FINANCIAL STATEMENTS

PILLAR 3 DISCLOSURE

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad (Cagamas), Cagamas Global P.L.C. (CGP), Cagamas Global Sukuk Berhad (CGS), Cagamas MBS Berhad (CMBS), Cagamas SRP Berhad (CSRP), Cagamas MGP Berhad (CMGP) and Cagamas SME Berhad (CSME).

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

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

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) and issuance of residential mortgage-backed securities (RMBS) and Islamic residential mortgage-backed securities (IRMBS) to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) (SRP) and Skim Perumahan Belia (Youth Housing Scheme) (SPB), both of which were initiated by the Government of Malaysia (GOM).

The principal activities of CMGP were the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME were the purchase of Small and Medium Enterprise (SME) loans and the undertaking of structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	330,110	30,032

DIVIDENDS

The dividends paid by the Group and Company since 31 December 2022 were as follows:

	Group RM'000	Company RM'000
In respect of the financial year ended 31 December 2023,		
On ordinary shares:		
– First dividend of 15 sen per share on 150,000,000 shares, paid on 9 May 2023	22,500	22,500
– Second dividend of 5 sen per share on 150,000,000 shares, paid on 18 September 2023	7,500	7,500
	30,000	30,000

The Directors recommend the payment of a first dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ending 31 December 2024, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2024.

SHARE CAPITAL

There were no other changes in the issued ordinary share of the Company during the financial year.

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad (RAM) has assigned the corporate credit ratings of AAA/Stable/P1 to a subsidiary of the Group, Cagamas. Additionally, RAM has also assigned a rating of AAA/Stable to the RMBS and IRMBS issued by CMBS.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has assigned Cagamas' bonds and Sukuk issues ratings at AAA/AAAIS and MARC-1/MARC-1IS, respectively. MARC has also assigned a rating of AAA/Stable to RMBS and AAAIS/Stable to IRMBS issued by CMBS.

Moody's Investors Service (Moody's) has assigned long-term local and foreign currency issuer ratings of A3 that are in line with Malaysian sovereign ratings.

As RAM no longer provides public coverage of global/ASEAN issue ratings, RAM has concurrently withdrawn the gA2(s)/Stable ratings of the USD2.5 billion Multicurrency Medium Term Note (EMTN) Programme and USD2.5 billion Multicurrency Sukuk Issuance Programme (Islamic EMTN) issued by Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad, respectively, which were last rated on 12 December 2022. Nevertheless, Moody's has maintained the ratings of A3 to the EMTN and Islamic EMTN issued by the two subsidiaries of Cagamas.

RELATED PARTY TRANSACTIONS

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

DIRECTORS

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

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

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Tan Sri Dato' Sri Dr. Tay Ah Lek, Dato' Lee Kok Kwan and Wan Hanisah Wan Ibrahim retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

Dato' Wee Yiaw Hin	
Ho Chai Huey	
Tan Sri Tajuddin Atan	
Dato' Albert Yeoh Beow Tit	
Mohamad Ali Iqbal Abdul Khalid	
Abdul Rahman Hussein	
Sophia Ch'ng Sok Heang	
Abdul Hakim Amir Zainol	
Kameel Abdul Halim	(Appointed w.e.f. 11.09.2023)
Tan Yong Nien	(Appointed w.e.f. 30.08.2023 and resigned w.e.f. 12.09.2023)
Datuk Chung Chee Leong	(Resigned w.e.f. 31.08.2023)

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 36 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.

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

	Group RM'000	Company RM'000
Directors of the Company		
Directors' fees	590	590
Directors' other emoluments	192	192
Directors of the subsidiaries		
Directors' fees	625	–
Directors' other emoluments	2,264	–
Insurance effected to indemnify Directors	–*	–*
	3,671	782

* The Directors and Officers of the Group and Company are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and Company subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM30.0 million.

The amount paid to or receivable by any third party for services provided by the Director of the Company and its subsidiaries for the year is RM80,500.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

DIRECTORS' INDEMNITY

The Company, Cagamas Holdings Berhad maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Company and its subsidiaries. The amount of insurance premium effected for any director and officer of the Company and its subsidiaries during the financial year was RM185,510 (2022: RM185,510). The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' REPORT *(continued)*

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts to be written-off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than disclosed in Note 42.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading or inappropriate.

In the opinion of the Directors:

(a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2023

In financial year 2023, the Group achieved a profit of RM330.1 million as compared to RM335.4 million in 2022. Cagamas remains the key operating subsidiary which contributes 67% of total Group profit for the financial year. The Group total capital ratio (TCR) stood at 47.4% (2022: 51.0%).

Cagamas recorded RM20.5 billion of purchases of loans and financing under Purchase With Recourse (PWR) scheme (2022: RM19.3 billion). Cagamas' net outstanding loans and financing increased by 19.9% to RM48.3 billion (2022: RM40.3 billion). As at the end of 2023, residential mortgage dominated Cagamas' portfolio at 93.6% (2022: 93.0%), personal loans at 4.6% (2022: 5.9%) and hire purchase loans and financing at 1.8% (2022: 1.1%). Cagamas' Islamic asset portfolio and conventional assets ratio stood at 52:48 (2022: 49:51), while PWR and PWOR loans and financing portfolios were at 84.7% and 15.3% respectively (2022: 79.5% and 20.5% respectively). The gross impaired loans and financing* under the PWOR scheme stood at 0.33% (2022: 0.45%), while net impaired loans and financing is at 0.02% (2022: 0.06%).

CMBS achieved a pre-tax profit of RM119.2 million, compared to RM119.1 million in 2022. There is no redemption of RMBS/IRMBS during the year and the remaining RM660.0 million worth of RMBS/IRMBS are expected to mature in stages and fully redeemed by August 2027.

CSRP registered a pre-tax profit of RM25.0 million as compared to RM26.8 million in 2022. Despite the slight decrease in profitability mainly due to impairment provisioning, CSRP maintained a commendable fee income from its mortgage guarantee business of SRP and SPB. Since the launch of SRP and SPB in 2011 and 2015 respectively up to 31 December 2023, CSRP has provided guarantees for housing loans/financing totaling RM25.7 billion enabling 110,339 individuals/households to own their first home, of which 83% are from the B40 segment. As at 31 December 2023, the total guarantee exposures that have been provided by CSRP to the SRP and SPB was RM1.5 billion compared with RM1.1 billion in 2022. The total value of new loans/financing approved for SRP in 2023 was RM2.9 billion benefiting 10,922 individuals/households. Effective 1 April 2023, the SRP has been discontinued, pursuant to the government's announcement. In line with the GOM's vision and initiatives in homeownership, CSRP is set to launch a new first home mortgage guarantee program in 2024. This program aims to assist financial institutions in managing risk and capital effectively when extending mortgage loans/financing to first-time homebuyers in Malaysia.

* Computed as stage 3 over gross total carrying value before unaccreted discount and allowance for impairment losses.

SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

DIRECTORS' REPORT *(continued)*

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company are RM547,000 and RM42,000 respectively. Details of auditors' remuneration are as follows:

	Group RM'000	Company RM'000
Audit fee	491	33
Non-audit fee	56	9

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 20 March 2024.

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN ISHAK
Chairman

DATO' LEE KOK KWAN
Director

STATEMENT BY DIRECTORS

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

We, Dato' Bakarudin Ishak and Dato' Lee Kok Kwan, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 101 to 231 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2023 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

DATO' BAKARUDIN ISHAK
Chairman

DATO' LEE KOK KWAN
Director

STATUTORY DECLARATION

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

I, Kameel Abdul Halim, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 101 to 231 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.

KAMEEL ABDUL HALIM

Subscribed and solemnly declared by the abovenamed Kameel Abdul Halim at Kuala Lumpur in Malaysia on 20 March 2024.

Before me,
Commissioner For Oath

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

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

INDEPENDENT SHARIAH ADVISOR'S REPORT

In the name of Allah, The Most Compassionate, The Most Merciful.

All praise is due to Allah, Lord of the worlds, and peace and blessings be upon the Prophet of Allah (Muhammad SAW), on his family and all his companions.

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholders of the Cagamas Holdings Berhad:

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

We, the Independent Shariah Advisor of Cagamas, hereby confirm that we have vetted, deliberated and endorsed on Shariah matters related to the Group's Islamic business and Islamic products offerings from 1 January 2023 until 31 December 2023 (the Islamic Business Offerings).

We have provided appropriate Shariah advisories and consultations to Cagamas in various aspects of the Islamic Business Offerings in order to ensure compliance with Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of Bank Negara Malaysia and Securities Commission of Malaysia. It is our responsibility to deliberate and form an independent opinion and highlight the Shariah advice to Cagamas.

In performing our roles and responsibilities, we have obtained all the information and explanations from Cagamas, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Islamic Business Offerings comply with Shariah rules and principles.

Cagamas' management is responsible to ensure the operations of the Islamic Business Offerings to be in accordance with Shariah rules and principles.

For the Group's financial year ended 31 December 2023, we have been consulted and have advised and endorsed on the following aspects of the Islamic Business Offerings:

1. The Group's Islamic products including enhancement of the existing products, preliminary new product assessment, legal documents, structure, marketing of Islamic financial products, activities and services;

2. The contracts, transactions and dealings entered into by the Group in relation to the Islamic Business Offerings during the year; and

3. The funding sources and investments in relation to the Islamic Business Offerings.

INDEPENDENT SHARIAH ADVISOR'S REPORT *(continued)*

Cagamas have carried out its Shariah audit on the Group's Islamic business and operations and the report were presented and deliberated in the Shariah meeting. We note that based on the Shariah audit report, there has been no Shariah Non-Compliance event for the financial year ended 31 December 2023.

We hereby confirm that to the best of our knowledge, we have obtained sufficient and appropriate evidence to form our Shariah compliant opinion that all the Shariah advices issued by us have been complied with during the financial year ended 31 December 2023.

We beg Allah the Almighty to grant us all the Success and Guidance and Allah Knows Best.

For **Amanie Advisors Sdn Bhd,**

....

TAN SRI DR MOHD DAUD BAKAR
Executive Chairman

20 March 2024

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CAGAMAS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA) (REGISTRATION NO. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cagamas Holdings Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 101 to 231.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

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

INDEPENDENT AUDITORS' REPORT *(continued)*

TO THE MEMBERS OF CAGAMAS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA) (REGISTRATION NO. 200701004048 (762047-P))

Responsibilities of the Directors for the financial statements

The directors of the Company are responsible for the preparation of 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/Financial Reporting Standards/the Malaysian Private Entities Reporting Standard] and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

- 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 the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT *(continued)*

TO THE MEMBERS OF CAGAMAS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA) (REGISTRATION NO. 200701004048 (762047-P))

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: (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the members of the Company, as a body in accordance with section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT

Ernst & Young PLT
202006000003(LLP0022760-LCA) & AF0039
Chartered Accountants

Kuala Lumpur, Malaysia
20 March 2024

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2025 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ASSETS					
Cash and cash equivalents	5	**263,763**	374,685	**1,020**	2,402
Deposits and placements with financial institutions	6	**782,233**	366,205	**1,414**	–
Financial assets at fair value through other comprehensive income (FVOCI)	7	**4,783,844**	5,452,903	**–**	–
Financial assets at amortised cost	8	**2,286,680**	1,817,754	**–**	–
Derivative financial instruments	9	**207,659**	102,583	**–**	–
Amount due from counterparties	10	**19,987,790**	17,097,746	**–**	–
Islamic financing assets	11	**21,426,861**	15,482,284	**–**	–
Mortgage assets					
– Conventional	12	**3,585,481**	4,167,687	**–**	–
– Islamic	13	**4,387,006**	4,884,396	**–**	–
Hire purchase assets					
– Islamic	14	**55**	50	**–**	–
Reverse mortgage assets		**2,147**	552	**–**	–
Other assets	15	**19,901**	32,677	**–**	–
Tax recoverable		**6**	51,508	**6**	7
Deferred taxation	16	**82,786**	90,300	**–**	–
Investment in subsidiaries	17	**–**	–	**4,281,628**	4,281,628
Investment in structured entity	18	**–***	–*	**–***	–*
Property and equipment	19	**1,947**	1,459	**–**	–
Intangible assets	20	**16,804**	18,586	**–**	–
Right-of-use asset	21	**7,176**	9,384	**–**	–
TOTAL ASSETS		**57,842,139**	49,950,759	**4,284,068**	4,284,037
LIABILITIES					
Short-term borrowings		**648,790**	812,339	**–**	–
Derivative financial instruments	9	**15,161**	6,619	**–**	–
Other liabilities	22	**207,358**	229,176	**10**	13
Lease liability	23	**9,308**	11,384	**–**	–
Provision for taxation		**18,656**	12,656	**–**	–
Deferred taxation	16	**666,760**	689,025	**2**	–
Unsecured bearer bonds and notes	24	**24,954,908**	20,414,672	**–**	–
Sukuk	25	**23,278,139**	20,135,060	**–**	–
RMBS	26	**371,444**	371,444	**–**	–
IRMBS	27	**291,138**	291,138	**–**	–
Deferred guarantee fee income		**35,785**	30,033	**–**	–
Deferred Wakalah fee income		**196,003**	159,707	**–**	–
TOTAL LIABILITIES		**50,693,450**	43,163,253	**12**	13

* Denotes RM2

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

STATEMENTS OF FINANCIAL POSITION *(continued)*
AS AT 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Share capital	28	**150,000**	150,000	**150,000**	150,000
Reserves**	29	**6,998,689**	6,637,506	**4,134,056**	4,134,024
SHAREHOLDERS' FUNDS		**7,148,689**	6,787,506	**4,284,056**	4,284,024
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**57,842,139**	49,950,759	**4,284,068**	4,284,037
NET TANGIBLE ASSETS PER SHARE (RM)	30	**47.55**	45.13	**28.56**	28.56

** Included in the reserves of the Group is RM2,169,271,000 (2022: RM2,085,003,000) which relates to retained profits that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest income	31	**1,191,578**	1,005,956	**86**	57
Interest expense	32	**(966,876)**	(675,327)	**–**	–
Income from Islamic operations	52	**256,194**	187,214	**–**	–
Non-interest income/(expense)	33	**42,353**	(9,797)	**30,000**	30,000
		523,249	508,046	**30,086**	30,057
Administration and general expenses		**(28,077)**	(30,257)	**(41)**	(47)
Personnel costs	34	**(30,760)**	(28,248)	**–**	–
OPERATING PROFIT		**464,412**	449,541	**30,045**	30,010
Allowance for impairment losses	35	**(16,598)**	(3,290)	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT	37	**447,814**	446,251	**30,045**	30,010
Taxation	38	**(114,600)**	(107,598)	**(13)**	(12)
Zakat		**(3,104)**	(3,275)	**–**	–
PROFIT FOR THE FINANCIAL YEAR*		**330,110**	335,378	**30,032**	29,998
EARNINGS PER SHARE (SEN)	30	**220.07**	223.59	**20.02**	20.00
DIVIDEND PER SHARE (SEN)	39	**20.00**	20.00	**20.00**	20.00

* Profit for the financial year of the Group includes profit from CMBS of RM84,647,000 (2022: RM90,894,000) that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the financial year		**330,110**	335,378	**30,032**	29,998
Other comprehensive income:					
Items that may be subsequently reclassified to income statement					
Financial assets at FVOCI					
– Net gain/(loss) from change in fair value		**63,401**	(73,765)	**–**	–
– Reversal of impairment losses		**39**	39	**–**	–
– Deferred taxation		**(15,217)**	17,703	**–**	–
Cash flow hedge					
– Net gain/(loss) on cash flow hedge		**17,406**	(8,939)	**–**	–
– Deferred taxation		**(4,177)**	2,145	**–**	–
Other comprehensive income/(loss) for the financial year, net of taxation		**61,452**	(62,817)	**–**	–
Total comprehensive income for the financial year		**391,562**	272,561	**30,032**	29,998

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Group	Note	Issued ordinary shares of RM1 each	Non-distributable			Distributable		
		Share capital RM'000	Financial assets at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	Total equity RM'000
Balance as at 1 January 2023		**150,000**	**(48,411)**	**(2,382)**	**79,440**	**4,523,856**	**2,085,003**	**6,787,506**
Profit for the financial year		**–**	**–**	**–**	**–**	**330,110**	**–**	**330,110**
Other comprehensive income		**–**	**48,223**	**13,229**	**–**	**–**	**–**	**61,452**
Total comprehensive income for the financial year		**–**	**48,223**	**13,229**	**–**	**330,110**	**–**	**391,562**
Transfer to other reserves		**–**	**–**	**–**	**–**	**(84,647)**	**84,647**	**–**
Transfer to retained profits		**–**	**–**	**–**	**(31,521)**	**31,521**	**–**	**–**
Dividends paid	39	**–**	**–**	**–**	**–**	**(30,000)**	**–**	**(30,000)**
Discretionary dividend on RPS paid during the year	39	**–**	**–**	**–**	**–**	**–**	**(379)**	**(379)**
Balance as at 31 December 2023	28 & 29	**150,000**	**(188)**	**10,847**	**47,919**	**4,770,840**	**2,169,271**	**7,148,689**
Balance as at 1 January 2022		150,000	7,612	4,412	89,723	4,299,089	1,994,109	6,544,945
Profit for the financial year		–	–	–	–	335,378	–	335,378
Other comprehensive loss		–	(56,023)	(6,794)	–	–	–	(62,817)
Total comprehensive income for the financial year		–	(56,023)	(6,794)	–	335,378	–	272,561
Transfer to other reserves		–	–	–	–	(90,894)	90,894	–
Transfer to retained profits		–	–	–	(10,283)	10,283	–	–
Dividends paid	39	–	–	–	–	(30,000)	–	(30,000)
Balance as at 31 December 2022	28 & 29	150,000	(48,411)	(2,382)	79,440	4,523,856	2,085,003	6,787,506

