Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Lodged by:
CAGAMAS BERHAD
Registration number: 198601008739 (157931-A)
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CAGAMAS BERHAD
(Incorporated in Malaysia)

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

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	208,875	209,078

DIVIDENDS

During the financial year, the dividends paid by the Company were as follows:

	RM'000
In respect of the financial year ended 31 December 2020,	
- A final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 5 April 2021	22,500
In respect of the financial year ended 31 December 2021,	
- An interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 27 August 2021	7,500
- A special dividend of 66.67 sen per share on 150,000,000 ordinary shares paid on 15 November 2021	100,000
	130,000

DIVIDENDS (CONTINUED)

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2021 which is subject to approval of the member at the forthcoming Annual General Meeting of the Company.

SHARE CAPITAL

There was no change in the issued ordinary share capital of the Company during the financial year.

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

Moody's 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.

RAM Rating Services Berhad ("RAM Ratings") has assigned corporate credit ratings of Cagamas Berhad's Global, ASEAN and National-scale at $_{g}A_{2}$/Stable/$_{g}P1$, $_{sea}AAA$/Stable/$_{sea}P1$ and AAA/Stable/P1, respectively. In addition, RAM has also assigned Cagamas' bonds and Sukuk issues rating at AAA/Stable and P1 respectively.

Meanwhile, Malaysian Rating Corporation Berhad ("MARC") has also assigned Cagamas Berhad's bonds and Sukuk issue ratings at AAA/AAA_{IS} and MARC-1/MARC-1_{IS} respectively.

Additionally, 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 Cagamas Berhad's subsidiaries.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Group and the Company involving mortgage loans, hire purchase and leasing debts, Islamic financing facilities as well as issuance of unsecured bearer bonds and Sukuk are done with various financial institutions including those who are substantial shareholders of Cagamas Holdings Berhad ("CHB").

DIRECTORS

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

Dato' Bakarudin Ishak (Chairman)
Dato' Halipah Esa
Dato' Wee Yiaw Hin
Ho Chai Huey
Datuk Seri Tajuddin Atan
Datuk Chung Chee Leong
Datuk Azizan Haji Abd Rahman (Resigned w.e.f. 09.03.2022)

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.

Dato' Halipah Esa shall retire in accordance with Articles 23.5 and 23.6 of the Company's Constitution and does not offer herself for re-election.

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Ho Chai Huey retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 37 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year were the Group and the Company are a party to any arrangements whose object or objects were to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Group and the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

SUBSIDIARIES

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

ULTIMATE HOLDING COMPANY

The Directors regard Cagamas Holdings Berhad, a company incorporated in Malaysia, as the ultimate holding company.

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2021

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 is at 0.07% (2020: 0.09%).

AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out in Note 36 to the financial statements.

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DIRECTORS' REPORT (CONTINUED)

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	DATUK CHUNG CHEE LEONG DIRECTOR

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CAGAMAS BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
ASSETS					
Cash and cash equivalents	5	318,943	109,071	300,433	89,848
Deposits and placements with financial institutions	6	172,021	102,886	172,021	102,886
Financial assets at fair value through profit or loss (FVTPL)	7	123,132	193,466	123,132	193,466
Financial assets at fair value through other comprehensive income (FVOCI)	8	2,792,094	2,383,316	2,792,094	2,383,316
Financial assets at amortised cost	9	354,353	-	354,353	-
Derivative financial instruments	10	29,607	57,904	29,607	57,904
Amount due from counterparties	11	17,141,175	14,069,195	17,141,175	14,069,195
Islamic financing assets	12	10,273,747	9,662,661	10,273,747	9,662,661
Mortgage assets					
- Conventional	13	3,886,956	4,366,916	3,886,956	4,366,916
- Islamic	14	4,691,424	5,115,509	4,691,424	5,115,509
Hire purchase assets					
- Islamic	15	62	34	62	34
Amount due from					
- Related company		735	1,375	735	1,375
- Subsidiaries	16	-	-	3,708	3,565
Other assets	17	7,570	7,431	7,562	7,417
Tax recoverable		64,194	87,885	64,194	87,885
Investment in subsidiaries	18	-*	-*	-*	-*
Property and equipment	19	2,338	3,245	2,338	3,245
Intangible assets	20	18,357	20,344	18,357	20,344
Right-of-use asset	21	11,592	3,043	11,592	3,043
TOTAL ASSETS		39,888,300	36,184,281	39,873,490	36,168,609
LIABILITIES					
Short-term borrowings		302,367	125,145	302,367	125,145
Derivative financial instruments	10	28,595	45,963	28,595	45,963
Other liabilities	22	164,019	133,305	162,801	132,896
Lease liability	23	13,738	4,583	13,738	4,583
Provision for taxation		-	41	-	-
Deferred taxation	24	181,935	170,080	181,935	170,080
Loans/financing from subsidiaries	25	-	-	2,572,657	671,757
Unsecured bearer bonds and notes	26	19,956,954	17,482,979	17,386,080	16,811,578
Sukuk	27	15,082,028	14,063,392	15,082,028	14,063,392
TOTAL LIABILITIES		35,729,636	32,025,488	35,730,201	32,025,394
Share capital	28	150,000	150,000	150,000	150,000
Reserves	29	4,008,664	4,008,793	3,993,289	3,993,215
SHAREHOLDER'S FUNDS		4,158,664	4,158,793	4,143,289	4,143,215
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		39,888,300	36,184,281	39,873,490	36,168,609
NET TANGIBLE ASSETS PER SHARE (RM)	30	27.60	27.59	27.50	27.49

* denotes USD1 in CGP and RM2 in CGS.

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

CAGAMAS BERHAD
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INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	31	836,414	958,480	836,414	958,480
Interest expense	32	(624,928)	(736,376)	(625,025)	(736,749)
Income from Islamic operations	50	115,165	112,549	115,165	112,549
Non-interest income	33	2,142	8,766	2,142	8,766
		328,793	343,419	328,696	343,046
Personnel costs	34	(29,416)	(31,298)	(29,416)	(31,298)
Administration and general expenses		(22,811)	(25,684)	(22,511)	(25,334)
OPERATING PROFIT		276,566	286,437	276,769	286,414
Allowance for impairment losses	35	4,608	14,954	4,608	14,954
PROFIT BEFORE TAXATION AND ZAKAT	36	281,174	301,391	281,377	301,368
Zakat		(5,094)	(1,255)	(5,094)	(1,255)
Taxation	38	(67,205)	(76,214)	(67,205)	(76,172)
PROFIT FOR THE FINANCIAL YEAR		208,875	223,922	209,078	223,941
EARNINGS PER SHARE (SEN)	30	139.25	149.28	139.39	149.29

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

CAGAMAS BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the financial year	208,875	223,922	209,078	223,941
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	(95,276)	45,811	(95,276)	45,811
- Deferred taxation	22,921	(10,976)	22,921	(10,976)
Cash flow hedge				
- Net (loss)/gain on cash flow hedge	(8,749)	4,992	(8,749)	4,992
- Deferred taxation	2,100	(1,198)	2,100	(1,198)
Other comprehensive (loss)/income for the financial year, net of taxation	(79,004)	38,629	(79,004)	38,629
Total comprehensive income for the financial year	129,871	262,551	130,074	262,570

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Group	Note	Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2021		150,000	72,411	11,062	99,778	3,825,542	4,158,793
Profit for the financial year		-	-	-	-	208,875	208,875
Other comprehensive loss	29	-	(72,355)	(6,649)	-	-	(79,004)
Total comprehensive income for the financial year		-	(72,355)	(6,649)	-	208,875	129,871
Transfer to retained profits		-	-	-	(10,055)	10,055	-
Dividends paid	39	-	-	-	-	(130,000)	(130,000)
Balance as at 31 December 2021		150,000	56	4,413	89,723	3,914,472	4,158,664
Balance as at 1 January 2020		150,000	37,576	7,268	109,779	3,621,619	3,926,242
Profit for the financial year		-	-	-	-	223,922	223,922
Other comprehensive income	29	-	34,835	3,794	-	-	38,629
Total comprehensive income for the financial year		-	34,835	3,794	-	223,922	262,551
Transfer to retained profits		-	-	-	(10,001)	10,001	-
Dividends paid	39	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2020		150,000	72,411	11,062	99,778	3,825,542	4,158,793

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

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CAGAMAS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Company	Note	Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2021		150,000	72,411	11,062	99,778	3,809,964	4,143,215
Profit for the financial year		-	-	-	-	209,078	209,078
Other comprehensive loss	29	-	(72,355)	(6,649)	-	-	(79,004)
Total comprehensive income for the financial year		-	(72,355)	(6,649)	-	209,078	130,074
Transfer to retained profits		-	-	-	(10,055)	10,055	-
Dividends paid	39	-	-	-	-	(130,000)	(130,000)
Balance as at 31 December 2021		150,000	56	4,413	89,723	3,899,097	4,143,289
Balance as at 1 January 2020		150,000	37,576	7,268	109,779	3,606,022	3,910,645
Profit for the financial year		-	-	-	-	223,941	223,941
Other comprehensive income	29	-	34,835	3,794	-	-	38,629
Total comprehensive income for the financial year		-	34,835	3,794	-	223,941	262,570
Transfer to retained profits		-	-	-	(10,001)	10,001	-
Dividends paid	39	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2020		150,000	72,411	11,062	99,778	3,809,964	4,143,215

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

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before taxation and zakat	281,174	301,391	281,377	301,368
Adjustments for the 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	4,516	(6,532)	4,516	(6,532)
- Unsecured bearer bonds and notes	9	(3,410)	9	(3,410)
- Sukuk	-	(7,568)	-	(7,568)
Accretion of discount on:				
Mortgage assets				
- Conventional	(77,821)	(98,980)	(77,821)	(98,980)
- Islamic	(76,986)	(86,903)	(76,986)	(86,903)
Allowance/(reversal) for impairment losses on:				
- Cash and cash equivalents	11	(105)	11	(105)
- Financial assets at FVOCI	227	(51)	227	(51)
- Financial assets at amortised cost	1,155	-	1,155	-
- Amount due from counterparties/ Islamic financing assets	(38)	(594)	(38)	(594)
- Mortgage assets and hire purchaseg assets/Islamic mortgage assets and Islamic hire purchase assets	(10,445)	(14,204)	(10,445)	(14,204)
Interest income	(761,044)	(859,224)	(761,044)	(859,224)
Income from derivatives	(61,844)	(101,763)	(61,844)	(101,763)
Income from Islamic operations	(607,236)	(699,938)	(607,236)	(699,938)
Interest expense	625,016	739,787	625,016	740,160
Interest expense on derivatives	73,750	110,754	73,750	110,754
Profit attributable to Sukuk holders	548,778	666,583	548,778	666,583
Profit attributable to derivatives	20,609	38,293	20,609	38,293
Depreciation of property and equipment	1,652	1,582	1,652	1,582
Amortisation of intangible assets	3,843	3,608	3,843	3,608
Amortisation of right-of-use asset	1,996	937	1,996	937
Gain on disposal of:				
- Property and equipment	(3)	(10)	(3)	(10)
- Financial assets at FVOCI	(8,318)	(9,467)	(8,318)	(9,467)
Operating loss before working capital changes	(40,999)	(25,814)	(40,796)	(25,464)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Change in deposits and placements with financial institutions	(69,002)	(102,861)	(69,002)	(102,861)
Change in short term borrowings	176,962	124,826	176,962	124,826
Change in amount due from counterparties	(3,065,760)	2,531,678	(3,065,760)	2,531,678
Change in Islamic financing assets	(626,586)	1,169,597	(626,586)	1,169,597
Change in mortgage assets:				
- Conventional	553,870	567,569	553,870	567,569
- Islamic	500,109	478,637	500,109	478,637
Change in Islamic hire purchase assets	(28)	103	(28)	103
Change in other assets	(138)	596	(144)	562
Change in deferred financing fees	(2,130)	535	-	-
Change in derivatives	3,157	6,983	3,255	8,049
Change in other liabilities	28,366	11,332	27,414	11,125
Cash from operations	(2,542,179)	4,763,181	(2,540,706)	4,763,821
Interest received	687,173	848,685	687,173	848,685
Profit received from Islamic assets	594,733	679,871	594,733	679,871
Interest received on derivatives	66,411	118,301	66,411	118,301
Profit received on derivatives	12,913	45,712	12,913	45,712
Interest paid	(1,863)	(348)	(1,863)	(348)
Interest paid on derivatives	(71,934)	(133,898)	(71,934)	(133,898)
Profit paid on derivatives	(20,332)	(44,003)	(20,332)	(44,003)
Payment of:				
- Zakat	(2,106)	(926)	(2,106)	(926)
- Taxation	(6,678)	(24,880)	(6,637)	(23,710)
Net cash from operating activities	(1,283,862)	6,251,695	(1,282,348)	6,253,505
INVESTING ACTIVITIES				
Purchase of:				
- Financial assets at FVTPL	-	(280,000)	-	(280,000)
- Financial assets at FVOCI	(1,993,402)	(3,518,392)	(1,993,402)	(3,518,392)
- Financial assets at amortised cost	(355,000)	-	(355,000)	-
Net proceeds from sale/redemption of:				
- Financial assets at FVTPL	68,839	226,006	68,839	226,006
- Financial assets at FVOCI	1,495,596	3,495,295	1,495,596	3,495,295
Purchase of:				
- Property and equipment	(745)	(904)	(745)	(904)
- Intangible assets	(1,856)	(2,572)	(1,856)	(2,572)
Income received from:				
- Financial assets at FVTPL	3,826	2,713	3,826	2,713
- Financial assets at FVOCI	92,232	85,852	92,232	85,852
Proceeds from disposal of property and equipment	3	10	3	10

