–**	(28)	**–**	–
Under/(over) provision in prior year	**5,648**	(105,934)	**–**	–
Deduction arising from zakat contribution	**(784)**	(254)	**–**	–
(Reversal of)/origination temporary differences recognised in prior years	**(2,756)**	109,307	**(5)**	5
Loss not subject to tax	**18**	28	**–**	–
	104,948	126,963	**16**	34

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			
	2021		2020	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
On ordinary shares:				
First dividend	**15.00**	**22,500**	15.00	22,500
Second dividend	**5.00**	**7,500**	5.00	7,500
	20.00	**30,000**	20.00	30,000

The proposed first dividend is amounting to RM22,500,000 for the financial year ended 31 December 2022.

	Group	
	2021 Total amount RM'000	2020 Total amount RM'000
On RPS:		
Dividend paid in specie	**–**	707,271
Dividend paid in cash	**6,081**	179,419
	6,081	886,690

The dividend on RPS for the financial year ended 31 December 2021 was approved by the Board of Directors on 23 January 2021 and 15 November 2021 and paid in the current financial year.

The dividend on RPS for financial year ended 31 December 2020 was approved by the Board of Directors on 28 December 2020 and paid on 30 December 2020.

40 DIVIDENDS (CONTINUED)

The dividends on RPS are reported as a reduction against other reserves of the Group in the statement of changes in equity in the current financial year.

The dividend paid on RPS is determined by CMBS based on guidelines, criteria and performance indicators approved by the Board. This is based on 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 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.

41 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.

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

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Other related party				
Expenses:				
Directors' fee and allowances	**968**	930	**–**	–
Servicer fees	**2,264**	2,524	**–**	–
Amount due to:				
Directors' fee and allowances	**(7)**	(72)	**–**	–
Servicer fees	**(549)**	(678)	**–**	–
Subsidiary				
Expenses:				
Management fee	**–**	–	**48**	58
Amount due to:				
Management fee	**–**	–	**(10)**	(46)

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 RM8,677,505 (2020: RM8,053,839).

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

42 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	Group	
	2021 RM'000	**2020 RM'000**
Capital expenditure:		
Authorised and contracted for	**2,886**	2,275
Authorised but not contracted for	**4,477**	3,116
	7,363	5,391
Analysed as follows:		
Equipment and others	**875**	472
Computer hardware and software	**6,488**	4,919
	7,363	5,391

(b) Contingencies

i) On 26 January 2022, the Inland Revenue Board ("IRB") issued a review findings letter on Cagamas' tax return for Year of Assessment ("YA") 2018 with a disagreement on certain tax treatment that has been taken by Cagamas. The same tax treatment has been applied by Cagamas for its YA 2019 and YA 2020 tax returns.

The Group is currently in discussion with the IRB as the tax treatment has been applied consistently and has been discussed with relevant authorities prior to adoption by the Group. An adverse decision from this disagreement could lead to additional tax liability and tax penalty to Cagamas for YA 2018 to YA 2020. The estimate is approximately RM103.8 million and RM39.0 million respectively. The estimated additional tax liability of RM103.8 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.

In view of uncertainty of the tax treatment by IRB, no provision has been made in the financial statements up to the reporting date.

ii) As at the end of the financial year, the Group's guarantee and Wakalah exposures amounted to RM799,805,868 (2020: RM495,902,988).

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 RM840,399 (2020: RM592,465) and RM975,325 (2020: RM713,980) respectively.

43 FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2021 RM'000	**2020 RM'000**
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	**506,935**	244,508
Deposits and placements with financial institutions	**587,895**	490,585
Corporate Sukuk	**354,353**	–
Amount due from counterparties	**17,141,175**	14,069,195
Islamic financing assets	**10,273,747**	9,662,661
Mortgage assets		
– Conventional	**4,819,123**	5,509,163
– Islamic	**5,411,935**	5,947,232
Hire purchase assets		
– Islamic	**62**	34
Other financial assets	**4,809**	5,044
	39,100,034	35,928,422
Financial assets at FVOCI:		
Debt instruments	**4,708,546**	3,898,881
Financial assets at FVTPL:		
Unit trusts	**127,779**	193,466
Derivative financial instruments	**29,607**	57,904
	157,386	251,370
Financial liabilities		
Financial liabilities at amortised cost:		
Short-term borrowings	**302,367**	125,145
Unsecured bearer bonds and notes	**19,956,954**	17,482,979
Sukuk	**15,082,028**	14,063,392
RMBS	**622,744**	622,652
IRMBS	**612,344**	612,273
Other financial liabilities	**185,955**	142,580
	36,762,392	33,049,021
Financial liabilities at FVTPL:		
Derivative financial instruments	**28,595**	45,963

44 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**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Impact to equity:				
Financial assets at FVOCI reserves	**(142,406)**	(127,298)	**153,269**	137,637
Taxation effects on the above at tax rate of 24%	**34,177**	30,552	**(36,785)**	(33,033)
Effect on shareholder's funds	**(108,229)**	(96,746)	**116,484**	104,604
As percentage of shareholders' funds	**(1.7%)**	(1.5%)	**1.8%**	1.6%
Impact to income statements:				
Net interest/profit income	**14,666**	12,319	**(14,708)**	(12,316)
Taxation effects at the rate of 24%	**(3,520)**	(2,957)	**3,530**	2,956
Effect on net interest income	**11,146**	9,362	**(11,178)**	(9,360)
As percentage of profit after tax	**5.3%**	4.2%	**(5.4%)**	(4.2%)

45 CREDIT RISK

45.1 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.