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

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

STATEMENTS OF CHANGES IN EQUITY *(continued)*
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Issued ordinary shares of RM1 each	Non-distributable	Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium relief reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2023		**150,000**	**3,831,628**	**302,396**	**4,284,024**
Profit for the financial year		**–**	**–**	**30,032**	**30,032**
Total comprehensive income for the financial year		**–**	**–**	**30,032**	**30,032**
Dividends paid	39	**–**	**–**	**(30,000)**	**(30,000)**
Balance as at 31 December 2023	28 & 29	**150,000**	**3,831,628**	**302,428**	**4,284,056**
Balance as at 1 January 2022		150,000	3,831,628	302,398	4,284,026
Profit for the financial year		–	–	29,998	29,998
Total comprehensive income for the financial year		–	–	29,998	29,998
Dividends paid	39	–	–	(30,000)	(30,000)
Balance as at 31 December 2022	28 & 29	150,000	3,831,628	302,396	4,284,024

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
OPERATING ACTIVITIES					
Profit before taxation and zakat		**447,814**	446,251	**30,045**	30,010
Adjustments for non-cash items	40	**(462,669)**	(476,315)	**(86)**	(57)
Operating loss before working capital changes		**(14,855)**	(30,064)	**29,959**	29,953
Net changes in operating assets and liabilities	40	**(5,996,310)**	(1,438,887)	**(1,330)**	2,451
Zakat paid		**(5,809)**	(5,367)	**–**	–
Tax paid		**(91,244)**	(67,623)	**(11)**	(17)
Net cash from operating activities		**(6,108,218)**	(1,541,941)	**28,618**	32,387
INVESTING ACTIVITIES					
Purchase of:					
– Financial assets at FVOCI		**(2,882,021)**	(3,993,450)	**–**	–
– Financial assets at amortised cost		**(464,959)**	(1,450,611)	**–**	–
– Property and equipment		**(1,215)**	(628)	**–**	–
– Intangible assets		**(2,371)**	(4,196)	**–**	–
Net proceeds from sale/redemption of:					
– Financial assets at FVOCI		**3,622,243**	3,173,805	**–**	–
– Financial assets at FVTPL		**–**	128,097	**–**	–
Income received from:					
– Financial assets at FVOCI		**137,368**	127,679	**–**	–
– Financial assets at FVTPL		**–**	221	**–**	–
Proceeds from disposal of property and equipment		**151**	–	**–**	–
Net cash from investing activities		**409,196**	(2,019,083)	**–**	–

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

STATEMENTS OF CASH FLOWS *(continued)*
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
FINANCING ACTIVITIES					
Proceeds from issuance of:					
– Unsecured bearer bonds and notes		**15,223,801**	12,269,498	**–**	–
– Sukuk		**12,505,000**	10,090,000	**–**	–
Redemption of:					
– Unsecured bearer bonds and notes		**(11,013,121)**	(12,010,150)	**–**	–
– Sukuk		**(9,395,000)**	(5,075,000)	**–**	–
– RMBS		**–**	(250,000)	**–**	–
– IRMBS		**–**	(320,000)	**–**	–
Interest paid on:					
– Unsecured bearer bonds and notes		**(865,711)**	(603,234)	**–**	–
– RMBS		**(21,022)**	(30,142)	**–**	–
Profit paid on:					
– Sukuk		**(800,490)**	(590,335)	**–**	–
– IRMBS		**(12,586)**	(19,130)	**–**	–
Dividends paid to:					
– Shareholders		**(30,000)**	(30,000)	**(30,000)**	(30,000)
– RPS holder		**(379)**	–	**–**	–
Lease rental paid		**(2,392)**	(2,733)	**–**	–
Redemption of RPS*		**(–)**	**–**	**–**	–
Net cash from financing activities		**5,588,100**	3,428,774	**(30,000)**	(30,000)
Net change in cash and cash equivalents		**(110,922)**	(132,250)	**(1,382)**	2,387
Cash and cash equivalents as at 1 January		**374,685**	506,935	**2,402**	15
Cash and cash equivalents as at 31 December	5	**263,763**	374,685	**1,020**	2,402

* denotes RM1

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad (Cagamas), Cagamas Global P.L.C. (CGP), Cagamas Global Sukuk Berhad (CGS), Cagamas MBS Berhad (CMBS), Cagamas SRP Berhad (CSRP), Cagamas MGP Berhad (CMGP) and Cagamas SME Berhad (CSME).

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

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

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) and issuance of residential mortgage-backed securities (RMBS) and Islamic residential mortgage-backed securities (IRMBS) to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) (SRP) and Skim Perumahan Belia (Youth Housing Scheme) (SPB), both of which were initiated by the Government of Malaysia (GOM).

The principal activities of CMGP were the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME were the purchase of Small and Medium Enterprise (SME) loans and the undertaking of structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business is Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpur.

2 SUMMARY OF MATERIAL 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 (IFRS) 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 material accounting policies.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Islamic operations of the Group refer to:

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

The preparation of financial statements in conformity with MFRS and IFRS 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 2023:

- Amendments to MFRS 101 'Presentation of Financial Statements - Disclosure of Accounting Policies'
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates'
- Amendments to MFRS 112 'Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The adoption of other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendments to MFRS 101 'Presentation of Financial Statements - Disclosure of Accounting Policies'

The amendments require the Group to disclose material accounting policies rather than significant accounting policies in the financial statements. The Group is expected to make disclosure of accounting policies specific to the Group and not generic disclosures on MFRS applications.

The amendments explain that an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the users make based on those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Immaterial accounting policy information need not be disclosed.

These amendments do not have significant impact on the preparation of the Group's financial statements.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates'

The amendments redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty" and provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates.

The amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate if the changes do not arise from prior period errors.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. The amendments do not have significant impact to the financial statements of the Group and of the Company.

Amendments to MFRS 112 'Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments clarified that the initial exemption rule from recognising deferred taxes does not apply to transactions where both an asset and a liability are recognised at the same time resulting in equal amounts of taxable and deductible temporary differences. This essentially means that lessees would not be able to apply the initial exemption rule in MFRS 112 for the assets and liabilities arising from leases. The adoption of these amendments did not result in any material impact to the financial statements of the Group and the Company.

(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 2023. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- The amendments to MFRS 7 'Statement of Cash Flows and MFRS 107 Financial Instruments: Disclosures' (effective 1 January 2024) specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of finance arrangements on an entity's liabilities, cash flows and supplier exposure to liquidity risk. The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

  The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the requirement that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

  The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of MFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2024) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period based on its compliance with the conditions required on or before the reporting date (even if tested only after period end). Conditions that an entity is required to comply only within 12 months after the reporting period do not affect the classification of liability as current or non-current at reporting date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date. The amendments shall be applied retrospectively.

- The amendment to MFRS 121 'Lack of Exchangeability' specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

- Amendments to MFRS 10 and MFRS 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' where the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

  The amendments address the conflict between MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

  The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in MFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

  The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} "Business Combinations";
- internal group reorganisations, as defined in FRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2.3 Structured entity

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Amount due from counterparties and Islamic financing assets

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

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

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

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

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

2.6 Reverse mortgage assets

Reverse mortgage assets introduced by the Group and the Company is a type of loan and financing which is targeted for the elderly people or retirees that own a home and allows them to convert their residential property into a fixed monthly income stream throughout their lifetime. The Group and the Company classify and measure the reverse mortgage assets as financial assets at its fair value through profit or loss (FVTPL) as the reverse mortgage assets did not meet the criteria for amortised cost or FVOCI. The details of the measurement for financial assets at FVTPL are stated in Note 2.9 (c) (iii).

2.7 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.10 to the financial statements describe the Group's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment and depreciation

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

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

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

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

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets is reflected in Note 2.10.2 to the financial statements.

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

2.9 Financial assets

(a) Classification

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

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

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group and the Company measure financial assets at its fair value plus transaction costs, unless it is carried at fair value through profit or loss (FVTPL). Transaction costs of financial assets carried at FVTPL are expensed in income statements.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Cash and cash equivalents, deposits and placements with financial institutions, financial assets at amortised cost, amount due from counterparties, Islamic financing debt, mortgage assets/Islamic mortgage assets and Islamic hire purchase assets, other assets, amount due from related companies and amount due from subsidiaries that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in the income statements using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statements and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in income statements. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statements and recognised in non-interest (expense)/income.

Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in non-interest (expense)/income and (allowance)/reversal of impairment losses are presented as separate line item in the income statements.

(iii) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in income statements and presented net within non-interest (expense)/income in the period which it arises.

Equity instruments

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets

2.10.1 Financial assets

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

The Group has five of its financial assets that are subject to the ECL model:

- Amount due from counterparties and Islamic financing assets;
- Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets;
- Financial assets at FVOCI;
- Financial assets at amortised cost; and
- Money market instruments.

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

The measurement of ECL reflects:

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

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

General approach

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

- Stage 1: 12-month ECL – not credit impaired
  For credit exposures where there has not been a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12-month will be recognised.

- Stage 2: Lifetime ECL – not credit impaired
  For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets (continued)

2.10.1 Financial assets (continued)

Simplified approach

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

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:
The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets (continued)

2.10.1 Financial assets (continued)

Definition of default and credit impaired financial assets (continued)

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

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

2.10.2 Non-financial assets

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

2.11 Write-off

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

2.12 Financial liabilities

Financial liabilities are measured at amortised cost unless it is a financial liability held for trading or designated at FVTPL. Financial liabilities are recognised at fair value plus transaction costs and are derecognised when extinguished.

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.20 on hedge accounting.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Financial liabilities (continued)

(b) Borrowings measured at amortised cost

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

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

Included in short-term borrowings is obligations on securities sold under repurchase agreements which the Group has sold from its portfolio, with a commitment to repurchase at future dates.

(c) Other financial liabilities measured at amortised cost

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

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

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

2.14 Income recognition on Guarantee and Wakalah fees

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

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

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

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

2.16 Current and deferred tax

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17 Cash and cash equivalents

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

2.18 Offsetting financial instruments

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

2.19 Segment reporting

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

2.20 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps (IRS), Islamic profit rate swaps (IPRS), cross currency swaps (CCS) and Islamic cross currency swaps (ICCS). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 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).

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

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

The Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group also documents their risk management objective and strategy for its hedge transactions and its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.20 Derivative financial instruments and hedge accounting (continued)

Cash flow hedge

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

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

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

2.21 Provisions

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group has been in operations for at least 12-month, i.e. for the period known as haul.

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business for the financial year is 2.5% (2022: 2.5%) of the zakat base.

The zakat base of the Group is determined based on adjusted growth method. This method calculates zakat base as owners' equity and long-term liabilities, deducted for property, plant and equipment and non-current assets, and adjusted for items that do not meet the conditions for zakat assets and liabilities as determined by the relevant zakat authorities.

The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2.23 Employee benefits

(a) *Short-term employee benefits*

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

(b) *Defined contributions plans*

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

2.24 Intangible assets

(a) *Computer software*

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Intangible assets (continued)

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

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.10.2 to the financial statements.

2.25 RMBS and IRMBS

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

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

2.26 Share capital

(a) *Classification*

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

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

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

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

2.27 Currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) *Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.28 Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

2.29 Deferred financing fees

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

2.30 Financial guarantee contracts

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

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

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

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

2.31 Leases

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.31 Leases (continued)

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.31 Leases (continued)

Lease liabilities

Variable lease payments that depend on sales are recognised in the income statements in the period in which the condition that triggers those payments occurs.

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

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12-month or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in income statements.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Impairment of mortgage assets and hire purchase assets (Note 12, 13, 14 and 45)

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

Two economic scenarios using different probability weighted are applied to the ECL:

- Base case – based upon current economic outlook or forecast
- Negative case – based upon a projected pessimistic or negative outlook or forecast

(b) Accretion of discount on mortgage assets and hire purchase assets (Note 12, 13 and 14)

Assumptions are used to estimate cash flow projections of the principal balance outstanding of the mortgage assets and hire purchase assets acquired by the Group for the purpose of determining accretion of discount. The estimate is determined based on the historical repayment and redemption trend of the borrowers of the mortgage assets and hire purchase assets. Changes in these assumptions could impact the amount recognised as accretion of discount.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) Impairment of guarantee exposures and Wakalah exposures (Note 22)

In determining ECL, management's judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macroeconomic variables that are used in multiple scenarios (i.e. base, downside and upside), include (but are not limited to) real GDP growth rates, unemployment rates, consumer price index and housing price index.

The probability weighted ECL is a blended outcome after taking into consideration the multiple scenarios applied to the Group's guarantee and Wakalah exposures.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Risk management structure

The Board of Directors has ultimate responsibility for management of risks associated with the Group's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's overall business objectives and desired risk profile. The Board of Directors also reviews and approves all significant risk management policies and risk exposures.

The Board Risk Committee assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks.

Management Executive Committee is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks including compliance with applicable laws and regulations.

The Risk Management and Compliance Division is independent of other departments involved in risk-taking activities. It is responsible for monitoring and reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to fulfil its financial obligations when they fall due. Credit risk arises in the form of on-statement of financial position items such as lending and investments, as well as in the form of off-statement of financial position items such as guarantees and treasury hedging activities.

The Group manages the credit risk by screening borrowers and counterparties, stipulate prudent eligibility criteria and conduct due diligence on loans and financing to be purchased. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to the management, Board Risk Committee and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprised mainly of mortgage assets, Islamic mortgage assets, hire purchase assets and Islamic hire purchase assets.

4.3 Market risk management

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

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

The Group also uses derivative instruments such as interest rate swaps, profit rate swaps, CCS and ICCS to manage and hedge market risk exposures against fluctuations in the interest rates, profit rates and foreign currency exchange rates.

4.4 Liquidity risk management

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

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

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

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

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

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Operational Risk Management

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

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

The day-to-day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tiered authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pre-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

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

5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Cash and balance with banks and other financial institutions	**625**	5,150	**17**	18
Money at call and deposits and placements maturing with original maturity less than three months	**185,775**	262,363	**1,003**	2,384
Mudharabah money at call and deposits and placements maturing with original maturity less than three months	**77,363**	107,173	**–**	–
	263,763	374,686	**1,020**	2,402
Less: Allowance for impairment losses	**–**	(1)	**–**	–
	263,763	374,685	**1,020**	2,402

The gross carrying value of cash and cash equivalents and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflect the ECL model on impairment are as follows:

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Stage 1				
As at 1 January	**1**	–	**–**	–
Allowance during the year	**(1)**	1	**–**	–
As at 31 December	**–**	1	**–**	–

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Licensed banks	**782,233**	366,205	**1,414**	–

The gross carrying value of deposits and placements with financial institutions are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2023 (2022: Nil).

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

	Group	
	2023 RM'000	**2022 RM'000**
Debt instruments:		
Malaysian government securities	**568,002**	648,143
Corporate bonds	**621,355**	573,196
Government investment issues	**1,006,971**	923,320
Corporate Sukuk	**1,979,107**	2,223,980
Quasi government Sukuk	**608,409**	984,400
Negotiable instruments of deposit	**–**	50,018
Islamic treasury bills	**–**	49,846
	4,783,844	5,452,903

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

	Group	
	2023 **RM'000**	**2022** **RM'000**
The maturity structure of financial assets at FVOCI are as follows:		
Maturing within one year	**464,448**	1,616,503
One to three years	**1,746,021**	1,497,991
Three to five years	**998,417**	872,191
More than five years	**1,574,958**	1,466,218
	4,783,844	5,452,903

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**
2023		
Stage 1 (12-month ECL; non-credit impaired)	**4,783,844**	454
As at 31 December	**4,783,844**	454
2022		
Stage 1 (12-month ECL; non-credit impaired)	**5,452,903**	415
As at 31 December	**5,452,903**	415

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

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

	Group and Company	
	2023 **RM'000**	**2022** **RM'000**
Stage 1		
As at 1 January	**415**	376
Allowance during the year on new assets purchased	**300**	106
Financial assets derecognised during the year due to maturity of assets	**(157)**	(27)
Reversal during the year due to changes in credit risk	**(104)**	(40)
As at 31 December	**454**	415

The financial assets at FVOCI which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and Company amounting to RM432.9 million (2022: RM801.9 million).

8 FINANCIAL ASSETS AT AMORTISED COST

	Group	
	2023 **RM'000**	**2022** **RM'000**
Corporate bonds	**1,604,687**	1,463,359
Corporate Sukuk	**681,993**	354,395
	2,286,680	1,817,754

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

More than five years	**2,290,448**	1,820,889
Less: Allowance for impairment losses	**(3,768)**	(3,135)
	2,286,680	1,817,754

8 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	**2,290,448**	3,768
2022		
Stage 1 (12-month ECL; non-credit impaired)	**1,820,889**	3,135

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

	Group and Company	
	2023 RM'000	**2022 RM'000**
Stage 1		
As at 1 January	**3,135**	1,155
Allowance during the year on new assets purchased	**1,154**	2,022
Reversal during the year due to changes in credit risk	**(521)**	(42)
As at 31 December	**3,768**	3,135

9 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group to hedge against its interest/profit rate exposure and foreign currency exposure are IRS, IPRS, CCS and ICCS.

IRS/IPRS are used by the Group to hedge against its interest/profit rate exposure arising from the following transactions:

(i) Issuance of fixed rate bonds/Sukuk to fund floating rate asset purchases

The Group pays the floating rate receipts from its floating rate asset purchases to the swap counterparties and receives fixed rate interest/profit in return. This fixed rate interest/profit will then be utilised to pay coupon on the fixed rate bonds/Sukuk issued. Hence, the Group is protected from adverse movements in interest/profit rate.

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

The Group issues short duration bonds/Sukuk and enters into swap transaction to receive floating rate interest/profit from and pay fixed rate interest/profit to the swap counterparty. Upon receiving instalment from assets, the Group pays fixed rate interest/profit to the swap counterparty and receives floating rate interest/profit to pay to the bondholders/Sukuk holders.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

- Differences in timing of cash flows between hedged item, interest/profit rate swaps and cross currency swaps,
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument; and
- Counterparty credit risk which impacts the fair value of interest/profit rate swaps and cross currency swaps but not the hedged items.

The table below summarises the derivatives financial instruments entered by the Group which are all used as hedging instruments in cash flow hedges.

