

**Cagamas Holdings Berhad**

Registration No. 200701004048 (762047-P)

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Lingkaran Syed Putra, 59200 Kuala Lumpur,  
Malaysia.

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WEBSITE : [www.cagamas.com.my](http://www.cagamas.com.my)



# Vision

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

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# 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.

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

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# Group Financial Highlights

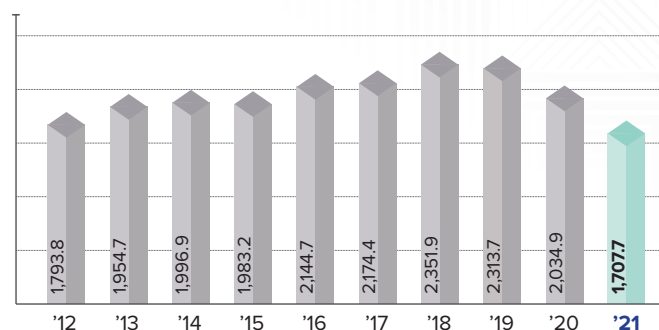
for the financial year ended 31 December 2021

| GROUP   |          |          |          |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|   | 2012     | 2013     | 2014     | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     |
| <b>REVENUE (RM million)</b>                         |          |          |          |          |          |          |          |          |          |          |
| 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     |
| <b>STATEMENT OF FINANCIAL POSITION (RM million)</b> |          |          |          |          |          |          |          |          |          |          |
| 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  |
| <b>PER SHARE</b>                                    |          |          |          |          |          |          |          |          |          |          |
| 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     |
| <b>FINANCIAL RATIOS</b>                             |          |          |          |          |          |          |          |          |          |          |
| 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     |

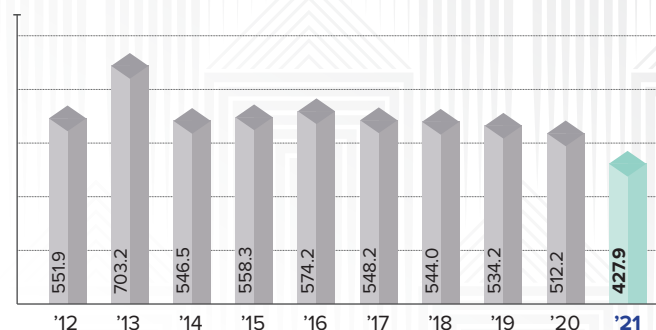
\* Based on 150 million ordinary shares of RM1.00 each

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

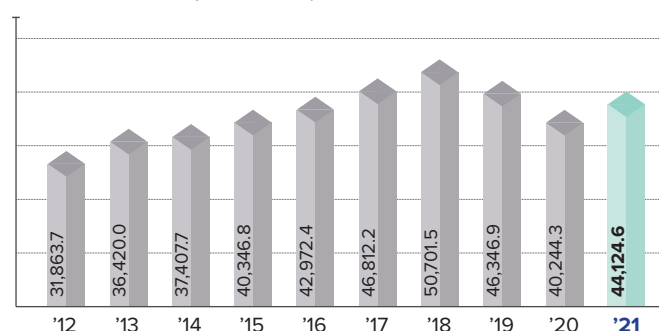
**GROSS OPERATING REVENUE** (RM million)



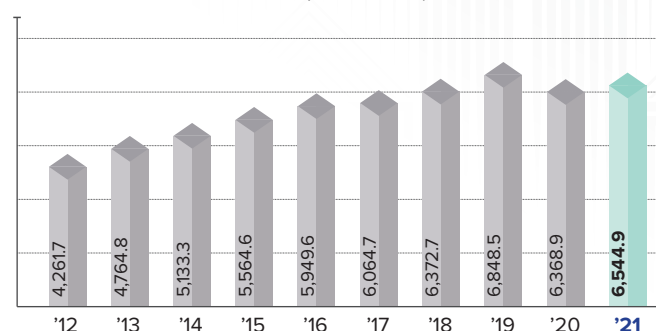
**PROFIT BEFORE TAX AND ZAKAT** (RM million)



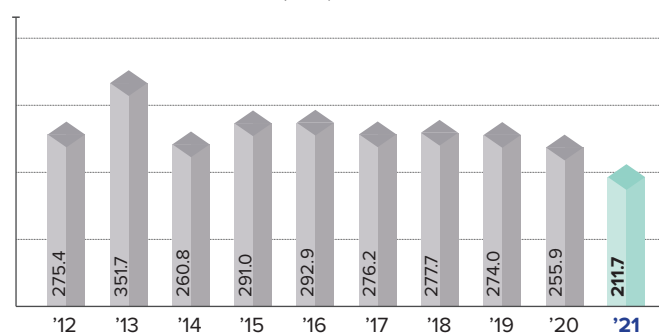
**TOTAL ASSETS** (RM million)



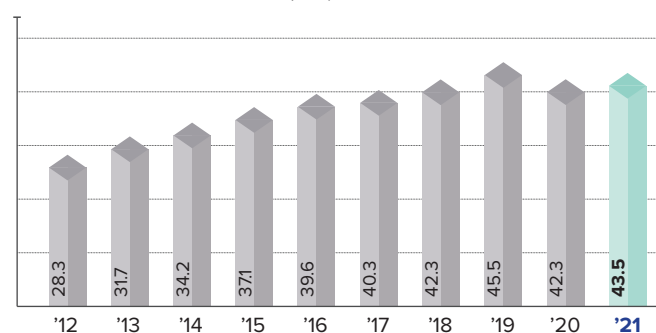
**SHAREHOLDERS' FUNDS** (RM million)



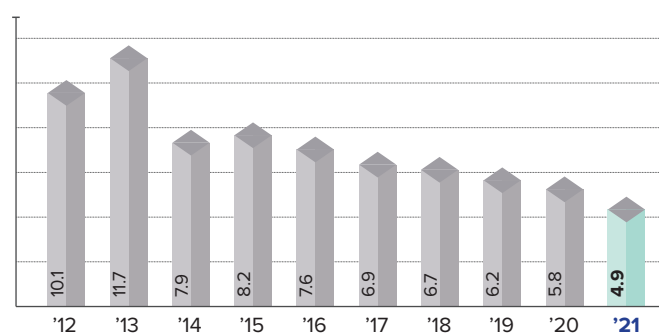
**EARNINGS PER SHARE** (Sen)\*



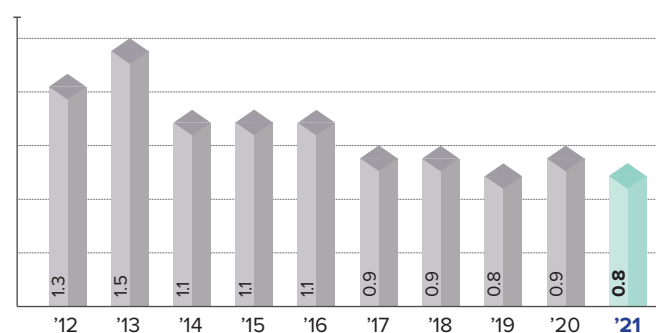
**NET TANGIBLE ASSETS** (RM)\*



**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 BERHAD<sup>1</sup>**

100%

**BNM SUKUK BERHAD**

100%

**CAGAMAS SME BERHAD**

100%

**CAGAMAS MGP BERHAD**

100%

**CAGAMAS SRP BERHAD**

<sup>1</sup> 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<sub>IS</sub>/MARC-1<sub>IS</sub> 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

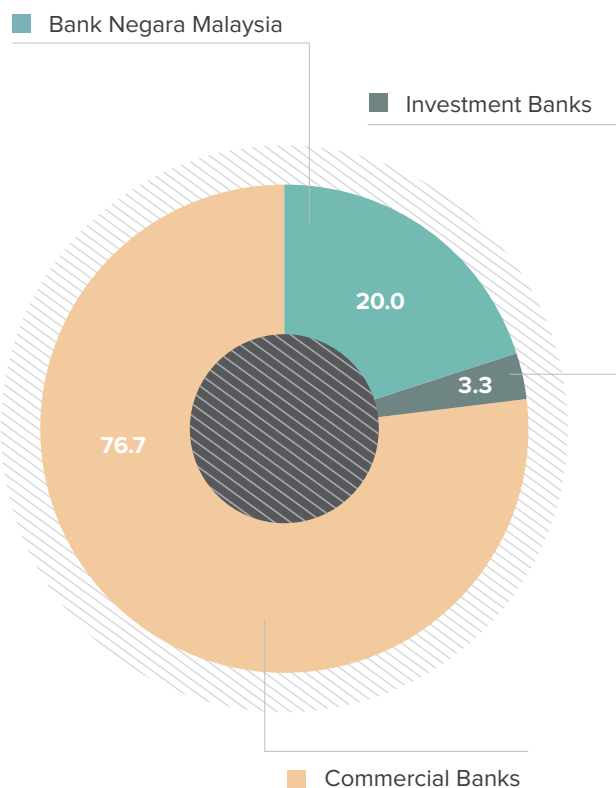
## CAGAMAS HOLDINGS BERHAD'S SHARE CAPITAL STRUCTURE AS AT 23 MARCH 2022

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               |
| <b>Total</b>         | <b>100.0</b>   | <b>23</b>           |                         |

### 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            |
| <b>Total</b>                            | <b>150,000,000</b> | <b>100.0</b>   |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN that the Fifteenth (15<sup>th</sup>) 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 15<sup>th</sup> to the 16<sup>th</sup> 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 15<sup>th</sup> to the 16<sup>th</sup> AGM as stated below:
  - (i) RM5,000 per meeting for the Chairman of the Board/Chairman of Board Committee; 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](mailto: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



## 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



## Global Islamic Finance Awards 2021

- a) GIFA Market Leadership Award (Islamic Securitization)



## BPAM Bond Market Awards 2021

- a) Top Issuance – Conventional



# 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 (“CSR”), 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 comprising of 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 CSR, 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 35<sup>th</sup> 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 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%).<sup>1</sup> 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%).<sup>2</sup> 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).<sup>3</sup> 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 remains positive in 2022 with progress on vaccinations and strong 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.

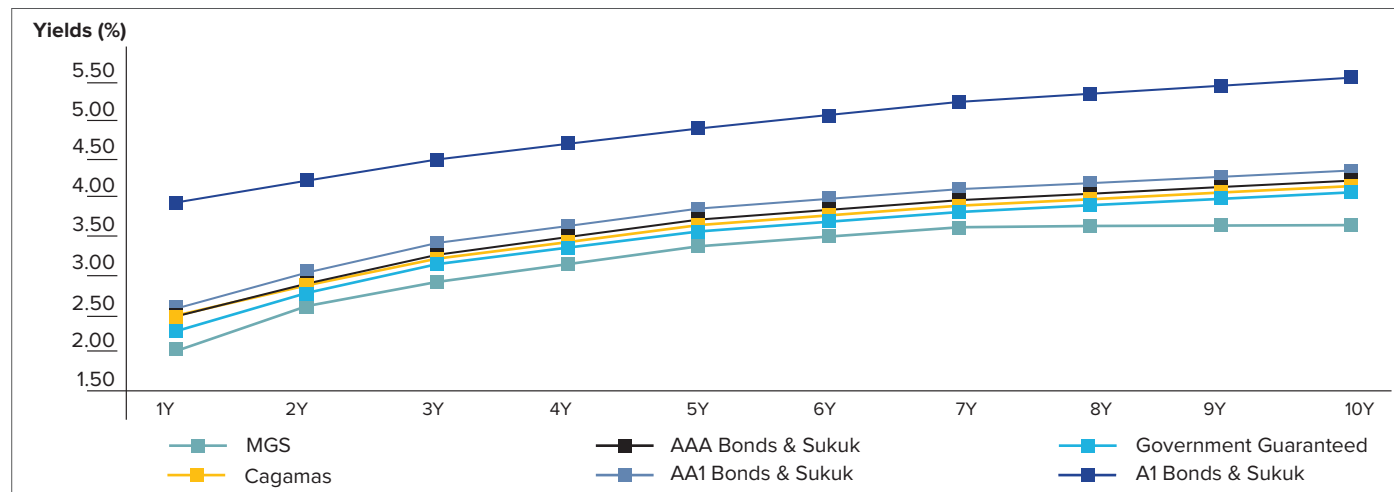
<sup>1</sup> International Monetary Fund, World Economic Outlook January 2022

<sup>2</sup> Quarterly Bulletin – Economic & Financial Development 4Q2021

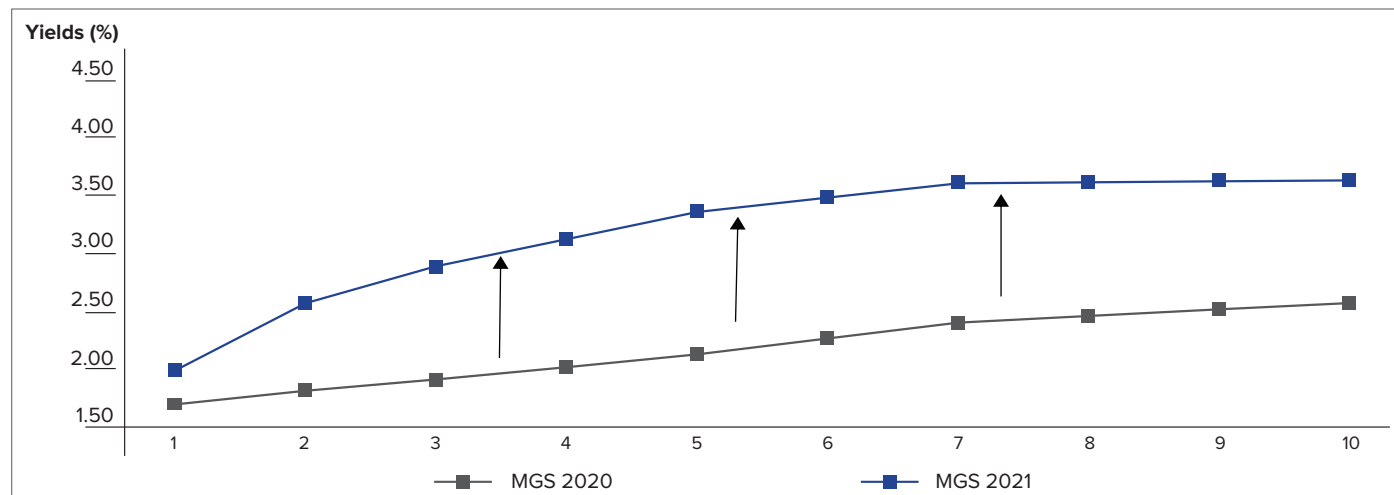
<sup>3</sup> National Property Information Centre

## 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.

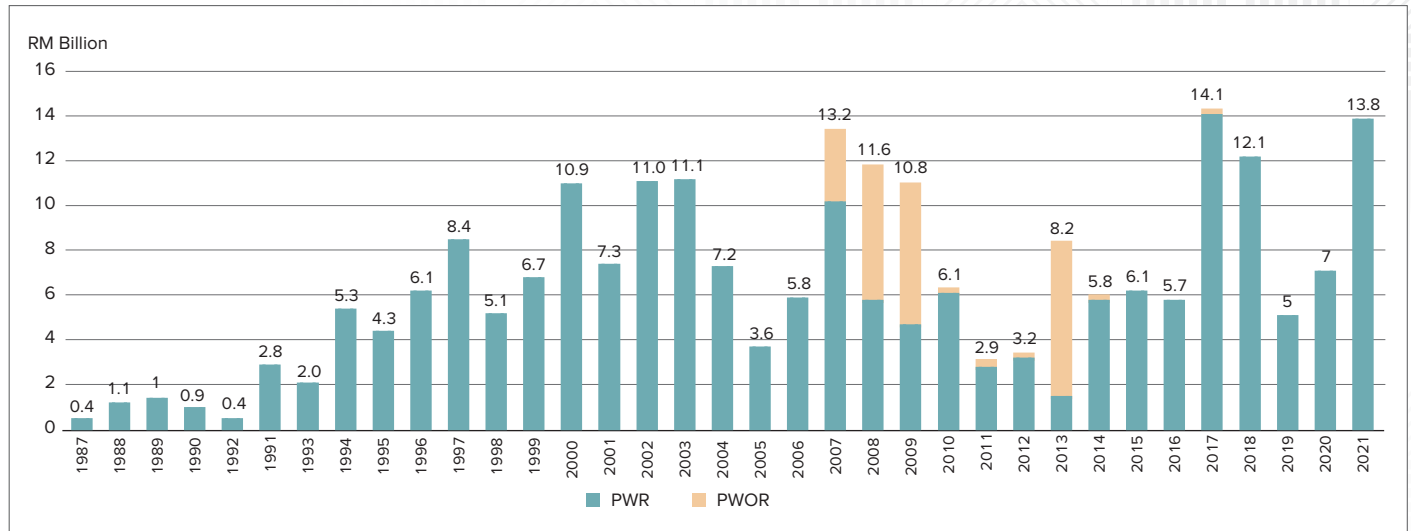
### PURCHASE OF LOANS AND FINANCING

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%<sup>4</sup> 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%).

<sup>4</sup> Gross loans and financing before loan loss provision and accretion



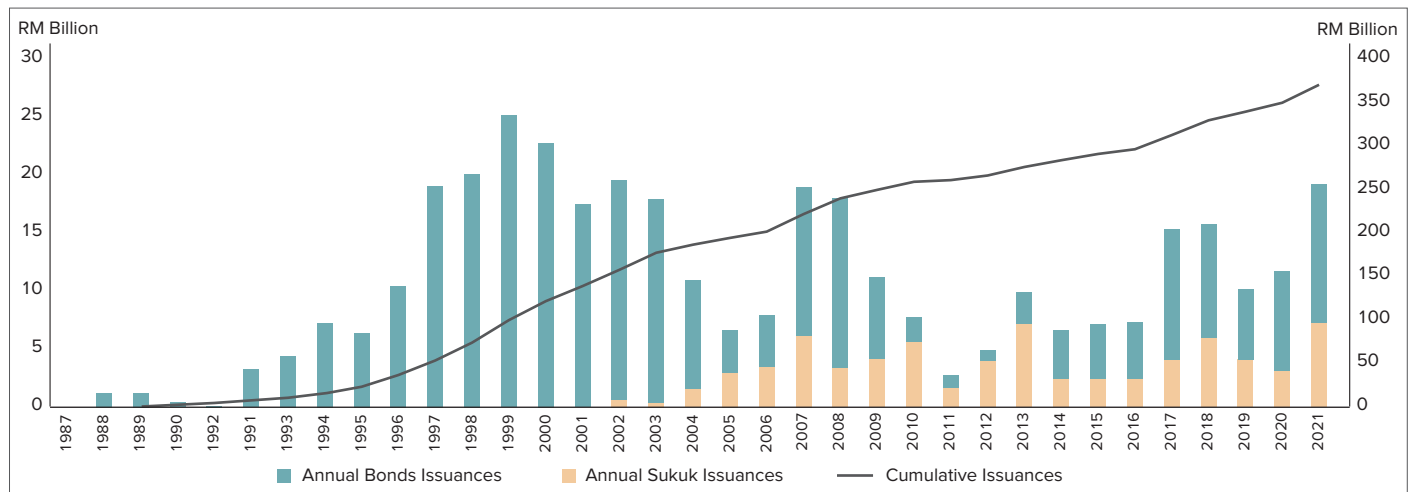
**Chart 3**  
**Cagamas' Annual Purchases, 1987-2021**



#### 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 RM12.9<sup>5</sup> billion equivalent or 3.6% was from FCY issuances.

**Chart 4**  
**Cagamas' Annual Issuances, 1987-2021**



<sup>5</sup> 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.