45 CREDIT RISK (CONTINUED)

45.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

Group 2021	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Off-statement of financial position: Financial guarantee RM'000	Total RM'000
	On-statement of financial position													
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	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

45 CREDIT RISK (CONTINUED)

45.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

	On-statement of financial position											Off-statement of financial position	
Group 2020	Cash and cash equivalents 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	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	–	–	–	1,557,438	–	–	–	–	–	–	415	–	1,557,853
Financial institutions:													
– Commercial banks	244,508	490,585	57,904	30,002	120,802	13,397,099	9,322,362	–	–	–	–	–	23,663,262
– Development	–	–	–	187,184	–	–	340,299	–	–	–	–	–	527,483
Communication, electricity, gas and water	–	–	–	312,932	–	–	–	–	–	–	–	–	312,932
Transportation	–	–	–	819,756	–	–	–	–	–	–	–	–	819,756
Leasing	–	–	–	–	–	672,096	–	–	–	–	–	–	672,096
Consumers	–	–	–	–	–	–	–	5,509,163	5,947,232	34	–	495,903	11,952,332
Corporate	–	–	–	426,397	72,664	–	–	–	–	–	–	–	499,061
Construction	–	–	–	215,183	–	–	–	–	–	–	–	–	215,183
Related company	–	–	–	96,609	–	–	–	–	–	–	–	–	96,609
Others	–	–	–	253,380	–	–	–	–	–	–	3,835	–	257,215
Total	244,508	490,585	57,904	3,898,881	193,466	14,069,195	9,662,661	5,509,163	5,947,232	34	4,250	495,903	40,573,782

45 CREDIT RISK (CONTINUED)

45.2 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 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 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 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 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.

45 CREDIT RISK (CONTINUED)

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

Group 2020	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	14,069,214	–	14,069,214	19	14,069,195	–	–
Islamic financing assets	9,662,760	–	9,662,760	99	9,662,661	–	–
Mortgage assets:							
– Conventional	5,498,294	43,913	5,542,207	33,044	5,509,163	43,913	75
– Islamic	5,943,391	36,842	5,980,233	33,001	5,947,232	36,842	90
Hire purchase assets:							
– Islamic	10	36	46	12	34	36	33
	35,173,669	80,791	35,254,460	66,175	35,188,285	80,791	

* These assets have been provided for under collective assessment.

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:

	2021 Strong/ Total RM'000	2020 Strong/ Total RM'000
Amount due from counterparties	**17,141,194**	14,069,214
Islamic financing assets	**10,273,808**	9,662,760
Mortgage assets:		
– Conventional	**4,809,504**	5,498,294
– Islamic	**5,409,816**	5,943,391
Hire purchase assets:		
– Islamic	**38**	10
	37,634,360	35,173,669

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.

45 CREDIT RISK (CONTINUED)

45.2 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**
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**
2020					
Mortgage assets:					
– Conventional	1,963	2,545	1,675	37,730	43,913
– Islamic	1,758	2,223	1,840	31,021	36,842
Hire purchase assets:					
– Islamic	–	–	–	36	36
	3,721	4,768	3,515	68,787	80,791

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.

45 CREDIT RISK (CONTINUED)

45.2 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
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**
2020				
Amount due from counterparties	59	(40)	–	19
Islamic financing assets	653	(554)	–	99
Mortgage assets:				
– Conventional	43,889	(9,722)	(1,123)	33,044
– Islamic	50,538	(17,196)	(341)	33,001
Hire purchase assets:				
– Conventional	2	–	(2)	–
– Islamic	12	–	–	12
	95,153	(27,512)	(1,466)	66,175

45 CREDIT RISK (CONTINUED)

45.3 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
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

45 CREDIT RISK (CONTINUED)

45.3 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

45 CREDIT RISK (CONTINUED)

45.3 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
2020						
Financial assets at FVOCI						
– Stage 1	2,356,895	1,008,739	533,247	–	3,898,881	138
Amount due from counterparties						
– Stage 1	–	7,596,290	6,472,924	–	14,069,214	19
Islamic financing assets						
– Stage 1	–	740,305	8,922,455	–	9,662,760	99
Mortgage assets						
– Stage 1	–	–	–	5,496,238	5,496,238	18,591
– Stage 2	–	–	–	2,056	2,056	366
– Stage 3	–	–	–	43,913	43,913	14,087
	–	–	–	5,542,207	5,542,207	33,044
Islamic mortgage assets						
– Stage 1	–	–	–	5,941,305	5,941,305	20,815
– Stage 2	–	–	–	2,086	2,086	367
– Stage 3	–	–	–	36,842	36,842	11,819
	–	–	–	5,980,233	5,980,233	33,001

45 CREDIT RISK (CONTINUED)

45.3 Credit quality (continued)

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

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

45 CREDIT RISK (CONTINUED)

45.4 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:

	Fair value			
	Gross carrying value RM'000	**Impairment allowance RM'000**	**Net carrying value RM'000**	**Fair value of collateral held RM'000**
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**
2020				
Mortgage assets				
– Conventional	5,542,207	(33,044)	5,509,163	28,622,458
– Islamic	5,980,233	(33,001)	5,947,232	19,146,648
	11,522,440	(66,045)	11,456,395	47,769,106