	Group			
2023	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Average fixed interest rate %**
Derivative designated as cash flow hedges:				
IRS/IPRS				
Maturing within one year	**1,000,000**	**720**	**(3,924)**	**2.66**
One to three years	**1,335,000**	**446**	**(4,937)**	**3.64**
Three to five years	**90,000**	**–**	**(142)**	**3.59**
More than five years	**160,000**	**12,922**	**–**	**4.66**
	2,585,000	**14,088**	**(9,003)**	
CCS				
Maturing within one year	**4,139,796**	**151,553**	**(6,158)**	**3.62**
One to three years	**1,112,470**	**42,018**	**–**	**3.90**
	5,252,266	**193,571**	**(6,158)**	
	7,837,266	**207,659**	**(15,161)**	

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivatives financial instruments entered by the Group which are all used as hedging instruments in cash flow hedges. (continued)

	Group			
2022	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Average fixed interest rate %**
Derivative designated as cash flow hedges:				
IRS/IPRS				
Maturing within one year	490,000	5,577	(3,247)	3.49
One to three years	1,000,000	6,767	–	2.66
More than five years	160,000	9,428	–	4.66
	1,650,000	21,772	(3,247)	
CCS				
Maturing within one year	2,705,125	67,054	(3,372)	3.03
One to three years	308,000	13,757	–	2.99
	3,013,125	80,811	(3,372)	
	4,663,125	102,583	(6,619)	

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

	Group						
		Fair value*					
	Notional amount RM'000	**Assets RM'000**	**Liabilities RM'000**	**Changes in fair value used for calculating hedging effectiveness RM'000**	**Changes in fair value recognised in other comprehensive income RM'000**	**Hedge ineffectiveness recognised in income statement** RM'000**	**Amount reclassified from hedge reserve to income statement** RM'000**
2023							
Interest rate risk							
IRS	**1,645,000**	**13,368**	**(6,474)**	**12,391**	**12,391**	**–**	**–**
IPRS	**940,000**	**720**	**(2,529)**	**(1,935)**	**(1,935)**	**–**	**–**
Foreign exchange risk							
CCS/ICCS	**5,252,266**	**193,571**	**(6,158)**	**3,816**	**277,269**	**–**	**(270,319)**

* 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group						
	Notional amount RM'000	Fair value* Assets RM'000	Fair value* Liabilities RM'000	Changes in fair value used for calculating hedging effectiveness RM'000	Changes in fair value recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in income statement** RM'000	Amount reclassified from hedge reserve to income statement** RM'000
2022							
Interest rate risk							
IRS	1,250,000	15,246	(3,248)	18,690	18,690	–	–
IPRS	400,000	6,527	–	5,706	5,706	–	–
Foreign exchange risk							
CCS/ICCS	3,013,125	80,811	(3,372)	(27,528)	108,716	–	(142,051)

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

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

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

	Group			
	Line item in the statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge effectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied RM'000
2023				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	**12,775**	**9,709**	–
Floating rate financial liabilities	Unsecured bearer bonds and notes	**(384)**	**(292)**	–
Floating rate financial liabilities	Sukuk	**(1,935)**	**(1,470)**	–
Fixed rate financial liabilities	Unsecured bearer bonds and notes	**3,816**	**2,900**	–
2022				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	9,240	7,022	–
Floating rate financial liabilities	Unsecured bearer bonds and notes	9,450	7,182	–
Floating rate financial liabilities	Sukuk	5,706	4,336	–
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(27,528)	(20,922)	–

9 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	
	2023 **RM'000**	**2022** **RM'000**
Cash flow hedge		
As at 1 January	**(2,382)**	4,412
Effective portion of changes in fair value, net of amount reclassified to profit or loss on:		
– Interest rate risk	**287,725**	133,112
– Foreign exchange fluctuations (Note 33)	**(270,319)**	(142,051)
Income tax effects	**(4,177)**	2,145
As at 31 December	**10,847**	(2,382)

10 AMOUNT DUE FROM COUNTERPARTIES

	Group	
	2023 **RM'000**	**2022** **RM'000**
Relating to:		
Mortgage loans	**19,641,205**	16,641,501
Hire purchase and leasing debts	**346,585**	456,245
	19,987,790	17,097,746
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	**6,475,796**	6,619,978
One to three years	**8,861,989**	6,028,557
Three to five years	**4,288,658**	4,288,658
More than five years	**361,372**	160,569
	19,987,815	17,097,762
Less: Allowance for impairment losses	**(25)**	(16)
	19,987,790	17,097,746

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

	Group	
	2023 **RM'000**	**2022** **RM'000**
Stage 1		
As at 1 January	**16**	19
Allowance during the year on new assets purchased	**21**	10
Financial assets derecognised during the year due to maturity of assets	**(9)**	(9)
Reversal during the year due to changes in credit risk	**(3)**	(4)
As at 31 December	**25**	16

11 ISLAMIC FINANCING ASSETS

	Group	
	2023 **RM'000**	**2022** **RM'000**
Relating to:		
Islamic house financing	**18,696,839**	13,100,130
Islamic personal financing	**2,225,410**	2,382,154
Islamic hire purchase	**504,612**	–
	21,426,861	15,482,284
The maturity structure Islamic financing assets are as follows:		
Maturing within one year	**7,301,922**	4,664,996
One to three years	**9,385,918**	8,872,270
Three to five years	**4,739,117**	1,945,111
	21,426,957	15,482,377
Less: Allowance for impairment losses	**(96)**	(93)
	21,426,861	15,482,284

11 ISLAMIC FINANCING ASSETS (CONTINUED)

The gross carrying value of Islamic financing assets and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflect the ECL model on impairment are as follows:

	Group	
	2023 **RM'000**	**2022** **RM'000**
Stage 1		
As at 1 January	**93**	61
Allowance during the year on new assets purchased	**24**	59
Financial assets derecognised during the year due to maturity of assets	**(11)**	(20)
Reversal during the year due to changes in credit risk	**(10)**	(7)
As at 31 December	**96**	93

12 MORTGAGE ASSETS – CONVENTIONAL

	Group	
	2023 **RM'000**	**2022** **RM'000**
Purchase without recourse (PWOR)	**3,585,481**	4,167,687

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

Maturing within one year	**823,380**	774,049
One to three years	**1,002,630**	1,020,188
Three to five years	**742,978**	836,600
More than five years	**1,030,466**	1,555,004
	3,599,454	4,185,841
Less:		
Allowance for impairment losses	**(13,973)**	(18,154)
	3,585,481	4,167,687

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	**3,584,385**	**10,268**
Stage 2 (Lifetime ECL; non-credit impaired)	**1,708**	**231**
Stage 3 (Lifetime ECL; credit impaired)	**13,361**	**3,474**
As at 31 December	**3,599,454**	**13,973**
Impairment allowance over gross carrying value (%)		**0.39**
2022		
Stage 1 (12-month ECL; non-credit impaired)	4,159,796	10,176
Stage 2 (Lifetime ECL; non-credit impaired)	2,467	414
Stage 3 (Lifetime ECL; credit impaired)	23,578	7,564
As at 31 December	4,185,841	18,154
Impairment allowance over gross carrying value (%)		0.43

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
As at 1 January	**10,176**	**414**	**7,564**	**18,154**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**960**	**(234)**	**(2,392)**	**(1,666)**
– Transfer to ECL non-credit impaired (Stage 2)	**(6)**	**231**	**(39)**	**186**
– Transfer to ECL credit impaired (Stage 3)	**(25)**	**(52)**	**1,723**	**1,646**
Total transfer between stages	**929**	**(55)**	**(708)**	**166**
Financial assets derecognised during the year (other than write-offs)	**(360)**	**(128)**	**(4,339)**	**(4,827)**
Reversal during the year due to changes in credit risk	**(2,977)**	**–**	**(456)**	**(3,433)**
Amount write back	**–**	**–**	**1,413**	**1,413**
As at 31 December	**7,768**	**231**	**3,474**	**11,473**
2022				
As at 1 January	14,528	602	11,690	26,820
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	44	(328)	(2,843)	(3,127)
– Transfer to ECL non-credit impaired (Stage 2)	(7)	401	(98)	296
– Transfer to ECL credit impaired (Stage 3)	(45)	(28)	3,249	3,176
Total transfer between stages	(8)	45	308	345
Financial assets derecognised during the year (other than write-offs)	(552)	(236)	(3,868)	(4,656)
(Reversal)/allowance during the year due to changes in credit risk	(3,792)	3	(106)	(3,895)
Amount written-off	–	–	(460)	(460)
As at 31 December	10,176	414	7,564	18,154

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13 MORTGAGE ASSETS – ISLAMIC

	Group	
	2023 RM'000	**2022 RM'000**
PWOR	**4,387,006**	4,884,396

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

	2023 RM'000	**2022 RM'000**
Maturing within one year	**709,577**	733,593
One to three years	**971,643**	989,036
Three to five years	**843,882**	894,230
More than five years	**1,876,197**	2,287,235
	4,401,299	4,904,094
Less:		
Allowance for impairment losses	**(14,293)**	(19,698)
	4,387,006	4,884,396

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2023		
Stage 1 (12-month ECL; non-credit impaired)	**4,382,464**	**9,808**
Stage 2 (Lifetime ECL; non-credit impaired)	**2,625**	**270**
Stage 3 (Lifetime ECL; credit impaired)	**16,210**	**4,215**
As at 31 December	**4,401,299**	**14,293**
Impairment allowance over gross carrying value (%)		**0.32**
2022		
Stage 1 (12-month ECL; non-credit impaired)	4,880,385	12,383
Stage 2 (Lifetime ECL; non-credit impaired)	1,619	229
Stage 3 (Lifetime ECL; credit impaired)	22,090	7,086
As at 31 December	4,904,094	19,698
Impairment allowance over gross carrying value (%)		0.40

13 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
As at 1 January	**12,383**	**229**	**7,086**	**19,698**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**1,053**	**(129)**	**(1,808)**	**(884)**
– Transfer to ECL non-credit impaired (Stage 2)	**(7)**	**259**	**(113)**	**139**
– Transfer to ECL credit impaired (Stage 3)	**(27)**	**(64)**	**2,040**	**1,949**
Total transfer between stages	**1,019**	**66**	**119**	**1,204**
Financial assets derecognised during the year (other than write-offs)	**(373)**	**(20)**	**(3,624)**	**(4,017)**
Reversal during the year due to changes in credit risk	**(3,221)**	**(5)**	**(560)**	**(3,786)**
Amount write back	**–**	**–**	**1,194**	**1,194**
As at 31 December	**9,808**	**270**	**4,215**	**14,293**
2022				
As at 1 January	16,942	411	9,195	26,548
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	45	(299)	(2,729)	(2,983)
– Transfer to ECL non-credit impaired (Stage 2)	(4)	207	(140)	63
– Transfer to ECL credit impaired (Stage 3)	(43)	(8)	2,754	2,703
Total transfer between stages	(2)	(100)	(115)	(217)
Financial assets derecognised during the year (other than write-offs)	(609)	(74)	9	(674)
Reversal during the year due to changes in credit risk	(3,948)	(8)	(54)	(4,010)
Amount written-off	–	–	(1,949)	(1,949)
As at 31 December	12,383	229	7,086	19,698

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14 HIRE PURCHASE ASSETS – ISLAMIC

	Group	
	2023 RM'000	**2022 RM'000**
PWOR	**55**	50

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

Maturing within one year	**61**	62
Less:		
Allowance for impairment losses	**(6)**	(12)
	55	50

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

	Gross carrying value RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	**36**	**–**
Stage 3 (Lifetime ECL; credit impaired)	**25**	**6**
As at 31 December	**61**	**6**
Impairment allowance over gross carrying value (%)		**9.84**
2022		
Stage 1 (12-month ECL; non-credit impaired)	26	–
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	62	12
Impairment allowance over gross carrying value (%)		19.35

14 HIRE PURCHASE ASSETS – ISLAMIC (CONTINUED)

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

	Group	
	Stage 3 RM'000	**Total RM'000**
2023		
As at 31 December	**6**	**6**
2022		
As at 31 December	12	12

15 OTHER ASSETS

	Group	
	2023 RM'000	**2022 RM'000**
Compensation receivable from originator on mortgage assets	**33**	353
Deposits	**923**	923
Collateral receivable	**13,716**	25,495
Staff loans and financings	**2,311**	2,546
Prepayments	**2,884**	2,374
Other receivables	**34**	986
	19,901	32,677

16 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Deferred tax assets (before offsetting)	**82,786**	90,300	**–**	–
Deferred tax liabilities (before offsetting)	**(666,760)**	(689,025)	**(2)**	–
Deferred tax liabilities	**(583,974)**	(598,725)	**(2)**	–
The movements of deferred tax are as follows:				
As at 1 January	**(598,725)**	(578,829)	**–**	(2)
Recognised to income statement (Note 38)	**34,145**	(39,744)	**(2)**	2
Recognised to OCI	**(19,394)**	19,848	**–**	–
As at 31 December	**(583,974)**	(598,725)	**(2)**	–

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

	Group			
	As at 1 January RM'000	**Recognised to income statement RM'000**	**Recognised to OCI RM'000**	**As at 31 December RM'000**
2023				
Deferred tax assets				
Revaluation of derivative financial instruments under cash flow hedge accounting	**6,328**	**–**	**(6,181)**	**147**
Provisions	**1,692**	**(343)**	**–**	**1,349**
Revaluation reserves of financial assets at FVOCI	**15,413**	**4**	**(14,623)**	**794**
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	**13**	**(13)**	**–**	**–**
– ECL	**18,585**	**4,048**	**–**	**22,633**
– lease liability	**2,732**	**(498)**	**–**	**2,234**
– guarantee/Wakalah fees	**45,537**	**10,092**	**–**	**55,629**
	90,300	**13,290**	**(20,804)**	**82,786**

16 DEFERRED TAXATION (CONTINUED)

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

	Group			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to OCI RM'000	As at 31 December RM'000
2023				
Deferred tax liabilities				
Revaluation of derivative financial instruments under cash flow hedge accounting	**(6,032)**	**(4)**	**2,004**	**(4,032)**
Revaluation reserves of financial assets at FVOCI	**–**	**–**	**(594)**	**(594)**
Temporary difference relating to plant and equipment	**(3,030)**	**(138)**	**–**	**(3,168)**
Unaccreted discount on mortgage assets	**(677,384)**	**21,101**	**–**	**(656,283)**
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	**(327)**	**(634)**	**–**	**(961)**
– right-of-use asset	**(2,252)**	**530**	**–**	**(1,722)**
	(689,025)	**20,855**	**1,410**	**(666,760)**
2022				
Deferred tax assets				
Revaluation of derivative financial instruments under cash flow hedge accounting	2,155	–	4,173	6,328
Provisions	1,715	(23)	–	1,692
Revaluation reserves of financial assets at FVOCI	347	–	15,066	15,413
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(14)	27	–	13
– ECL	18,383	202	–	18,585
– lease liability	3,297	(565)	–	2,732
– guarantee/Wakalah fees	32,394	13,143	–	45,537
	58,277	12,784	19,239	90,300
Deferred tax liabilities				
Revaluation of derivative financial instruments under cash flow hedge accounting	(4,004)	–	(2,028)	(6,032)
Revaluation reserves of financial assets at FVOCI	(2,637)	–	2,637	–
Temporary difference relating to plant and equipment	(3,321)	291	–	(3,030)
Unaccreted discount on mortgage assets	(623,854)	(53,530)	–	(677,384)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(508)	181	–	(327)
– right-of-use asset	(2,782)	530	–	(2,252)
	(637,106)	(52,528)	609	(689,025)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16 DEFERRED TAXATION (CONTINUED)

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

	Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to OCI RM'000	As at 31 December RM'000
2023				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	**–**	**(2)**	**–**	**(2)**
2022				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(2)	2	–	–

17 INVESTMENT IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares at cost	**4,281,628**	4,281,628

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

Name	Principal activities	Country of incorporation	Direct and indirect interest in equity held by the Company 2023 %	2022 %
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.	Malaysia	**100**	100
CGP*	Undertake the issuance of bonds and notes in foreign currency. CGP is a wholly owned subsidiary of Cagamas.	Labuan	**100**	100
CGS*	Undertake the issuance of Sukuk in foreign currency. CGS is a wholly owned subsidiary of Cagamas.	Malaysia	**100**	100
CMBS	Purchases of mortgage assets and Islamic mortgage assets from LPPSA and issuance of RMBS and IRMBS to finance the purchases.	Malaysia	**100**	100
CSRP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to SRP and SPB.	Malaysia	**100**	100
CMGP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. The Company has remained dormant since 1 January 2014.	Malaysia	**100**	100
CSME	Purchase of Small and Medium Enterprise (SME) loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase. The Company has remained dormant since 10 October 2012.	Malaysia	**100**	100

* indirect interest via investment in Cagamas

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18 INVESTMENT IN STRUCTURED ENTITY

	Company	
	2023 RM'000	**2022 RM'000**
Unquoted shares at cost	**–***	–*

* denotes RM2

The structured entity of the Company is as follows:

Name	Principal activities	Direct and indirect interest in equity held by the Company	
		2023 %	**2022 %**
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Shariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Shariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM. The Company has remained dormant since 1 September 2015.	**100**	100

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

19 PROPERTY AND EQUIPMENT

Group	Office equipments RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
2023				
Cost				
As at 1 January	**10,827**	**4,729**	**703**	**16,259**
Additions	**800**	**13**	**402**	**1,215**
Disposals	**(984)**	**(15)**	**(326)**	**(1,325)**
As at 31 December	**10,643**	**4,727**	**779**	**16,149**
Accumulated depreciation				
As at 1 January	**(9,652)**	**(4,553)**	**(595)**	**(14,800)**
Charge for the financial year	**(586)**	**(29)**	**(97)**	**(712)**
Disposals	**983**	**12**	**315**	**1,310**
As at 31 December	**(9,255)**	**(4,570)**	**(377)**	**(14,202)**
Net book value				
As at 31 December	**1,388**	**157**	**402**	**1,947**
2022				
Cost				
As at 1 January	10,516	4,709	703	15,928
Additions	521	107	–	628
Disposals	(210)	(87)	–	(297)
As at 31 December	10,827	4,729	703	16,259
Accumulated depreciation				
As at 1 January	(8,488)	(4,613)	(489)	(13,590)
Charge for the financial year	(1,374)	(27)	(106)	(1,507)
Disposals	210	87	–	297
As at 31 December	(9,652)	(4,553)	(595)	(14,800)
Net book value				
As at 31 December	1,175	176	108	1,459

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

20 INTANGIBLE ASSETS

Group	Service rights RM'000	Computer softwares RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
2023					
Cost					
As at 1 January	**7,690**	**16,507**	**27,980**	**3,881**	**56,058**
Additions	**–**	**2,285**	**–**	**86**	**2,371**
As at 31 December	**7,690**	**18,792**	**27,980**	**3,967**	**58,429**
Accumulated amortisation					
As at 1 January	**(6,165)**	**(13,511)**	**(17,796)**	**–**	**(37,472)**
Charge for the financial year	**(381)**	**(1,061)**	**(2,711)**	**–**	**(4,153)**
As at 31 December	**(6,546)**	**(14,572)**	**(20,507)**	**–**	**(41,625)**
Net book value					
As at 31 December	**1,144**	**4,220**	**7,473**	**3,954**	**16,804**
2022					
Cost					
As at 1 January	7,690	16,136	27,980	126	51,932
Additions	–	371	–	3,825	4,196
Write-offs	–	–	–	(70)	(70)
As at 31 December	7,690	16,507	27,980	3,881	56,058
Accumulated amortisation					
As at 1 January	(5,784)	(12,881)	(14,910)	–	(33,575)
Charge for the financial year	(381)	(630)	(2,886)	–	(3,897)
As at 31 December	(6,165)	(13,511)	(17,796)	–	(37,472)
Net book value					
As at 31 December	1,525	2,996	10,184	3,881	18,586

Service rights are amortised on a straight-line basis over the tenure of RMBS/IRMBS pools. The remaining amortisation period of the intangible assets ranges from 2 to 4 years (2022: 3 to 5 years).