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net cash from investing activities	(690,507)	8,008	(690,507)	8,008
FINANCING ACTIVITIES				
Dividends paid to shareholders	(130,000)	(30,000)	(130,000)	(30,000)
Proceeds from issuance of:				
- Unsecured bearer bonds and notes	14,540,197	8,581,426	11,963,000	8,185,000
- Sukuk	7,255,000	3,085,000	7,255,000	3,085,000
Proceeds from loans/financing from subsidiaries	-	-	2,577,197	396,426
Redemption of:				
- Unsecured bearer bonds and notes	(10,171,987)	(11,802,132)	(9,485,000)	(9,395,000)
- Sukuk	(6,225,000)	(4,845,000)	(6,225,000)	(4,845,000)
Repayment of loans/financing from subsidiaries	-	-	(686,987)	(2,407,132)
Interest paid	(2,521,674)	(793,078)	(2,522,475)	(794,804)
Profit paid to Sukuk holders	(560,142)	(685,506)	(560,142)	(685,506)
Lease rental paid	(2,153)	(2,649)	(2,153)	(2,649)
Net cash from financing activity	2,184,241	(6,491,939)	2,183,440	(6,493,665)
Net change in cash and cash equivalents	209,872	(232,236)	210,585	(232,152)
Cash and cash equivalents as at 1 January	109,071	341,307	89,848	322,000
Cash and cash equivalents as at 31 December	318,943	109,071	300,433	89,848

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

Group	Lease liability RM'000	Unsecured bonds and notes RM'000	Sukuk RM'000	Total RM'000
2021				
As at 1 January	4,583	17,482,979	14,063,392	31,550,954
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)	(3,081,816)
Exchange fluctuation	-	7,429	-	7,429
Other non-cash movement	11,308	620,010	548,778	1,180,096
As at 31 December	13,738	19,956,954	15,082,028	35,052,720
2020				
As at 1 January	4,791	20,661,027	15,849,883	36,515,701
Proceeds from issuance	-	8,581,426	3,085,000	11,666,426
Repayment and redemption	(2,649)	(11,802,132)	(4,845,000)	(16,649,781)
Interest/profit paid	-	(793,078)	(685,506)	(1,478,584)
Exchange fluctuation	-	101,931	-	101,931
Other non-cash movement	2,441	733,805	659,015	1,395,261
As at 31 December	4,583	17,482,979	14,063,392	31,550,954

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

Company	Lease liability RM'000	Loans/ financing from subsidiaries RM'000	Unsecured bonds and notes RM'000	Sukuk RM'000	Total RM'000
2021					
As at 1 January	4,583	671,757	16,811,578	14,063,392	31,551,310
Proceeds from issuance	-	2,577,197	11,963,000	7,255,000	21,795,197
Repayment and redemption	(2,153)	(686,987)	(9,485,000)	(6,225,000)	(16,399,140)
Interest/profit paid	-	(12,320)	(2,510,156)	(560,142)	(3,082,618)
Exchange fluctuation	-	7,528	-	-	7,528
Other non-cash movement	11,308	15,482	606,658	548,778	1,182,226
As at 31 December	13,738	2,572,657	17,386,080	15,082,028	35,054,503
2020					
As at 1 January	4,791	2,594,966	18,067,241	15,849,883	36,516,881
Proceeds from issuance	-	396,426	8,185,000	3,085,000	11,666,426
Repayment and redemption	(2,649)	(2,407,132)	(9,395,000)	(4,845,000)	(16,649,781)
Interest/profit paid	-	(52,978)	(741,826)	(685,506)	(1,480,310)
Exchange fluctuation	-	102,996	-	-	102,996
Other non-cash movement	2,441	37,479	696,163	659,015	1,395,098
As at 31 December	4,583	671,757	16,811,578	14,063,392	31,551,310

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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.

The ultimate holding company is Cagamas Holdings Berhad, a company incorporated in Malaysia.

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 and the Company.

The Islamic operations of the Group and the Company 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) issuance of Sukuk under Shariah principles; and
(c) acquisition, investment in and trading of Islamic financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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.

<u>Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'</u>

The Group adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate (insert as applicable: 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).

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:

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.

- 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 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.

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 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 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

- When considering the 'highly probable' requirement, the Group and the Company has assumed that the IBOR interest rate on which the Group and the Company's hedged borrowings is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group and the Company has assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.
- The Group and the Company has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

For the financial year ended 31 December 2021, the Group and the Company has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform-Phase 2:

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

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

  The Group and the Company will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Company to discontinue its hedge relationships. As of the financial year ended 31 December 2021, the Group and the Company 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.

  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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Amount due from counterparties and Islamic financing assets

Note 1 to the financial statements describes the principal activities of the Group and the Company, 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 Company.

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 and the Company. 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.

2.4 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 and the Company from the originators at fair values. The originator acts as a servicer and remits the principal and interest/ profit income from the assets to the Group and the Company 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 the Company 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 term of the assets using the internal rate of return method.

2.5 Investment in subsidiaries

Investment in subsidiaries is 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 2.8 to the financial statements describes the Group’s and the Company’s accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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 Company 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 and the Company assess 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 in Note 2.8.2 to the financial statements.

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

2.7 Financial assets

(a) Classification

The Group and the Company classify their 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit 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 and the Company have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Company measure 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 and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group and the Company classify their 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 to related companies and amount due to 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 statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

(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 income/(expense).

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 income/(expense) 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 and the Company 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 is recognised in income statements and presented net within non-interest income/(expense) in the period which it arise.

Equity instruments

The Group and the Company 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 or the Company's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

2.8.1 Financial assets

The Group and the Company assess 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 and the Company have four of their 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; and
- Money market instruments

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

The measurement of ECL reflects:

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

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

<u>General approach</u>

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

- Stage 1: 12-month ECL – not credit impaired

  For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

General approach (continued)

- Stage 2: Lifetime ECL – not credit impaired

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

- Stage 3: Lifetime ECL – credit impaired

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

Simplified approach

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

Significant increase in credit risk

The Group and the Company consider 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 and the Company compare 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's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 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 and the Company define 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 and the Company define 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 and the Company consider 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 reorganization
- the debtor is insolvent

For the purpose of ECL measurement, mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have been grouped based on shared credit risk characteristics and the days past due. Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have substantially the same risk characteristics and the Group and the Company have 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.2 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.

2.9 Write-off

The Group and the Company write-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.

2.10 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 2.17 on hedge accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities (continued)

(b) Borrowings measured at amortised cost

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

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

(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.

2.11 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.

2.12 Premium and discount on unsecured bearer bonds, notes and 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.

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Current and deferred tax (continued)

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 deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 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.

2.15 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.

2.16 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 and the Company. The Group and the Company have determined the Chief Executive Officer of the Company to be the chief operating decision maker.

2.17 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 and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 9 to the financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedge accounting (continued)

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

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

The Group's and Company'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 and the Company document their risk management objective and strategy for undertaking its hedge transactions.

The Group and the Company also document 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 income/ (expense)".

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 Zakat

The Group and the Company recognise its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group and the Company have a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group and the Company have been in operation 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% (2019: 2.5%) of the zakat base.

The zakat base of the Group and the Company 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 and the Company.

(b) Defined contributions plans

The Group and the Company contribute 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 and the Company have 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.

2.21 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 and the Company, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

(b) Service rights to transaction administrator and administrator fees

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Intangible assets (continued)

(b) Service rights to transaction administrator and administrator fees

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 2.8.2 to the financial statements.

2.22 Share capital

(a) Classification

Ordinary shares 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 shareholder of the Company

Dividends on ordinary shares 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.

2.23 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 income statements, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Contingent liabilities and contingent assets

The Group and the Company do 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 and the Company 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 and the Company do 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 and the Company.

2.25 Deferred financing fees

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

2.26 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 and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate 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 and the Company are a lessee, they have elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

<u>Lease term</u>

In determining the lease term, the Group and the Company consider 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 and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affect whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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 and the Company are 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 and the Company under residual value guarantees;
- The exercise price of a purchase options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company 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 and the Company, 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 asset 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

Lease liabilities (continued)

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

Reassessment of lease liabilities

The Group and the Company are 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 and the Company'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 derivatives (Note 7, 8, 10 and 47)

The estimates and assumptions considered most likely to have an impact on the Group's and the Company's results and financial positions are those relating to the fair valuation of derivatives, unquoted financial assets at FVTPL and FVOCI for which valuation models are used. The Group and the Company have 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.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Impairment of mortgage assets and hire purchase assets (Note 13, 14, 15 and 44)

The Group and the Company make allowances for losses on mortgage assets and hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of 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.

(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 and the Company 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.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Group and the Company 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 and the Company's aim 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 and the Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group’s and the Company'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 and the Company's risks including compliance with applicable laws and regulations.

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.

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 fulfill 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 treasury hedging activities.

The Group and the Company manage 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 such as foreign exchange rates, interest/profit rates and market prices. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group and the Company do not engaged in any equity or commodity trading activities.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.3 Market risk management (continued)

The Group and the Company control the market risk exposure by imposing threshold limits and entering in derivatives contract. The limits are set based on the Group's and the Company's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group and the Company have 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 and the Company also use derivative instruments such as interest rate swaps, profit rate swaps, CCS and ICCS to manage and hedge its market risk exposure against fluctuations in interest rates, profit rates and foreign currency exchange rate.

4.4 Liquidity risk management

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

The Group and the Company mitigate the liquidity risk by matching the timing of purchases of loans and debts with issuance of Bonds or Sukuk. The Group and the Company plan 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 and the Company set aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

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

(a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's and the Company's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group and the Company 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 and the Company 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 and the Company'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 and the Company. To mitigate such operational risks, the Group and the Company developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Operational risk management (continued)

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

5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balance with banks and other financial institution	19,498	19,716	988	493
Money at call and deposits and placements maturing with original maturity less than 3 months	185,392	35,892	185,392	35,892
Mudharabah money at call and deposits and placements maturing with original maturity less than 3 months	114,064	53,463	114,064	53,463
	318,954	109,071	300,444	89,848
Less: Allowance for impairment losses	(11)	-	(11)	-
	318,943	109,071	300,433	89,848

5 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group and Company	
	2021	2020
	RM'000	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	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	172,021	102,886	172,021	102,886

The gross carrying value of deposits and placements with financial institution are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2021 (2020: Nil).

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

	Group and Company	
	2021	2020
	RM'000	RM'000
Unit trusts	123,132	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 and Company	
	2021	2020
	RM'000	RM'000
Debt instruments:		
Malaysian Government securities	436,933	479,266
Corporate bonds	248,430	311,979
Government investment issues	830,336	808,610
Corporate Sukuk	905,977	386,744
Quasi Government Sukuk	370,418	396,717
	2,792,094	2,383,316

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

	2021 RM'000	2020 RM'000
Maturing within one year	677,907	342,574
One to three years	594,477	727,173
Three to five years	341,312	334,100
More than five years	1,178,398	979,469
	2,792,094	2,383,316

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

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

	Gross carrying value RM'000	Impairment allowance RM'000
2021		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	2,792,094	304
As at 31 December	2,792,094	304
2020		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	2,383,316	77
As at 31 December	2,383,316	77

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

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

	Group and Company	
	2021 RM'000	2020 RM'000
Stage 1		
As at 1 January	77	128
Allowance during the year on new assets purchased	266	30
Financial assets derecognised during the year due to maturity of assets	(30)	(23)
Reversal during the year due to changes in credit risk	(9)	(58)
As at 31 December	304	77

9 FINANCIAL ASSETS AT AMORTISED COST

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	-

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

	Gross carrying value RM'000	Impairment allowance RM'000
2021		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	355,508	1,155
As at 31 December	355,508	1,155

10 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group and the Company 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 and the Company 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 and the Company pay the floating rate receipts from its floating rate asset purchases to the swap counterparties and receive 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 and Company are protected from adverse movements in interest/profit rate.

