

LIVING IN A
BRIGHTER
FUTURE

Cagamas Holdings Berhad

Registration No. 200701004048 (762047-P)

Level 32, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur,
Malaysia.

TEL : +603-2262 1800

FAX : +603-2282 9125

E-MAIL : info@cagamas.com.my

WEBSITE : www.cagamas.com.my

Cagamas Holdings Berhad

ANNUAL REPORT 2021

20
21
ANNUAL
REPORT



Vision

To promote
Home Ownership
and contribute
towards **Nation
Development**

Mission

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

LIVING IN A BRIGHTER FUTURE



The Cagamas Group has grown to be a pillar of strength as we help Malaysians gain access to affordable and competitive home financing.

Staying focused and resilient through the years, we have evolved and broadened to play a more pro-active role through innovative funding solutions as well as by supporting the Government's affordable home ownership programmes.

As we continue our journey, we remain as committed as ever to forging a better future for all. Thanks to all past efforts that have played a contributing factor in our success, today is better than yesterday. As we enjoy the fruits of our labour, we will turn the promise of a brighter future into a reality.

CONTENTS

Vision and Mission	Sustainability Report	38
Group Financial Highlights 02	Statement on Corporate Governance	50
Corporate Information 04	Report of the Group Board Audit Committee	56
Group Corporate Structure 04	Statement on Internal Control	60
Cagamas Berhad and other Subsidiary Companies 05	Risk Management	62
Shareholders 06	Statistical Information	66
Notice of Annual General Meeting 08	Cagamas in the News	72
Awards and Accolades 10	Corporate Highlights	73
Message from the Chairman 11	Financial Statements	77
Business Review 12	Pillar 3 Disclosure	221
Organisation Structure 20	Proxy Form	
Profile of the Board of Directors (Cagamas Holdings Berhad) 22		
Board and Board Committees 30		
Profile of the Board of Directors (Cagamas Berhad) 31		
Management Team 37		



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

DOWNLOAD NOW

Group Financial Highlights

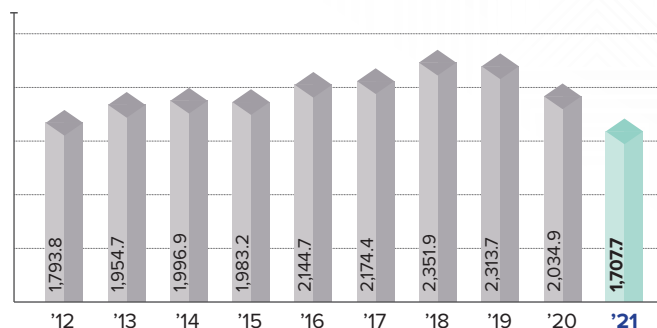
for the financial year ended 31 December 2021

GROUP										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUE (RM million)										
Gross Operating Revenue	1,793.8	1,954.7	1,996.9	1,983.2	2,144.7	2,174.4	2,351.9	2,313.7	2,034.9	1,707.7
Profit Before Tax and Zakat	551.9	703.2	546.5	558.3	574.2	548.2	544.0	534.2	512.2	427.9
Profit After Tax and Zakat	413.2	527.6	391.2	436.5	439.4	414.3	416.5	410.9	383.8	317.6
Dividend After Tax	45.0	22.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
STATEMENT OF FINANCIAL POSITION (RM million)										
Amount Due From Counterparties	3,696.1	3,825.7	6,540.2	10,971.0	14,296.2	19,870.4	20,404.9	16,657.2	14,069.2	17,141.2
Islamic Financing Assets	8,076.9	6,107.9	6,541.2	5,581.4	5,307.7	5,544.4	10,030.0	10,842.2	9,662.7	10,273.7
Conventional Mortgage Assets	9,659.4	11,064.3	10,189.8	9,354.3	8,494.0	7,678.1	6,939.3	6,212.1	5,509.2	4,819.1
Islamic Mortgage Assets	7,124.3	10,648.2	10,176.2	9,618.6	9,058.7	8,465.4	7,857.9	7,209.4	5,947.2	5,411.9
Total Assets	31,863.7	36,420.0	37,407.7	40,346.8	42,972.4	46,812.2	50,701.5	46,346.9	40,244.3	44,124.6
Unsecured Bearer Bonds and Notes	9,217.5	11,521.7	13,291.6	17,994.7	20,946.6	25,764.9	26,082.4	20,661.0	17,483.0	19,957.0
Sukuk	11,707.6	13,403.0	13,261.7	11,944.0	11,214.9	11,597.9	14,808.5	15,849.9	14,063.4	15,082.0
Residential Mortgage-Backed Securities	3,195.3	3,195.3	2,464.5	2,143.5	2,143.5	1,270.3	1,270.3	1,009.0	622.7	622.7
Islamic Residential Mortgage-Backed Securities	2,865.3	2,865.3	2,594.2	2,075.5	2,075.8	1,261.4	1,261.4	1,015.5	612.3	612.3
Share Capital	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Reserves	4,111.7	4,614.8	4,983.3	5,414.6	5,799.6	5,914.7	6,222.7	6,698.5	6,218.9	6,394.9
Shareholders' Funds	4,261.7	4,764.8	5,133.3	5,564.6	5,949.6	6,064.7	6,372.7	6,848.5	6,368.9	6,544.9
PER SHARE										
Earnings Per Share (sen)*	275.4	351.7	260.8	291.0	292.9	276.2	277.7	274.0	255.9	211.7
Net Tangible Assets (RM)*	28.3	31.7	34.2	37.1	39.6	40.3	42.3	45.5	42.3	43.5
Dividend (sen)	30.0	15.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
FINANCIAL RATIOS										
Pre-tax Return on Average Shareholders' Funds (%)	13.5	15.6	11.0	10.4	10.0	9.1	8.7	8.1	7.8	6.6
After-tax Return on Average Shareholders' Funds (%)	10.1	11.7	7.9	8.2	7.6	6.9	6.7	6.2	5.8	4.9
Pre-tax Return on Average Total Assets (%)	1.7	2.1	1.5	1.4	1.4	1.2	1.1	1.1	1.2	1.0
After-tax Return on Average Total Assets (%)	1.3	1.5	1.1	1.1	1.1	0.9	0.9	0.8	0.9	0.8
Dividend Cover (times)	9.2	23.4	13.0	14.6	14.6	13.8	13.9	13.7	12.8	10.6
Total Capital Ratio (%)	39.4	39.1	39.9	37.1	38.0	35.1	45.0	44.0	59.1	56.1

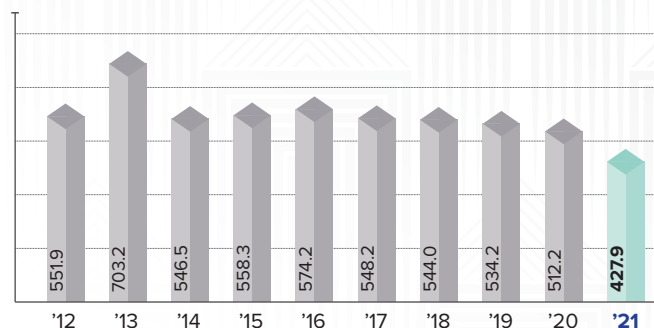
* Based on 150 million ordinary shares of RM1.00 each

Group Financial Highlights (Continued)
for the financial year ended 31 December 2021

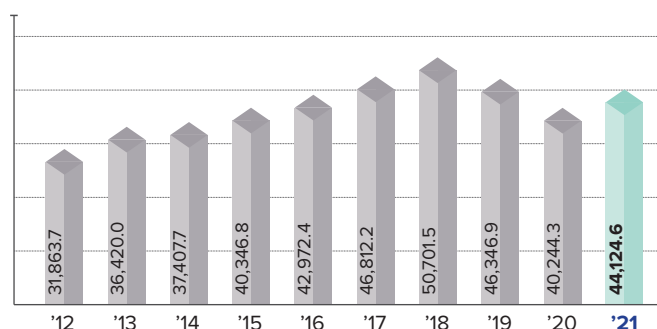
GROSS OPERATING REVENUE (RM million)



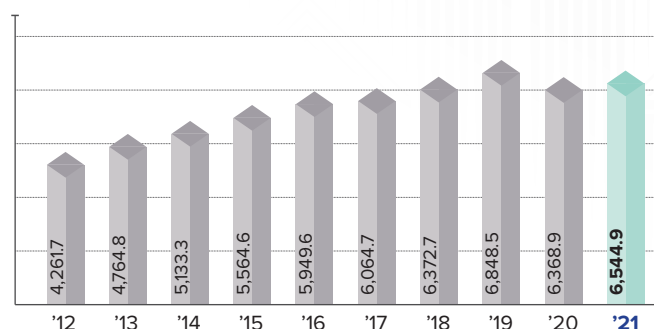
PROFIT BEFORE TAX AND ZAKAT (RM million)



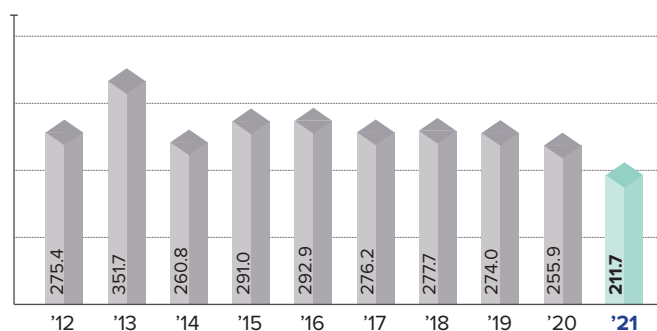
TOTAL ASSETS (RM million)



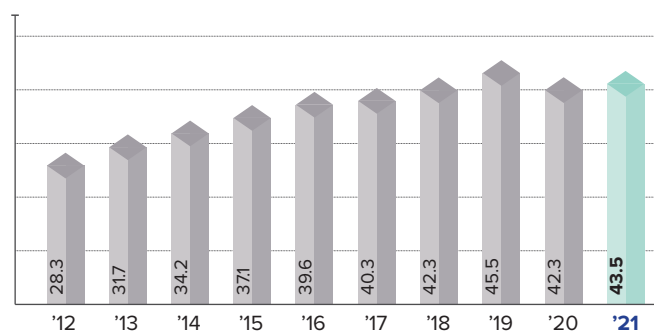
SHAREHOLDERS' FUNDS (RM million)



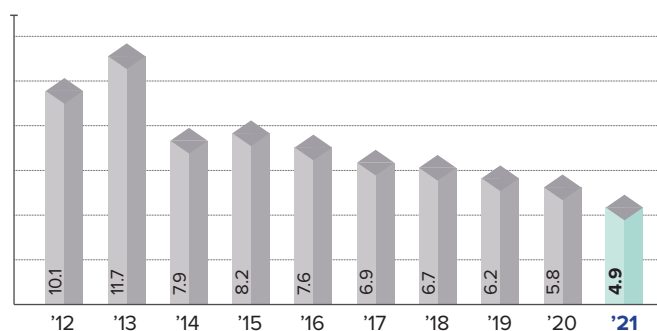
EARNINGS PER SHARE (Sen)*



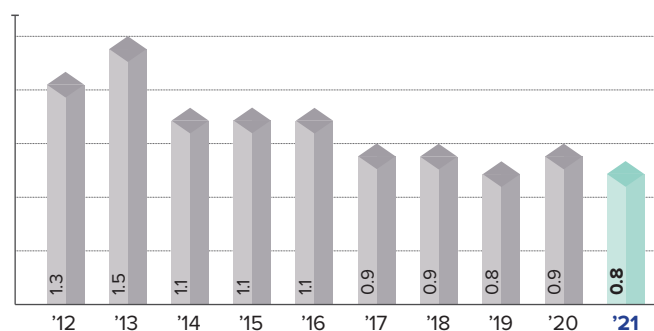
NET TANGIBLE ASSETS (RM)*



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



**AFTER-TAX RETURN ON AVERAGE
TOTAL ASSETS** (%)



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

Corporate Information



REGISTERED OFFICE

Level 32, The Gardens
North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603-2262 1800
Fax: +603-2282 9125



COMPANY SECRETARY

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



AUDITORS

Messrs.
PricewaterhouseCoopers PLT
Level 10,
1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur



BANKER

Malayan Banking Berhad

Group Corporate Structure

CAGAMAS HOLDINGS BERHAD

100%

CAGAMAS BERHAD

100% **CAGAMAS GLOBAL P.L.C.**
(Incorporated in Labuan, Malaysia)

100% **CAGAMAS GLOBAL SUKUK BERHAD**

100%

CAGAMAS MBS BERHAD¹

100%

BNM SUKUK BERHAD

100%

CAGAMAS SME BERHAD

100%

CAGAMAS MGP BERHAD

100%

CAGAMAS SRP BERHAD

¹ One Redeemable Preference Share (RPS) equivalent to 100% RPS shareholding in Cagamas MBS Berhad is held by Cagamas SRP Berhad in trust for Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)

Cagamas Berhad and other Subsidiary Companies

MAIN OPERATING SUBSIDIARY

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

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued RM358.7 billion (as at 31 December 2021) of bonds and sukuk, inclusive of issuances by its wholly owned subsidiaries, Cagamas Global P.L.C. ("CGP") and Cagamas Global Sukuk Berhad ("CGS"), that are guaranteed by Cagamas. CGP was incorporated on 4 April 2014 in Labuan as a conventional fund raising vehicle to undertake the issuance of notes in foreign currency, whereas CGS was incorporated on 5 May 2014 as an Islamic fund raising vehicle to undertake the issuance of sukuk in foreign currency.

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

CAGAMAS MBS BERHAD

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

BNM SUKUK BERHAD

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

BNM Sukuk has remained dormant since 1 September 2015.

CAGAMAS SME BERHAD

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

CSME has remained dormant since 10 October 2012.

CAGAMAS MGP BERHAD

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

CMGP has remained dormant since 1 January 2014.

CAGAMAS SRP BERHAD

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

Shareholders

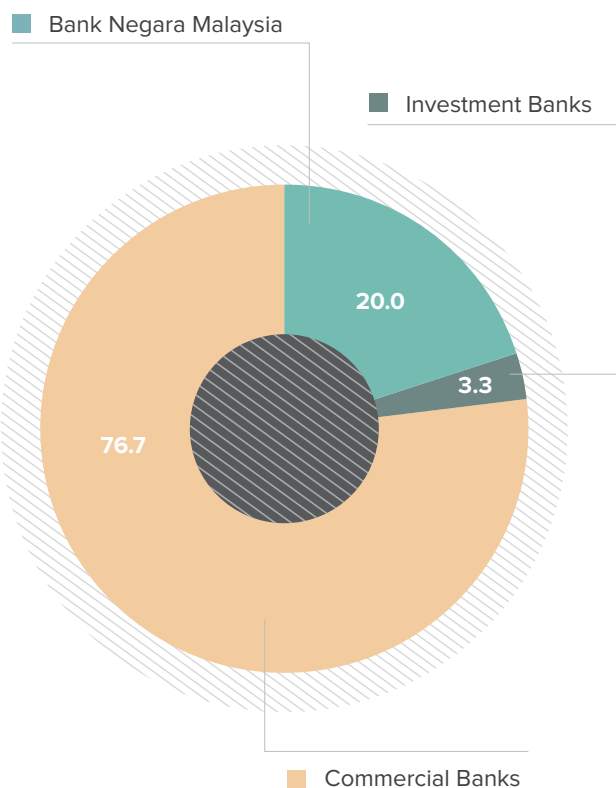
CAGAMAS HOLDINGS BERHAD'S SHARE CAPITAL STRUCTURE AS AT 23 MARCH 2022

Issued and Paid-up
Capital:

**RM150
MILLION**
ordinary shares
of RM1 each

SHAREHOLDING STRUCTURE

AS AT 23 MARCH 2022



SHAREHOLDING STRUCTURE

As At 23 March 2022

Type of Shareholders	% Shareholding	No. of Shareholders	Range of % Shareholding
Bank Negara Malaysia	20.0	1	20.0
Commercial Banks	76.7	18	0.2 – 16.5
Investment Banks	3.3	4	0.4 – 1.6
Total	100.0	23	

ANALYSIS OF SHAREHOLDINGS

As At 23 March 2022

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
300,001 to less than 7,500,000 (less than 5%)	16	70.0	31,395,000	20.9
7,500,000 (5%) and above	7	30.0	118,605,000	79.1

Shareholders (Continued)

SHAREHOLDERS OF CAGAMAS HOLDINGS BERHAD

As At 23 March 2022

Shareholders	No. of Shares	% Shareholding
Bank Negara Malaysia	30,000,000	20.0
CIMB Bank Berhad	24,684,000	16.5
Malayan Banking Berhad	21,279,000	14.2
RHB Bank Group	12,932,400	8.6
RHB Bank Berhad	11,732,400	7.8
RHB Investment Bank Berhad	1,200,000	0.8
AmBank (M) Berhad	12,066,000	8.0
Public Bank Group	10,485,600	7.0
Public Bank Berhad	9,885,600	6.6
Public Investment Bank Berhad	600,000	0.4
Hong Leong Bank Berhad	8,958,000	6.0
HSBC Bank Malaysia Berhad	6,201,000	4.1
Alliance Bank Group	5,583,000	3.7
Alliance Bank Malaysia Berhad	3,183,000	2.1
Alliance Investment Bank Berhad	2,400,000	1.6
Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
Affin Bank Group	4,410,000	2.9
Affin Bank Berhad	3,660,000	2.4
Affin Hwang Investment Bank Berhad	750,000	0.5
United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
OCBC Bank (Malaysia) Berhad	2,997,000	2.0
MUFG Bank (Malaysia) Berhad	738,000	0.5
SIBB Berhad	450,000	0.3
Bangkok Bank Berhad	369,000	0.3
The Bank of Nova Scotia Berhad	327,000	0.2
Deutsche Bank (Malaysia) Berhad	300,000	0.2
Bank of China (Malaysia) Berhad	300,000	0.2
Total	150,000,000	100.0

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth (15th) Annual General Meeting (“AGM”) of Cagamas Holdings Berhad (“the Company”) will be held at the Board Room, Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, on Friday, 29 April 2022 at 10.00 a.m. for the transaction of the following business:

AS ORDINARY BUSINESS

1. To receive the audited financial statements for the financial year ended 31 December 2021, together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors’ Fees from the 15th to the 16th AGM as stated below, payable in a manner as the Directors may determine:
 - (i) RM100,000 per annum for the Chairman of the Board;
 - (ii) RM70,000 per annum for the Chairman of Board Committees; and
 - (iii) RM70,000 per annum for the Members of the Board.

(Ordinary Resolution 1)

3. To approve the Directors’ benefits comprising meeting allowances payable to the Directors from the 15th to the 16th AGM as stated below:
 - (i) RM5,000 per meeting for the Chairman of the Board/Chairman of Board Committees; and
 - (ii) RM3,500 per meeting for each Member of the Board/Board Committees.

(Ordinary Resolution 2)

4. To re-elect Puan Wan Hanisah Wan Ibrahim who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution and being eligible, offers herself for re-election.

(Ordinary Resolution 3)

5. To re-elect Dato’ Bakarudin Ishak who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution and being eligible, offers himself for re-election.

(Ordinary Resolution 4)

6. To re-elect Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution and being eligible, offers himself for re-election.

(Ordinary Resolution 5)

7. To appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

(Ordinary Resolution 6)

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.

Notice of Annual General Meeting (Continued)

By Order of the Board

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

Kuala Lumpur
31 March 2022

NOTES

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

Awards and Accolades



BPMA Bond Market Awards 2021

- a) Top Issuance – Conventional



Global Islamic Finance Awards 2021

- a) GIFA Market Leadership Award (Islamic Securitization)



The Asset Triple A Islamic Finance Awards 2021

- a) Best ASEAN Sustainability SRI Sukuk – Quasi-Sovereign (Best Deals by Country) 100 million Ringgit Sustainability SRI Commodity Murabahah Sukuk
- b) Best ASEAN Sustainability SRI Sukuk – Quasi-Sovereign (Best in Sustainable Finance) 100 million Ringgit Sustainability SRI Commodity Murabahah Sukuk
- c) Islamic Issuer of the Year – Quasi-Sovereign

Message from the Chairman

Dear Shareholders,

The Cagamas Group of Companies (“The Group”) business activities remained commendable in 2021 amid a challenging business environment. The Board of Directors undertook a strategic review of its business direction so that it is well-positioned to continue delivering value to our stakeholders and contributing to the development of the industry.

SUSTAINED VALUE CREATION

The Group, which includes Cagamas Berhad (“Cagamas”), Cagamas MBS Berhad (“CMBS”) and Cagamas SRP Berhad (“CSRP”), recorded a respectable profit before tax for 2021 at RM427.9 million, compared with RM512.2 million in 2020. Both Cagamas and CMBS continued to be the main contributors to the Group’s financial results. Cagamas purchased RM13.8 billion of assets under the Purchase With Recourse (“PWR”) scheme, which represents the largest purchase since 2017. This purchase volume reflects pre-pandemic business momentum and underscores Cagamas’ established role as a liquidity provider in assisting the financial institutions (“FIs”) in their liquidity management.

Cagamas successfully issued a total of RM19.2 billion bonds and sukuk in 2021, the highest since 2002. The issuances comprised RM11.9 billion in conventional debt issuances and RM7.3 billion in sukuk, whereby 13% or RM2.6 billion of the total amount were foreign currency issuances via its subsidiary, Cagamas Global P.L.C. In addition, Cagamas successfully concluded the issuances of the ASEAN Sustainability Bonds and ASEAN Sustainability SRI Sukuk amounting to a total of RM700.0 million to finance the purchase of eligible sustainable assets. In 2021, Cagamas also participated in the subscription of subordinated debt issuances amounting to RM475.0 million

that were issued by the FIs. A notable milestone in 2021 was the introduction of the Skim Saraan Bercagar (“SSB”, reverse mortgage) in the Klang Valley, with an initial fund allocation of RM100.0 million. SSB aims to provide senior citizens with a competitive financial retirement solution to supplement their income needs. Since the launch, Cagamas has received applications from potential borrowers, which are currently being processed. SSB is targeted to be made available nationwide and at the same time, we are working towards introduction of a shariah-compliant SSB in the near future.

The Mortgage Guarantee Programme for Skim Rumah Pertamaku (“SRP”, My First Home Scheme) and Skim Perumahan Belia (“SPB”, Youth Housing Scheme) administered by CSRP, have thus far helped 72,475 Malaysian households with a total loans/financings amount worth RM16.0 billion as at 31 December 2021. About 89% of these households, which own their first homes, represent the B40 group.

STRENGTHENING CAPABILITIES

Guided by the Cagamas Cyber Security Roadmap, the Group channelled substantial resources into its Information Technology (“IT”) infrastructure to support future business activities. The first phase of the three-year roadmap in 2021 included the upgrading and replacing of critical IT hardware and software to accommodate the organisation’s digital platform initiatives. We also focused on raising our cyber security posture by implementing Data Loss Prevention, strengthening IT governance control and procuring cyber insurance. In addition, the Group concentrated on improving the methodology, governance and efficiency of our internal processes in alignment with the industry’s best practices.

Cagamas has enriched its talent development programme to raise skillsets and strengthened core competencies to cater to its future needs. Focus committees were established to design, administer and measure the effectiveness of the intended outcomes of these programmes. In addition to that, Cagamas has refreshed its core values emphasising on collaboration, accountability, resilience and excellence in its organisation culture.

SHARED VALUE

In cognisance of a concerted global move towards a greener economy, the Group will allocate more resources to embed the elements of Environment, Social and Governance (ESG) further in our corporate strategy. This includes supporting FIs to catalyse the growth of ESG assets through liquidity from Cagamas. Furthermore, the Group is looking at developing a green financing methodology for financing of green housing and home improvement, as an ongoing initiative towards nation building and societal support, in addition to facilitating access to home ownership in Malaysia.

On behalf of the Board, I wish to extend our appreciation to all shareholders and stakeholders for their support as we continue to deliver on our mandate. I also wish to express our sincere gratitude to the management and employees of Cagamas for their dedication throughout the year. The achievements that Cagamas enjoys today is the culmination of the solid foundation built with our various stakeholders over the years, and we will continue to strengthen these relationships as we celebrate our 35th year anniversary in 2022.



Dato' Bakarudin Ishak
Chairman

Business Review

Cagamas Holdings Berhad, incorporated in 2007 is the holding company of Cagamas Berhad (“Cagamas”), Cagamas SRP Berhad (“CSRP”), Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad and Cagamas MGP Berhad (collectively “the Group”). Its wholly-owned subsidiary, Cagamas is Malaysia’s National Mortgage Corporation and is the main operating entity of the Group. It plays a strategic role to promote the broader spread of home ownership and the development of the secondary mortgage market and Islamic finance as well as contribute towards nation development.

Cagamas Berhad

Cagamas was established in 1986 by Bank Negara Malaysia (“BNM”) to support the national agenda of increasing home ownership and promoting the development of the capital market and secondary mortgage market through the provision of competitively priced liquidity. In addition, Cagamas also played an important role in the development and promotion of Islamic finance within Malaysia. By issuing debt securities in the capital market to purchase residential mortgages, Cagamas creates a secondary market for mortgages and provides liquidity to the financial system which contributes to the development of Malaysia’s capital market. Additionally, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad are subsidiaries established under Cagamas for the purpose of issuing foreign currency (“FCY”) bonds and sukuk, guaranteed by Cagamas.

Through the issuance of conventional and Islamic securities, Cagamas funds the purchase of residential mortgages through its Purchase With Recourse (“PWR”) and Purchase Without Recourse (“PWOR”) schemes. Under the PWR scheme, Cagamas provides liquidity and takes on the credit risk of selling institutions against an undertaking to replace defaulted loans and financing, whilst under the PWOR scheme, Cagamas absorbs all the credit risk of the loans and financing acquired. Based on this business model, Cagamas is able to provide liquidity and capital management solutions to selling institutions at a competitive rate, thus encouraging the origination of additional housing loans and financing to new applicants at an affordable cost.