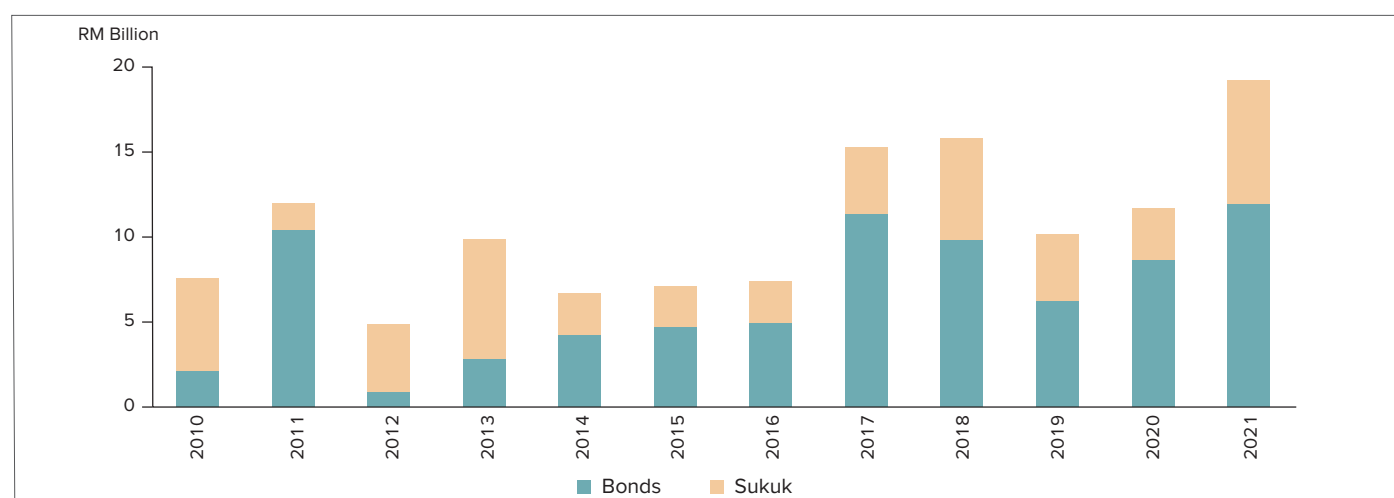
Following from its inaugural sustainability issuance in 2020, the Company had in 2021 continued its sustainability journey by successfully issuing an ASEAN Sustainability SRI Sukuk worth RM100 million for affordable housing under the existing RM60 billion Conventional and Islamic Medium Term Notes Programme. 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.

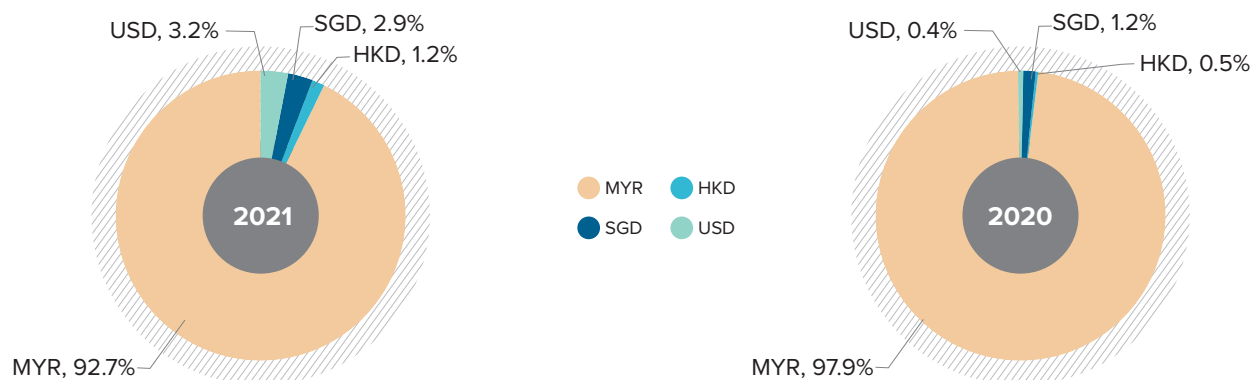
Cagamas also concluded six foreign currency issuances during the year in Singapore Dollar ("SGD"), Hong Kong Dollar ("HKD") and US Dollar ("USD") amounting to a total of RM2.56 billion equivalent.

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 48% 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<sub>IS</sub>, 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  |
| <b>Cagamas Berhad</b> | A3            | gA2/Stable/gP1, seaAAA/Stable/<br>seaP1 AAA/Stable/P1AAA/ | AAA/MARC-1, AAA <sub>IS</sub> /MARC-1 <sub>IS</sub> |

### 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)

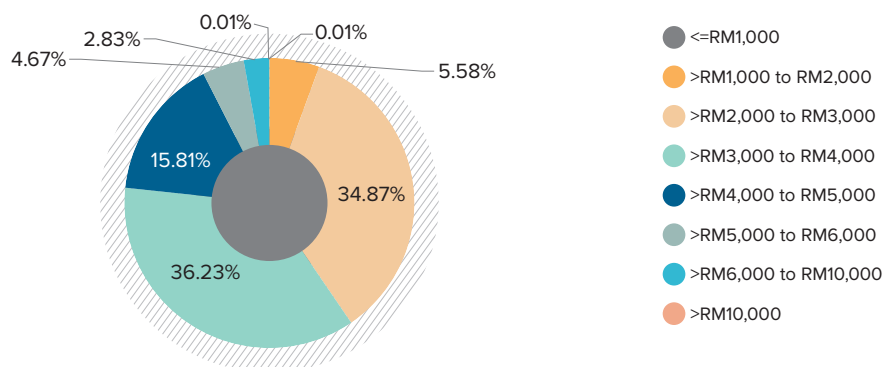
**Table 2 Skim Rumah Pertamaku and Skim Perumahan Belia**

|   | 2011-2020       | 2011-2021       | Growth      |
|---|-----------------|-----------------|-------------|
| <b>(RM'mil)</b>                               |                 |                 |             |
| <b>Guaranteed Exposure</b>                    | <b>1,170.8</b>  | <b>1,705.9</b>  | <b>+46%</b> |
| SRP   | 992.8           | 1,528.5         | +54%        |
| SPB   | 178.1           | 177.4           | -0%         |
| <b>(RM'mil)</b>                               |                 |                 |             |
| <b>Loans and Financing Value</b>              | <b>11,087.5</b> | <b>15,752.1</b> | <b>+42%</b> |
| SRP   | 9,207.2         | 14,078.7        | +53%        |
| SPB   | 1,880.3         | 1,873.4         | -0%         |
| <b>Number of Loans and Financing Approved</b> | <b>52,023</b>   | <b>72,475</b>   | <b>+39%</b> |
| SRP   | 43,384          | 63,869          | +47%        |
| SPB   | 8,639           | 8,606           | -0%         |

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

**Chart 7**

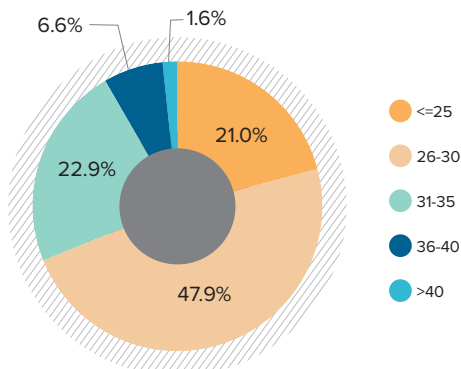
**SRP: Salary Range by Number of Loans**



Data as at 31 December 2021

**Carta 8**

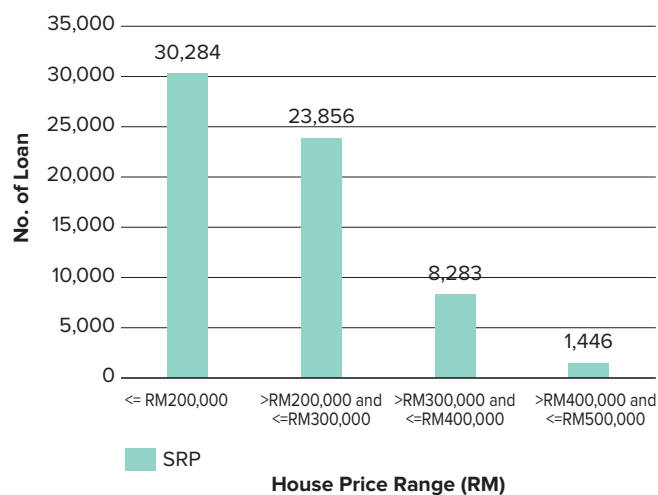
**SRP: Age Range by Number of Loans**



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

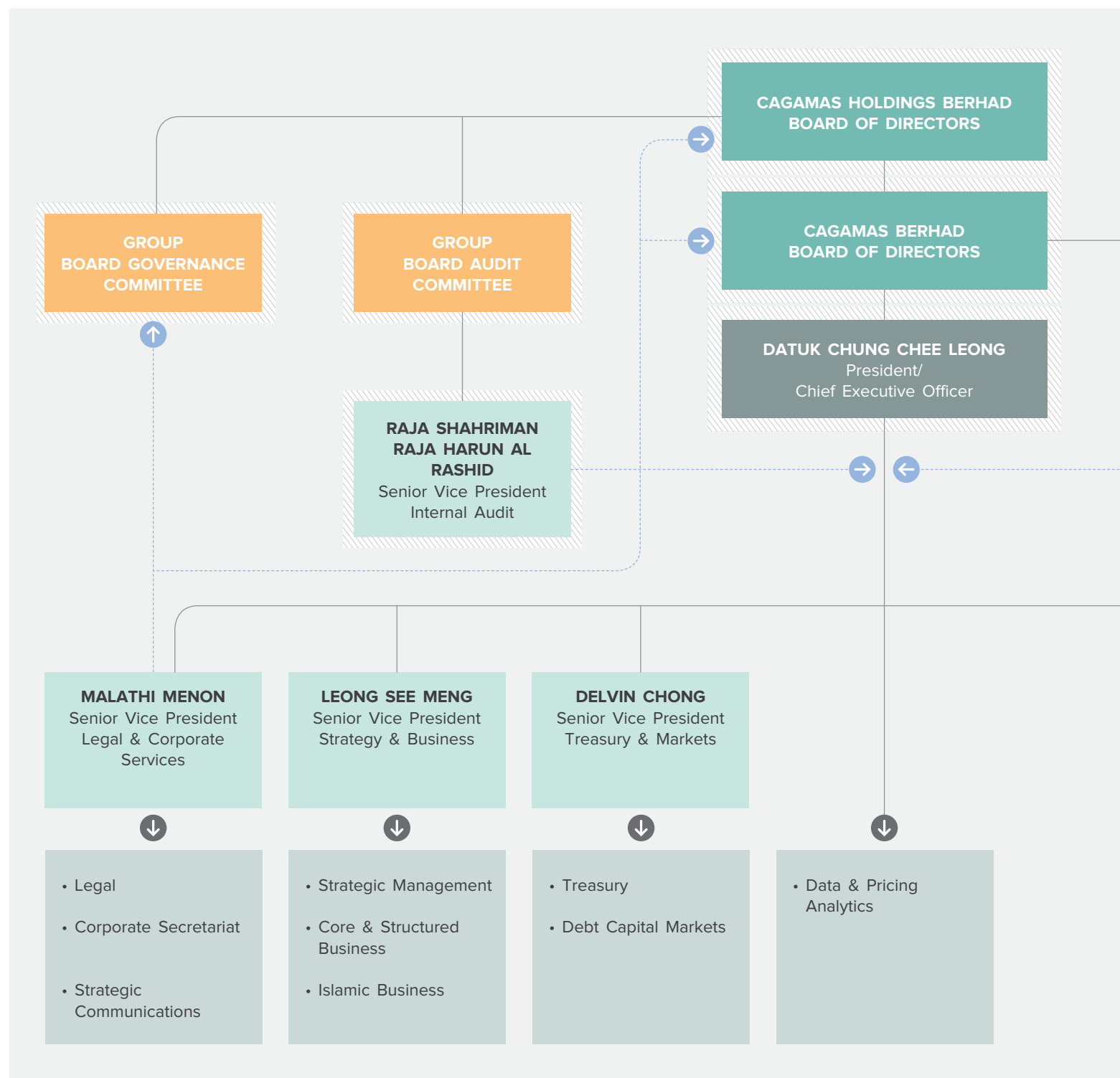
The pandemic has proven to be an unprecedented catastrophe for the whole world, impacting domestic and global economy along its way. Despite these challenges, Cagamas has and will continue to innovate and explore new opportunities aligned with its mandate, core missions and social objectives whilst, 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.

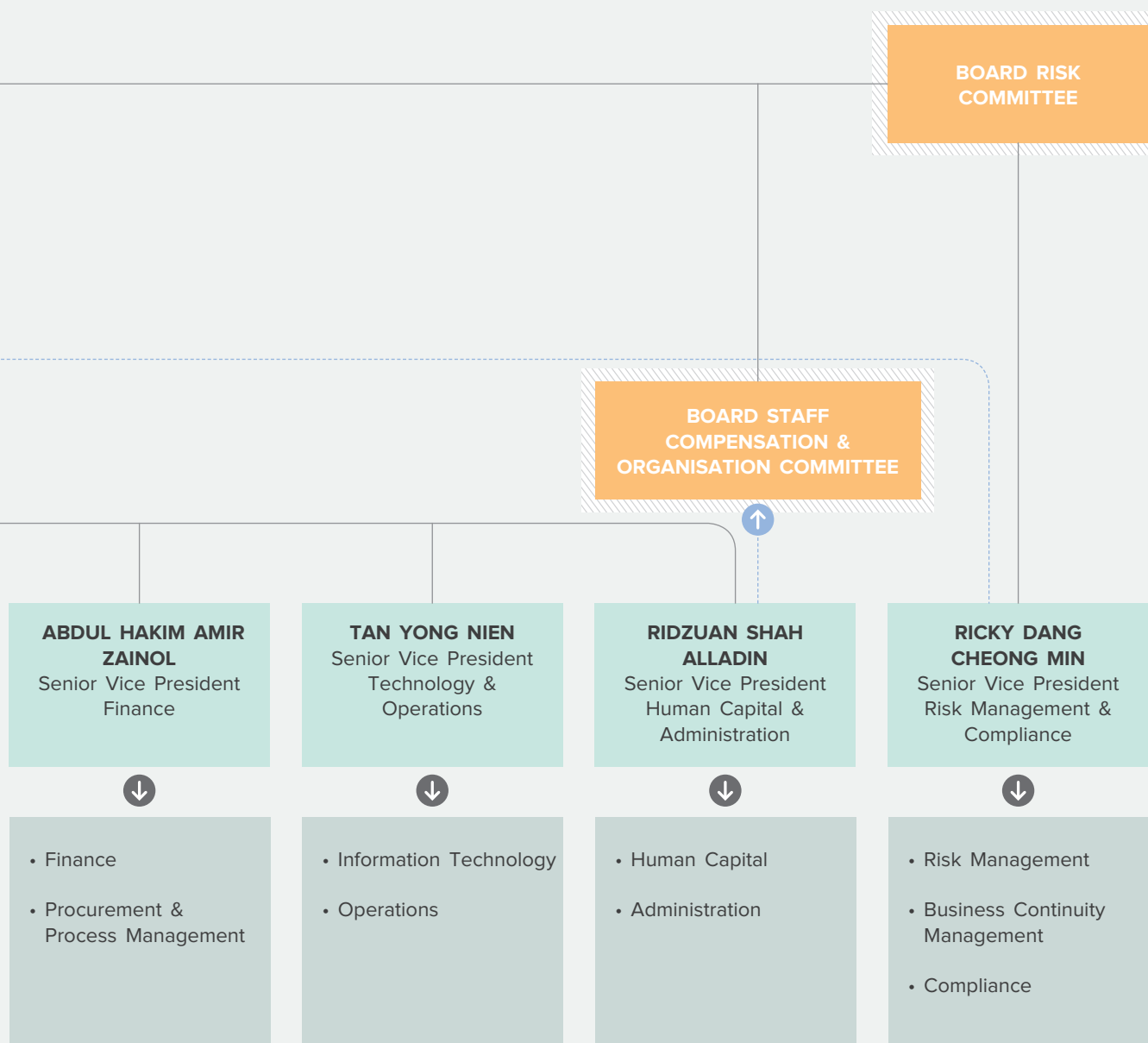
Moving forward, Cagamas will continue to introduce solutions to meet the needs of the nation such as the planned expansion and further enhancement on the newly launched Skim Saraan Bercagar, Cagamas' Reverse Mortgage Programme as well as providing liquidity and structured funding solutions to the forthcoming 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"> <li>• Tan Sri Dato’ Sri Tay Ah Lek</li> <li>• Dato’ Sri Abdul Farid Alias</li> <li>• Dato’ Lee Kok Kwan</li> <li>• Wan Hanisah Wan Ibrahim</li> </ul> | <ul style="list-style-type: none"> <li>• Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani</li> <li>• Datuk Siti Zauyah Md Desa</li> <li>• Chong Kin Leong</li> </ul> |
|--|--|

### 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

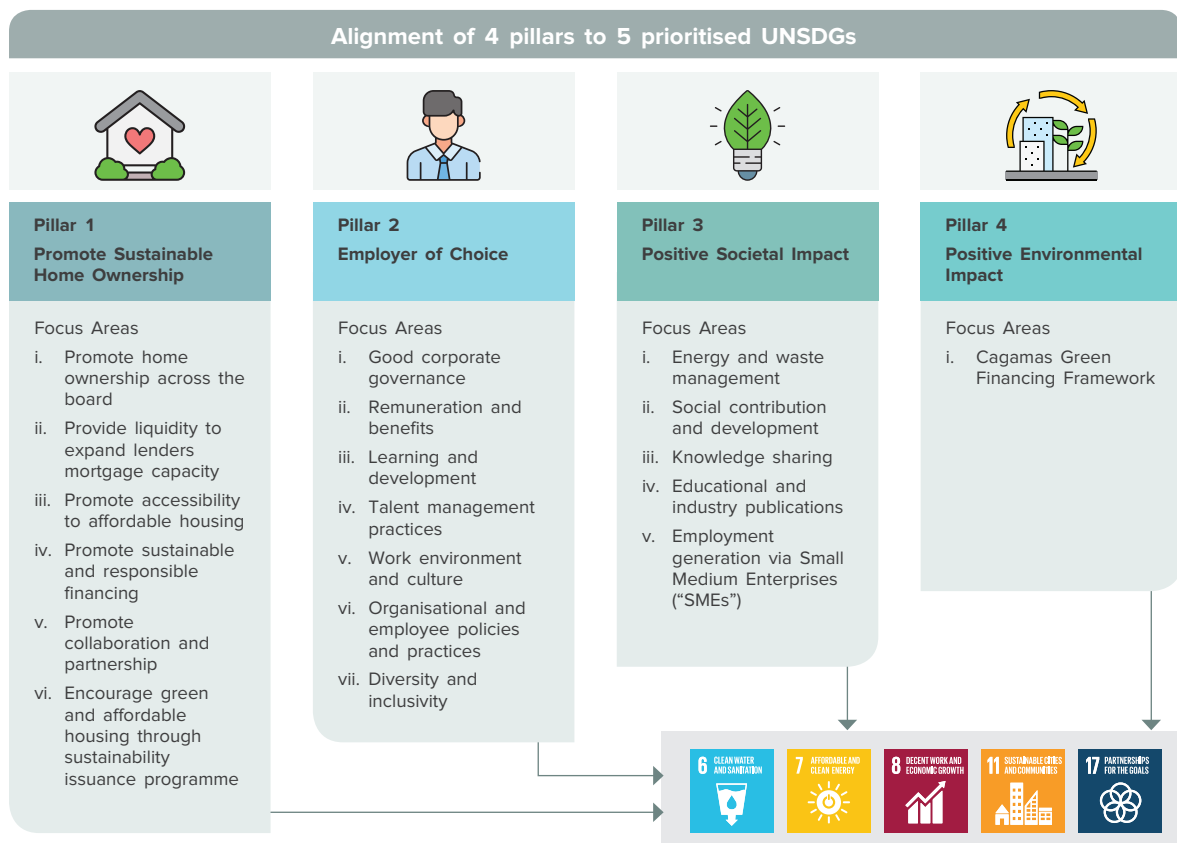
Sustainability is firmly established at the board level as part of the Group's corporate strategy. The Board of Directors of Cagamas Berhad and Cagamas Holdings Berhad ("the Board") oversees the progress of the Group's sustainability journey and execution, develop and instill practical sustainability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