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

The Group and the Company will issue short duration bonds/Sukuk and enter 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 and the Company pay fixed rate interest/profit to the swap counterparty and receive floating rate interest/profit to pay to the bondholders/Sukuk holders.

CCS and ICCS are also used by the Group and the Company 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 and the Company 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 and the Company 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 and the Company pay interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.

(iii) On maturity, the Group and the Company 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 and the Company’s foreign currency exposures are from Hong Kong Dollar (“HKD”), US Dollar (“USD”), and Singapore Dollar (“SGD”).

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

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

- 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 and the Company which are all used as hedging instruments in cash flow hedges.

Designated as cashflow hedges

Group and Company	Contract/ Notional amount	Assets	Liabilities	Average fixed interest rate
	RM'000	RM'000	RM'000	%
2021				
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	-	-	-	-
Move that five years	160,000	20,367	-	4.66
	1,915,000	23,035	(21,468)	
CCS				
Maturing within one year	1,526,640	6,572	(3,210)	2.22
One to three years	1,036,600	-	(3,917)	2.59
	2,563,240	6,572	(7,127)	
	4,478,240	29,607	(28,595)	

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Designated as cashflow hedges (continued)

Group and Company	Contract/ Notional amount	Assets	Liabilities	Average fixed interest rate
	RM'000	RM'000	RM'000	%
2020				
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	-	-	-	-
Move that 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)	

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company						
	Nominal amount	Fair value* Assets	Fair value* Liabilities	Changes in fair value used for calculating hedging effectiveness	Changes in fair value recognised in other comprehensive income	Hedge ineffectiveness recognised in income statement**	Amount reclassified from hedge reserve to income statement**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021							
Interest rate risk							
Interest rate swap	1,270,000	20,379	(17,291)	7,649	7,649	-	-
Islamic profit rate swap	645,000	2,656	(4,177)	(912)	(912)	-	-
Foreign exchange risk							
Cross currency interest rate swaps	2,563,240	6,572	(7,127)	(931)	23,772	-	(39,258)
2020							
Interest rate risk							
Interest rate swap	2,070,000	52,796	(34,649)	20,392	20,392	-	-
Islamic profit rate swap	545,000	-	(9,287)	(8,750)	(8,750)	-	-
Foreign exchange risk							
Cross currency interest rate swaps	669,927	5,108	(2,027)	2,914	(80,375)	-	73,725

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

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

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

				Group and Company
	Line item in the statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge effectiveness	Cash flow hedge reserve	Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied
		RM'000	RM'000	RM'000
2021				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	19,929	15,146	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	(12,280)	(9,333)	-
Floating rate financial liabilities	Sukuk	(912)	(693)	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(931)	(707)	-
2020				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	(4,829)	(3,670)	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	56,624	43,034	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(28,489)	(21,652)	-
Fixed rate financial liabilities	Sukuk	(8,750)	(6,650)	-

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Reconciliation of components of equity

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

	Group and Company	
	2021	2020
	RM'000	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 33)	(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 and Company	
	2021	2020
	RM'000	RM'000
Relating to:		
Mortgage loans	16,548,478	13,397,099
Hire purchase and leasing debts	592,697	672,096
	17,141,175	14,069,195
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	9,612,698	6,093,353
One to three years	6,890,791	7,338,049
Three to five years	226,134	226,133
More than five years	411,571	411,679
	17,141,194	14,069,214
Less: Allowance for impairment losses	(19)	(19)
	17,141,175	14,069,195

11 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

	Group and Company	
	2021	2020
	RM'000	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

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 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

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 and Company	
	2021	2020
	RM'000	RM'000
Stage 1		
As at 1 January	99	653
Allowance during the year on new assets purchased	26	3
Loans 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 and Company	
	2021	2020
	RM'000	RM'000
Purchase without recourse ("PWOR")	3,886,956	4,366,916

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

	2021 RM'000	2020 RM'000
Maturing within one year	652,653	729,768
One to three years	846,026	923,536
Three to five years	715,011	774,026
More than five years	1,694,605	1,965,556
	3,908,295	4,392,886
Less:		
Allowance for impairment losses	(21,339)	(25,970)
	3,886,956	4,366,916

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2021		
Stage 1 (12-month ECL; non-credit impaired)	3,878,389	12,086
Stage 2 (Lifetime ECL; non-credit impaired)	2,512	465
Stage 3 (Lifetime ECL; credit impaired)	27,394	8,788
As at 31 December	3,908,295	21,339
Impairment allowance over gross carrying value (%)		0.55
2020		
Stage 1 (12-month ECL; non-credit impaired)	4,358,528	15,154
Stage 2 (Lifetime ECL; non-credit impaired)	1,599	307
Stage 3 (Lifetime ECL; credit impaired)	32,759	10,509
As at 31 December	4,392,886	25,970
Impairment allowance over gross carrying value (%)		0.59

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
As at 1 January	15,154	307	10,509	25,970
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	55	(182)	(3,173)	(3,300)
- Transfer to ECL not credit impaired (Stage 2)	(12)	459	(4)	443
- Transfer to ECL credit impaired (Stage 3)	(54)	(43)	3,935	3,838
Total transfer between stages	(11)	234	758	981
Loans derecognised during the year (other than write-offs)	(435)	(74)	(1,133)	(1,642)
Reversal during the year due to changes in credit risk	(2,622)	(2)	(38)	(2,662)
Amount written-off	-	-	(1,308)	(1,308)
As at 31 December	12,086	465	8,788	21,339
2020				
As at 1 January	17,640	2,932	14,421	34,993
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	125	(2,637)	(6,931)	(9,443)
- Transfer to ECL not credit impaired (Stage 2)	(5)	299	(69)	225
- Transfer to ECL credit impaired (Stage 3)	(61)	(126)	5,323	5,136
Total transfer between stages	59	(2,464)	(1,677)	(4,082)
Loans derecognised during the year (other than write-offs)	(287)	(143)	(1,001)	(1,431)
Reversal during the year due to changes in credit risk	(2,258)	(18)	(111)	(2,387)
Amount written-off	-	-	(1,123)	(1,123)
As at 31 December	15,154	307	10,509	25,970

14 MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	2021	2020
	RM'000	RM'000
PWOR	4,691,424	5,115,509

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

Maturing within one year	595,770	637,751
One to three years	755,159	806,481
Three to five years	739,961	766,538
More than five years	2,623,166	2,933,185
	4,714,056	5,143,955
Less:		
Allowance for impairment losses	(22,632)	(28,446)
	4,691,424	5,115,509

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage of allocation:		
2021		
Stage 1 (12-month ECL; non-credit impaired)	4,689,151	14,809
Stage 2 (Lifetime ECL; non-credit impaired)	1,448	298
Stage 3 (Lifetime ECL; credit impaired)	23,457	7,525
As at 31 December	4,714,056	22,632
Impairment allowance over gross carrying value (%)		0.48
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,110,791	18,051
Stage 2 (Lifetime ECL; non-credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
As at 31 December	5,143,955	28,446
Impairment allowance over gross carrying value (%)		0.55

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
As at 1 January	18,051	312	10,083	28,446
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	52	(279)	(2,788)	(3,015)
- Transfer to ECL not credit impaired (Stage 2)	(6)	298	(3)	289
- Transfer to ECL credit impaired (Stage 3)	(45)	(24)	3,140	3,071
Total transfer between stages	1	(5)	349	345
Loans derecognised during the year (other than write-offs)	(497)	(9)	307	(199)
Reversal during the year due to changes in credit risk	(2,746)	-	(40)	(2,786)
Amount written-off	-	-	(3,174)	(3,174)
As at 31 December	14,809	298	7,525	22,632
2020				
As at 1 January	20,351	2,497	12,236	35,084
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	100	(1,964)	(4,143)	(6,007)
- Transfer to ECL not credit impaired (Stage 2)	(7)	299	(34)	258
- Transfer to ECL credit impaired (Stage 3)	(55)	(126)	4,695	4,514
Total transfer between stages	38	(1,791)	518	(1,235)
Loans derecognised during the year (other than write-offs)	(686)	(374)	(2,265)	(3,325)
Reversal during the year due to changes in credit risk	(1,652)	(20)	(65)	(1,737)
Amount written-off	-	-	(341)	(341)
As at 31 December	18,051	312	10,083	28,446

15 HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	2021	2020
	RM'000	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 Islamic hire purchase assets by stage of allocation are as follows:

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2021		
Stage 1 (12-month ECL; non-credit impaired)	38	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	74	12
Impairment allowance over gross carrying value (%)		15.78
2020		
Stage 1 (12-month ECL; non-credit impaired)	10	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	46	12
Impairment allowance over gross carrying value (%)		26.09

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

	Group and Company		
	Stage 1	Stage 3	Total
	RM'000	RM'000	RM'000
2021			
As at 1 January/31 December	-	12	12
2020			
As at 1 January/31 December	-	12	12

16 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and are repayable on demand.

17 OTHER ASSETS

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	2,811	2,883	2,811	2,883
Deposits	923	898	922	897
Prepayments	2,761	2,387	2,754	2,374
Management fee receivable	675	829	675	829
Compensation receivable from originator on mortgage assets	377	415	377	415
Other receivables	23	19	23	19
	7,570	7,431	7,562	7,417

18 INVESTMENT IN SUBSIDIARIES

	Group and Company	
	2021	2020
	RM'000	RM'000
Unquoted shares at cost	-*	-*

* denotes USD1 in CGP and RM2 in CGS.

All subsidiaries are audited by PricewaterhouseCoopers PLT. The subsidiaries of the Company are as follows:

Name	Principal activities	Place of Incorporation	Interest in equity held by the Company	
			2021	2020
			%	%
CGP	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
CGS	To undertake the issuance of Sukuk in foreign currency.	Malaysia	100	100

19 PROPERTY AND EQUIPMENT

Group and Company	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
2021				
Cost				
As at 1 January	10,126	4,680	703	15,509
Additions	716	29	-	745
Disposals	(326)	-	-	(326)
As at 31 December	10,516	4,709	703	15,928
Accumulated depreciation				
As at 1 January	(7,290)	(4,591)	(383)	(12,264)
Charge for the financial year	(1,524)	(22)	(106)	(1,652)
Disposals	326	-	-	326
As at 31 December	(8,488)	(4,613)	(489)	(13,590)
Net book value				
As at 31 December	2,028	96	214	2,338
2020				
Cost				
As at 1 January	9,817	4,681	703	15,201
Additions	900	4	-	904
Disposals	(591)	(5)	-	(596)
As at 31 December	10,126	4,680	703	15,509
Accumulated depreciation				
As at 1 January	(6,421)	(4,580)	(277)	(11,278)
Charge for the financial year	(1,460)	(16)	(106)	(1,582)
Disposals	591	5	-	596
As at 31 December	(7,290)	(4,591)	(383)	(12,264)
Net book value				
As at 31 December	2,836	89	320	3,245

20 INTANGIBLE ASSETS

Group and Company	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
2021					
Cost					
As at 1 January	7,690	15,173	27,213	-	50,076
Additions	-	963	767	126	1,856
As at 31 December	7,690	16,136	27,980	126	51,932
Accumulated amortisation					
As at 1 January	(5,403)	(12,383)	(11,946)	-	(29,732)
Charge for the financial year	(381)	(498)	(2,964)	-	(3,843)
As at 31 December	(5,784)	(12,881)	(14,910)	-	(33,575)
Net book value					
As at 31 December	1,906	3,255	13,070	126	18,357
2020					
Cost					
As at 1 January	16,712	13,207	26,607	-	56,526
Additions	-	1,966	606	-	2,572
Write-offs	(9,022)	-	-	-	(9,022)
As at 31 December	7,690	15,173	27,213	-	50,076
Accumulated amortisation					
As at 1 January	(13,938)	(12,155)	(9,053)	-	(35,146)
Charge for the financial year	(487)	(228)	(2,893)	-	(3,608)
Write-offs	9,022	-	-	-	9,022
As at 31 December	(5,403)	(12,383)	(11,946)	-	(29,732)
Net book value					
As at 31 December	2,287	2,790	15,267	-	20,344

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 1 to 7 years (2020: 2 to 8 years).