To fund its purchases, Cagamas taps into the capital market through the issuance of corporate bonds and sukuk in the form of fixed and floating rate bonds, discounted/coupon bearing

notes and sukuk. In managing liquidity risk, Cagamas issues corporate bonds and sukuk that are closely matched against cashflows and maturity profiles of its portfolio of purchased loans and financing. All corporate bonds and sukuk issued by Cagamas are unsecured, and rank pari-passu among themselves.

Cagamas SRP Berhad

Established in 2011, CSRP is part of the Government’s efforts aimed at assisting first time house buyers with its main objective to provide mortgage guarantees to the primary lenders of home financing. Through Skim Rumah Pertamaku (“My First Home Scheme [SRP]”), qualified house buyers can obtain up to 110% financing from participating banks, enabling them to own a home without paying a down payment.

CSRP also offers the mortgage guarantee on a “first loss” protection basis on the residential mortgage portfolios of the Financial Institutions (“FIs”). The guarantee reduces the credit risk on their mortgage loan/financing portfolios, whilst improving their Total Capital Ratio and return on risk weighted assets.

Cagamas MBS Berhad

Cagamas MBS Berhad is a special purpose vehicle established in 2004 to facilitate asset-backed securitisation transactions. Its main function is to purchase mortgage assets and Islamic home financing assets from the Government of Malaysia and to issue Residential Mortgage-Backed Securities and Islamic Residential Mortgage-Backed Securities in the capital market to fund those purchases.

OPERATING REVIEW 2021

Global and Domestic Economic Environment

The global economy has improved at an estimated 5.9% in 2021 (2020: -3.1%).¹ Pandemic outbreaks in critical links of global supply chains have resulted in longer than expected supply disruptions, further fuelling inflation in many countries. As the new Omicron COVID-19 variant spreads, certain countries have reimposed mobility restrictions. Rising energy prices have resulted in higher and more broad-based inflation than anticipated. As advanced economies lift policy rates, risk of financial stability may emerge particularly in emerging markets and developing economies' capital flows, currencies, and fiscal positions especially with debt levels having increased significantly in the past two years. Most global central banks maintained their key monetary policies, unchanged through most part of 2021 to support the economic recovery post COVID-19 shock. However, strong economic recovery momentum and rising inflationary pressure, particularly in the advanced economies, have led to withdrawal of some of the policy supports.

Malaysia's gross domestic product expanded 3.1% in 2021 (2020: -5.6%) on the back of a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%).² Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan. The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth.

Interest Rate and Liquidity Environment

BNM maintained an accommodative monetary policy stance in 2021 by keeping the Overnight Policy Rate ("OPR") unchanged at 1.75% throughout the year, to support the economic recovery after easing of containment measures. The liquidity condition in the banking system remained stable as evidenced by the consistently strong Liquidity Coverage Ratio of more than 100% reported by banks, while all banks had also complied to BNM's Net Stable Funding Ratio minimum requirement of 100% ahead of the 30 September 2021 compliance deadline. Notably, BNM's decision to maintain the Statutory Reserve Requirement ("SRR") unchanged at 2.00% while extending the flexibility to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to meet SRR compliance to all banking institutions until 31 December 2022 – from the initial deadline of 31 May 2021, provided further liquidity to the banking system.

Property Market

The Malaysian House Price Index stood at 198.6 points as at 3Q 2021, recorded a slight decrease of 0.7% against 3Q 2020 (199.9 points). Despite prevailing subdued market sentiments, the Malaysian property market performed better than expected in 2021. In the 1H 2021, the residential property sector recorded 92,017 transactions worth RM34.51 billion, an increase of 22.2% in volume and 34.8% in value compared with the 1H 2020. Residential properties continued to support the overall property sector making up 65.8% of the total volume and 55.6% of the total value. According to the latest data by the National Property Information Centre, as at 1H 2021, the residential overhang stands at 31,112 units worth RM20.09 billion, a decrease of 1.7% in volume (1H 2020: 31,661 units) and 0.3% in value against the preceding half year (1H 2020: RM20.03 billion).³ The overall positive indicators captured in 1H 2021 promises a more stabilised market for the whole of 2021.

Bond Market

The US Federal Reserve (the "Fed") continued to keep its policy rates unchanged at 0%-0.25% in 2021 to ensure a strong economic recovery after continued relaxation of containment measures throughout the year. The Fed's Gross Domestic Product growth outlook remained positive in 2021 with progress on vaccinations and policy support but may continue to be affected by COVID-19 variants. On year-on-year ("YoY") basis, US 10-year Treasury yield climbed 60 basis points ("bps") from 0.92% as the Fed started to withdraw the buyback programme gradually since November 2021, ended flat at 1.51% as at year end.

On the local front, the Monetary Policy Committee of Bank Negara Malaysia maintained the OPR at 1.75% throughout 2021. Malaysia's economic activity rebounded in the fourth quarter, supported by the relaxation of containment measures and expected to gain further momentum in 2022 as economic activity gradually normalises. On YoY basis, Malaysia 10-year Government Securities yield rose by 92 bps at end-2021, closing at 3.58%.

In 2021, total issuances of bonds and sukuk including Government papers amounting to RM377.4 billion comprising RM209.4 billion and RM168.0 billion for Government papers and corporate bonds and sukuk respectively. There was an increase of overall yields in the market in 2021, ranging from 12 bps to 103 bps across the MGS curve partly due to the market expectation of potential change in monetary policy arising from greater momentum of economic recovery.

¹ International Monetary Fund, World Economic Outlook January 2022

² Quarterly Bulletin – Economic & Financial Development 4Q2021

³ National Property Information Centre

Business Review (Continued)

Chart 1
Bond Yield Comparison as at 31 December 2021

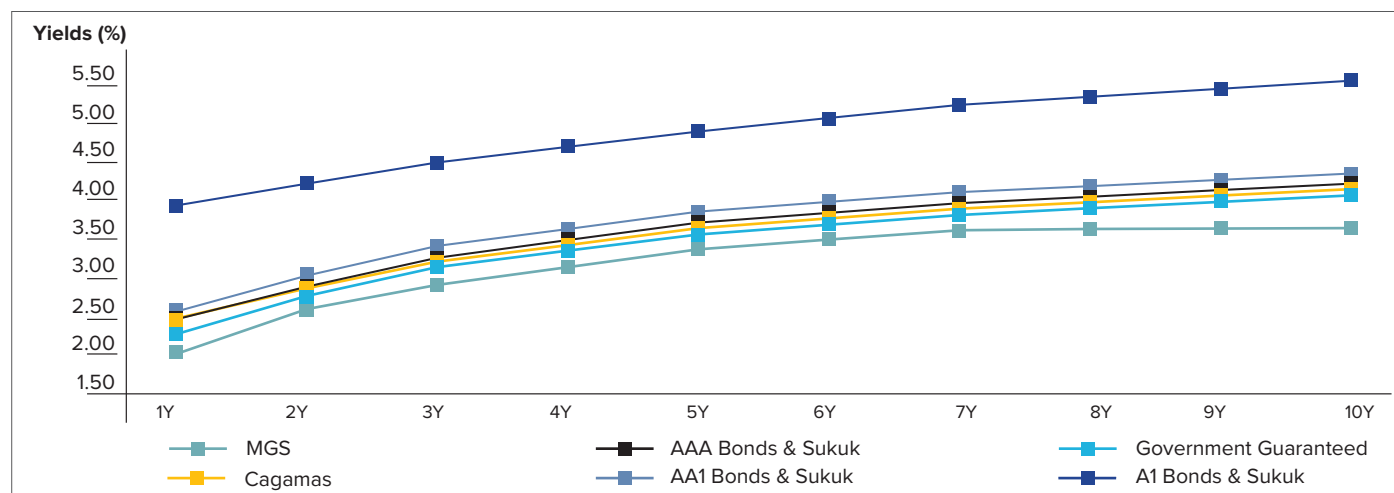
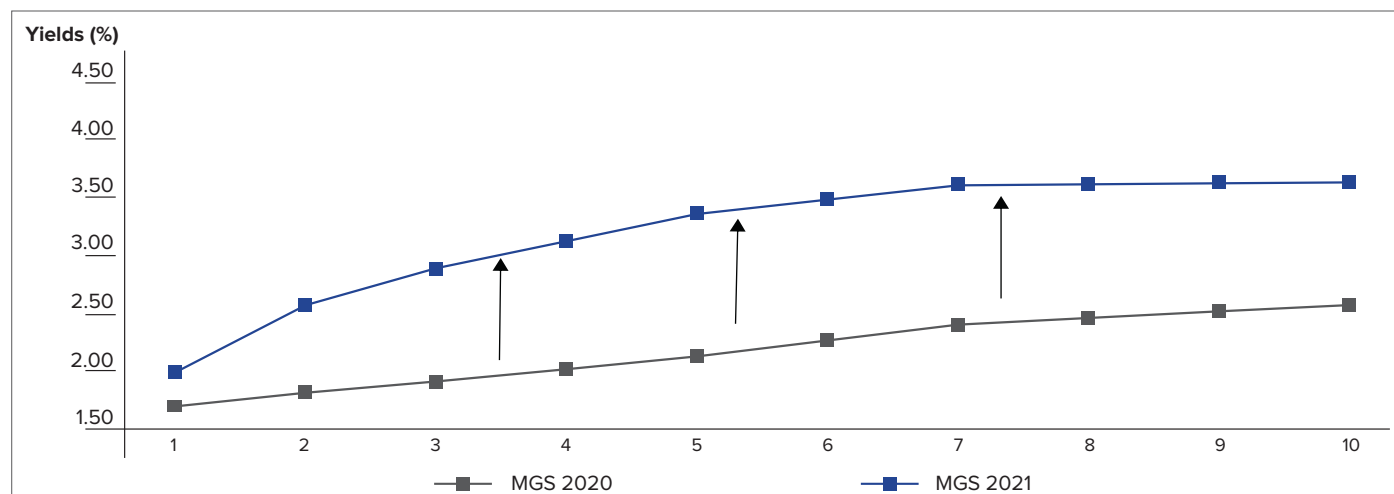


Chart 2
MGS Yield Comparison for 31 December 2021 vs 31 December 2020



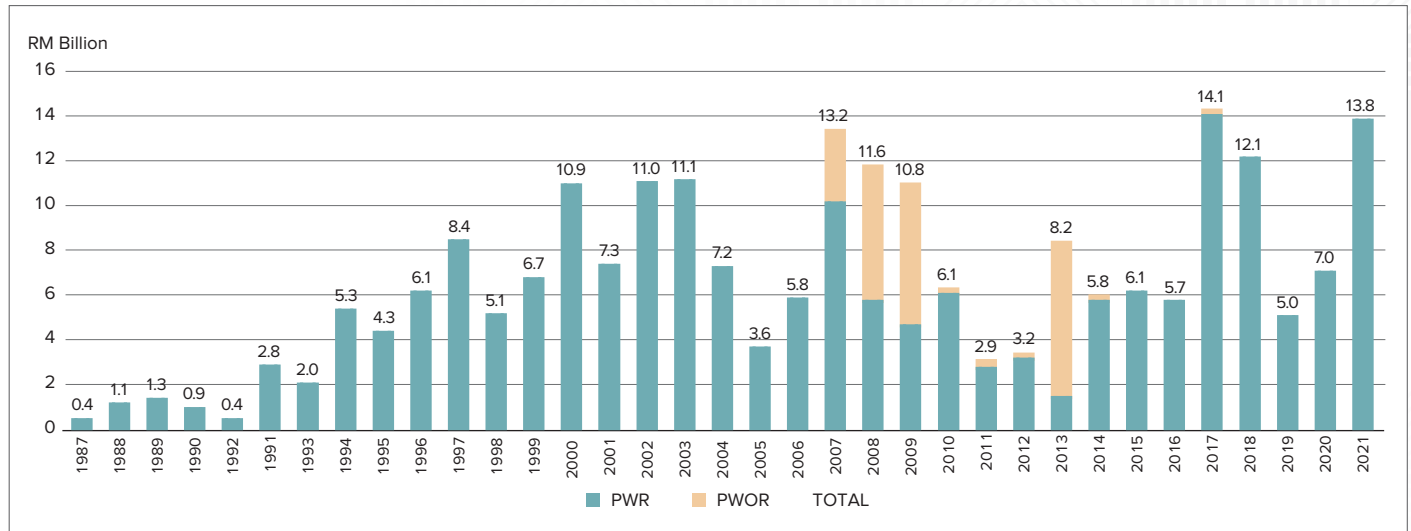
As at end December 2021, total foreign holdings of Government papers stood at 25.9% (December 2020: 24.9%) comprising 39.4% and 10.5% for MGS and MGII respectively. There is an increase of RM31.9 billion in total holdings by foreigners in Government papers in 2021, bringing total holdings to RM234.0 billion.

PURCHASE OF LOANS AND FINANCING

Cagamas recorded RM13.8 billion purchases of loans and financing under the PWR scheme (2020: RM7.0 billion). 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 mortgages dominated Cagamas' portfolio at 94.3% (2020: 98.0%), followed by personal loan financing at 4.1% (2020: nil) and hire purchase 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%⁴ respectively (2020: 68% and 32% respectively). Gross impaired loans and financing under the PWOR scheme stood at 0.54% (2020: 0.61%), while net impaired loans and financing was at 0.07% (2020: 0.09%).

⁴ Gross loans and financing before loan loss provision and accretion

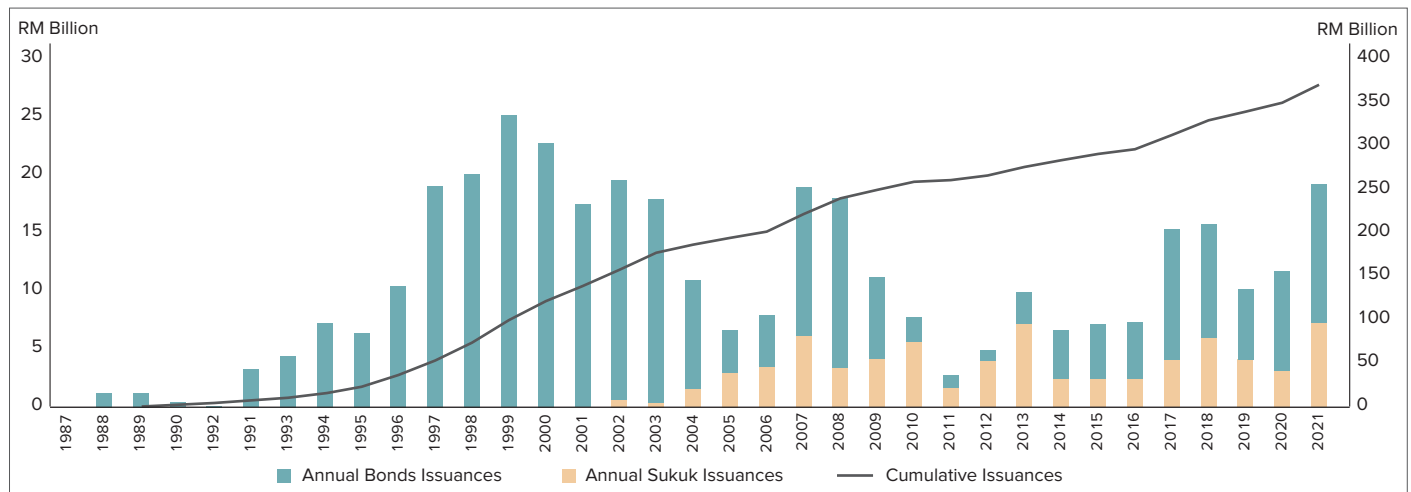
Chart 3
Cagamas' Annual Purchases, 1987-2021



ISSUANCE OF CAGAMAS BONDS AND SUKUK

Since 1987 until end 2021, Cagamas and its subsidiaries, namely Cagamas Global P.L.C. and Cagamas Sukuk Berhad, had cumulatively issued a total of RM358.7 billion equivalent of corporate bonds and sukuk, of which RM69.1 billion or 19.3% comprised sukuk and RM12.9⁵ billion equivalent or 3.6% was from FCY issuances.

Chart 4
Cagamas' Annual Issuances, 1987-2021



⁵ Foreign currency issuances of RM12.9 billion valued as at issue dates

Business Review *(Continued)*

In 2021, Cagamas had successfully issued RM19.2 billion worth of bonds and sukuk, marking the Company's fifth consecutive year surpassing RM10.0 billion worth of issuances. The total issuances of RM19.2 billion in 2021 also represented the largest issuance in a single year since 2002.

Following from its inaugural sustainability issuance in 2020, the Company had in 2021 continued its sustainability journey by successfully issuing an ASEAN Sustainability SRI Sukuk worth RM100 million for affordable housing under the existing RM60 billion Conventional and Islamic Medium Term Notes Programme. Cagamas also continued to issue its ASEAN Sustainability bonds totaling RM600 million to support both affordable housing and eligible SME loans. These issuances are consistent with Cagamas' aspiration to contribute further in deepening Malaysia's sustainable

finance markets and provide investors with a unique proposition that combines exceptional credit quality with social impact.

Cagamas also concluded six foreign currency issuances during the year in Singapore Dollar ("SGD"), Hong Kong Dollar ("HKD") and US Dollar ("USD") amounting to a total of RM2.56 billion equivalent.

In terms of issuance tenure, 49% of total issuances in 2021 amounting to RM9.5 billion were for tenures of one year and below (2020: 87% or RM10.1 billion) while 49% or RM9.4 billion were for tenures of between one to three years (2020: 13% or RM1.6 billion). The balance of 2% or RM350 million was for tenures above three years in 2021 (2020: nil).

Chart 5
Annual Bonds and Sukuk Issuances, 2010-2021

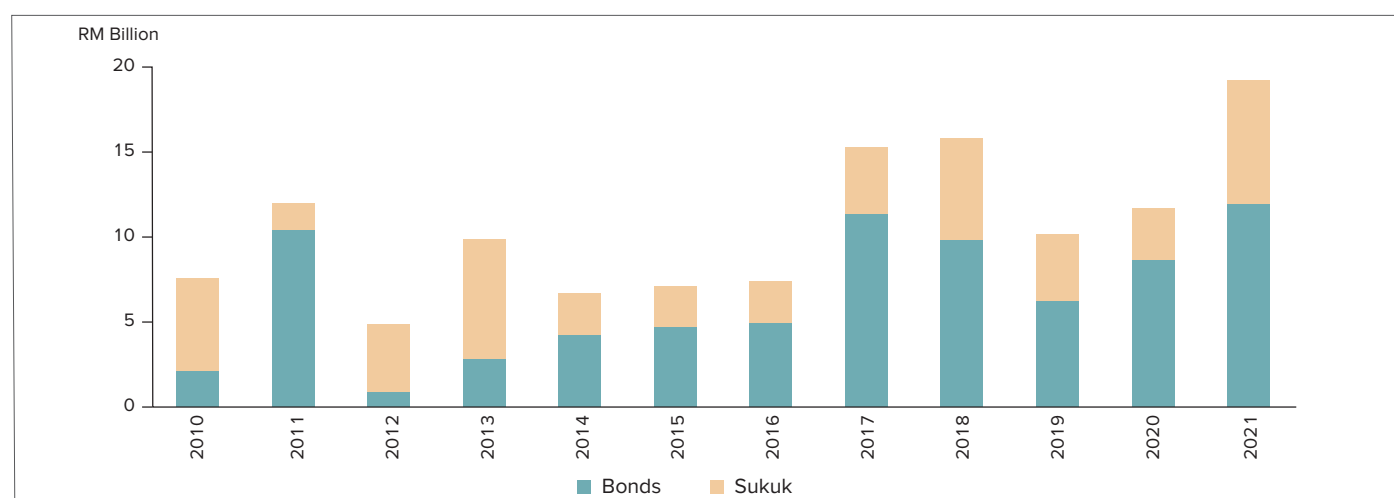
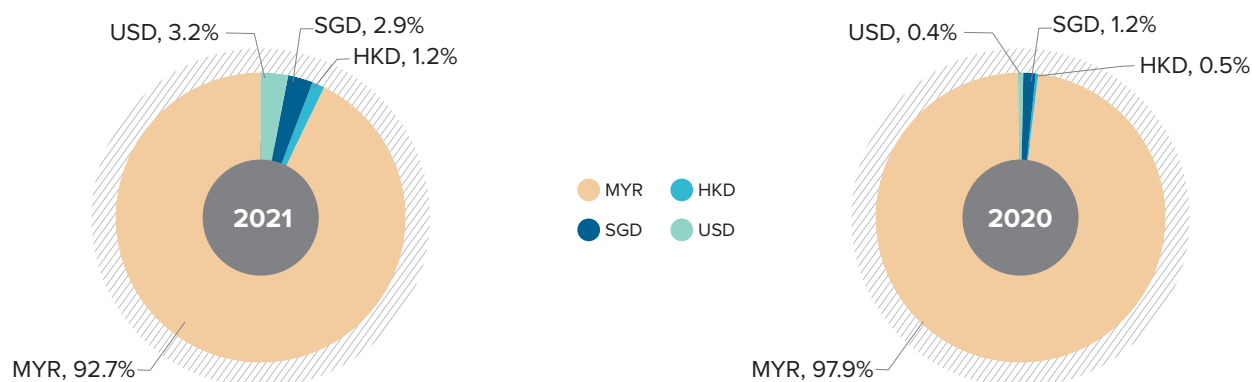


Chart 6
Outstanding Bonds/Sukuk by Currency, 2020 & 2021



In terms of the most traded local corporate bonds and sukuk in 2021, Cagamas ranked fifth with a total traded volume of RM4.1 billion, commanding a market share of 3.2% (2020: ranked seventh, RM3.8 billion or 2.5%). Cagamas recorded a total traded volume of RM1.6 billion for local conventional corporate bonds, comprising a market share of 10.2% (2020: RM851.0 million or 5.7%) whereas for local corporate sukuk, Cagamas recorded a total traded volume of RM2.5 billion, with a market share of 2.2% (2020: RM2.9 billion or 2.1%).

As at end December 2021, outstanding Cagamas debt securities stood at RM35.0 billion where RM32.4 billion or 93% was in local currency and RM2.6 billion equivalent or 7% was denominated in foreign currencies. Conventional bonds comprised RM20.0 billion or 58% of the total outstanding while the remaining RM15.0 billion or 42% were sukuk. Cagamas remained as one of the largest issuers of corporate bonds and sukuk in Malaysia, accounting for 4.1% of the total outstanding corporate bonds and sukuk and 18.1% of outstanding AAA-rated bonds and sukuk.

CREDIT RATING

For 2021, Cagamas' had its credit ratings successfully reaffirmed by three rating agencies. Moody's Investors Service ("Moody's") assigned long-term issuer A3 ratings for both Cagamas' local and FCY capital market programmes, in line with Malaysia's sovereign ratings. RAM Rating Services Berhad ("RAM Ratings") assigned Cagamas' Global, ASEAN and national-scale corporate credit ratings at gA2/Stable/gP1, seaAAA/Stable/seaP1 and AAA/Stable/P1, respectively. In addition, Malaysian Rating Corporation Berhad ("MARC") assigned Cagamas' bonds and sukuk issues ratings at AAA/MARC-1 and AAAIS/MARC-1_{IS}, respectively. Reaffirmation of these ratings reflects Cagamas' ability to continue to attract investment in its bonds and sukuk, underpinned by its strong credit rating, track record of strong capitalisation, robust asset quality and stable profitability.

Table 1 Cagamas Credit Ratings

	Rating Agency		
	Moody's	RAM Ratings	MARC
Cagamas Berhad	A3	gA2/Stable/gP1, seaAAA/Stable/seaP1, AAA/Stable/P1	AAA/MARC-1, AAA _{IS} /MARC-1 _{IS}

MORTGAGE GUARANTEE

CSRP offers mortgage guarantee as a "first loss" protection on the residential mortgage home financing portfolio of the FIs. For first time house buyers, the guarantee serves as a useful facility to obtain up to 110% financing, enabling home ownership without having the need to pay a down payment through SRP. This is in line with the Government's aspirations of increasing home ownership amongst the "rakyat".

As at 31 December 2021, CSRP's cumulative guarantee exposure to the SRP scheme is RM1,528.5 million as compared with RM992.8 million in 2020. In addition, the outstanding cumulative exposure to Skim Perumahan Belia ("SPB") which has been discontinued in 2020, stands at RM177.4 million.

The value and number of new loans and financing approved with guarantee cover under SRP have increased, mainly due to greater public awareness of the schemes through the 25 participating FIs as well as the continuous support from the Government in providing more affordable homes. For 2021, the total value of new loans and financing approved for SRP was RM4.9 billion which translates to 20,485 individuals/households.

Since the launch of SRP and SPB in 2011 and 2015 respectively, CSRP has provided guarantees for housing loans and financing totalling RM16.0 billion enabling 72,475 individuals/households to own their first home, of which 89% are from the B40 segment.