21 RIGHT-OF-USE ASSET

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

	Group	
	2023 **RM'000**	**2022** **RM'000**
Cost		
As at 1 January	**15,461**	15,461
As at 31 December	**15,461**	15,461
Accumulated amortisation		
As at 1 January	**(6,077)**	(3,869)
Charge for the year (Note 37)	**(2,208)**	(2,208)
As at 31 December	**(8,285)**	(6,077)
Net book value		
As at 31 December	**7,176**	9,384

22 OTHER LIABILITIES

	Group	
	2023 **RM'000**	**2022** **RM'000**
Amount due to GOM*	**127,023**	172,694
Provision for zakat	**3,104**	3,275
Expected credit loss on guarantee exposures	**17,753**	8,560
Expected credit loss on Wakalah exposures	**38,505**	18,651
Other payables and accruals	**20,973**	25,996
	207,358	229,176

* Amount due to GOM refers to fund provided by the Government for Mortgage Guarantee Programme (MGP) under CSRP.

22 OTHER LIABILITIES (CONTINUED)

22.1 Expected credit loss on guarantee exposures

The gross unexpired financial guarantee exposures by stage of allocation are as follows:

	Unexpired financial guarantee exposures RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	**214,918**	**1,453**
Stage 2 (Lifetime ECL; non-credit impaired)	**13,754**	**8,539**
Stage 3 (Lifetime ECL; credit impaired)	**7,761**	**7,761**
At 31 December	**236,433**	**17,753**
Impairment allowance over unexpired financial guarantee exposures (%)		**7.51**
2022		
Stage 1 (12-month ECL; non-credit impaired)	173,234	888
Stage 2 (Lifetime ECL; non-credit impaired)	7,541	4,602
Stage 3 (Lifetime ECL; credit impaired)	3,070	3,070
As at 31 December	183,845	8,560
Impairment allowance over unexpired financial guarantee exposures (%)		4.66

22 OTHER LIABILITIES (CONTINUED)

22.1 Expected credit loss on guarantee exposures (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
As at 1 January	**888**	**4,602**	**3,070**	**8,560**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**81**	**(1,578)**	**(495)**	**(1,992)**
– Transfer to ECL not credit impaired (Stage 2)	**(123)**	**4,309**	**(314)**	**3,872**
– Transfer to ECL credit impaired (Stage 3)	**(57)**	**(1,022)**	**4,173**	**3,094**
Total transfer between stages	**(99)**	**1,709**	**3,364**	**4,974**
Allowance during the year on new guarantee exposures	**505**	**2,147**	**2,214**	**4,866**
Guarantee amount derecognised during the year	**(23)**	**(110)**	**(889)**	**(1,022)**
Reversal during the year due to changes in credit risk	**182**	**191**	**2**	**375**
As at 31 December	**1,453**	**8,539**	**7,761**	**17,753**
2022				
As at 1 January	931	2,361	840	4,132
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	42	(1,176)	(130)	(1,264)
– Transfer to ECL not credit impaired (Stage 2)	(148)	3,017	(97)	2,772
– Transfer to ECL credit impaired (Stage 3)	(23)	(648)	2,013	1,342
Total transfer between stages	(129)	1,193	1,786	2,850
Allowance during the year on new guarantee exposures	292	1,217	651	2,160
Guarantee amount derecognised during the year	(18)	(49)	(207)	(274)
Reversal during the year due to changes in credit risk	(188)	(120)	–	(308)
As at 31 December	888	4,602	3,070	8,560

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22 OTHER LIABILITIES (CONTINUED)

22.2 Expected credit loss on Wakalah exposures

The unexpired financial Wakalah exposures by stage of allocation are as follows:

	Unexpired financial Wakalah exposure RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	**1,176,318**	**6,046**
Stage 2 (Lifetime ECL; non-credit impaired)	**34,767**	**20,618**
Stage 3 (Lifetime ECL; credit impaired)	**11,841**	**11,841**
As at 31 December	**1,222,926**	**38,505**
Impairment allowance over unexpired financial Wakalah exposures (%)		**3.15**
2022		
Stage 1 (12-month ECL; non-credit impaired)	926,313	3,822
Stage 2 (Lifetime ECL; non-credit impaired)	16,953	9,928
Stage 3 (Lifetime ECL; credit impaired)	4,901	4,901
As at 31 December	948,167	18,651
Impairment allowance over unexpired financial Wakalah exposures (%)		1.97

22 OTHER LIABILITIES (CONTINUED)

22.2 Expected credit loss on Wakalah exposures (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
As at 1 January	**3,822**	**9,928**	**4,901**	**18,651**
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	**243**	**(4,347)**	**(1,127)**	**(5,231)**
– Transfer to ECL not credit impaired (Stage 2)	**(520)**	**13,569**	**(781)**	**12,268**
– Transfer to ECL credit impaired (Stage 3)	**(109)**	**(1,731)**	**7,711**	**5,871**
Total transfer between stages	**(386)**	**7,491**	**5,803**	**12,908**
Allowance during the year on new Wakalah exposures	**1,655**	**3,591**	**2,135**	**7,381**
Wakalah amount derecognised during the year	**(53)**	**(401)**	**(1,012)**	**(1,466)**
Reversal during the year due to changes in credit risk	**1,008**	**9**	**14**	**1,031**
As at 31 December	**6,046**	**20,618**	**11,841**	**38,505**
2022				
As at 1 January	3,713	3,876	975	8,564
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	51	(1,663)	(225)	(1,837)
– Transfer to ECL not credit impaired (Stage 2)	(313)	6,896	(79)	6,504
– Transfer to ECL credit impaired (Stage 3)	(69)	(1,030)	3,727	2,628
Total transfer between stages	(331)	4,203	3,423	7,295
Allowance during the year on new Wakalah exposures	1,397	2,185	825	4,407
Wakalah amount derecognised during the year	(71)	(42)	(319)	(432)
Reversal during the year due to changes in credit risk	(886)	(294)	(3)	(1,183)
As at 31 December	3,822	9,928	4,901	18,651

23 LEASE LIABILITY

	Group	
	2023 **RM'000**	**2022** **RM'000**
As at 1 January	**11,384**	13,738
Lease obligation interest expense (Note 37)	**316**	379
Lease obligation repayment	**(2,392)**	(2,733)
As at 31 December	**9,308**	11,384
The maturity structure of lease liability are as follows:		
Due within 1 year	**2,436**	2,076
Due in 2 to 5 years	**6,872**	9,308
Total present value of minimum lease payments	**9,308**	11,384

24 UNSECURED BEARER BONDS AND NOTES

	Group					
	Year of maturity	**Amount outstanding RM'000**	**2023 Effective interest rate %**	**Year of maturity**	**Amount outstanding RM'000**	**2022 Effective interest rate %**
(a) Floating rate note						
	2023	**–**	**–**	2023	880,000	–
Add:						
Interest payable		**–**			5,985	
		–			885,985	
(b) Commercial papers						
	2024	**1,005,000**	**3.660-3.830**	2024	–	–
Add:						
Interest payable		**2,783**			–	
		1,007,783			–	
(c) Conventional medium-term notes						
	2023	**–**	**–**	2023	6,617,476	1.250-6.050
	2024	**9,005,013**	**1.990-5.520**	2024	3,878,259	1.990-5.520
	2025	**4,374,387**	**3.620-4.850**	2025	1,860,000	3.850-4.850
	2026	**3,137,895**	**3.570-3.940**	2026	10,000	4.410
	2027	**5,725,000**	**3.780-4.900**	2027	5,725,000	3.780-4.900
	2028	**890,000**	**3.970-4.280**	2028	890,000	4.750-6.500
	2029	**245,000**	**5.500-5.750**	2029	245,000	5.500-5.750
	2033	**200,000**	**4.200**	2033	–	–
	2035	**160,000**	**5.070**	2035	160,000	5.070
		23,737,295			19,385,735	
Add:						
Interest payable		**211,286**			145,088	
Less:						
Deferred financing fees		**(1,456)**			(2,136)	
		23,947,125			19,528,687	
Total		**24,954,908**			20,414,672	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group	
	2023 **RM'000**	**2022** **RM'000**
Maturing within one year	**10,223,248**	7,646,413
One to three years	**7,512,067**	5,738,259
Three to five years	**6,614,593**	5,735,000
More than five years	**605,000**	1,295,000
	24,954,908	20,414,672

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

(a) Floating rate notes (FRNs)

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

(b) Commercial Papers (CPs)

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

(c) Fixed Rate Conventional Medium-term notes (CMTNs)

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

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency, EMTN. Under the USD2.5 billion EMTN Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.

The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2023 **RM'000**	**2022** **RM'000**
HKD	**489,906**	–
USD*	**–**	440,873
SGD	**4,983,658**	2,694,205
	5,473,564	3,135,078

* The USD denominated unsecured bearer bonds and notes amounting to Nil (2022: RM440.9 million) are listed in Singapore Exchange.

25 SUKUK

	Group					
	Year of maturity	Amount outstanding RM'000	2023 Effective profit rate %	Year of maturity	Amount outstanding RM'000	2022 Effective profit rate %
(a) Islamic commercial papers						
	2024	**640,000**	**3.610-3.750**	2024	–	–
Add:						
Profit payable		**1,797**			–	
		641,797			–	
(b) Islamic medium-term notes						
	2023	**–**	**–**	2023	6,370,000	2.230-6.350
	2024	**6,745,000**	**2.670-5.520**	2024	5,070,000	2.670-5.520
	2025	**5,290,000**	**3.100-4.650**	2025	4,300,000	3.100-4.650
	2026	**3,670,000**	**3.150-4.920**	2026	370,000	3.150-4.920
	2027	**1,955,000**	**4.140-4.620**	2027	1,955,000	4.140-4.620
	2028	**3,665,000**	**3.970-4.260**	2028	1,080,000	4.750-6.500
	2029	**180,000**	**5.500-5.750**	2029	180,000	5.500-5.750
	2030	**465,000**	**4.230**	2030	–	–
	2033	**500,000**	**4.310**	2033	675,000	5.000
		22,470,000			20,000,000	
Add:						
Profit payable		**166,342**			137,888	
Less:						
Unamortised discount		**–**			(2,828)	
		22,636,342			20,135,060	
Total		**23,278,139**			20,135,060	

25 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	Group	
	2023 **RM'000**	**2022** **RM'000**
Within one year	**7,553,139**	6,505,060
One to three years	**8,960,000**	9,370,000
Three to five years	**5,620,000**	2,325,000
More than five years	**1,145,000**	1,935,000
	23,278,139	20,135,060

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

(a) Islamic Commercial Papers (ICPs)

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

(b) Fixed Profit Rate Islamic Medium-Term Notes (IMTNs)

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

(c) Variable Profit Rate Notes (VRNs)

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

(d) Multicurrency Sukuk

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

26 RMBS

	Group					
			2023			**2022**
	Year of maturity	**Amount outstanding RM'000**	**Effective interest rate %**	**Year of maturity**	**Amount outstanding RM'000**	**Effective interest rate %**
RMBS	2025	**265,000**	**5.92**	2025	265,000	5.92
	2027	**105,000**	**5.08**	2027	105,000	5.08
		370,000			370,000	
Add:						
Interest payable		**1,444**			1,444	
		371,444			371,444	

The maturity structure of the RMBS are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Maturing within one year	**1,444**	1,444
One to three years	**265,000**	–
Three years to five years	**105,000**	370,000
	371,444	371,444

The RMBS have the following features:

(a) The subsidiary, CMBS has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.

(b) The RMBS's interest is payable quarterly in arrears.

(c) The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.

(d) The RMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

27 IRMBS

	Group					
	Year of maturity	Amount outstanding RM'000	2023 Effective profit rate %	Year of maturity	Amount outstanding RM'000	2022 Effective profit rate %
IRMBS	2027	**290,000**	**4.34**	2027	290,000	4.34
		290,000			290,000	
Add:						
Profit attributable		**1,138**			1,138	
		291,138			291,138	

The maturity structure of the IRMBS are as follows:

	Group	
	2023 RM'000	2022 RM'000
Maturing within one year	**1,138**	1,138
More than five years	**290,000**	290,000
	291,138	291,138

The IRMBS have the following features:

(a) The subsidiary, CMBS has an option to redeem the IRMBS partially subject to the terms and conditions of each transaction.

(b) The IRMBS's profit is distributable quarterly in arrears.

(c) The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.

(d) The IRMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying Islamic mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the Islamic mortgage assets.

28 SHARE CAPITAL

	Group and Company			
	2023		2022	
	Amount RM'000	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**
Ordinary shares issued:				
As at 1 January/31 December	**150,000**	**150,000**	150,000	150,000

	Group	
	2023 RM'000	**2022 RM'000**
Redeemable preference shares:		
As at 1 January/31 December	**–***	–*
Issued during the year	**–**	–
Redeemed during the year **	**(–)**	–
As at 31 December	**–**	–*

* denotes RPS of RM1

** denotes the RPS of RM1 which was fully redeemed and cancelled on 21 March 2023

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.

(b) *Cash flow hedge reserves*

This amount represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows, net of taxation.

(c) *Regulatory reserves*

The Group has adopted the BNM Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group maintain, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM7,131,884,000 of the Group and RM4,284,056,000 of the Company respectively (2022: RM6,768,920,000 of the Group and RM4,284,024,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share are calculated by dividing the profit for the financial year of RM330,110,000 of the Group and RM30,032,000 of the Company respectively (2022: RM335,378,000 of the Group and RM29,998,000 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		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Amount due from counterparties	**716,851**	520,750	**–**	–
Mortgage assets	**156,706**	185,272	**–**	–
Compensation from mortgage assets	**(296)**	5	**–**	–
Financial assets at amortised cost	**66,095**	35,084	**–**	–
Reverse mortgage assets	**76**	5	**–**	–
Financial assets at FVOCI	**142,447**	138,152	**–**	–
Deposits and placements with financial institutions	**28,994**	16,188	**86**	57
	1,110,873	895,456	**86**	57
Accretion of discount less amortisation of premium (net)	**80,705**	110,500	**–**	–
	1,191,578	1,005,956	**86**	57

32 INTEREST EXPENSE

	Group	
	2023 RM'000	**2022 RM'000**
Floating rate notes	**14,342**	18,716
Medium-term notes	**888,466**	603,111
Commercial paper	**24,458**	10,312
RMBS	**21,022**	28,842
Short-term borrowings	**16,818**	13,967
Lease liability (Note 23)	**316**	379
Deferred financing and guarantee fees	**1,454**	–
	966,876	675,327

33 NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Net gain/(loss) arising from derivatives	**28,133**	(26,455)	**–**	–
Income from financial assets at FVTPL	**–**	1	**–**	–
Gain on disposal of:				
– Financial assets at FVOCI	**8,820**	2,286	**–**	–
– Property and equipment	**136**	–	**–**	–
Guarantee fee income	**6,136**	5,242	**–**	–
Net amount reclassified into profit or loss – cash flow hedge (Note 9)	**(270,319)**	(142,051)	**–**	–
Net gain on foreign exchange	**268,428**	141,518	**–**	–
Dividend income	**–**	–	**30,000**	30,000
Guarantee expense	**(109)**	(68)	**–**	–
Income from repo collateral	**165**	8,707	**–**	–
Other non-operating income	**963**	1,023	**–**	–
	42,353	(9,797)	**30,000**	30,000

34 PERSONNEL COSTS

	Group	
	2023 RM'000	**2022 RM'000**
Salary and allowances	**17,254**	16,874
Bonus	**6,435**	7,256
Overtime	**77**	69
EPF and SOCSO	**4,005**	4,094
Insurance	**930**	660
Others	**2,059**	(705)
	30,760	28,248

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

35 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2023 RM'000	**2022 RM'000**
Reversal/(allowance) for impairment losses:		
– Cash and cash equivalents	**1**	10
– Financial assets at FVOCI	**(39)**	(39)
– Financial assets at amortised cost	**(633)**	(1,980)
– Amount due from counterparties	**(9)**	3
– Islamic financing assets	**(3)**	(32)
– Mortgage assets – Conventional	**4,181**	8,666
– Mortgage assets – Islamic	**5,405**	6,850
– Hire purchase assets – Islamic	**6**	–
– Guarantee exposures	**(9,193)**	(4,428)
– Wakalah exposures	**(19,854)**	(10,087)
Credit impaired:		
– Mortgage assets recovered/(written-off)	**2,060**	(312)
– Islamic mortgage assets recovered/(written-off)	**1,480**	(1,941)
	(16,598)	(3,290)

36 DIRECTORS' REMUNERATION

The Directors of the Company who have held office during the financial year are as follows:

Non-Executive Directors

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

36 DIRECTORS' REMUNERATION (CONTINUED)

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

Dato' Wee Yiaw Hin	
Ho Chai Huey	
Tan Sri Tajuddin Atan	
Dato' Albert Yeoh Beow Tit	
Mohamad Ali Iqbal Abdul Khalid	
Abdul Rahman Hussein	
Sophia Ch'ng Sok Heang	
Abdul Hakim Amir Zainol	
Kameel Abdul Halim	(Appointed w.e.f. 11.09.2023)
Tan Yong Nien	(Appointed w.e.f. 30.08.2023 and resigned w.e.f. 12.09.2023)
Datuk Chung Chee Leong	(Resigned w.e.f. 31.08.2023)

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

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Directors' fees	**1,215**	1,198	**590**	590
Directors' other emoluments	**2,456**	2,320	**192**	195
	3,671	3,518	**782**	785

The amount paid to or receivable by any third party for services provided by the Director of the Company and its subsidiaries for the year is RM80,500.