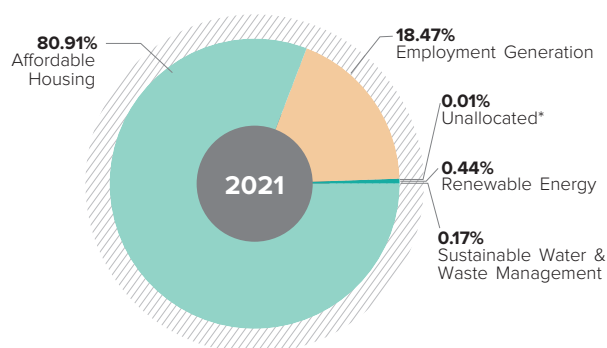
Cagamas Berhad ("Cagamas") supports financial institution's liquidity requirements through competitive funding to grow their housing loans portfolio. Cagamas is also committed to contribute and create positive impact through identified opportunities and strategies in sustainable home development. Promoting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

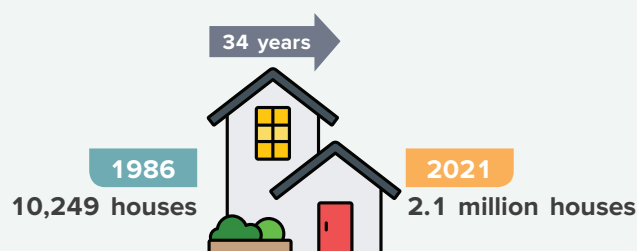
To-date, Cagamas has cumulatively issued a total of RM900 million of sustainability bonds and sukuk with RM865 million remained outstanding as of 31 December 2021. The proceeds from the issuances have been fully allocated to eligible assets in line with the Cagamas' Sustainability Bond and Sukuk Framework,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



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

**Cagamas aspire 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



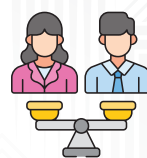
**RM32,263**  
spent on protective equipment and test kit for employees



**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 comprised a total of 104 staff with a good mix of gender and age



# 104 staff

### 2 Employee Learning and Development

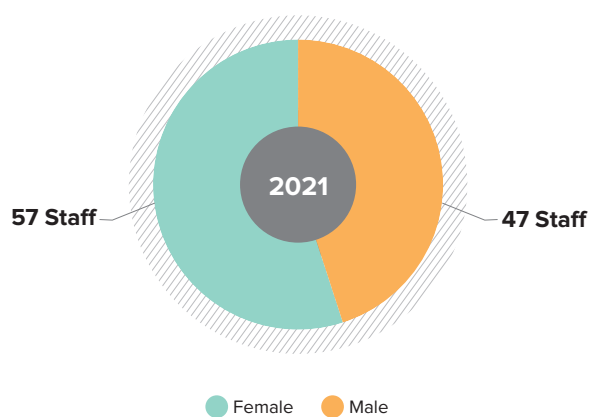
Training Record for Financial Year 2021

| 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                     |

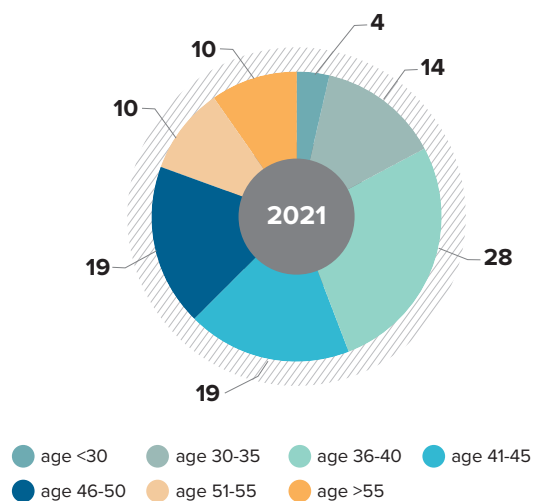


Mandatory corporate learning target practiced companywide per employee is 16 hours (equivalent to two full days of training).

### 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.

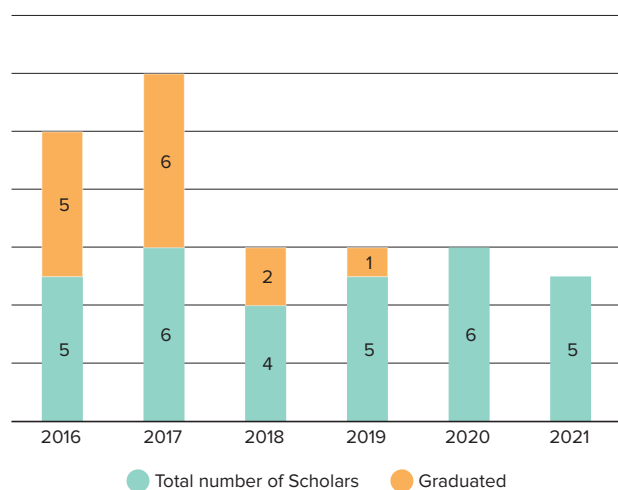
### HOW CAGAMAS CREATES VALUE

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



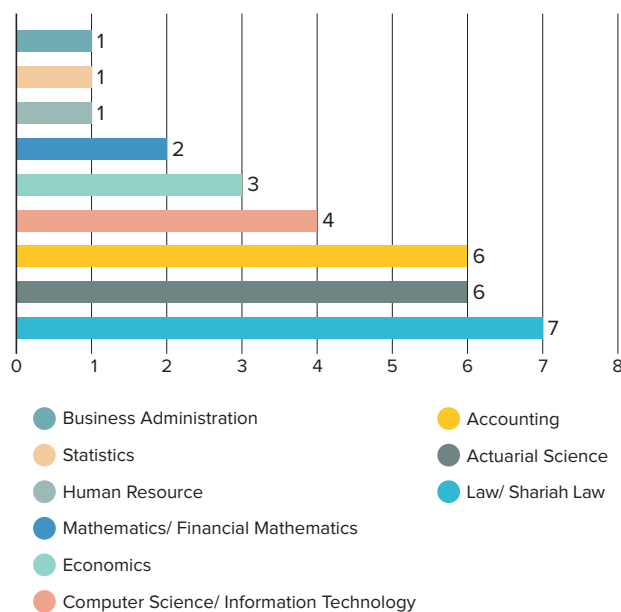
### CAGAMAS SCHOLARSHIP PROGRAMME



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

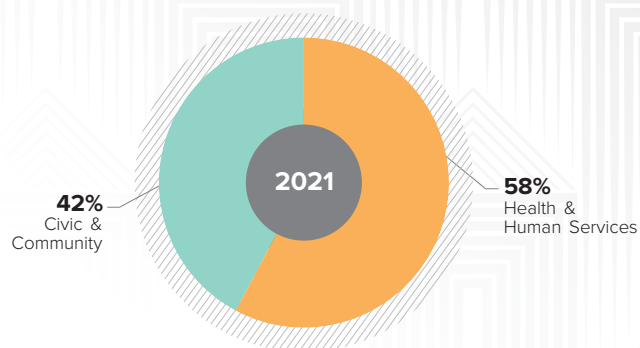


**RM40,000**



#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



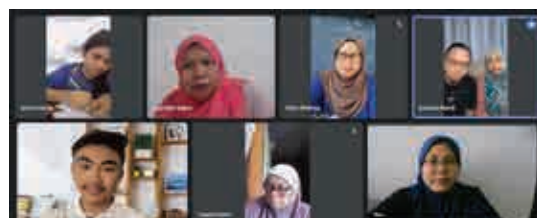
**RM50,000**

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



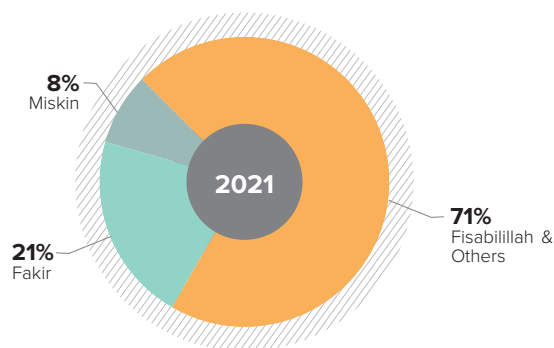


## Sustainability Report (Continued)

### 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

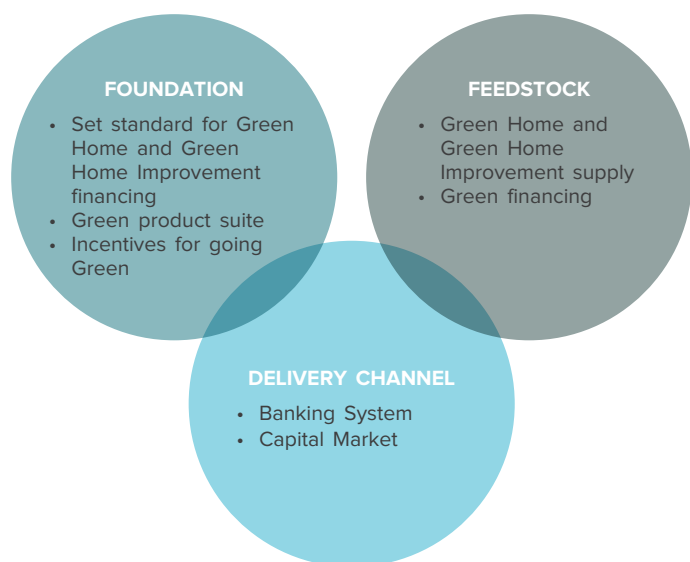


The Group promotes positive environmental impact resulting from the financing avenues approved by the Board from time to time

### HOW CAGAMAS CREATES VALUE

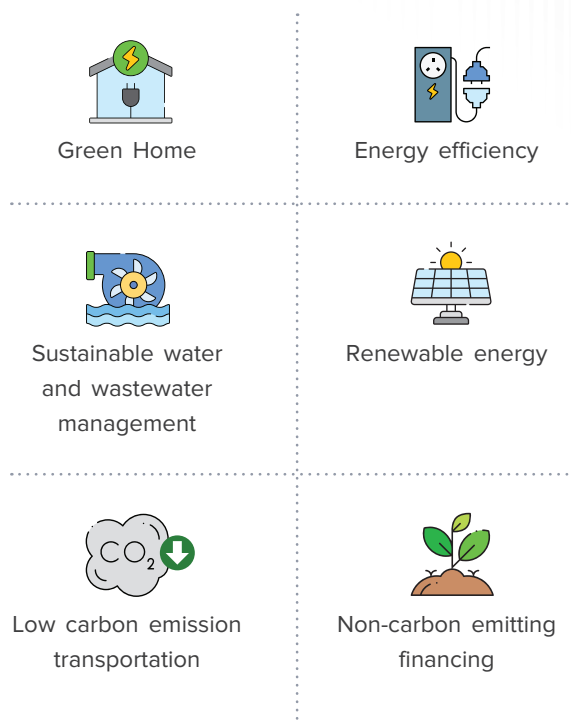
Develop Cagamas' Green Financing Framework that is aimed to integrate green financing as part of the Group's core business and operations. It is also to drive the Group's sustainability agenda in relation to promoting home ownership

#### 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

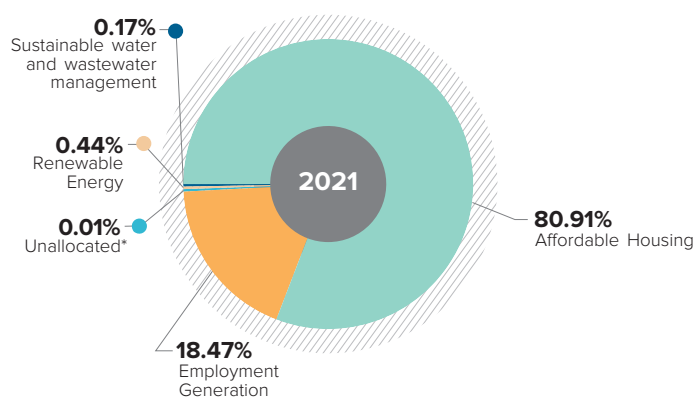
#### SUSTAINABILITY BONDS/ SUKUK PROGRESS REPORT

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                 |
|   |            |            |               | <b>TOTAL</b>    | <b>865</b>          |




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 <sup>3</sup> /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"> <li>• Renewable Energy</li> <li>• Energy Efficiency</li> <li>• Green Buildings</li> <li>• Low Carbon and Low Emission Transportation</li> <li>• Sustainable Water and Wastewater Management</li> <li>• Affordable Housing</li> <li>• Employment Generation</li> </ul>  |
|  | Evaluation and Selection | <ul style="list-style-type: none"> <li>• A set of Eligible Criteria ("EC") will be given to Financial Institutions/ Non-Financial Institutions which are designated as 'The Approved Seller'</li> <li>• 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</li> <li>• 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</li> </ul> |
|  | Management of Proceeds   | <ul style="list-style-type: none"> <li>• 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</li> <li>• The portfolio of Eligible Loans/ Financing/ Assets purchased at inception will be maintained and monitored via the Company's internal loan administration system</li> </ul>   |

## Sustainability Report *(Continued)*

|   |                 |   |
|---|-----------------|---|
|  | Reporting       | <ul style="list-style-type: none"> <li>• Publication of Annual Sustainability Progress Report as part of Cagamas Holdings Berhad's Annual Report</li> <li>• Allocation Reporting:             <ul style="list-style-type: none"> <li>• Information will be provided on the amount that is equal to the net proceeds of the Sustainability Bonds/ Sukuk</li> </ul> </li> <li>• Impact Reporting:             <ul style="list-style-type: none"> <li>• 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</li> </ul> </li> </ul> |
|  | External Review | <ul style="list-style-type: none"> <li>• Obtained a second party opinion from RAM Sustainability Sdn Bhd ("RAM Sustainability") to confirm the validity of Cagamas Sustainability Bonds/ Sukuk Framework</li> <li>• Engage an appropriate external assurance provider to independently confirm the Annual Sustainability Progress Report and opine on its conformity with the Framework</li> <li>• 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</li> </ul>   |

### 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><b>Summary</b></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 &amp; 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](http://www.cagamas.com.my)

## Excluded Use of Proceeds as Stated In The Framework:

Fossil Fuel



Nuclear



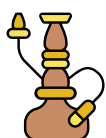
Weapon



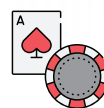
Alcohol



Tobacco



Child Labour

Gambling/  
Adult Entertainment**CONCLUSION**

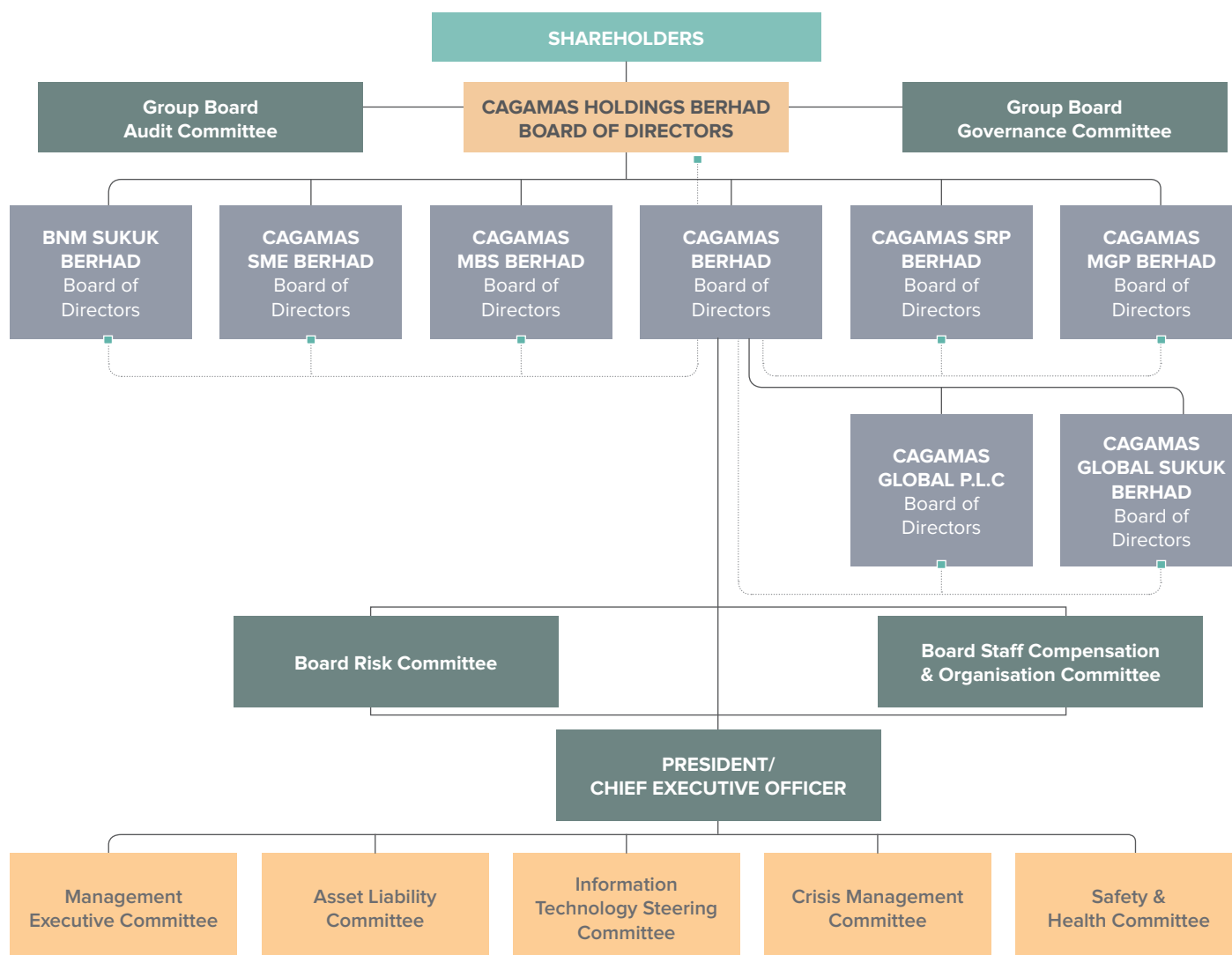
During the year under review, Cagamas further strengthened its foothold in sustainability by rolling out more robust initiatives across all areas – from promotion of sustainable home ownership to empowering local communities. Moving forward, the Group remains committed to generating positive results 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/<br>Independence | Board Meetings<br>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) |
|--|--------------------|
| <b><u>Financial Institutions Directors' Education (FIDE) FORUM:</u></b>                      |                    |
| 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                  |
| <b><u>The Iclif Leadership and Governance Centre (ICLIF):</u></b>                            |                    |
| Corporate Governance Regulatory Updates for the Capital Markets                              | 2                  |
| Leadership for Enterprise Sustainability Asia (LESA) 2021                                    | 4                  |
| <b><u>Institute of Corporate Directors Malaysia (ICDM) PowerTalk Series 2021:</u></b>        |                    |
| Positive Agenda: Leadership in Covid-Exit  | 2                  |
| Post Budget Power talk   | 1                  |
| <b><u>Securities Commission:</u></b>   |                    |
| SCxSC Fintech Conference 2021  | 3                  |
| <b><u>The Securities Industry Development Corporation (SIDC):</u></b>                        |                    |
| Business Foresight Forum (BFF) 2021  | 2                  |
| <b><u>Malaysian Institute of Accountants (MIA):</u></b>                                      |                    |
| Audit Committee Conference 2021  | 2                  |
| <b><u>The Asset:</u></b>   |                    |
| 16th Asia Bond Markets Summit  | 1                  |
| <b><u>Bloomberg and Bursa Malaysia:</u></b>  |                    |
| Environmental, Social and Corporate Governance (ESG) in the new normal: A Corporation's Lens | 1                  |
| <b><u>REDMoney Event:</u></b>  |                    |
| (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](http://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 of 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

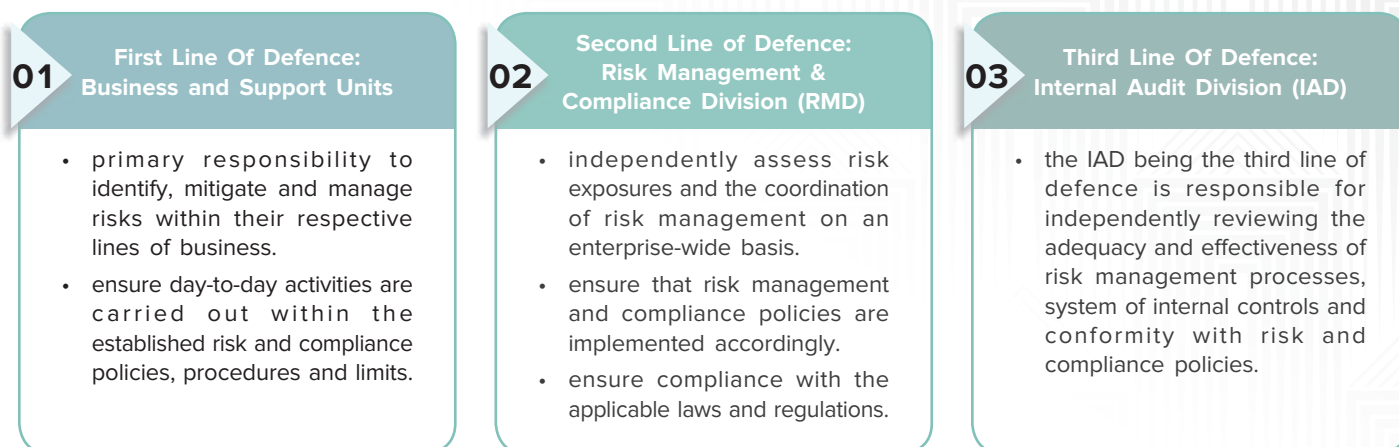
The Group's risk management approach is supported by a sound and robust Enterprise Risk Management Framework (Framework), which is continuously enhanced to remain relevant and resilient against the background of a versatile risk landscape and evolving industry practices.