21 RIGHT-OF-USE ASSET

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

	Group and Company	
	2021	2020
	RM'000	RM'000
Cost		
As at 1 January	4,916	4,916
Modification arising from extension of lease term	10,545	-
As at 31 December	15,461	4,916
Accumulated amortisation		
As at 1 January	(1,873)	(936)
Charge for the year (Note 36)	(1,996)	(937)
As at 31 December	(3,869)	(1,873)
Net book value		
As at 31 December	11,592	3,043

22 OTHER LIABILITIES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	5,094	2,106	5,094	2,106
Amount due to GOM*	129,921	99,624	129,921	99,624
Accruals	27,570	30,197	26,371	29,787
Other payables	1,434	1,378	1,415	1,379
	164,019	133,305	162,801	132,896

* Refers to fund provided by the Government for Mortgage Guarantee Programme (MGP) under Cagamas SRP Berhad

23 LEASE LIABILITY

	Group and Company	
	2021	2020
	RM'000	RM'000
As at 1 January	4,583	4,791
Modification arising from extension of lease term	10,545	-
Lease obligation interest expense (Note 36)	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:

	2021	2020
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

24 DEFERRED TAXATION

Deferred tax assets and liabilities are offsetted 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 and Company	
	2021	2020
	RM'000	RM'000
Deferred tax assets (before offsetting)	(20,627)	(23,331)
Deferred tax liabilities (before offsetting)	202,562	193,411
Deferred tax liabilities	181,935	170,080

The movements of deferred tax are as follows:

	2021	2020
As at 1 January	170,080	560
Recognised to income statements (Note 38)	36,876	157,346
Recognised to reserves	(25,021)	12,174
As at 31 December	181,935	170,080

24 DEFERRED TAXATION (CONTINUED)

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

	Group and Company			
2021	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(5,458)	-	2,848	(2,610)
Provisions	(1,591)	(124)	-	(1,715)
Temporary difference relating to lease liability	(1,100)	(2,197)	-	(3,297)
Temporary difference relating to ECL	(15,182)	2,163	-	(13,019)
	(23,331)	(158)	2,848	(20,641)
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	8,951	-	(4,947)	4,004
Revaluation reserves of financial assets at FVOCI	22,849	-	(22,922)	(73)
Accelerated depreciation	2,256	1,065	-	3,321
Temporary difference relating to interest/profit receivables on deposit and placements	165	71	-	236
Temporary difference relating to right-of-use asset	730	2,052	-	2,782
Temporary difference relating to accretion of discount	158,460	33,846	-	192,306
	193,411	37,034	(27,869)	202,576
	170,080	36,876	(25,021)	181,935

24 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 and Company			
2020	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(1,472)	-	(3,986)	(5,458)
Provisions	(1,084)	(507)	-	(1,591)
Temporary difference relating to lease liability	(1,150)	50	-	(1,100)
Temporary difference relating to ECL	(13,745)	(1,437)	-	(15,182)
	(17,451)	(1,894)	(3,986)	(23,331)
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	3,767	-	5,184	8,951
Revaluation reserves of financial assets at FVOCI	11,873	-	10,976	22,849
Accelerated depreciation	1,237	1,019	-	2,256
Temporary difference relating to interest/profit receivables on deposit and placements	183	(18)	-	165
Temporary difference relating to right-of-use asset	951	(221)	-	730
Temporary difference relating to accretion of discount	-	158,460	-	158,460
	18,011	159,240	16,160	193,411
	560	157,346	12,174	170,080

25 LOANS/FINANCING FROM SUBSIDIARY

Loans from subsidiary outstanding at financial year ended that are not in the functional currencies of the Group are as follows:

	Group and Company	
	2021	2020
	RM'000	RM'000
HKD	431,106	163,295
USD	1,119,238	112,838
SGD	1,022,313	395,624
	2,572,657	671,757

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 0.98% to 1.33% per annum (2020: 0.91% to 3.25% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Group and Company	
	2021	2020
	RM'000	RM'000
Maturing within one year	1,537,003	671,757
One to three years	1,035,654	-
	2,572,657	671,757

26 UNSECURED BEARER BONDS AND NOTES

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

26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

			Company			
			2021		2020	
		Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a)	Floating rate notes	2022	200,000	1.940	-	-
	Add: Interest payable		393		-	
			200,393		-	
(b)	Commercial paper	2021	-	-	2,800,000	1.900-2.050
		2022	1,300,000	1.990-2.080	-	-
	Add: Interest payable		1,236		6,388	
			1,301,236		2,806,388	
(c)	Conventional medium- term notes	2021	-	-	3,815,000	2.000-5.380
		2022	7,915,000	2.100-4.650	6,850,000	2.130-4.650
		2023	3,665,000	2.180-6.050	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
			15,770,000		13,885,000	
	Add: Interest payable		114,451		120,199	
	Less: Unamortised discount		-		(9)	
			15,884,451		14,005,190	
	Total		17,386,080		16,811,578	

26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	11,066,290	7,412,979	9,531,080	6,741,578
One to three years	6,670,664	7,420,000	5,635,000	7,420,000
Three to five years	650,000	1,070,000	650,000	1,070,000
More than five years	1,570,000	1,580,000	1,570,000	1,580,000
	19,956,954	17,482,979	17,386,080	16,811,578

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

(a) Floating Rate Notes ("FRNs")

FRNs are Ringgit denominated 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 Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.

26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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 and Company 2021 RM'000	2020 RM'000
HKD	430,850	163,218
USD	1,118,649	112,781
SGD	1,021,375	395,401
	2,570,874	671,400

27 SUKUK

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

27 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

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

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

(a) Islamic commercial papers ("ICP")

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

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

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

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

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

(d) Multicurrency Sukuk

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

28 SHARE CAPITAL

	Group and Company			
	2021		2020	
Ordinary shares	Number of shares	Amount	Number of shares	Amount
	RM'000	RM'000	RM'000	RM'000
Issued:				
As at 1 January/31 December	150,000	150,000	150,000	150,000

29 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 and Company	
	2021	2020
	RM'000	RM'000
Financial assets at FVOCI		
- Net gain/(loss) from change in fair value	103,290	55,201
- Net transfer to income statement on disposal	(8,318)	(9,467)
- Allowance of impairment losses	304	77
- Deferred taxation	(22,921)	(10,976)

(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 and the Company have adopted the Bank Negara Malaysia (''BNM'') Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and Company maintains, 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.

30 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM4,140,307,000 of the Group and RM4,124,932,000 of the Company respectively (2020: RM4,138,448,000 of the Group and RM4,122,871,000 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 RM208,875,000 of the Group and RM209,078,000 of the Company respectively (2020: RM223,922,000 of the Group and RM223,941,000 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.

31 INTEREST INCOME

	Group and Company	
	2021	2020
	RM'000	RM'000
Amount due from counterparties	507,456	581,518
Mortgage assets	175,107	199,266
Compensation from mortgage assets	7	20
Financial assets at FVOCI	76,049	75,646
Deposits and placements with financial institutions	2,425	2,774
	761,044	859,224
Accretion of discount less amortisation of premium (net)	75,370	99,256
	836,414	958,480

32 INTEREST EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Floating rate notes	1,371	1,720	1,371	1,720
Medium-term notes	592,100	699,475	576,715	662,369
Commercial paper	28,571	32,073	28,571	32,073
Deposits and placements from financial institutions	2,123	667	2,123	667
Loans/financing from subsidiaries	-	-	15,482	37,479
Lease liability	763	2,441	763	2,441
	624,928	736,376	625,025	736,749

33 NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net loss arising from derivatives	(11,751)	(7,933)	(11,751)	(7,933)
Income from financial assets at FVTPL	1,415	1,976	1,415	1,976
Gain on disposal of:				
- Financial assets at FVOCI	8,318	9,467	8,318	9,467
- Property and equipment	3	10	3	10
Net amount reclassified into profit or loss – cash flow hedge (Note 10)	(39,258)	73,725	(39,258)	73,725
Net gain/(loss) on foreign exchange	39,111	(74,805)	39,111	(74,805)
Other non-interest income	4,304	6,326	4,304	6,326
	2,142	8,766	2,142	8,766

34 PERSONNEL COSTS

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

35 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group and Company	
	2021	2020
	RM'000	RM'000
Allowance for impairment losses:		
Cash and cash equivalents	(11)	105
Financial assets at FVOCI	(227)	51
Financial assets at amortised cost	(1,155)	-
Amount due from counterparties	-	40
Islamic financing assets	38	554
Mortgage assets – Conventional	4,631	9,023
Mortgage assets – Islamic	5,814	6,638
Credit impaired:		
Mortgage assets – Conventional written-off	(1,308)	(1,123)
Mortgage assets – Islamic written-off	(3,174)	(341)
Hire purchase assets – Conventional written-off	-	(2)
Hire purchase assets – Islamic recovered	-	9
	4,608	14,954

36 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 37)	2,625	2,231	2,625	2,231
Amortisation of right-of-use asset (Note 21)	1,996	937	1,996	937
Interest lease liability (Note 23)	763	2,441	763	2,441
Short-term and low value assets expensed off	436	1,013	436	1,013
Auditors' remuneration				
- Audit fees	370	370	299	316
- Non-audit fees	20	20	12	12
Depreciation of property and equipment	1,652	1,582	1,652	1,582
Amortisation of intangible assets	3,843	3,608	3,843	3,608
Servicers fees	2,106	2,259	2,106	2,259
Repairs and maintenance	4,543	5,095	4,543	5,095
Donations and sponsorship	200	200	200	200
Corporate expenses	1,221	744	1,221	744
Travelling expenses	3	(80)	3	(80)
Gain on disposal of property and equipment	(3)	(10)	(3)	(10)

37 DIRECTORS' REMUNERATION

The Directors who served since the date of the last report and the date of this report are:

Non-Executive Directors
Dato' Bakarudin Ishak (Chairman)
Dato' Halipah Esa
Dato' Wee Yiaw Hin
Ho Chai Huey
Datuk Seri Tajuddin Atan
Datuk Azizan Haji Abd Rahman (Resigned w.e.f. 09.03.2022)

Executive Director
Datuk Chung Chee Leong

The aggregate amount of emoluments received by the Directors during the financial year is as follows:

	Group and Company	
	2021	2020
	RM'000	RM'000
Directors' fees	450	493
Directors' other emoluments	2,175	1,738
	2,625	2,231

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 Company.

38 TAXATION

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	30,329	(81,132)	30,329	(81,174)
- Deferred taxation (Note 24)	36,876	157,346	36,876	157,346
	67,205	76,214	67,205	76,172
Current tax:				
- Current year	28,429	25,920	28,429	25,878
- Under/(over) provision in prior year	1,900	(107,052)	1,900	(107,052)
	30,329	(81,132)	30,329	(81,174)

38 TAXATION (CONTINUED)

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
(a) Tax charge for the financial year (continued):				
Deferred taxation:				
Origination of temporary differences (Note 24)	36,876	157,346	36,876	157,346
	67,205	76,214	67,205	76,172

(b) Reconciliation of income tax expense

The tax on the Group's and the Company's profit before taxation and zakat differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before taxation and zakat	281,174	301,391	281,377	301,368
Tax calculated at Malaysian tax rate of 24% (2020: 24%)	67,482	72,334	67,531	72,328
Subsidiary's current year tax losses utilised	-	-	(31)	(28)
Loss not subject to tax	18	-	-	-
Expenses not deductible for tax purposes	294	828	294	820
Deduction arising from zakat contribution	(731)	(222)	(731)	(222)
(Reversal)/recognition of temporary differences recognized in prior year	(1,758)	110,326	(1,758)	110,326
Under/(over) provision in prior year	1,900	(107,052)	1,900	(107,052)
	67,205	76,214	67,205	76,172

(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 Company has assessed that it is not significantly impacted by the Cukai Makmur.

39 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	2021		2020	
	Per shares	Total amount	Per shares	Total amount
	Sen	RM'000	Sen	RM'000
Final dividend	15.00	22,500	15.00	22,500
Interim dividend	5.00	7,500	5.00	7,500
Special	66.67	100,000	-	-
	86.67	130,000	20.00	30,000

The proposed final dividend for the financial year ended 31 December 2021 is as disclosed in Directors' report.

40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	Relationships
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSRP")	Related company and trustee for LPPSA
Cagamas MGP Berhad ("CMGP")	Related company
Government of Malaysia ("GOM")	Other related party
Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA")	Originator/servicer and entity related to GOM
Bank Negara Malaysia ("BNM")	Other related party
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

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

(a) Related parties and relationships (continued)

Related company is defined as subsidiary of the ultimate holding company.

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding company.

As BNM has significant influence over the ultimate holding company, the GOM and entities controlled, jointly controlled or has significant influence by the GOM are related parties of the Group and the Company.