45.5 Exposures to COVID-19 impacted sectors and COVID-19 customer relief and support measures

The Group has assessed that its:

a) Mortgage and Islamic mortgage assets are not impacted by COVID-19 as the Government of Malaysia does not provide deferment or moratorium on housing loans taken by civil servants with LPPSA.

b) Amount due from counterparties and Islamic financing assets are not impacted as defaulted loans and financings will be replaced and repurchased under first recourse to regulated counterparties.

c) The Group's guarantee exposures are directly impacted by COVID-19. As at 31 December 2021, approximately 36% (2020: 10%) of borrowers under the SRP and SPB schemes have opted in for the targeted repayment assistance ("TRA"). Total number of loans/financings under protection as at 31 December 2021 amounted to 41,663 (2020: 26,414)

45 CREDIT RISK (CONTINUED)

45.6 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
2021			
Derivatives financial assets			
Derivatives financial liabilities	**29,607**	**(6,942)**	**22,665**
	28,595	**(6,942)**	**21,653**
2020			
Derivatives financial assets			
Derivatives financial liabilities	57,904	(1,402)	56,502
	45,963	(1,402)	44,561

46 LIQUIDITY RISK

46.1 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.

46.2 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 counterparties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Total RM'000
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**
2020	244,508	490,585	193,466	3,898,881	–	57,904	5,509,163	5,947,232	14,069,195	9,662,661	4,284	40,077,879

46 LIQUIDITY RISK

46.3 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
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**
2020						
Financial liabilities						
Unsecured bearer bonds and notes	451,740	1,361,537	5,966,897	9,362,359	1,886,402	19,028,935
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
RMBS	–	8,166	25,015	608,294	114,265	755,740
IRMBS	–	6,252	19,607	376,888	308,827	711,574
Unexpired financial guarantee contracts	495,903	–	–	–	–	495,903
Other financial liabilities	147,378	2,106	–	–	–	149,484
	1,401,693	3,335,506	8,642,527	18,926,097	4,765,064	37,070,887
Assets held for managing liquidity risk	808,559	2,856,060	10,525,250	22,391,753	8,300,553	44,882,175

46 LIQUIDITY RISK

46.4 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
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						
– Outflow	**–**	**(831,692)**	**(746,943)**	**(1,063,452)**	**–**	**(2,642,087)**
– Inflow	**–**	**835,712**	**721,419**	**1,048,808**	**–**	**2,605,939**
2020						
Net settled derivatives						
Derivatives held for hedging:						
IRS	(1,016)	(5,553)	4,080	(6,053)	43,556	35,014
Gross settled derivatives						
Derivatives held for hedging:						
CCS						
– Outflow	(3,433)	–	(1,028,926)	–	–	(1,032,359)
– Inflow	66	–	592,905	–	–	592,971

47 FOREIGN EXCHANGE RISK

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

The Group hedges 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.

47.1 Exposure to foreign currency risk

	Group		
	HKD RM'000	**USD RM'000**	**SGD RM'000**
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**
2020			
Derivative financial instruments	165,763	113,083	395,772
Unsecured bearer bonds and notes	163,218	112,781	395,401

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

	Group			
	2021		**2020**	
	Equity RM'000	**Profit RM'000**	**Equity RM'000**	**Profit RM'000**
HKD	**19**	**–**	19	–
USD	**2**	**–**	2	–
SGD	**1**	**–**	1	–
	22	**–**	22	–

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

48.1 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).

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

48.1 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
2021				
Assets				
Financial assets at FVOCI	**–**	**127,779**	**–**	**127,779**
Financial assets at FVTPL	**–**	**4,708,546**	**–**	**4,708,546**
Derivative financial instruments	**–**	**29,607**	**–**	**29,607**
Liabilities				
Derivative financial instruments	**–**	**28,595**	**–**	**28,595**
2020				
Assets				
Financial assets at FVOCI	–	3,898,881	–	3,898,881
Financial assets at FVTPL	–	193,466	–	193,466
Derivative financial instruments	–	57,904	–	57,904
Liabilities				
Derivative financial instruments	–	45,963	–	45,963

48.2 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.

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

48.2 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			
	2021		2020	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Financial assets at amortised cost	**354,353**	**351,905**	–	–
Amount due from counterparties	**17,141,175**	**17,183,186**	14,069,195	14,306,042
Islamic financing assets	**10,273,747**	**10,290,259**	9,662,661	9,746,090
Mortgage assets:				
– Conventional	**4,819,123**	**5,280,360**	5,509,163	6,332,849
– Islamic	**5,411,935**	**6,085,327**	5,947,232	7,069,733
Hire purchase assets:				
– Islamic	**62**	**74**	34	48
	38,000,395	**39,191,111**	35,188,285	37,454,762
Financial liabilities				
Short-term borrowings	**302,367**	**302,367**	125,145	125,049
Unsecured bearer bonds and notes	**19,956,954**	**20,283,816**	17,482,979	18,119,532
Sukuk	**15,082,028**	**15,423,362**	14,063,392	14,766,632
RMBS	**622,744**	**656,739**	622,652	683,114
IRMBS	**612,344**	**623,056**	612,273	642,220
	36,576,437	**37,289,340**	32,906,441	34,336,547

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.

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

48.2 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.

49 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.