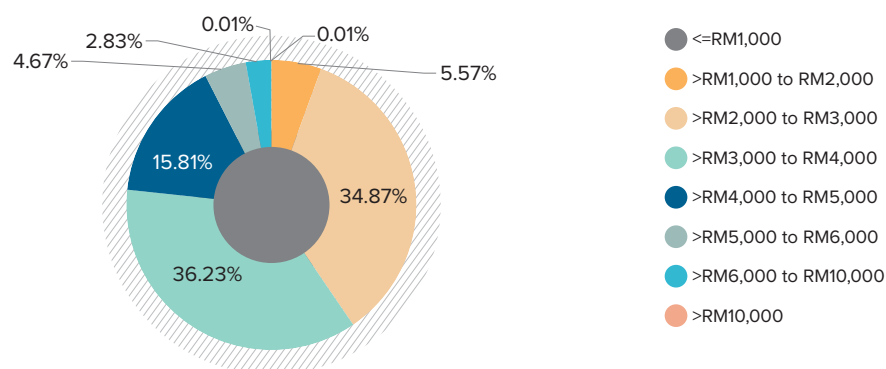
Business Review (Continued)

Table 2 Skim Rumah Pertamaku and Skim Perumahan Belia

	2011-2020	2011-2021	Growth
(RM'mil)			
Guaranteed Exposure	1,170.8	1,705.9	+45.7%
SRP	992.8	1,528.5	+54.0%
SPB	178.1	177.4	-0.4%
(RM'mil)			
Loans and Financing Value	11,087.5	15,752.1	+42.0%
SRP	9,207.2	14,078.7	+52.9%
SPB	1,880.3	1,873.4	-0.4%
Number of Loans and Financing Approved	52,023	72,475	+39.3%
SRP	43,384	63,869	+47.2%
SPB	8,639	8,606	-0.4%

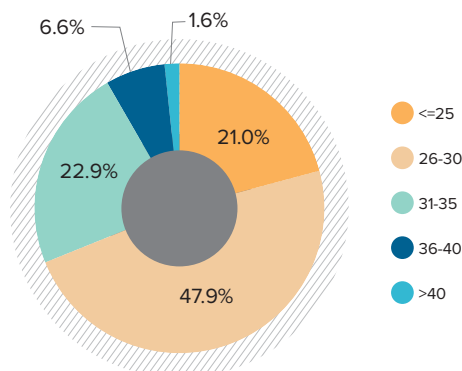
Note: Latest figures may differ with previous reporting due to revisions requested by counterparties

Chart 7
SRP: Salary Range by Number of Loans



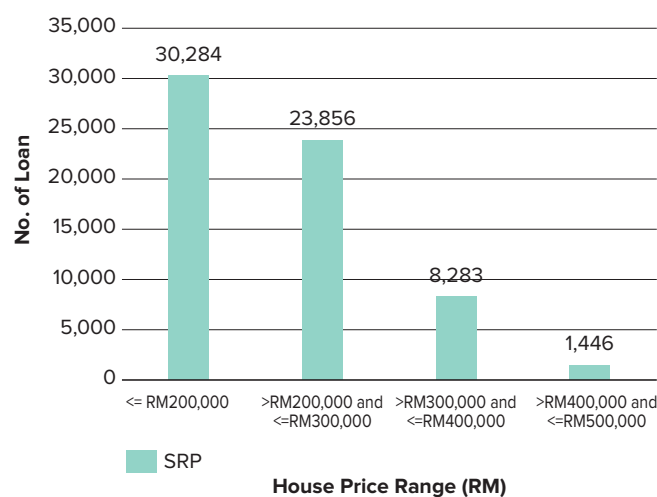
Data as at 31 December 2021

Chart 8
SRP: Age Range by Number of Loans



Data as at 31 December 2021

Chart 9
SRP: House Price Range by Number of Loans



Data as at 31 December 2021

SECURITISATION

As at end 2021, total outstanding Cagamas MBS Berhad's mortgage-backed securities ("CMBS bonds and sukuk") stood at RM1.23 billion out of the total issuances of RM10.2 billion, comprising RM0.62 billion of conventional bonds and RM0.61 billion of sukuk. The outstanding CMBS bonds and sukuk are expected to mature in stages and be fully redeemed by August 2027. There were no new securitisation transactions during the year.

CAPITAL MANAGEMENT SOLUTIONS

As part of Cagamas' role in providing innovative risk and capital management solutions to financial institutions, in 2021 Cagamas has subscribed to RM355 million of subordinated debt issuances by financial institutions under its Capital Management Solutions. This would enable financial institutions to lock-in long-term unsecured funding taking into consideration on the outlook of the interest rate environment, their expansion plans as well as diversifying their funding base.

FUTURE DEVELOPMENTS IN CAGAMAS' BUSINESS

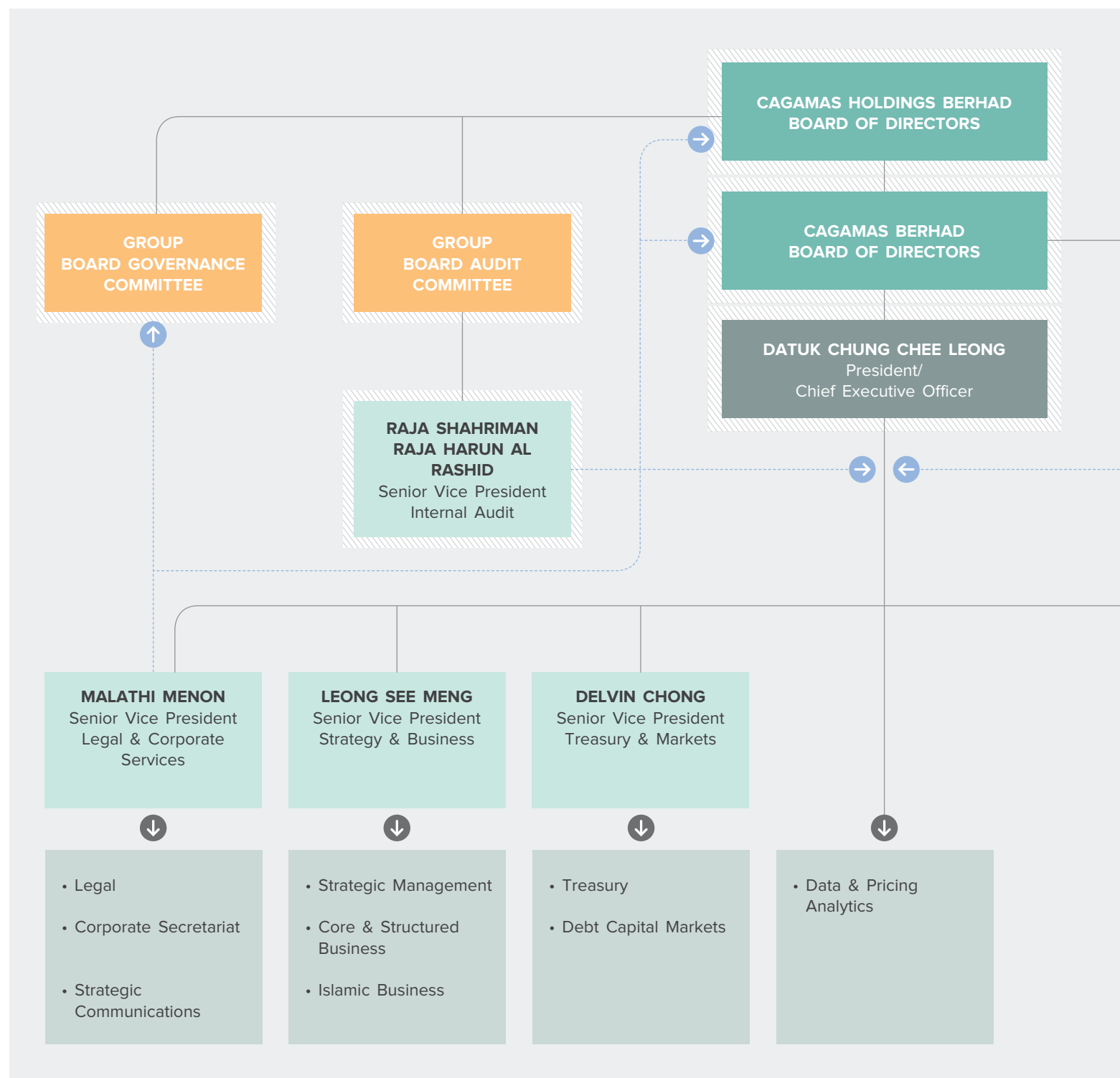
The pandemic has proven to be an unprecedented catastrophe for the whole world, impacting domestic and global economy along its way. Despite these challenges, Cagamas has and will continue to innovate and explore new opportunities aligned with its mandate, core missions and social objectives whilst, enhancing its role as a liquidity and capital management solution provider to financial institutions. In addition, Cagamas looks to play a key role in assisting the Government to promote homeownership, aligned with the one family one home aspiration as well as to undertake a developmental role as defined under its mandate, leveraging on its expertise to provide ideas for solutions.

With the climate change agenda high in the Government's priorities as seen in recent announcements, Cagamas' successful conclusion of ASEAN Sustainability Bonds and ASEAN Sustainability SRI Sukuk amounting to a total of MYR700 million in 2021 reaffirms its commitment towards the environment and the nation. Cagamas also plans to develop a green financing methodology for financing of Green housing and home improvement, ultimately paving for the issuance of sustainability bonds and sukuk aimed at attracting green and socially responsible investors.

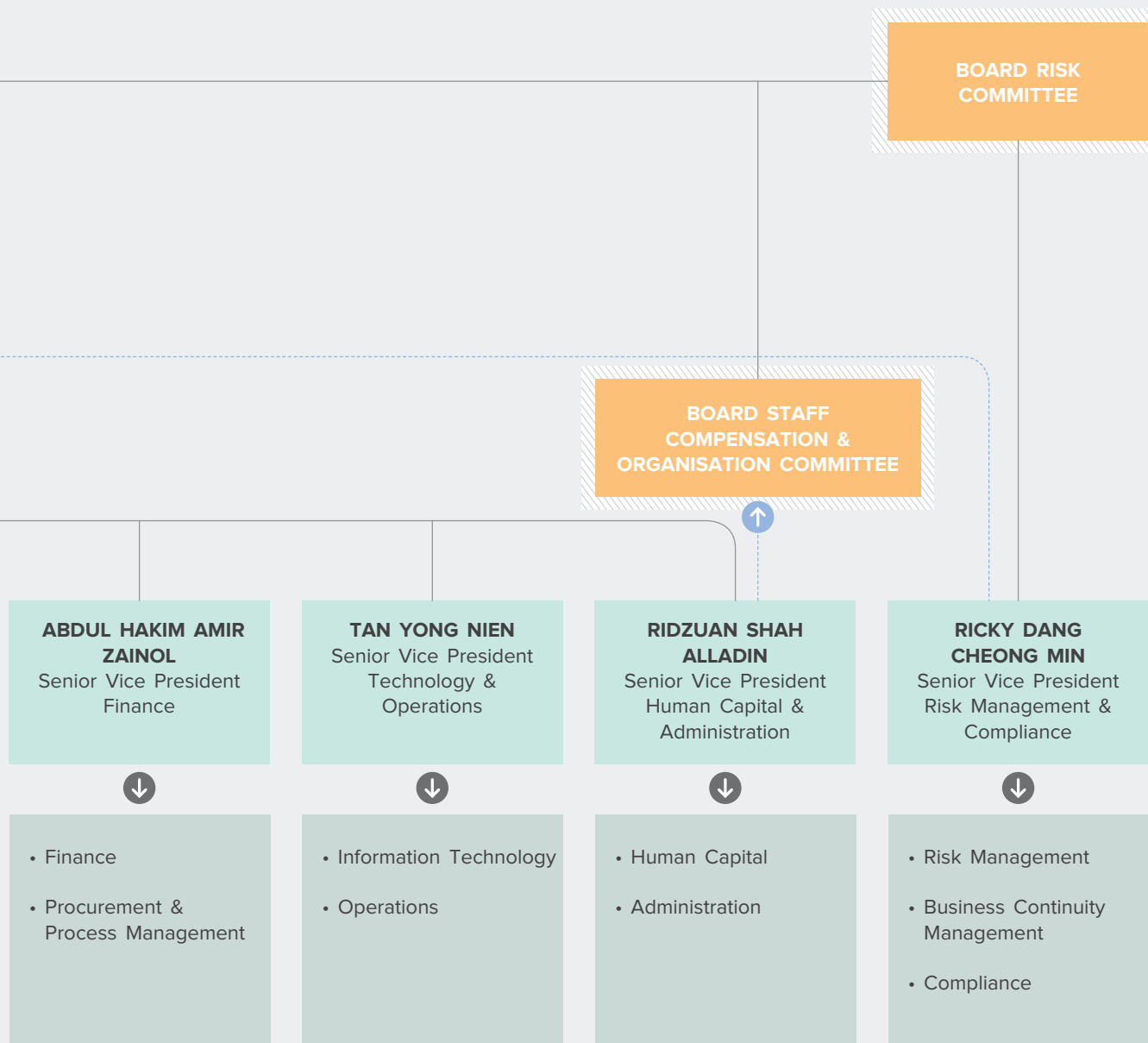
Moving forward, Cagamas will continue to introduce solutions to meet the needs of the nation such as the planned expansion and further enhancement on the newly launched Skim Saraan Bercagar, Cagamas' Reverse Mortgage Programme as well as providing liquidity and structured funding solutions to the forthcoming establishment of digital banks. Cagamas also intends to expand and diversify its investor profile by issuing retail bonds, and focus on providing liquidity support for SME financing via capital market solutions.

Garnering global recognition as an advocate and thought leader in mortgage refinancing and Islamic finance, Cagamas will continue to play an important role within the International Secondary Mortgage Market Association as well as the Asian Secondary Mortgage Market Association in supporting the development of secondary mortgage market institutions globally. Cagamas will continue to spearhead in enhancing regional and global development of secondary mortgage markets by actively participating in international speaking circuits, advocating Islamic finance, capital markets and housing finance.

Organisation Structure



Organisation Structure (Continued)



Profile of the Board of Directors (CAGAMAS HOLDINGS BERHAD)



DATO' BAKARUDIN ISHAK

Independent Non-Executive Chairman

Age : 61 years

Nationality : Malaysian

Date Appointed : 1 January 2019

Board Meetings Attended : 4/4

Membership of Board Committee

- Member, Group Board Governance Committee

Qualification

- Bachelor of Economics (Honours), University of Malaya

Working Experience/ Other Directorships

Present

- Chairman, Cagamas Berhad
- Chairman, Cagamas SRP Berhad
- Director, Hong Leong MSIG Takaful Berhad

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)

(CAGAMAS HOLDINGS BERHAD)



TAN SRI DATO' SRI TAY AH LEK

Non-Independent Non-Executive Director

Age : 80 years

Nationality : Malaysian

Date Appointed : 12 August 2011

Board Meetings Attended : 4/4

Membership of Board Committee

- Member, Group Board Governance Committee

Qualification

- Emeritus Fellow, Malaysian Institute of Management
- Fellow, Chartered Banker of the Asian Institute of Chartered Bankers
- Fellow, CPA Australia
- Fellow, Financial Services Institute of Australasia
- Advanced Management Program, Harvard Business School
- Master's degree, Business Administration from Henley, United Kingdom

Working Experience/ Other Directorships

Present

- Managing Director and CEO, Public Bank Berhad
- Director of several companies in Public Bank Group
- Deputy Chairman, Ombudsman for Financial Services (formerly known as Financial Mediation Bureau)
- Chairman, Association of Hire Purchase Companies of Malaysia Council
- Member, Association of Banks in Malaysia

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors *(Continued)*
(CAGAMAS HOLDINGS BERHAD)



DATO' SRI ABDUL FARID ALIAS

Non-Independent Non-Executive Director

Age : 54 years

Nationality : Malaysian

Date Appointed : 6 June 2013

Board Meetings Attended : 3/4

Membership of Board Committee

- Nil

Qualification

- Masters in Business Administration (Finance), University of Denver, USA
- Bachelor of Science in Accounting, Pennsylvania State University, USA
- Advanced Management Programme, Harvard Business School, Harvard University, USA
- Chartered Banker of Asian Institute of Chartered Bankers

Working Experience/ Other Directorships

Present

- Group President and CEO, Malayan Banking Berhad
- Director, Maybank Group of Companies

Past

- Deputy President & Head, Global Banking, Maybank
– Head, International, Maybank
- Khazanah Nasional Berhad
- JP Morgan Securities
- Malaysian International Merchant Bankers
- Schroders (L) Limited
- Aseambankers (M) Berhad

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)

(CAGAMAS HOLDINGS BERHAD)



DATO' LEE KOK KWAN

Non-Independent Non-Executive Director

Age : 56 years

Nationality : Malaysian

Date Appointed : 1 June 2015

Board Meetings Attended : 4/4

Membership of Board Committee

- Member, Group Board Audit Committee

Qualification

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

Working Experience/ Other Directorships

Present

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

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors *(Continued)*
(CAGAMAS HOLDINGS BERHAD)



WAN HANISAH WAN IBRAHIM

Independent Non-Executive Director

Age : 66 years

Nationality : Malaysian

Date Appointed : 26 May 2016

Board Meetings Attended : 4/4

Membership of Board Committee

- Member, Group Board Audit Committee

Qualification

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

Working Experience/ Other Directorships

Present

- Director, Cagamas MBS Berhad
- Director, Franklin Templeton GSC Asset Management Sdn. Bhd.

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)

(CAGAMAS HOLDINGS BERHAD)



DATUK SERI DR. NIK NORZRUL THANI N. HASSAN THANI

Independent Non-Executive Director

Age : 62 years

Nationality : Malaysian

Date Appointed : 1 January 2019

Board Meetings Attended : 4/4

Membership of Board Committee

- Chairman, Group Board Governance Committee

Qualification

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

Working Experience/ Other Directorships

Present

- Chairman, Malaysian Rating Corporation Berhad
- Chairman and Senior Partner, Zaid Ibrahim & Co. (ZICO)/ Advocate & Solicitor
- Chairman, T7 Global Berhad
- Director, Amanah Saham Nasional Berhad
- Director, MUFG Bank Malaysia Berhad
- Chairman, Malaysia – Singapore Business Council
- Practising Member, Chartered Institute of Islamic Finance Professionals (CIIF)
- Member, Chartered Institute of Marketing (United Kingdom)
- Fellow member, Financial Services Institute of Australasia (FINSIA)
- Registered Notary Public

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)
(CAGAMAS HOLDINGS BERHAD)



DATUK SITI ZAUYAH MD DESA

Independent Non-Executive Director

Age : 63 years

Nationality : Malaysian

Date Appointed : 1 December 2019

Board Meetings Attended : 4/4

Membership of Board Committee

- Nil

Qualification

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

Working Experience/ Other Directorships

Present

- Director, Telekom Malaysia Berhad
- Director, Cagamas SRP Berhad
- Board of Trustee, Capital Market Development Fund
- Director, Westports Holdings Berhad
 - Chairman, Sustainability Committee

Past

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

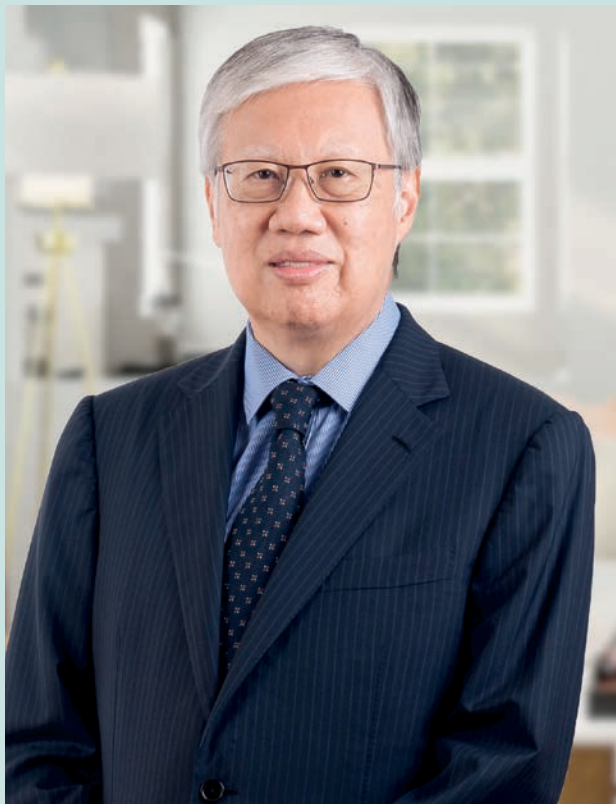
Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)

(CAGAMAS HOLDINGS BERHAD)



CHONG KIN LEONG

Independent Non-Executive Director

Age : 64 years

Nationality : Malaysian

Date Appointed : 1 May 2020

Board Meetings Attended : 4/4

Membership of Board Committee

- Chairman, Group Board Audit Committee

Qualification

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

Working Experience/ Other Directorships

Present

- Director, AIA General Berhad
- Honorary Trustee, The Community Chest
- Director, AIA Public Takaful Berhad
- Director, Press Metal Aluminium Holdings Berhad
- Director, Deutsche Bank (Malaysia) Berhad

Past

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

Declaration

The Director has no:

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

Board and Board Committees

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

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

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

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD

Dato’ Bakarudin Ishak

DIRECTORS

- | | |
|--|--|
| <ul style="list-style-type: none"> • Tan Sri Dato’ Sri Tay Ah Lek • Dato’ Sri Abdul Farid Alias • Dato’ Lee Kok Kwan • Wan Hanisah Wan Ibrahim | <ul style="list-style-type: none"> • Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani • Datuk Siti Zauyah Md Desa • Chong Kin Leong |
|--|--|

MEMBERS OF THE GROUP BOARD AUDIT COMMITTEE

- Chong Kin Leong (Chairman)
- Dato’ Lee Kok Kwan
- Wan Hanisah Wan Ibrahim

MEMBERS OF THE GROUP BOARD GOVERNANCE COMMITTEE

- Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani (Chairman)
- Tan Sri Dato’ Sri Tay Ah Lek
- Dato’ Bakarudin Ishak

Profile of the Board of Directors (CAGAMAS BERHAD)



DATO' BAKARUDIN ISHAK

Independent Non-Executive Chairman

Age : 61 years

Nationality : Malaysian

Date Appointed : 26 March 2019

Board Meetings Attended : 7/7

Membership of Board Committee

Nil

Qualification

- Bachelor of Economics (Honours), University of Malaya

Working Experience/ Other Directorships

Present

- Chairman, Cagamas Holdings Berhad
- Chairman, Cagamas SRP Berhad
- Director, Hong Leong MSIG Takaful Berhad

Past

- Assistant Governor, Bank Negara Malaysia
 - Member, BNM Monetary Policy Committee
 - Director, Foreign Exchange Administration Department
 - Director, Islamic Banking and Takaful Department
- Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear)

- Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF)
- Investment Panel, Employees' Provident Fund
- Director, ACE Money Exchange Sdn. Bhd.
- Director, Affin Islamic Bank Berhad

Declaration

The Director has no:

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

Profile of the Board of Directors *(Continued)*
(CAGAMAS BERHAD)



DATO' HALIPAH ESA

Independent Non-Executive Director

Age : 73 years

Nationality : Malaysian

Date Appointed : 27 March 2013

Board Meetings Attended : 7/7

Membership of Board Committee

- Chairman, Board Staff Compensation and Organisation Committee

Qualification

- Certificate in Economic Management, IMF Institute, Washington D.C.
- Certificate in Economic Management, Kiel Institute for the World Economy, (IfW Kiel)
- Certificate in Advanced Management Programme, Adam Smith Institute, London
- Master of Economics degree, University of Malaya
- Bachelor of Arts (Honours) degree in Economics, University of Malaya

Working Experience/ Other Directorships

Present

- Director, Sime Darby Plantation Berhad
- Director, S P Setia Berhad

Past

- Chairman, Pengurusan Aset Air Berhad
- Chairman, Cagamas SME Berhad
- Chairman, Malaysia Maritime Academy Sdn. Bhd.
- Director, Petroliaam Nasional Berhad
- Director, Employees Provident Fund
- Director, Inland Revenue Board
- Director, Kumpulan Wang Persaraan (Diperbadankan) (KWAP)

- Director, FELDA
- Director, UDA Holdings Berhad
- Director, Bank Pertanian Malaysia
- Director, SEDC Terengganu
- Director, Malaysia-Thailand Joint Development Authority
- Director, NCB Holdings Berhad
- Director, MISC Berhad
- Director, KLCC Property Holdings Berhad
- Director, KLCC REIT Management Sdn. Bhd.
- Director, Malaysia Deposit Insurance Corporation
- Director, Perbadanan Putrajaya
- Director, Petronas Global Sukuk Ltd.
- Director, Northport Sdn. Bhd.
- Director, Putrajaya Holdings Sdn. Bhd.
- Director, Malaysia Marine and Heavy Engineering Holdings Berhad
- Director, The Securities Industry Dispute Resolution Centre
- Director General, Economic Planning Unit (EPU)
- Deputy Secretary General, Ministry of Finance
- Consultant to the World Bank and United Nations Development Programme

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)
(CAGAMAS BERHAD)



DATO' WEE YIAW HIN

Independent Non-Executive Director

Age : 64 years

Nationality : Malaysian

Date Appointed : 1 July 2016

Board Meetings Attended : 7/7

Membership of Board Committee

- Member, Board Staff Compensation and Organisation Committee

Qualification

- Civil Engineer
- Masters of Science Degree, Imperial College, United Kingdom

Working Experience/ Other Directorships

Present

- Director, ENRA Group Berhad

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors *(Continued)*
(CAGAMAS BERHAD)



HO CHAI HUEY

Independent Non-Executive Director

Age : 62 years

Nationality : Malaysian

Date Appointed : 1 February 2019

Board Meetings Attended : 7/7

Membership of Board Committee

- Member, Board Risk Committee

Qualification

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

Working Experience/ Other Directorships

Present

- Director, HSBC Amanah Malaysia Berhad
- Senior Consultant, Information Technology and Project Management for STF Resources Sdn. Bhd. and its affiliates (Asian Institute of Chartered Bankers and Asian Banking School)

Past

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

- Deputy Director, in-charge of Payments, Investment and Treasury Management Systems, and Financial Market Systems including technology risk management
- Manager, System Development and Project Management for Financial Accounting, Treasury and Financial Market Systems, and End User Computing Systems
- IT System Analyst for Treasury, Accounting, Settlement and Clearing Systems

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)
(CAGAMAS BERHAD)



DATUK SERI TAJUDDIN ATAN

Independent Non-Executive Director

Age : 63 years

Nationality : Malaysian

Date Appointed : 1 May 2020

Board Meetings Attended : 6/7

Membership of Board Committee

- Chairman, Board Risk Committee

Qualification

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

Working Experience/ Other Directorships

Present

- Chairman, MMC Corporation Berhad
- Director, MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd.
- Director, MMC Gamuda KVMRT (T) Sdn. Bhd.
- Director, MMC Gamuda KVMRT (PDP) Sdn. Bhd.
- Chairman, Bank Muamalat Malaysia Berhad
- Member of Malaysian Communications and Multimedia Commission (MCMC)
- Chairman, Honda Malaysia Sdn. Bhd.
- Chairman, Asian Institute of Chartered Bankers (AICB) Disciplinary Panel

Past

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

Declaration

The Director has no:

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

Profile of the Board of Directors (Continued)
(CAGAMAS BERHAD)



DATUK CHUNG CHEE LEONG

Non-Independent Executive Director

Age : 62 years

Nationality : Malaysian

Date Appointed : 27 March 2013

Board Meetings Attended : 7/7

Membership of Board Committee

Nil

Qualification

- Bachelor of Economics (Honours), majoring in Business Administration, University of Malaya
- Summer School Programme, University of Cambridge
- Global Islamic Finance Award 2020
 - Special Award for Islamic Financial Advocacy

Working Experience/ Other Directorships

Present

- President/Chief Executive Officer, Cagamas Berhad (since 1 April 2012)
- Chairman, Cagamas Global P.L.C.
- Chairman, Cagamas Global Sukuk Berhad
- Director, Cagamas MBS Berhad
- Director, Cagamas SRP Berhad
- Director, BNM Sukuk Berhad
- Chairman, Cagamas SME Berhad
- Chairman, Cagamas MGP Berhad
- Chairman, International Secondary Mortgage Market Association
- Member, Panel of Experts, Kementerian Perumahan dan Kerajaan Tempatan

Past

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

Declaration

The Director has no:

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

Management Team



DATUK CHUNG CHEE LEONG
President/ Chief Executive Officer



ABDUL HAKIM AMIR ZAINOL
Senior Vice President
Finance



LEONG SEE MENG
Senior Vice President
Strategy & Business



DELVIN CHONG
Senior Vice President
Treasury & Markets



MALATHI MENON
Senior Vice President
Legal & Corporate Services



RIDZUAN SHAH ALLADIN
Senior Vice President
Human Capital &
Administration



DANG CHEONG MIN
Senior Vice President
Risk Management &
Compliance



TAN YONG NIEN
Senior Vice President
Technology & Operations



**Y.M. RAJA SHAHRIMAN
RAJA HARUN AL RASHID**
Senior Vice President
Internal Audit

Sustainability Report

SECTION 1

CORPORATE SUSTAINABILITY REPORTING

This Sustainability Report marks Cagamas Holdings Berhad and its subsidiaries ("the Group") fourth Sustainability Report. This report highlights the Group's continuous efforts in driving forward our sustainability agenda and our collective efforts in responding to the COVID-19 pandemic in support of its stakeholders.