The Group and the Company enter 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 and the Company also purchase Islamic financing facilities such as home financing, personal financing and hire purchase financing and 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 and its ultimate holding company, 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.

(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 Corporate Bonds and Sukuk are transacted with the shareholders of the ultimate holding company. These transactions have been disclosed on the statement of financial position and income statements of the Group and the Company.

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

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

(b) Significant related party transactions and balances (continued)

Group	Ultimate holding company RM'000	Related company RM'000	Other related party RM'000
2021			
Income			
Transaction administrator and administrator fees	-	1,706	-
Management fee	48	2,478	-
Expenses			
FAST* and RENTAS** charges	-	-	86
Servicers fees	-	2,106	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	728	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(464)	-
Payment on behalf			
- Working capital and other expenses	-	7	-
Management fee receivable	10	665	-
2020			
Income			
Transaction administrator and administrator fees	-	2,728	-
Management fee	58	3,154	-
Expenses			
FAST* and RENTAS** charges	-	-	83
Servicers fees	-	2,259	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	1,375	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(509)	-
Management fee receivable	46	783	-

* Denotes Fully Automated System for Issuing and Tendering ("FAST").
** Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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

(b) Significant related party transactions and balances (continued)

Company	Ultimate holding company RM'000	Subsidiaries RM'000	Related company RM'000	Other related party RM'000
2021				
Income				
Transaction administrator and administrator fees	-	-	1,706	-
Management fee	48	-	2,478	-
Expenses				
FAST* and RENTAS** charges	-	-	-	86
Servicers fees	-	-	2,106	-
Interest expense	-	15,482	-	-
Amount due from/(to)				
Transaction administrator and administrator fees	-	-	728	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(464)	-
Loans/financing	-	(2,572,657)	-	-
Payment of expenses on behalf				
- Working capital and other expenses	-	3,708	7	-
Management fee receivable	10	-	665	-
2020				
Income				
Transaction administrator and administrator fees	-	-	2,728	-
Management fee	58	-	3,154	-
Expenses				
FAST* and RENTAS** charges	-	-	-	83
Servicers fees	-	-	2,259	-
Interest expense	-	37,479	-	-
Amount due from/(to)				
Transaction administrator and administrator fees	-	-	1,375	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(509)	-
Loans/financing	-	(671,757)	-	-
Payment of expenses on behalf				
- Working capital and other expenses	-	3,565	-	-
Management fee receivable	46	-	783	-

* Denotes Fully Automated System for Issuing and Tendering ("FAST").
** Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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

(b) Significant related party transactions and balances (continued)

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.

41 CAPITAL COMMITMENTS AND CONTINGENCIES

a) Capital commitments

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

b) Contingencies

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

The Company is currently in discussion with the IRB as the tax treatment has been applied consistently and discussed with the relevant authorities prior to adoption by the Company. An adverse decision from this disagreement could lead to additional tax liability and tax penalty 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 Company as the Company 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.

42 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets				
Financial assets at amortised cost:				
Cash and cash equivalents	318,943	109,071	300,433	89,848
Deposits and placements with financial institutions	172,021	102,886	172,021	102,886
Sukuk	354,353	-	354,353	-
Amount due from counterparties	17,141,175	14,069,195	17,141,175	14,069,195
Islamic financing assets	10,273,747	9,662,661	10,273,747	9,662,661
Mortgage assets				
- Conventional	3,886,956	4,366,916	3,886,956	4,366,916
- Islamic	4,691,424	5,115,509	4,691,424	5,115,509
Hire purchase assets				
- Islamic	62	34	62	34
Amount due from				
- Related company	735	1,375	735	1,375
- Subsidiaries		-	3,708	3,565
Other financial assets	4,809	5,044	4,808	5,043
	36,844,225	33,432,691	36,829,422	33,417,032
Financial assets at FVOCI:				
Debt instruments	2,792,094	2,383,316	2,792,094	2,383,316
Financial assets at FVTPL:				
Unit trust	123,132	193,466	123,132	193,466
Derivative financial instruments	29,607	57,904	29,607	57,904
	152,739	251,370	152,739	251,370
Financial liabilities				
Financial liabilities at amortised cost:				
Short-term borrowings	302,367	125,145	302,367	125,145
Loans/financing from subsidiaries	-	-	2,572,657	671,757
Unsecured bearer bonds and notes	19,956,954	17,482,979	17,386,080	16,811,578
Sukuk	15,082,028	14,063,392	15,082,028	14,063,392
Other financial liabilities	163,978	124,243	162,779	123,202
	35,505,327	31,795,759	35,505,911	31,795,074
Financial liabilities at FVTPL:				
Derivative financial instruments	28,595	45,963	28,595	45,963

43 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 and the Company take 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 and the Company manage their exposure to interest/profit rate risk. The Group and the Company set limits on the sensitivity of the Group's and the Company's forecasted net interest income/profit income at risk to projected changes in interest/profit rates. The Group and the Company also undertakes duration analysis before deciding on the size and tenure of the Bonds/Sukuk to be issued to ensure that the Group's and the Company'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 and the Company'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 and Company	+100 basis		-100 basis	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Impact to equity:				
Financial assets at FVOCI reserves	(105,106)	(99,527)	114,374	108,754
Derivatives financial instruments	-	-	-	-
Taxation effects on the above at tax rate of 24%	25,225	23,886	(27,450)	(26,101)
Effect on shareholder's funds	(79,881)	(75,641)	86,924	82,653
As percentage of shareholder's funds	(1.9%)	(1.8%)	2.1%	2.0%
Impact to income statements:				
Net interest 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%)

44 CREDIT RISK

44.1 Credit risk concentrations

The Group's and the Company's counterparties are mainly the GOM, financial institutions and individuals in Malaysia. The financial institutions are governed by the Financial Services Act 2013, Islamic Financial Services Act 2013 and Development Financial Institutions Act 2002. The financial institutions are subject to periodic review by the BNM. The following tables summarise the Group's and the Company'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.

Industrial analysis based on its industrial distribution

	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Financial asset at amortised cost RM'000	Derivatives financial instruments RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets Conventional RM'000	Mortgage assets Islamic RM'000	Hire Purchase assets Islamic RM'000	Other assets RM'000	Total RM'000
Group													
2021													
Government bodies	-	-	1,326,500	-	-	-	-	-	-	-		377	1,325,877
Financial institutions:													
- Commercial banks	248,888	172,021	123,132	326,901	354,353	29,607	16,548,478	9,954,993	-	-	-	-	27,758,373
- Development	70,055	-	-	260,617	-	-	-	318,754	-	-	-	-	649,426
Communication. electricity, gas and water	-	-	-	242,565	-	-	-	-	-	-	-	-	242,565
Transportation	-	-	-	286,218	-	-	-	-	-	-	-	-	286,218
Leasing	-	-	-	-	-	-	592,697	-	-	-	-	-	592,697
Consumers	-	-	-	-	-	-	-	-	3,886,956	4,691,424	62	-	8,578,442
Corporate	-	-	-	225,882	-	-	-	-	-	-	-	-	225,882
Construction	-	-	-	98,377	-	-	-	-	-	-	-	-	98,377
Others	-	-	-	25,034	-	-	-	-	-	-	-	5,167 *	30,201
Total	318,943	172,021	123,132	2,792,094	354,353	29,607	17,141,175	10,273,747	3,886,956	4,691,424	62	5,544	39,789,058

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and cash equivalents funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-coventional RM'000	Mortgage assets-islamic RM'000	Hire purchase assets-islamic RM'000	Other assets RM'000	Total RM'000
Group												
2020												
Government bodies	-	-	-	-	1,345,939	-	-	-	-	-	415	1,346,354
Financial institutions:												-
- Commercial banks	109,071	102,886	57,904	120,802	30,002	13,397,099	9,322,362	-	-	-	-	23,140,126
- Development	-	-	-	-	61,731	-	340,299	-	-	-	-	402,030
Communication, electricity, gas and water	-	-	-	-	166,516	-	-	-	-	-	-	166,516
Transportation	-	-	-	-	389,730	-	-	-	-	-	-	389,730
Leasing	-	-	-	-	-	672,096	-	-	-	-	-	672,096
Consumers	-	-	-	-	-	-	-	4,366,916	5,115,509	34	-	9,482,459
Corporate	-	-	-	72,664	238,790	-	-	-	-	-	-	311,454
Construction	-	-	-	-	62,703	-	-	-	-	-	-	62,703
Others	-	-	-	-	87,905	-	-	-	-	-	6,004	93,909
Total	109,071	102,886	57,904	193,466	2,383,316	14,069,195	9,662,661	4,366,916	5,115,509	34	6,419	36,067,377

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Financial asset at amortised cost RM'000	Derivatives financial instruments RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets Conventional RM'000	Mortgage assets Islamic RM'000	Hire Purchase assets Islamic RM'000	Other assets RM'000	Total RM'000
Company													
2021													
Government bodies	-	-	-	1,326,500	-	-	-	-	-	-	-	377	1,326,877
Financial institutions													
- Commercial banks	230,378	172,021	123,132	326,901	354,353	29,607	16,548,478	9,954,993	-	-	-	-	27,739,863
- Development	70,055	-	-	260,617		-	-	318,754	-	-	-	-	649,426
Communication, electricity, gas and water	-	-	-	242,565	-	-	-	-	-	-	-	-	242,565
Transportation	-	-	-	286,218	-	-	-	-	-	-	-	-	286,218
Leasing	-	-	-	-	-	-	592,697	-	-	-	-	-	592,697
Conairrers	-	-	-	-	-	-	-	-	3,886,956	4,691,424	62	-	8,578,442
Corporate	-	-	-	225,882	-	-	-	-	-	-	-	-	225,882
Construction	-	-	-	98,377	-	-	-	-	-	-	-	-	98,377
Others	-	-	-	25,034		-	-	-	-	-	-	8,874 *	33,908
Total	300,433	172,021	123,132	2,792,094	354,353	29,607	17,141,175	10,273,747	3,886,956	4,691,424	62	9,251	39,774,255

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and cash equivalents funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-coventional RM'000	Mortgage assets-islamic RM'000	Hire purchase assets-islamic RM'000	Other assets RM'000	Total RM'000
Company												
2020												
Government bodies	-	-	-	-	1,345,939	-	-	-	-	-	415	1,346,354
Financial institutions:												-
- Commercial banks	89,848	102,886	57,904	120,802	30,002	13,397,099	9,322,362	-	-	-	-	23,120,903
- Development	-	-	-	-	61,731	-	340,299	-	-	-	-	402,030
Communication, electricity, gas and water	-	-	-	-	166,516	-	-	-	-	-	-	166,516
Transportation	-	-	-	-	389,730	-	-	-	-	-	-	389,730
Leasing	-	-	-	-	-	672,096	-	-	-	-	-	672,096
Consumers	-	-	-	-	-	-	-	4,366,916	5,115,509	34	-	9,482,459
Corporate	-	-	-	72,664	238,790	-	-	-	-	-	-	311,454
Construction	-	-	-	-	62,703	-	-	-	-	-	-	62,703
Others	-	-	-	-	87,905	-	-	-	-	-	9,568	97,473
Total	89,848	102,886	57,904	193,466	2,383,316	14,069,195	9,662,661	4,366,916	5,115,509	34	9,983	36,051,718

44 CREDIT RISK (CONTINUED)

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

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase 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 amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets are classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase 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 comprise 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.

44 CREDIT RISK (CONTINUED)

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

Group and Company	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2021							
Amount due from counterparties	17,141,194	-	17,141,194	19	17,141,175	-	-
Islamic financing assets	10,273,808	-	10,273,808	61	10,273,747	-	-
Mortgage assets:							
- Conventional	3,880,901	27,394	3,908,295	21,339	3,886,956	27,394	78
- Islamic	4,690,599	23,457	4,714,056	22,632	4,691,424	23,457	96
Hire purchase assets:							
- Islamic	38	36	74	12	62	36	32
	35,986,540	50,887	36,037,427	44,063	35,993,364	50,887	
2020							
Amount due from counterparties	14,069,214	-	14,069,214	19	14,069,195	-	-
Islamic financing assets	9,662,760	-	9,662,760	99	9,662,661	-	-
Mortgage assets:							
- Conventional	4,360,127	32,759	4,392,886	25,970	4,366,916	32,759	79
- Islamic	5,112,524	31,431	5,143,955	28,446	5,115,509	31,431	91
Hire purchase assets:							
- Islamic	10	36	46	12	34	36	33
	33,204,635	64,226	33,268,861	54,546	33,214,315	64,226	

* These assets have been provided for under collective assessment.