49 SEGMENT REPORTING (CONTINUED)

	Group			
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Total RM'000
2021				
External revenue	**949,152**	**734,188**	**25,238**	**1,708,578**
External interest/profit expense	**(816,630)**	**(416,278)**	**–**	**(1,232,908)**
Profit from operations	**87,664**	**314,513**	**25,738**	**427,915**
Taxation	**(21,385)**	**(77,126)**	**(6,437)**	**(104,948)**
Zakat	**(3,892)**	**(1,202)**	**(273)**	**(5,367)**
Profit after taxation and zakat by segment	**62,387**	**236,185**	**19,028**	**317,600**
Segment assets	**30,484,744**	**13,102,084**	**537,806**	**44,124,634**
Segment liabilities	**26,570,032**	**10,853,528**	**156,129**	**37,579,689**
Other information:				
Capital expenditure	**1,986**	**614**	**–**	**2,600**
Depreciation and amortisation	**1,262**	**390**	**–**	**1,652**
2020				
External revenue	1,096,225	916,367	15,868	2,028,460
External interest/profit expense	(896,481)	(591,483)	–	(1,487,964)
Profit from operations	165,530	339,949	6,741	512,220
Taxation	(44,069)	(81,463)	(1,431)	(126,963)
Zakat	(897)	(358)	(220)	(1,475)
Profit after taxation and zakat by segment	120,564	258,128	5,090	383,782
Segment assets	25,891,083	13,983,159	370,055	40,244,297
Segment liabilities	23,032,612	10,741,097	101,643	33,875,352
Other information:				
Capital expenditure	2,485	991	–	3,476
Depreciation and amortisation	4,380	1,747	–	6,127

50 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
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

50 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
2020					
ASSETS					
Cash and cash equivalents	109,873	80,540	54,095	–	244,508
Deposits and placements with financial institutions	104,511	345,900	40,174	–	490,585
Financial assets at FVTPL	193,466	–	–	–	193,466
Financial assets at FVOCI	2,383,316	1,262,691	252,874	–	3,898,881
Derivative financial instruments	57,904	–	–	–	57,904
Amount due from counterparties	14,069,195	–	–	–	14,069,195
Islamic financing assets	9,662,661	–	–	–	9,662,661
Mortgage assets:					
– Conventional	4,366,916	1,142,247	–	–	5,509,163
– Islamic	5,115,509	831,723	–	–	5,947,232
Hire purchase assets:					
– Islamic	34	–	–	–	34
Other assets	7,431	–	–	(794)	6,637
Tax recoverable	87,888	–	–	–	87,888
Deferred taxation	–	2,803	22,912	23,796	49,511
Investment in subsidiaries	4,181,628	–	–	(4,181,628)	–
Property and equipment	3,245	–	–	–	3,245
Intangible assets	20,344	–	–	–	20,344
Right-of-use asset	3,043	–	–	–	3,043
Amount due from a related company	1,375	–	–	(1,375)	–
TOTAL ASSETS	40,368,339	3,665,904	370,055	(4,160,001)	40,244,297
LIABILITIES					
Short-term borrowings	125,145	–	–	–	125,145
Derivative financial instruments	45,963	–	–	–	45,963
Other liabilities	133,351	5,844	12,493	(2,204)	149,484
Lease liability	4,583	–	–	–	4,583
Provision for taxation	41	54,341	1,542	–	55,924
Deferred taxation	170,087	431,466	1,861	23,796	627,210
Unsecured bearer bonds and notes	17,482,979	–	–	–	17,482,979
Sukuk	14,063,392	–	–	–	14,063,392
RMBS	–	622,652	–	–	622,652
IRMBS	–	612,273	–	–	612,273
Deferred guarantee fee income	–	–	16,278	–	16,278
Deferred Wakalah fee income	–	–	69,469	–	69,469
TOTAL LIABILITIES	32,025,541	1,726,576	101,643	21,592	33,875,352

* Total assets and liabilities of CMGP and CSME were nil

50 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
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**
2020					
Interest income	958,601	146,674	9,346	–	1,114,621
Interest expense	(736,376)	(53,924)	–	–	(790,300)
Income from Islamic operations	112,549	98,254	6,522	(1,605)	215,720
Non-interest income	38,766	105	2,312	(34,335)	6,848
	373,540	191,109	18,180	(35,940)	546,889
Administration and general expenses	(25,742)	(3,017)	(3,426)	5,940	(26,245)
Personnel costs	(31,298)	–	–	–	(31,298)
OPERATING PROFIT	316,500	188,092	14,754	(30,000)	489,346
Reversal/(allowance) of impairment losses	14,954	15,933	(8,013)	–	22,874
PROFIT BEFORE TAXATION AND ZAKAT	331,454	204,025	6,741	(30,000)	512,220
Taxation	(76,248)	(49,284)	(1,431)	–	(126,963)
Zakat	(1,255)	–	(220)	–	(1,475)
PROFIT FOR THE FINANCIAL YEAR	253,951	154,741	5,090	(30,000)	383,782

* CMGP and CSME's loss for the financial year 2021 and 2020 were nil

51 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 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.