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 of marketable debt securities, is also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial markets.



**Operational Risk** 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.

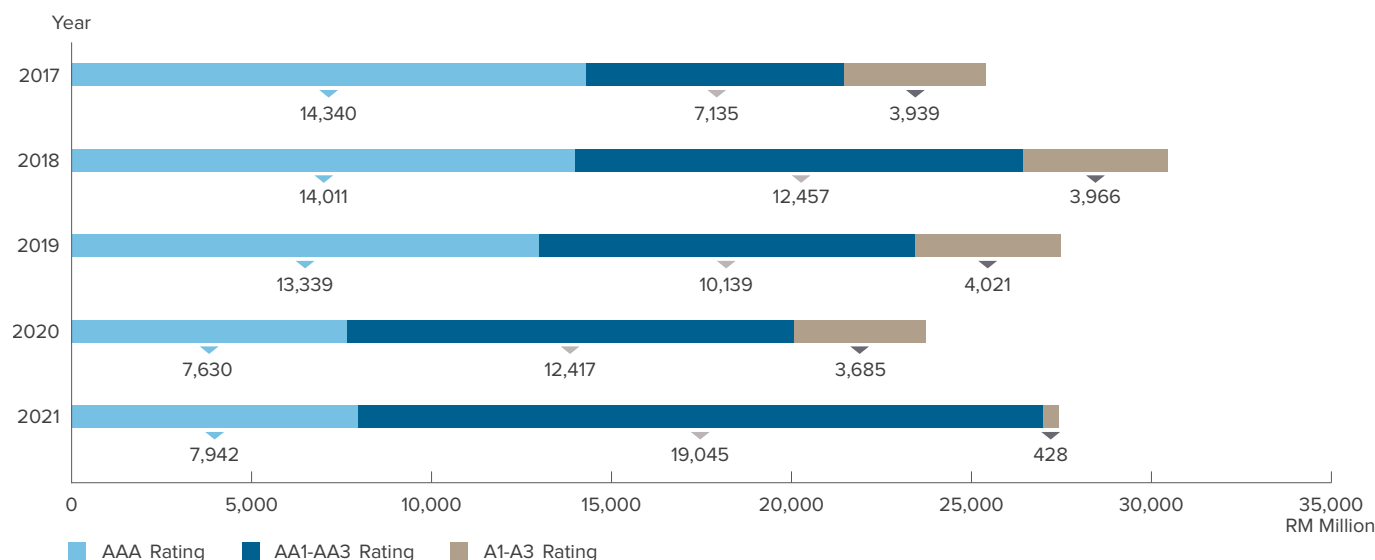
Collaborated with business to develop pricing and risk parameters for new Capital Management Solution (CMS) product.

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

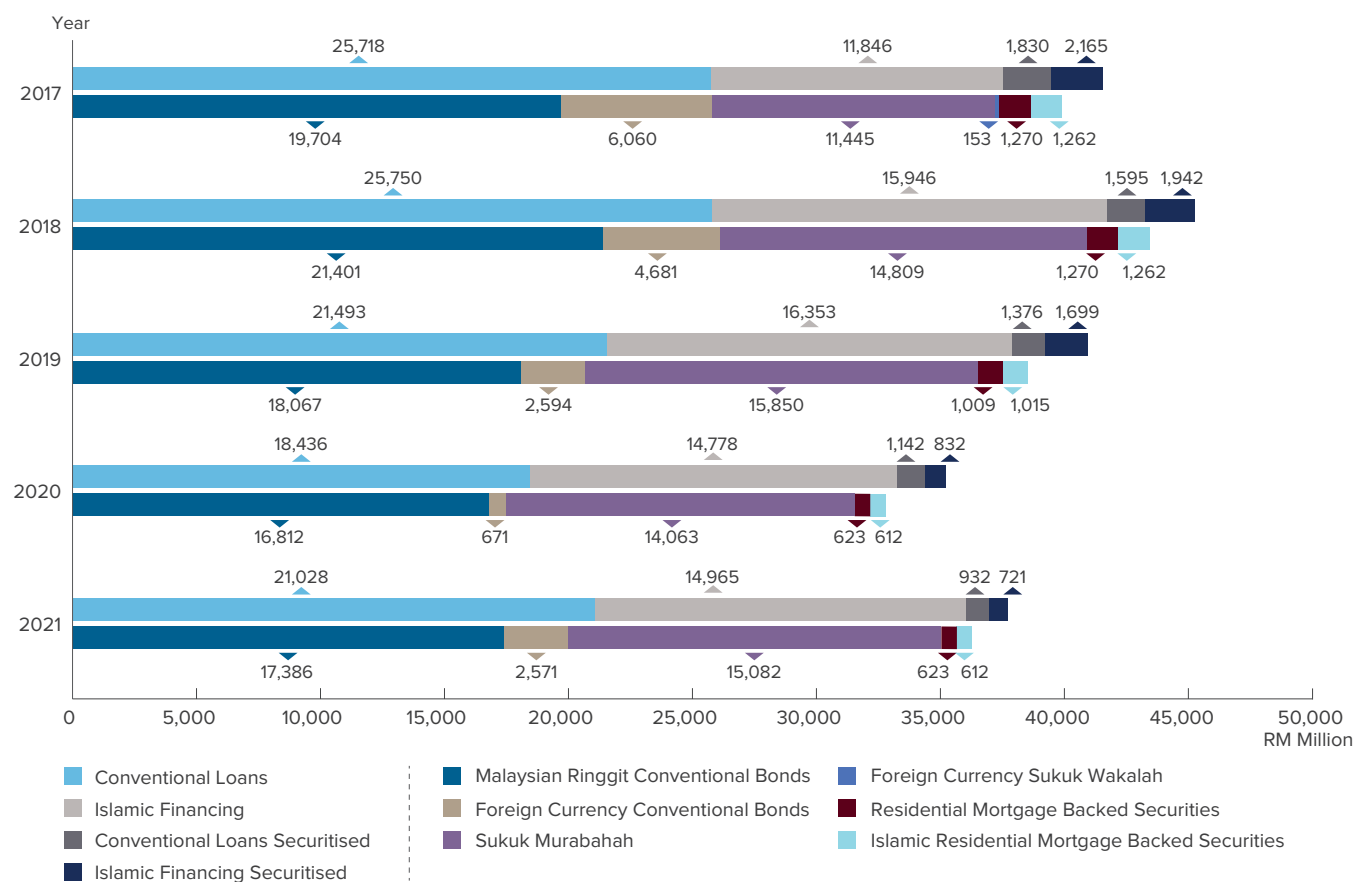
# Statistical Information

## COUNTERPARTIES EXPOSURE BY RATINGS (PWR)

### by Counterparty Rating



## 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        |                   |  |                        |                 |  |
| <b>2012</b> |                |                           |               |                            |                   |                   |  |                        |                 |  |
| 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              |  |
| <b>2013</b> |                |                           |               |                            |                   |                   |  |                        |                 |  |
| 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               |  |
| <b>2015</b> |                |                           |               |                            |                   |                   |  |                        |                 |  |
| 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             |  |
| <b>2017</b> |                |                           |               |                            |                   |                   |  |                        |                 |  |
| 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               |                   |  |                        |                 |  |
| <b>2018</b> |                |                           |               |                            |                   |                   |  |                        |                 |  |
| 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        |                |                           |               |                            |                   |                   |  |                        |                 |  |            |     |
| 12.03.2019  | 3              | 4.040                     | 11.03.2022    | 0.19                       |                   |                   |  |                        |                 |  | 40         |     |
| 20.03.2019  | 3              | 4.000                     | 21.03.2022    | 0.22                       |                   |                   |  |                        |                 |  |            |     |
| 14.08.2019  | 3              | 3.500                     | 12.08.2022    | 0.61                       |                   |                   |  |                        |                 |  |            | 400 |
| 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                       |                   |                   |  |                        |                 |  | 30         |     |
| 28.11.2019  | 5              | 3.550                     | 28.11.2024    | 2.91                       |                   |                   |  |                        |                 |  | 450        |     |
| 12.12.2019  | 3              | 3.380                     | 12.12.2022    | 0.95                       |                   |                   |  |                        |                 |  | 300        |     |
| 16.12.2019  | 3              | 3.380                     | 16.12.2022    | 0.96                       | 300               |                   |  |                        |                 |  |            |     |
| 2020        |                |                           |               |                            |                   |                   |  |                        |                 |  |            |     |
| 20.03.2020  | 2              | 3.030                     | 21.03.2022    | 0.22                       |                   |                   |  |                        |                 |  | 300        |     |
| 30.03.2020  | 2              | 3.450                     | 30.03.2022    | 0.24                       |                   |                   |  |                        |                 |  | 55         |     |
| 16.04.2020  | 2              | 3.100                     | 18.04.2022    | 0.30                       |                   |                   |  |                        |                 |  | 500        |     |
| 22.05.2020  | 2              | 2.750                     | 23.05.2022    | 0.39                       |                   |                   |  |                        |                 |  | 70         |     |
| 30.06.2020  | 2              | 2.700                     | 30.06.2022    | 0.50                       |                   |                   |  |                        |                 |  | 55         |     |
| 26.10.2020  | 3              | 2.230                     | 26.10.2023    | 1.82                       |                   |                   |  |                        |                 |  | 100        |     |
| 26.10.2020  | 3              | 2.250                     | 26.10.2023    | 1.82                       |                   |                   |  |                        |                 |  |            | 350 |
| 27.10.2020  | 2              | 2.130                     | 27.10.2022    | 0.82                       |                   |                   |  |                        |                 |  |            | 20  |
| 27.10.2020  | 2.5            | 2.180                     | 27.04.2023    | 1.32                       |                   |                   |  |                        |                 |  | 45         |     |
| 22.12.2020  | 2              | 2.250                     | 22.12.2022    | 0.98                       | 50                |                   |  |                        |                 |  |            |     |
| 2021        |                |                           |               |                            |                   |                   |  |                        |                 |  |            |     |
| 19.01.2021  | 3              | 2.380                     | 19.01.2024    | 2.05                       |                   |                   |  |                        |                 |  | 55         |     |
| 20.01.2021  | 1              | 2.120                     | 21.01.2022    | 0.06                       |                   |                   |  |                        |                 |  | 55         |     |
| 25.02.2021  | 1              | 2.100                     | 28.02.2022    | 0.16                       |                   |                   |  |                        |                 |  | 400        |     |
| 16.03.2021  | 1              | 1.000                     | 16.03.2022    | 0.21                       |                   |                   |  |                        |                 |  | 398<br>425 |     |
| 17.03.2021  | 1              | 0.850                     | 17.03.2022    | 0.21                       |                   |                   |  |                        |                 |  |            |     |
| 17.03.2021  | 1              | 2.200                     | 18.03.2022    | 0.21                       |                   |                   |  |                        |                 |  |            | 175 |
| 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                       |                   |                   |  |                        |                 |  | 800        |     |
| 15.06.2021  | 5              | 3.150                     | 15.06.2026    | 4.46                       |                   |                   |  |                        |                 |  | 200        |     |
| 25.06.2021  | 5              | 3.150                     | 15.06.2026    | 4.46                       |                   |                   |  |                        |                 |  |            | 150 |
| 25.06.2021  | 2              | 2.480                     | 26.06.2023    | 1.48                       |                   |                   |  |                        |                 |  |            | 600 |
| 28.06.2021  | 2              | 2.410                     | 28.06.2023    | 1.49                       |                   |                   |  |                        |                 |  |            | 700 |
| 28.06.2021  | 2              | 2.410                     | 28.06.2023    | 1.49                       |                   |                   |  |                        |                 |  |            |     |
| 05.08.2021  | 3              | 2.670                     | 05.08.2024    | 2.60                       |                   |                   |  |                        |                 |  | 200        |     |
| 05.08.2021  | 3              | 2.670                     | 05.08.2024    | 2.60                       |                   |                   |  |                        |                 |  |            | 100 |
| 09.08.2021  | 1              | 2.150                     | 10.08.2022    | 0.61                       |                   |                   |  |                        |                 |  | 85         |     |
| 09.08.2021  | 1              | 2.150                     | 10.08.2022    | 0.61                       |                   |                   |  |                        |                 |  |            | 25  |
| 25.08.2021  | 1              | 3-m KLIBOR                | 26.08.2022    | 0.65                       |                   |                   |  |                        |                 |  | 200        |     |

## 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        |                   |  |                        |                 |  |
| <b>2021 (Cont'd)</b> |                |                           |               |                            |                   |                   |  |                        |                 |  |
| 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               |  |                        |                 |  |
| <b>TOTAL</b>         |                |                           |               |                            | <b>15,970</b>     | <b>1,300</b>      | <b>620</b>                             | <b>2,563</b>           | <b>14,985</b>   | <b>610</b>                             |
|                      |                |                           |               |                            | <b>36,048</b>     |                   |  |                        |                 |  |

## 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      | <b>19,861</b> | <b>57.04</b> |
| Provident and Pension Funds      | 7,255         | 19.77      | 7,730         | 19.22      | 7,055         | 19.44      | 5,672         | 18.11      | <b>4,946</b>  | <b>14.20</b> |
| Insurance Companies              | 3,670         | 10.00      | 3,483         | 8.66       | 3,688         | 10.16      | 3,523         | 11.25      | <b>3,991</b>  | <b>11.46</b> |
| Asset Management and Trust Funds | 2,166         | 5.90       | 2,552         | 6.34       | 1,886         | 5.20       | 2,008         | 6.41       | <b>2,340</b>  | <b>6.72</b>  |
| Non-Resident Investors           | 6,017         | 16.39      | 4,323         | 10.75      | 2,727         | 7.52       | 780           | 2.49       | <b>3,279</b>  | <b>9.42</b>  |
| Corporations                     | 364           | 0.99       | 199           | 0.49       | 114           | 0.31       | 181           | 0.58       | <b>51</b>     | <b>0.15</b>  |
| Government Linked Companies      | 441           | 1.20       | 488           | 1.21       | 241           | 0.66       | 60            | 0.20       | <b>350</b>    | <b>1.01</b>  |
| <b>Total</b>                     | <b>36,707</b> | <b>100</b> | <b>40,226</b> | <b>100</b> | <b>36,284</b> | <b>100</b> | <b>31,310</b> | <b>100</b> | <b>34,818</b> | <b>100</b>   |

## 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      | <b>739</b>   | <b>60.31</b> |
| Provident and Pension Funds      | 305          | 12.10      | 305          | 12.08      | 255          | 12.66      | 220          | 17.89      | <b>240</b>   | <b>19.60</b> |
| Asset Management and Trust Funds | 106          | 4.20       | 291          | 11.54      | 264          | 13.10      | 145          | 11.83      | <b>135</b>   | <b>11.06</b> |
| Financial Institutions           | 532          | 21.11      | 577          | 22.90      | 282          | 13.97      | 75           | 6.07       | <b>72</b>    | <b>5.88</b>  |
| Corporations                     | 20           | 0.79       | 15           | 0.60       | 25           | 1.24       | 21           | 1.71       | <b>39</b>    | <b>3.15</b>  |
| Government Linked Companies      | 0            | 0.00       | 5            | 0.20       | 5            | 0.25       | 20           | 1.63       | <b>0</b>     | <b>0.00</b>  |
| Individuals                      | 15           | 0.60       | 15           | 0.60       | 15           | 0.74       | 15           | 1.22       | <b>0</b>     | <b>0.00</b>  |
| Non-Resident Investors           | 7            | 0.28       | 6            | 0.25       | 5            | 0.27       | 0            | 0.00       | <b>0</b>     | <b>0.00</b>  |
| <b>Total</b>                     | <b>2,520</b> | <b>100</b> | <b>2,520</b> | <b>100</b> | <b>2,015</b> | <b>100</b> | <b>1,230</b> | <b>100</b> | <b>1,225</b> | <b>100</b>   |

## 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         | <b>53.8</b>  |
| Corporate Bonds and Sukuk   | 32.0                                   | 31.1         | 31.7         | 30.6         | <b>29.5</b>  |
| Other Quasi-Government Securities, e.g., Multilateral Development Financial Institution | 12.4                                   | 13.3         | 13.6         | 14.2         | <b>14.2</b>  |
| Cagamas Group Debt Securities   | 2.6                                    | 2.8          | 2.4          | 2.0          | <b>2.0</b>   |
| Khazanah Bonds and Sukuk  | 1.4                                    | 1.1          | 0.9          | 0.7          | <b>0.5</b>   |
| <b>Total</b>  | <b>100.0</b>                           | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |



# Cagamas in the News

## Cagamas launches RM100 mln Skim Saraan Bercagar

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

SSB was launched by Finance Minister, Senator Tengku Zaifol Saari Wanji and Tan Sri Abdul Aziz.

The scheme allows retirees aged 65 and above to borrow against the value of their fully paid home and convert it into a steady monthly cash payout throughout their lifetime as replacement for retirement funds.

An inter-Ministry review in the future, to ensure the importance of the scheme and



the government will continue to support the scheme. The scheme is expected to be a market first.

The signing ceremony was witnessed by Tan Sri Abdul Aziz, SSB Chairman Tan Sri Ahmad Sabri Mohd Zahid, Secretary General Datuk Seri Yusoff Yusoff and Bank Negara Malaysia's assistant governor, Datuk Seri Mohamed Zuhdi.

The scheme is expected to be a market first.

## Cagamas unveils Malaysia's first reverse mortgage scheme

Programme is significant milestone for the property market

The National Mortgage Corporation of Malaysia (Cagamas) has today unveiled its first reverse mortgage scheme, the Skim Saraan Bercagar (SSB). The scheme is expected to be a market first.

The scheme is expected to be a market first.

## Going for green mortgages

Cagamas eyes ESG-related issuances to drive growth and profits

### CORPORATE

By JAY LEE

Malaysia's National Mortgage Corporation (Cagamas) is looking to drive growth and profits by focusing on ESG-related issuances.

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

Datuk Chung Chee Leong

The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

### TIER-1 SOCIAL BENEFIT RATING

## Cagamas concludes issuances of RM300m Asean SRI sukuk, sustainability bonds

**KUALA LUMPUR:** Cagamas has today concluded its first double tranche of the Asean sustainability sukuk (SSS) and the first Asean sustainability bonds (ASB) totalling RM300 million under the RM100

million SSB and RM200 million ASB. The proceeds will be used to fund the purchase of eligible Islamic financing and sustainable investments.

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

the company's chief executive officer, Datuk Chung Chee Leong, who said the company is looking to drive growth and profits by focusing on ESG-related issuances.

The issuances, which will be on a three-month maturity, are expected to be a market first.

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

**KUALA LUMPUR:** Cagamas has today announced that its total issuance for the year 2022 has reached RM19.2 billion, the highest since 2002.

The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

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The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

## Cagamas concludes issuances for 1H21 on positive note

**KUALA LUMPUR:** Cagamas has today concluded its first double tranche of the Asean sustainability sukuk (SSS) and the first Asean sustainability bonds (ASB) totalling RM300 million under the RM100

million SSB and RM200 million ASB. The proceeds will be used to fund the purchase of eligible Islamic financing and sustainable investments.