44 CREDIT RISK (CONTINUED)

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

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

	Group and Company	
	2021	2020
	Strong/ Total	Strong/ Total
	RM'000	RM'000
Amount due from counterparties	17,141,194	14,069,214
Islamic financing assets	10,273,808	9,662,760
Mortgage assets:		
- Conventional	3,880,901	4,360,127
- Islamic	4,690,599	5,112,524
Hire purchase assets:		
- Islamic	38	10
	35,986,540	33,204,635

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 and the Company have been identified with strong credit risk quality which has a very high likelihood for full recovery.

44 CREDIT RISK (CONTINUED)

44.2 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 past due but not individually impaired is set out below:

	Group and Company				
	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
2021					
Mortgage assets:					
- Conventional	2,588	1,511	1,567	21,728	27,394
- Islamic	2,236	1,769	653	18,799	23,457
Hire purchase assets:					
- Islamic	-	-	-	36	36
	4,824	3,280	2,220	40,563	50,887
2020					
Mortgage assets:					
- Conventional	1,384	1,987	1,076	28,312	32,759
- Islamic	1,527	1,868	1,442	26,594	31,431
Hire purchase assets:					
- Islamic	-	-	-	36	36
	2,911	3,855	2,518	54,942	64,226

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, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.

44 CREDIT RISK (CONTINUED)

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

	Group and Company			
	As at 1 January RM'000	Reversal made RM'000	Written-off to principal balance outstanding RM'000	As at 31 December RM'000
2021				
Amount due from counterparties	19	-	-	19
Islamic financing assets	99	(38)	-	61
Mortgage assets:				
- Conventional	25,970	(3,323)	(1,308)	21,339
- Islamic	28,446	(2,640)	(3,174)	22,632
Hire purchase assets:				
- Islamic	12	-	-	12
	54,546	(6,001)	(4,482)	44,063
2020				
Amount due from counterparties	59	(40)		19
Islamic financing assets	653	(554)	-	99
Mortgage assets:				
- Conventional	34,993	(7,900)	(1,123)	25,970
- Islamic	35,084	(6,297)	(341)	28,446
Hire purchase assets:				
- Conventional	2	-	(2)	-
- Islamic	12	-	-	12
	70,803	(14,791)	(1,466)	54,546

44.3 Amount due from related company

None of these assets are impaired nor past due but not impaired.

44 CREDIT RISK (CONTINUED)

44.4 Credit quality

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

	Group and Company					
2021	GOM RM'000	AAA RM'000	AA1 to AA2/AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
Financial assets at FVOCI						
- Stage 1	1,617,854	700,800	473,440	-	2,792,094	304
Amount due from counterparties						
- Stage 1	-	6,013,346	11,127,829	-	17,141,175	19
Islamic financing assets						
- Stage 1	-	1,928,890	8,344,857	-	10,273,747	61
Mortgage assets:						
- Stage 1	-	-	-	3,878,389	3,878,389	12,086
- Stage 2	-	-	-	2,512	2,512	465
- Stage 3	-	-	-	27,394	27,394	8,788
	-	-	-	3,908,295	3,908,295	21,339
Islamic mortgage assets:						
- Stage 1	-	-	-	4,689,151	4,689,151	14,809
- Stage 2	-	-	-	1,448	1,448	298
- Stage 3	-	-	-	23,457	23,457	7,525
	-	-	-	4,714,056	4,714,056	22,632
Islamic hire purchase asset						
- Stage 1	-	-	-	38	38	-
- Stage 3	-	-	-	36	36	12
	-	-	-	74	74	12

44 CREDIT RISK (CONTINUED)

44.4 Credit quality

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

	Group and Company					
2020	GOM RM'000	AAA RM'000	AA1 to AA2/AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
Financial assets at FVOCI						
- Stage 1	1,719,367	423,357	240,592	-	2,383,316	77
Amount due from counterparties						
- Stage 1	-	7,596,290	6,472,924	-	14,069,214	19
Islamic financing assets						
- Stage 1		740,305	8,922,455	-	9,662,760	99
Mortgage assets:						
- Stage 1	-	-	-	4,358,528	4,358,528	15,154
- Stage 2	-	-	-	1,599	1,599	307
- Stage 3	-	-	-	32,759	32,759	10,509
	-	-	-	4,392,886	4,392,886	25,970
Islamic mortgage assets:						
- Stage 1	-	-	-	5,110,791	5,110,791	18,051
- Stage 2	-	-	-	1,733	1,733	312
- Stage 3	-	-	-	31,431	31,431	10,083
	-	-	-	5,143,955	5,143,955	28,446
Islamic hire purchase asset						
- Stage 1	-	-	-	10	10	-
- Stage 3	-	-	-	36	36	12
	-	-	-	46	46	12

44 CREDIT RISK (CONTINUED)

44.5 Credit risk mitigation

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

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

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
2021				
Mortgage asset				
- Conventional	3,908,295	(21,339)	3,886,956	17,997,820
- Islamic	4,714,056	(22,632)	4,691,424	15,131,950
	8,622,351	(43,971)	8,578,380	33,129,770
2020				
Mortgage asset				
- Conventional	4,392,886	(25,970)	4,366,916	19,058,068
- Islamic	5,143,955	(28,446)	5,115,509	14,623,943
	9,536,841	(54,416)	9,482,425	33,682,011

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

The Company has assessed that its:

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

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

44 CREDIT RISK (CONTINUED)

44.7 Offsetting financial instruments

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

	Group and Company		
	Gross amount	Related amounts not set-off	Net amount
	RM'000	RM'000	RM'000
2021			
Derivatives financial assets	29,607	(6,942)	22,665
Derivatives financial liabilities	28,595	(6,942)	21,653
2020			
Derivatives financial assets	57,904	(1,402)	56,503
Derivatives financial liabilities	45,963	(1,402)	44,561

45 LIQUIDITY RISK

45.1 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.2 Liquidity pool

The liquidity pool comprised the following cash and unencumbered assets:

	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Financial asset at financial cost RM'000	Derivatives financial instruments RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Other available liquidity RM'000	Total RM'000
Group												
2021	318,943	172,021	123,132	2,792,094	354,353	29,607	17,141,175	10,273,747	3,886,956	4,691,424	5,606	39,789,058
2020	109,071	102,886	193,466	2,383,316	-	57,904	14,069,195	9,662,661	4,366,916	5,115,509	6,453	36,067,377
Company												
2021	300,433	172,021	123,132	2,792,094	354,353	29,607	17,141,175	10,273,747	3,886,956	4,691,424	9,313	39,774,255
2020	89,848	102,886	193,466	2,383,316	-	57,904	14,069,195	9,662,661	4,366,916	5,115,509	10,016	36,051,717

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group and the Company under financial liabilities 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 and the Company manage the liquidity risk based on a different basis.

Group	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2021						
Financial liabilities						
Short-term borrowings	-	303,300	-	-	-	303,300
Unsecured bearer bonds and notes	81,052	5,190,997	6,136,732	8,056,356	1,791,579	21,256,716
Sukuk	305,008	454,574	4,181,155	9,494,575	2,331,884	16,767,196
Other liabilities	157,747	5,114	-	-	-	162,861
	543,807	5,953,985	10,317,887	17,550,931	4,123,463	38,490,073
Assets held for managing liquidity risk	712,899	5,771,669	11,027,020	19,193,562	7,560,084	44,265,234
2020						
Financial liabilities						
Short-term borrowings	125,208	-	-	-	-	125,208
Unsecured bearer bonds and notes	451,740	1,361,537	5,966,897	9,362,359	1,886,402	19,028,935
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
Other liabilities	130,788	2,106	-	-	-	132,894
	1,014,408	3,321,088	8,597,905	17,940,915	4,341,972	35,216,288
Assets held for managing liquidity risk	565,436	2,471,462	9,875,649	20,140,893	7,760,615	40,814,055

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities

Company	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2021						
Financial liabilities						
Short-term borrowings	-	303,300	-	-	-	303,300
Unsecured bearer bonds and notes	81,052	4,355,285	5,415,313	7,007,548	1,791,579	18,650,777
Sukuk	305,008	454,574	4,181,155	9,494,575	2,331,884	16,767,196
Loans/financing from subsidiaries	-	835,712	721,449	1,048,793	-	2,605,954
Other liabilities	157,707	5,094	-	-	-	162,801
	543,767	5,953,965	10,317,917	17,550,916	4,123,463	38,490,028
Assets held for managing liquidity risk	712,899	5,770,833	11,026,298	19,192,513	7,560,084	44,262,627
2020						
Financial liabilities						
Short-term borrowings	125,208	-	-	-	-	125,208
Unsecured bearer bonds and notes	450,984	1,361,537	5,288,003	9,362,359	1,886,402	18,349,285
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
Loans/financing from subsidiaries	862	-	677,930	-	-	678,792
Other liabilities	130,788	2,106	-	-	-	132,894
	1,014,514	3,321,088	8,596,941	17,940,915	4,341,972	35,215,430
Assets held for managing liquidity risk	549,778	2,471,462	9,875,649	20,140,893	7,760,615	40,798,397

45 LIQUIDITY RISK (CONTINUED)

45.4 Derivative liabilities

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

The following table analyses the Group and the Company's derivatives financial liabilities that will be settled on a net basis 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 and Company					
	On demand up to one month RM'000	One to three months RM'000	One to twelve months RM'000	Over five years RM'000	five years RM'000	Total RM'000
2021						
Net settled derivatives						
Derivatives held for hedging:						
IRS/IPRS	1,467	(4,194)	(13,343)	11,862	38,915	34,707
Gross settled derivatives						
Derivatives held for hedging:						
CCS/ICCS						
- Outflow	-	(831,692)	(746,943)	(1,063,452)	-	(2,642,087)
- Inflow	-	835,712	721,419	1,048,808	-	2,605,939
2020						
Net settled derivatives						
Derivatives held for hedging:						
IRS/IPRS	(1,016)	(5,553)	4,080	(6,053)	43,556	35,014
Gross settled derivatives						
Derivatives held for hedging:						
CCS/ICCS						
- Outflow	(3,433)	-	(1,028,926)	-	-	(1,032,359)
- Inflow	66	-	592,905	-	-	592,971

46 FOREIGN EXCHANGE RISK

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

The Group hedges 100% of its foreign currency denominated unsecured bearer bonds and notes and Sukuk. The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group and the Company manage its exposure by entering into derivatives contracts.

46.1 Exposure to foreign currency risk

GROUP	HKD RM'000	USD RM'000	SGD RM'000
2021			
Derivatives financial instruments	431,383	1,118,056	1,021,961
Unsecured bearer bonds and notes	430,850	1,118,649	1,021,375
2020			
Derivatives financial instruments	165,763	113,083	395,772
Unsecured bearer bonds and notes	163,218	112,781	395,401

COMPANY	HKD RM'000	USD RM'000	SGD RM'000
2021			
Derivatives financial instruments	431,383	1,118,056	1,021,961
Loans/financing from subsidiary	431,106	1,119,238	1,022,313
2020			
Derivatives financial instruments	165,763	113,083	395,772
Loans/financing from subsidiary	163,296	112,839	395,624

46 FOREIGN EXCHANGE RISK (CONTINUED)

46.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group and the Company 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		Company	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2021				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	22	-	22	-
2020				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	22	-	22	-

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

47.1 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 derivatives 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 the 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 and CCS 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 the 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).

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Assets				
Financial assets at FVOCI	-	2,792,094	-	2,792,094
Financial assets at FVTPL	-	123,132	-	123,132
Derivatives financial instruments	-	29,607	-	29,607
Liabilities				
Derivatives financial instruments	-	28,595	-	28,595
2020				
Assets				
Financial assets at FVOCI	-	2,383,316	-	2,383,316
Financial assets at FVTPL	-	193,466	-	193,466
Derivatives financial instruments	-	57,904	-	57,904
Liabilities				
Derivatives financial instruments	-	45,963	-	45,963

47.2 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 equivalents 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 one year.

(b) Other financial assets

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

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(c) Amount due from related company and subsidiaries

The fair value of amount due from related company is estimated at their carrying amount due to short tenure of less than one year.

(d) 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.