51.1 Regulatory capital

	Group	
	2021	**2020**
	%	**%**
Before deducting dividend*		
CET1 capital ratio	**54.8**	57.5
Tier 1 capital ratio	**54.8**	57.5
Total capital ratio	**56.1**	59.1
After deducting dividend*		
CET1 capital ratio	**54.7**	57.3
Tier 1 capital ratio	**54.7**	57.3
Total capital ratio	**55.9**	58.9

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

51 CAPITAL ADEQUACY (CONTINUED)

51.1 Regulatory capital (continued)

	Group	
	2021 RM'000	**2020 RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	**150,000**	150,000
Retained profits	**6,382,921**	6,101,402
	6,532,921	6,251,402
Financial assets at FVOCI reserves	**3,146**	47,917
Deferred tax assets	**(58,291)**	(49,511)
Less: Regulatory reserves*	**(89,723)**	(99,778)
Total CET1/Tier 1 capital	**6,388,053**	6,150,030
Tier 2 capital		
Allowance for impairment losses	**53,460**	66,175
Add: Regulatory reserves*	**89,723**	99,778
Total Tier 2 capital	**143,183**	165,953
Total capital	**6,531,236**	6,315,983
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**10,512,881**	9,540,017
Operational risk	**1,133,749**	1,148,944
Total risk-weighted assets	**11,646,630**	10,688,961

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

51 CAPITAL ADEQUACY (CONTINUED)

51.2 Proforma regulatory capital excluding CMBS

	Group	
	2021** **%**	**2020**** **%**
Before deducting dividend*		
CET1 capital ratio	**41.1**	43.9
Tier 1 capital ratio	**41.1**	43.9
Total capital ratio	**42.4**	45.5
After deducting dividend*		
CET1 capital ratio	**40.9**	43.6
Tier 1 capital ratio	**40.9**	43.6
Total capital ratio	**42.2**	45.2

	Group	
	2021** **RM'000**	**2020**** **RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	**150,000**	150,000
Retained profits	**4,388,812**	4,190,888
	4,538,812	4,340,888
Financial assets at FVOCI reserves	**(482)**	34,951
Deferred tax assets	**(56,036)**	(46,708)
Less: Regulatory reserves***	**(89,723)**	(99,778)
Total CET1/Tier 1 capital	**4,392,571**	4,229,353
Tier 2 capital		
Allowance for impairment losses	**44,063**	54,546
Add: Regulatory reserves***	**89,723**	99,778
Total Tier 2 capital	**133,786**	154,324
Total capital	**4,526,357**	4,383,677
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**9,869,771**	8,876,838
Operational risk	**812,453**	766,211
Total risk-weighted assets	**10,682,224**	9,643,049

* 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

52 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000
ASSETS			
Cash and cash equivalents	(a)	**130,110**	161,712
Deposits and placements with financial institutions	(b)	**211,228**	164,342
Financial assets at FVTPL		**127,779**	120,802
Financial assets at FVOCI	(c)	**1,233,368**	550,879
Financial assets at amortised cost		**354,353**	–
Derivative financial instruments		**2,656**	–
Financing assets	(d)	**10,273,747**	9,662,661
Mortgage assets	(e)	**5,410,185**	5,944,990
Hire purchase assets	(f)	**55**	26
Tax recoverable		**25,968**	40,462
Deferred taxation		**29,821**	19,552
Other assets and prepayments		**289,363**	288,365
TOTAL ASSETS		**18,088,633**	16,953,791
LIABILITIES			
Derivative financial instruments		**4,176**	9,287
Other liabilities	(g)	**20,656**	23,063
Deferred taxation		**195,604**	179,421
Sukuk	(h)	**15,082,028**	14,063,392
IRMBS	(i)	**612,344**	612,273
Deferred Wakalah fees		**112,707**	69,469
Provision for taxation		**8,678**	58,878
TOTAL LIABILITIES		**16,036,193**	15,015,783
ISLAMIC OPERATIONS' FUNDS		**2,052,440**	1,938,008
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		**18,088,633**	16,953,791

52 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group	
	Note	2021 RM'000	2020 RM'000
Total income attributable		**741,717**	913,838
Income attributable to the Sukuk holders	(j)	**(574,708)**	(697,664)
Non-profit expense		**(4,580)**	(454)
Total net income attributable	(k)	**162,429**	215,720
Administration and general expenses		**(2,207)**	(2,631)
Reversal of prior year provision		**3,436**	–
Reversal for impairment losses		**1,503**	14,351
PROFIT BEFORE TAXATION AND ZAKAT		**165,161**	227,440
Taxation		**(35,013)**	(60,405)
Zakat		**(5,367)**	(1,475)
PROFIT FOR THE FINANCIAL YEAR		**124,781**	165,560

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021 RM'000	**2020 RM'000**
Profit for the financial year	**124,781**	165,560
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Financial assets at FVOCI		
– Net (loss)/gain on fair value changes before taxation	**(13,474)**	5,408
– Deferred taxation	**3,249**	(1,290)
Cash flow hedge		
– Net gain/(loss) on cash flow hedge before taxation	**7,838**	(5,911)
– Deferred taxation	**(1,881)**	1,419
Other comprehensive loss for the financial year, net of taxation	**(4,268)**	(374)
Total comprehensive income for the financial year	**120,513**	165,186

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Non-distributable			Distributable		
Group	**Allocated capital funds RM'000**	**Financial assets at FVOCI reserves RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Other reserves RM'000**	**Total RM'000**
Balance as at 1 January 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**
Balance as at 1 January 2020	294,159	4,923	(2,157)	58,561	1,008,316	1,295,710	2,659,512
Profit for the financial year	–	–	–	–	83,193	82,367	165,560
Other comprehensive income/ (loss)	–	4,118	(4,492)	–	–	–	(374)
Total comprehensive income/ (loss) for the financial year	–	4,118	(4,492)	–	83,193	82,367	165,186
Discretionary dividend on RPS paid during the year	–	–	–	–	–	(886,690)	(886,690)
Transfer to retained profits	–	–	–	(4,626)	4,626	–	–
Balance as at 31 December 2020	294,159	9,041	(6,649)	53,935	1,096,135	491,387	1,938,008