The report covers the financial period from 1 January 2021 to 31 December 2021.

Sustainability Governance

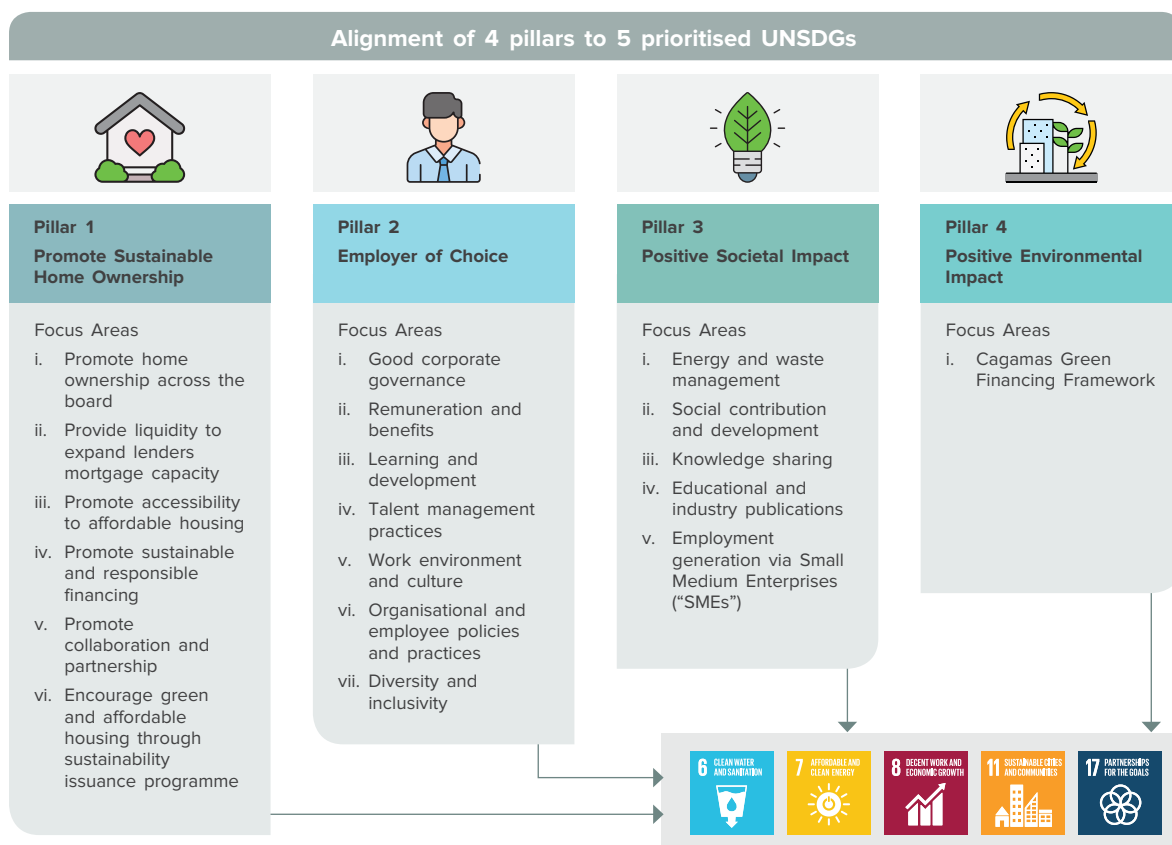
Sustainability is firmly established at the board level as part of the Group's corporate strategy. The Board of Directors of Cagamas Berhad and Cagamas Holdings Berhad ("the Board") oversees the progress of the Group's sustainability journey and execution, develop and instill practical sustainability governance practices whilst meeting its corporate objective.

SUSTAINABILITY GOVERNANCE ECOSYSTEM

Cagamas committed to the highest standards of sustainability governance and regularly review its sustainability governance practices and disclosures

Sustainability Pillars and Focus Areas

The Group contributes to sustainable development through impactful actions centred around 4 thematic pillars. Each pillar and its respective focus areas positively contributes to the 5 sustainability development goals under United Nation Sustainable Development Goals (UNSDGs).



PILLAR 1: PROMOTE SUSTAINABLE HOME OWNERSHIP



The Group promotes sustainable home ownership to all Malaysian by supporting the national objective of achieving widespread home ownership among Malaysians.

HOW CAGAMAS CREATES VALUE

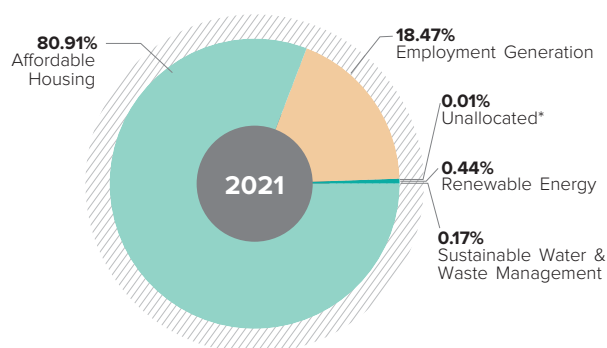
Cagamas Berhad ("Cagamas") supports financial institution's liquidity requirements through competitive funding to grow their housing loans portfolio. Cagamas is also committed to contribute and create positive impact through identified opportunities and strategies in sustainable home development. Promoting green and affordable housing activities is an important part of this aspiration.

2021 HIGHLIGHTS

1. Purchased home financing in the secondary market totalling RM12.0 billion equivalent to a total of 40,000 homes
2. Issued RM19.2 billion of corporate bonds and sukuk including RM700 million sustainability bonds and sukuk
3. Provided guarantees through My First Home Scheme (Skim Rumah Pertamaku) and Youth Housing Scheme (Skim Perumahan Belia) for housing loans and financing totalling RM16.0 billion enabling 72,475 individuals/ households to own their first house since the scheme's inception, of which 89% are from the B40 segment
4. Built a continuous collaboration with the Government in supporting Government's intention to increase home ownership, especially among the youths in Malaysia

Cagamas' Sustainability Bond and Sukuk

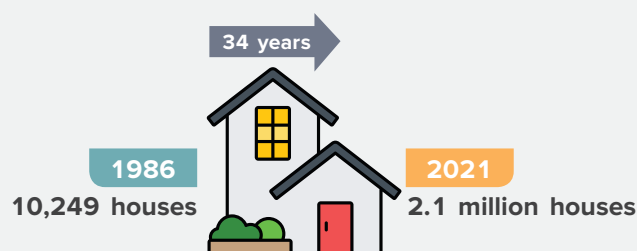
To-date, Cagamas has cumulatively issued a total of RM900 million of sustainability bonds and sukuk with RM865 million remained outstanding as of 31 December 2021. The proceeds from the issuances have been fully allocated to eligible assets in line with the Cagamas' Sustainability Bond and Sukuk Framework, as illustrated in the diagrams below:



* Unallocated funds amounting to 0.01% from the total issuance proceeds are placed in money market instruments.

Cagamas aspires to help Malaysians to realise their dream of owning a home and attain successful home ownership.

Since its inception in 1986, Cagamas has purchased home financing in the secondary market totalling RM176.4 billion equivalent to a total of 2.1 million houses



PILLAR 2: EMPLOYER OF CHOICE



Employees are Cagamas' greatest asset and most important stakeholder group. Cagamas is committed in creating and maintaining a conducive work environment and culture, meaningful and challenging work, career advancement and personal development opportunities. By doing so, Cagamas aims to achieve greater commitment to the business and ensure all employees have the ability to perform productively and efficiently.

HOW CAGAMAS CREATES VALUE

New Core Values, known as C.A.R.E. ("Collaboration, Accountability, Resilience and Excellence") introduced in early 2022, will guide all employees in becoming the foundation to support Cagamas' vision and mission as well as preparing Cagamas to transform and meet any challenges.

2021 HIGHLIGHTS

1. 31% of the total workforce are qualified professionals certified to operate in the field of financial and capital markets
2. Strong governance and compliance culture to promote trust, integrity and acceptable working culture
3. A comprehensive succession plan and talent pipeline to ensure continuity in key positions and encourage individual career development and advancement
4. Establishment of People and Organisation Senior Management Committee and Talent Council



HOW CAGAMAS STAY AGILE DURING THE PANDEMIC



Due to the COVID-19 pandemic, the need for greater engagement has never been higher as Cagamas stepped up efforts to ensure that all employees feel supported during these challenging times. Over the year, Cagamas invested in several initiatives including building resilience through robust business continuity and crisis planning, flexible working hours, split team rotations, working under remote setting while maintaining high engagement levels through live video conferencing sessions and ongoing communications via emails and social media platforms.



50%
of our employees work from home during the Movement Control Order ("MCO") and Post MCO period



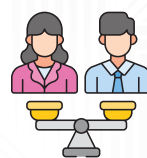
RM32,263
spent on protective equipment and test kit for employees



RM18,654
spent on COVID-19 test ("Rapid Test Kits; RTK" and "Polymerase Chain Reaction; PCR") for employees

1 Gender and Age Diversity

As at 31 December 2021, the organisation has a total of 104 staff with a good mix of gender and age



104 staff

2 Employee Learning and Development

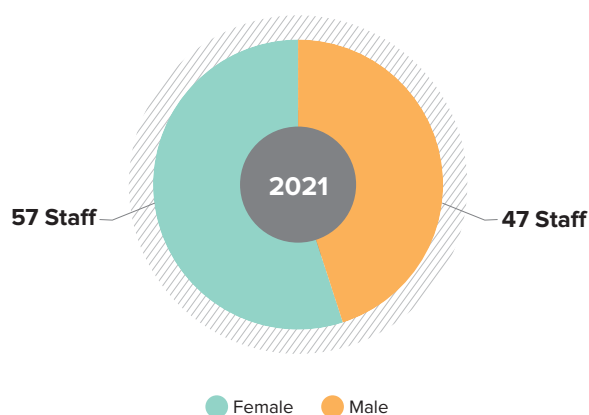
Training Record for Financial Year 2021

Total Staff Attended Training	Total Training Hours	Average Training Hours/ Staff	Average Training Days/ Staff
100	3,015.00	30.15 hours	3.8 days

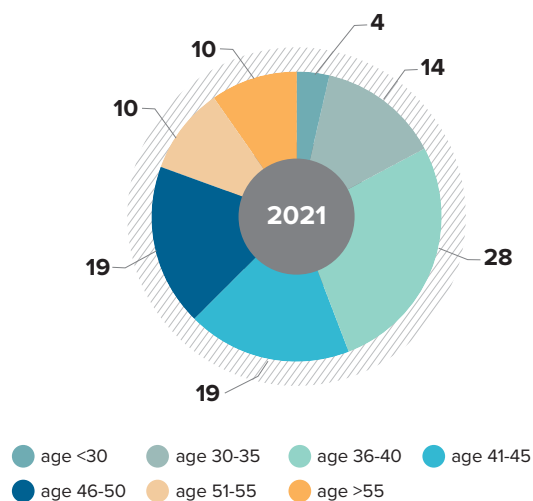


The mandatory corporate learning target practised by Cagamas is 16 hours per employee (equivalent to two full days of training)

3 Gender Diversity



4 Age Diversity



PILLAR 3: POSITIVE SOCIETAL IMPACT



The Group is committed to create long-term positive societal impact through community engagement initiatives. These initiatives reflect the Group's commitment in giving back to society while ensuring sustainable business growth.

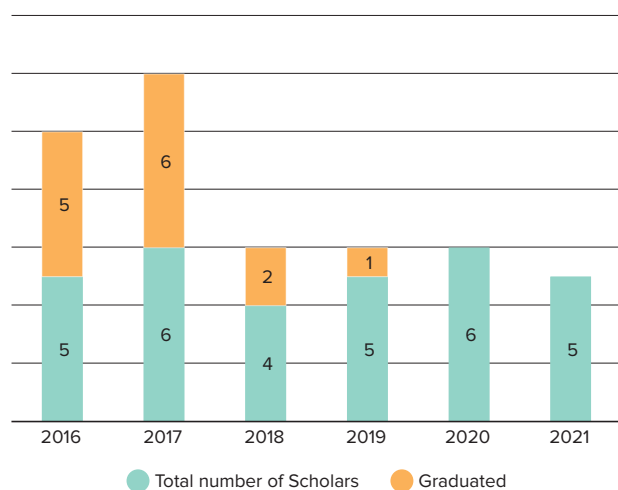
HOW CAGAMAS CREATES VALUE

Through various initiatives under our Social Contribution and Development, Cagamas advocates a positive societal impact on local communities resulting in a more inclusive and caring society

2021 HIGHLIGHTS

1. Contributed RM784,250 on scholarships for 31 scholars to study various disciplines since 2016
2. Impacted the lives of more than 715 recipients with a total allocation of approximately RM209,000 in 2021 under Corporate Social Responsibility ("CSR") project
3. Allocated zakat funds through Zakat Wakalah Programme ("ZWP") amounting RM315,176 to eligible recipients in 2021, impacting 36 individuals and 19 corporations
4. Assisted the elderlies or retirees to use the equity value of their home to fund their retirement through Cagamas' Skim Saraan Bercagar or Reverse Mortgage Programme, launched in December 2021

Total Numbers of Scholars vs Graduated Scholars



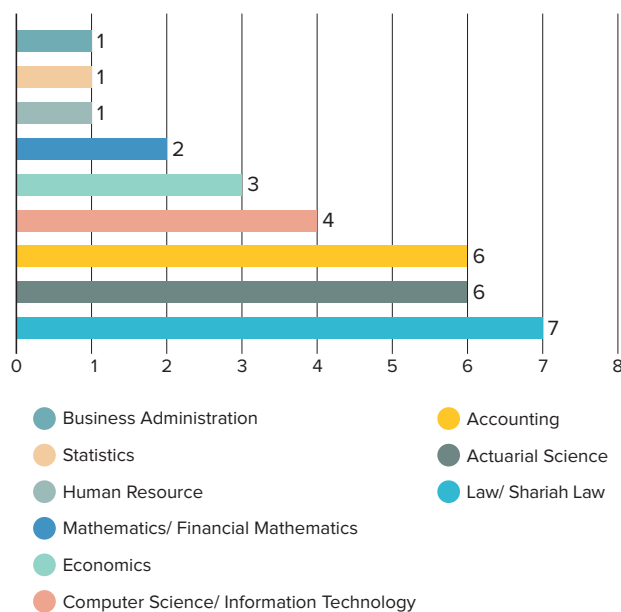
CAGAMAS SCHOLARSHIP PROGRAMME



In developing the future workforce for the nation, specifically in the financial services industry, Cagamas has established a scholarship programme since 2016 to help students from low-income households in their pursuit of higher learning education to ultimately alleviate the livelihood of themselves and their families



Scholars by Field of Studies



CAGAMAS' CONTRIBUTION TO THE COMMUNITY IN 2021 THROUGH SOCIAL INVESTMENT

Cagamas CSR approach leveraged on grant giving, educational programmes and employee volunteerism. For 2021, most initiatives focused on safeguarding lives and livelihoods through various charitable and non-governmental welfare organisations.

1 Contribution towards COVID-19 Relief Funds

In 2021, the Group contributed RM140,000 to mitigate the effects of COVID-19 which positively impacted frontliners and the communities in need.



RM49,980



#CovidHomeCare Programme by Malaysian Red Crescent Society for the purchase of equipment for volunteers' call centre and oximeters for COVID-19 patients



RM50,000

Malaysian Medical Relief Society ("MERCY") Malaysia's COVID-19 Strategic Preparedness and Response Plan for the purchase of medical supplies, medical equipment and essentials needed by COVID-19 facilities

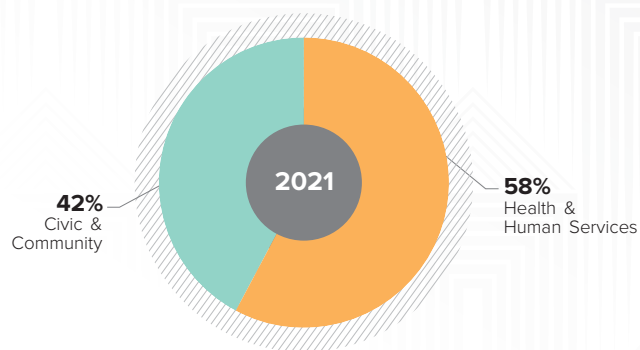


RM40,000



#TeamNAFAS by Kembara Kitchen for the provision of emergency transport services to COVID-19 positive individuals who require urgent medical attention

Social Investment Total Contribution 2021: RM208,980



2 Contribution to B40 communities through Volunteer Programme



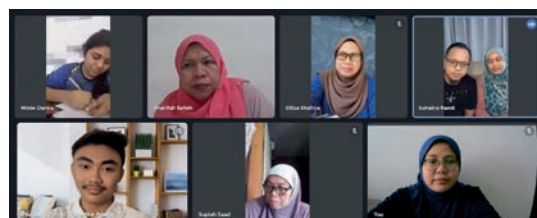
RM50,000

Under the Incitement Food Security Programme impacting over 3,000 individuals



RM19,000

B40 Autistic Children from IDEAS Autism Centre for their Mental Health Intervention Programme for 39 autistic children and their parents

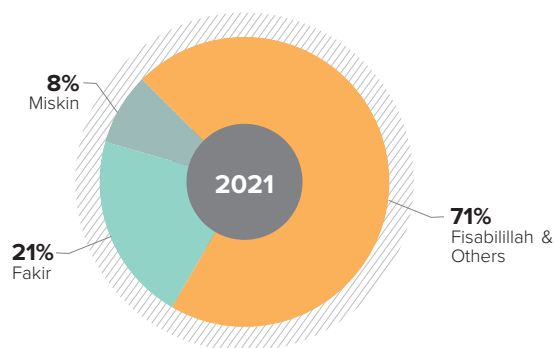


Sustainability Report (Continued)

CAGAMAS' CONTRIBUTION TO THE COMMUNITY IN 2021 THROUGH ZAKAT

Uplift social finance through application of zakat to support eligible zakat recipients including associations and charity homes according to the Asnaf (beneficiaries) categories approved by Cagamas' Zakat Committee.

Zakat Total Contribution 2021: RM315,176



Cagamas' Zakat Wakalah Programme Major Contributions in 2021



RM81,926

Food supply contribution for 658 Asnaf from Melaka, Negeri Sembilan, Terengganu and Kelantan



RM19,494

Purchase of business equipments for 8 Asnaf from Kuala Lumpur, Negeri Sembilan, Terengganu and Kedah



Donated 10 copies of Al-Quran Braille

In conjunction of Wakaf Al-Quran Braille Tafsir Pimpinan Arrahman Programme organised by Persatuan Huffaz Malaysia



Donated 26 Computer Tablets

For children from Pertubuhan Kebajikan Asnaf Al-Barakh

PILLAR 4: POSITIVE ENVIRONMENTAL IMPACT

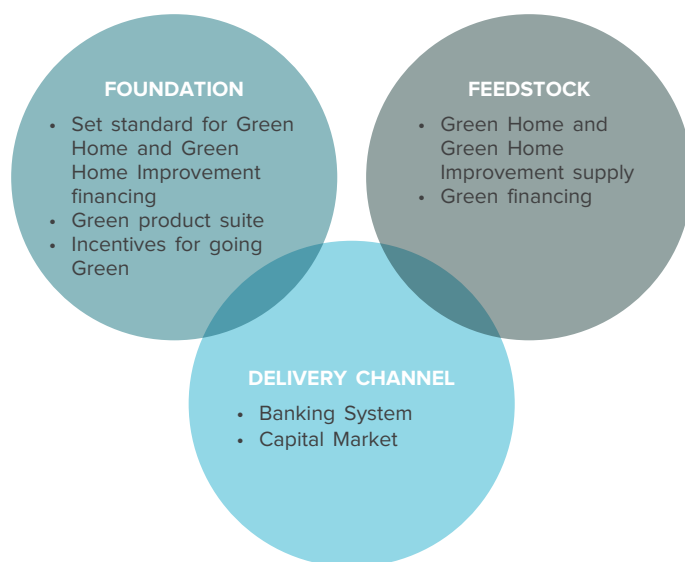


The Group promotes positive environmental impact resulting from the financing avenues approved by the Board from time to time

HOW CAGAMAS CREATES VALUE

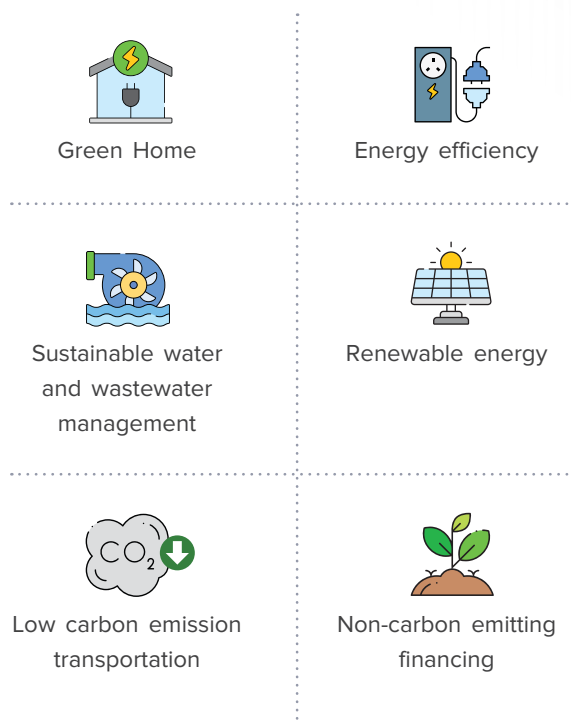
Develop Cagamas' Green Financing Framework that is aimed to integrate green financing as part of the Group's core business and operations. It is also to drive the Group's sustainability agenda in relation to promoting home ownership

BUILDING BLOCKS OF CAGAMAS' GREEN FINANCING FRAMEWORK



Cagamas is committed to support the green agenda as part of the Group's core business activities

The definition of eligible green projects or activities consist of any one of the following categories:



Sustainability Report (Continued)

SECTION 2

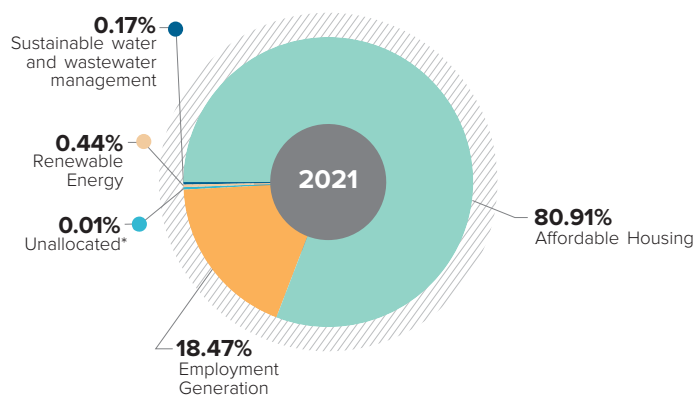
SUSTAINABILITY BONDS/ SUKUK PROGRESS REPORT

Cagamas' long-term commitment to sustainable finance has continued into 2021, through our financing for sustainable projects. This report covers Cagamas' outstanding Sustainability Bonds/ Sukuk issuances, detailing the framework, evaluation and selection procedure, reporting criteria and the use of proceeds of issuances.

Information on the outstanding Cagamas Sustainability Bonds/ Sukuk issuances as at 31 December 2021 are set out as below:

Cagamas Sustainability Bonds/ Sukuk Issuances Outstanding					
Facility Description	Stock Code	Issue date	Maturity date	Original Tenure	Issue Size (RM mil)
Sustainability Cagamas MTN	UF200254	27/10/2020	27/10/2022	2.0	20
Sustainability Cagamas MTN	UG200253	27/10/2020	27/04/2023	2.5	45
Sustainability Cagamas MTN	UG210266	05/08/2021	05/08/2024	3.0	200
Sustainability Cagamas MTN	UF210380	29/10/2021	30/10/2023	2.0	300
Sustainability Cagamas MTN	UE210398	24/11/2021	25/11/2022	1.0	30
Sustainability Cagamas MTN	UF210397	24/11/2021	24/11/2023	2.0	20
Sustainability Cagamas MTN	UG210396	24/11/2021	24/05/2024	2.5	50
Sustainability Sukuk Cagamas	VG200270	26/10/2020	26/10/2023	3.0	100
Sustainability Sukuk Cagamas	VG210294	05/08/2021	05/08/2024	3.0	100
				TOTAL	865




Breakdown of the use of proceeds are illustrated in the following tables:





* Unallocated funds amounting to 0.01% from the total issuance proceeds are placed in money market instruments.