The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

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price through a public book building exercise which successfully attracted participation from a diverse investor base comprising financial institutions, insurance companies, asset managers, sovereign wealth funds, pension funds, statutory body as well as foreign investors.

"Demands for the company's papers were overwhelming, resulting in tightening of the one-year tranche from an initial price guidance of 2.20 per cent to 2.8 per cent while the three-year tranche was up-

## Cagamas issues total RM710m bonds, sukuk

**KUALA LUMPUR:** Cagamas has today issued its first double tranche of the Asean sustainability sukuk (SSS) and the first Asean sustainability bonds (ASB) totalling RM710 million under the RM100

million SSB and RM200 million ASB. The proceeds will be used to fund the purchase of eligible Islamic financing and sustainable investments.

The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

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The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

## Cagamas concludes pricing for RM945mil of bonds, sukuk

**KUALA LUMPUR:** Cagamas has today concluded its first double tranche of the Asean sustainability sukuk (SSS) and the first Asean sustainability bonds (ASB) totalling RM945 million under the RM100

million SSB and RM200 million ASB. The proceeds will be used to fund the purchase of eligible Islamic financing and sustainable investments.

The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

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The company's chief executive officer, Datuk Chung Chee Leong, said the company is looking to drive growth and profits by focusing on ESG-related issuances.

## RM4b in bonds, sukuk issued by Cagamas

**KUALA LUMPUR:** Cagamas has today issued its first double tranche of the Asean sustainability sukuk (SSS) and the first Asean sustainability bonds (ASB) totalling RM4 billion under the RM100

million SSB and RM200 million ASB. The proceeds will be used to fund the purchase of eligible Islamic financing and sustainable investments.

**新与退休保障不阻碍理财**  
**房产抵押后可续居住**

SSB

Cagamas

**若退休于海外**  
**受益人无需支付代价**

SSB

Cagamas

**抵押房贷月供300万**

SSB

Cagamas

**退休保障计划**

SSB

Cagamas

**退休保障计划**

SSB

Cagamas

**退休保障计划**

SSB

Cagamas



# 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.



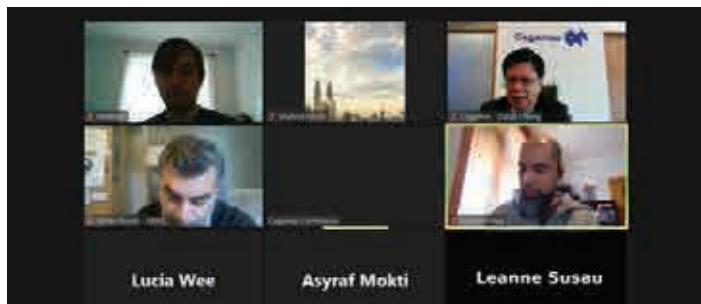
**Meeting with Minister of Housing and Local Government (“KPKT”)**

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 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.

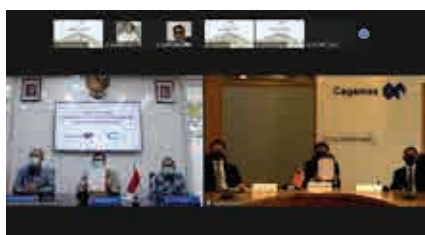
## Corporate Highlights (Continued)

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 5<sup>th</sup> 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 5<sup>th</sup> Annual Asia Credit Conference. The meeting was attended by investors from across the region.

## SEPTEMBER

**11<sup>th</sup> Global Islamic Finance Awards 2021**

Cagamas was honoured with the GIFA Market Leadership Award (Islamic Securitization) 2021 at the 11<sup>th</sup> 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.

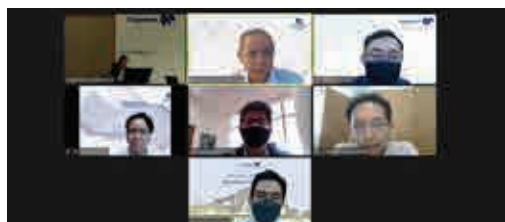
## OCTOBER

**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**

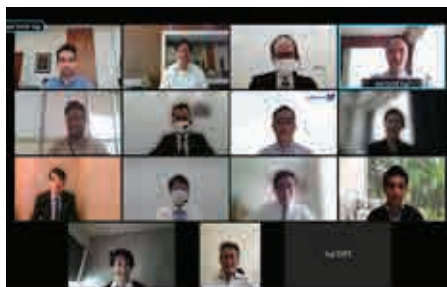
Members of the Board of Directors of the Cagamas Group of Companies and senior management team attended the Cagamas Board Strategic Retreat Meeting 2021 held in Kuala Lumpur. The session discussed future strategic directions of Cagamas as well as possible strategic initiatives.





## 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

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# Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 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<br>RM'000 | Company<br>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<br>RM'000 | Company<br>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             |
|  | <b>30,000</b>   | <b>30,000</b>     |
| 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             | –                 |
|  | <b>6,081</b>    | <b>–</b>          |

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

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The Company's related party transactions are disclosed in Note 41 to the financial statements.

### DIRECTORS

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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  
 Datuk 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

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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<br>RM'000    | 2020<br>RM'000    | 2021<br>RM'000   | 2020<br>RM'000   |
| <b>ASSETS</b>   |      |                   |                   |                  |                  |
| 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             | —                | —                |
| <b>TOTAL ASSETS</b>   |      | <b>44,124,634</b> | <b>40,244,297</b> | <b>4,284,039</b> | <b>4,184,058</b> |
| <b>LIABILITIES</b>  |      |                   |                   |                  |                  |
| 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            | —                | —                |
| <b>TOTAL LIABILITIES</b>  |      | <b>37,579,689</b> | <b>33,875,352</b> | <b>13</b>        | <b>53</b>        |

\* 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<br>RM'000    | 2020<br>RM'000 | 2021<br>RM'000   | 2020<br>RM'000 |
| Share capital                             | 29   | <b>150,000</b>    | 150,000        | <b>150,000</b>   | 150,000        |
| Reserves**                                | 30   | <b>6,394,945</b>  | 6,218,945      | <b>4,134,026</b> | 4,034,005      |
| SHAREHOLDERS' FUNDS                       |      | <b>6,544,945</b>  | 6,368,945      | <b>4,284,026</b> | 4,184,005      |
| TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS |      | <b>44,124,634</b> | 40,244,297     | <b>4,284,039</b> | 4,184,058      |
| NET TANGIBLE ASSETS PER SHARE (RM)        | 31   | <b>43.51</b>      | 42.32          | <b>28.56</b>     | 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<br>RM'000   | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Interest income                     | 32   | <b>966,860</b>   | 1,114,621      | <b>86</b>      | 121            |
| Interest expense                    | 33   | <b>(658,200)</b> | (790,300)      | –              | –              |
| Income from Islamic operations      | 52   | <b>162,429</b>   | 215,720        | –              | –              |
| Non-interest income/(expense)       | 34   | <b>3,736</b>     | 6,848          | <b>130,000</b> | 30,000         |
|                                     |      | <b>474,825</b>   | 546,889        | <b>130,086</b> | 30,121         |
| Administration and general expenses |      | <b>(23,178)</b>  | (26,245)       | <b>(49)</b>    | (58)           |
| Personnel costs                     | 35   | <b>(29,416)</b>  | (31,298)       | –              | –              |
| OPERATING PROFIT                    |      | <b>422,231</b>   | 489,346        | <b>130,037</b> | 30,063         |
| Allowance for impairment losses     | 36   | <b>5,684</b>     | 22,874         | –              | –              |
| PROFIT BEFORE TAXATION AND ZAKAT    | 38   | <b>427,915</b>   | 512,220        | <b>130,037</b> | 30,063         |
| Taxation                            | 39   | <b>(104,948)</b> | (126,963)      | <b>(16)</b>    | (34)           |
| Zakat                               |      | <b>(5,367)</b>   | (1,475)        | –              | –              |
| PROFIT FOR THE FINANCIAL YEAR*      |      | <b>317,600</b>   | 383,782        | <b>130,021</b> | 30,029         |
| EARNINGS PER SHARE (SEN)            | 31   | <b>211.73</b>    | 255.85         | <b>86.68</b>   | 20.02          |
| DIVIDEND PER SHARE (SEN)            | 40   | <b>20.00</b>     | 20.00          | <b>20.00</b>   | 20.00          |

\* Profit for the financial year of the Group includes profit from CMBS of RM 89,676,000 (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<br>RM'000   | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Profit for the financial year   | <b>317,600</b>   | 383,782        | <b>130,021</b> | 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                               | <b>(130,168)</b> | 65,169         | –              | –              |
| – Deferred taxation   | <b>31,298</b>    | (15,608)       | –              | –              |
| Cash flow hedge   |                  |                |                |                |
| – Net (loss)/gain on cash flow hedge                                      | <b>(8,749)</b>   | 4,992          | –              | –              |
| – Deferred taxation   | <b>2,100</b>     | (1,198)        | –              | –              |
| Other comprehensive (loss)/income for the financial year, net of taxation | <b>(105,519)</b> | 53,355         | –              | –              |
| Total comprehensive income for the financial year                         | <b>212,081</b>   | 437,137        | <b>130,021</b> | 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<br>ordinary<br>shares of<br>RM1 each | Non-distributable          |   |  | Distributable                    |                               |                              |
|--|---------|---|----------------------------|---|--|----------------------------------|-------------------------------|------------------------------|
|  |         |   | Share<br>capital<br>RM'000 | Financial<br>assets at<br>FVOCI<br>reserves<br>RM'000 | Cash flow<br>hedge<br>reserves<br>RM'000 | Regulatory<br>reserves<br>RM'000 | Retained<br>profits<br>RM'000 | Other<br>reserves*<br>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<br>ordinary<br>shares of<br>RM1 each | Non-<br>distributable                            | Distributable                 | Total<br>equity<br>RM'000 |
|--|---------|---|--|-------------------------------|---------------------------|
|  |         | Share<br>capital<br>RM'000                  | Share<br>premium<br>relief<br>reserves<br>RM'000 | Retained<br>profits<br>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<br>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<br>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<br>RM'000   | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>OPERATING ACTIVITIES</b>  |                  |                |                |                |
| Profit before taxation and zakat   | <b>427,915</b>   | 512,220        | <b>130,037</b> | 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  | <b>8,432</b>     | (7,878)        | –              | –              |
| – Unsecured bearer bonds and notes   | <b>9</b>         | (3,409)        | –              | –              |
| – Sukuk  | –                | (7,568)        | –              | –              |
| Accretion of discount on:  |                  |                |                |                |
| – Mortgage assets – Conventional   | <b>(113,301)</b> | (142,467)      | –              | –              |
| – Mortgage assets – Islamic  | <b>(90,799)</b>  | (158,637)      | –              | –              |
| (Reversal)/allowance for impairment losses on:   |                  |                |                |                |
| – Cash and cash equivalents  | <b>11</b>        | (105)          | –              | –              |
| – Financial assets at FVOCI  | <b>238</b>       | (94)           | –              | –              |
| – Financial assets at amortised cost   | <b>1,155</b>     | –              | –              | –              |
| – Amount due from counterparties/<br>Islamic financing assets  | <b>(38)</b>      | (594)          | –              | –              |
| – Mortgage assets and hire purchase assets/<br>Islamic mortgage assets and Islamic hire purchase<br>assets | <b>(12,677)</b>  | (28,380)       | –              | –              |
| Recovered mortgage assets and Islamic mortgage assets  | <b>(181)</b>     | (1,710)        | –              | –              |
| Guarantee/Wakalah exposures  | <b>1,326</b>     | 8,009          | –              | –              |
| Interest income  | <b>(854,220)</b> | (953,655)      | <b>(86)</b>    | (121)          |
| Interest income – derivative   | <b>(61,844)</b>  | (101,763)      | –              | –              |
| Income from Islamic operations   | <b>(649,028)</b> | (743,528)      | –              | –              |
| Interest expense – bonds   | <b>625,016</b>   | 737,346        | –              | –              |
| Interest expense – derivative  | <b>73,750</b>    | 110,754        | –              | –              |
| Interest expense – RMBS  | <b>33,272</b>    | 53,924         | –              | –              |
| Profit attributable to Sukuk holders   | <b>548,778</b>   | 666,583        | –              | –              |
| Profit attributable to derivative  | <b>20,609</b>    | 38,293         | –              | –              |
| Profit attributable to IRMBS holders   | <b>25,930</b>    | 38,649         | –              | –              |
| Guarantee/Wakalah fee income   | <b>(17,337)</b>  | (7,089)        | –              | –              |
| Guarantee/Kafalah expense  | <b>4</b>         | 153            | –              | –              |
| Depreciation of property and equipment   | <b>1,652</b>     | 1,582          | –              | –              |
| Amortisation of intangible assets  | <b>3,843</b>     | 3,608          | –              | –              |
| Amortisation of right-of-use asset   | <b>1,996</b>     | 937            | –              | –              |
| Interest on lease liability  | –                | 2,441          | –              | –              |
| Gain on disposal of:   |                  |                |                |                |
| – Property and equipment   | <b>(3)</b>       | (10)           | –              | –              |
| – Financial assets at FVOCI  | <b>(8,984)</b>   | (9,572)        | –              | –              |

**Statements of Cash Flows** *(Continued)*

For The Financial Year Ended 31 December 2021

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



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

|  |      | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  | Note | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| <b>INVESTING ACTIVITIES</b>                      |      |                |                |                |                |
| 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)      | –              | –              |
| <b>FINANCING ACTIVITIES</b>                      |      |                |                |                |                |
| 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<br>liability<br>RM'000 | Unsecured<br>bearer bonds<br>and notes<br>RM'000 | Sukuk<br>RM'000 | RMBS<br>RM'000 | IRMBS<br>RM'000 | Total<br>RM'000 |
|--------------------------|------------------------------|--|-----------------|----------------|-----------------|-----------------|
| <b>2021</b>              |                              |  |                 |                |                 |                 |
| 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      |
| <b>2020</b>              |                              |  |                 |                |                 |                 |
| 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<br>RM'000 | Liabilities<br>RM'000 | Assets<br>RM'000 | Liabilities<br>RM'000 |
| <b>2021</b>                      |                  |                       |                  |                       |
| Derivative financial instruments | <b>780,000</b>   | <b>(1,135,000)</b>    | <b>23,035</b>    | <b>(21,468)</b>       |
| Amount due from counterparties   | —                | —                     | <b>160,304</b>   | —                     |
| Unsecured bearer bonds and notes | —                | —                     | —                | <b>(1,112,217)</b>    |
| Sukuk                            | —                | —                     | —                | <b>(647,237)</b>      |

## 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 122<sup>2004</sup> “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 122<sup>2004</sup> to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

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

Acquisition-related costs are expensed as incurred.

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

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

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

#### 2.3 Structured entity

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

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

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

- (a) The Group has power over the entity, which is described as having existing rights that give the current ability to direct the relevant activities, i.e. the activities that most significantly affect the entity's returns;
- (b) The Group has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) The Group has the ability to use its power over the entity to affect the amount of its returns.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Structured entity (continued)

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

### 2.4 Amount due from counterparties and Islamic financing assets

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

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

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

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

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

### 2.6 Investment in subsidiaries and structured entities

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

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

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

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

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

##### 2.9.2 Non-financial assets

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Write-off

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

### 2.11 Financial liabilities

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

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

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

#### (b) Borrowings measured at amortised cost

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

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

#### (c) Other financial liabilities measured at amortised cost

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

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

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

### 2.13 Income recognition on Guarantee and Wakalah fees

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

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

## 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 of 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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>RM'000 |
| Unit trusts | <b>127,779</b> | 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<br>RM'000   | 2020<br>RM'000 |
| Debt instrument:                |                  |                |
| Malaysian government securities | <b>436,933</b>   | 479,266        |
| Corporate bonds                 | <b>492,556</b>   | 712,770        |
| Government investment issues    | <b>960,313</b>   | 952,770        |
| Corporate Sukuk                 | <b>1,905,442</b> | 828,266        |
| Quasi government Sukuk          | <b>913,302</b>   | 925,809        |
|                                 | <b>4,708,546</b> | 3,898,881      |

|   | Group            |                |
|---|------------------|----------------|
|   | 2021<br>RM'000   | 2020<br>RM'000 |
| The maturity structure of financial assets at FVOCI are as follows: |                  |                |
| Maturing within one year  | <b>1,236,338</b> | 713,552        |
| One to three years  | <b>1,252,641</b> | 1,460,849      |
| Three to five years   | <b>954,045</b>   | 734,868        |
| More than five years  | <b>1,265,522</b> | 989,612        |
|   | <b>4,708,546</b> | 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<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|---|-----------------------------------|-----------------------------------|
| <b>2021</b>                                 |                                   |                                   |
| By stage of allocation:                     |                                   |                                   |
| Stage 1 (12-month ECL; non-credit impaired) | 4,708,546                         | 376                               |
| As at 31 December                           | 4,708,546                         | 376                               |
| <b>2020</b>                                 |                                   |                                   |
| 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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|---|-----------------------------------|-----------------------------------|
| <b>2021</b>                                 |                                   |                                   |
| 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/<br>Notional<br>amount<br>RM'000 | Assets<br>RM'000 | Liabilities<br>RM'000 | Average<br>fixed<br>interest rate<br>% |
| 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<br>fixed<br>interest rate<br>% |
|---|---|------------------|-----------------------|--|
|   | Contract/<br>Notional<br>amount<br>RM'000 | Assets<br>RM'000 | Liabilities<br>RM'000 |  |
| <b>2020</b>                               |   |                  |                       |  |
| Derivative designated as cashflow hedges: |   |                  |                       |  |
| IRS/IPRS                                  |   |                  |                       |  |
| Maturing within one year                  | 1,100,000                                 | 13,994           | (2,803)               | 3.82                                   |
| One to three years                        | 1,355,000                                 | –                | (41,133)              | 3.53                                   |
| Three to five years                       | –   | –                | –                     | –                                      |
| More than five years                      | 160,000                                   | 38,802           | –                     | 4.66                                   |
|   | 2,615,000                                 | 52,796           | (43,936)              |  |
| CCS                                       |   |                  |                       |  |
| Maturing within one year                  | 669,927                                   | 5,108            | (2,027)               | 3.33                                   |
|   | 3,284,927                                 | 57,904           | (45,963)              |  |

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

|                                       | Group                        |                  |                       |   |   |  |
|---------------------------------------|------------------------------|------------------|-----------------------|---|---|--|
|                                       | Notional<br>amount<br>RM'000 | Fair value*      |                       | Changes in<br>fair value<br>used for<br>calculating<br>hedging<br>effectiveness<br>RM'000 | Changes in<br>fair value<br>recognised<br>in other<br>comprehensive<br>income<br>RM'000 | Hedge<br>ineffectiveness<br>recognised in<br>income<br>statement**<br>RM'000 |
|                                       |                              | Assets<br>RM'000 | Liabilities<br>RM'000 |   |   |  |
| <b>2021</b>                           |                              |                  |                       |   |   |  |
| <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<br>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<br>amount<br>RM'000 | Fair value* |             | Changes in<br>fair value<br>used for<br>calculating<br>hedging<br>effectiveness<br>RM'000 | Changes in<br>fair value<br>recognised<br>in other<br>comprehensive<br>income<br>RM'000 | Hedge<br>ineffectiveness<br>recognised in<br>income<br>statement**<br>RM'000 | Amount<br>reclassified<br>from hedge<br>reserve to<br>income<br>statement**<br>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<br>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<br>RM'000 | Cash flow hedge reserve<br>RM'000 | Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied<br>RM'000 |
| <b>2021</b>                                  |   |  |                                   |   |
| <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)                             | –   |
| <b>2020</b>                                  |   |  |                                   |   |
| <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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|--|-----------------------------------|-----------------------------------|
| By stage of allocation:                            |                                   |                                   |
| <b>2021</b>  |                                   |                                   |
| 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                              |
| <b>2020</b>  |                                   |                                   |
| 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>   |                   |                   |                   |                 |
| 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<br>(other than write-offs)         | (554)             | (76)              | (2,034)           | (2,664)         |
| (Reversal)/allowance during the year due to changes<br>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          |
| <b>2020</b>   |                   |                   |                   |                 |
| 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<br>(other than write-offs)         | (512)             | (189)             | (2,754)           | (3,455)         |
| Reversal during the year due to changes<br>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<br>RM'000   | 2020<br>RM'000 |
| PWOR  | <b>5,411,935</b> | 5,947,232      |
| The maturity structure of mortgage assets – Islamic are as follows: |                  |                |
| Maturing within one year  | <b>714,252</b>   | 764,475        |
| One to three years  | <b>958,108</b>   | 1,026,576      |
| Three to five years   | <b>924,737</b>   | 957,448        |
| More than five years  | <b>2,841,386</b> | 3,231,734      |
|   | <b>5,438,483</b> | 5,980,233      |
| Less:   |                  |                |
| Allowance for impairment losses                                     | <b>(26,548)</b>  | (33,001)       |
|   | <b>5,411,935</b> | 5,947,232      |