During the financial year, the Directors and Officers of the Group and Company are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and Company subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM30.0 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance of RM185,510 (2022: RM185,510) was borne by Cagamas.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

37 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors' remuneration (Note 36)	**3,671**	3,518	**–***	–*
Amortisation of right-of-use asset (Note 21)	**2,208**	2,208	**–**	–
Interest lease liability (Note 23)	**316**	379	**–**	–
Short-term and low value assets expensed off	**923**	656	**–**	–
Auditors' remuneration:				
– Audit fees	**491**	431	**–***	–*
– Non-audit fees	**56**	40	**–***	–*
Depreciation of property and equipment	**712**	1,507	**–**	–
Amortisation of intangible assets	**4,153**	3,897	**–**	–
Servicers fees	**1,810**	129	**–**	–
Repairs and maintenance	**5,626**	5,332	**–**	–
Donations and sponsorship	**144**	696	**–**	–
Corporate expenses	**904**	557	**–**	–
Travelling expenses	**430**	236	**–**	–
Gain on disposal of property and equipment	**(136)**	–	**–**	–

* Directors' remuneration of RM782,000 (2022: RM785,000) and auditors' remuneration of RM42,000 (2022: RM39,622) which include audit fee of RM33,000 and non-audit fee of RM9,000 respectively (2022: audit fees RM33,600 and non-audit fees of RM6,022 respectively) for the Company in the financial year were borne by Cagamas.

38 TAXATION

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Tax charge for the financial year				
Malaysian income tax:				
– Current tax	**148,745**	67,854	**11**	14
– Deferred taxation (Note 16)	**(34,145)**	39,744	**2**	(2)
	114,600	107,598	**13**	12
Current tax:				
– Current year	**85,103**	69,192	**11**	14
– Under/(Over) provision in prior years	**63,642**	(1,338)	**–**	–
Deferred taxation (Note 16)	**(34,145)**	39,744	**2**	(2)
	114,600	107,598	**13**	12

38 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

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

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Profit before taxation and zakat	**447,814**	446,251	**30,045**	30,010
Tax calculated at Malaysian tax rate of 24% (2022: 24%)	**107,475**	107,099	**7,211**	7,202
Expenses not deductible for tax purposes	**250**	335	**–**	11
Income not subject to tax	**(2)**	–	**(7,200)**	(7,200)
Under/(Over) provision in prior year	**63,642**	(1,338)	**–**	–
Deduction arising from zakat contribution	**(1,186)**	(777)	**–**	–
Reversal of temporary differences recognised in prior years	**4,373**	(114)	**1**	(1)
Loss not subject to tax	**672**	104	**–**	–
Temporary difference not recognised in prior year	**(60,624)**	917	**–**	–
Tax impact of Cukai Makmur	**–**	1,372	**–**	–
	114,600	107,598	**12**	12

39 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	2023		2022	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
On ordinary shares:				
First dividend	**15.00**	**22,500**	15.00	22,500
Second dividend	**5.00**	**7,500**	5.00	7,500
	20.00	**30,000**	20.00	30,000

	Group	
	2023 Total Amount RM'000	2022 Total Amount RM'000
On RPS:		
Final dividend	**379**	–

The Directors recommend the payment of a first dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2023, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2024.

The dividend on RPS for the financial year ended 31 December 2023 was approved by the Board of Directors of a subsidiary company, CMBS on 20 January 2023 and paid in the current financial year. This is shown as a reduction in the other reserves of the Group, as reflected in the statement of changes in equity in the current financial year.

The dividend on RPS is determined by CMBS based on guidelines, criteria and performance indicators approved by the Board. This is based on the residual asset value of each specific pool of mortgage assets/Islamic mortgage assets underlying the RMBS/IRMBS, upon full settlement of all obligations and liabilities of CMBS in respect of the respective RMBS/IRMBS pools. The dividend distribution can be in the form of cash and/or in specie.

The Board of Directors of CMBS do not recommend the payment of any further dividend on the RPS or the ordinary shares for the financial year ended 31 December 2023.

40 STATEMENT OF CASH FLOWS

(a) Adjustments for non-cash items

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Amortisation of premium less accretion of discount on:				
– Financial assets at FVOCI	**1,282**	8,777	**–**	–
Accretion of discount on:				
– Mortgage assets – Conventional	**(80,576)**	(118,187)	**–**	–
– Mortgage assets – Islamic	**(68,362)**	(100,355)	**–**	–
(Reversal)/allowance for impairment losses on:				
– Cash and cash equivalents	**(1)**	(10)	**–**	–
– Financial assets at FVOCI	**39**	39	**–**	–
– Financial assets at amortised cost	**633**	1,980	**–**	–
– Amount due from counterparties/Islamic financing assets	**12**	29	**–**	–
– Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets	**(9,592)**	(15,516)	**–**	–
(Recovered)/Written-off mortgage assets and Islamic mortgage assets	**(936)**	13,756	**–**	–
Guarantee/Wakalah exposures	**29,047**	14,515	**–**	–
Interest income	**(1,100,720)**	(891,059)	**(86)**	(57)
Interest income – derivative	**(233,669)**	(88,909)	**–**	–
Income from Islamic operations	**(981,186)**	(722,025)	**–**	–
Interest expense – bonds	**945,854**	646,323	**–**	–
Interest expense – derivative	**208,405**	118,014	**–**	–
Interest expense – RMBS	**21,022**	28,842	**–**	–
Profit attributable to Sukuk holders	**833,569**	628,367	**–**	–
Profit attributable to derivative	**(4,345)**	2,394	**–**	–
Profit attributable to IRMBS holders	**12,586**	17,924	**–**	–
Guarantee/Wakalah fee income	**(34,267)**	(26,783)	**–**	–
Guarantee/Kafalah expense	**419**	173	**–**	–
Depreciation of property and equipment	**712**	1,507	**–**	–
Amortisation of intangible assets	**4,153**	3,897	**–**	–
Amortisation of right-of-use asset	**2,208**	2,208	**–**	–
Gain on disposal of:				
– Property and equipment	**(136)**	–	**–**	–
– Financial assets at FVOCI	**(8,820)**	(2,286)	**–**	–
Property, plant and equipment written-off	**–**	70	**–**	–
	(462,669)	(476,315)	**(86)**	(57)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

40 STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in operating assets and liabilities

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Change in cash and cash equivalents and deposits and placements with financial institutions	**(416,189)**	221,092	**(1,414)**	2,392
Change in amount due from counterparties	**(2,850,236)**	61,190	**–**	–
Change in Islamic financing assets	**(5,878,421)**	(5,179,067)	**–**	–
Change in mortgage assets:				
– Conventional	**654,235**	765,677	**–**	–
– Islamic	**562,785**	626,090	**–**	–
Change in Islamic hire purchase assets	**1**	12	**–**	–
Change in other assets	**12,210**	(25,018)	**–**	–
Change in derivative	**205,552**	85,445	**–**	–
Change in reverse mortgage assets	**(1,519)**	(552)	**–**	–
Change in deferred financing fees	**(1,422)**	(652)	**–**	–
Change in amount due to related company	**(1)**	(7)	**–**	–
Change in short-term borrowings	**(162,334)**	508,638	**–**	–
Change in other liabilities	**(47,618)**	39,636	**(2)**	2
Interest received	**997,314**	791,649	**86**	57
Interest received on derivative	**195,179**	71,519	**–**	–
Guarantee/Wakalah fee income received	**76,317**	81,547	**–**	–
Profit received from Islamic assets	**858,571**	634,324	**–**	–
Profit received on derivative	**25,199**	14,076	**–**	–
Interest paid	**(18,033)**	(12,633)	**–**	–
Interest paid on derivative	**(20,160)**	(17,900)	**–**	–
Profit paid on derivative	**(187,321)**	(103,780)	**–**	–
Guarantee/Kafalah paid	**(419)**	(173)	**–**	–
	(5,996,310)	(1,438,887)	**(1,330)**	2,451

40 STATEMENT OF CASH FLOWS (CONTINUED)

(c) An analysis of changes in liabilities arising from financing activities is as follows:

	Lease liability RM'000	Unsecured bearer bonds and notes RM'000	Sukuk RM'000	RMBS RM'000	IRMBS RM'000	Total RM'000
2023						
As at 1 January	**11,384**	**20,414,672**	**20,135,060**	**371,444**	**291,138**	**41,223,698**
Proceeds from issuance	**–**	**15,223,801**	**12,505,000**	**–**	**–**	**27,728,801**
Repayment and redemption	**(2,391)**	**(11,013,121)**	**(9,395,000)**	**–**	**–**	**(20,410,512)**
Interest/profit paid	**–**	**(865,512)**	**(800,490)**	**(21,022)**	**(12,586)**	**(1,699,610)**
Exchange fluctuation	**–**	**267,771**	**–**	**–**	**–**	**267,771**
Other non-cash movement	**315**	**927,297**	**833,569**	**21,022**	**12,586**	**1,794,789**
As at 31 December	**9,308**	**24,954,908**	**23,278,139**	**371,444**	**291,138**	**48,904,937**
2022						
As at 1 January	13,738	19,956,954	15,082,028	622,744	612,344	36,287,808
Proceeds from issuance	–	12,269,498	10,090,000	–	–	22,359,498
Repayment and redemption	(2,733)	(12,010,150)	(5,075,000)	(250,000)	(320,000)	(17,657,883)
Interest/profit paid	–	(603,234)	(590,335)	(30,142)	(19,130)	(1,242,841)
Exchange fluctuation	–	170,279	–	–	–	170,279
Other non-cash movement	379	631,325	628,367	28,842	17,924	1,306,837
As at 31 December	11,384	20,414,672	20,135,060	371,444	291,138	41,223,698

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

41 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	**Relationships**
Cagamas	Subsidiary
CGP	Subsidiary of Cagamas
CGS	Subsidiary of Cagamas
CMBS	Subsidiary
CSRP	Subsidiary and trustee to LPPSA
CMGP	Subsidiary
CSME	Subsidiary
Bank Negara Malaysia (BNM)	Other related party
BNM Sukuk	Structured entity
Government of Malaysia (GOM)	Other related party
LPPSA	Originator/servicer and entity related to GOM
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence over the Group and the Company.

As BNM has significant influence over the Group and the Company, the GOM and an entity controlled, jointly controlled or has significant influence by the GOM are related parties of the Group and the Company.

The Group enters into transactions with many of these entities to purchase mortgage loans, personal loans and hire purchase and leasing debts and to issue bonds and notes to finance the purchase as part of its normal operations. The Group also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing funded by issuance of Sukuk.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Group, certain members of senior management and their close family members.

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

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

(b) Significant related party transactions and balances

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured bearer bonds and Sukuk are transacted with the shareholders of the Group. These transactions have been disclosed on the statement of financial position and income statements of the Group.

The RPS issued by the CMBS for the purpose of distribution of discretionary bonus fee for pool 2005-1 has been fully redeemed and cancelled on 21 March 2023. CSRP ceased to be a trustee of LPPSA when the Deed of Release of the Tripartite Trust Deed was signed on the same day.

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

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Other related party				
Expenses:				
Directors' fee and allowances	**1,014**	929	**–**	–
Servicer fees	**1,810**	2,057	**–**	–
Amount due to:				
Directors' fee and allowances	**–**	(11)	**–**	–
Servicer fees	**(421)**	(465)	**–**	–
Subsidiary				
Expenses:				
Management fee	**–**	–	**40**	46
Amount due to:				
Management fee	**–**	–	**(10)**	(13)

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 RM8,503,799 (2022: RM7,563,862).

The total remuneration paid to the Directors is disclosed in Note 36 to the financial statements.

42 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	Group	
	2023	**2022**
	RM'000	**RM'000**
Capital expenditure:		
Authorised and contracted for	**3,943**	6,108
Authorised but not contracted for	**3,651**	3,547
	7,594	9,655
Analysed as follows:		
Equipment and others	**659**	1,053
Computer hardware and software	**6,935**	8,602
	7,594	9,655

(b) Contingencies

As at the end of the financial year, the Group's financial guarantee and Wakalah exposures amounted to RM1,459,358,521 (2022: RM1,132,011,610).

Contingent liabilities may arise from possible claims against the Group from defaults in the repayment of principal and interest of some of the loans covered under the guarantee and Wakalah contracts. The contingent liabilities estimated arising from the guarantee and Wakalah are RM7,761,473 (2022: RM3,070,019) and RM11,841,525 (2022: RM4,901,750) respectively.

43 FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2023 **RM'000**	**2022** **RM'000**
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	**263,763**	374,685
Deposits and placements with financial institutions	**782,233**	366,205
Corporate bonds and Sukuk	**2,286,680**	1,817,754
Amount due from counterparties	**19,987,790**	17,097,746
Islamic financing assets	**21,426,861**	15,482,284
Mortgage assets		
– Conventional	**3,585,481**	4,167,687
– Islamic	**4,387,006**	4,884,396
Hire purchase assets		
– Islamic	**55**	50
Other financial assets	**17,627**	30,922
	52,737,496	44,221,729
Financial assets at FVOCI:		
Debt instruments	**4,783,844**	5,452,903
Financial assets at FVTPL:		
Derivative financial instruments	**207,659**	102,583
Reverse mortgage assets	**2,147**	552
	209,806	103,135
Financial liabilities		
Financial liabilities at amortised cost:		
Short-term borrowings	**648,790**	812,339
Unsecured bearer bonds and notes	**24,954,908**	20,414,672
Sukuk	**23,278,139**	20,135,060
RMBS	**371,444**	371,444
IRMBS	**291,138**	291,138
Other financial liabilities	**208,541**	230,096
	49,752,960	42,254,749
Financial liabilities at FVTPL:		
Derivative financial instruments	**15,161**	6,619

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

44 INTEREST/PROFIT RATE RISK

Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/profit rates arise.

For decision-making purposes, the Group manages their exposure to interest/profit rate risk. The Group sets limits on the sensitivity of the Group's forecasted net interest income/profit income at risk to projected changes in interest/profit rates. The Group also undertakes duration analysis before deciding on the size and tenure of the bonds/Sukuk to be issued to ensure that the Group's assets and liabilities are closely matched within the tolerance limit set by the Board of Directors.

The table below summarises the sensitivity of the Group's financial instruments to interest/profit rates movements. The analysis is based on the assumptions that interest/profit will fluctuate by 100 basis points, with all other variables held constant.

	Group			
	+100 basis		-100 basis	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Impact to equity:				
Financial assets at FVOCI	**(176,553)**	(161,350)	**190,996**	172,675
Taxation effects on the above at tax rate of 24%	**42,373**	38,724	**(45,839)**	(41,442)
Effect on shareholders' funds	**(134,180)**	(122,626)	**145,157**	131,233
As percentage of shareholders' funds	**(1.9%)**	(1.8%)	**2.0%**	1.9%
Impact to income statements:				
Net interest/profit income	**9,590**	2,284	**(9,590)**	(2,281)
Taxation effects at the rate of 24%	**(2,302)**	(548)	**2,302**	547
Effect on net interest income	**7,288**	1,736	**(7,288)**	(1,734)
As percentage of profit after tax	**3.2%**	0.8%	**(3.2%)**	(0.8%)

45 CREDIT RISK

45.1 Credit risk concentration

The Group's counterparties are mainly LPPSA, the GOM, financial institutions and individuals in Malaysia. The financial institutions are governed by the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) and Development Financial Institution Act 2002 (DFIA) are subject to periodic review by the BNM. The following tables summarise the Group's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date.