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021 RM'000	**2020 RM'000**
OPERATING ACTIVITIES		
Profit before taxation	**165,161**	227,440
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on:		
– Financial assets at FVOCI	**4,791**	(6,109)
– Sukuk	**–**	(7,568)
– Mortgage assets	**(90,799)**	(158,637)
Allowance/(reversal) for impairment losses on:		
– Cash and cash equivalents	**11**	(105)
– Financial assets at FVOCI	**61**	10
– Financial assets at amortised cost	**1,155**	–
– Financing assets	**(38)**	(554)
– Mortgage and hire purchase assets	**(6,453)**	(17,535)
– Wakalah exposures	**583**	5,850
Write-off on mortgage assets	**55**	550
Write-back on mortgage assets	**(52)**	(2,873)
Kafalah	**(3)**	74
Income from:		
– Financial assets at FVOCI	**(21,814)**	–
– Financial assets at FVTPL	**(97)**	–
Income from Islamic operations	**(633,633)**	(716,832)
Income from derivative	**(13,119)**	(39,284)
Wakalah fee income	**(13,304)**	(4,699)
Profit attributable to:		
– Sukuk holders	**548,778**	666,583
– IRMBS holders	**25,930**	38,649
– Derivative	**20,609**	38,293
Gain/(loss) on disposal of financial assets at FVOCI	**30**	(670)
Operating profit before working capital changes	**(12,148)**	22,583
Change in cash and cash equivalents and deposits and placements with financial institutions	**(46,897)**	385,513
Change in financing assets	**(626,586)**	1,169,597
Change in mortgage assets	**639,783**	705,969
Change in hire purchase assets	**(28)**	106
Change in other assets and prepayments	**(999)**	240
Change in other liabilities	**(6,034)**	2,844

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Group	
	2021 RM'000	**2020 RM'000**
OPERATING ACTIVITIES (CONTINUED)		
Cash from operating activities	**(52,909)**	2,286,852
Profit received from assets	**637,774**	740,198
Profit received from derivative	**12,913**	45,712
Wakalah fee received	**56,542**	38,445
Profit paid on derivative	**(20,332)**	(44,003)
Payment of:		
– Taxation	**(63,435)**	(174,352)
– Zakat	**(2,326)**	(1,060)
Net cash from operating activities	**568,227**	2,891,792
INVESTING ACTIVITIES		
Purchase of:		
– Financial assets at FVOCI	**(1,395,490)**	(1,871,888)
– Financial assets at FVTPL	**(10,000)**	(280,000)
– Financial assets at amortised cost	**(355,000)**	–
Net proceeds from sale/redemption of:		
– Financial assets at FVOCI	**698,468**	1,952,322
– Financial assets at FVTPL	**3,048**	159,402
Income received from:		
– Financial assets at FVOCI	**18,824**	12,002
– Financial assets at FVTPL	**2,403**	598
Net cash from investing activities	**(1,037,747)**	(27,564)
FINANCING ACTIVITIES		
Proceeds from issuance of Sukuk	**7,255,000**	3,085,000
Redemption:		
– Sukuk	**(6,225,000)**	(4,845,000)
– IRMBS	**–**	(400,000)
Profit paid on:		
– Sukuk	**(560,142)**	(685,506)
– IRMBS	**(25,859)**	(41,839)
Dividend paid to RPS holder	**(6,081)**	(179,419)
Net cash from financing activities	**437,918**	(3,066,764)
Net change in cash and cash equivalents	**(31,602)**	(202,536)
Cash and cash equivalents as at 1 January	**161,712**	364,248
Cash and cash equivalents as at 31 December	**130,110**	161,712

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Group	Sukuk RM'000	IRMBS RM'000	Total RM'000
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**
2020			
As at 1 January	15,849,883	1,015,463	16,865,346
Proceeds from issuance	3,085,000	–	3,085,000
Repayment and redemption	(4,845,000)	(400,000)	(5,245,000)
Profit paid	(685,506)	(41,839)	(727,345)
Other non-cash movement	659,015	38,649	697,664
As at 31 December	14,063,392	612,273	14,675,665

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

	Group	
	2021 RM'000	**2020 RM'000**
(a) Cash and cash equivalents		
Cash and bank balances with bank and other financial institutions	**290**	60,198
Mudharabah money at call and deposit placements maturing with original maturity less than three months	**129,831**	101,514
	130,121	161,712
Less:		
Allowance for impairment losses	**(11)**	–
	130,110	161,712

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 reflects the ECL model on impairment are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Stage 1		
As at 1 January	**–**	105
Allowance/(reversal) during the year	**11**	(105)
As at 31 December	**11**	–

(b) Deposits and placements with financial institutions

	Group	
	2021 RM'000	**2020 RM'000**
Licensed banks	**211,228**	164,342

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 2021 (2020: Nil).