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

|  | Gross<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|--|-----------------------------------|-----------------------------------|
| By stage of allocation:                            |                                   |                                   |
| <b>2021</b>  |                                   |                                   |
| Stage 1 (12-month ECL; non-credit impaired)        | <b>5,407,800</b>                  | <b>16,942</b>                     |
| Stage 2 (Lifetime ECL; non-credit impaired)        | <b>2,016</b>                      | <b>411</b>                        |
| Stage 3 (Lifetime ECL; credit impaired)            | <b>28,667</b>                     | <b>9,195</b>                      |
| As at 31 December                                  | <b>5,438,483</b>                  | <b>26,548</b>                     |
| Impairment allowance over gross carrying value (%) |                                   | <b>0.49</b>                       |
| <b>2020</b>  |                                   |                                   |
| 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>   |                   |                   |                   |                 |
| 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<br>(other than write-offs)     | (573)             | (13)              | 38                | (548)           |
| Reversal during the year due to changes<br>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          |
| <b>2020</b>   |                   |                   |                   |                 |
| 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<br>(other than write-offs) | (4,504)           | (944)             | (5,932)           | (11,380)        |
| Reversal during the year due to changes<br>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<br>RM'000 | 2020<br>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<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|--|-----------------------------------|-----------------------------------|
| By stage of allocation:                            |                                   |                                   |
| <b>2021</b>  |                                   |                                   |
| 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                             |
| <b>2020</b>  |                                   |                                   |
| 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<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>                 |                   |                   |                 |
| As at 1 January/31 December | –                 | 12                | 12              |
| <b>2020</b>                 |                   |                   |                 |
| As at 1 January/31 December | –                 | 12                | 12              |

### 16 OTHER ASSETS

|  | Group          |                |
|--|----------------|----------------|
|  | 2021<br>RM'000 | 2020<br>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             |
|  | <b>8,189</b>   | <b>6,637</b>   |

### 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<br>RM'000   | 2020<br>RM'000   | 2021<br>RM'000 | 2020<br>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                     | <b>(578,829)</b> | <b>(577,699)</b> | <b>(2)</b>     | <b>(7)</b>     |

## Notes to the Financial Statements (Continued)

## 17 DEFERRED TAXATION (CONTINUED)

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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<br>1 January<br>RM'000 | Recognised<br>to income<br>statement<br>RM'000 | Recognised<br>to reserves<br>RM'000 | As at<br>31 December<br>RM'000 |
| <b>2021</b>  |                              |  |                                     |                                |
| <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                         |
|  | <b>49,511</b>                | <b>11,722</b>                                  | <b>(2,956)</b>                      | <b>58,277</b>                  |
| <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                                 | –                              |
|  | <b>(627,210)</b>             | <b>(46,250)</b>                                | <b>36,354</b>                       | <b>(637,106)</b>               |

## 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<br>1 January<br>RM'000 | Recognised<br>to income<br>statement<br>RM'000 | Recognised<br>to reserves<br>RM'000 | As at<br>31 December<br>RM'000 |
| <b>2020</b>  |                              |  |                                     |                                |
| <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<br>1 January<br>RM'000 | Recognised<br>to income<br>statement<br>RM'000 | Recognised<br>to reserves<br>RM'000 | As at<br>31 December<br>RM'000 |
| <b>2021</b>   |                              |  |                                     |                                |
| <u>Deferred tax liabilities</u>   |                              |  |                                     |                                |
| Temporary difference relating to interest receivables<br>on deposits and placements | (7)                          | 5  | –                                   | (2)                            |
| <b>2020</b>   |                              |  |                                     |                                |
| <u>Deferred tax liabilities</u>   |                              |  |                                     |                                |
| Temporary difference relating to interest receivables<br>on deposits and placements | (3)                          | (4)  | –                                   | (7)                            |

**18 INVESTMENT IN SUBSIDIARIES**

|                         | Company        |                |
|-------------------------|----------------|----------------|
|                         | 2021<br>RM'000 | 2020<br>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<br>%  | 2020<br>% |
| 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<br>RM'000 | 2020<br>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<br>%  | 2020<br>% |
| 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<br>equipments<br>RM'000 | Furniture<br>and fittings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--------------------------------|-------------------------------------|-----------------------------|-----------------|
| <b>2021</b>                     |                                |                                     |                             |                 |
| <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           |
| <b>2020</b>                     |                                |                                     |                             |                 |
| <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<br>RM'000 | Computer softwares<br>RM'000 | Computer software licenses<br>RM'000 | Work in progress<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--------------------------|------------------------------|--------------------------------------|----------------------------|-----------------|
| <b>2021</b>                     |                          |                              |                                      |                            |                 |
| <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          |
| <b>2020</b>                     |                          |                              |                                      |                            |                 |
| <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 of rental of office buildings and is being amortised over the tenure of rental period.

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>financial<br>guarantee<br>exposures<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|---|--|-----------------------------------|
| By stage of allocation:   |  |                                   |
| <b>2021</b>   |  |                                   |
| 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   | <b>136,786</b>   | <b>4,131</b>                      |
| Impairment allowance over unexpired financial guarantee exposures (%) |  | <b>3.02</b>                       |
| <b>2020</b>   |  |                                   |
| 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>  |                   |                   |                   |                 |
| 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           |
| <b>2020</b>  |                   |                   |                   |                 |
| 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<br>financial<br>Wakalah<br>exposure<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|---|---|-----------------------------------|
| By stage of allocation:   |   |                                   |
| <b>2021</b>   |   |                                   |
| 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                              |
| <b>2020</b>   |   |                                   |
| 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>  |                   |                   |                   |                 |
| 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           |
| <b>2020</b>  |                   |                   |                   |                 |
| 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<br>RM'000 | 2020<br>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 % | 2020 Effective interest rate % |
| (a) Floating rate note             | 2022             | 200,000                   | 1.940                          | –                              |
| Add:                               |                  |                           |                                |                                |
| Interest payable                   |                  | 393                       |                                | –                              |
|                                    |                  | <b>200,393</b>            |                                | –                              |
| (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                          |
|                                    |                  | <b>1,301,236</b>          |                                | 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                  |
|                                    |                  | <b>18,336,545</b>         |                                | 14,553,959                     |
| Add:                               |                  |                           |                                |                                |
| Interest payable                   |                  | 120,264                   |                                | 122,942                        |
| Less:                              |                  |                           |                                |                                |
| Deferred financing fees            |                  | (1,484)                   |                                | (301)                          |
| Unamortised discount               |                  | –                         |                                | (9)                            |
|                                    |                  | <b>18,455,325</b>         |                                | 14,676,591                     |
| Total                              |                  | <b>19,956,954</b>         |                                | 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<br>RM'000    | 2020<br>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         |
|                          | <b>19,956,954</b> | <b>17,482,979</b> |

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<br>RM'000   | 2020<br>RM'000 |
| HKD | 430,850          | 163,218        |
| USD | 1,118,649        | 112,781        |
| SGD | 1,021,375        | 395,401        |
|     | <b>2,570,874</b> | <b>671,400</b> |

## 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                  | 3,060,000                    |
|                               | 2023             | 3,895,000                 | 2.230-6.350                  | 2,945,000                    |
|                               | 2024             | 3,885,000                 | 2.670-5.520                  | 1,135,000                    |
|                               | 2025             | 455,000                   | 4.550-4.650                  | 455,000                      |
|                               | 2026             | 370,000                   | 3.150-4.920                  | 20,000                       |
|                               | 2027             | 15,000                    | 4.140                        | 15,000                       |
|                               | 2028             | 1,080,000                 | 4.750-6.500                  | 1,080,000                    |
|                               | 2029             | 180,000                   | 5.500-5.750                  | 180,000                      |
|                               | 2033             | 675,000                   | 5.000                        | 675,000                      |
|                               |                  | 14,340,000                |                              | 13,110,000                   |
|                               | Add:             |                           |                              |                              |
|                               | Profit payable   | 94,982                    |                              | 106,136                      |
|                               |                  | 14,434,982                |                              | 13,216,136                   |
| Total                         |                  | 15,082,028                |                              | 14,063,392                   |

## Notes to the Financial Statements (Continued)

## 26 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

|                          | Group             |                   |
|--------------------------|-------------------|-------------------|
|                          | 2021<br>RM'000    | 2020<br>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         |
|                          | <b>15,082,028</b> | <b>14,063,392</b> |

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                           |
|                  |                  | <b>620,000</b>            |                                | 620,000                   |                                |
| Add:             |                  |                           |                                |                           |                                |
| Interest payable |                  | 2,744                     |                                | 2,652                     |                                |
|                  |                  | <b>622,744</b>            |                                | 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     |
|                          | <b>622,744</b> | 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                      |
|                     |                  | <b>610,000</b>            |                              | 610,000                      |
| Add:                |                  |                           |                              |                              |
| Profit attributable |                  | <b>2,344</b>              |                              | 2,273                        |
|                     |                  | <b>612,344</b>            |                              | 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     |
|                          | <b>612,344</b> | 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<br>RM'000  | 2021<br>Number of<br>shares<br>'000 | Amount<br>RM'000 | 2020<br>Number of<br>shares<br>'000 |
| Ordinary shares issued      |                   |                                     |                  |                                     |
| As at 1 January/31 December | <b>150,000</b>    | <b>150,000</b>                      | 150,000          | 150,000                             |

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2021<br>RM'000 | 2020<br>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<br>RM'000   | 2020<br>RM'000 |
| Financial assets at FVOCI            |                  |                |
| – Net gain from change in fair value | <b>(130,406)</b> | 65,043         |
| – Allowance of impairment losses     | <b>238</b>       | 126            |
| – Deferred taxation                  | <b>31,298</b>    | (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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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          |
|                           | <b>658,200</b> | <b>790,300</b> |

### 34 NON-INTEREST INCOME/(EXPENSE)

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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          | –              | –              |
|   | <b>3,736</b>   | <b>6,848</b>   | <b>130,000</b> | <b>30,000</b>  |

## Notes to the Financial Statements (Continued)

**35 PERSONNEL COSTS**

|                       | Group          |                |
|-----------------------|----------------|----------------|
|                       | 2021<br>RM'000 | 2020<br>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          |
|                       | <b>29,416</b>  | <b>31,298</b>  |

**36 ALLOWANCE FOR IMPAIRMENT LOSSES**

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>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               | <b>5,684</b>   | <b>22,874</b>  |

## 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  
 Datuk 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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Directors' fees             | 1,170          | 1,207          | 590            | 597            |
| Directors' other emoluments | 2,414          | 1,939          | 199            | 171            |
|                             | <b>3,584</b>   | 3,146          | <b>789</b>     | 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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Directors' remuneration (Note 37)            | <b>3,593</b>   | 3,146          | —*             | —*             |
| Amortisation of right-of-use asset (Note 22) | <b>1,996</b>   | 937            | —              | —              |
| Interest lease liability (Note 24)           | <b>763</b>     | 2,441          | —              | —              |
| Short-term and low value assets expensed off | <b>436</b>     | 1,013          | —              | —              |
| Auditors' remuneration:                      |                |                |                |                |
| – Audit fees                                 | <b>495</b>     | 477            | —*             | —*             |
| – Non-audit fees                             | <b>49</b>      | 43             | —*             | —*             |
| Depreciation of property and equipment       | <b>1,652</b>   | 1,582          | —              | —              |
| Amortisation of intangible assets            | <b>3,843</b>   | 3,608          | —              | —              |
| Servicers fees                               | <b>2,264</b>   | 2,524          | —              | —              |
| Repairs and maintenance                      | <b>4,543</b>   | 5,095          | —              | —              |
| Donations and sponsorship                    | <b>200</b>     | 200            | —              | —              |
| Corporate expenses                           | <b>1,221</b>   | 744            | —              | —              |
| Travelling expenses                          | <b>3</b>       | (80)           | —              | —              |
| Gain on disposal of property and equipment   | <b>(3)</b>     | (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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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              |
|   | <b>104,948</b> | 126,963        | <b>16</b>      | 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              |
|   | <b>104,948</b> | 126,963        | <b>16</b>      | 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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000  | 2020<br>RM'000 |
| Profit before taxation and zakat  | <b>427,915</b> | 512,220        | <b>130,037</b>  | 30,063         |
| Tax calculated at Malaysian tax rate of 24% (2020: 24%)                   | <b>102,700</b> | 122,933        | <b>31,209</b>   | 7,215          |
| Expenses not deductible for tax purposes                                  | <b>467</b>     | 911            | <b>12</b>       | 14             |
| Income not subject to tax   | <b>(345)</b>   | –              | <b>(31,200)</b> | (7,200)        |
| Deductible tax losses from subsidiary utilised                            | –              | (28)           | –               | –              |
| Under/(over) provision in prior year                                      | <b>5,648</b>   | (105,934)      | –               | –              |
| Deduction arising from zakat contribution                                 | <b>(784)</b>   | (254)          | –               | –              |
| (Reversal of)/origination temporary differences recognised in prior years | <b>(2,756)</b> | 109,307        | <b>(5)</b>      | 5              |
| Loss not subject to tax   | <b>18</b>      | 28             | –               | –              |
|   | <b>104,948</b> | 126,963        | <b>16</b>       | 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<br>Sen  | Total amount<br>RM'000 | Per share<br>Sen | Total amount<br>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                  |
|                            | <b>20.00</b>      | <b>30,000</b>          | 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<br>RM'000 | Total amount<br>RM'000 |
| <u>On RPS:</u>          |                        |                        |
| Dividend paid in specie | –                      | 707,271                |
| Dividend paid in cash   | 6,081                  | 179,419                |
|                         | <b>6,081</b>           | 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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>RM'000 |
| <i>Capital expenditure:</i>       |                |                |
| Authorised and contracted for     | 2,886          | 2,275          |
| Authorised but not contracted for | 4,477          | 3,116          |
|                                   | <b>7,363</b>   | 5,391          |
| <i>Analysed as follows:</i>       |                |                |
| Equipment and others              | 875            | 472            |
| Computer hardware and software    | 6,488          | 4,919          |
|                                   | <b>7,363</b>   | 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<br>RM'000    | 2020<br>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             |
|   | <b>39,100,034</b> | <b>35,928,422</b> |
| <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            |
|   | <b>157,386</b>    | <b>251,370</b>    |
| <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           |
|   | <b>36,762,392</b> | <b>33,049,021</b> |
| <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<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>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.

## 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 |
|---|------------------------------------|--|-----------------|-----------------|--------------------------|--------------------------|------------------|----------------------|-----------------|--------------------------|--------|-----------|-------------------------------------|
|   | Deposits and                       |  | Financial       | Financial       | Financial                | Amount                   | Islamic          | Mortgage             | Mortgage        | Hire                     | Other  | Financial |                                     |
|   | Cash and cash equivalents          | placements with financial institutions | assets at FVTPL | assets at FVOCI | assets at amortised cost | due from counter parties | financing assets | assets- Conventional | assets- Islamic | purchase assets- Islamic | assets | guarantee |                                     |
| 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    | Total RM'000                        |
| Government bodies                         | -                                  | -                                      | -               | 1,525,082       | -                        | -                        | -                | -                    | -               | -                        | -      | -         | 1,525,082                           |
| Financial institutions:                   |                                    |  |                 |                 |                          |                          |                  |                      |                 |                          |        |           |                                     |
| - Commercial                              |                                    |  |                 |                 |                          |                          |                  |                      |                 |                          |        |           |                                     |
| banks                                     | 436,880                            | 587,895                                | 127,779         | 357,021         | 354,353                  | 29,607                   | 16,548,478       | 9,954,993            | -               | -                        | -      | -         | 28,397,006                          |
| - Development                             | 70,055                             | -                                      | -               | 638,908         | -                        | -                        | -                | 318,754              | -               | -                        | -      | -         | 1,027,717                           |
| Communication, electricity, gas and water | -                                  | -                                      | -               | 464,759         | -                        | -                        | -                | -                    | -               | -                        | -      | -         | 464,759                             |
| Transportation                            | -                                  | -                                      | -               | 689,104         | -                        | -                        | -                | -                    | -               | -                        | -      | -         | 689,104                             |
| Leasing                                   | -                                  | -                                      | -               | -               | -                        | -                        | 529,697          | -                    | -               | -                        | -      | -         | 592,697                             |
| Consumers                                 | -                                  | -                                      | -               | -               | -                        | -                        | -                | -                    | 4,819,123       | 5,411,935                | 62     | 799,806   | 11,030,926                          |
| Corporate                                 | -                                  | -                                      | -               | 666,387         | -                        | -                        | -                | -                    | -               | -                        | -      | -         | 666,387                             |
| Construction                              | -                                  | -                                      | -               | 300,816         | -                        | -                        | -                | -                    | -               | -                        | -      | -         | 300,816                             |
| Related company                           | -                                  | -                                      | -               | 41,435          | -                        | -                        | -                | -                    | -               | -                        | -      | -         | 41,435                              |
| Others                                    | -                                  | -                                      | -               | 25,034          | -                        | -                        | -                | -                    | -               | -                        | -      | 3,792     | 28,826                              |
| Total                                     | 506,935                            | 587,895                                | 127,779         | 4,708,546       | 354,353                  | 29,607                   | 17,141,175       | 10,273,747           | 4,819,123       | 5,411,935                | 62     | 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-<br>statement<br>of financial<br>position |
|--|---|--|--|---|---|--|--|---|--|--|---------------------------|----------------------------------|-----------------|---|
|  | Cash and<br>cash<br>equivalents<br>RM'000 | Deposits and<br>placements<br>with financial<br>institutions<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Financial<br>assets at<br>FVOCI<br>RM'000 | Financial<br>assets at<br>FVTPL<br>RM'000 | Amount<br>due from<br>counter<br>parties<br>RM'000 | Islamic<br>financing<br>assets<br>RM'000 | Mortgage<br>assets-<br>Conventional<br>RM'000 | Mortgage<br>assets-<br>Islamic<br>RM'000 | Hire<br>purchase<br>assets-<br>Islamic<br>RM'000 | Other<br>assets<br>RM'000 | Financial<br>guarantee<br>RM'000 | Total<br>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,<br>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 of mortgage assets and Islamic mortgage assets which is not past due and classified under Stage 1 and Stage 2 financial assets.