45 CREDIT RISK (CONTINUED)

45.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

	On-statement of financial position												Off-statement of financial position	
Group 2023	**Cash and cash equivalents RM'000**	**Deposits and placements with financial institutions RM'000**	**Reverse Mortgage RM'000**	**Financial assets at FVOCI RM'000**	**Financial assets at amortised cost RM'000**	**Derivative financial instruments RM'000**	**Amount due from counter parties RM'000**	**Islamic financing assets RM'000**	**Mortgage assets-Conventional RM'000**	**Mortgage assets-Islamic RM'000**	**Hire purchase assets-Islamic RM'000**	**Other assets RM'000**	**Financial guarantee RM'000**	**Total RM'000**
Government bodies	-	-	-	1,910,880	-	-	-	-	-	-	-	33	-	1,910,913
Financial institutions:														
– Commercial banks	263,763	782,233	-	481,105	2,286,680	207,659	19,641,205	19,395,481	-	-	-	-	-	43,058,126
– Development	-	-	-	778,009	-	-	-	2,011,411	-	-	-	-	-	2,789,420
Communication, electricity, gas and water	-	-	-	524,985	-	-	-	-	-	-	-	-	-	524,985
Transportation	-	-	-	468,582	-	-	-	-	-	-	-	-	-	468,582
Leasing	-	-	-	60,941	-	-	346,585	19,969	-	-	-	-	-	427,495
Consumers	-	-	2,147	-	-	-	-	-	3,585,481	4,387,006	55	-	1,459,359	9,434,048
Corporate	-	-	-	260,148	-	-	-	-	-	-	-	-	-	260,148
Construction	-	-	-	116,842	-	-	-	-	-	-	-	-	-	116,842
Related company	-	-	-	106,097	-	-	-	-	-	-	-	-	-	106,097
Others	-	-	-	76,255	-	-	-	-	-	-	-	17,019	-	93,274
Total	263,763	782,233	2,147	4,783,844	2,286,680	207,659	19,987,790	21,426,861	3,585,481	4,387,006	55	17,052	1,459,359	59,189,930

45 CREDIT RISK (CONTINUED)

45.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

	On-statement of financial position												Off-statement of financial position	
Group 2022	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Revenue Mortgage RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Financial guarantee RM'000	Total RM'000
Government bodies	–	–	–	1,763,326	–	–	–	–	–	–	–	353	–	1,763,679
Financial institutions:														
– Commercial banks	374,685	366,205	–	752,571	1,817,754	102,583	16,641,501	14,981,115	–	–	–	–	–	35,036,414
– Development	–	–	–	594,321	–	–	–	501,169	–	–	–	–	–	1,095,490
Communication, electricity, gas and water	–	–	–	541,562	–	–	–	–	–	–	–	–	–	541,562
Transportation	–	–	–	696,508	–	–	–	–	–	–	–	–	–	696,508
Leasing	–	–	–	–	–	–	456,245	–	–	–	–	–	–	456,245
Consumers	–	–	552	–	–	–	–	–	4,167,687	4,884,396	50	–	1,132,012	10,184,697
Corporate	–	–	–	804,702	–	–	–	–	–	–	–	–	–	804,702
Construction	–	–	–	203,978	–	–	–	–	–	–	–	–	–	203,978
Related company	–	–	–	60,758	–	–	–	–	–	–	–	–	–	60,758
Others	–	–	–	35,177	–	–	–	–	–	–	–	29,985	–	65,162
Total	374,685	366,205	552	5,452,903	1,817,754	102,583	17,097,746	15,482,284	4,167,687	4,884,396	50	30,338	1,132,012	50,909,195

45 CREDIT RISK (CONTINUED)

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

All mortgage assets and Islamic mortgage assets are categorised as either:

– neither more than 90 days past due nor individually impaired; or
– more than 90 days past due but not individually impaired.

Neither more than 90 days past due nor individually impaired comprise of mortgage assets and Islamic mortgage assets which is not past due and classified under Stage 1 and Stage 2 financial assets.

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

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

Group 2023	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Amount due from counterparties	19,987,815	–	19,987,815	25	19,987,790	–	–
Islamic financing assets	21,426,957	–	21,426,957	96	21,426,861	–	–
Mortgage assets:							
– Conventional	3,586,093	13,361	3,599,454	13,973	3,585,481	13,361	105
– Islamic	4,385,089	16,210	4,401,299	14,293	4,387,006	16,210	88
Hire purchase assets:							
– Islamic	36	25	61	6	55	25	24
	49,385,990	29,596	49,415,586	28,393	49,387,193	29,596	

* These assets have been provided for under collective assessment

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

45 CREDIT RISK (CONTINUED)

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

Group 2022	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Amount due from counterparties	17,097,762	–	17,097,762	16	17,097,746	–	–
Islamic financing assets	15,482,377	–	15,482,377	93	15,482,284	–	–
Mortgage assets:							
– Conventional	4,162,263	23,578	4,185,841	18,154	4,167,687	23,578	77
– Islamic	4,882,004	22,090	4,904,094	19,698	4,884,396	22,090	89
Hire purchase assets:							
– Islamic	26	36	62	12	50	36	33
	41,624,432	45,704	41,670,136	37,973	41,632,163	45,704	

* These assets have been provided for under collective assessment.

Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets neither more than 90 days past due nor individually impaired are as below:

	Group	
	2023 Strong/ Total RM'000	**2022 Strong/ Total RM'000**
Amount due from counterparties	**19,987,815**	17,097,762
Islamic financing assets	**21,426,957**	15,482,377
Mortgage assets:		
– Conventional	**3,586,093**	4,162,263
– Islamic	**4,385,089**	4,882,004
Hire purchase assets:		
– Islamic	**36**	26
	49,385,990	41,624,432

The amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets of the Group have been identified with strong credit risk quality which has a very high likelihood for full recovery.

45 CREDIT RISK (CONTINUED)

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

An aging analysis of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets that are more than 90 days past due but not individually impaired is set out below:

	Group				
	91 to 120 days RM'000	**121 to 150 days RM'000**	**151 to 180 days RM'000**	**Over 180 days RM'000**	**Total RM'000**
2023					
Mortgage assets:					
– Conventional	**1,372**	**595**	**780**	**10,614**	**13,361**
– Islamic	**1,989**	**1,356**	**1,049**	**11,816**	**16,210**
Hire purchase assets:					
– Islamic	**–**	**–**	**–**	**25**	**25**
	3,361	**1,951**	**1,829**	**22,455**	**29,596**
2022					
Mortgage assets:					
– Conventional	1,124	1,462	1,557	19,435	23,578
– Islamic	1,465	1,123	869	18,633	22,090
Hire purchase assets:					
– Islamic	–	–	–	36	36
	2,589	2,585	2,426	38,104	45,704

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial assets, not just the payment, of both principal and interest, overdue on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

The impairment allowance on such loans is calculated on a collective basis, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

45 CREDIT RISK (CONTINUED)

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

The movement in impairment allowance are as follows:

	Group			
	As at 1 January RM'000	Reversal made RM'000	Written-off to principal balance outstanding RM'000	As at 31 December RM'000
2023				
Amount due from counterparties	**16**	**9**	**–**	**25**
Islamic financing assets	**93**	**3**	**–**	**96**
Mortgage assets:				
– Conventional	**18,154**	**(5,594)**	**1,413**	**13,973**
– Islamic	**19,698**	**(6,599)**	**1,194**	**14,293**
Hire purchase assets:				
– Islamic	**12**	**(3)**	**(3)**	**6**
	37,973	**(12,184)**	**2,604**	**28,393**
2022				
Amount due from counterparties	19	(3)	–	16
Islamic financing assets	61	32	–	93
Mortgage assets:				
– Conventional	26,820	(8,206)	(460)	18,154
– Islamic	26,548	(4,901)	(1,949)	19,698
Hire purchase assets:				
– Islamic	12	–	–	12
	53,460	(13,078)	(2,409)	37,973

45 CREDIT RISK (CONTINUED)

45.3 Credit quality

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2023						
Financial assets at FVOCI						
– Stage 1	2,100,819	1,720,716	962,309	–	4,783,844	455
Amount due from counterparties						
– Stage 1	–	6,914,909	13,072,881	–	19,987,790	25
Islamic financing assets						
– Stage 1	–	6,463,673	14,943,219	19,969	21,426,861	96
Mortgage assets						
– Stage 1	–	–	–	3,584,385	3,584,385	10,268
– Stage 2	–	–	–	1,708	1,708	231
– Stage 3	–	–	–	13,361	13,361	3,474
	–	–	–	3,599,454	3,599,454	13,973
Islamic mortgage assets						
– Stage 1	–	–	–	4,382,464	4,382,464	9,808
– Stage 2	–	–	–	2,625	2,625	270
– Stage 3	–	–	–	16,210	16,210	4,215
	–	–	–	4,401,299	4,401,299	14,293

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

45 CREDIT RISK (CONTINUED)

45.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2023						
Islamic hire purchase assets						
– Stage 1	–	–	–	36	36	–
– Stage 3	–	–	–	25	25	6
	–	–	–	61	61	6
Guarantee exposures						
– Stage 1	–	–	–	214,918	214,918	1,453
– Stage 2	–	–	–	13,754	13,754	8,539
– Stage 3	–	–	–	7,761	7,761	7,761
	–	–	–	236,433	236,433	17,753
Wakalah exposures						
– Stage 1	–	–	–	1,176,318	1,176,318	6,046
– Stage 2	–	–	–	34,767	34,767	20,618
– Stage 3	–	–	–	11,841	11,841	11,841
	–	–	–	1,222,926	1,222,926	38,505

45 CREDIT RISK (CONTINUED)

45.3 Credit quality (continued)

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

	Group					
	GOM RM'000	**AAA RM'000**	**AA1 to AA2/ AA+ to AA RM'000**	**No rating RM'000**	**Total RM'000**	**Impairment allowance RM'000**
2022						
Financial assets at FVOCI						
– Stage 1	2,540,508	1,970,051	942,344	–	5,452,903	415
Amount due from counterparties						
– Stage 1	–	5,179,833	11,917,913	–	17,097,746	16
Islamic financing assets						
– Stage 1	–	2,561,055	12,921,229	–	15,482,284	93
Mortgage assets						
– Stage 1	–	–	–	4,159,796	4,159,796	10,176
– Stage 2	–	–	–	2,467	2,467	414
– Stage 3	–	–	–	23,578	23,578	7,564
	–	–	–	4,185,841	4,185,841	18,154
Islamic mortgage assets						
– Stage 1	–	–	–	4,880,385	4,880,385	12,383
– Stage 2	–	–	–	1,619	1,619	229
– Stage 3	–	–	–	22,090	22,090	7,086
	–	–	–	4,904,094	4,904,094	19,698

45 CREDIT RISK (CONTINUED)

45.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2022						
Islamic hire purchase assets						
– Stage 1	–	–	–	26	26	–
– Stage 3	–	–	–	36	36	12
	–	–	–	62	62	12
Guarantee exposures						
– Stage 1	–	–	–	173,234	173,234	887
– Stage 2	–	–	–	7,541	7,541	4,603
– Stage 3	–	–	–	3,070	3,070	3,070
	–	–	–	183,845	183,845	8,560
Wakalah exposures						
– Stage 1	–	–	–	926,313	926,313	3,822
– Stage 2	–	–	–	16,953	16,953	9,928
– Stage 3	–	–	–	4,901	4,901	4,901
	–	–	–	948,167	948,167	18,651

45 CREDIT RISK (CONTINUED)

45.4 Credit risk mitigation

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

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

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
2023				
Mortgage assets				
– Conventional	**3,599,454**	**(13,973)**	**3,585,481**	**23,886,855**
– Islamic	**4,401,299**	**(14,293)**	**4,387,006**	**19,055,213**
	8,000,753	**(28,266)**	**7,972,487**	**42,942,068**
2022				
Mortgage assets				
– Conventional	4,185,841	(18,154)	4,167,687	24,482,103
– Islamic	4,904,094	(19,698)	4,884,396	18,358,036
	9,089,935	(37,852)	9,052,083	42,840,139

45.5 Offsetting financial instruments

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

	Group		
	Gross amounts RM'000	Related amount not set-off RM'000	Net amount RM'000
2023			
Derivatives financial assets	**207,659**	**–**	**207,659**
Derivatives financial liabilities	**15,161**	**–**	**15,161**
2022			
Derivatives financial assets	102,583	–	102,583
Derivatives financial liabilities	6,619	–	6,619

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

46 LIQUIDITY RISK

46.1 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of debt portfolios. This involves managing market access in order to widen sources of funding to avoid over dependence on a single funding source as well as to minimise cost of funding.

46.2 Liquidity pool

The Group's liquidity pool comprised the following cash and unencumbered assets:

Group	Cash and cash equivalents RM'000	Deposits and placements with financial institutions RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Amount due from counter-parties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Reverse mortgage RM'000	Total RM'000
2023	**263,763**	**782,233**	**4,783,844**	**2,286,680**	**207,659**	**3,585,481**	**4,387,006**	**19,987,790**	**21,426,861**	**17,107**	**2,147**	**57,730,571**
2022	374,685	366,205	5,452,903	1,817,754	102,583	4,167,687	4,884,396	17,097,746	15,482,284	30,388	552	49,777,183

46 LIQUIDITY RISK (CONTINUED)

46.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis.

	Group					
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2023						
Financial liabilities						
Short-term borrowings	**–**	**194,236**	**–**	**433,618**	**–**	**627,854**
Unsecured bearer bonds and notes	**100,605**	**3,600,221**	**6,878,311**	**15,504,741**	**1,027,660**	**27,111,538**
Sukuk	**49,261**	**432,377**	**6,940,787**	**16,909,352**	**1,299,941**	**25,631,718**
RMBS	**–**	**5,256**	**15,824**	**400,316**	**–**	**421,396**
IRMBS	**–**	**3,172**	**9,448**	**321,379**	**–**	**333,999**
Unexpired financial guarantee contracts	**1,459,359**	**–**	**–**	**–**	**–**	**1,459,359**
Other financial liabilities	**205,978**	**2,534**	**–**	**–**	**–**	**208,512**
	1,815,203	**4,237,796**	**13,844,370**	**33,569,406**	**2,327,601**	**55,794,376**
Assets held for managing liquidity risk	**455,614**	**1,636,336**	**14,386,261**	**33,053,692**	**6,144,988**	**55,676,891**
2022						
Financial liabilities						
Short-term borrowings	–	817,730	–	–	–	817,730
Unsecured bearer bonds and notes	33,979	91,755	8,078,904	13,003,328	1,432,402	22,640,368
Sukuk	20,461	172,916	6,893,835	12,957,341	2,214,080	22,258,633
RMBS	–	5,256	15,766	421,396	–	442,418
IRMBS	–	3,138	9,448	333,999	–	346,585
Unexpired financial guarantee contracts	1,132,012	–	–	–	–	1,132,012
Other financial liabilities	193,063	2,828	–	–	–	195,891
	1,379,515	1,093,623	14,997,953	26,716,064	3,646,482	47,833,637
Assets held for managing liquidity risk	658,649	1,597,277	14,734,988	32,305,300	6,216,979	55,513,193

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

46 LIQUIDITY RISK (CONTINUED)

46.4 Derivative liabilities

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

The following table analyses the subsidiary's derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group					
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2023						
Net settled derivatives						
Derivatives held for hedging:						
IRS/IPRS	**28**	**(4,258)**	**3,636**	**5,732**	**9,865**	**14,947**
Gross settled derivatives						
Derivatives held for hedging:						
CCS/ICCS						
– Outflow	**–**	**(1,546,315)**	**(2,741,675)**	**(1,155,848)**	**–**	**(5,443,838)**
– Inflow	**–**	**1,673,404**	**2,773,377**	**1,191,808**	**–**	**5,638,589**
2022						
Net settled derivatives						
Derivatives held for hedging:						
IRS/IPRS	2,337	(6,432)	15,405	3,669	14,863	29,842
Gross settled derivatives						
Derivatives held for hedging:						
CCS/ICCS						
– Outflow	–	(28,186)	(2,768,540)	(312,592)	–	(3,109,318)
– Inflow	–	33,394	2,845,680	331,552	–	3,210,626

47 FOREIGN EXCHANGE RISK

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

The Group hedges all of its foreign currency denominated unsecured bearer bonds and notes and Sukuk. The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure by entering into derivative contracts.

47.1 Exposure to foreign currency risk

	Group		
	HKD RM'000	**USD RM'000**	**SGD RM'000**
2023			
Derivative financial instruments	**489,854**	**–**	**4,987,578**
Unsecured bearer bonds and notes	**489,906**	**–**	**4,983,658**
2022			
Derivative financial instruments	–	429,517	2,680,156
Unsecured bearer bonds and notes	–	440,873	2,694,205

47.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below:

	Group			
	2023		**2022**	
	Equity RM'000	**Profit RM'000**	**Equity RM'000**	**Profit RM'000**
USD	**–**	**–**	–	–
HKD	**–**	**–**	–	–
SGD	**29**	**1**	29	1
	29	**1**	29	1

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

The movement of the spot rate of foreign currency denominated for unsecured bearer bonds and notes, Sukuk and CCS/ICCS are not shown as it offsets each other.

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

48.1 Fair value of financial instruments carried at fair value

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/profit rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value of financial assets at FVTPL and FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS, CCS and ICCS are based on the estimated cash flows discounted using the market interest/profit rate, taking into account the effect of the entity's net exposure to the credit risk of that counterparty at the statement of financial position date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Assets				
Financial assets at FVOCI	**–**	**4,783,844**	**–**	**4,783,844**
Derivative financial instruments	**–**	**207,659**	**–**	**207,659**
Liabilities				
Derivative financial instruments	**–**	**15,161**	**–**	**15,161**
2022				
Assets				
Financial assets at FVOCI	–	5,452,903	–	5,452,903
Derivative financial instruments	–	102,583	–	102,583
Liabilities				
Derivative financial instruments	–	6,619	–	6,619

48.2 Fair value of financial instruments carried other than fair value

The following methods and assumptions were used to estimate the fair value of financial instruments as at the statement of financial position date:

(a) *Cash and cash equivalent and deposits and placements with financial institutions*

The carrying amount of cash and cash equivalents and deposits and placements with financial institutions are used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) *Other financial assets*

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

(c) *Other financial liabilities*

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group			
	2023		2022	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Financial assets at amortised cost	**2,286,680**	**2,312,107**	1,817,754	1,767,949
Amount due from counterparties	**19,987,790**	**20,210,096**	17,097,746	17,150,880
Islamic financing assets	**21,426,861**	**21,635,189**	15,482,284	15,450,301
Mortgage assets:				
– Conventional	**3,585,481**	**3,946,159**	4,167,687	4,368,064
– Islamic	**4,387,006**	**4,852,980**	4,884,396	5,263,356
Hire purchase assets:				
– Islamic	**55**	**62**	50	62
	51,673,873	**52,956,593**	43,449,917	44,000,612
Financial liabilities				
Short-term borrowings	**648,790**	**648,790**	812,339	812,339
Unsecured bearer bonds and notes	**24,954,908**	**25,134,180**	20,414,672	19,033,752
Sukuk	**23,278,139**	**23,431,049**	20,135,060	18,841,467
RMBS	**371,444**	**385,495**	371,444	385,495
IRMBS	**291,138**	**289,611**	291,138	289,611
	49,544,419	**49,889,125**	42,024,653	39,362,664

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.

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The fair value of the 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.

49 SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of Cagamas makes strategic decisions and allocation of resources centrally on behalf of the Group. The Group has determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

(a) PWR

Under the PWR scheme, the Group purchases the mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential eligibility criteria.