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2021 RM'000	**2020 RM'000**
(c) Financial assets at FVOCI		
At fair value:		
Government investment issues	**142,321**	154,374
Quasi government Sukuk	**168,886**	129,040
Sukuk	**922,161**	267,465
	1,233,368	550,879

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

	2021 RM'000	**2020 RM'000**
Maturing within one year	**621,101**	167,357
One to three years	**282,050**	277,475
Three to five years	**169,898**	26,246
More than five years	**160,319**	79,801
	1,233,368	550,879

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**
By stage of allocation:		
2021		
Stage 1 (12-month ECL; non-credit impaired)	**1,233,368**	**71**
2020		
Stage 1 (12-month ECL; non-credit impaired)	550,879	10

52 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	
	2021 RM'000	**2020 RM'000**
Stage 1		
As at 1 January	**10**	32
Allowance during the year on new assets purchased	**66**	5
Financial assets derecognised during the year due to maturity of assets	**–**	(17)
Reversal during the year due to changes in credit risk	**(5)**	(10)
As at 31 December	**71**	10

(d) Financing assets

	2021 RM'000	2020 RM'000
House financing	**10,273,747**	9,662,661

The maturity structure of financing assets are as follows:

	2021 RM'000	2020 RM'000
Maturing within one year	**2,768,566**	3,528,607
One to three years	**7,505,242**	5,218,907
Three to five years	**–**	915,246
	10,273,808	9,662,760
Less:		
Allowance for impairment losses	**(61)**	(99)
	10,273,747	9,662,661

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	
	2021 RM'000	**2020 RM'000**
Stage 1		
As at 1 January	**99**	653
Allowance during the year on new assets purchased	**26**	3
Financial assets derecognised during the year due to maturity of assets	**(5)**	(3)
Reversal during the year due to changes in credit risk	**(59)**	(554)
As at 31 December	**61**	99

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets

	Group	
	2021 RM'000	**2020 RM'000**
PWOR	**5,410,185**	5,944,990

The maturity structure of mortgage assets are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Maturing within one year	**713,777**	763,878
One to three years	**957,282**	1,025,565
Three to five years	**924,456**	956,579
More than five years	**2,841,213**	3,231,964
	5,436,728	5,977,986
Less:		
Allowance for impairment losses	**(26,543)**	(32,996)
	5,410,185	5,944,990

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

	Group	
By stage of allocation:	**Gross carrying value RM'000**	**Impairment allowance RM'000**
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**
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,939,058	20,809
Stage 2 (Lifetime ECL; non-credit impaired)	2,086	367
Stage 3 (Lifetime ECL; credit impaired)	36,842	11,820
As at 31 December	5,977,986	32,996
Impairment allowance over gross carrying value (%)		0.55

52 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**
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**
Financing 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**
2020				
As at 1 January	28,518	3,892	18,121	50,531
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	140	(3,111)	(5,629)	(8,600)
Transfer to ECL non-credit impaired (Stage 2)	(19)	783	(37)	727
Transfer to ECL credit impaired (Stage 3)	(68)	(225)	5,748	5,455
Total transfer between stages	53	(2,553)	82	(2,418)
Financing derecognised during the year (other than write-offs)	(4,503)	(944)	(5,932)	(11,379)
Reversal during the year due to changes in credit risk	(3,259)	(28)	(110)	(3,397)
Amount written-off	–	–	(341)	(341)
As at 31 December	20,809	367	11,820	32,996

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase

	Group	
	2021 RM'000	**2020 RM'000**
PWOR	**55**	26

The maturity structure of hire purchase assets are as follows:

Maturing within one year	**66**	37
Less: Allowance for impairment losses	**(11)**	(11)
	55	26

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

	Group	
	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage of allocation:		
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**
2020		
Stage 1 (12-month ECL; non-credit impaired)	3	–
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	37	11
Impairment allowance over gross carrying value (%)		29.73

52 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**
2021				
As at 1 January/31 December	**–**	**–**	**11**	**11**
2020				
As at 1 January/31 December	–	–	11	11

(g) Other liabilities

	Group	
	2021 RM'000	**2020 RM'000**
Zakat	**5,367**	2,326
Other payables	**6,725**	12,756
Expected credit loss on Wakalah exposures	**8,564**	7,981
	20,656	23,063

52 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:		
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**
2020		
Stage 1 (12-month ECL; non-credit impaired)	388,356	4,226
Stage 2 (Lifetime ECL; non-credit impaired)	4,196	3,041
Stage 3 (Lifetime ECL; credit impaired)	714	714
As at 31 December	393,266	7,981
Impairment allowance over unexpired financial Wakalah exposures (%)		2.03

52 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**
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**
2020				
As at 1 January	715	965	451	2,131
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	59	(626)	(127)	(694)
– Transfer to ECL non-credit impaired (Stage 2)	(34)	1,282	(23)	1,225
– Transfer to ECL credit impaired (Stage 3)	(5)	(69)	299	225
Total transfer between stages	20	587	149	756
Allowance during the year on new Wakalah fee	2,276	1,311	196	3,783
Wakalah amount derecognised during the year	(4)	(39)	(82)	(125)
Allowance during the year due to changes in credit risk	1,219	217	–	1,436
As at 31 December	4,226	3,041	714	7,981

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2021 RM'000	**2020 RM'000**
(h) Sukuk		
Commercial papers	**647,046**	847,256
Medium-term notes	**14,434,982**	13,216,136
	15,082,028	14,063,392
The maturity structures of Sukuk are as follows:		
Maturing within one year	**4,527,028**	4,498,392
One to three years	**7,780,000**	6,005,000
Three to five years	**825,000**	1,590,000
More than five years	**1,950,000**	1,970,000
	15,082,028	14,063,392
(i) IRMBS		
IRMBS	**612,344**	612,273
The maturity structures of the IRMBS are as follows:		
Maturing within one year	**322,344**	2,273
One to three years	**–**	320,000
More than five years	**290,000**	290,000
	612,344	612,273
(j) Income attributable to the Sukuk holders		
Mortgage assets	**224,162**	268,310
Financing assets	**350,437**	429,214
Hire purchase assets	**109**	140
	574,708	697,664
Income attributable to the Sukuk holders analysed by concept are as follows:		
Bai Al-Dayn	**548,778**	659,015
Musyarakah	**25,930**	38,649
	574,708	697,664