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

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

| Group<br>2021                     | Neither more<br>than 90 days<br>past due nor<br>individually<br>impaired<br>RM'000 | More than<br>90 days past<br>due but not<br>individually<br>impaired*<br>RM'000 | Total<br>RM'000   | Impairment<br>allowance<br>RM'000 | Total<br>carrying<br>value<br>RM'000 | Credit<br>risk loan<br>RM'000 | Coverage<br>ratio<br>% |
|-----------------------------------|--|---|-------------------|-----------------------------------|--------------------------------------|-------------------------------|------------------------|
| Amount due from<br>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                     |
|                                   | <b>37,634,360</b>  | <b>65,142</b>   | <b>37,699,502</b> | <b>53,460</b>                     | <b>37,646,042</b>                    | <b>65,142</b>                 |                        |

\* 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<br>2020                  | Neither more<br>than 90 days<br>past due nor<br>individually<br>impaired<br>RM'000 | More than<br>90 days past<br>due but not<br>individually<br>impaired*<br>RM'000 | Total<br>RM'000   | Impairment<br>allowance<br>RM'000 | Total<br>carrying<br>value<br>RM'000 | Credit<br>risk loan<br>RM'000 | Coverage<br>ratio<br>% |
|--------------------------------|--|---|-------------------|-----------------------------------|--------------------------------------|-------------------------------|------------------------|
| 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/<br>Total<br>RM'000 | Strong/<br>Total<br>RM'000 |
| Amount due from counterparties | <b>17,141,194</b>          | 14,069,214                 |
| Islamic financing assets       | <b>10,273,808</b>          | 9,662,760                  |
| Mortgage assets:               |                            |                            |
| – Conventional                 | <b>4,809,504</b>           | 5,498,294                  |
| – Islamic                      | <b>5,409,816</b>           | 5,943,391                  |
| Hire purchase assets:          |                            |                            |
| – Islamic                      | <b>38</b>                  | 10                         |
|                                | <u><b>37,634,360</b></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<br>120 days<br>RM'000 | 121 to<br>150 days<br>RM'000 | 151 to<br>180 days<br>RM'000 | Over 180<br>days<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>           |                             |                              |                              |                            |                 |
| 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          |
| <b>2020</b>           |                             |                              |                              |                            |                 |
| 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<br>January<br>RM'000   | Reversal<br>made<br>RM'000 | Written-off<br>to principal<br>balance<br>outstanding<br>RM'000 |
|                                | As at 31<br>December<br>RM'000 |                            |   |
| <b>2021</b>                    |                                |                            |   |
| Amount due from counterparties | 19                             | –                          | –   |
| Islamic financing assets       | 99                             | (38)                       | –   |
| Mortgage assets:               |                                |                            |   |
| – Conventional                 | 33,044                         | (4,916)                    | (1,308)   |
| – Islamic                      | 33,001                         | (3,279)                    | (3,174)   |
| Hire purchase assets:          |                                |                            |   |
| – Islamic                      | 12                             | –                          | –   |
|                                | <b>66,175</b>                  | <b>(8,233)</b>             | <b>(4,482)</b>  |
|                                |                                |                            | <b>53,460</b>   |
| <b>2020</b>                    |                                |                            |   |
| Amount due from counterparties | 59                             | (40)                       | –   |
| Islamic financing assets       | 653                            | (554)                      | –   |
| Mortgage assets:               |                                |                            |   |
| – Conventional                 | 43,889                         | (9,722)                    | (1,123)   |
| – Islamic                      | 50,538                         | (17,196)                   | (341)   |
| Hire purchase assets:          |                                |                            |   |
| – Conventional                 | 2                              | –                          | (2)   |
| – Islamic                      | 12                             | –                          | –   |
|                                | <b>95,153</b>                  | <b>(27,512)</b>            | <b>(1,466)</b>  |
|                                |                                |                            | <b>66,175</b>   |

## 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<br>RM'000 | AAA<br>RM'000 | AA1 to AA2/<br>AA+ to AA<br>RM'000 | No rating<br>RM'000 | Total<br>RM'000 | Impairment<br>allowance<br>RM'000 |
| 2021                              |               |               |                                    |                     |                 |                                   |
| Financial assets<br>at FVOCI      |               |               |                                    |                     |                 |                                   |
| – Stage 1                         | 2,306,433     | 1,661,220     | 740,893                            | –                   | 4,708,546       | 376                               |
| Amount due from<br>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<br>RM'000 | AAA<br>RM'000 | AA1 to AA2/<br>AA+ to AA<br>RM'000 | No rating<br>RM'000 | Total<br>RM'000 | Impairment<br>allowance<br>RM'000 |
| <b>2021</b>                  |               |               |                                    |                     |                 |                                   |
| 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<br>RM'000 | AAA<br>RM'000 | AA1 to AA2/<br>AA+ to AA<br>RM'000 | No rating<br>RM'000 | Total<br>RM'000 | Impairment<br>allowance<br>RM'000 |
| 2020                              |               |               |                                    |                     |                 |                                   |
| Financial assets<br>at FVOCI      |               |               |                                    |                     |                 |                                   |
| – Stage 1                         | 2,356,895     | 1,008,739     | 533,247                            | –                   | 3,898,881       | 138                               |
| Amount due from<br>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<br>RM'000 | AAA<br>RM'000 | AA1 to AA2/<br>AA+ to AA<br>RM'000 | No rating<br>RM'000 | Total<br>RM'000 | Impairment<br>allowance<br>RM'000 |
| <b>2020</b>                  |               |               |                                    |                     |                 |                                   |
| 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<br>carrying<br>value<br>RM'000 | Impairment<br>allowance<br>RM'000 | Net<br>carrying<br>value<br>RM'000 | Fair value of<br>collateral<br>held<br>RM'000 |
| <b>2021</b>     |                                      |                                   |                                    |   |
| 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                                    |
|                 | <b>10,284,426</b>                    | <b>(53,368)</b>                   | <b>10,231,058</b>                  | <b>47,769,106</b>                             |
| <b>2020</b>     |                                      |                                   |                                    |   |
| 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                                    |
|                 | <b>11,522,440</b>                    | <b>(66,045)</b>                   | <b>11,456,395</b>                  | <b>47,769,106</b>                             |

**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<br>amounts<br>RM'000 | Related<br>amount<br>not set-off<br>RM'000 | Net amount<br>RM'000 |
| <b>2021</b>                       |                            |  |                      |
| Derivatives financial assets      |                            |  |                      |
| Derivatives financial liabilities | 29,607                     | (6,942)                                    | 22,665               |
|                                   | <b>28,595</b>              | <b>(6,942)</b>                             | <b>21,653</b>        |
| <b>2020</b>                       |                            |  |                      |
| Derivatives financial assets      |                            |  |                      |
| Derivatives financial liabilities | 57,904                     | (1,402)                                    | 56,502               |
|                                   | <b>45,963</b>              | <b>(1,402)</b>                             | <b>44,561</b>        |

### 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<br>cash<br>equivalents<br>RM'000 | Deposits<br>and<br>placements<br>with<br>financial<br>institutions<br>RM'000 | Financial<br>assets at<br>FVTPL<br>RM'000 | Financial<br>assets at<br>FVOCI<br>RM'000 | Financial<br>assets at<br>amortised<br>cost<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Mortgage<br>assets<br>RM'000 | Islamic<br>mortgage<br>assets<br>RM'000 | Amount<br>due from<br>counterparties<br>RM'000 | Islamic<br>financing<br>assets<br>RM'000 | Other<br>available<br>liquidity<br>RM'000 | Total<br>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<br>up to one<br>month<br>RM'000 | One to<br>three<br>months<br>RM'000 | Three to<br>twelve<br>months<br>RM'000 | One to<br>five years<br>RM'000 | Over<br>five years<br>RM'000 | Total<br>RM'000   |
| <b>2021</b>                                |   |                                     |  |                                |                              |                   |
| <u>Financial liabilities</u>               |   |                                     |  |                                |                              |                   |
| Short-term borrowings                      | –   | 303,300                             | –                                      | –                              | –                            | 303,300           |
| Unsecured bearer bonds and<br>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<br>contracts | 799,806                                   | –                                   | –                                      | –                              | –                            | 799,806           |
| Other financial liabilities                | 172,248                                   | 5,114                               | –                                      | –                              | –                            | 177,362           |
|  | <b>1,358,114</b>                          | <b>5,968,793</b>                    | <b>10,922,350</b>                      | <b>17,934,816</b>              | <b>4,528,581</b>             | <b>40,712,654</b> |
| Assets held for managing<br>liquidity risk | <b>859,503</b>                            | <b>6,135,873</b>                    | <b>12,039,487</b>                      | <b>21,510,302</b>              | <b>7,989,064</b>             | <b>48,534,229</b> |
| <b>2020</b>                                |   |                                     |  |                                |                              |                   |
| <u>Financial liabilities</u>               |   |                                     |  |                                |                              |                   |
| Unsecured bearer bonds and<br>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<br>contracts | 495,903                                   | –                                   | –                                      | –                              | –                            | 495,903           |
| Other financial liabilities                | 147,378                                   | 2,106                               | –                                      | –                              | –                            | 149,484           |
|  | <b>1,401,693</b>                          | <b>3,335,506</b>                    | <b>8,642,527</b>                       | <b>18,926,097</b>              | <b>4,765,064</b>             | <b>37,070,887</b> |
| Assets held for managing<br>liquidity risk | <b>808,559</b>                            | <b>2,856,060</b>                    | <b>10,525,250</b>                      | <b>22,391,753</b>              | <b>8,300,553</b>             | <b>44,882,175</b> |

## 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<br>up to<br>one month<br>RM'000 | One to<br>three<br>months<br>RM'000 | Three to<br>twelve<br>months<br>RM'000 | One to<br>five<br>years<br>RM'000 | Over<br>five<br>years<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>                      |   |                                     |  |                                   |                                 |                 |
| <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       |
| <b>2020</b>                      |   |                                     |  |                                   |                                 |                 |
| <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<br>RM'000  | USD<br>RM'000    | SGD<br>RM'000    |
| <b>2021</b>                      |                |                  |                  |
| Derivative financial instruments | <b>431,383</b> | <b>1,118,056</b> | <b>1,021,961</b> |
| Unsecured bearer bonds and notes | <b>430,850</b> | <b>1,118,649</b> | <b>1,021,375</b> |
| <b>2020</b>                      |                |                  |                  |
| 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<br>RM'000 | Profit<br>RM'000 | Equity<br>RM'000 | Profit<br>RM'000 |
| HKD | 19               | —                | 19               | —                |
| USD | 2                | —                | 2                | —                |
| SGD | 1                | —                | 1                | —                |
|     | <b>22</b>        | <b>—</b>         | <b>22</b>        | <b>—</b>         |

## 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<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>                      |                   |                   |                   |                 |
| <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          |
| <b>2020</b>                      |                   |                   |                   |                 |
| <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<br>value<br>RM'000 | Fair<br>value<br>RM'000 | Carrying<br>value<br>RM'000 | Fair<br>value<br>RM'000 |
| <u>Financial assets</u>            |                             |                         |                             |                         |
| Financial assets at amortised cost | <b>354,353</b>              | <b>351,905</b>          | –                           | –                       |
| Amount due from counterparties     | <b>17,141,175</b>           | <b>17,183,186</b>       | 14,069,195                  | 14,306,042              |
| Islamic financing assets           | <b>10,273,747</b>           | <b>10,290,259</b>       | 9,662,661                   | 9,746,090               |
| Mortgage assets:                   |                             |                         |                             |                         |
| – Conventional                     | <b>4,819,123</b>            | <b>5,280,360</b>        | 5,509,163                   | 6,332,849               |
| – Islamic                          | <b>5,411,935</b>            | <b>6,085,327</b>        | 5,947,232                   | 7,069,733               |
| Hire purchase assets:              |                             |                         |                             |                         |
| – Islamic                          | <b>62</b>                   | <b>74</b>               | 34                          | 48                      |
|                                    | <b>38,000,395</b>           | <b>39,191,111</b>       | 35,188,285                  | 37,454,762              |
| <u>Financial liabilities</u>       |                             |                         |                             |                         |
| Short-term borrowings              | <b>302,367</b>              | <b>302,367</b>          | 125,145                     | 125,049                 |
| Unsecured bearer bonds and notes   | <b>19,956,954</b>           | <b>20,283,816</b>       | 17,482,979                  | 18,119,532              |
| Sukuk                              | <b>15,082,028</b>           | <b>15,423,362</b>       | 14,063,392                  | 14,766,632              |
| RMBS                               | <b>622,744</b>              | <b>656,739</b>          | 622,652                     | 683,114                 |
| IRMBS                              | <b>612,344</b>              | <b>623,056</b>          | 612,273                     | 642,220                 |
|                                    | <b>36,576,437</b>           | <b>37,289,340</b>       | 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<br>RM'000 | PWOR<br>RM'000 | Mortgage<br>guarantee<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>                                |               |                |                                 |                 |
| 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           |
| <b>2020</b>                                |               |                |                                 |                 |
| 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,<br>Cagamas,<br>CMGP and<br>CSME*<br>RM'000 | CMBS<br>RM'000   | CSRP<br>RM'000 | Consolidation<br>adjustments<br>RM'000 | Total<br>RM'000   |
|--|---|------------------|----------------|--|-------------------|
| <b>2021</b>  |   |                  |                |  |                   |
| <b>ASSETS</b>  |   |                  |                |  |                   |
| Cash and cash equivalents                              | 318,958   | 85,714           | 102,263        | –                                      | 506,935           |
| Deposits and placements with<br>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<br>company                   | 735   | –                | –              | (735)                                  | –                 |
| <b>TOTAL ASSETS</b>                                    | <b>44,172,339</b>                                       | <b>3,676,865</b> | <b>537,806</b> | <b>(4,262,376)</b>                     | <b>44,124,634</b> |
| <b>LIABILITIES</b>                                     |   |                  |                |  |                   |
| 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           |
| IRMB   | –   | 612,344          | –              | –                                      | 612,344           |
| Deferred guarantee fee income                          | –   | –                | 22,268         | –                                      | 22,268            |
| Deferred Wakalah fee income                            | –   | –                | 112,707        | –                                      | 112,707           |
| <b>TOTAL LIABILITIES</b>                               | <b>35,729,649</b>                                       | <b>1,674,694</b> | <b>156,129</b> | <b>19,217</b>                          | <b>37,579,689</b> |

\* 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,<br>Cagamas,<br>CMGP and<br>CSME*<br>RM'000 | CMBS<br>RM'000   | CSRP<br>RM'000 | Consolidation<br>adjustments<br>RM'000 | Total<br>RM'000   |
|--|---|------------------|----------------|--|-------------------|
| <b>2020</b>  |   |                  |                |  |                   |
| <b>ASSETS</b>  |   |                  |                |  |                   |
| Cash and cash equivalents                              | 109,873   | 80,540           | 54,095         | —                                      | 244,508           |
| Deposits and placements with<br>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<br>company                   | 1,375   | —                | —              | (1,375)                                | —                 |
| <b>TOTAL ASSETS</b>                                    | <b>40,368,339</b>                                       | <b>3,665,904</b> | <b>370,055</b> | <b>(4,160,001)</b>                     | <b>40,244,297</b> |
| <b>LIABILITIES</b>                                     |   |                  |                |  |                   |
| 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            |
| <b>TOTAL LIABILITIES</b>                               | <b>32,025,541</b>                                       | <b>1,726,576</b> | <b>101,643</b> | <b>21,592</b>                          | <b>33,875,352</b> |

\* 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,<br>Cagamas,<br>CMGP and<br>CSME*<br>RM'000 | CMBS<br>RM'000 | CSRP<br>RM'000 | Consolidation<br>adjustments<br>RM'000 | Total<br>RM'000 |
|---|---|----------------|----------------|--|-----------------|
| <b>2021</b>                               |   |                |                |  |                 |
| 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           |
|   | <b>458,879</b>  | <b>120,429</b> | <b>29,750</b>  | <b>134,233</b>                         | <b>474,825</b>  |
| Administration and general expenses       | (22,860)  | (1,878)        | (2,673)        | (4,233)                                | (23,178)        |
| Personnel costs                           | (29,416)  | –              | –              | –                                      | (29,416)        |
| OPERATING PROFIT                          | <b>406,603</b>  | <b>118,551</b> | <b>27,077</b>  | <b>130,000</b>                         | <b>422,231</b>  |
| Reversal/(allowance) of impairment losses | 4,608   | 2,415          | (1,339)        | –                                      | 5,684           |
| PROFIT BEFORE TAXATION AND ZAKAT          | <b>411,211</b>  | <b>120,966</b> | <b>25,738</b>  | <b>130,000</b>                         | <b>427,915</b>  |
| Taxation                                  | (67,221)  | (31,290)       | (6,437)        | –                                      | (104,948)       |
| Zakat                                     | (5,094)   | –              | (273)          | –                                      | (5,367)         |
| PROFIT FOR THE FINANCIAL YEAR             | <b>338,896</b>  | <b>89,676</b>  | <b>19,028</b>  | <b>130,000</b>                         | <b>317,600</b>  |
| <b>2020</b>                               |   |                |                |  |                 |
| 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           |
|   | <b>373,540</b>  | <b>191,109</b> | <b>18,180</b>  | <b>(35,940)</b>                        | <b>546,889</b>  |
| Administration and general expenses       | (25,742)  | (3,017)        | (3,426)        | 5,940                                  | (26,245)        |
| Personnel costs                           | (31,298)  | –              | –              | –                                      | (31,298)        |
| OPERATING PROFIT                          | <b>316,500</b>  | <b>188,092</b> | <b>14,754</b>  | <b>(30,000)</b>                        | <b>489,346</b>  |
| Reversal/(allowance) of impairment losses | 14,954  | 15,933         | (8,013)        | –                                      | 22,874          |
| PROFIT BEFORE TAXATION AND ZAKAT          | <b>331,454</b>  | <b>204,025</b> | <b>6,741</b>   | <b>(30,000)</b>                        | <b>512,220</b>  |
| Taxation                                  | (76,248)  | (49,284)       | (1,431)        | –                                      | (126,963)       |
| Zakat                                     | (1,255)   | –              | (220)          | –                                      | (1,475)         |
| PROFIT FOR THE FINANCIAL YEAR             | <b>253,951</b>  | <b>154,741</b> | <b>5,090</b>   | <b>(30,000)</b>                        | <b>383,782</b>  |

\* 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 of two tiers:

- (a) Tier 1 capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and
- (b) Tier 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

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

#### 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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>RM'000 |
| <b>ASSETS</b>                                       |      |                |                |
| 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     |
| <b>LIABILITIES</b>                                  |      |                |                |
| 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<br>RM'000   | 2020<br>RM'000 |
| Total income attributable                |      | <b>741,717</b>   | 913,838        |
| Income attributable to the Sukuk holders | (j)  | <b>(574,708)</b> | (697,664)      |
| Non-profit expense                       |      | <b>(4,580)</b>   | (454)          |
| Total net income attributable            | (k)  | <b>162,429</b>   | 215,720        |
| Administration and general expenses      |      | <b>(2,207)</b>   | (2,631)        |
| Reversal of prior year provision         |      | <b>3,436</b>     | —              |
| Reversal for impairment losses           |      | <b>1,503</b>     | 14,351         |
| PROFIT BEFORE TAXATION AND ZAKAT         |      | <b>165,161</b>   | 227,440        |
| Taxation                                 |      | <b>(35,013)</b>  | (60,405)       |
| Zakat                                    |      | <b>(5,367)</b>   | (1,475)        |
| PROFIT FOR THE FINANCIAL YEAR            |      | <b>124,781</b>   | 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<br>RM'000  | 2020<br>RM'000 |
| Profit for the financial year                                    | <b>124,781</b>  | 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          | <b>(13,474)</b> | 5,408          |
| – Deferred taxation  | <b>3,249</b>    | (1,290)        |
| Cash flow hedge  |                 |                |
| – Net gain/(loss) on cash flow hedge before taxation             | <b>7,838</b>    | (5,911)        |
| – Deferred taxation  | <b>(1,881)</b>  | 1,419          |
| Other comprehensive loss for the financial year, net of taxation | <b>(4,268)</b>  | (374)          |
| Total comprehensive income for the financial year                | <b>120,513</b>  | 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<br>RM'000 |
|--|---|---|--|----------------------------------|-------------------------------|-----------------------------|-----------------|
|  | Allocated<br>capital<br>funds<br>RM'000 | Financial<br>assets at<br>FVOCI<br>reserves<br>RM'000 | Cash flow<br>hedge<br>reserves<br>RM'000 | Regulatory<br>reserves<br>RM'000 | Retained<br>profits<br>RM'000 | Other<br>reserves<br>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)/<br>income                        | –                                       | (10,225)  | 5,957                                    | –                                | –                             | –                           | (4,268)         |
| Total comprehensive (loss)/<br>income for the financial year | –                                       | (10,225)  | 5,957                                    | –                                | 102,744                       | 22,037                      | 120,513         |
| Discretionary dividend on RPS<br>paid during the year        | –                                       | –   | –  | –                                | –                             | (6,081)                     | (6,081)         |
| Transfer to retained profits                                 | –                                       | –   | –  | (4,732)                          | 4,732                         | –                           | –               |
| Balance as at 31 December<br>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/<br>(loss)                        | –                                       | 4,118   | (4,492)                                  | –                                | –                             | –                           | (374)           |
| Total comprehensive income/<br>(loss) for the financial year | –                                       | 4,118   | (4,492)                                  | –                                | 83,193                        | 82,367                      | 165,186         |
| Discretionary dividend on RPS<br>paid during the year        | –                                       | –   | –  | –                                | –                             | (886,690)                   | (886,690)       |
| Transfer to retained profits                                 | –                                       | –   | –  | (4,626)                          | 4,626                         | –                           | –               |
| Balance as at 31 December<br>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<br>RM'000 | 2020<br>RM'000 |
| <b>OPERATING ACTIVITIES</b>   |                |                |
| 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<br>RM'000 | 2020<br>RM'000 |
| <b>OPERATING ACTIVITIES (CONTINUED)</b>     |                |                |
| 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      |
| <b>INVESTING ACTIVITIES</b>                 |                |                |
| 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)       |
| <b>FINANCING ACTIVITIES</b>                 |                |                |
| 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<br>RM'000 | IRMBS<br>RM'000 | Total<br>RM'000 |
|--------------------------|-----------------|-----------------|-----------------|
| <b>2021</b>              |                 |                 |                 |
| 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      |
| <b>2020</b>              |                 |                 |                 |
| 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<br>RM'000 | 2020<br>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<br>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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>RM'000   | 2020<br>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        |
|                                      | <b>1,233,368</b> | <b>550,879</b> |