(b) PWOR

Under the PWOR scheme, the Group purchases the mortgage assets and hire purchase assets from counterparty on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparty, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

(c) Treasury

Under Treasury, the Group and the Company manage and invest surplus cashflow in approved treasury-related activities. The income consists of interest/profit and gains on the appreciation in the value of investment.

(d) Mortgage guarantee

Under the mortgage guarantee scheme, the Group derives its income by providing financial guarantee protection for a fee. Upfront guarantee and Wakalah fees received from the financial guarantee contracts are deferred and amortised to the income statements over the term of the guarantee contracts.

In each reporting segments, income is derived by seeking investments to maximise returns. These returns consist of interest/profit and gains on the appreciation in the value of investments.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

49 SEGMENT REPORTING (CONTINUED)

	Group					
	PWR RM'000	PWOR RM'000	Treasury RM'000	Mortgage guarantee RM'000	Others RM'000	Total RM'000
2023						
External revenue	1,461,903	521,608	233,305	28,131	91,032	2,335,979
External interest/profit expense	(1,402,319)	(335,240)	(255)	6,144	(81,060)	(1,812,730)
Segment result (Net Operating Income)	59,584	186,368	233,050	34,275	9,972	523,249
Profit before taxation and zakat						447,814
Taxation						(114,600)
Zakat						(3,104)
Profit after taxation and zakat						330,110
Segment assets	41,424,507	8,719,821	4,439,466	714,868	2,543,477	57,842,139
Segment liabilities	41,425,961	5,870,569	648,790	292,733	2,455,397	50,693,450
Other information						
Capital expenditure	2,764	461	197	–	170	3,592
Depreciation and amortization	5,443	907	389	–	334	7,073

49 SEGMENT REPORTING (CONTINUED)

	Group					
	PWR RM'000	**PWOR RM'000**	**Treasury RM'000**	**Mortgage guarantee RM'000**	**Others RM'000**	**Total RM'000**
2022						
External revenue	951,283	592,182	206,269	26,783	53,750	1,830,267
External interest/profit expense	(908,248)	(365,678)	(14)	(173)	(48,108)	(1,322,221)
Segment result (Net Operating Income)	43,035	226,504	206,255	26,610	5,642	508,046
Profit before taxation and zakat						446,251
Taxation						(107,598)
Zakat						(3,275)
Profit after taxation and zakat						335,378
Segment assets	32,604,535	9,438,938	5,745,239	126,587	2,035,460	49,950,759
Segment liabilities	29,772,297	9,847,511	812,339	226,728	2,504,378	43,163,253
Other information						
Capital expenditure	3,409	806	396	–	213	4,824
Depreciation and amortization	5,379	1,272	625	–	336	7,612

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

50 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2023					
ASSETS					
Cash and cash equivalents	181,379	54,502	27,882	–	263,763
Deposits and placements with financial institutions	88,361	687,854	6,018	–	782,233
Financial assets at FVOCI	2,690,061	1,482,100	611,683	–	4,783,844
Financial assets at amortised cost	2,286,680	–	–	–	2,286,680
Derivative financial instruments	207,659	–	–	–	207,659
Amount due from counterparties	19,987,790	–	–	–	19,987,790
Islamic financing assets	21,426,861	–	–	–	21,426,861
Mortgage assets:					
– Conventional	3,021,850	563,631	–	–	3,585,481
– Islamic	3,881,528	505,478	–	–	4,387,006
Hire purchase assets:					
– Islamic	55	–	–	–	55
Reverse mortgage assets	2,147	–	–	–	2,147
Other assets	20,476	–	–	(575)	19,901
Tax recoverable	6	–	–	–	6
Deferred taxation	–	–	69,285	13,501	82,786
Investment in subsidiaries	4,281,628	–	–	(4,281,628)	–
Property and equipment	1,947	–	–	–	1,947
Intangible assets	16,804	–	–	–	16,804
Right-of-use asset	7,176	–	–	–	7,176
Amount due from a related company	586	–	–	(586)	–
TOTAL ASSETS	58,102,994	3,293,565	714,868	(4,269,288)	57,842,139
LIABILITIES					
Short-term borrowings	648,790	–	–	–	648,790
Derivative financial instruments	15,161	–	–	–	15,161
Other liabilities	150,420	644	57,490	(1,196)	207,358
Lease liability	9,308	–	–	–	9,308
Provision for taxation	10,205	5,238	3,213	–	18,656
Deferred taxation	198,373	454,644	242	13,501	666,760
Unsecured bearer bonds and notes	24,954,908	–	–	–	24,954,908
Sukuk	23,278,139	–	–	–	23,278,139
RMBS	–	371,444	–	–	371,444
IRMBS	–	291,138	–	–	291,138
Deferred guarantee fee income	–	–	35,785	–	35,785
Deferred Wakalah fee income	–	–	196,003	–	196,003
TOTAL LIABILITIES	49,265,304	1,123,108	292,733	12,305	50,693,450

* Total assets and liabilities of CMGP and CSME were nil

50 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

ASSETS AND LIABILITIES (CONTINUED)

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2022					
ASSETS					
Cash and cash equivalents	162,167	146,121	66,397	–	374,685
Deposits and placements with financial institutions	132,570	226,623	7,012	–	366,205
Financial assets at FVOCI	3,493,471	1,461,435	497,997	–	5,452,903
Financial assets at amortised cost	1,817,754	–	–	–	1,817,754
Derivative financial instruments	102,583	–	–	–	102,583
Amount due from counterparties	17,097,746	–	–	–	17,097,746
Islamic financing assets	15,482,284	–	–	–	15,482,284
Mortgage assets:					
– Conventional	3,426,761	740,926	–	–	4,167,687
– Islamic	4,275,424	608,972	–	–	4,884,396
Hire purchase assets:					
– Islamic	50	–	–	–	50
Reverse mortgage assets	552	–	–	–	552
Other assets	33,261	–	–	(584)	32,677
Tax recoverable	51,508	–	–	–	51,508
Deferred taxation	–	3,542	53,178	33,580	90,300
Investment in subsidiaries	4,281,628	–	–	(4,281,628)	–
Property and equipment	1,459	–	–	–	1,459
Intangible assets	18,586	–	–	–	18,586
Right-of-use asset	9,384	–	–	–	9,384
Amount due from a related company	378	–	–	(378)	–
TOTAL ASSETS	50,387,566	3,187,619	624,584	(4,249,010)	49,950,759
LIABILITIES					
Short-term borrowings	812,339	–	–	–	812,339
Derivative financial instruments	6,619	–	–	–	6,619
Other liabilities	201,384	433	28,356	(997)	229,176
Lease liability	11,384	–	–	–	11,384
Provision for taxation	–	4,051	8,605	–	12,656
Deferred taxation	213,063	442,355	27	33,580	689,025
Unsecured bearer bonds and notes	20,414,672	–	–	–	20,414,672
Sukuk	20,135,060	–	–	–	20,135,060
RMBS	–	371,444	–	–	371,444
IRMBS	–	291,138	–	–	291,138
Deferred guarantee fee income	–	–	30,033	–	30,033
Deferred Wakalah fee income	–	–	159,707	–	159,707
TOTAL LIABILITIES	41,794,521	1,109,421	226,728	32,583	43,163,253

* Total liabilities of CMGP and CSME were nil.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

50 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

INCOME STATEMENTS

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2023					
Interest income	**1,071,843**	**106,102**	**13,633**	**–**	**1,191,578**
Interest expense	**(945,854)**	**(21,022)**	**–**	**–**	**(966,876)**
Income from Islamic operations	**138,613**	**34,349**	**36,442**	**(889)**	**208,515**
Non-interest income	**116,619**	**–**	**6,454**	**(33,041)**	**90,032**
	381,221	**119,429**	**56,529**	**(33,930)**	**523,249**
Administration and general expenses	**(27,741)**	**(1,762)**	**(2,504)**	**3,930**	**(28,077)**
Personnel costs	**(30,760)**	**–**	**–**	**–**	**(30,760)**
OPERATING PROFIT	**322,720**	**117,667**	**54,025**	**(30,000)**	**464,412**
Reversal/(allowance) of impairment losses	**10,920**	**1,552**	**(29,070)**	**–**	**(16,598)**
PROFIT BEFORE TAXATION AND ZAKAT	**333,640**	**119,219**	**24,955**	**(30,000)**	**447,814**
Taxation	**(74,726)**	**(34,572)**	**(5,302)**	**–**	**(114,600)**
Zakat	**(2,534)**	**–**	**(570)**	**–**	**(3,104)**
PROFIT FOR THE FINANCIAL YEAR	**256,380**	**84,647**	**19,083**	**(30,000)**	**330,110**
2022					
Interest income	881,244	112,413	12,299	–	1,005,956
Interest expense	(646,485)	(28,842)	–	–	(675,327)
Income from Islamic operations	128,238	33,234	26,613	(871)	187,214
Non-interest income	18,045	11	5,270	(33,123)	(9,797)
	381,042	116,816	44,182	(33,994)	508,046
Administration and general expenses	(29,870)	(1,543)	(2,838)	3,994	(30,257)
Personnel costs	(28,248)	–	–	–	(28,248)
OPERATING PROFIT	322,924	115,273	41,344	(30,000)	449,541
Reversal/(allowance) of impairment losses	7,401	3,818	(14,509)	–	(3,290)
PROFIT BEFORE TAXATION AND ZAKAT	330,325	119,091	26,835	(30,000)	446,251
Taxation	(73,104)	(28,197)	(6,297)	–	(107,598)
Zakat	(2,828)	–	(447)	–	(3,275)
PROFIT FOR THE FINANCIAL YEAR	254,393	90,894	20,091	(30,000)	335,378

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

51 CAPITAL ADEQUACY

The Group's and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

(a) To align with industry best practices and benchmark set by the regulators;

(b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and

(c) To maintain a strong capital base to support the development of its business.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Capital adequacy and the use of regulatory capital are monitored by the Group's and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The regulatory capital comprises of two tiers:

(a) Tier 1 capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and

(b) Tier 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

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

51.1 Regulatory capital

	Group	
	2023 **%**	**2022** **%**
Before deducting dividend*		
CET1 capital ratio	**46.9**	50.1
Tier 1 capital ratio	**46.9**	50.1
Total capital ratio	**47.4**	51.0
After deducting dividend*		
CET1 capital ratio	**46.7**	49.9
Tier 1 capital ratio	**46.7**	49.9
Total capital ratio	**47.2**	50.8

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

51 CAPITAL ADEQUACY (CONTINUED)

51.1 Regulatory capital (continued)

	Group	
	2023 RM'000	**2022 RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	**150,000**	150,000
Retained profits	**6,988,030**	6,688,299
	7,138,030	6,838,299
Financial assets at FVOCI reserves	**(188)**	(48,411)
Deferred tax assets	**(82,786)**	(90,300)
Less: Regulatory reserves*	**(47,919)**	(79,440)
Total CET1/Tier 1 capital	**7,007,137**	6,620,148
Tier 2 capital		
Allowance for impairment losses	**28,393**	37,973
Add: Regulatory reserves*	**47,919**	79,440
Total Tier 2 capital	**76,312**	117,413
Total capital	**7,083,449**	6,737,561
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**13,892,868**	12,134,247
Operational risk	**1,062,113**	1,083,183
Total risk-weighted assets	**14,954,981**	13,217,430

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

51 CAPITAL ADEQUACY (CONTINUED)

51.2 Proforma regulatory capital excluding CMBS

	Group	
	2023 **%**	**2022** **%**
Before deducting dividend*		
CET1 capital ratio	**34.0**	36.6
Tier 1 capital ratio	**34.0**	36.6
Total capital ratio	**34.5**	37.5
After deducting dividend*		
CET1 capital ratio	**33.8**	36.4
Tier 1 capital ratio	**33.8**	36.4
Total capital ratio	**34.3**	37.3

	Group	
	2023** **RM'000**	**2022**** **RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	**150,000**	150,000
Retained profits	**4,818,759**	4,603,296
	4,968,759	4,753,296
Financial assets at FVOCI reserves	**(1,375)**	(41,606)
Deferred tax assets	**(82,786)**	(86,758)
Less: Regulatory reserves ***	**(47,919)**	(79,440)
Total CET1/Tier 1 capital	**4,836,679**	4,545,492
Tier 2 capital		
Allowance for impairment losses	**23,256**	32,209
Add: Regulatory reserves ***	**47,919**	79,440
Total Tier 2 capital	**71,175**	111,649
Total capital	**4,907,854**	4,657,141

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

Credit risk	**13,385,479**	11,613,738
Operational risk	**839,192**	815,462
Total risk-weighted assets	**14,224,671**	12,429,200

* refers to proposed first dividend which are to be declared after the financial year.
** excludes CMBS's risk-weighted assets and total capital.
*** comprise qualifying regulatory reserves for non-impaired financing of Cagamas.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Group	
	Note	**2023 RM'000**	**2022 RM'000**
ASSETS			
Cash and cash equivalents	(a)	**78,983**	148,374
Deposits and placements with financial institutions	(b)	**128,880**	47,505
Financial assets at FVOCI	(c)	**1,185,681**	1,759,817
Financial assets at amortised cost		**681,993**	354,395
Derivative financial instruments		**720**	6,527
Financing assets	(d)	**21,426,861**	15,482,284
Mortgage assets	(e)	**4,385,703**	4,882,865
Hire purchase assets	(f)	**49**	45
Reverse mortgage assets		**225**	–
Tax recoverable		**–**	12,132
Deferred taxation		**56,290**	44,306
Other assets and prepayments		**288,833**	288,889
TOTAL ASSETS		**28,234,218**	23,027,139
LIABILITIES			
Short-term borrowings*		**1,823,287**	–
Derivative financial instruments		**2,529**	–
Other liabilities	(g)	**44,492**	26,580
Deferred taxation		**208,164**	217,243
Sukuk	(h)	**23,278,139**	20,135,060
IRMBS	(i)	**291,138**	291,138
Deferred Wakalah fees		**196,003**	159,707
Provision for taxation		**44,418**	7,127
TOTAL LIABILITIES		**25,888,170**	20,836,855
ISLAMIC OPERATIONS' FUNDS		**2,346,048**	2,190,284
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		**28,234,218**	23,027,139

* Included in short-term borrowings is Wakalah placement from the conventional operations amounting to RM1.8 billion (2022: Nil). This inter-operations charge is eliminated at the Group level.

52 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group	
	Note	**2023 RM'000**	**2022 RM'000**
Total income		**1,100,556**	838,740
Profit expense attributable to the Sukuk holders	(j)	**(845,749)**	(646,291)
Non-profit expense*		**(46,292)**	(5,235)
Total net income attributable	(k)	**208,515**	187,214
Administration and general expenses		**(2,254)**	(739)
Allowance for impairment losses		**(14,139)**	(5,213)
PROFIT BEFORE TAXATION AND ZAKAT		**192,122**	181,262
Taxation		**(41,403)**	(36,475)
Zakat		**(3,104)**	(3,275)
PROFIT FOR THE FINANCIAL YEAR		**147,615**	141,512

* Included in non-profit expenses during the year is Wakalah placement profit expenses paid to the conventional operations amounting to RM47.7 million (2022: Nil). This inter-operations charge is eliminated at the Group level.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Group	
	2023 RM'000	**2022 RM'000**
Profit for the financial year	**147,615**	141,512
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Financial assets at FVOCI		
– Net gain/(loss) on fair value changes before taxation	**17,666**	(11,460)
– FVOCI ECL	**73**	–
– Deferred taxation	**(3,654)**	2,762
Cash flow hedge		
– Net (loss)/gain on cash flow hedge before taxation	**(7,641)**	6,618
– Deferred taxation	**1,834**	(1,588)
Other comprehensive profit/(loss) for the financial year, net of taxation	**8,278**	(3,668)
Total comprehensive income for the financial year	**155,893**	137,844

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Non-distributable			Distributable		
Group	**Allocated capital funds RM'000**	**FVOCI reserves RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Other reserves RM'000**	**Total RM'000**
Balance as at 1 January 2023	**294,159**	**(9,882)**	**4,338**	**44,250**	**1,323,979**	**533,440**	**2,190,284**
Profit for the financial year	**–**	**–**	**–**	**–**	**147,615**	**–**	**147,615**
Other comprehensive (loss)/ income	**–**	**14,085**	**(5,807)**	**–**	**–**	**–**	**8,278**
Total comprehensive income for the financial year	**–**	**14,085**	**(5,807)**	**–**	**147,615**	**–**	**155,893**
Transfer to other reserves	**–**	**–**	**–**	**–**	**(23,755)**	**23,755**	**–**
Dividend paid during the year	**–**	**–**	**–**	**–**	**–**	**(379)**	**(379)**
Transfer to retained profits	**–**	**–**	**–**	**(15,919)**	**15,919**	**–**	**–**
Transfer to Islamic operations	**250**	**–**	**–**	**–**	**–**	**–**	**250**
Balance as at 31 December 2023	**294,409**	**4,203**	**(1,469)**	**28,331**	**1,463,758**	**556,816**	**2,346,048**
Balance as at 1 January 2022	294,159	(1,184)	(692)	49,203	1,203,611	507,343	2,052,440
Profit for the financial year	–	–	–	–	141,512	–	141,512
Other comprehensive (loss)/ income	–	(8,698)	5,030	–	–	–	(3,668)
Total comprehensive income for the financial year	–	(8,698)	5,030	–	141,512	–	137,844
Transfer to retained profits	–	–	–	(4,953)	4,953	–	–
Balance as at 31 December 2022	294,159	(9,882)	4,338	44,250	1,350,076	507,343	2,190,284