Details of Sustainability Loans/Financing					
No.	Use of Proceeds	Size (RM mil)	Descriptions	Impact	Impact Indicators
1	Renewable Energy	3.77	Solar PV system for rooftop installation	1,444	Total installed capacity (kwh)
2	Sustainable Water and Wastewater Management	1.47	Effluent water treatment	67.9	Amount of waste water treated (m ³ /hour)
3	Affordable Housing	699.95	Affordable Housing	7,572	Total affordable homes
4	Employment Generation	159.76	Non-carbon emitting industrial hire purchase receivables for SMEs	882	Number of SMEs
TOTAL		864.95			

SUMMARY OF CAGAMAS SUSTAINABILITY BONDS/SUKUK FRAMEWORK ('The Framework')


Pillar		
	Use of Proceeds	<ul style="list-style-type: none"> Renewable Energy Energy Efficiency Green Buildings Low Carbon and Low Emission Transportation Sustainable Water and Wastewater Management Affordable Housing Employment Generation
	Evaluation and Selection	<ul style="list-style-type: none"> A set of Eligible Criteria ("EC") will be given to Financial Institutions/ Non-Financial Institutions which are designated as 'The Approved Seller' The Approved Seller will evaluate and provide the listing of Eligible Loans/ Financing/ Assets that complies with the EC. The Approved Seller is obliged to ensure that the loans/ financing/ assets sold meet Cagamas' EC at all times Recommendation will be made for approval of the Asset and Liability Committee to issue sustainability bonds/ sukuk to purchase the identified Eligible Loans/ Financing/ Assets
	Management of Proceeds	<ul style="list-style-type: none"> Proceeds of the Sustainability Bonds/ Sukuk will be fully utilised to purchase similar amount of Eligible Loans/ Financing/ Assets immediately at the point of issuance The portfolio of Eligible Loans/ Financing/ Assets purchased at inception will be maintained and monitored via the Company's internal loan administration system

Sustainability Report *(Continued)*

	Reporting	<ul style="list-style-type: none"> • Publication of Annual Sustainability Progress Report as part of Cagamas Holdings Berhad's Annual Report • Allocation Reporting: <ul style="list-style-type: none"> • Information will be provided on the amount that is equal to the net proceeds of the Sustainability Bonds/ Sukuk • Impact Reporting: <ul style="list-style-type: none"> • Where possible, Cagamas will report on the environmental and social (where relevant) impacts resulting from the Eligible Loans/ Financing/ Assets. Cagamas may select alternative quantitative or qualitative indicators which are relevant to the selected Eligible Loans/ Financing/ Assets
	External Review	<ul style="list-style-type: none"> • Obtained a second party opinion from RAM Sustainability Sdn Bhd ("RAM Sustainability") to confirm the validity of Cagamas Sustainability Bonds/ Sukuk Framework • Engage an appropriate external assurance provider to independently confirm the Annual Sustainability Progress Report and opine on its conformity with the Framework • The Annual Sustainability Progress Report and post-issuance annual review report will be made available to the public on the Cagamas' website and the reporting cycle will be in conjunction with the Company's annual report

SECOND OPINION FROM RAM SUSTAINABILITY

Among the five green solutions within the Framework, renewable energy and energy efficiency solutions carry the highest Environmental Benefit ("EB") ratings of Tier-1. Meanwhile, Tier-1 Social Benefit ("SB") ratings were assigned to the affordable housing and employment generation via Small and Medium Enterprise (SME) solutions.

<p>Summary</p> <p>RAM Sustainability's second opinion on the Framework concludes that it provides clarity on important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments.</p> <p>The Framework is aligned with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment ("SRI") Sukuk Framework, the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, the ASEAN Sustainability Bond Standards and the globally recognised Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.</p> <p>In our view, Cagamas' Proposed Sustainability Bonds/ SRI Sukuk will create a positive environmental and social impact by financing projects and solutions that are essential for a sustainable future.</p>	
--	---

The full opinion can be found at Cagamas website: www.cagamas.com.my

Excluded Use of Proceeds as Stated In The Framework:

Fossil Fuel



Nuclear



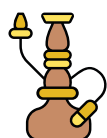
Weapon



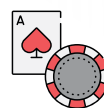
Alcohol



Tobacco



Child Labour

Gambling/
Adult Entertainment**CONCLUSION**

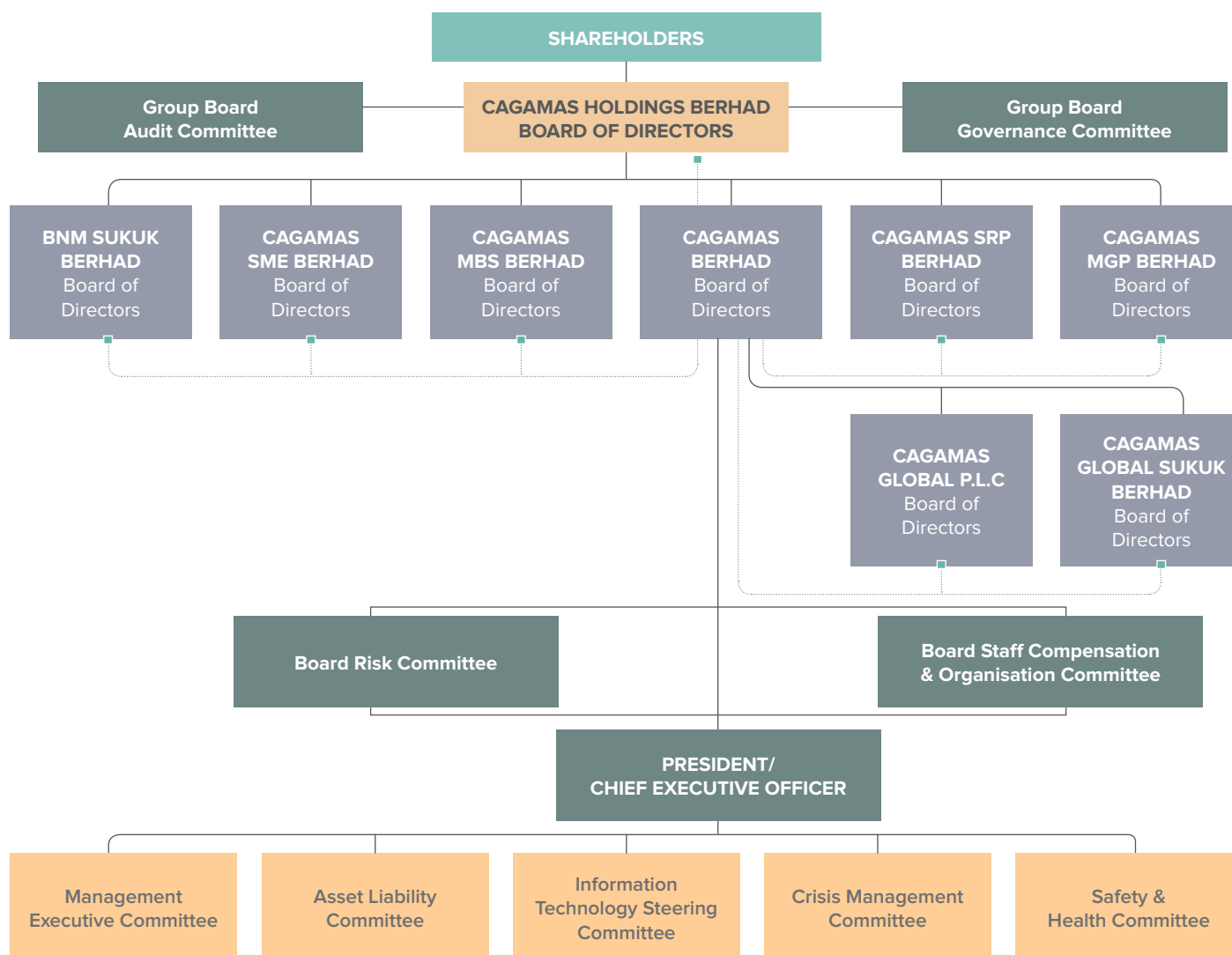
During the year under review, Cagamas further strengthened its foothold in sustainability by rolling out more robust initiatives across all areas – from promotion of sustainable home ownership to empowering local communities. Moving forward, the Group remains committed to generating positive results while creating sustainable value for its stakeholders and further progressing its sustainability agenda.

Statement on Corporate Governance

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

In an effort to continually maintain the highest standards of corporate governance, several measures were taken during the year. The enhancement of the Company’s Board Charter with provisions to explain the definition of independent directors and their disclosure requirements has been adopted by its operating subsidiaries. In addition to the above, the incorporation of the Fit & Proper Criteria in the assessment of candidates prior to the appointment of an independent Director and the implementation of the Directors’ Succession Planning Guidelines were also undertaken during the year. These efforts are essential elements of effective corporate governance and support the objective discharge of the Board’s oversight function.

GOVERNANCE FRAMEWORK



Administrator/ Transaction Administrator/ Services Provider

BOARD OF DIRECTORS

Board Composition

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

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

The Board observes the BNMCG's standard that the tenure limit of an independent Director should generally not exceed nine (9) years, except under exceptional circumstances as may be determined by the Board upon the recommendation of the Group Board Governance Committee ("GBGC"). In the event that the cumulative tenure limit for an independent Director is extended beyond nine years, shareholders' approval will be sought at the Annual General Meeting ("AGM").

Clear Roles and Responsibilities

Cagamas Holdings Berhad/ Cagamas Berhad/ Cagamas SRP Berhad

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

The Board assumes the overall responsibility for corporate governance, strategic direction, risk appetite, formulation of policies and oversight of the operations of the Group. The Board ensures that an appropriate system is in place to identify the Group's material risks and that appropriate internal

controls and mitigation measures are implemented to manage these risks. The Board is also entrusted to ensure the adequacy and integrity of the Group's internal control systems and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The Board is regularly updated and apprised by the Senior Vice President of the Risk Management and Compliance Division ("RMD") on relevant new laws and directives issued by regulatory authorities and the resultant implications for the Group and the Directors in relation to their duties and responsibilities.

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

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

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

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

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

Statement on Corporate Governance (Continued)

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

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

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

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

Company Secretary

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

Board Meetings

During the financial year ended 31 December 2021, the Board met four times to deliberate on a wide range of matters, including the Company's business performance, risk profile, business plans and strategic issues that affect the Group's business. Board papers providing updates on operations, financials, risk profile, regulatory issues and corporate developments are sent to the Directors in advance of each meeting.

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

The Directors' attendance at Board meetings during the financial year ended 31 December 2021 is set out below:

Director	Designation/ Independence	Board Meetings Attendance
Dato' Bakarudin Ishak	Chairman, Independent	4/4
Tan Sri Dato' Sri Tay Ah Lek	Non-Independent	4/4
Dato' Sri Abdul Farid Alias	Non-Independent	3/4
Dato' Lee Kok Kwan	Non-Independent	4/4
Wan Hanisah Wan Ibrahim	Independent	4/4
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	Independent	4/4
Datuk Siti Zauyah Md Desa	Independent	4/4
Chong Kin Leong	Independent	4/4

Statement on Corporate Governance (Continued)

Board Committees

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

The GBGC comprises three Non-Executive Directors, namely:

Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Dato' Bakarudin Ishak

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

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

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

Appointment and Re-election of Directors

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

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

Directors' Remuneration

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

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

Non-Executive Directors	Directors' Fees (RM)	Meeting Allowance (RM)	Total (RM)
Dato' Bakarudin Ishak	100,000	27,000	127,000
Tan Sri Dato' Sri Tay Ah Lek	70,000	21,000	91,000
Dato' Sri Abdul Farid Alias	70,000	10,500	80,500
Dato' Lee Kok Kwan	70,000	31,500	101,500
Wan Hanisah Wan Ibrahim	70,000	31,500	101,500
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	70,000	24,000	94,000
Datuk Siti Zaayah Md Desa	70,000	14,000	84,000
Chong Kin Leong	70,000	39,000	109,000

Statement on Corporate Governance (Continued)

Directors' Training

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

For 2021, training programmes attended by the Directors are detailed below.

Training Programmes Attended by Directors

Training Programmes	Duration in Day(s)
<u>Financial Institutions Directors' Education (FIDE) FORUM:</u>	
Rethinking Our Approach to Cyber Defence in FIs	1
The Rise of Govcoins & What's next for Crypto	1
The Board's Role and Responsibilities in Crisis Communications	1
Engagement Session on Board Leadership Framework (Session A)	1
The 2050 Net Zero Carbon Emissions Target: Finance's Role	1
Annual Dialogue with Governor of Bank Negara Malaysia	1
Bank Negara Malaysia (BNM)-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector	1
BNM-FIDE FORUM: Dialogue on Risk Management in Technology (RMiT)	1
BNM-FIDE FORUM: Risk-Based Capital Framework for Insurers and Takaful Operators	1
Bursa-FIDE FORUM Dialogue on Sustainability	1
Securities Commission (SC)-FIDE FORUM Dialogue on Capital Market Masterplan 3	1
<u>The Iclif Leadership and Governance Centre (ICLIF):</u>	
Corporate Governance Regulatory Updates for the Capital Markets	2
Leadership for Enterprise Sustainability Asia (LESA) 2021	4
<u>Institute of Corporate Directors Malaysia (ICDM) PowerTalk Series 2021:</u>	
Positive Agenda: Leadership in Covid-Exit	2
Post Budget Power talk	1
<u>Securities Commission:</u>	
SCxSC Fintech Conference 2021	3
<u>The Securities Industry Development Corporation (SIDC):</u>	
Business Foresight Forum (BFF) 2021	2
<u>Malaysian Institute of Accountants (MIA):</u>	
Audit Committee Conference 2021	2
<u>The Asset:</u>	
16th Asia Bond Markets Summit	1
<u>Bloomberg and Bursa Malaysia:</u>	
Environmental, Social and Corporate Governance (ESG) in the new normal: A Corporation's Lens	1
<u>REDMoney Event:</u>	
(Islamic Finance News) IFN Asia Forum 2021	1

Management Committees

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

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

Investor Relations and Shareholders' Communication

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

Cagamas Berhad had organised a Virtual Investor Briefing on 15 April 2021 in its effort to continue to engage and update its local and foreign investors on the company's financial results and outlook prospects for the year. The briefing was attended by local and foreign financial institutions, asset managers, insurance companies as well as corporate investors.

Cagamas Berhad maintains a website, www.cagamas.com.my which provides comprehensive up-to-date information on the Group's products, rates and financial information.

AUDIT

Internal Control

The Company's Statement on Internal Control is set out on pages 60 to 61 of this Annual Report.

Relationship with the Auditors

The roles and responsibilities of the GBAC in relation to the internal and external auditors are described from pages 56 to 59 of this Annual Report. The external auditors also attend Board meetings to report on matters related to the external audit and financials of the Group, and are present during the AGM of the Company to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

Auditors' remuneration as well as non-audit fees paid are shown on page 159 of this Annual Report.

Report of the Group

Board Audit Committee

MEMBERS

The members of the Group Board Audit Committee ("the Committee") for the year of 2021 were as follows:

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

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

ATTENDANCE AT MEETINGS

The Committee held four meetings during the financial year ended 31 December 2021 with the President/ Chief Executive Officer and the Senior Vice President of Internal Audit in attendance. Other senior officers attended the meetings upon invitation, when required. The record of attendance of meetings by the members is as follows:

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

The Group's External Auditors, Messrs. PricewaterhouseCoopers PLT had attended three meetings during the year to report on the audit for financial year ended 31 December 2020, audit plan for the Group for the year 2021 and potential changes to accounting treatment applicable to the Group.

COMPOSITION AND TERMS OF REFERENCE

Authority

- (a) The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to Management of the companies within the Group.
- (b) The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of external parties with relevant experience and expertise to attend meetings whenever it deems necessary.
- (c) The Committee is authorised by the Board to investigate any activity within its purview and members of the Committee shall direct all employees to co-operate as they may deem necessary.

Report of the Group Board Audit Committee (Continued)

Size and Composition

- (a) The Committee shall be appointed by the Board from amongst the Non-Executive Directors and shall comprise a minimum of three members, a majority of whom shall be Independent Directors.
- (b) If for any reason the number of members is reduced to below three, the Board must fill the vacancies within three months.
- (c) The members of the Committee shall elect a Chairman from amongst their members who shall be an Independent Director.
- (d) At least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he is not a member of the MIA, he must have at least three years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - (iii) he must have a degree/ masters/ doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
 - (iv) he must have at least seven (7) years experience being a Chief Financial Officer of a corporation or having function of being primarily responsible for the management of the financial affairs of a corporation.
- (e) No member of the Committee shall have a relationship, which in the opinion of the Board will interfere with the exercise of independent judgment in carrying out the functions of the Committee.

Meetings

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

Quorum

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

Secretary

- (a) The Secretary to the Committee shall be the Senior Vice President, Internal Audit Division.

Duties and Responsibilities

Financial Reporting

- (a) Review the consolidated annual financial statements of the Group for submission to the Board of Directors for approval, to ensure compliance with the disclosure requirements and the adjustments suggested by the external auditors. These include:
 - Review of the auditors' report and qualifications (if any) which must be properly discussed and acted upon to address the auditors' concerns in future audits;
 - Changes and adjustments in the presentation of financial statements;
 - Major changes in accounting policies and principles;
 - Compliance with accounting standards and other legal requirements;
 - Material fluctuations in statement of balances;
 - Significant variants in audit scope; and
 - Significant commitment or contingent liabilities.
- (b) Review the half yearly Condensed Interim Financial Statement for Cagamas Berhad and its subsidiaries (the Cagamas Berhad Group) for submission to the Cagamas Board of Directors for approval, to ensure compliance with disclosure requirements.

Report of the Group Board Audit Committee (Continued)

Internal Audit

- (a) Review the scope and results of internal audit procedures including:
 - Compliance with internal auditing standards, the Group's internal controls, policies and other legal requirements;
 - Adequacy of policies and procedures including the existing internal controls;
 - Co-ordination between the internal and external auditors;
 - Exercise independence and professionalism in carrying out internal auditing work;
 - Reporting results of the audit performed;
 - Recommending changes in accounting policies to the Board; and
 - Recommending and ensuring the implementation of appropriate remedial and corrective actions regularly.
- (b) Responsible for establishment of the internal audit functions which include:
 - Approval of the Internal Audit Charter;
 - Approval of the Internal Audit Plan;
 - Evaluate the performance and decide on the remuneration package of the Senior Vice President, Internal Audit Division in line with the Company's remuneration policy;
 - Reviewing the adequacy of the scope, functions and resources of the Internal Audit Division or any restrictions encountered in the course of the audit work;
 - Approval of the appointment or termination of the Senior Vice President, Internal Audit Division;
 - Notification of resignation of internal audit staff and to provide opportunity for such staff to submit reasons for resigning;
 - Ensuring that the internal audit functions have appropriate standing within the Group;
 - Alignment of goals and objectives of the internal audit functions with the Group's overall goals; and
 - Place Internal Audit Division under the direct authority and supervision of the Committee.
- (c) Review the internal audit reports before submission to the boards of Directors of the respective companies within the Cagamas Group and recommend to the Board of Cagamas Holdings for information or endorsement.
- (d) Ensure that appropriate and prompt remedial actions are taken by Management on major control or procedures deficiencies identified.

External Audit

- (a) Assess the objectivity, performance and independence of the external auditors.
- (b) Discuss and review the external audit plan, the findings on the system of internal controls (including Management's actions and the relevant audit reports).
- (c) Review the external auditors engagement letter and Management's response.
- (d) Recommend to the Board the appointment of external auditors, the audit fee and any question of resignation or dismissal of the external auditors.
- (e) Discuss matters arising from the previous year's audit, review with the external auditors on the scope of their current year's audit plan, their evaluation of the accounts and internal controls systems, including their findings and recommended actions.
- (f) Review changes in statutory requirements and any significant audit problems that can be foreseen as a result of previous year's experience or because of new developments.
- (g) Evaluate and review the role of external auditors from time to time.
- (h) Approve the provision of non-audit services by the external auditors and evaluate whether there are any potential conflicts arising from such non-audit services.
- (i) Ensure that proper checks and balances are in place so that the provision of non-audit services does not interfere with the independent judgment of the external auditors.
- (j) Meet with the external auditors at least once a year without the presence of Management to discuss any key concerns and to obtain feedback.

Related Party Transaction

- (a) Review any significant related party transaction or conflict of interest situation that may arise within the Group.
- (b) Review any significant transactions, which are not a normal part of the Group's business.

Report of the Group Board Audit Committee (Continued)

Other Responsibility

- (a) To review the Management's proposal for payment of dividend prior to submission to the Board for approval.
- (b) Perform any other functions as may be delegated by the Board from time to time.

SUMMARY OF ACTIVITIES

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

Internal Audit

- (a) Reviewed and approved the Internal Audit Plan for Financial Year 2022 to ensure adequate scope and coverage of the audit activities of the Group and the resources requirements of the Internal Audit to carry out its functions;
- (b) Reviewed the internal audit reports, audit recommendations and Management's responses to the audit findings and recommendations;
- (c) Reviewed the status report on Management's efforts to rectify the outstanding audit issues to ensure that appropriate actions have been taken as per the audit recommendations; and
- (d) Provided independent evaluation on the performance of the Senior Vice President of Internal Audit.

External Audit

- (a) Reviewed audit plan and scope of work of the external auditors for the year 2021;
- (b) Recommended the re-appointment of the external auditors and their audit fees to the Board of Directors; and
- (c) Reviewed the results of the audit by the external auditors and discussed the findings and other concerns of the external auditors.

Financial Reporting

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

INTERNAL AUDIT FUNCTION

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

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

The audits conducted during the financial year 2021 focused on the independent review of the risk management, operating effectiveness of internal controls, and compliance to regulatory requirements across the Group. The audit reports were submitted to the Committee for its deliberation. This enabled the Committee to execute its overseeing function by forming an opinion on the adequacy of measures undertaken by Management.

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

Statement on Internal Control

RESPONSIBILITY OF THE BOARD

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

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

RISK MANAGEMENT

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

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

KEY INTERNAL CONTROL PROCESSES

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

1. Authority and Responsibility

- (a) An organisational structure, job descriptions and Key Results Areas which clearly define lines of responsibility and accountability aligned to business and operational requirements.
- (b) Clearly defined lines of responsibility and delegation of authority to the Committees of the Board, Management and staff.
- (c) Management has also set up the Management Executive Committee, Asset Liability Committee, IT Steering Committee, Safety & Health Committee and Crisis Management Committee to ensure effective management and supervision of the areas under the respective Committees' purview.

2. Planning, Monitoring and Reporting

- (a) The Annual Business Plan and Budget is developed, presented and approved by the board of Cagamas Berhad before implementation. In addition, actual performances are reviewed against the targeted results on a quarterly basis allowing timely responses and corrective actions to be taken to mitigate risks. The result of such performance reviews is reported to the Board on a half-yearly basis. Where necessary, the Annual Business Plan and Budget are revised, taking into account any changes in business conditions.
- (b) Regular reporting to the Board, the boards of other companies within the Group and board committees. Reports on the financial position, status of loans and financings purchased, bonds and notes issued and interest rate swap transactions are provided to the Board at least once each quarter. Where necessary, other issues such as legal, accounting and other relevant matters are also reported to the Board.
- (c) Regular and comprehensive information covering financial and operational reports is provided to Management at least on a monthly basis.

Statement on Internal Control (Continued)

3. Policies and Procedures

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

4. Independent Review by Internal Audit Division

- (a) The Internal Audit Division provides reasonable assurance to the Board by conducting an independent review on the adequacy, effectiveness and integrity of the system of internal controls. It adopts a risk-based audit approach in accordance with the annual audit plan approved by the Group Board Audit Committee (GBAC) of Cagamas Holdings Berhad. The results of the audits were presented to the GBAC, which met four times during the financial year ended 31 December 2021.
- (b) The audit plan and audit reports are submitted to the Board and the respective boards of the other companies within the Group to inform of any weaknesses in the internal controls system. During the financial year, several weaknesses were highlighted, but none resulted in material loss, contingencies or uncertainties or impacted reputational risk that would require disclosure in the Annual Report.

5. Performance Measurement and Staff Competency

- (a) Key Performance Indicators, which are based on the Performance Scorecard approach are used to track and measure staff performance.
- (b) There are proper guidelines for the hiring and termination of staff, formal training programs and upskilling certification by industry experts for staff, annual performance appraisal and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

6. Business Continuity Planning

- (a) A Business Continuity Plan, including a Disaster Recovery Plan is in place to ensure continuity of business operations.
- (b) The governance, controls and processes to manage the business continuity are in place to prepare Cagamas in the event of disaster or pandemic.