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

	2021		2020	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Group				
Financial assets				
Financial assets at amortised cost	354,353	351,905	-	-
Amount due from counterparties	17,141,175	17,183,186	14,069,195	14,306,042
Islamic financing assets	10,273,747	10,290,259	9,662,661	9,746,090
Mortgage assets:				
- Conventional	3,886,956	4,327,137	4,366,916	5,120,149
- Islamic	4,691,424	5,269,420	5,115,509	6,104,280
Islamic hire purchase assets	62	74	34	48
	36,347,717	37,421,981	33,214,315	35,276,609
Financial liabilities				
Short-term borrowings	302,367	302,367	125,145	125,145
Unsecured bearer bonds and notes	19,956,954	20,283,816	17,482,979	18,119,532
Sukuk	15,082,028	15,423,362	14,063,392	14,766,632
	35,341,349	36,009,545	31,671,516	33,011,309

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	2021 Carrying value RM'000	2021 Fair value RM'000	2020 Carrying value RM'000	2020 Fair value RM'000
Company				
Financial assets				
Financial assets at amortised cost	354,353	351,905	-	-
Amount due from counterparties	17,141,175	17,183,186	14,069,195	14,306,042
Islamic financing assets	10,273,747	10,290,259	9,662,661	9,746,090
Mortgage assets:				
- Conventional	3,886,956	4,327,137	4,366,916	5,120,149
- Islamic	4,691,424	5,269,420	5,115,509	6,104,280
Islamic hire purchase assets	62	74	34	48
	36,347,717	37,421,981	33,214,315	35,276,609
Financial liabilities				
Short-term borrowings	302,367	302,367	125,145	125,145
Loans/financing from subsidiaries	2,572,657	2,617,647	671,757	681,388
Unsecured bearer bonds and notes	17,386,080	17,701,608	16,811,578	17,442,177
Sukuk	15,082,028	15,423,362	14,063,392	14,766,632
	35,343,132	36,044,984	31,671,872	33,015,342

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.

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

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.

48 SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of the Company makes strategic decisions and allocation of resources on behalf of the Group and the Company. The Group and the Company have 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 and the Company purchase 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 and the Company. 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 and the Company purchase 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.

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.

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2021			
External revenue	949,152	556,353	1,505,505
External interest/profit expense	(816,132)	(356,872)	(1,173,004)
Profit from operations	87,664	193,510	281,174
Zakat	(3,892)	(1,202)	(5,094)
Taxation	(21,385)	(45,820)	(67,205)
Profit after taxation and zakat by Segment	62,387	146,488	208,875
Segment assets	30,469,686	9,418,614	39,888,300
Segment liabilities	26,554,974	9,174,662	35,729,636
Other information:			
Capital expenditure	1,986	614	2,600
Depreciation and amortisation	4,197	1,298	5,495

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2020			
External revenue	1,096,225	632,876	1,729,101
External interest/profit expense	(894,783)	(498,217)	(1,393,000)
Profit from operations	165,530	135,861	301,391
Zakat	(897)	(358)	(1,255)
Taxation	(44,069)	(32,145)	(76,214)
Profit after taxation and zakat by Segment	120,564	103,358	223,922
Segment assets	25,874,052	10,310,229	36,184,281
Segment liabilities	23,015,581	9,009,907	32,025,488
Other information:			
Capital expenditure	2,485	991	3,476
Depreciation and amortisation	4,380	1,747	6,127

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

			Company
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2021			
External revenue	949,152	556,353	1,505,505
Internal interest/profit expense	(15,482)	-	(15,482)
External interest/profit expense	(800,748)	(356,872)	(1,157.620)
Total interest/profit expense	(816,230)	(356,872)	(1,173,102)
Profit from operations	87,867	193,510	281,377
Zakat	(3,892)	(1,202)	(5,094)
Taxation	(21,385)	(45,820)	(67,205)
Profit after taxation and zakat by segment	62,590	146,488	209,078
Segment assets	30,454,876	9,418,614	39,873,490
Segment liabilities	26,555,539	9,174,662	35,730,201
Other information:			
Capital expenditure	1,986	614	2,600
Depreciation and amortisation	4,197	1,298	5,495

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

			Company
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2020			
External revenue	1,096,225	632,876	1,729,101
Internal interest/profit expense	(37,479)	-	(37,479)
External interest/profit expense	(857,677)	(498,217)	(1,355,894)
Total interest/profit expense	(895,156)	(498,217)	(1,393,373)
Profit from operations	165,507	135,861	301,368
Zakat	(897)	(358)	(1,255)
Taxation	(44,027)	(32,145)	(76,172)
Profit after taxation and zakat by segment	120,583	103,358	223,941
Segment assets	25,858,383	10,310,226	36,168,609
Segment liabilities	23,015,488	9,009,906	32,025,394
Other information:			
Capital expenditure	2,485	991	3,476
Depreciation and amortisation	4,380	1,747	6,127

49 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 shareholder 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 comprise 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.

	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET1 capital ratio	41.0	43.6	40.8	43.4
Tier 1 capital ratio	41.0	43.6	40.8	43.4
Total capital ratio	42.4	45.3	42.2	45.1
<u>After deducting proposed final dividend*</u>				
CET1 capital ratio	40.8	43.4	40.6	43.2
Tier 1 capital ratio	40.8	43.4	40.6	43.2
Total capital ratio	42.1	45.0	42.0	44.9

* *Refers to proposed final dividend which will be declared after the financial year.*

49 CAPITAL ADEQUACY

Components of CET1, Tier 1 and Tier 2 capital:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	4,004,195	3,925,320	3,988,820	3,909,742
	4,154,195	4,075,320	4,138,820	4,059,742
Financial assets at FVOCI reserves	25	32,585	25	32,585
Deferred tax assets	(20,627)	(23,331)	(20,627)	(23,331)
Less: Regulatory reserves	(89,723)	(99,778)	(89,723)	(99,778)
	4,043,870	3,984,796	4,028,495	3,969,218
Tier 2 capital				
Allowance for impairment losses	45,533	54,623	45,533	54,623
Add: Regulatory reserves	89,723	99,778	89,723	99,778
Total Tier 2 capital	135,256	154,401	135,256	154,401
Total capital	4,179,126	4,139,197	4,163,751	4,123,619

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Credit risk	9,212,424	8,464,774	9,212,422	8,464,480
Operational risk	649,569	673,290	649,569	673,290
Total risk-weighted assets	9,861,993	9,138,064	9,861,991	9,137,770

50 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and cash equivalents	(a)	106,288	53,643	106,275	53,633
Deposits and placements with financial institutions		50,139	-	50,139	-
Financial assets at fair value through profit or loss (FVTPL)		123,132	120,802	123,132	120,802
Financial assets at fair value through other comprehensive income (FVOCI)	(b)	794,037	319,278	794,037	319,278
Financial assets at amortised cost		354,353	-	354,353	-
Derivative financial instruments		2,656	-	2,656	-
Financing assets	(c)	10,273,747	9,662,661	10,273,747	9,662,661
Mortgage assets	(d)	4,689,674	5,113,267	4,689,674	5,113,267
Hire purchase assets	(e)	55	26	55	26
Other assets and prepayments		289,113	289,112	291,639	291,524
Tax recoverable		25,968	40,462	25,968	40,462
TOTAL ASSETS		16,709,162	15,599,251	16,711,675	15,601,653
LIABILITIES					
Derivative financial instruments		4,176	9,287	4,176	9,287
Other liabilities	(f)	10,534	10,473	9,311	9,270
Provision for taxation		-	-	-	-
Deferred taxation		100,788	86,943	100,788	86,943
Sukuk	(g)	15,082,028	14,063,392	15,082,028	14,063,392
TOTAL LIABILITIES		15,197,526	14,170,095	15,196,303	14,168,892
ISLAMIC OPERATIONS' FUNDS		1,511,636	1,429,156	1,515,372	1,432,761
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		16,709,162	15,599,251	16,711,675	15,601,653

50 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Total income attributable		669,091	769,821	669,091	769,821
Income attributable to the Sukuk holders	(h)	(548,778)	(659,015)	(548,778)	(659,015)
Non-profit (expense)/ income		(5,148)	1,743	(5,148)	1,743
Total net income attributable	(i)	115,165	112,549	115,165	112,549
Administration and general expenses		(2,130)	(2,466)	(1,999)	(2,314)
Reversal of prior year provision		3,436	-	3,436	-
Allowance for impairment losses		1,456	6,971	1,456	6,971
PROFIT BEFORE TAXATION AND ZAKAT		117,927	117,054	118,058	117,206
Zakat		(5,094)	(1,255)	(5,094)	(1,255)
Taxation		(28,835)	(30,173)	(28,835)	(30,173)
PROFIT FOR THE FINANCIAL YEAR		83,998	85,626	84,129	85,778

50 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the financial year	83,998	85,626	84,129	85,778
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial assets at FVOCI				
- Net gain on fair value changes before taxation	(9,853)	3,875	(9,853)	3,875
- Deferred taxation	2,378	(929)	2,378	(929)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	7,838	(5,911)	7,838	(5,911)
- Deferred taxation	(1,881)	1,419	(1,881)	1,419
Other comprehensive loss/ (gain) for the financial year net of taxation	(1,518)	(1,546)	(1,518)	(1,546)
Total comprehensive income for the financial year	82,480	84,080	82,611	84,232

50 ISLAMIC OPERATIONS (CONTINUED)

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

Group	Allocated capital funds RM'000	Non-distributable: Financial asset at FVOCI reserve RM'000	Non-distributable: Cashflow hedge reserve RM'000	Non-distributable: Regulatory reserve RM'000	Distributable: Retained profits RM'000	Total RM'000
Balance as at 1 January 2021	294,159	6,853	(6,649)	53,935	1,080,858	1,429,156
Profit for the financial year	-	-	-	-	83,998	83,998
Other comprehensive income	-	(7,475)	5,957	-	-	(1,518)
Total comprehensive income for the financial year	-	(7,475)	5,957	-	83,998	82,480
Transfer to retained profits	-	-	-	(4,732)	4,732	-
Balance as at 31 December 2021	294,159	(622)	(692)	49,203	1,169,588	1,511,636
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	990,606	1,345,076
Profit for the financial year	-	-	-	-	85,626	85,626
Other comprehensive income	-	2,946	(4,492)	-	-	(1,546)
Total comprehensive income for the financial year	-	2,946	(4,492)	-	85,626	84,080
Transfer to retained profits	-	-	-	(4,626)	4,626	-
Balance as at 31 December 2020	294,159	6,853	(6,649)	53,935	1,080,858	1,429,156

50 ISLAMIC OPERATIONS (CONTINUED)

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

		Non-distributable			Distributable	
Company	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2021	294,159	6,853	(6,649)	53,935	1,084,463	1,432,761
Profit for the financial year	-	-	-	-	84,129	84,129
Other comprehensive Income	-	(7,475)	5,957	-	-	(1,518)
Total comprehensive income for the financial year	-	(7,475)	5,957	-	84,129	82,611
Transfer to retained profits	-	-	-	(4,732)	4,732	-
Balance as at 31 December 2021	294,159	(622)	(692)	49,203	1,173,324	1,515,372
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	994,059	1,348,529
Profit for the financial year	-	-	-	-	85,778	85,778
Other comprehensive Income	-	2,946	(4,492)	-	-	(1,546)
Total comprehensive income for the financial year	-	2,946	(4,492)	-	85,778	84,232
Transfer to retained profits	-	-	-	(4,626)	4,626	-
Balance as at 31 December 2020	294,159	6,853	(6,649)	53,935	1,084,463	1,432,761

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before taxation	117,927	117,054	118,058	117,206
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	2,065	(6,255)	2,065	(6,255)
Sukuk	-	(7,568)	-	(7,568)
Accretion of discount on:				
Mortgage assets	(76,986)	(86,903)	(76,986)	(86,903)
Allowance/(reversal) of impairment losses on:				
Cash and cash equivalents	11	(105)	11	(105)
Financial assets at FVOCI	55	(6)	55	(6)
Financial assets at amortised cost	1,155	-	1,155	-
Financing assets	(38)	(554)	(38)	(554)
Mortgage assets and hire purchase assets	(5,814)	(6,636)	(5,814)	(6,636)
Income from:				
Financial assets at FVOCI	(18,858)	(11,829)	(18,858)	(11,829)
Islamic operations	(591,841)	(660,654)	(591,841)	(660,654)
Income from derivatives	(13,119)	(39,284)	(13,119)	(39,284)
Profit attributable to Sukuk holders	548,778	666,583	548,778	666,583
Profit attributable to derivatives	20,609	38,293	20,609	38,293
Gain on disposal of financial asset at FVOCI	83	(670)	83	(670)
Operating loss before working capital changes	(15,973)	1,466	(15,842)	1,618