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group	
	Note	2023 RM'000	2022 RM'000
OPERATING ACTIVITIES			
Profit before taxation		**192,122**	181,262
Adjustment for non-cash items	(I)(i)	**(206,898)**	(183,094)
Operating loss before working capital changes		**(14,776)**	(1,832)
Net changes in operating assets and liabilities	(I)(ii)	**(4,466,345)**	(3,669,996)
Zakat paid		**(5,809)**	(5,367)
Tax paid		**(15,623)**	(15,040)
Net cash from operating activities		**(4,502,553)**	(3,692,235)
INVESTING ACTIVITIES			
Purchase of:			
– Financial assets at FVOCI		**(1,664,238)**	(2,285,598)
– Financial assets at amortised cost		**(323,935)**	–
Net proceeds from sale/redemption of:			
– Financial assets at FVOCI		**2,261,442**	1,747,000
– Financial assets at FVTPL		**–**	128,097
Income received from:			
– Financial assets at FVOCI		**40,286**	35,244
– Financial assets at FVTPL		**–**	221
Net cash from investing activities		**313,555**	(375,036)
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuk		**12,505,000**	10,090,000
Redemption of:			
– Sukuk		**(9,395,000)**	(5,075,000)
– IRMBS		**–**	(320,000)
Profit paid on:			
– Sukuk		**(800,490)**	(590,335)
– IRMBS		**(12,586)**	(19,130)
Dividend paid to RPS holder		**(379)**	–
Net cash from financing activities		**2,296,545**	4,085,535
Net change in cash and cash equivalents		**(69,391)**	18,264
Cash and cash equivalents as at 1 January		**148,374**	130,110
Cash and cash equivalents as at 31 December	52(a)	**78,983**	148,374

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

	Group	
	2023 RM'000	**2022 RM'000**
(a) Cash and cash equivalents		
Cash and bank balances with bank and other financial institutions	**179**	697
Mudharabah money at call and deposit placements maturing with original maturity less than three months	**78,804**	147,678
	78,983	148,375
Less:		
Allowance for impairment losses	**–**	(1)
	78,983	148,374

The gross carrying value of cash and cash equivalents and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflect the ECL model on impairment are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Stage 1		
As at 1 January	**1**	–
Allowance during the year	**(1)**	1
As at 31 December	**–**	1

(b) Deposits and placements with financial institutions

	Group	
	2023 RM'000	**2022 RM'000**
Licensed banks	**128,880**	47,505

The gross carrying value of deposits and placements with financial institutions are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2023 (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2023 RM'000	**2022 RM'000**
(c) Financial assets at FVOCI		
At fair value:		
Government investment issues	**279,525**	168,554
Quasi government Sukuk	**113,221**	416,570
Sukuk	**792,935**	1,124,847
Treasury bills	**–**	49,846
	1,185,681	1,759,817

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

	2023 RM'000	**2022 RM'000**
Maturing within one year	**51,006**	1,100,537
One to three years	**375,655**	94,223
Three to five years	**306,285**	303,421
More than five years	**452,735**	261,636
	1,185,681	1,759,817

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**
2023		
Stage 1 (12-month ECL; non-credit impaired)	**1,185,681**	**229**
2022		
Stage 1 (12-month ECL; non-credit impaired)	1,759,817	123

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(c) Financial assets at FVOCI (continued)

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

	Group	
	2023 RM'000	**2022 RM'000**
Stage 1		
As at 1 January	**123**	71
Allowance during the year on new assets purchased	**196**	74
Financial assets derecognised during the year due to maturity of assets	**(98)**	(15)
Allowance/(reversal) during the year due to changes in credit risk	**8**	(7)
As at 31 December	**229**	123

	Group	
	2023 RM'000	**2022 RM'000**
(d) Financing assets		
House financing	**18,696,839**	13,100,130
Personal financing	**2,225,410**	2,382,154
Hire purchase	**504,612**	–
	21,426,861	15,482,284
The maturity structure of financing assets are as follows:		
Maturing within one year	**7,301,922**	4,664,996
One to three years	**9,385,918**	8,872,270
Three to five years	**4,739,117**	1,945,111
	21,426,957	15,482,377
Less:		
Allowance for impairment losses	**(96)**	(93)
	21,426,861	15,482,284

The gross carrying value of financing assets and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflect the ECL model on impairment are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Stage 1		
As at 1 January	**93**	61
Allowance during the year on new assets purchased	**24**	59
Financial assets derecognised during the year due to maturity of assets	**(11)**	(20)
Reversal during the year due to changes in credit risk	**(10)**	(7)
As at 31 December	**96**	93

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets

	Group	
	2022 RM'000	**2021 RM'000**
PWOR	**4,385,703**	4,882,865

The maturity structure of mortgage assets are as follows:

	2022 RM'000	**2021 RM'000**
Maturing within one year	**709,062**	733,132
One to three years	**971,184**	988,355
Three to five years	**843,722**	894,812
More than five years	**1,876,025**	2,286,260
	4,399,993	4,902,559
Less:		
Allowance for impairment losses	**(14,290)**	(19,694)
	4,385,703	4,882,865

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2023		
Stage 1 (12-month ECL; non-credit impaired)	**4,381,158**	**9,805**
Stage 2 (Lifetime ECL; non-credit impaired)	**2,625**	**270**
Stage 3 (Lifetime ECL; credit impaired)	**16,210**	**4,215**
As at 31 December	**4,399,993**	**14,290**
Impairment allowance over gross carrying value (%)		**0.32**
2022		
Stage 1 (12-month ECL; non-credit impaired)	4,878,850	12,379
Stage 2 (Lifetime ECL; non-credit impaired)	1,619	229
Stage 3 (Lifetime ECL; credit impaired)	22,090	7,086
As at 31 December	4,902,559	19,694
Impairment allowance over gross carrying value (%)		0.40

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
As at 1 January	**12,379**	**229**	**7,086**	**19,694**
Transfer between stages:				
Transfer to 12-month ECL (Stage1)	**1,053**	**(129)**	**(1,808)**	**(884)**
Transfer to ECL non-credit impaired (Stage 2)	**(7)**	**259**	**(113)**	**139**
Transfer to ECL credit impaired (Stage 3)	**(27)**	**(64)**	**2,040**	**1,949**
Total transfer between stages	**1,019**	**66**	**119**	**1,204**
Financial assets derecognised during the year (other than write-offs)	**(373)**	**(20)**	**(3,624)**	**(4,017)**
Reversal during the year due to changes in credit risk	**(3,220)**	**(5)**	**(560)**	**(3,785)**
Amount written-back	**–**	**–**	**1,194**	**1,194**
As at 31 December	**9,805**	**270**	**4,215**	**14,290**
2022				
As at 1 January	16,937	411	9,195	26,543
Transfer between stages:				
Transfer to 12-month ECL (Stage1)	45	(299)	(2,729)	(2,983)
Transfer to ECL non-credit impaired (Stage 2)	(4)	207	(140)	63
Transfer to ECL credit impaired (Stage 3)	(43)	(8)	2,754	2,703
Total transfer between stages	(2)	(100)	(115)	(217)
Financial assets derecognised during the year (other than write-offs)	(609)	(74)	9	(674)
Reversal during the year due to changes in credit risk	(3,947)	(8)	(54)	(4,009)
Amount written-off	–	–	(1,949)	(1,949)
As at 31 December	12,379	229	7,086	19,694

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase

	Group	
	2023 RM'000	**2022 RM'000**
PWOR	**49**	45

The maturity structure of hire purchase assets are as follows:

	2023 RM'000	**2022 RM'000**
Maturing within one year	**55**	56
Less: Allowance for impairment losses	**(6)**	(11)
	49	*45*

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
2023		
Stage 1 (12-month ECL; non-credit impaired)	**30**	**–**
Stage 3 (Lifetime ECL; credit impaired)	**25**	**6**
As at 31 December	**55**	**6**
Impairment allowance over gross carrying value (%)		**10.91**
2022		
Stage 1 (12-month ECL; non-credit impaired)	22	–
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	56	11
Impairment allowance over gross carrying value (%)		19.64

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
As at 31 December	**–**	**–**	**6**	**6**
2022				
As at 31 December	–	–	11	11

(g) Other liabilities

	Group	
	2023 RM'000	**2022 RM'000**
Zakat	**3,104**	3,275
Other payables	**2,860**	4,634
Expected credit loss on Wakalah exposures	**38,505**	18,651
Other liabilities	**23**	20
	44,492	26,580

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) Other liabilities (continued)

Expected credit loss on Wakalah exposures

The unexpired financial Wakalah exposures by stage of allocation are as follows:

	Unexpired financial Wakalah exposures RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	**1,176,318**	**6,046**
Stage 2 (Lifetime ECL; non-credit impaired)	**34,767**	**20,618**
Stage 3 (Lifetime ECL; credit impaired)	**11,841**	**11,841**
As at 31 December	**1,222,926**	**38,505**
Impairment allowance over unexpired financial Wakalah exposures (%)		**3.15**
2022		
Stage 1 (12-month ECL; non-credit impaired)	926,313	3,822
Stage 2 (Lifetime ECL; non-credit impaired)	16,953	9,928
Stage 3 (Lifetime ECL; credit impaired)	4,901	4,901
As at 31 December	948,167	18,651
Impairment allowance over unexpired financial Wakalah exposures (%)		1.97

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) Other liabilities (continued)

Expected credit loss on Wakalah exposures (continued)

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

	Group			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
As at 1 January	**3,822**	**9,928**	**4,901**	**18,651**
Transfer between stages:				
– Transfer to 12-month ECL Stage 1)	**243**	**(4,347)**	**(1,127)**	**(5,231)**
– Transfer to ECL non-credit impaired (Stage 2)	**(520)**	**13,569**	**(781)**	**12,268**
– Transfer to ECL credit impaired (Stage 3)	**(109)**	**(1,731)**	**7,711**	**5,871**
Total transfer between stages	**(386)**	**7,491**	**5,803**	**12,908**
Allowance during the year on new Wakalah exposure	**1,655**	**3,591**	**2,135**	**7,381**
Wakalah amount derecognised during the year	**(53)**	**(401)**	**(1,012)**	**(1,466)**
Allowance during the year due to changes in credit risk	**1,008**	**9**	**14**	**1,031**
As at 31 December	**6,046**	**20,618**	**11,841**	**38,505**
2022				
As at 1 January	3,713	3,876	975	8,564
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	51	(1,663)	(225)	(1,837)
– Transfer to ECL non-credit impaired (Stage 2)	(313)	6,896	(79)	6,504
– Transfer to ECL credit impaired (Stage 3)	(69)	(1,030)	3,727	2,628
Total transfer between stages	(331)	4,203	3,423	7,295
Allowance during the year on new Wakalah exposure	1,397	2,185	825	4,407
Wakalah amount derecognised during the year	(71)	(42)	(319)	(432)
Reversal during the year due to changes in credit risk	(886)	(294)	(3)	(1,183)
As at 31 December	3,822	9,928	4,901	18,651

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2023 RM'000	**2022 RM'000**
(h) Sukuk		
Commercial papers	**641,797**	–
Medium-term notes	**22,636,342**	20,135,060
	23,278,139	20,135,060

The maturity structures of Sukuk are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Maturing within one year	**7,553,139**	6,505,060
One to three years	**8,960,000**	9,370,000
Three to five years	**5,620,000**	2,325,000
More than five years	**1,145,000**	1,935,000
	23,278,139	20,135,060

	Group	
	2023 RM'000	**2022 RM'000**
(i) IRMBS		
IRMBS	**291,138**	291,138

The maturity structures of the IRMBS are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Maturing within one year	**1,138**	1,138
Three years to five years	**290,000**	290,000
	291,138	291,138

	Group	
	2023 RM'000	**2022 RM'000**
(j) Income attributable to the Sukuk holders		
Mortgage assets	**185,687**	210,388
Financing assets	**659,990**	435,800
Hire purchase assets	**72**	103
	845,749	646,291

Income attributable to the Sukuk holders analysed by concept are as follows:

	Group	
	2023 RM'000	**2022 RM'000**
Bai Al-Dayn	**833,163**	628,367
Musyarakah	**12,586**	17,924
	845,749	646,291

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2023 **RM'000**	**2022** **RM'000**
(k) Total net income attributable		
Income from:		
Mortgage assets	**77,589**	106,191
Hire purchase assets	**(72)**	(100)
Financing assets	**74,480**	9,628
Financial assets at FVOCI	**58,048**	45,165
Deposits and placements with financial institutions	**16,631**	10,024
Wakalah fee	**28,131**	21,541
Kafalah expenses	**(310)**	(105)
Non-profit expense	**(45,982)**	(5,130)
	208,515	187,214

Total net income attributable analysed by concept are as follows:

	Group	
	2023 **RM'000**	**2022** **RM'000**
Bai Al-Dayn	**106,015**	110,589
Mudharabah	**18,673**	14,142
Murabahah	**26,575**	19,988
Musyarakah	**7,068**	6,011
Wakalah	**36,613**	28,219
Ijarah	**1,967**	2,513
Qard Al-Hassan	**1,099**	656
Tawarruq	**10,505**	5,096
	208,515	187,214

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2023 RM'000	**2022 RM'000**
(l) Statement of Cash Flows		
(i) Adjustment of non-cash items		
Amortisation of premium less accretion of discount on:		
– Financial assets at FVOCI	**(6,077)**	2,110
– Mortgage assets	**(68,362)**	(100,355)
Allowance/(reversal) for impairment losses on:		
– Cash and cash equivalents	**–**	(10)
– Financial assets at FVOCI	**106**	57
– Financial assets at amortised cost	**1**	(42)
– Financing assets	**(3)**	32
– Mortgage and hire purchase assets	**5,559**	(6,850)
– Wakalah exposures	**19,854**	10,086
Write-back on mortgage assets	**(286)**	(20)
Kafalah	**310**	105
Income from financial assets at FVOCI	**(39,533)**	(37,373)
Income from Islamic operations	**(938,167)**	(675,190)
Income from derivative	**(25,252)**	(14,470)
Wakalah fee income	**(28,131)**	(21,541)
Profit attributable to:		
– Sukuk holders	**833,569**	628,367
– IRMBS holders	**12,586**	17,924
– Derivative	**25,199**	14,076
Gain on disposal of financial assets at FVOCI	**1,729**	–
	(206,898)	(183,094)

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group 2023 RM'000	Group 2022 RM'000
(l) Statement of Cash Flows (continued)		
(ii) Net changes in operating assets and liabilities		
Change in cash and cash equivalents and deposits and placements with financial institutions	**(81,375)**	163,604
Change in financing assets	**(5,878,415)**	(5,179,067)
Change in mortgage assets	**551,597**	625,871
Change in hire purchase assets	**(8)**	10
Change in other assets and prepayments	**306**	474
Change in derivative	**802**	(641)
Change in other liabilities	**430**	(3,534)
Profit received from assets	**875,943**	655,140
Profit received from derivative	**25,199**	14,076
Wakalah fee received	**64,428**	68,541
Profit paid on derivative	**(25,252)**	(14,470)
	(4,466,345)	(3,669,996)

(iii) An analysis of changes in liabilities arising from financing activities is as follows:

Group	Sukuk RM'000	IRMBS RM'000	Total RM'000
2023			
As at 1 January	**20,135,060**	**291,138**	**20,426,198**
Proceeds from issuance	**12,505,000**	**–**	**12,505,000**
Repayment and redemption	**(9,395,000)**	**–**	**(9,395,000)**
Profit paid	**(800,490)**	**(12,586)**	**(813,076)**
Other non-cash movement	**833,569**	**12,586**	**846,155**
As at 31 December	**23,278,139**	**291,138**	**23,569,277**
2022			
As at 1 January	15,082,028	612,344	15,694,372
Proceeds from issuance	10,090,000	–	10,090,000
Repayment and redemption	(5,075,000)	(320,000)	(5,395,000)
Profit paid	(590,335)	(19,130)	(609,465)
Other non-cash movement	628,367	17,924	646,291
As at 31 December	20,135,060	291,138	20,426,198

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) Capital adequacy

	Group 2023 %	Group 2022 %
Regulatory capital		
Before deducting dividend*		
CET1 capital ratio	**27.1**	28.7
Tier 1 capital ratio	**27.1**	28.7
Total capital ratio	**27.6**	29.6
After deducting dividend*		
CET1 capital ratio	**27.1**	28.7
Tier 1 capital ratio	**27.1**	28.7
Total capital ratio	**27.6**	29.6

	Group 2023 RM'000	Group 2022 RM'000
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	**294,409**	294,159
Other reserves	**2,048,905**	1,901,669
	2,343,314	2,195,828
Financial assets at FVOCI reserves	**1,891**	(9,882)
Deferred tax assets	**(56,290)**	(44,306)
Less: Regulatory reserves**	**(28,331)**	(44,250)
Total CET1/Tier 1 capital	**2,260,584**	2,097,390
Tier 2 capital:		
Allowance for impairment losses	**14,395**	19,803
Add: Regulatory reserves**	**28,331**	44,250
Total Tier 2 capital	**42,726**	64,053
Total capital	**2,303,310**	2,161,443

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

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

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) Capital adequacy (continued)

Regulatory capital (continued)

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

	Group	
	2023 RM'000	**2022 RM'000**
Credit risk	**7,974,196**	6,943,654
Operational risk	**372,729**	354,910
Total risk-weighted assets	**8,346,925**	7,298,564

Proforma regulatory capital excluding CMBS

	Group	
	2023 %**	**2022** %**
Before deducting dividend*		
CET1 capital ratio	**20.9**	22.2
Tier 1 capital ratio	**20.9**	22.2
Total capital ratio	**21.4**	23.1
After deducting dividend*		
CET1 capital ratio	**20.9**	22.2
Tier 1 capital ratio	**20.9**	22.2
Total capital ratio	**21.4**	23.1

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) Capital adequacy (continued)

Proforma regulatory capital excluding CMBS (continued)

	Group	
	2023 RM'000**	**2022** RM'000**
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	**294,409**	294,159
Other reserves	**1,492,089**	1,368,229
	1,786,498	1,662,388
Financial assets at FVOCI reserves	**1,478**	(8,683)
Deferred tax assets	**(56,290)**	(44,306)
Less: Regulatory reserves ***	**(28,331)**	(44,250)
Total CET1/Tier 1 capital	**1,703,355**	1,565,149
Tier 2 capital:		
Allowance for impairment losses	**11,813**	17,296
Add: Regulatory reserves ***	**28,331**	44,250
Total Tier 2 capital	**40,144**	61,546
Total capital	**1,743,499**	1,626,695
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**7,833,226**	6,781,958
Operational risk	**310,507**	252,747
Total risk-weighted assets	**8,143,733**	7,034,705

** excludes CMBS's risk-weighted assets and total capital.
*** comprise qualifying regulatory reserves for non-impaired financing of Cagamas.

The Group is not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

52 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(n) Shariah advisor

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

53 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 March 2024.