CONCLUSION

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

Risk Management

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

RISK MANAGEMENT OVERVIEW

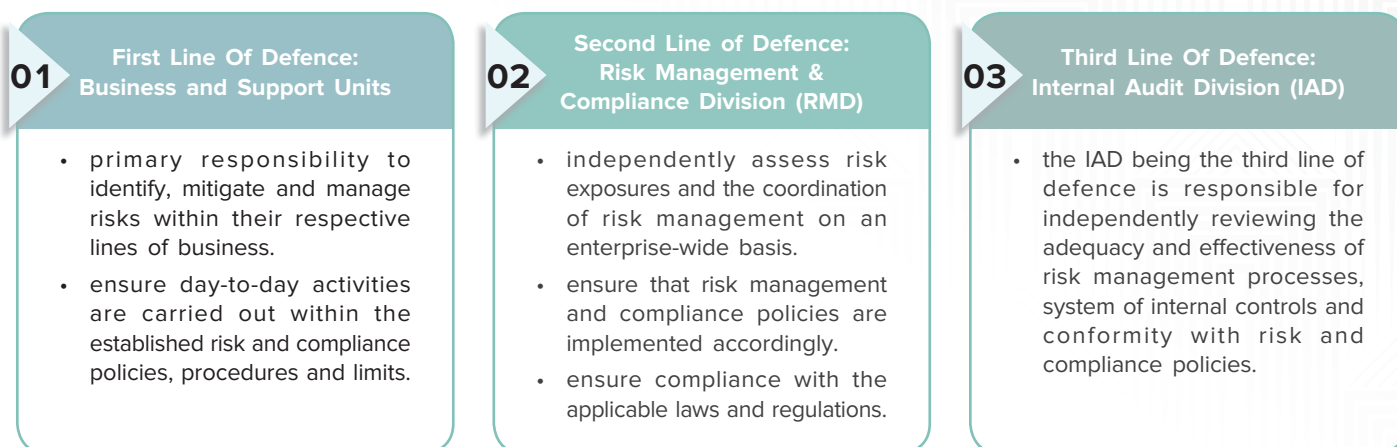
The Group's risk management approach is supported by a sound and robust Enterprise Risk Management Framework (Framework), which is continuously enhanced to remain relevant and resilient against the background of a versatile risk landscape and evolving industry practices.

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



RISK MANAGEMENT GOVERNANCE

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



Management recognises and manages the following key risks that could prevent the Group from achieving its objectives as part of its enterprise risk management:



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

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



Credit Risk is defined as the potential financial loss arising from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk within the Group arises from Purchase With Recourse (PWR) and Purchase Without Recourse (PWOR) business, mortgage guarantee programmes, investments and treasury hedging activities.

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



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

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

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

Risk Management (Continued)



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

The Group manages liquidity risk by adhering to a match-funding principle whereby all asset purchases are funded by bonds of closely matched size, duration, and are self-sufficient in terms of cash flow. A forward looking liquidity mechanism is in place to promote efficient and effective cash flow management while avoiding excessive concentrations of funding. The Group plans its cash flow and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. Reserve liquidity, which comprises marketable debt securities, is also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial markets.



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

Exposure to operational risk also entails the management of the following risk categories:

- **Technology Risk:** Technology Risk management involves structured and consistent risk assessment pertaining to technology and cyber security risks. The Group has embedded sound governance and effective management of technology risk which encompass strong information technology (IT) security, reliability, resiliency and recoverability to ensure the availability, accuracy, accessibility and agility of systems and data.
- **Business Disruption Risk:** The Group has a robust Business Continuity Management (BCM) program to minimise the impact and likelihood of any unexpected disruptions to its business operations through implementation of its BCM framework and policy, business continuity plans as well as regular BCM exercises. The Group has various enterprise-wide recovery strategies to expedite business and technology recovery and resumption during catastrophic events.



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

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



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

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

Annual internal audit is performed to verify that Islamic operations conducted by the business units are in compliance with the decisions endorsed by the Shariah Advisor. Any incidences of Shariah non-compliance are reported to the Shariah Advisor, Group Board Audit Committee, BRC and Board.

2021 KEY RISK MANAGEMENT & COMPLIANCE HIGHLIGHTS

Performed a comprehensive business risk assessment which encompass current portfolio state, Cagamas' competitive positioning, identification and diagnostic of key business risk.

Developed new Reputational Risk Framework which includes Identification of sources of reputational risk, reputational risk assessment process, monitoring and control.

Formulated Capital at Risk computation for all Cagamas products.

Automated computation of Net Stable Funding Ratio (NSFR) via internal effort without any additional cost.

Enhanced the Compliance's Monitoring Plan by expanding the compliance review scope to cover all divisions in Cagamas and conducted thematic enterprise-wide compliance review (e.g: Thematic review of Malaysian Anti-Corruption Commission Act).

Implemented trade surveillance monitoring system as an additional control for Treasury activities.

Successfully conducted BCM Manual Workaround Exercise (BCM exercise without availability of critical system).

Conducted feasibility assessment on the current recovery site.

Increased staff risk awareness through risk & compliance trainings and newsletters on various risk areas and emerging threats.

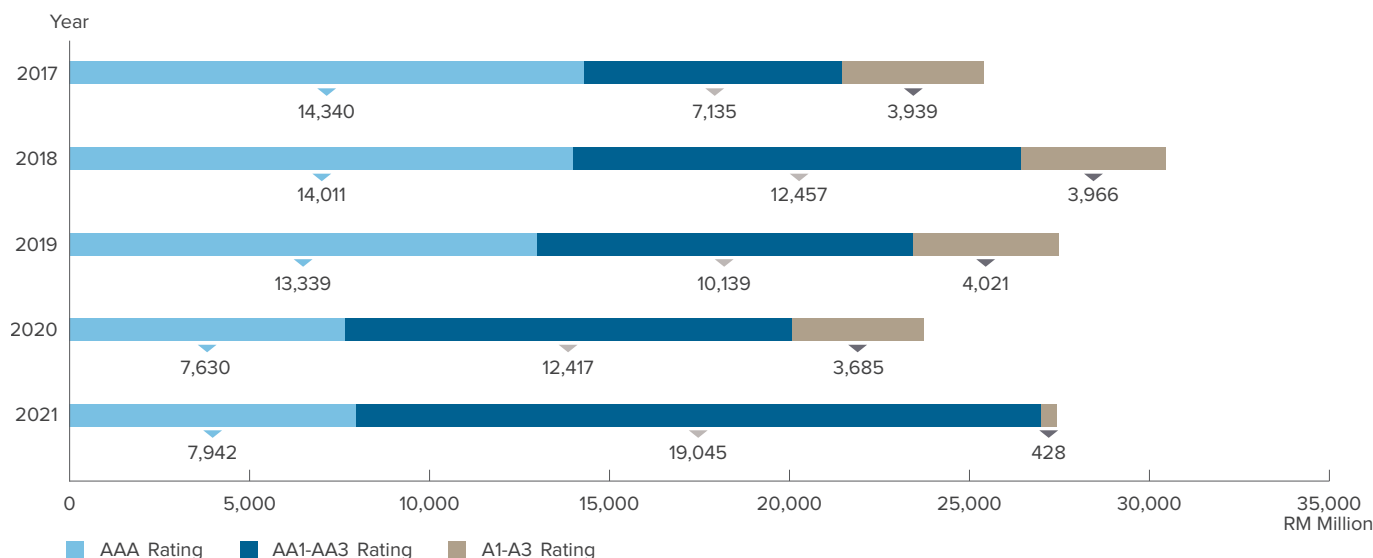
Streamlined credit practices to industry's best practice.

Collaborated with business to develop pricing and risk parameters for new Capital Management Solution (CMS) product.

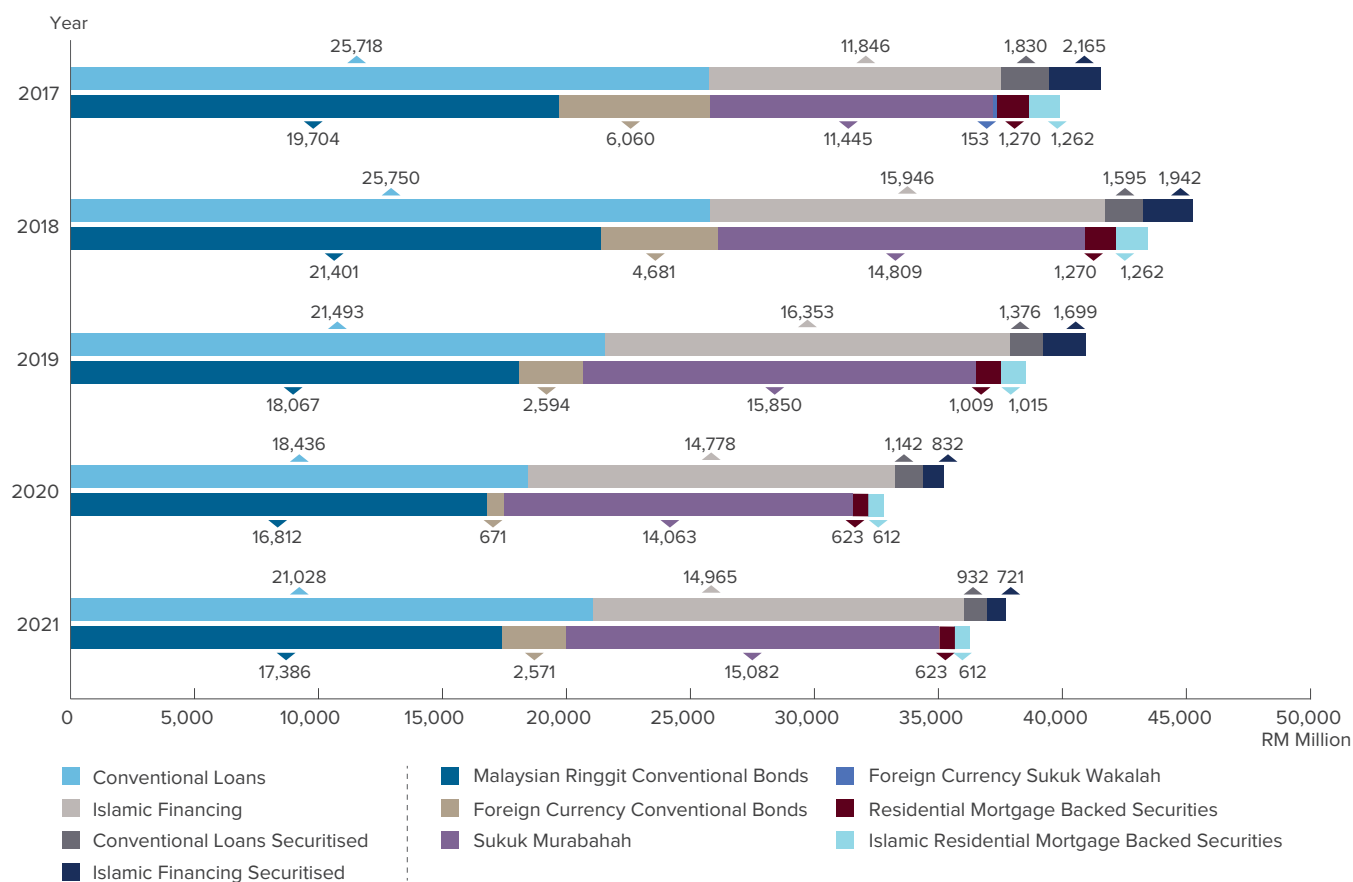
Provided independent risk assessment for all new products, counterparties and Request For Proposal (RFP) vendors.

Statistical Information

COUNTERPARTIES EXPOSURE BY RATINGS (PWR)



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



Statistical Information (Continued)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2021

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2005										
12.12.2005	20	5.920	12.12.2025	3.95	265					
2007										
29.05.2007	15	4.170	27.05.2022	0.40					320	
29.05.2007	20	4.340	28.05.2027	5.41					290	
22.08.2007	15	4.900	22.08.2022	0.64	250					
22.08.2007	20	5.080	20.08.2027	5.64	105					
2008										
08.08.2008	20	6.500	08.08.2028	6.61	90					
08.08.2008	15	6.350	08.08.2023	1.60					305	
08.08.2008	20	6.500	08.08.2028	6.61					370	
10.10.2008	15	6.050	10.10.2023	1.78	140					
10.10.2008	20	6.250	10.10.2028	6.78	340					
10.10.2008	15	6.050	10.10.2023	1.78					30	
10.10.2008	20	6.250	10.10.2028	6.78					35	
2009										
30.03.2009	15	5.460	29.03.2024	2.24	150					
30.03.2009	20	5.690	30.03.2029	7.25	150					
30.03.2009	15	5.460	29.03.2024	2.24					155	
30.03.2009	20	5.690	30.03.2029	7.25					80	
17.07.2009	15	5.520	17.07.2024	2.55	100					
17.07.2009	20	5.750	17.07.2029	7.55	50					
17.07.2009	15	5.520	17.07.2024	2.55					70	
17.07.2009	20	5.750	17.07.2029	7.55					55	
03.09.2009	15	5.280	03.09.2024	2.68	90					
26.11.2009	15	5.270	26.11.2024	2.91	85					
26.11.2009	20	5.500	26.11.2029	7.91	45					
26.11.2009	15	5.270	26.11.2024	2.91					80	
26.11.2009	20	5.500	26.11.2029	7.91					45	
2010										
03.09.2010	12	4.480	02.09.2022	0.67					5	
03.09.2010	15	4.650	03.09.2025	3.68					5	
03.09.2010	12	4.480	02.09.2022	0.67	10					
03.09.2010	15	4.650	03.09.2025	3.68	5					
2011										
07.04.2011	12	4.760	07.04.2023	1.27					5	
07.04.2011	15	4.920	07.04.2026	4.27					10	
20.12.2011	12	4.250	20.12.2023	1.97	10					
20.12.2011	15	4.410	18.12.2026	4.97	10					
20.12.2011	12	4.250	20.12.2023	1.97					5	
20.12.2011	15	4.410	18.12.2026	4.97					10	

Statistical Information (Continued)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2021 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2012										
31.10.2012	10	3.910	31.10.2022	0.83	450					
31.10.2012	15	4.170	29.10.2027	5.83	20					
04.12.2012	10	3.900	02.12.2022	0.92	5					
04.12.2012	12	4.000	04.12.2024	2.93	5					
04.12.2012	15	4.140	03.12.2027	5.93	5					
04.12.2012	10	3.900	02.12.2022	0.92					20	
04.12.2012	12	4.000	04.12.2024	2.93					10	
04.12.2012	15	4.140	03.12.2027	5.93					15	
2013										
28.10.2013	10	4.300	27.10.2023	1.82					645	
28.10.2013	12	4.550	28.10.2025	3.83					450	
28.10.2013	15	4.750	27.10.2028	6.83					675	
28.10.2013	20	5.000	28.10.2033	11.83					675	
18.11.2013	10	4.300	17.11.2023	1.88	375					
18.11.2013	12	4.550	18.11.2025	3.88	410					
18.11.2013	15	4.750	17.11.2028	6.88	460					
20.12.2013	10	4.600	20.12.2023	1.97					5	
2015										
25.11.2015	7	4.650	25.11.2022	0.90	20					
25.11.2015	10	4.850	25.11.2025	3.90	225					
25.11.2015	12	4.900	25.11.2027	5.90	250					
25.11.2015	20	5.070	26.11.2035	13.91	160					
21.12.2015	7	4.700	21.12.2022	0.97					435	
2017										
09.03.2017	5	4.150	09.03.2022	0.19	2,000					
28.04.2017	5	4.250	28.04.2022	0.32					500	
28.04.2017	5	4.250	28.04.2022	0.32	225					
20.06.2017	5	4.110	20.06.2022	0.47					350	
06.07.2017	5	4.090	06.07.2022	0.51	1,000					
03.11.2017	5	4.230	03.11.2022	0.84					840	
13.12.2017	5	4.250	13.12.2022	0.95	1,500					
29.12.2017	5	4.250	29.12.2022	0.99	300					
2018										
25.05.2018	5	4.500	25.05.2023	1.40					1,500	

Statistical Information (Continued)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2021 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2019									50	
12.03.2019	3	4.040	11.03.2022	0.19						
20.03.2019	3	4.000	21.03.2022	0.22						
14.08.2019	3	3.500	12.08.2022	0.61						
18.10.2019	3	3.450	18.10.2022	0.80						
18.10.2019	5	3.600	18.10.2024	2.80						
28.11.2019	3	3.400	28.11.2022	0.91						
28.11.2019	5	3.550	28.11.2024	2.91						
12.12.2019	3	3.380	12.12.2022	0.95						
16.12.2019	3	3.380	16.12.2022	0.96	300				300	
2020									100	
20.03.2020	2	3.030	21.03.2022	0.22						
30.03.2020	2	3.450	30.03.2022	0.24						
16.04.2020	2	3.100	18.04.2022	0.30						
22.05.2020	2	2.750	23.05.2022	0.39						
30.06.2020	2	2.700	30.06.2022	0.50						
26.10.2020	3	2.230	26.10.2023	1.82						
26.10.2020	3	2.250	26.10.2023	1.82						
27.10.2020	2	2.130	27.10.2022	0.82						
27.10.2020	2.5	2.180	27.04.2023	1.32						
22.12.2020	2	2.250	22.12.2022	0.98						
2021									398	
19.01.2021	3	2.380	19.01.2024	2.05						
20.01.2021	1	2.120	21.01.2022	0.06						
25.02.2021	1	2.100	28.02.2022	0.16						
16.03.2021	1	1.000	16.03.2022	0.21						
17.03.2021	1	0.850	17.03.2022	0.21						
17.03.2021	1	2.200	18.03.2022	0.21						
18.05.2021	3	2.780	20.05.2024	2.39						
24.05.2021	2	2.500	24.05.2023	1.39						
27.05.2021	2	2.500	29.05.2023	1.41						
15.06.2021	5	3.150	15.06.2026	4.46						
25.06.2021	5	3.150	15.06.2026	4.46						
25.06.2021	2	2.480	26.06.2023	1.48						
28.06.2021	2	2.410	28.06.2023	1.49						
28.06.2021	2	2.410	28.06.2023	1.49						
05.08.2021	3	2.670	05.08.2024	2.60						
05.08.2021	3	2.670	05.08.2024	2.60						
09.08.2021	1	2.150	10.08.2022	0.61						
09.08.2021	1	2.150	10.08.2022	0.61						
25.08.2021	1	3-m KLIBOR	26.08.2022	0.65						

Statistical Information (Continued)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2021 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2021 (Cont'd)										
24.09.2021	2	2.370	25.09.2023	1.73	300					
24.09.2021	2	2.400	25.09.2023	1.73	250					
28.09.2021	1	2.180	29.09.2022	0.75					200	
28.09.2021	2	2.400	28.09.2023	1.74					150	
28.09.2021	3	2.780	30.09.2024	2.75					1,150	
13.10.2021	0.25	1.990	13.01.2022	0.04					300	
29.10.2021	2	2.520	30.10.2023	1.83	300					
29.10.2021	3	3.050	29.10.2024	2.83	700					
22.11.2021	0.25	1.980	22.02.2022	0.15					245	
24.11.2021	0.25	1.980	24.02.2022	0.15					100	
25.11.2021	0.25	1.990	25.02.2022	0.15		100				
24.11.2021	1	2.300	25.11.2022	0.90	30					
24.11.2021	2	2.800	24.11.2023	1.90	20					
24.11.2021	2.5	2.970	24.05.2024	2.40	50					
24.11.2021	1	2.300	25.11.2022	0.90	40					
24.11.2021	2	2.800	24.11.2023	1.90	25					
24.11.2021	2.5	2.970	24.05.2024	2.40	35					
25.11.2021	3	3.040	25.11.2024	2.90					1,100	
26.11.2021	1	2.330	28.11.2022	0.91					500	
26.11.2021	1	2.330	28.11.2022	0.91	280					
26.11.2021	1	1.060	28.11.2022	0.91				418		
26.11.2021	2	1.300	26.11.2023	1.90				418		
26.11.2021	0.25	2.000	24.02.2022	0.15		300				
01.12.2021	1	1.060	01.12.2022	0.92				285		
08.12.2021	2	1.250	08.12.2023	1.94				618		
10.12.2021	3	3.160	10.12.2024	2.95	500					
20.12.2021	0.25	2.050	21.03.2022	0.22		150				
21.12.2021	0.25	2.050	21.03.2022	0.22		500				
30.12.2021	0.25	2.050	30.03.2022	0.24		250				
TOTAL					15,970	1,300	620	2,563	14,985	610
					36,048					

Statistical Information (Continued)

HOLDERS OF DEBTS SECURITIES ISSUED BY CAGAMAS BERHAD GROUP

	2017		2018		2019		2020		2021	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Financial Institutions	16,794	45.75	21,451	53.33	20,573	56.71	19,086	60.96	19,861	57.04
Provident and Pension Funds	7,255	19.77	7,730	19.22	7,055	19.44	5,672	18.11	4,946	14.20
Insurance Companies	3,670	10.00	3,483	8.66	3,688	10.16	3,523	11.25	3,991	11.46
Asset Management and Trust Funds	2,166	5.90	2,552	6.34	1,886	5.20	2,008	6.41	2,340	6.72
Non-Resident Investors	6,017	16.39	4,323	10.75	2,727	7.52	780	2.49	3,279	9.42
Corporations	364	0.99	199	0.49	114	0.31	181	0.58	51	0.15
Government Linked Companies	441	1.20	488	1.21	241	0.66	60	0.20	350	1.01
Total	36,707	100	40,226	100	36,284	100	31,310	100	34,818	100

HOLDERS OF DEBT SECURITIES ISSUED BY CAGAMAS MBS BERHAD

	2017		2018		2019		2020		2021	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Insurance Companies	1,535	60.92	1,306	51.84	1,164	57.77	734	59.66	739	60.31
Provident and Pension Funds	305	12.10	305	12.08	255	12.66	220	17.89	240	19.60
Asset Management and Trust Funds	106	4.20	291	11.54	264	13.10	145	11.83	135	11.06
Financial Institutions	532	21.11	577	22.90	282	13.97	75	6.07	72	5.88
Corporations	20	0.79	15	0.60	25	1.24	21	1.71	39	3.15
Government Linked Companies	0	0.00	5	0.20	5	0.25	20	1.63	0	0.00
Individuals	15	0.60	15	0.60	15	0.74	15	1.22	0	0.00
Non-Resident Investors	7	0.28	6	0.25	5	0.27	0	0.00	0	0.00
Total	2,520	100	2,520	100	2,015	100	1,230	100	1,225	100

TOTAL DEBT SECURITIES OUTSTANDING IN THE MARKET

Instruments	% of Total Debt Securities Outstanding				
	2017	2018	2019	2020	2021
Malaysian Government Securities/ Malaysian Government Investment Issues	51.6	51.7	51.4	52.5	53.8
Corporate Bonds and Sukuk	32.0	31.1	31.7	30.6	29.5
Other Quasi-Government Securities, e.g., Multilateral Development Financial Institution	12.4	13.3	13.6	14.2	14.2
Cagamas Group Debt Securities	2.6	2.8	2.4	2.0	2.0
Khazanah Bonds and Sukuk	1.4	1.1	0.9	0.7	0.5
Total	100.0	100.0	100.0	100.0	100.0

Cagamas in the News

Cagamas launches RM100 mln Skim Saraan Bercagar

KUCHING: Cagamas Bhd (Cagamas), the National Mortgage Corporation of Malaysia, yesterday introduced a market-first financing solution for retirees, Skim Saraan Bercagar (SSB) to help the elderly fund their retirement.

SSB was launched by Finance Minister, Senator Tengku Datuk Seri Utama Zafri Tengku Abdul Aziz.

The solution allows retirees aged 55 and above, to borrow against the value of their fully paid homes and convert it into a steady monthly cash payout throughout their lifetime to supplement their retirement funds.

"As more Malaysians retire in the future, we must recognise the importance of our retirees and



saw Cagamas signing a Memorandum of Understanding (MoU) with EPF and AKPK.

The signatories were Cagamas president and chief executive officer (CEO) Datuk Chung Chee Leong, EPF CEO Datuk Seri Amir Hamzah Azizan and AKPK CEO Azaddin Nigh Tasir.

The signing ceremony was witnessed by Tengku Zafrul, Bakarudin, EPF chairman Tan Sri Ahmad Badri Mohd Zahir, Securities Commission Malaysia executive chairman Datuk Syed Zaid Albar and Bank Negara Malaysia's assistant governor Anwar Zaylani Mohamad Zahid.

"We welcome innovative

Cagamas unveils Malaysia's first reverse mortgage scheme

Programme is a significant move as retirees can unlock the equity value of their property

By AMPHIBIAN/STAFF

PETALING JAYA: Cagamas Bhd yesterday unveiled its first reverse mortgage scheme during the Covid-19 pandemic to allow the elderly to unlock the equity value of their property.

"Following the withdrawals, we discovered that 50% of members under the age of 55 have less than RM10,000 in their savings, while 25% of members have less than RM5,000. As a result, many three-year-olds of these members may not have sufficient funds to cover their living expenses."

He believes the scheme is a significant move as it provides the financing options needed to ensure the independence of the elderly population, and to create a more inclusive society.

"We must ensure that a healthy ageing population can participate in the

For the pilot period, he stated it has allocated RM100 million to ensure the success of the scheme.

With the scheme, any sale or just before the age of 55 years and above can apply for a reverse mortgage on their home.

Upon doing so, the borrower's term of his home will be extended to 10 years and the reverse mortgage will be repaid by the borrower's estate or next of kin.

He believes the scheme is a significant move as it provides the financing options needed to ensure the independence of the elderly population, and to create a more inclusive society.

Going for green mortgages

Cagamas eyes ESG-related issuances to drive growth and profits

CORPORATE

By JOY LEE

joylee@theedgeline.com.my

KUALA LUMPUR: Sustainability-related products will be among the new business initiatives that will drive growth and profits

"We are looking into how Cagamas can support the regulator's initiative in the green agenda."

Datuk Chung Chee Leong

"We foresee this year to be a better one for us and we expect better of things in the country. The removal of Malaysia's Fitch's credit rating has hit us hard."

"Also, Moody's has maintained Malaysia's rating at A3. For what is next is probably review in June. Fitch has downgraded Malaysia but we hope S&P will

TIER-1 SOCIAL BENEFIT RATING

Cagamas concludes issuances of RM300m Asean SRI sukuk, sustainability bonds

KUALA LUMPUR: Cagamas Bhd has concluded its first double issuance of the Asean sustainability socially responsible investing (SRI) sukuk and the green sustainability bonds totalling RM300 million under the RM60

lion SRI sukuk and RM200 million sustainability bonds, and were to fund the purchase of eligible Islamic financing and loans for affordable housing.

"After the success of our inaugural sustainability issuances

"We are glad to see the increasing awareness and support given by investors on sustainability financing and issuances of such nature, which would allow investors to deploy capital towards essential social needs," said

President and Chief Executive Officer (CEO) Datuk Chung Chee Leong. The SRI sukuk and sustainability bonds for affordable housing priced at 38 to 43 basis points above the corresponding three-year Malaysian Government Investment Securities.