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Change in deposits and placements with financial institutions	(50,150)	-	(50,150)	-
Change in financing assets	(626,586)	1,169,597	(626,586)	1,169,597
Change in mortgage assets	516,198	478,968	516,198	478,968
Change in hire purchase assets	(28)	106	(29)	106
Change in other assets and prepayments	(1)	353	(115)	339
Change in other liabilities	(2,924)	154	(2,943)	22
Cash from operating activities	(179,464)	1,650,644	(179,467)	1,650,650
Profit received from assets	594,733	679,217	594,733	679,217
Profit received from derivatives	12,913	45,712	12,913	45,712
Profit paid on derivatives	(20,332)	(44,003)	(20,332)	(44,003)
Payment of:				
Taxation	-	(13,609)	-	(13,609)
Zakat	(2,106)	(926)	(2,106)	(926)
Net cash from operations	405,744	2,317,035	405,741	2,317,041
INVESTING ACTIVITIES				
Purchase of financial assets at FVTPL	-	(280,000)	-	(280,000)
Purchase of financial assets at FVOCI	(1,012,549)	(1,717,161)	(1,012,549)	(1,717,161)
Purchase of financial assets at amortised cost	(355,000)	-	(355,000)	-
Net proceeds from redemption of financial assets at FVTPL	(2,312)	159,402	(2,312)	159,402
Net proceeds from sale/ redemption of financial asset at FVOCI	528,255	1,870,955	528,255	1,870,955
Income received from financial assets at FVTPL	2,313	598	2,313	598
Income received from financial assets at FVOCI	16,336	11,404	16,336	11,404
Net cash from investing activities	(822,957)	45,198	(822,957)	45,198

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
FINANCING ACTIVITY				
Proceed from issuance of Sukuk	7,255,000	3,085,000	7,255,000	3,085,000
Redemption of Sukuk	(6,225,000)	(4,845,000)	(6,225,000)	(4,845,000)
Profit paid to Sukuk holders	(560,142)	(685,506)	(560,142)	(685,506)
Net from financing activity	469,858	(2,445,506)	469,858	(2,445,506)
Net change in cash and cash equivalents	52,645	(83,273)	52,642	(83,267)
Cash and cash equivalents as at 1 January	53,643	136,916	53,633	136,900
Cash and cash equivalents as at 31 December	106,288	53,643	106,275	53,633

Group and Company	Sukuk	Total
	RM'000	RM'000
2021		
As at 1 January	14,063,392	14,063,392
Proceeds from issuance	7,255,000	7,255,000
Repayment and redemption	(6,225,000)	(6,225,000)
Profit paid	(560,142)	(560,142)
Other non-cash movement	548,778	548,778
As at 31 December	15,082,028	15,082,028
2020		
As at 1 January	15,849,883	15,849,883
Proceeds from issuance	3,085,000	3,085,000
Repayment and redemption	(4,845,000)	(4,845,000)
Profit paid	(685,506)	(685,506)
Other non-cash movement	659,015	659,015
As at 31 December	14,063,392	14,063,392

50 ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and cash equivalents*

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with bank and other financial institutions	252	180	239	170
Mudharabah money at call and deposit placements maturing with original maturity less than 3 month	106,047	53,463	106,047	53,463
	106,299	53,643	106,286	53,633
Less: Allowance for impairment losses	(11)	-	(11)	-
	106,288	53,643	106,275	53,633

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 and Company	
	2021	2020
	RM'000	RM'000
Stage 1		
As at 1 January	-	105
Allowance during the year on new investments	11	(105)
As at 31 December	11	-

50 ISLAMIC OPERATIONS (CONTINUED)

(b) *Financial assets at FVOCI*

	Group and Company	
	2021	2020
	RM'000	RM'000
At fair value:		
Corporate Sukuk	548,605	107,561
Government investment issues	137,000	123,159
Quasi Government Sukuk	108,432	88,558
	794,037	319,278

The maturity structure of financial assets at FVOCI as follows:

	2021 RM'000	2020 RM'000
Maturing within one year	378,020	99,139
One to three years	210,473	119,458
Three to five years	65,313	20,880
More than five years	140,231	79,801
	794,037	319,278

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

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

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2021		
Stage 1 (12-month ECL; non-credit impaired)	794,037	58
2020		
Stage 1 (12-month ECL; non-credit impaired)	319,278	3

50 ISLAMIC OPERATIONS (CONTINUED)

(b) *Financial assets at FVOCI (continued)*

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

	Group and Company	
	2021	2020
	RM'000	RM'000
Stage 1		
As at 1 January	3	9
Allowance during the year on new assets purchased	57	3
Financial assets derecognised during the year due to maturity of assets	-	(9)
Reversal during the year due to changes in credit risk	(2)	-
As at 31 December	58	3

(c) *Financing assets*

	Group and Company	
	2021	2020
	RM'000	RM'000
House financing	8,805,885	9,662,661
Personal financing	1,467,862	-
	10,273,747	9,662,661

	2021 RM'000	2020 RM'000
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

50 ISLAMIC OPERATIONS (CONTINUED)

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

(d) *Mortgage assets*

	Group and Company	
	2021	2020
	RM'000	RM'000
PWOR	4,689,674	5,113,267

The maturity structure of mortgage assets are as follows:

Maturing within one year	595,295	637,154
One to three years	754,333	805,470
Three to five years	739,680	765,669
More than five years	2,622,993	2,933,415
	4,712,301	5,141,708
Less:		
Allowance for impairment losses	(22,627)	(28,441)
	4,689,674	5,113,267

50 ISLAMIC OPERATIONS (CONTINUED)

(d) Mortgage assets (continued)

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

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2021		
Stage 1 (12-month ECL; non-credit impaired)	4,687,397	14,804
Stage 2 (Lifetime ECL; non-credit impaired)	1,448	298
Stage 3 (Lifetime ECL; credit impaired)	23,456	7,525
As at 31 December	4,712,301	22,627
Impairment allowance over gross carrying value (%)		0.48
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,108,544	18,046
Stage 2 (Lifetime ECL; non-credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
As at 31 December	5,141,708	28,441
Impairment allowance over gross carrying value (%)		0.55

50 ISLAMIC OPERATIONS (CONTINUED)

(d) *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 and Company			
2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	18,046	312	10,083	28,441
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	52	(279)	(2,788)	(3,015)
Transfer to ECL not credit impaired (Stage 2)	(6)	298	(3)	289
Transfer to ECL credit impaired (Stage 3)	(45)	(24)	3,140	3,071
Total transfer between Stages	1	(5)	349	345
Financing derecognised during the year (other than write-offs)	(497)	(9)	307	(199)
Reversal during the year due to changes in credit risk	(2,746)	-	(40)	(2,786)
Amount written-off	-	-	(3,174)	(3,174)
As at 31 December	14,804	298	7,525	22,627

50 ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets (continued)*

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

2020	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	20,344	2,497	12,236	35,077
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	100	(1,964)	(4,143)	(6,007)
Transfer to ECL not credit impaired (Stage 2)	(7)	299	(34)	258
Transfer to ECL credit impaired (Stage 3)	(55)	(126)	4,695	4,514
Total transfer between stages	38	(1,791)	518	(1,235)
Financing derecognised during the year (other than write-offs)	(685)	(374)	(2,265)	(3,324)
Reversal during the year due to changes in credit risk	(1,651)	(20)	(65)	(1,736)
Amount written-off	-	-	(341)	(341)
As at 31 December	18,046	312	10,083	28,441

50 ISLAMIC OPERATIONS (CONTINUED)

(e) Hire purchase assets

	Group and Company	
	2021	2020
	RM'000	RM'000
PWOR	55	26

The maturity structure of hire purchase assets are as follows:

	2021 RM'000	2020 RM'000
Maturing within one year	66	37
Less: Allowance for impairment losses	(11)	(11)
	55	26

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

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2021		
Stage 1 (12-month ECL; non-credit impaired)	32	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	66	11
Impairment allowance over gross carrying value (%)		16.55
2020		
Stage 1 (12-month ECL; non-credit impaired)	3	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	37	11
Impairment allowance over gross carrying value (%)		29.73

50 ISLAMIC OPERATIONS (CONTINUED)

(e) Hire purchase assets (continued)

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

	Group		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
2021			
As at 1 January/31 December	-	11	11
2020			
As at 1 January/31 December	-	11	11

(f) Other liabilities

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Zakat	5,094	2,106	5,094	2,106
Other payables	5,440	8,367	4,217	7,164
	10,534	10,473	9,311	9,270

50 ISLAMIC OPERATIONS (CONTINUED)

(g) Sukuk

	Group and Company	
	2021	2020
	RM'000	RM'000
Commercial papers	647,046	847,256
Medium-term notes	14,434,982	13,216,135
	15,082,028	14,063,391

The maturity structure of Sukuk are as follows:

Maturing within one year	4,527,028	4,498,391
One to three years	7,780,000	6,005,000
Three to five years	825,000	1,590,000
More than five years	1,950,000	1,970,000
	15,082,028	14,063,391

(h) Income attributable to the Sukuk holders

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Mortgage assets	198,232	229,661	198,232	229,661
Hire purchase assets	109	140	109	140
Financing assets	350,437	429,214	350,437	429,214
	548,778	659,015	548,778	659,015
Income attributable to Sukuk holders analysed by concept:				
Bai Al-Dayn	548,778	659,015	548,778	659,015

50 ISLAMIC OPERATIONS (CONTINUED)

(i) Total net income attributable

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	87,177	82,332	87,177	82,332
Hire purchase assets	(63)	(178)	(63)	(178)
Financing assets	14,023	5,588	14,023	5,588
Financial assets at FVOCI	16,876	18,753	16,876	18,753
Deposit and placements with financial institutions	2,300	4,311	2,300	4,311
Non-profit expense/ (income)	(5,148)	1,743	(5,148)	1,743
	115,165	112,549	115,165	112,549

Total net income attributable analysed by concept are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Bai Al-Dayn	95,989	89,485	95,989	89,485
Murabahah	11,265	9,138	11,265	9,138
Ijarah	439	355	439	355
Mudharabah	1,501	7,579	1,501	7,579
Musyarakah	1,856	1,975	1,856	1,975
Wakalah	1,849	628	1,849	628
Bai Bithaman Ajil	-	332	-	332
Tawarruq	1,684	1,840	1,684	1,840
Qard Al-Hasan	582	1,217	582	1,217
	115,165	112,549	115,165	112,549

50 ISLAMIC OPERATIONS (CONTINUED)

(j) *Capital adequacy*

	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
Before deducting proposed final dividend*				
CET1	29.1	29.3	29.2	29.3
Tier 1 capital ratio	29.1	29.3	29.2	29.3
Total capital ratio	30.6	31.0	30.7	31.1
After deducting proposed* final dividend				
CET1 capital ratio	29.1	29.3	29.2	29.3
Tier 1 capital ratio	29.1	29.3	29.2	29.3
Total capital ratio	30.6	31.0	30.6	31.1

Components of CET1, Tier 1 and Tier 2 capital:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	1,218,791	1,134,793	1,222,527	1,138,398
	1,512,950	1,428,952	1,516,686	1,432,557
Financial assets at FVOCI reserves	(622)	3,084	(622)	3,084
Deferred tax assets	(6,785)	(9,367)	(6,785)	(9,367)
Less: Regulatory reserves	(49,203)	(53,935)	(49,203)	(53,935)
Total CET1/Tier 1 capital	1,456,340	1,368,734	1,460,076	1,372,339
Tier 2 capital:				
Add: Regulatory reserves	49,203	53,935	49,203	53,935
Allowance for impairment losses	23,933	28,560	23,933	28,560
Total Tier 2 capital	73,136	82,495	73,136	82,495
Total capital	1,529,476	1,451,229	1,533,212	1,454,834

50 ISLAMIC OPERATIONS (CONTINUED)

(j) Capital adequacy (continued)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Credit risk	4,773,247	4,455,755	4,775,770	4,458,163
Operational risk	225,058	220,114	225,058	220,114
Total risk-weighted assets	4,998,305	4,675,869	5,000,828	4,678,277

* *Refers to proposed final dividend which will be declared after the financial year.*

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.

(k) Shariah advisor

The Group and the Company consult and obtain 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 and the Company do 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 and the Company 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.

51 APPROVAL OF FINANCIAL STATEMENTS

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Bakarudin Ishak and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and of the financial performance 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

DATUK CHUNG CHEE LEONG
DIRECTOR

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Abdul Hakim Amir Zainol, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 136 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.

ABDUL HAKIM AMIR ZAINOL
MIA No. CA-48822

Subscribed and solemnly declared by the abovenamed Abdul Hakim Amir Zainol at Kuala Lumpur in Malaysia on

23 MAR 2022

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

Before me,
COMMISSIONER FOR OATHS

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(Incorporated in Malaysia)
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas 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 7 to 136.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, 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.

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.

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198601008739 (157931-A)

OTHER MATTERS

This report is made solely to the member 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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kelvin

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

Kuala Lumpur
23 March 2022