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         |
|                          | <b>1,233,368</b> | <b>550,879</b> |

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

|   | Gross<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|---|-----------------------------------|-----------------------------------|
| By stage of allocation:                     |                                   |                                   |
| <b>2021</b>                                 |                                   |                                   |
| Stage 1 (12-month ECL; non-credit impaired) | <b>1,233,368</b>                  | <b>71</b>                         |
| <b>2020</b>                                 |                                   |                                   |
| 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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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<br>carrying value<br>RM'000 | Impairment<br>allowance<br>RM'000 |
| By stage of allocation:                            |                                   |                                   |
| <b>2021</b>  |                                   |                                   |
| 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                              |
| <b>2020</b>  |                                   |                                   |
| 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>  |                   |                   |                   |                 |
| 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          |
| <b>2020</b>  |                   |                   |                   |                 |
| 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*

|      | <b>Group</b>           |                        |
|------|------------------------|------------------------|
|      | <b>2021<br/>RM'000</b> | <b>2020<br/>RM'000</b> |
| PWOR | <b>55</b>              | 26                     |

The maturity structure of hire purchase assets are as follows:

|                                       |             |      |
|---------------------------------------|-------------|------|
| Maturing within one year              | <b>66</b>   | 37   |
| Less: Allowance for impairment losses | <b>(11)</b> | (11) |
|                                       | <b>55</b>   | 26   |

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

|   | <b>Group</b>                               |  |
|---|--|--|
|   | <b>Gross<br/>carrying value<br/>RM'000</b> | <b>Impairment<br/>allowance<br/>RM'000</b> |
| By stage of allocation:                     |  |  |
| <b>2021</b>                                 |  |  |
| Stage 1 (12-month ECL; non-credit impaired) | <b>32</b>                                  | –  |
| Stage 3 (Lifetime ECL; credit impaired)     | <b>34</b>                                  | <b>11</b>                                  |
| As at 31 December                           | <b>66</b>                                  | <b>11</b>                                  |

|  |              |
|--|--------------|
| Impairment allowance over gross carrying value (%) | <b>16.67</b> |
|--|--------------|

|   |           |           |
|---|-----------|-----------|
| <b>2020</b>                                 |           |           |
| Stage 1 (12-month ECL; non-credit impaired) | 3         | –         |
| Stage 3 (Lifetime ECL; credit impaired)     | 34        | 11        |
| As at 31 December                           | <b>37</b> | <b>11</b> |

|  |              |
|--|--------------|
| Impairment allowance over gross carrying value (%) | <b>29.73</b> |
|--|--------------|

## 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>                 |                   |                   |                   |                 |
| As at 1 January/31 December | –                 | –                 | 11                | 11              |
| <b>2020</b>                 |                   |                   |                   |                 |
| As at 1 January/31 December | –                 | –                 | 11                | 11              |

(g) *Other liabilities*

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

## 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<br>financial<br>Wakalah<br>exposures<br>RM'000 | Impairment<br>allowance<br>RM'000 |
|---|--|-----------------------------------|
| By stage of allocation:   |  |                                   |
| <b>2021</b>   |  |                                   |
| 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                              |
| <b>2020</b>   |  |                                   |
| 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<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>2021</b>  |                   |                   |                   |                 |
| 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<br>(Reversal)/allowance during the year due to<br>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           |
| <b>2020</b>  |                   |                   |                   |                 |
| 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<br>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<br>RM'000    | 2020<br>RM'000 |
| (h)  | <i>Sukuk</i>                                    |                   |                |
|  | Commercial papers                               | 647,046           | 847,256        |
|  | Medium-term notes                               | 14,434,982        | 13,216,136     |
|  |   | <b>15,082,028</b> | 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      |
|  |   | <b>15,082,028</b> | 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        |
|  |   | <b>612,344</b>    | 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            |
|  |   | <b>574,708</b>    | 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         |
|  |   | <b>574,708</b>    | 697,664        |



## Notes to the Financial Statements (Continued)

## 52 ISLAMIC OPERATIONS (CONTINUED)

## NOTES TO ISLAMIC OPERATIONS (CONTINUED)

|   | Group          |                |
|---|----------------|----------------|
|   | 2021<br>RM'000 | 2020<br>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)          |
|   | <b>162,429</b> | <b>215,720</b> |
| 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          |
|   | <b>162,429</b> | <b>215,720</b> |

## Notes to the Financial Statements (Continued)

## 52 ISLAMIC OPERATIONS (CONTINUED)

## NOTES TO ISLAMIC OPERATIONS (CONTINUED)

|  | Group          |                |
|--|----------------|----------------|
|  | 2021<br>%      | 2020<br>%      |
| (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<br>RM'000 | 2020<br>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<br>RM'000 | 2020<br>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**<br>% | 2020**<br>% |
| <u>Before deducting dividend*</u> |             |             |
| CET1 capital ratio                | 16.9        | 27.5        |
| Tier 1 capital ratio              | 16.9        | 27.5        |
| Total capital ratio               | 18.2        | 29.2        |
| <u>After deducting dividend*</u>  |             |             |
| 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**<br>RM'000 | 2020**<br>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)

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#### 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

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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**

# 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)

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#### 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

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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

Kuala Lumpur  
23 March 2022

#### LEE TZE WOON KELVIN

03482/01/2024 J  
Chartered Accountant

# 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](http://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<br>RM'000 | 2020<br>RM'000 |
|-------------------------------------|----------------|----------------|
| <b>CET1/ Tier 1 Capital</b>         |                |                |
| 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      |
| <b>Tier 2 Capital</b>               |                |                |
| 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 of 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<br>Risk-weighted assets      | 2021<br>RM'000 | 2020<br>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      |
| <b>Minimum capital requirement at 10.5%</b> |                |                |
| 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<br/>("BOD" or "the Board")</div> <div><ul style="list-style-type: none"><li>Sets the overall strategic direction for the Group;</li><li>Provides oversight to ensure that management has appropriate risk management systems and practices to manage risks associated with the Group's operations and activities;</li><li>Sets the risk appetite and tolerance levels that are consistent with the Group's overall business objectives and desired risk profile;</li><li>Reviews and approves all significant risk management policies and risk exposures.</li></ul></div> |   |  |
| <div>Board Risk Committee<br/>("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<br/>("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<br/>("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<br/><i>Business and Support Function</i></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<br/><i>Risk Management &amp; Compliance Division ("RMD")</i></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<br/><i>Internal Audit Department ("IAD")</i></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<br>Exposures<br>before Credit<br>Risk Mitigation<br>RM'000 | Total<br>Exposures<br>after Credit<br>Risk Mitigation<br>RM'000 | RWA<br>RM'000    | Minimum<br>Capital<br>Requirement<br>at 10.5%<br>RM'000 |
|---|--|---|------------------|---|
| <b>2021</b>   |  |   |                  |   |
| <b>Exposure Class Credit Risk</b>   |  |   |                  |   |
| <i>On-balance sheet exposure:</i>   |  |   |                  |   |
| Sovereign & Central Bank  | 1,682,433  | 1,682,433   | —                | —   |
| Banks, Development Financial Institutions &<br>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  |
| <b>Total</b>  | <b>39,888,301</b>  | <b>39,888,301</b>   | <b>9,186,775</b> | <b>964,612</b>  |
| <i>Off-balance sheet exposure:</i>  |  |   |                  |   |
| Derivative Financial Instruments  | 157,851  | 157,851   | 25,649           | 2,693   |
| <b>Total Credit Exposures</b>   | <b>40,046,152</b>  | <b>40,046,152</b>   | <b>9,212,424</b> | <b>967,305</b>  |
| <b>2020</b>   |  |   |                  |   |
| <b>Exposure Class Credit Risk</b>   |  |   |                  |   |
| <i>On-balance sheet exposure:</i>   |  |   |                  |   |
| Sovereign & Central Bank  | 1,705,080  | 1,705,080   | —                | —   |
| Banks, Development Financial Institutions &<br>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  |
| <b>Total</b>  | <b>36,184,281</b>  | <b>36,184,281</b>   | <b>8,440,369</b> | <b>886,239</b>  |
| <i>Off-balance sheet exposure:</i>  |  |   |                  |   |
| Derivative Financial Instruments  | 122,027  | 122,027   | 24,405           | 2,563   |
| <b>Total Credit Exposures</b>   | <b>36,306,308</b>  | <b>36,306,308</b>   | <b>8,464,774</b> | <b>888,802</b>  |

## 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:

|  | Cash and short-term funds | Deposits and placements with financial institutions | Derivative financial instruments | Financial assets at FVOCI* | Financial assets at FVTPL** | Financial asset at amortised cost | Amount due from counter parties | Islamic financing assets | Mortgage assets- Conventional | Mortgage assets- Islamic | Hire purchase assets- Islamic | Other assets | Total      |
|--|---------------------------|---|----------------------------------|----------------------------|-----------------------------|-----------------------------------|---------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|--------------|------------|
| 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                          | -                         | -   | -                                | 1,326,500                  | -                           | -                                 | -                               | -                        | -                             | -                        | -                             | 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):

|   | Cash and<br>short-term<br>funds<br>RM'000 | Deposits and<br>placements<br>with financial<br>institutions<br>RM'000 | Derivative<br>financial<br>instruments<br>RM'000 | Financial<br>assets at<br>FVOCI <sup>1</sup><br>RM'000 | Financial<br>assets at<br>FVTPL <sup>2</sup><br>RM'000 | Amount<br>due from<br>counter<br>parties<br>RM'000 | Islamic<br>financing<br>assets<br>RM'000 | Mortgage<br>assets-<br>Conventional<br>RM'000 | Mortgage<br>assets-<br>Islamic<br>RM'000 | Hire<br>purchase<br>assets-<br>Islamic<br>RM'000 | Other<br>assets<br>RM'000 | Total<br>RM'000 |
|---|---|--|--|--|--|--|--|---|--|--|---------------------------|-----------------|
| 2020  |   |  |  |  |  |  |  |   |  |  |                           |                 |
| 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,<br>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<br>one year<br>RM'000 | One to<br>three years<br>RM'000 | Three to<br>five years<br>RM'000 | More than<br>five years<br>RM'000 | Non-interest/<br>non-profit<br>bearing<br>RM'000 | Total<br>RM'000   |
|--|------------------------------|---------------------------------|----------------------------------|-----------------------------------|--|-------------------|
| <b>On-balance sheet exposure:</b>                      |                              |                                 |                                  |                                   |  |                   |
| Cash and short-term funds                              | 299,456                      | –                               | –                                | –                                 | 19,487   | 318,943           |
| Deposits and placements with<br>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<br>cost                   | –                            | –                               | –                                | 355,508                           | (1,155)  | 354,353           |
| Amount due from<br>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           |
| <b>Total on-balance sheet<br/>exposure</b>             | <b>14,908,900</b>            | <b>16,594,351</b>               | <b>2,022,418</b>                 | <b>6,283,615</b>                  | <b>79,016</b>                                    | <b>39,888,300</b> |
| <b>Off-balance sheet exposure:</b>                     |                              |                                 |                                  |                                   |  |                   |
| IRS/ IPRS  | 2,325                        | 9,556                           | –                                | 41,167                            | –  | 53,048            |
| CCS  | 42,607                       | 62,196                          | –                                | –                                 | –  | 104,803           |
| <b>Total</b>   | <b>14,953,832</b>            | <b>16,666,103</b>               | <b>2,022,418</b>                 | <b>6,324,782</b>                  | <b>79,016</b>                                    | <b>40,046,151</b> |

## 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<br>one year<br>RM'000 | One to<br>three years<br>RM'000 | Three to<br>five years<br>RM'000 | More than<br>five years<br>RM'000 | Non-interest/<br>non-profit<br>bearing<br>RM'000 | Total<br>RM'000   |
|--|------------------------------|---------------------------------|----------------------------------|-----------------------------------|--|-------------------|
| <b>On-balance sheet exposure:</b>                      |                              |                                 |                                  |                                   |  |                   |
| Cash and short-term funds                              | 89,355                       | –                               | –                                | –                                 | 19,716   | 109,071           |
| Deposits and placements with<br>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<br>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           |
| <b>Total on-balance sheet<br/>exposure</b>             | <b>11,736,925</b>            | <b>15,014,146</b>               | <b>3,016,043</b>                 | <b>6,328,691</b>                  | <b>88,476</b>                                    | <b>36,184,281</b> |
| <b>Off-balance sheet exposure:</b>                     |                              |                                 |                                  |                                   |  |                   |
| IRS/ IPRS  | 16,294                       | 17,650                          | –                                | 61,202                            | –  | 95,146            |
| CCS  | 26,881                       | –                               | –                                | –                                 | –  | 26,881            |
| <b>Total</b>   | <b>11,780,100</b>            | <b>15,031,796</b>               | <b>3,016,043</b>                 | <b>6,389,893</b>                  | <b>88,476</b>                                    | <b>36,306,308</b> |



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

## 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 &<br>Central Bank<br>RM'000 | FI & DFI*<br>RM'000 | Corporates &<br>Leasing<br>Companies<br>RM'000 | Other<br>Assets<br>RM'000 | RWA<br>RM'000    |
|----------------------|---------------------------------------|---------------------|--|---------------------------|------------------|
| <b>2021</b>          |                                       |                     |  |                           |                  |
| 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           |
| <b>Total</b>         | <b>1,682,433</b>                      | <b>28,555,408</b>   | <b>1,189,662</b>                               | <b>40,207</b>             | <b>7,382,460</b> |
| Average Risk Weights | 0.0%                                  | 24.7%               | 23.8%  | 100.0%                    | 23.5%            |
| <b>2020</b>          |                                       |                     |  |                           |                  |
| 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          |
| <b>Total</b>         | <b>1,705,080</b>                      | <b>23,643,615</b>   | <b>1,351,831</b>                               | <b>123,323</b>            | <b>6,258,782</b> |
| 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         |
| <b>On and Off-balance sheet exposure</b> |  |                  |             |          |                |
| <b>2021</b>                              |  |                  |             |          |                |
| Sovereign/ Central Bank <sup>#</sup>     | 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         |
| <b>Total</b>                             | <b>26,763,628</b>                          | <b>4,663,875</b> | <b>—</b>    | <b>—</b> | <b>40,207</b>  |
| <b>2020</b>                              |  |                  |             |          |                |
| Sovereign/ Central Bank <sup>#</sup>     | 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        |
| <b>Total</b>                             | <b>22,912,628</b>                          | <b>3,787,898</b> | <b>—</b>    | <b>—</b> | <b>123,323</b> |

<sup>#</sup> 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<br>RM'000     | LGD<br>% | Exposure<br>Weighted<br>Average RW<br>% | RWA<br>RM'000    |
|------------------------------------|-------------------|----------|---|------------------|
| <b>2021</b>                        |                   |          |   |                  |
| <b><u>Mortgage assets</u></b>      |                   |          |   |                  |
| 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          |
| <b><u>Hire purchase assets</u></b> |                   |          |   |                  |
| PD range:                          |                   |          |   |                  |
| up to 3%                           | 40                | 32.08%   | 17.20%                                  | 7                |
| >3% to <100%                       | —                 | —        | —                                       | —                |
| 100%                               | 35                | 32.08%   | 401.00%                                 | 140              |
| <b>Total</b>                       | <b>9,464,782</b>  |          |   | <b>1,829,964</b> |
| <b>2020</b>                        |                   |          |   |                  |
| <b><u>Mortgage assets</u></b>      |                   |          |   |                  |
| 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          |
| <b><u>Hire purchase assets</u></b> |                   |          |   |                  |
| PD range:                          |                   |          |   |                  |
| up to 3%                           | 11                | 32.08%   | 18.56%                                  | 2                |
| >3% to <100%                       | —                 | —        | —                                       | —                |
| 100%                               | 35                | 32.08%   | 401.00%                                 | 140              |
| <b>Total</b>                       | <b>10,534,094</b> |          |   | <b>2,205,992</b> |

## 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<br>than 90 days<br>past due nor<br>individually<br>impaired<br>RM'000 | More than<br>90 days past<br>due but not<br>individually<br>impaired<br>RM'000 | Total<br>RM'000   | Impairment<br>allowance<br>RM'000 | Total<br>carrying<br>value<br>RM'000 |
|--|--|--|-------------------|-----------------------------------|--------------------------------------|
| <b>2021</b>                              |  |  |                   |                                   |                                      |
| Purchase of mortgage<br>assets           | 35,393,803   | 50,851   | 35,444,654        | 44,049                            | 35,400,605                           |
| Purchase of motor<br>vehicles/ equipment | 592,737  | 36   | 592,773           | 14                                | 592,759                              |
|  | <b>35,986,540</b>  | <b>50,887</b>  | <b>36,037,427</b> | <b>44,063</b>                     | <b>35,993,364</b>                    |
| <b>2020</b>                              |  |  |                   |                                   |                                      |
| Purchase of mortgage<br>assets           | 32,532,522   | 64,190   | 32,596,712        | 54,527                            | 32,542,185                           |
| Purchase of motor<br>vehicles/ equipment | 672,113  | 36   | 672,149           | 19                                | 672,130                              |
|  | <b>33,204,635</b>  | <b>64,226</b>  | <b>33,268,861</b> | <b>54,546</b>                     | <b>33,214,315</b>                    |

## 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<br>more than<br>90 days<br>past due nor<br>individually<br>impaired<br>RM'000 | More than<br>90 days past<br>due but not<br>individually<br>impaired<br>RM'000 | Total<br>RM'000   | Impairment<br>allowance<br>RM'000 | Total<br>carrying<br>value<br>RM'000 |
|-----------------------------------|---|--|-------------------|-----------------------------------|--------------------------------------|
| <b>2021</b>                       |   |  |                   |                                   |                                      |
| Amount due from<br>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                                   |
|                                   | <b>35,986,540</b>   | <b>50,887</b>  | <b>36,037,427</b> | <b>44,063</b>                     | <b>35,993,364</b>                    |
| <b>2020</b>                       |   |  |                   |                                   |                                      |
| Amount due from<br>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                                   |
|                                   | <b>33,204,635</b>   | <b>64,226</b>  | <b>33,268,861</b> | <b>54,546</b>                     | <b>33,214,315</b>                    |

## 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<br>as at 31 December | (–100 basis points)<br>Parallel Shift               | (+100 basis points)<br>Parallel Shift                |
|---|---|--|
|   | Decline in Net Interest/<br>Profit Income<br>RM'000 | Increase in Net Interest/<br>Profit Income<br>RM'000 |
| <b>2021</b>                             | (14,708)  | 14,666   |
| <b>2020</b>                             | (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 of Business Continuity Plan ("BCP") and Disaster Recovery Procedures ("DRP"), which can be activated in the event of business disruption/ disaster. The resilience of these plans under different scenarios are being tested on an ongoing basis through regular BC/DR exercises.

In managing the global emerging of cyberattacks and cybersecurity risks, Cagamas has implemented robust frameworks and policies, namely Technology Risk Management Framework ("TRMF"), Cyber Resilience Framework ("CRF") and Information Technology Risk Management Policy ("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

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

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

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

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| 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 (15<sup>th</sup>) 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 <sup>th</sup> to the 16 <sup>th</sup> AGM   | (Ordinary Resolution No. 1) |         |
| 2.  | Payment of Directors' Benefits comprising meeting allowances from the 15 <sup>th</sup> to the 16 <sup>th</sup> 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

- 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.
- 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.
- 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.
- 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](mailto: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