The SRI sukuk and sustainability bonds for affordable housing priced at 38 to 43 basis points above the corresponding three-year Malaysian Government Investment Securities.

The transactions marked the company's 18th issuance exercise for the year and brings the year-to-date issuance amount to RM5.96 billion.

The papers, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of the company. They

Cagamas catat terbitan tahunan RM19.2 bilion, tertinggi sejak 2002

06th SHAFI/STAFF

PETALING JAYA: Terbitan agas Cagamas Bhd pada 2022 meningkat sebanyak 6 peratus tahun ke tahun kepada RM19.2 bilion, lebih daripada terbitan terbitan pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Lebih banyak terbitan agas Cagamas Bhd pada 2022 berbanding dengan terbitan agas Cagamas Bhd pada 2021.

Cagamas

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

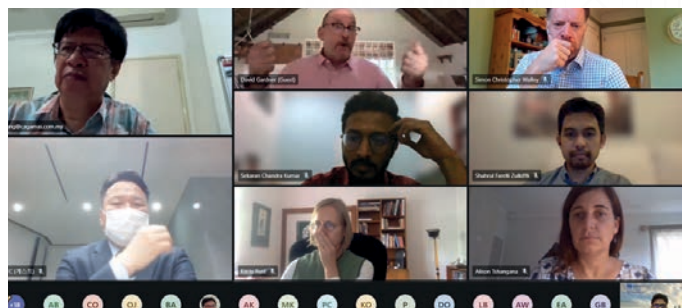
Datuk Chung Chee Leong

President and Chief Executive Officer

Cagamas Bhd

CEO

Corporate Highlights

MARCH


International Secondary Mortgage Market Association ("ISMMA") First Virtual Meeting of 2021

The ISMMA held its first virtual meeting of the year in March. During the meeting, member countries discussed the housing economic value chain and sustainable housing, as well as the implementation of IFRS 9 for mortgage refinance corporations. Chaired by the ISMMA Chairman, Datuk Chung Chee Leong, the meeting was attended by 47 participants from 21 member countries and the World Bank Group.



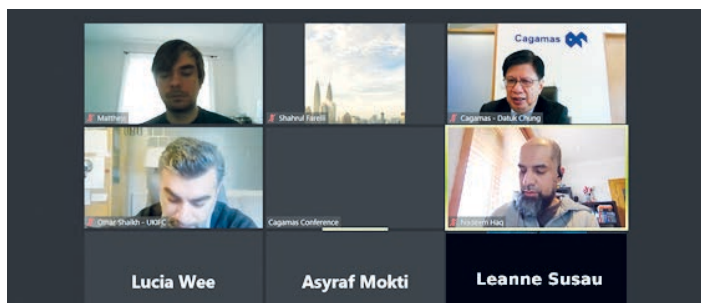
Meeting with Minister of Housing and Local Government ("KPKT")

President/ Chief Executive Officer, Datuk Chung Chee Leong, led the Cagamas team for a business meeting with Minister of Housing and Local Government, Yang Berhormat Datuk Hajah Zuraida Kamaruddin. The briefing covered the performance of Cagamas' mortgage guarantee schemes for first time house buyers and an update on the Cagamas' Reverse Mortgage for the silver population. The meeting also explored various initiatives to provide housing for all Malaysians, especially those in the B40 and informal categories.



Green Social Sustainable Bonds ("GSSB") Series 2: Webinar for Issuers, Underwriters and Advisors

Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong, shared Cagamas' experience of its inaugural issuances of ASEAN Sustainability SRI Sukuk and ASEAN Sustainability Bonds in Malaysia, in a panel webinar for GSSB Series 2: Webinar for Issuers, Underwriters, Arrangers and Advisors. Organised by the Capital Market Development Council, Financial Executives Institute of the Philippines, Bankers Association of the Philippines, Investment House Association of the Philippines and the Asian Development Bank, the webinar was part of the Asian Bond Markets Initiative to develop green, social and sustainable bond markets in ASEAN plus the People's Republic of China, Japan and the Republic of Korea (collectively known as ASEAN +3), and was attended by issuers, underwriters, arrangers and advisors within the ASEAN+3 region.



Interview with The UK Islamic Finance Council ("UKIFC") on Innovation in Islamic Finance – Green Sukuk for Sustainable Development Goals ("SDGs")

Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong, was interviewed by UKIFC to discuss Cagamas' experience as an issuer of its ASEAN Sustainability SRI Sukuk for the UKIFC's report entitled, Innovation in Islamic Finance – Green Sukuk for Sustainable Development Goals (SDGs). The report, written in partnership with the United Nations Development Programme, Indonesia, aims to showcase green/ sustainability sukuk as a way to mobilise finance and achieve sustainability goals, either the SDGs or Nationally Determined Contributions.

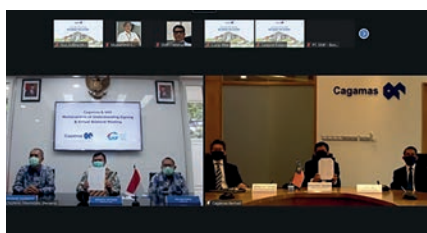
Corporate Highlights (Continued)

APRIL



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

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



Virtual Signing Ceremony for Memorandum of Understanding ("MoU") and Bilateral Meeting with PT Sarana Multigriya Finansial (Persero) ("SMF")

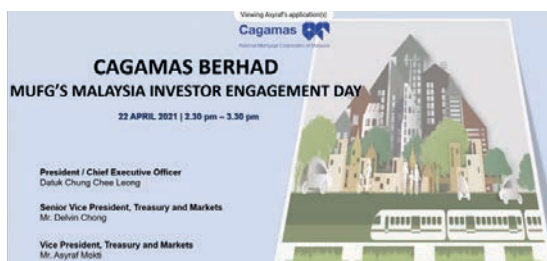
Cagamas signed a MoU with SMF for the purpose of enhancing further collaboration in promoting both the secondary mortgage markets in Malaysia and Indonesia on 14 April 2021. This represents a renewal of the MoU signed in March 2018. Cagamas was represented by President/ Chief Executive Officer, Datuk Chung Chee Leong, while SMF was represented by President Director, Ananta Wiyogo, at a virtual signing ceremony, witnessed by the respective representatives from both organisations.

Thereafter, Cagamas and SMF held a bilateral meeting to exchange updates on business performance as well as government measures and responses to the COVID-19 pandemic.



BPAM Bond Market Awards 2021

Cagamas was accorded the Top Issuance – Conventional award (MYR8,185 million) by the Bond Pricing Agency Malaysia ("BPAM") at the BPAM Bond Market Awards 2021. BPAM applauded Cagamas' steadfast dedication and contribution to the market throughout 2020 despite the many challenges facing the country. President/ Chief Executive Officer, Datuk Chung Chee Leong, received the award on behalf of Cagamas. The winners were selected based on the BPAM League Schedule for the year ended 31 December 2020.



MUFG's Malaysia Investor Engagement Day ("Malaysia Day")

Cagamas participated in MUFG's Malaysia Investor Engagement Day ("Malaysia Day") in April 2021. This virtual discussion is aimed at promoting the Government of Malaysia and Malaysian companies to MUFG's fixed income investor base, particularly Asian investors, including those from Hong Kong, Japan, Korea and Taiwan. The highly interactive session saw Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong and the Cagamas Treasury and Markets team provide an overview of the Cagamas business model, key performance highlights and outlook.



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

Cagamas Holdings Berhad held its fourteenth AGM on 30 April 2021. The hybrid AGM was conducted in-person at Cagamas' office and via video conference for virtual attendees. The Group, which includes Cagamas Berhad, Cagamas MBS Berhad and Cagamas SRP Berhad, reported a pre-tax profit of RM512.2 million for the financial year 2020 compared with RM534.2 million in 2019.



Cagamas Investor Briefing on the Financial Results for 2020

Cagamas organised its virtual Investor Briefing, which was attended by 93 registered attendees from across the region. Led by President/ Chief Executive Officer, Datuk Chung Chee Leong, the briefing highlighted Cagamas' financial performance in 2020 as well as its business initiatives for 2021. Cagamas' Senior Vice Presidents of Finance and Treasury and Markets were also in attendance during the briefing.

JUNE

HSBC 5th Annual Asia Credit Conference – Investor/ Issuer Virtual Meeting

Cagamas led by its President/ Chief Executive Officer, Datuk Chung Chee Leong, held an Investor/ Issuer virtual meeting hosted by HSBC Bank, Hong Kong on the sidelines of the HSBC 5th Annual Asia Credit Conference. The meeting was attended by investors from across the region.

SEPTEMBER

11th Global Islamic Finance Awards 2021

Cagamas was honoured with the GIFA Market Leadership Award (Islamic Securitization) 2021 at the 11th Global Islamic Finance Awards 2021 (GIFA) on 14 September 2021. The GIFA virtual ceremony was broadcasted live on Facebook, YouTube and the GIFA website.

The Asset Triple A Islamic Finance Awards 2021



Cagamas was accorded the Islamic Issuer of the Year – Quasi-Sovereign (Issuer/ Adviser Award) as well as the Best ASEAN Sustainability SRI Sukuk - Quasi-Sovereign (Best in Sustainable Finance) and Best ASEAN Sustainability SRI Sukuk – Quasi-Sovereign (Best Deals by Country) for its 100 million ringgit sustainability SRI commodity murabahah sukuk, at The Asset Triple A Islamic Finance Awards 2021. The virtual awards ceremony, organised by The Asset Publishing and Research Limited based in Hong Kong, was broadcasted live on its website.

OCTOBER



Pre-Budget Engagement Session with the Minister of Finance

Cagamas had a pre-budget engagement session with the Minister of Finance, Yang Berhormat Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz. The areas of discussion included overcoming challenges faced by #KeluargaMalaysia to access additional cash flow especially for the silver economy and first time home ownership, particularly in the current pandemic environment. Cagamas looks forward to working with the Minister of Finance to realise the Government's aspirations towards a sustainable and inclusive nation.



Virtual Meeting with Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA")

Cagamas held a virtual meeting with LPPSA to strengthen the existing collaboration by exploring new areas of cooperation and collaboration, in addition to having potential knowledge sharing sessions in the future. The meeting was led by the President/ Chief Executive Officer of Cagamas, Datuk Chung Chee Leong, and Chief Executive Officer of LPPSA, Mohd Farid Dato' Hj Nawawi.



Virtual Meeting with Executive Director, Market & Corporate Supervision of Securities Commission Malaysia ("SC")

Cagamas held a virtual meeting with SC to discuss on matters and issues pertaining to the Malaysian fixed income market. The meeting was led by the President/ Chief Executive Officer of Cagamas, Datuk Chung Chee Leong, and Executive Director, Market & Corporate Supervision of SC, Kamarudin Hashim.

Cagamas Board Strategic Retreat Meeting 2021

Members of the Board of Directors of the Cagamas Group of Companies and senior management team attended the Cagamas Board Strategic Retreat Meeting 2021 held in Kuala Lumpur. The session discussed future strategic directions of Cagamas as well as possible strategic initiatives.



Corporate Highlights (Continued)

NOVEMBER



Virtual Meeting with Japan Housing Finance Agency ("JHF")

Cagamas held a virtual knowledge sharing session with JHF on the Flat 35S loan which is a government-backed, long-term fixed rate home financing securitised by JHF in collaboration with private financial institutions. The loan provides a lower interest rate for a certain period to encourage the purchase of high quality housing in terms of energy savings and earthquake resilience. The meeting was led by the President/ Chief Executive Officer of Cagamas, Datuk Chung Chee Leong, and the Director of Market Operations of JHF, Yuji Date.

DECEMBER



Virtual Meeting with Korea Housing Finance Corporation ("KHFC")

Cagamas held a virtual meeting with KHFC to discuss and share experiences on the development and implementation of Reverse Mortgage in Malaysia and Korea. The meeting was led by the President/ Chief Executive Officer of Cagamas, Datuk Chung Chee Leong, and Chairman, President & Chief Executive Officer of KHFC, Joon Woo Choi.

Discussion Session with Minister of Housing and Local Government ("KPKT")



President/ Chief Executive Officer, Datuk Chung Chee Leong, led the Cagamas team for a discussion session with the Minister of KPKT, Yang Berhormat Dato' Sri Reezal Merican Naina Merican, together with representatives from the Ministry of Finance and Syarikat Jaminan Kredit Perumahan. The discussion explored potential collaborations with the Government to increase home ownership particularly among young Malaysians. The Minister was briefed on Skim Rumah Pertamaku and proposed enhancements to help more young Malaysians own a home.



Cagamas Skim Saraan Bercagar ("SSB") Launch and Memorandum of Understanding ("MoU") Signing Ceremony

Cagamas launched and introduced a market-first financing solution for senior citizens, SSB, to help the elderly fund their retirement. This scheme allows seniors aged 55 and above, to borrow against the value of their fully paid homes and convert it into a steady monthly cash payout throughout their lifetime to supplement their retirement funds. The launch was officiated by Finance Minister, Yang Berhormat Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, followed by the signing of the MoU between Cagamas, Employees Provident Fund (EPF) and the Credit Counselling and Debt Management Agency (AKPK), in striving towards a common goal of increasing financing access for the elderly.

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 ("CSR"), 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 CSR 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

Directors' Report (Continued)

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
	<u>30,000</u>	<u>30,000</u>
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	–
	<u>6,081</u>	<u>–</u>

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 $gA2$ /Stable/ $gP1$, $seaAAA$ /Stable/ $seaP1$ 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/AAAs and MARC-1/MARC-1s, respectively. MARC has also assigned a rating of AAA to RMBS and AAAs/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 $gA2(s)$ /Stable and A3 respectively to the USD2.5 billion Multicurrency Medium Term Note ("EMTN") Programme and USD2.5 billion Multicurrency Sukuk Programme ("Islamic EMTN") issued by its subsidiaries.

Directors' Report *(Continued)*

RELATED PARTY TRANSACTIONS

The Company's related party transactions are disclosed in Note 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 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.

Directors' Report *(Continued)*

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

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	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		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	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/IRMB 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		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	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		Total equity RM'000
			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	
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/IRMS 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	Non- distributable	Distributable	Total equity RM'000
		Share capital RM'000	Share premium relief reserves RM'000	Retained profits 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

Statements of Cash Flows (Continued)
For The Financial Year Ended 31 December 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	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.

Notes to the Financial Statements *(Continued)*

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.

Notes to the Financial Statements *(Continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Notes to the Financial Statements (Continued)

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

2 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 acquisition under MFRS 3 “Business Combination”.

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 “Accounting for Acquisitions and Mergers”, the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122²⁰⁰⁴ “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.

Notes to the Financial Statements (Continued)

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 122²⁰⁰⁴ 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 unaccrued 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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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 objective 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.

Notes to the Financial Statements (Continued)

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 unlikelihood 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.

Notes to the Financial Statements *(Continued)*

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".

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements *(Continued)*

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

Notes to the Financial Statements *(Continued)*

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.

Notes to the Financial Statements (Continued)

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).

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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
<u>Stage 1</u>		
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	—

Notes to the Financial Statements (Continued)

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").

Notes to the Financial Statements (Continued)

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			
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Average fixed interest rate %
2021				
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)	

Notes to the Financial Statements (Continued)

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			Average fixed interest rate %
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	
2020				
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
	<u>2,615,000</u>	<u>52,796</u>	<u>(43,936)</u>	
CCS				
Maturing within one year	669,927	5,108	(2,027)	3.33
	<u>3,284,927</u>	<u>57,904</u>	<u>(45,963)</u>	

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

	Group					
	Notional amount RM'000	Fair value*		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
		Assets RM'000	Liabilities RM'000			
2021						
<u>Interest/profit rate risk</u>						
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)	–
<u>Foreign exchange risk</u>						
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.

Notes to the Financial Statements (Continued)

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*		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
		Assets	Liabilities				
		RM'000	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				
<u>Interest/profit rate/foreign exchange</u>				
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				
<u>Interest/profit rate/foreign exchange</u>				
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)	–

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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:		
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

Notes to the Financial Statements (Continued)

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
<u>Stage 1</u>		
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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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:		
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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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:		
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

Notes to the Financial Statements (Continued)

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)

Notes to the Financial Statements (Continued)

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			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2021				
<u>Deferred tax assets</u>				
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
<u>Deferred tax liabilities</u>				
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)

Notes to the Financial Statements (Continued)

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			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2020				
<u>Deferred tax assets</u>				
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
	<u>32,498</u>	<u>13,027</u>	<u>3,986</u>	<u>49,511</u>
<u>Deferred tax liabilities</u>				
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)
	<u>(613,691)</u>	<u>7,273</u>	<u>(20,792)</u>	<u>(627,210)</u>

Notes to the Financial Statements (Continued)

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				
<u>Deferred tax liabilities</u>				
Temporary difference relating to interest receivables on deposits and placements	(7)	5	–	(2)
2020				
<u>Deferred tax liabilities</u>				
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

Notes to the Financial Statements (Continued)

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.	Malaysia	100	100
	The Company has remained dormant since 1 January 2014.			
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.	Malaysia	100	100
	The Company has remained dormant since 10 October 2012.			

* indirect interest via investment in Cagamas

Notes to the Financial Statements (Continued)

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.	100	100

The Company has remained dormant since 1 September 2015.

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

Notes to the Financial Statements (Continued)

20 PROPERTY AND EQUIPMENT

Group	Office equipments RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
2021				
<u>Cost</u>				
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
<u>Accumulated depreciation</u>				
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)
<u>Net book value</u>				
As at 31 December	2,028	96	214	2,338
2020				
<u>Cost</u>				
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
<u>Accumulated depreciation</u>				
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)
<u>Net book value</u>				
As at 31 December	2,836	89	320	3,245

Notes to the Financial Statements (Continued)

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					
<u>Cost</u>					
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
<u>Accumulated amortisation</u>					
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)
<u>Net book value</u>					
As at 31 December	1,906	3,255	13,070	126	18,357
2020					
<u>Cost</u>					
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
<u>Accumulated amortisation</u>					
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)
<u>Net book value</u>					
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).

Notes to the Financial Statements (Continued)

22 RIGHT-OF-USE ASSET

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

	Group	
	2021 RM'000	2020 RM'000
<u>Cost</u>		
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
<u>Accumulated amortisation</u>		
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)
<u>Net book value</u>		
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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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 (Reversal)/allowance during the year due to changes in credit risk	(62)	(109)	(138)	(309)
	(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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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	

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

26 SUKUK

		Group		
	Year of maturity	Amount outstanding RM'000	2021 Effective profit rate %	2020 Effective profit rate %
(a) Islamic commercial papers				
	2021	–	–	845,000
	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
	2022	3,785,000	1.980-3.700	2,050 – 5.380
	2023	3,895,000	2.230-6.350	2.250 – 4.700
	2024	3,885,000	2.670-5.520	2.230 – 6.350
	2025	455,000	4.550-4.650	3.550 – 5.520
	2026	370,000	3.150-4.920	4.550 – 4.650
	2027	15,000	4.140	4.410 – 4.920
	2028	1,080,000	4.750-6.500	15,000
	2029	180,000	5.500-5.750	4.750 – 6.500
	2033	675,000	5.000	180,000
		14,340,000		5.500 – 5.750
				675,000
				5.000
Add:				
Profit payable		94,982		13,110,000
		14,434,982		106,136
				13,216,136
Total		15,082,028		14,063,392

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

27 RMBS

	Group				
	Year of maturity	Amount outstanding RM'000	2021 Effective interest rate %	Amount outstanding RM'000	2020 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:

- The subsidiary, CMBS has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.
- The RMBS's interest is payable quarterly in arrears.
- The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.
- 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.
- The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

Notes to the Financial Statements (Continued)

28 IRMBS

	Group			
	Year of maturity	Amount outstanding RM'000	2021 Effective profit rate %	2020 Effective profit rate %
IRMBS	2022	320,000	4.17	320,000
	2027	290,000	4.34	290,000
		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:

- The subsidiary, CMBS has an option to redeem the IRMBS partially subject to the terms and conditions of each transaction.
- The IRMBS's profit is distributable quarterly in arrears.
- The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.
- 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.
- The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying Islamic mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the Islamic mortgage assets.

Notes to the Financial Statements (Continued)

29 SHARE CAPITAL

	Group and Company			
	Amount RM'000	2021 Number of shares '000	Amount RM'000	2020 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)

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements *(Continued)*

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.

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

39 TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	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		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	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

Notes to the Financial Statements (Continued)

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
<u>On ordinary shares:</u>				
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	2020
	Total amount RM'000	Total amount RM'000
<u>On RPS:</u>		
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.

Notes to the Financial Statements (Continued)

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:

<u>Related parties</u>	<u>Relationships</u>
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.

Notes to the Financial Statements (Continued)

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				
<u>Expenses:</u>				
Directors' fee and allowances	968	930	—	—
Servicer fees	2,264	2,524	—	—
<u>Amount due to:</u>				
Directors' fee and allowances	(7)	(72)	—	—
Servicer fees	(549)	(678)	—	—
Subsidiary				
<u>Expenses:</u>				
Management fee	—	—	48	58
<u>Amount due to:</u>				
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.

Notes to the Financial Statements (Continued)

42 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	Group	
	2021 RM'000	2020 RM'000
<i>Capital expenditure:</i>		
Authorised and contracted for	2,886	2,275
Authorised but not contracted for	4,477	3,116
	7,363	5,391
<i>Analysed as follows:</i>		
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.

Notes to the Financial Statements (Continued)

43 FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2021 RM'000	2020 RM'000
<u>Financial assets</u>		
<i>Financial assets at amortised cost:</i>		
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
<i>Financial assets at FVOCI:</i>		
Debt instruments	4,708,546	3,898,881
<i>Financial assets at FVTPL:</i>		
Unit trusts	127,779	193,466
Derivative financial instruments	29,607	57,904
	157,386	251,370
<u>Financial liabilities</u>		
<i>Financial liabilities at amortised cost:</i>		
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
<i>Financial liabilities at FVTPL:</i>		
Derivative financial instruments	28,595	45,963

Notes to the Financial Statements (Continued)

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
<i>Impact to equity:</i>				
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%
<i>Impact to income statements:</i>				
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	On-statement of financial position													Off- statement of financial position
	Deposits and		Financial assets at amortised cost	Derivative financial instruments	Amount due from counter parties	Islamic financing assets	Mortgage assets- Conventional	Mortgage assets- Islamic	Hire purchase assets- Islamic	Other assets	Financial guarantee	Total		
	Cash and equivalents	placements with financial institutions												
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Government bodies	-	-	-	-	-	-	-	-	-	-	-	-	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	
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

Notes to the Financial Statements (Continued)

45 CREDIT RISK (CONTINUED)

45.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

Group	On-statement of financial position													Off- statement of financial position
	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	
2020														
Government bodies	-	-	-	1,557,438	-	-	-	-	-	-	415	-	1,557,853	
Financial institutions:														
- Commercial banks	244,508	490,585	57,904	30,002	120,802	13,397,099	9,322,362	-	-	-	-	-	23,663,262	
- Development	-	-	-	187,184	-	-	340,299	-	-	-	-	-	527,483	
Communication, electricity, gas and water	-	-	-	312,932	-	-	-	-	-	-	-	-	312,932	
Transportation	-	-	-	819,756	-	-	-	-	-	-	-	-	819,756	
Leasing	-	-	-	-	-	672,096	-	-	-	-	-	-	672,096	
Consumers	-	-	-	-	-	-	-	5,509,163	5,947,232	34	-	495,903	11,952,332	
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	

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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
	<u>35,173,669</u>	<u>80,791</u>	<u>35,254,460</u>	<u>66,175</u>	<u>35,188,285</u>	<u>80,791</u>	

* 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	2020
	Strong/ Total RM'000	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
	<u>37,634,360</u>	<u>35,173,669</u>

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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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:

- 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.
- 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.
- 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)

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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						
<u>Financial liabilities</u>						
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						
<u>Financial liabilities</u>						
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

Notes to the Financial Statements (Continued)

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						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	1,467	(4,194)	(13,343)	11,862	38,915	34,707
<u>Gross settled derivatives</u>						
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						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS	(1,016)	(5,553)	4,080	(6,053)	43,556	35,014
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS						
– Outflow	(3,433)	–	(1,028,926)	–	–	(1,032,359)
– Inflow	66	–	592,905	–	–	592,971

Notes to the Financial Statements (Continued)

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	—

Notes to the Financial Statements *(Continued)*

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).

Notes to the Financial Statements (Continued)

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				
<u>Assets</u>				
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
<u>Liabilities</u>				
Derivative financial instruments	–	28,595	–	28,595
2020				
<u>Assets</u>				
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
<u>Liabilities</u>				
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.

Notes to the Financial Statements (Continued)

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
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
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.

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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
	%	%
<u>Before deducting dividend*</u>		
CET1 capital ratio	54.8	57.5
Tier 1 capital ratio	54.8	57.5
Total capital ratio	56.1	59.1
<u>After deducting dividend*</u>		
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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

51 CAPITAL ADEQUACY (CONTINUED)

51.2 Proforma regulatory capital excluding CMBS

	Group	
	2021**	2020**
	%	%
<u>Before deducting dividend*</u>		
CET1 capital ratio	41.1	43.9
Tier 1 capital ratio	41.1	43.9
Total capital ratio	42.4	45.5
<u>After deducting dividend*</u>		
CET1 capital ratio	40.9	43.6
Tier 1 capital ratio	40.9	43.6
Total capital ratio	42.2	45.2
	Group	
	2021**	2020**
	RM'000	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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Group	
	Note	2021 RM'000	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

Notes to the Financial Statements *(Continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group	
		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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Non-distributable				Distributable		Total RM'000
	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	
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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

	Group	
	2021 RM'000	2020 RM'000
(a) <i>Cash and cash equivalents</i>		
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
<u>Stage 1</u>		
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).