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group 2021 RM'000	Group 2020 RM'000
(k) Total net income attributable		
Income from:		
Mortgage assets	**106,386**	153,902
Hire purchase assets	**(63)**	(178)
Financing assets	**14,023**	5,588
Financial assets at FVOCI	**27,573**	24,470
Financial assets at FVTPL	**97**	800
Deposits and placements with financial institutions	**5,787**	26,968
Wakalah fee	**13,304**	4,698
Kafalah income/(expenses)	**3**	(74)
Non-profit expense	**(4,681)**	(454)
	162,429	215,720

Total net income attributable analysed by concept are as follows:

	Group 2021 RM'000	Group 2020 RM'000
Bai Al-Dayn	**115,646**	159,658
Mudharabah	**4,680**	9,477
Bai Bithaman Ajil	**–**	332
Murabahah	**18,751**	33,077
Musyarakah	**3,432**	3,429
Wakalah	**16,751**	5,841
Ijarah	**903**	849
Qard Al-Hassan	**582**	1,217
Tawarruq	**1,684**	1,840
	162,429	215,720

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy

	Group	
	2021 %	**2020 %**
Regulatory capital		
Before deducting dividend*		
CET1 capital ratio	**24.6**	34.4
Tier 1 capital ratio	**24.6**	34.4
Total capital ratio	**25.9**	36.0
After deducting dividend*		
CET1 capital ratio	**24.6**	34.4
Tier 1 capital ratio	**24.6**	34.4
Total capital ratio	**25.9**	36.0

	Group	
	2021 RM'000	**2020 RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	**294,159**	294,159
Other reserves	**1,203,611**	1,641,457
	1,497,770	1,935,616
Financial assets at FVOCI reserves	**(1,472)**	4,068
Deferred tax assets	**(29,821)**	(19,552)
Less: Regulatory reserves**	**(49,203)**	(53,935)
Total CET1/Tier 1 capital	**1,417,274**	1,866,197
Tier 2 capital:		
Allowance for impairment losses	**26,621**	33,112
Add: Regulatory reserves**	**49,203**	53,935
Total Tier 2 capital	**75,824**	87,047
Total capital	**1,493,098**	1,953,244

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

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

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

Regulatory capital (continued)

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

	Group	
	2021 RM'000	**2020 RM'000**
Credit risk	**5,380,250**	5,003,966
Operational risk	**386,020**	418,948
Total risk-weighted assets	**5,766,270**	5,422,914

Proforma regulatory capital excluding CMBS

	Group	
	2021 %	**2020** %
Before deducting dividend*		
CET1 capital ratio	**16.9**	27.5
Tier 1 capital ratio	**16.9**	27.5
Total capital ratio	**18.2**	29.2
After deducting dividend*		
CET1 capital ratio	**16.9**	27.5
Tier 1 capital ratio	**16.9**	27.5
Total capital ratio	**18.2**	29.2

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

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

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

Proforma regulatory capital excluding CMBS (continued)

	Group	
	2021** **RM'000**	**2020**** **RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	**294,159**	294,159
Other reserves	**696,268**	1,150,692
	990,427	1,444,851
Financial assets at FVOCI reserves	**(1,711)**	2,889
Deferred tax assets	**(29,821)**	(18,364)
Less: Regulatory reserves ***	**(49,203)**	(53,935)
Total CET1/Tier 1 capital	**909,692**	1,375,441
Tier 2 capital:		
Allowance for impairment losses	**22,705**	28,557
Add: Regulatory reserves***	**49,203**	53,935
Total Tier 2 capital	**71,908**	82,492
Total capital	**981,600**	1,457,933
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**5,148,424**	4,767,378
Operational risk	**245,224**	233,741
Total risk-weighted assets	**5,393,648**	5,001,119

** 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.

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) 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.

53 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 March 2022.

Statement by **Directors**

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

We, Dato' Bakarudin Ishak and Tan Sri Dato' Sri Tay Ah Lek, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 83 to 214 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 2021 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

DATO' BAKARUDIN ISHAK
Chairman

TAN SRI DATO' SRI TAY AH LEK
Director

Statutory **Declaration**

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

I, Datuk Chung Chee Leong, the Director primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 83 to 214 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 23 March 2022.

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 Cagamas Holdings Berhad:

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

We, the Independent Shariah Advisor of Cagamas, hereby confirm that we have vetted, deliberated and endorsed on Shariah matters related to the Group's Islamic business and Islamic products offerings from 1 January 2021 until 31 December 2021 (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 to be in accordance with Shariah rules and principles.

For the Group's financial year ended 31 December 2021, we have been consulted and have advised and endorsed on the following aspects of the Islamic Business Offerings:

1. The Group's Islamic products including enhancement of the existing products, preliminary new product assessment, legal 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 2021.

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 2021.

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
23 March 2022

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 2021, 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 2021 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 83 to 214.

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 Annual Report and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

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

LEE TZE WOON KELVIN
03482/01/2024 J
Chartered Accountant

Kuala Lumpur
23 March 2022