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2021 RM'000	2020 RM'000
(c) <i>Financial assets at FVOCI</i>		
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:

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

Notes to the Financial Statements (Continued)

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
<u>Stage 1</u>		
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

House financing

10,273,747	9,662,661
------------	-----------

The maturity structure of financing assets are as follows:

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
<u>Stage 1</u>		
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

Notes to the Financial Statements (Continued)

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:		
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	
	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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
--	--------------

Notes to the Financial Statements *(Continued)*

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

Notes to the Financial Statements (Continued)

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

Notes to the Financial Statements (Continued)

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 (Reversal)/allowance during the year due to changes in credit risk	(62)	(109)	(138)	(309)
	(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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

		Group	
		2021 RM'000	2020 RM'000
(h)	<i>Sukuk</i>		
	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)	<i>IRMBS</i>		
	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)	<i>Income attributable to the Sukuk holders</i>		
	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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2021 RM'000	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:		
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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2021 %	2020 %
(I) <i>Capital adequacy</i>		
<u>Regulatory capital</u>		
<u>Before deducting dividend*</u>		
CET1 capital ratio	24.6	34.4
Tier 1 capital ratio	24.6	34.4
Total capital ratio	25.9	36.0
<u>After deducting dividend*</u>		
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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(I) 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

Notes to the Financial Statements (Continued)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(I) 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.

Notes to the Financial Statements *(Continued)*

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.

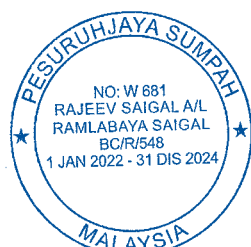


DATUK CHUNG CHEE LEONG

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



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.

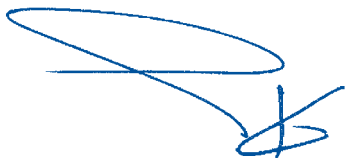
Independent Shariah Advisor's Report *(Continued)*

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.

Independent Auditors' Report *(Continued)*

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

Pillar 3

Disclosure

1.0 OVERVIEW

Cagamas Berhad and its subsidiaries (collectively referred to herein as Cagamas) is not required to comply with Bank Negara Malaysia's (BNM) Risk-Weighted Capital Adequacy Framework (RWCAF) – Disclosure Requirements ("Pillar 3") but has chosen to adopt the disclosure requirement as a matter of best practice. The organisation's Pillar 3 disclosure is governed by the approved Disclosure Policy on Risk-Weighted Capital Adequacy Framework (Basel II Pillar 3) which documents the content, materiality, frequency of disclosure and internal controls over the disclosure process.

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

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

Under BNM's RWCAF Basel II Pillar 3 requirements, the information disclosed herein is not required to be audited by external auditors. However, the disclosure has been reviewed and verified by internal auditors and approved by the Board of Directors. The Pillar 3 disclosure will be published annually together with the annual report which is available on Cagamas' website, www.cagamas.com.my.

2.0 SCOPE OF APPLICATION

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

For the purpose of this Pillar 3 disclosure, the scope shall be restricted to the subsidiary which is material in relation to the Group's assets i.e. Cagamas. The disclosure published is for the year ended 31 December 2021 and is based on the consolidated financial statement of Cagamas Berhad. Information on other subsidiaries of the Group is available in the notes to the financial statements.

Pillar 3 Disclosure (Continued)

3.0 CAPITAL MANAGEMENT

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

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

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

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

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



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

Pillar 3 Disclosure (Continued)

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Capital Adequacy Ratios

The following table details the capital adequacy ratios for Cagamas:

	2021	2020
<i>Before deducting the proposed final dividend</i>		
CET1 Capital Ratio	41.0%	43.6%
Tier 1 Capital Ratio	41.0%	43.6%
TCR	42.4%	45.3%
<i>After deducting the proposed final dividend</i>		
CET1 Capital Ratio	40.8%	43.4%
Tier 1 Capital Ratio	40.8%	43.4%
TCR	42.1%	45.0%

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

3.2 Capital Structure

The following table details the capital structure of Cagamas:

	2021 RM'000	2020 RM'000
CET1/Tier 1 Capital		
Issued capital	150,000	150,000
Retained profits	4,004,195	3,925,320
	4,154,195	4,075,320
Financial assets at FVOCI* reserves	25	32,585
Less: Deferred tax assets	(20,627)	(23,331)
Less: Regulatory reserves**	(89,723)	(99,778)
Total CET1/Tier 1 Capital	4,043,870	3,984,796
Tier 2 Capital		
Allowance for impairment losses	45,533	54,623
Add: Regulatory reserves**	89,723	99,778
Total Tier 2 Capital	135,256	154,401
Total Capital	4,179,126	4,139,197

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

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

Pillar 3 Disclosure *(Continued)*

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Minimum Regulatory Capital Requirement

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

Exposure Class	2021	2020
Risk-weighted assets	RM'000	RM'000
i) Credit Risk	9,212,424	8,464,774
ii) Operational Risk	649,569	673,290
Total RWA	9,861,993	9,138,064
Minimum capital requirement at 10.5%		
i) Credit Risk	967,305	888,802
ii) Operational Risk	68,205	70,695
Total	1,035,510	959,497

4.0 RISK MANAGEMENT

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

4.1 Enterprise Risk Management ("ERM") Framework

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

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

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

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

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

4.0 RISK MANAGEMENT (CONTINUED)

4.2 Risk Governance Structure

<div>Board of Directors ("BOD" or "the Board")</div> <div><ul style="list-style-type: none">Sets the overall strategic direction for the Group;Provides oversight to ensure that management has appropriate risk management systems and practices to manage risks associated with the Group's operations and activities;Sets the risk appetite and tolerance levels that are consistent with the Group's overall business objectives and desired risk profile;Reviews and approves all significant risk management policies and risk exposures.</div>		
<div>Board Risk Committee ("BRC")</div> <div>Assists the Board by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks. The BRC is supported by management committees which address key risks identified.</div>		
<div>Management Executive Committee ("MEC")</div> <div>Undertake the oversight function for overall risk limits, aligning them to the risk appetite set by the Board.</div>	<div>Asset Liability Committee ("ALCO")</div> <div>Undertake the oversight function for liquidity management and capital allocation, aligning them to the risk appetite set by the Board.</div>	
<div>Management</div> <div>Responsible for the implementation of policies laid down by the Board and ensuring there are adequate and effective operational procedures, internal controls and systems to support these policies.</div>		
<div>First Line of Defence Business and Support Function</div> <div>Primary responsibility of identifying, mitigating and managing risks within their lines of business. They also ensure that their day-to-day activities are carried out within established risk policies, procedures and limits.</div>	<div>Second Line of Defence Risk Management & Compliance Division ("RMD")</div> <div>Monitoring and reporting of risk exposures independently and coordinating the management of risks on an enterprise-wide basis. It is independent of other departments involved in risk taking activities and reports directly to the BRC.</div>	<div>Third Line of Defence Internal Audit Department ("IAD")</div> <div>Responsible for independently reviewing the adequacy and effectiveness of risk management processes, system of internal controls and compliance with internal policies.</div>

Pillar 3 Disclosure *(Continued)*

4.0 RISK MANAGEMENT (CONTINUED)

4.3 Internal Capital Adequacy Assessment Process ("ICAAP")

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

Risk Appetite

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

Material Risk Assessment & Quantification

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

Stress Testing

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

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

Capital Management

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

Independent Review

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

5.0 CREDIT RISK

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

Credit Risk Management Oversight and Organisation

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

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

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

Credit Risk Management Approach

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

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

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

Pillar 3 Disclosure *(Continued)*

5.0 CREDIT RISK (CONTINUED)

Key areas of credit exposures:

(a) Purchase With Recourse (“PWR”)

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

(b) Purchase Without Recourse (“PWOR”)

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

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

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

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

5.1 Credit Risk Mitigation

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

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

Pillar 3 Disclosure (Continued)

5.0 CREDIT RISK (CONTINUED)

5.1 Credit Risk Mitigation (continued)

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

	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	RWA RM'000	Minimum Capital Requirement at 10.5% RM'000
2021				
Exposure Class Credit Risk				
<i>On-balance sheet exposure:</i>				
Sovereign & Central Bank	1,682,433	1,682,433	—	—
Banks, Development Financial Institutions & Multilateral Development Banks	28,397,557	28,397,557	7,033,432	738,511
Corporates & Leasing Companies	1,189,662	1,189,662	283,173	29,733
Mortgage Assets	8,527,555	8,527,555	1,625,906	170,720
Other Assets	40,207	40,207	40,206	4,222
Defaulted Exposures	50,887	50,887	204,058	21,426
Total	39,888,301	39,888,301	9,186,775	964,612
<i>Off-balance sheet exposure:</i>				
Derivative Financial Instruments	157,851	157,851	25,649	2,693
Total Credit Exposures	40,046,152	40,046,152	9,212,424	967,305
2020				
Exposure Class Credit Risk				
<i>On-balance sheet exposure:</i>				
Sovereign & Central Bank	1,705,080	1,705,080	—	—
Banks, Development Financial Institutions & Multilateral Development Banks	23,521,588	23,521,588	5,765,590	605,387
Corporates & Leasing Companies	1,351,831	1,351,831	345,464	36,274
Mortgage Assets	9,418,233	9,418,233	1,948,445	204,587
Other Assets	123,323	123,323	123,323	12,949
Defaulted Exposures	64,226	64,226	257,547	27,042
Total	36,184,281	36,184,281	8,440,369	886,239
<i>Off-balance sheet exposure:</i>				
Derivative Financial Instruments	122,027	122,027	24,405	2,563
Total Credit Exposures	36,306,308	36,306,308	8,464,774	888,802

Pillar 3 Disclosure (Continued)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures

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

(a) Industrial analysis based on its industrial distribution:

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

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

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

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

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

2020	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivative financial instruments RM'000	Financial assets at FVOCI ¹ RM'000	Financial assets at FVTPL ² RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
Government bodies	-	-	-	1,345,939	-	-	-	-	-	-	415	1,346,354
Financial institutions:												
- Commercial banks	109,071	102,886	57,904	30,002	120,802	13,397,099	9,322,362	-	-	-	-	23,140,126
- Development banks	-	-	-	61,731	-	-	340,299	-	-	-	-	402,030
Communications, electricity, gas and water	-	-	-	166,516	-	-	-	-	-	-	-	166,516
Transportation	-	-	-	389,730	-	-	-	-	-	-	-	389,730
Leasing	-	-	-	-	-	672,096	-	-	-	-	-	672,096
Consumers	-	-	-	-	-	-	-	-	-	34	-	9,482,459
Corporate	-	-	-	238,790	72,664	-	-	4,366,916	5,115,509	-	-	311,454
Construction	-	-	-	62,703	-	-	-	-	-	-	-	62,703
Others	-	-	-	87,905	-	-	-	-	-	-	6,004	93,909
Total	109,071	102,886	57,904	2,383,316	193,466	14,089,195	9,662,661	4,366,916	5,115,509	34	6,419	36,067,377

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

Pillar 3 Disclosure (Continued)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(c) Maturity analysis based on the residual contractual maturity

2021	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ non-profit bearing RM'000	Total RM'000
On-balance sheet exposure:						
Cash and short-term funds	299,456	–	–	–	19,487	318,943
Deposits and placements with financial institutions	172,021	–	–	–	–	172,021
Financial assets at FVOCI	123,132	–	–	–	–	123,132
Financial assets at FVTPL	677,907	594,477	341,312	1,178,398	–	2,792,094
Financial asset at amortised cost	–	–	–	355,508	(1,155)	354,353
Amount due from counterparties	9,612,698	6,890,791	226,134	411,571	(19)	17,141,175
Islamic financing assets	2,768,566	7,505,242	–	–	(61)	10,273,747
Mortgage assets:						
– Conventional	652,653	846,026	715,011	1,694,605	(21,339)	3,886,956
– Islamic	595,770	755,159	739,961	2,623,166	(22,632)	4,691,424
Hire purchase assets:						
– Islamic	74	–	–	–	(12)	62
Other assets	6,623	2,656	–	20,367	104,747	134,393
Total on-balance sheet exposure	14,908,900	16,594,351	2,022,418	6,283,615	79,016	39,888,300
Off-balance sheet exposure:						
IRS/IPRS	2,325	9,556	–	41,167	–	53,048
CCS	42,607	62,196	–	–	–	104,803
Total	14,953,832	16,666,103	2,022,418	6,324,782	79,016	40,046,151

Pillar 3 Disclosure (Continued)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

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

2020	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ non-profit bearing RM'000	Total RM'000
On-balance sheet exposure:						
Cash and short-term funds	89,355	–	–	–	19,716	109,071
Deposits and placements with financial institutions	102,886	–	–	–	–	102,886
Financial assets at FVOCI	342,574	727,173	334,100	979,469	–	2,383,316
Financial assets at FVTPL	193,466	–	–	–	–	193,466
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	–	(99)	9,662,661
Mortgage assets:						
– Conventional	729,768	923,536	774,026	1,965,556	(25,970)	4,366,916
– Islamic	637,751	806,481	766,538	2,933,185	(28,446)	5,115,509
Hire purchase assets:						
– Islamic	46	–	–	–	(12)	34
Other assets	19,119	–	–	38,802	123,306	181,227
Total on-balance sheet exposure	11,736,925	15,014,146	3,016,043	6,328,691	88,476	36,184,281
Off-balance sheet exposure:						
IRS/IPRS	16,294	17,650	–	61,202	–	95,146
CCS	26,881	–	–	–	–	26,881
Total	11,780,100	15,031,796	3,016,043	6,389,893	88,476	36,306,308

Pillar 3 Disclosure *(Continued)*

5.0 CREDIT RISK (CONTINUED)

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

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

Off-Balance Sheet Exposures

	Principal Amount RM'000	Positive Fair Value of Derivatives Contracts RM'000	Credit Equivalent Amount RM'000	RWA RM'000
2021				
Derivative Financial Instruments	4,478,240	29,607	157,851	25,649
IRS/IPRS				
– Less than 1 year	1,165,000	11	2,324	463
– 1 year to less than 5 years	590,000	2,656	9,556	1,380
– 5 years and above	160,000	20,368	41,168	4,160
CCS				
– Less than 1 year	1,526,640	6,572	42,607	7,207
– 1 year to less than 5 years	1,036,600	–	62,196	12,439
2020				
Derivative Financial Instruments	3,284,927	57,904	122,027	24,405
IRS/IPRS				
– Less than 1 year	1,100,000	13,994	16,295	3,259
– 1 year to less than 5 years	1,355,000	–	17,650	3,530
– 5 years and above	160,000	38,802	61,202	12,240
CCS				
– Less than 1 year	669,927	5,108	26,880	5,376

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating

5.4.1 Assignment of risk weights under the Standardised Approach

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

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

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

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

Risk Weights	Sovereign & Central Bank RM'000	FI & DFI* RM'000	Corporates & Leasing Companies RM'000	Other Assets RM'000	RWA RM'000
2021					
0%	1,682,433	—	—	1	—
10%	—	—	—	—	—
20%	—	24,042,336	1,038,860	—	5,010,317
50%	—	4,513,072	150,802	—	2,331,937
100%	—	—	—	40,206	40,206
Total	1,682,433	28,555,408	1,189,662	40,207	7,382,460
Average Risk Weights	0.0%	24.7%	23.8%	100.0%	23.5%
2020					
0%	1,705,080	—	—	1	—
10%	—	—	—	—	—
20%	—	20,106,044	1,101,504	—	4,241,510
50%	—	3,537,571	250,327	—	1,893,950
100%	—	—	—	123,322	123,322
Total	1,705,080	23,643,615	1,351,831	123,323	6,258,782
Average Risk Weights	0.0%	24.5%	25.6%	100.0%	23.3%

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

Pillar 3 Disclosure *(Continued)*

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

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

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

Exposure class:	Rating of Counterparties by Approved ECAIs				
	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to C	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>On and Off-balance sheet exposure</i>					
2021					
Sovereign/Central Bank [#]	1,682,433	—	—	—	—
FI and DFI	24,042,335	4,513,073	—	—	—
Corporates and Leasing Companies	1,038,860	150,802	—	—	—
Other Assets	—	—	—	—	40,207
Total	26,763,628	4,663,875	—	—	40,207
2020					
Sovereign/Central Bank [#]	1,705,080	—	—	—	—
FI and DFI	20,106,044	3,537,571	—	—	—
Corporates and Leasing Companies	1,101,504	250,327	—	—	—
Other Assets	—	—	—	—	123,323
Total	22,912,628	3,787,898	—	—	123,323

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

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

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

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

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

Disclosure on exposure by PD range:-

	EAD RM'000	LGD %	Exposure Weighted Average RW %	RWA RM'000
2021				
<u>Mortgage assets</u>				
PD range:				
up to 3%	9,409,894	32.08%	17.20%	1,618,803
>3% to <100%	3,961	32.08%	179.14%	7,096
100%	50,852	32.08%	401.00%	203,918
<u>Hire purchase assets</u>				
PD range:				
up to 3%	40	32.08%	17.20%	7
>3% to <100%	—	—	—	—
100%	35	32.08%	401.00%	140
Total	9,464,782			1,829,964
2020				
<u>Mortgage assets</u>				
PD range:				
up to 3%	10,466,525	32.08%	18.56%	1,942,523
>3% to <100%	3,332	32.08%	177.68%	5,920
100%	64,191	32.08%	401.00%	257,407
<u>Hire purchase assets</u>				
PD range:				
up to 3%	11	32.08%	18.56%	2
>3% to <100%	—	—	—	—
100%	35	32.08%	401.00%	140
Total	10,534,094			2,205,992

Pillar 3 Disclosure (Continued)

5.0 CREDIT RISK (CONTINUED)

5.5 Past Due and Impaired Loans

Refer to Note 2 of the Financial Statements for the accounting policies and accounting estimates on impairment assessment for loans and financing. This credit impairment policy is applicable to the Group.

(a) The following table is a summary of the impairment allowance by economic purpose:

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000
2021					
Purchase of mortgage assets	35,393,803	50,851	35,444,654	44,049	35,400,605
Purchase of motor vehicles/equipment	592,737	36	592,773	14	592,759
	35,986,540	50,887	36,037,427	44,063	35,993,364
2020					
Purchase of mortgage assets	32,532,522	64,190	32,596,712	54,527	32,542,185
Purchase of motor vehicles/equipment	672,113	36	672,149	19	672,130
	33,204,635	64,226	33,268,861	54,546	33,214,315

5.0 CREDIT RISK (CONTINUED)

5.5 Past Due and Impaired Loans (continued)

(b) The following table is a summary of the impairment allowance by product-type:

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000
2021					
Amount due from counterparties	17,141,194	–	17,141,194	19	17,141,175
Islamic financing assets	10,273,808	–	10,273,808	61	10,273,747
Mortgage Assets:					
– Conventional	3,880,901	27,394	3,908,295	21,339	3,886,956
– Islamic	4,690,599	23,457	4,714,056	22,632	4,691,424
Hire Purchase Assets:					
– Islamic	38	36	74	12	62
	35,986,540	50,887	36,037,427	44,063	35,993,364
2020					
Amount due from counterparties	14,069,214	–	14,069,214	19	14,069,195
Islamic financing assets	9,662,760	–	9,662,760	99	9,662,661
Mortgage Assets:					
– Conventional	4,360,127	32,759	4,392,886	25,970	4,366,916
– Islamic	5,112,524	31,431	5,143,955	28,446	5,115,509
Hire Purchase Assets:					
– Islamic	10	36	46	12	34
	33,204,635	64,226	33,268,861	54,546	33,214,315

Pillar 3 Disclosure *(Continued)*

6.0 MARKET & LIQUIDITY RISK

Market risk is the potential loss arising from adverse movement of market prices and rates. Market risk exposure is limited to interest rate and foreign exchange as Cagamas is not engaged in any equity or commodity trading activities. There is also no exposure to interest rate and foreign exchange risk arising from trading activities as it is prohibited.

Liquidity risk arises when funds are insufficient to meet financial obligations when they fall due.

Market and Liquidity Risk Management Oversight and Organisation

The ALCO is the management committee responsible for the management of market and liquidity risk activities including the setting of risk limits. The ALCO, which is chaired by the CEO, reviews Cagamas' market and liquidity risk policies, funding strategy, aligns market and liquidity risk management with business strategies and reviews performance of the investment portfolio, hedged positions, risk limits/compliance and stress test results.

RMD supports ALCO at the working level and is an independent risk control unit responsible for developing the market and liquidity risk policy and ensuring adequate risk control oversight.

Market and Liquidity Risk Management Approach

Cagamas manages market and liquidity risks by imposing threshold limits which are approved by Management within the parameters approved by the Board based on a risk-return relationship.

Further, a match-funding policy is adhered to where all asset purchases are funded by bonds of closely matched size as well as duration and each transaction is self-sufficient in terms of cash flow. A forward looking liquidity mechanism is in place to promote efficient and effective cash flow management while avoiding excessive concentration of funding.

Cagamas plans its cash flow and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. Liquidity reserves which comprise marketable debt securities are also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

Derivatives instruments such as interest rate swaps and cross currency swaps are used to manage and hedge market risk exposures against fluctuation in interest rates and foreign exchange. Liquidity management processes involve regular monitoring against liquidity risk limits and establishing contingency funding plans. These processes are subject to regular review. Liquidity based on Basel III liquidity coverage ratio and net stable funding ratio is also monitored.

6.0 MARKET & LIQUIDITY RISK (CONTINUED)

6.1 Management of Interest/Profit Rate Risk in the Banking Book

The interest/profit rate risk in the banking book is monitored on a monthly basis and exposure is minimal given the match funding approach adopted by Cagamas for its assets and liabilities. The impact on net interest/profit income is simulated and the following table summarises the impact arising from a 100 basis points parallel shift.

Impact on position as at 31 December	(-100 basis points) Parallel Shift	(+100 basis points) Parallel Shift
	Decline in Net Interest/ Profit Income RM'000	Increase in Net Interest/ Profit Income RM'000
2021	(14,708)	14,666
2020	(12,316)	12,319

6.2 Management of Non-Traded Foreign Exchange Risk

Cagamas is exposed to foreign exchange risk from Treasury funding activities when functional currencies are not in *Ringgit Malaysia*. Foreign currency risk is managed/hedged by entering into CCS/ICCS with selected counterparties concurrently with bond issuance and asset purchase to ensure that there is no timing mismatch between cash flows from the underlying assets, obligations on the foreign currency bonds as well as the hedge instrument.

7.0 OPERATIONAL RISK

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

Operational Risk Management Oversight and Organisation

The MEC governs the overall operational risk within the organisation. The Committee meets at least on a quarterly basis and discusses operational risk related issues.

RMD established the Operational Risk Management ("ORM") Framework which clearly defines Cagamas' approach to operational risk management that includes the Risk & Control Self-Assessment/Operational Risk Policy and Standards ("The Policy"). The Operational Risk Department of RMD provides independent oversight of operational risk monitoring and control. Legal Risk is managed by the Legal Department and where necessary, in consultation with external legal counsel.

Pillar 3 Disclosure *(Continued)*

7.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Approach

The Operational Risk Management policy codifies the core governing principles for operational risk management and provides a consistent, value added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment.

Business/Support units constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. These units are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken comply with the Group's operational risk management framework. Each business/support unit undertakes self-assessment of the risk and control environment to identify, assess and manage its operational risks. Operational risk losses and incidents are reported to Management and BRC through RMD which provides independent assessment.

The Management places a very high value on maintaining an effective control environment to mitigate operational risk. Therefore, a number of tools have been put in place to mitigate this risk. These tools range from:

- Risk & Control Self-Assessment ("RCSA") which is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the organisation. The RCSA is signed-off by the respective department's Senior Management;
- Key risk indicators as early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring;
- Incident management which is a structured process and system to identify and focus attention on operational 'hotspots' and to minimise the risk impact; and
- Operational loss reporting involves the process of collecting, evaluating, monitoring and reporting operational risk loss, including near-misses, data which provides an important metric in the measurement of key operational risk.

In order to ensure uninterrupted services and to safeguard staff and assets during disaster, Cagamas has put in place a well-defined Business Continuity Management ("BCM") Framework and Policy at enterprise level. BCM comprises Business Continuity Plan ("BCP") and Disaster Recovery Procedures ("DRP"), which can be activated in the event of business disruption/disaster. The resilience of these plans under different scenarios are being tested on an ongoing basis through regular BC/DR exercises.

In managing the global emerging of cyberattacks and cybersecurity risks, Cagamas has implemented robust frameworks and policies, namely Technology Risk Management Framework ("TRMF"), Cyber Resilience Framework ("CRF") and Information Technology Risk Management Policy ("ITRMP"). Additionally, comprehensive Data Loss Protection ("DLP") Policy and DLP tool were also implemented to safeguard Cagamas' critical data.

The Basic Indicator Approach (BIA) is used for calculating Operational Risk Capital.

8.0 SHARIAH GOVERNANCE DISCLOSURE

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

Periodic Shariah reviews/audits are performed to verify that Islamic products and operations are in compliance with the Shariah opinions or endorsements issued by the independent Shariah Advisor and the Joint Shariah Advisors for sukuk programmes, where applicable. Any incidences of Shariah non-compliance are reported to the independent Shariah Advisor, the Group Board Audit Committee, BRC and the Board. Remedial actions are presented for the endorsement of the independent Shariah Advisor and for notification to the BRC or the Board.

During the financial period under review, no Shariah non-compliance event has been reported.

This page has been intentionally left blank.



Number of Shares

I/We _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

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

Name	Designation	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Designation	Proportion of Shareholding (%)

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Fifteenth (15th) Annual General Meeting of the Company, to be held at the Board Room, Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Friday, 29 April 2022 at 10.00 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	Payment of Directors' Fees from the 15 th to the 16 th AGM	(Ordinary Resolution No. 1)	
2.	Payment of Directors' Benefits comprising meeting allowances from the 15 th to the 16 th AGM	(Ordinary Resolution No. 2)	
3.	Re-election of Puan Wan Hanisah Wan Ibrahim under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 3)	
4.	Re-election of Dato' Bakarudin Ishak under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 4)	
5.	Re-election of Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 5)	
6.	Appointment of Auditors	(Ordinary Resolution No. 6)	

Dated this _____ day of _____ 2022

Signature of Member(s)

Notes

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

Fold

STAMP

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

Fold